



DATE: October 29, 2014
TO: Board of Commissioners
FROM: Patrick Quinton, Executive Director
SUBJECT: Report Number 14-44

Public Hearing on Budget Amendment No. 1; Adopting Budget Amendment No. 1 for the Fiscal Year Beginning July 1, 2014, and Ending June 30, 2015; and Making Appropriations

BOARD ACTION REQUESTED

Adopt Resolution No. 7078

ACTION DESCRIPTION

This proposed action by the Portland Development Commission (PDC) Board of Commissioners (Board) will formally amend the current fiscal year (FY) 2014-15 Adopted PDC Budget for the first time in the following ways:

- (1) Adjust beginning fund balances to match actual FY 2013-14 year-end fund balances;
- (2) Adjust individual project and real estate management budgets using updated information on property management expenses and staff time;
- (3) Adjust program budgets based on committed loan and grant carryover, or allocation of new funding; and
- (4) Adjust the Portland Housing Bureau (PHB) Set Aside Budget to match updated FY expenditure estimates from PHB.

In summary, FY 2014-15 Budget Amendment No. 1 increases the total PDC budget from \$246,023,647 in the FY 2014-15 Adopted Budget to \$301,486,384 including Transfers, Contingency, and Reserves. Excluding Transfers and Contingency, total budgeted expenditures increase from \$190,376,243 to \$210,380,254.

BACKGROUND AND CONTEXT

The FY 2014-15 Budget Amendment No. 1 is the first budget amendment of the FY, and the majority of the changes are related to updating the budget to reflect actual beginning fund balances and recognizing project carryover/adjustments. These adjustments provide the best picture of available resources leading into the FY 2015-16 budget development cycle.

COMMUNITY AND PUBLIC BENEFIT

The FY 2014-15 Budget Amendment No. 1 serves the public interest by ensuring that the PDC Board has appropriated adequate public funds to be lawfully expended by PDC to implement planned projects and programs for the current FY.

PUBLIC PARTICIPATION AND FEEDBACK

The public has the opportunity to testify at the public hearing held by the PDC Board on Budget Amendment No. 1, prior to action on the resolution. In addition, PDC conducts public outreach through meetings with advisory groups as part of the budget development process. No specific outreach has been performed regarding this action; however, notice of the public hearing to be held by the PDC Board on Budget Amendment No. 1 was published prior to the meeting in the manner required by local budget law. Changes included in the FY 2014-15 Budget Amendment No. 1 are consistent with funding priorities established in the FY 2014-15 Adopted Budget and four-year forecast.

BUDGET AND FINANCIAL INFORMATION

The recommended amendments to the FY 2014-15 Revised Budget reflect the financial implications of business decisions which amount to approximately \$210,380,254 in program and project expenditures and contingency. In summary, key changes to projects and programs are:

Changes to Resources

- **Beginning Fund Balance:** Increases \$54,767,181 based on actual FY 2013-14 ending fund balances (due primarily to committed, unspent balance on Multnomah County for Health Headquarters grant and remaining FY 2013-14 ending program resources).
- **Fees and Charges:** Increases a net \$108,027 due to updates on estimated loan fees and service contract with PHB.
- **Interest on Investments:** Increases \$45,878 based on updated earnings on cash balances through FY end.
- **Loan Collections:** Increases a net \$11,840,338 based on updated forecast for loan portfolio and inclusion of payoff of the Sage Hospitality loan (River District Urban Renewal Area (URA)).
- **Long Term Debt:** Decreases \$14,600,000 to remove line of credit borrowing. No line of credit borrowing is anticipated due to revised beginning fund balances.
- **Property Income:** Increases \$2,681,610 to true-up estimates for property sale proceeds (includes Grove Hotel and security deposit for proposed sale of Lot 5).
- **Reimbursements:** Increases \$347,082 for reimbursements (\$209,609 for federal grant match amount from PDC General Fund/\$141,000 from City of Portland Parks Bureau for Central District Greenway work).
- **Service Reimbursements:** Increase of \$71,222 to balance required indirect overhead requirements.
- **Transfers In:** Increases a net \$33,648 based on repayment of prior year inter-fund loans and removal of unnecessary cash transfers included in prior version of budget.

Changes to Requirements

- **Administration:** Increases a net \$74,650 based across all funds. Primary changes include increases due to inclusion of costs related to URA amendment process and funding available for workforce compliance programs, offset by a reduction in facility costs (utilities).
- **Business Development:** Increases \$1,186,607 for updated requirements across funding sources primarily for business lending programs along with updated estimates for current year expenditures related to three federal grants (Jobs Innovation Accelerator Challenge 1 and 2 as well as the recently awarded Market Development Cooperator Program for international export development).
- **Housing:** Decreases \$5,444,751 based on updated forecast of current year expenditures from PHB to match PHB and City of Portland Budget. Changes in the budget will be incorporated in future tax increment funding Set Aside budgets.

- **Infrastructure:** Increases \$2,406,299 for remaining transportation and parks carryover from the FY 2013-14 Budget. Transportation projects underway include Killingsworth, Lombard, Denver, Burnside, Foster/Woodstock, and 122nd Avenue improvements. Park projects include Leach Botanical Garden (Lents Town Center URA) and Central District Greenway work (North Macadam URA).
- **Property Redevelopment:** Increases a net \$21,781,206; includes \$16,948,460 prior year carryover for the balance of the grant to Multnomah County for the Health Headquarters, \$2,000,000 reserved for Old Town/Chinatown commercial lending, as well as carryover and adjustments for Storefront Improvement and Development Opportunity Services grant programs across multiple URAs. A true-up for current year construction costs for property improvements in Lents Town Center and Cascade Station Lot G (parking lot) are also included.
- **Transfers Out:** Increases a net \$104,770, primarily for repayment of prior year inter-fund loans (for cash flow purposes in billable funds).
- **Contingency:** Increases a net \$35,353,956 for changes in resources and expenditures. Increases occur across most funds as a result of rebalancing resources with updated expenditure estimates. Most of the change is due to the availability of additional beginning fund balance that will be incorporated for funding in the FY 2015-16 budget and five-year forecast.

RISK ASSESSMENT

Should the PDC Board decide not to approve FY 2014-15 Budget Amendment No. 1, there may be inadequate appropriations for some projects and programs that are underway. An over-expenditure of an appropriation within a fund is a violation of local budget law (Oregon Revised Statutes 294); therefore, the recommended budget amendments ensure proper appropriations authority for all expenditures.

ALTERNATIVE ACTIONS

The PDC Board could choose not to approve FY 2014-15 Budget Amendment No. 1 and direct staff to work within existing appropriations. In some cases, prior year commitments may not have adequate appropriation and, if expended, may trigger a violation of local budget law.

ATTACHMENTS

None.