

# PDC

## PORTLAND DEVELOPMENT COMMISSION

**DATE:** November 9, 2011

**TO:** Board of Commissioners

**FROM:** Patrick Quinton, Executive Director

**SUBJECT:** Report Number No. 11-72  
Budget Amendment No. 1 for Fiscal Year beginning July 1, 2011 and ending June 30, 2012; and making appropriations.

### EXECUTIVE SUMMARY

#### BOARD ACTION REQUESTED

Adopt Resolution No. 6911

#### ACTION SUMMARY

This action will formally amend the current fiscal year (FY) 2011-12 Adopted PDC Budget for the first time this year, in the following ways:

- (1) Recognize and appropriate actual beginning fund balances based on FY 2010-11 audited ending fund balances;
- (2) Make specific adjustments to URA and non-URA projects and programs based on project timing to recognize unexpended commitments from the prior year and other changes in project timing (i.e. the Oregon Sustainability Center);
- (3) Make adjustments necessary to implement the Interstate Corridor and Oregon Convention Center URA amendments.

In summary, FY 2011-12 Budget Amendment No. 1 increases the total PDC budget from \$209,084,319 in the FY 2011-12 Adopted Budget to \$253,902,914 including Transfers, Contingency and Reserves. Excluding Transfers and Contingency total budgeted expenditures increase from \$159,375,330 to \$192,917,893. Exhibit A to the resolution sets forth the recommended changes to be made to the FY 2011-12 Adopted Budget pursuant to Budget Amendment No. 1.

#### PUBLIC BENEFIT

FY 2011-12 Budget Amendment No. 1 serves the public interest to the degree that it ensures that the PDC Board of Commissioners (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.

#### **This action will support the following PDC goals:**

- Sustainability and Social Equity
- Healthy Neighborhoods
- A Vibrant Central City
- Strong Economic Growth and Competitive Region
- Effective Stewardship over our Resources and Operations, and Employee Investment

## **PUBLIC PARTICIPATION AND FEEDBACK**

PDC performs an extensive amount of public outreach through meetings held by its urban renewal advisory committees and other stakeholder groups as part of its budget development process throughout the year. No specific outreach has been performed regarding this action; however, certain components of the budget amendment have had specific public participation and feedback such as the N/NE study and subsequent actions regarding the amendments to the Interstate and OCC amendments and the Board action on October 24, 2011 regarding the Oregon Sustainability Center. Also, the recommended changes included in the FY 2011-12 Budget Amendment No. 1 are consistent with funding priorities established in the FY 2011-12 Adopted Budget and four-year forecast.

## **COMPLIANCE WITH ADOPTED PLANS AND POLICIES**

Adoption of the recommended FY 2011-12 Budget Amendment No.1 by the PDC Board is required by Oregon Local Budget Law (ORS 294.480) before PDC is legally permitted to expend funds for the planned projects and programs in excess of the amounts established in the FY 2011-12 Adopted Budget.

## **FINANCIAL IMPACT**

The recommended amendments to the FY 2011-12 Adopted Budget reflect the financial implications of organizational changes and other business decisions which amount to approximately \$253,902,914 million in program and project expenditures and contingency resources. Exhibit A to the resolution identifies all fund appropriation changes. In summary, key changes to projects and programs are:

- 1) Recognize and appropriate actual beginning fund balances based on FY 2010-11 audited ending fund balances. With beginning fund balances updated to show actual resources at the beginning of the year, adjustments are also made in some cases to tax increment resources to size borrowing based on updated cash and expenditure needs, or change the amount budgeted in contingency. Some of the changes to the beginning fund balance will fund carryover of unexpended commitments from the prior year.
- 2) Specific adjustments to URA and non-URA projects and programs based on project timing to recognize unexpended commitments from the prior year and other changes in project timing. Some loan commitment and other project requirements budgeted in FY 2010-11 either were not previously included in the FY 2011-12 Adopted Budget or not fully expended in FY 2010-11. Therefore, if current FY 2011-12 adopted appropriations are deemed insufficient to absorb the prior year commitments, a recommended budget adjustment is made. The single largest example of this is the Oregon Sustainability Center. No appropriations were included in the FY 2011-12 Adopted Budget and therefore, it must be added at this time to allow for the disbursement of funds.
- 3) Establish \$500,000 in appropriations for the award of a two year \$1 million grant from the Economic Development Administration for the Portland Regional Clean Tech Advance Grant. Also added is \$39,050 in appropriations for a portion of a Small Business Administration grant awarded to Mercy Corps, where PDC will be receiving resources as a sub-recipient..
- 4) Adjustments to the Portland Housing Bureau Budget that will be reflected in an amendment to the FY 2011-12 IGA with the Portland Housing Bureau. The total budget is increased \$15.5 million, mostly related to unspent carryover of projects from the FY 2010-11 budget. Primary projects include finishing the Resource Access Center

construction / closeout disbursements, Pearl Family Housing, Block 49/Tamarack, and transactions related to the Interstate/OCC boundary amendment (see below).

- 5) Adjustments related to carryover of business and technology improvement project budgets. The budget for next stages of the Financial Systems Consolidation work is increased a net \$587 thousand. All of the funding is carryover from unspent FSC project resources from FY 2010-11.
- 6) Reduction of 2 vacant positions (1 FTE, 1 short term LTE) determined no longer necessary based on current IT operations and Financial System Consolidation project needs.
- 7) Adjustments necessary to implement the Interstate Corridor and Oregon Convention Center URA amendments. With approval by the Commission and City Council on amendments to the Interstate Corridor and OCC URAs, there are several budget adjustments that need to occur to implement boundary changes that became effective in August.
  - a. Add \$3.9 million in Interstate Corridor URA for the purchase of property assets from the OCC URA based on the boundary amendments. Approximately \$1.5 million of the \$3.9 million will flow through the Portland Housing Bureau to provide for the transfer of assets currently held by the Portland Housing Bureau.
  - b. Add appropriations to Interstate for Housing projects budgeted or underway in OCC that are now in the Interstate URA.
  - c. Add appropriations to Interstate for the MLK Jr. Blvd. Gateway Heritage Marker project and several loans and grants that were not complete by the time of the effective date of the amendment.
  - d. Move residual OCC resources to contingency to reserving resources necessary to meet the 26% Housing Set Aside requirement.

## **RISK ASSESSMENT**

A decision of the Board to not approve FY 2011-12 Budget Amendment No. 1 may result in an appropriation of inadequate levels for some projects and programs that are underway. An over-expenditure of an appropriation within a fund is a violation of Local Budget Law (ORS 294); therefore, the budget is being adjusted to make sure all expenditures are properly appropriated.

## **WORK LOAD IMPACT**

If approved, FY 2011-12 Budget Amendment No. 1 is specific to adjusting appropriations for specific projects and programs already underway and does not have an impact on current staffing levels.

## **ALTERNATIVE ACTIONS**

The Board could choose not to approve FY 2011-12 Budget Amendment No. 1 and direct staff to work within with existing appropriations. Some activities would need to be curtailed in order to remain in compliance with Local Budget Law.

## **CONCURRENCE**

Certain components of this budget amendment have been discussed and reviewed by PDC partners including the Portland Housing Bureau and other participating bureaus.

## **BACKGROUND**

The primary purpose of the FY 2011-12 Budget Amendment No. 1 is to recognize actual beginning fund balances based on the year-end balances from FY 2010-11. Specific carryover adjustments are being added in order to fulfill expenditure commitments that were not fully expended in FY 2010-11.

State Budget Law, ORS 294.480 allows the Governing Body of a municipal government (the PDC Board) to approve supplemental budgets after the beginning of the fiscal year in cases where updated resource and expenditure estimates are received and expenditure appropriations must be increased to accommodate the change. Many of the changes included in FY 2011-12 Budget Amendment No. 1 do not require action by the Governing Body per ORS 294.480 (i.e. decreases in appropriation), however, the changes are included in this action to represent a complete picture of the total budget amendment and the financial forecast for all funds for FY 2011-12.