

DATE: November 18, 2015
TO: Board of Commissioners
FROM: Patrick Quinton, Executive Director
SUBJECT: Report Number 15-70
Public Hearing on Budget Amendment No. 1; Adopting Budget Amendment No. 1 for the Fiscal Year Beginning July 1, 2015, and Ending June 30, 2016; and Making Appropriations

BOARD ACTION REQUESTED

Adopt Resolution No. 7155

ACTION DESCRIPTION

This proposed action by the Portland Development Commission (PDC) Board of Commissioners (Board) will formally amend the current fiscal year (FY) 2015-16 Adopted PDC Budget for the first time in the following ways:

- (1) Adjust beginning fund balances to match actual FY 2014-15 year-end fund balances;
- (2) Adjust individual project and real estate management budgets using updated information on property management expenses PDC and staff time;
- (3) Update the River District Urban Renewal Area (URA) budget to include acquisition of the United States Post Office Processing & Distribution Center (P&DC) site and interim financing for eligible projects under way in the current year;
- (4) Adjust programs funded by the City of Portland General Fund for economic development carryover and allocation of new funding; and
- (5) Adjust the Portland Housing Bureau (PHB) Set Aside Budget to match updated fiscal year expenditure estimates from PHB.

In summary, FY 2015-16 Budget Amendment No. 1 increases the total PDC budget from \$309,327,328 in the FY 2015-16 Adopted Budget to \$358,339,555 including Transfers, Contingency, and Reserves. Excluding Transfers and Contingency total budgeted expenditures increase from \$205,611,479 to \$233,817,412.

BACKGROUND AND CONTEXT

The FY 2015-16 Budget Amendment No. 1 is the first budget amendment of the fiscal year, 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 2016-17 budget development cycle.

COMMUNITY AND PUBLIC BENEFIT

The FY 2015-16 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 fiscal year.

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 performs an extensive amount of public outreach through meetings held throughout the year by its 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. Also, specific changes related to the River District URA and P&DC site acquisition are informed by the public processes involving the Broadway Corridor Framework Plan. All other changes included in the FY 2015-16 Budget Amendment No. 1 are consistent with funding priorities established in the FY 2015-16 Adopted Budget and four-year forecast.

BUDGET AND FINANCIAL INFORMATION

The recommended amendments to the FY 2015-16 Revised Budget reflect the financial implications of business decisions which amount to approximately \$233,000,000 in program and project expenditures and contingency. In summary, key changes to projects and programs are:

Resources:

- **Intergovernmental Revenues:** Increases \$186,418, mostly for General Fund carryover for prior year Cluster Development and Neighborhood Economic Development programs (\$80,000) and new Innovation Fund award (\$90,000).
- **Loan Collections:** Increases a net \$591,604 across many funds for updates in principal and interest payments or loan payoffs that have occurred in the first quarter (total includes \$560,000 payoff for the Telegram Building in South Park Blocks).
- **Property Income:** Increases \$11,921,146. Total includes:
 - \$11,000,000 for Parcel 3 transaction (split between North Macadam URA and Business Management Fund);
 - \$184,000 for higher revenue for Inn at the Convention Center;
 - \$476,000 for sale of land at Cascade Station in the Airport Way URA.
- **Reimbursements:** Increases \$9,395,466, mostly related receipt of payment from Multnomah County for termination of the Courthouse Intergovernmental Agreement (IGA) in the Downtown Waterfront URA (project did not require funding and offset by future, increased funding for Health Department Building in the River District URA).

Requirements

- **Administration:** Increases a net \$601,365, including \$400,000 accounts for transfer of residual Education URA resources back to Multnomah County Assessor. Balance of \$200,000 represents carryover for the ongoing Enterprise Resource Planning project (prior year unspent carryover), an increase in support for collective bargaining efforts, and a contract to support studying proposed density bonus incentives in concert with the Bureau of Planning and Sustainability.

- **Business Development:** Increases a net \$1,021,098. Majority of the increase is related to adding budget appropriation from existing cash (contingency) to support higher loan activity this fiscal year.
- **Housing:** Increases a net \$3,301,212 for PHB and non-PHB activity:
 - PHB IGA related activity is a net decrease of \$5,658,788. PHB's budget is decreasing based on cash requirements of projects in the Oregon Convention Center and River District URAs. PHB's budget in the Interstate Corridor URA is increasing \$2,497,973.
 - Non-PHB housing increases by \$8,960,000 to include a PDC grant and a commitment for potential environmental remediation for the development of the Parcel 3 property for affordable housing in the North Macadam URA.
- **Infrastructure:** Increases a net \$221,834. Changes include:
 - A decrease of \$638,000 in Downtown Waterfront URA to reclassify Lan Su Chinese Garden Lake funding as a Community Livability Grant (part of Property Redevelopment);
 - An increase in budget and scope for Gateway Transportation Projects (\$876,000 for 103rd/Triangle);
 - \$187,000 for final payment for streetcar realignment in the Education URA;
 - A decrease of \$400,000 in the River District URA for removal of Fields Parks Local Improvement District payment (occurred last fiscal year).
- **Property Redevelopment:** Increases \$22,940,406 Total includes:
 - Increase of \$638,000 for reclassification of Lan Su Garden Lake reconstruction from an IGA with Portland Parks & Recreation to a Community Livability Grant (Property Redevelopment);
 - \$535,400 increase in the Oregon Convention Center URA for inclusion of revenue sharing payments for Inn at the Convention Center;
 - Increases a net \$20,887,603 in the River District URA to add \$26,300,000 for current year estimate of P&DC site purchase and total current year demolition costs for Centennial Mills while decreasing amount needed to fund current year Pacific Northwest College of Art and Old Town/Chinatown commitments.
- **Transfers:** Increases \$358,933 for repayment of interfund loan between Business Lending funds and Community Development Block Grant fund for year-end cash flow needs.
- **Contingency:** Increases \$20,447,361, mostly related to net changes in resources and expenditures in the Downtown Waterfront, Oregon Convention Center, and Lents Town Center URAs.

RISK ASSESSMENT

Should the PDC Board decide not to approve FY 2015-16 Budget Amendment No. 1, there may be inadequate appropriations for some projects and programs that are under way. 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 2015-16 Budget Amendment No. 1 and direct PDC 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.