

DATE: June 8, 2016
TO: Board of Commissioners
FROM: Patrick Quinton, Executive Director
SUBJECT: Report Number 16-27
Adopting Budget Amendment No. 3 for the Fiscal Year Beginning July 1, 2015, and Ending June 30, 2016; and Making Appropriations

BOARD ACTION REQUESTED

Adopt Resolution No. 7185.

ACTION DESCRIPTION

This action by the Portland Development Commission (PDC) Board of Commissioners (Board) will amend the fiscal year (FY) 2015-16 PDC Revised Budget to provide final adjustments for project and program estimates that were not known or have changed since drafting Budget Amendment No. 2, which was adopted by the PDC Board on March 9, 2016.

The proposed FY 2015-16 Budget Amendment No. 3 will increase the total PDC budget from \$421,209,635 in the FY 2015-16 Revised 2 Budget to \$421,215,336 including Transfers, Contingency, and Reserves. Excluding Transfers and Contingency, total budgeted expenditures decrease from \$165,383,797 to \$154,757,448.

BACKGROUND AND CONTEXT

The PDC Board adopted the original FY 2015-16 Budget on June 24, 2015, by Resolution No. 7130; subsequently the PDC Board authorized amendments to the budget on November 18, 2015, by Resolution No. 7155, and on March 9, 2016, by Resolution No. 7173 (the FY 2015-16 Revised Budget). The change in expenses resulting in this third amendment can be attributed mostly to minor adjustments in property management expenses, overhead expenses, and carryover related to establishing the FY 2016-17 Budget.

COMMUNITY AND PUBLIC BENEFIT

The FY 2015-16 Budget Amendment No. 3 serves the public interest to the degree that it ensures that the PDC Board has appropriated adequate public funds to be lawfully expended by PDC as necessary to implement projects and programs which are planned for the current fiscal year.

PUBLIC PARTICIPATION AND FEEDBACK

The public has the opportunity to testify at the June 8, 2016, public hearing held by the PDC Board on Budget Amendment No. 3, prior to action on the resolution. 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. 3 was published prior to the meeting in the manner required by local budget law. Moreover, the Central City Budget Advisory Committee and Neighborhood Economic Development Leadership Group Budget Sub-Committee have reviewed current year priorities and budgets during the FY 2016-17 budget development process. Changes included in the FY 2015-16 Budget Amendment No. 3 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 \$154,757,448 in program and project expenditures and contingency. In summary, key changes to projects and programs are:

Changes to Resources

- **City of Portland (City) General Fund:** Decreases \$90,000 based on carryover of current year funding for city innovation funds (Bridging the Tech Divide) to next fiscal year's budget.
- **Other Debt Proceeds:** Decreases \$175,739 for reduced estimates of current year borrowing on interim line of credit in the River District Urban Renewal Area (URA).
- **Property Income:** Increases for higher estimated income related to Headwaters Apartments.

Changes to Requirements

- **Administration:** Increases \$586,982, mostly due to reclassifying interim line of credit interest expense from Debt Service to Administration.
- **Economic Development:** Decreases \$804,258. Most of the decrease is related to timing of City General Fund resources, including \$630,000 for the Neighborhood Prosperity Initiative Opportunity Fund and \$90,000 in innovation funds (Bridging the Tech Divide) that are being reprogrammed to FY 2016-17.
- **Housing:** Decreases \$6,683,488 based on the total amount of resources moved from the current fiscal year to FY 2016-17 based on revised project timelines from the Portland Housing Bureau.
- **Infrastructure:** Decreases \$1,494,399 for timing of work related to Union Station in the River District URA and Killingsworth Streetscape in the Interstate Corridor URA.
- **Property Redevelopment:** Decreases a net \$1,647,517. Includes an increase of \$2,088,871 in non-refundable deposits for the United States Post Office (USPS) site acquisition work and a decrease of \$4,000,000 for timing of Lents Town Center URA projects (moved to FY 2016-17).
- **Debt Service:** Decreases \$583,669 to reclassify interim line of credit expense as Administration.
- **Transfers:** Increase \$221,440; \$200,000 of the increase relates increasing the current year portion of the interfund loan from the River District URA to the Business Management Fund for current year USPS acquisition costs.
- **Contingency:** Increases a net \$10,410,610 to balance total resources against expenditures.

RISK ASSESSMENT

Should the PDC Board decide not to approve FY 2015-16 Budget Amendment No. 3, there will be minor overspending of certain appropriation categories in several funds, and the potential for inadequate appropriation in other areas of the PDC Budget. An over-expenditure of an appropriation within a fund is a violation of state 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. 3. Some business line expenditures may have insufficient appropriation at year-end which will trigger a violation of local budget law.

ATTACHMENTS

None.