

PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: March 23, 2011
TO: Board of Commissioners
FROM: Patrick Quinton, Executive Director
SUBJECT: Report Number 11-21
Authorize Reduction in Force and FY 2011-12 Budget Development Update

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Approve Resolution 6859.

SUMMARY

The accompanying resolution will, in accordance with the PDC Personnel Policy, approve the recommended Reduction in Force to align PDC's costs with anticipated resources, and will also ratify previous actions taken to begin implementation of the Reduction in Force and authorize completion of the implementation of the Reduction in Force, including elimination of additional positions as the Executive Director determines necessary or prudent to address operational needs and in the context of budgetary constraints. The resolution will also express appreciation for the dedicated service of impacted employees. In January, 2011, the Board of Commissioners ("Board") was advised of an anticipated decline in urban renewal resources in future fiscal years and of the need to align the FY 2011-2012 Budget with the diminished resources. During the associated Budget Development Work Session, staff presented a Requested Budget to the Board, which was subsequently submitted to the City of Portland Office of Management and Finance and the City Council, that included \$2.8 million in targeted savings with a goal of achieving \$4 million in total cost savings. In order to achieve \$4 million in total cost savings, and after consultation with the Department Directors and based on an analysis of PDC's needs, I am recommending to the Board for approval, pursuant to Article VIII, Section I(3)(a)(ii) of the PDC Personnel Policy, a reduction in authorized positions from 160.5 in the FY 2010-11 Adopted Budget to 138.3 in the FY 2011-12 Budget (the "Reduction in Force"). The Reduction in Force is required solely because of resource limitations and the positions recommended for elimination were selected based on an analysis of PDC's operational needs in FY 2011-12 and future years and not on the performance of the impacted employees, each of whom has provided dedicated service to PDC and the City of Portland.

BACKGROUND

PDC annually develops a five-year forecast that includes assumptions for program and project expenditures balanced against available Urban Renewal Area tax increment funds and program income. The budget also includes a one-year request for General Fund resources to implement city-wide programs. Based on the expiration of several urban renewal areas, a reduced assessed value forecast and opportunities for evaluating efficiencies in the organization moving forward, the PDC Leadership team developed a

targeted reduction of \$4 million from the status-quo operating budget, reducing the combined total for PDC personal services, administrative overhead and PHB URA administration by approximately 14%. In total, approximately \$4.2 million in operating savings have been identified when compared to the original FY 2011-12 forecast.

Operating Summary					
	FY 2010-11 Revised	FY 2011-12 Forecast	FY 2011-12 Requested	FY 2011-12 Proposed	Change from Forecast
PDC Personal Services*	18,040,179	18,816,087	16,322,781	16,435,145	-2,380,942
PDC Materials and Services (Overhead)	6,496,336	6,443,741	6,443,741	5,384,370	-1,059,371
PHB M&S (staff/administration)	3,835,314	3,750,501	3,000,000	3,034,396	-716,105
Total Operations	28,371,829	29,010,329	25,766,522	24,853,911	-4,156,418
* Notes:					
Includes PERS pension obligation bonds payment (\$482,000 in 10-11, \$380,000 in 11-12)					
Includes budgeted LTEs for completion of ERP projects (one-time cost)					

Personal Services Reductions:

PDC Personal Services reductions include a total position count reduction from 160.5 to 138.3. Positions were selected for elimination based on an analysis of PDC's anticipated operational needs in FY 2011-12 and future years. The total positions figure includes three LTE positions anticipated to continue into FY 2011-12. Total cost savings of the net reduction in positions is forecast to be \$2.3 million. It is possible that additional positions could be eliminated based on further analysis of PDC's operational needs and budgetary resources, including an analysis of PDC's information technology needs that is currently underway.

FTE	FY 2010-11	FY 2011-12	Net Change
Central Services	54.0	48.0	-6.0
Executive	35.0	30.0	-5.0
Urban Development	66.3	57.3	-9
FTE Total	155.3	135.3	-20.0
LTE			
Central Services	4.3	2	-2.3
Executive	0.9	1	0.1
LTE Total	5.2	3	-2.2
PDC Total	160.5	138.3	-22.2

Reduction in Represented vs. Non-Represented positions:

	Filled	Vacant	Retained/New	Total Reduction
Represented Positions	-6.5	-5.7	1.0	-11.2
Non-Represented Positions	-11.0	-3.0	3.0	-11.0
Total	-17.5	-8.7	4.0	-22.2
Note - filled and vacant reductions include point FTE positions				

Position totals by New Organizational Units:

FTE			
Business & Social Equity			3.0
Executive Office			2.0
Finance & Business Operations			58.0
Government Relations & Public Affairs			8.0
Legal			6.0
Strategy & Operations			2.0
Urban Development			56.3
FTE Total			135.3
LTE			
Finance & Business Operations			2.0
Government Relations & Public Affairs			1.0
LTE Total			3.0
PDC Total			138.3

Materials and services reductions:

In addition to the reduction in positions, staff have identified approximately \$1 million in materials and services savings from PDC's General operating (overhead) funds from what was presented as part of the FY 2010-11 Requested Budget. The summary below identifies the reductions:

Department/Section	Reduction	Explanation
Public Participation	\$46,500	URA Plan Amendment Outreach contracts
Public Affairs	\$120,000	various contracts, media training and citywide poll
Board Administration	\$7,000	Training
Social Equity	\$100,000	Surveys and Diversity Council
URA Plan Maintenance (mostly fund 103)	\$238,000	Central City URA; URA best practices
Human Resources	\$65,000	Reduction in agency-wide training and external legal services
Facilities	\$1,600	Training and miscellaneous
Risk Management	\$38,200	Unnecessary brokerage fees / training
Internal Audit	\$35,000	Reduction in anticipated City of Portland audit fees
Sust. Services and PMO	\$3,000	Reduction in training, printing and graphics
Accounting - City Overhead charges	\$55,000	True-up based on planned 11-12 allocation from OMF
Information Technology	\$173,071	Reduced estimates for system maintenance fees/contracts and licences renewals for reduction in staff.
Legal	\$130,000	General Outside Legal Services (additional legal in project budgets)
UDD Overhead	\$47,000	Reductions in contracts, training
Materials and Services Reductions	\$1,059,371	

Change to Total Budget:

The total Requested Budget provided to OMF and City Council on January 31st was \$182.9 million, which included \$144.3 million in program expenditures and \$38.6 million in contingency and interfund service reimbursements. Total, recommended changes in positions and materials and services will result in a net reduction to the FY 2011-12 Requested Budget of \$912,611 based on the net changes in personal services, materials and services and PHB materials and services. This figure does not currently include one-time costs associated with the reduction in force that may need to be added to the personal services budget.

Next Steps

The FY 2011-12 Requested Budget and the most recent changes to personal services and materials and services will be reviewed with City Council on April 6, 2011. Recommended changes to personal services and materials and services will be included in the FY 2011-12 Proposed Budget decisions which will be released on April 30, 2011.

The Proposed Budget will be presented to City Council, acting as PDC’s Budget Committee on May 18, 2011. A citywide public hearing will be held by the Budget Committee on May 19, 2011, and the Budget Committee is scheduled to approve the budget on May 25, 2011.

Following approval by the PDC Budget Committee, PDC submits the Budget to the Tax Supervising and Conservation Commission (TSCC) for review for compliance with state budget law. The Approved Budget will also be reviewed with the Commission on June 8, 2011. The purpose of the June 8th overview is to review the Approved Budget in more depth and to receive recommendations for changes that should be included in the budget to be adopted by the Board on June 22, 2011. Prior to the adoption of the budget on June 22, the Tax Supervising and Conservation Commission will hold a public hearing, as required by Local Budget Law as part of their certification process.