

**DATE:** March 13, 2013  
**TO:** Board of Commissioners  
**FROM:** Patrick Quinton, Executive Director  
**SUBJECT:** Report Number 13-08  
Adopting an Updated Financial Investment Policy and Process for Internal Review and Approval of Financial Investments

**BOARD ACTION REQUESTED**

Adopt Resolution No. 6993

**ACTION DESCRIPTION**

This action will adopt the following Financial Investment Policy to guide future Portland Development Commission (PDC) financial investments:

**When investing public resources to achieve its strategic plan, PDC will apply sound financial guidelines and accountable and transparent processes.**

This action will also provide specificity as to the Executive Director's approval; change the minimum number of required Financial Investment Committee (FIC) members; outline FIC's responsibilities for review and recommendation; further clarify the quarterly comprehensive report of all financial assistance requests; and allow the Executive Director to approve and update the FIC Charter and Procedures (see Attachment A).

**BACKGROUND AND CONTEXT**

An internal audit review of loan policies in 2004 revealed that:

- There was no clear policy from the PDC Board of Commissioners (Board) regarding overall financial policies and delegations of responsibility and authority;
- PDC offered 37 different financial products, presenting the organization with an extraordinary management and systems support challenge with regard to developing and cataloging different guidelines, and servicing loans;
- There was no coordinated or centralized oversight or management of the entire portfolio of financial assistance products to develop and enforce consistent procedures, integrated processes, and best business practices; and
- There was a long and clear history of established guidelines and approval procedures for loans; however, there was no similar discipline, policy, or procedures for grants or development financing.

In 2007, after staff inventory, review, and reorganization of financial assistance products, the Board adopted new financial assistance program guidelines for Business Finance (Resolution No. 6444), Housing Development (Resolution No. 6443), and Development (Resolution No. 6442).

In June of 2009, at the direction of the Board, staff initiated an intensive project called Finance ReThink, with the charge to:

*Conduct an assessment of PDC's Financial Assistance Products and identify gaps and proposed solutions, improvements for streamlining, and improvements for standardizing. Determine smartest method of combining Loan Review Committee and Investment Committee processes. Identify detailed work, policies, and database alterations resulting from these changes.*

One of the first tasks of the Finance ReThink group was to develop an overarching Financial Investment Policy to guide future PDC financial investments as well as the approach to all other elements of PDC's business processes related to financial assistance and investments. In addition, the group recommended combining the Loan Review Committee and Investment Committee into a new FIC, with new associated delegations of authority and approval processes.

In December 2012, at the request of the Executive Director, FIC members were asked to clarify their roles and responsibilities.

#### **COMMUNITY AND PUBLIC BENEFIT**

Adopting an overarching Financial Investment Policy will ensure that decisions about financial investments in local businesses and projects are made with a clear understanding and purpose of supporting PDC's mission, strategic plan, and urban renewal plan objectives.

Making FIC responsible for undertaking a systematic review and analysis of proposed investments is a best business practice that will ensure program guidelines are followed and investments align with the Financial Investment Policy.

This action will meet PDC's Effective Stewardship over our Resources and Operation, and Employee Investment Strategic Plan goal.

#### **PUBLIC PARTICIPATION AND FEEDBACK**

Staff did not solicit any public participation or feedback.

#### **BUDGET AND FINANCIAL INFORMATION**

This action will not require an additional staff to implement. Revised business processes and procedures are anticipated to reduce staff time needed to carry out financial assistance activities and provide better service to customers. There are no other financial or budget impacts.

#### **RISK ASSESSMENT**

Adopting the proposed Financial Investment Policy will reduce PDC's financial and legal risks by ensuring diligent oversight and review of requests for financial assistance.

#### **ALTERNATIVE ACTIONS**

Not approving these actions would leave in place the existing Financial Investment Policy. The Board could also choose to amend the proposed policy and/or the structure of the FIC.

#### **ATTACHMENTS**

- A. PDC Financial Investment Committee – Charter (Draft March 2013)

**PORTLAND DEVELOPMENT COMMISSION**

Portland, Oregon

**REPORT NO. 13-08**

**ATTACHMENT A**

**ADOPTING AN UPDATED FINANCIAL INVESTMENT POLICY AND PROCESS FOR  
INTERNAL REVIEW AND APPROVAL OF FINANCIAL INVESTMENTS**

Attachment A includes this cover page and contains 7 pages:

- PDC Financial Investment Committee – Charter (Draft March 2013)
  - Appendix A: Procedures and Administration

**PDC Financial Investment Committee – Charter (Draft March 2013)**

**1. Purpose**

- a. The PDC Financial Investment Committee (“FIC”) is a formal internal review body delegated by PDC Resolution 6993 with assisting the PDC Board (“Board”) and Executive Director (“ED”) in making financial investment decisions. The FIC is directed to undertake this charge in a manner that balances risk with financial return and/or public benefit.
- b. For these reasons, the FIC is a critical body for the agency and so its function within PDC and procedures with which it operates are documented herein.
  - i. The FIC reviews and recommends to the ED the approval or denial of all requests described in Resolution 6993.
- c. Information items are encouraged in order to keep FIC up to date on changes to longer term projects. Staff should coordinate with the FIC Coordinator for scheduling.

**2. Membership**

- a. The ED is delegated by the Board through Resolution 6993 to establish an internal FIC with up to five voting members to be appointed by the ED in consultation with the Board Chair. Members may be employees of PDC or external to PDC. In addition, at the Board’s direction, non-voting Board Liaisons (and /or Advisors) may be assigned.
- b. Term: FIC Members are voting members appointed by the ED to serve at the ED’s discretion without a set term.
- c. Chair: An FIC Chair will be appointed by the ED to serve at the ED’s discretion without a set term. The FIC Chair supervises the FIC Coordinator.
- d. Current membership:
  - i. Board Liaison/Board Advisors:
    1. J. Scott Andrews, PDC Board Chair, FIC Board Liaison
    2. Charles Wilhoite, FIC Board Advisor
  - ii. FIC Members
    1. Faye Brown, Chief Financial Officer, FIC Chair
    2. Jina Bjelland, Asset Management Division Manager
    3. Peter Englander, Central City Manager
    4. Eric Iverson, General Counsel

### 3. Roles and Responsibilities

Role	Description of Role
Board Liaison/Advisor	<ul style="list-style-type: none"> <li>a. Provide agency-wide policy review.</li> <li>b. Provide perspective of the Board and serve as a Liaison and/or Advisor.</li> <li>c. Does not have a voting role.</li> </ul>
FIC Chair	<ul style="list-style-type: none"> <li>a. Schedules and chairs meetings.</li> <li>b. Provides to the Board periodic reports of financial assistance activity in accordance with the Financial Investment Policy.</li> <li>c. Point person with the ED.</li> <li>d. Has a voting role</li> </ul>
Committee Members	<ul style="list-style-type: none"> <li>a. Members demonstrate commitment to Financial Investment Policy</li> <li>b. Members are familiar with all policies and guidelines related to financial assistance and property acquisitions and dispositions as listed in section 5 of this charter.</li> <li>c. Members come prepared and participate in all meetings. If unable to attend, Members notify the FIC Chair as early as possible.</li> <li>d. Members who need or want additional detail or background briefings are encouraged to seek that information outside of the meeting itself. Members will share any information received in advance of the meeting with fellow members.</li> <li>e. Members collaborate, bringing the best of different perspectives, areas of expertise, and experience.</li> <li>f. Members contribute to meeting discussions and decision making.</li> <li>g. Members model leadership and help educate staff.</li> <li>h. Members express opinions freely but respectfully and constructively.</li> <li>i. Members are responsible for reviewing meeting minutes and providing corrections in a timely manner.</li> <li>j. Has a voting role</li> </ul>
FIC Coordinator	<ul style="list-style-type: none"> <li>a. Provides meeting documents and meeting minutes to FIC Committee members in a timely manner.</li> <li>b. Routes recommendations to ED and back to presenters.</li> <li>c. Scans and electronically files finalized FIC reports in TRIM.</li> <li>d. Does not have a voting role.</li> </ul>

### 4. How FIC conducts business

#### a. Meetings:

- i. FIC will meet weekly on Thursdays or as scheduled.
- ii. Discussion on agenda will begin promptly.
- iii. Quorum: FIC must have at least three voting members present to proceed.

#### b. Agenda and Schedule:

- i. Action items scheduled to go before the PDC Board and that require prior ED approval, review and/or concurrence by the FIC must have completed this step with FIC no later than three weeks before the Board meeting.
  - ii. Agenda established based on approved materials with all appropriate signatures submitted by Monday at noon for that week’s Thursday meeting.
  - iii. Exceptions to deadlines can only be granted by ED.
- c. Meeting Materials**
  - i. Meeting materials will be managed according to the procedures in Appendix A.
- d. Facilitation of the meeting:**
  - i. The FIC Chair facilitates the meeting.
  - ii. In the absence of the Chair, the Chair must assign a substitute.
- e. Decision making**
  - i. Decisions as to whether to recommend approval to the ED will be reached at the FIC meeting following discussion and agreement by the majority of members present and recorded on the FIC Approval Coversheet with the FIC Chair and Committee Members’ initials.
  - ii. Decisions and any recommended changes will be written at the bottom of the FIC Approval Coversheet and then forwarded to the ED for approval
  - iii. FIC Meeting minutes will be formatted to include the following for each agenda item:
    - 1. Background
    - 2. FIC discussion
    - 3. FIC recommendations to the ED

**5. Guiding Policies**

- a. PDC Financial Investment Policy – **Resolution 6993**
- b. Adopted Financial Assistance Programs currently including:
  - i. Portland Main Street Program Guidelines – **Resolution 6763**
  - ii. Business Finance Programs Guidelines – **Resolution 6788**
    - 1. Business Incentive Program
    - 2. Small Business Loan Fund
    - 3. Business Development Loan Fund
    - 4. Economic Development Administration
  - iii. Green Features Grant Program Guidelines – **Resolution 6794**
  - iv. Storefront Improvement Program Guidelines—**Resolution 6836**
  - v. Development Opportunity Services Program Guidelines –**Resolution 6861**
  - vi. Community Livability Program Guidelines—**Resolution 6862**
  - vii. Commercial Property Redevelopment Loan Program—**Resolution 6863**
  - viii. Small Business Loan Insurance Program Guidelines—**Resolution 6870**
  - ix. Micro and Small Business Development Program Guidelines – **Resolution 6975**
  - x. Commercial Corridor Business Development Program Guidelines—**Resolution 6944**

- xi. Economic Opportunity Initiative Adult Workforce Development Program—  
**Resolution 6989**
    - xii. Clean Energy Works Portland Program – **Resolution 6970**
  - c. PDC adopted Board policies:
    - i. Equity Policy – **Resolution 6988**
    - ii. Construction Wage Policy – **Resolution 6666**
    - iii. Green Building Policy – **Resolution 6262**
  - d. Pilot Program Initiatives :
    - i. From time to time, pilot programs may be established. FIC will review and recommend the initiation of pilot programs.
    - ii. All pilot programs will include a start and end date, and written evaluations that include next steps.

**PDC Financial Investment Committee – Charter**  
**Appendix A, Procedures and Administration**

**1. Submissions**

- a. All FIC items are required to be in FIC Draft Materials folder in TRIM. The deadline for submitting items in TRIM is Monday by 12:00 pm. Any items submitted after Monday at 12:00 pm will be put on the next meeting’s agenda. Exceptions to deadlines can only be granted by the Executive Director (“ED”).
- b. The FIC Approval Coversheet must be signed by the Program Manager or Asset Manager and the Deputy Director or CFO, and then submitted by hard copy to the FIC Coordinator every Monday by 12:00 pm. The final FIC Approval Coversheet and report will be scanned and saved into the Meeting Folder in TRIM by the FIC Coordinator.
- c. The FIC meetings will take place on Thursday afternoon, unless otherwise noted.
- d. The FIC Chair determines the agenda and can pull submissions during review, depending on additional information or corrections needed.

**2. Document Administration**

- a. Pre-Meeting Preparation and Administration:
  - i. All Acquisitions, Dispositions, and Options need to be entered into the Real Property Transaction Database (RPT Database), and submitted to Real Estate Services for review, prior to FIC submission date. Any disposition obligations or pre/post-closing requirements and their completion dates are required to be entered into the RPT Database. Presenters with past-due dates will be sent a reminder once a month.
  - ii. In TRIM, a “Meeting Item Folder” for each agenda item will be created by the presenter or administrative support (“admin”), with the presenter as the “Meeting Item Owner,” within the FIC Draft Agenda Items binder for the current calendar year.
  - iii. All materials that will be presented are to be placed into that TRIM folder by the presenter and/or admin.
  - iv. Information Items: Presenters will notify the FIC Coordinator that they would like to present an information item. The information item will be part of the agenda, so a project name will be needed; however, no materials are required.
  - v. After finalizing the agenda, the Meeting Item Folder will be put into the designated FIC Meeting Folder by the FIC Coordinator.
  - vi. The FIC Coordinator will send documents via email, TRIM link, and/or hard copy to FIC Committee Members, FIC Board Liaison and FIC Board Advisor, presenter, admin, and other interested parties, to retrieve by the end of the day on Monday in advance of the following Thursday meeting.
  - vii. It is the presenter’s responsibility to review the posted agenda and be in attendance in time for the item. If the presenter is not in attendance when the item is called, the agenda will move to the next item on the list. If the presenter is not in attendance before the last item is presented, the presenter will have the item

pushed to the next scheduled meeting. It is recommended that the presenter's Division Manager and/or Relationship Manager be present during the presentation.

b. Post-Meeting Administration:

- i. Follow-up actions coming out of the meeting will be noted in the FIC Meeting Minutes by the FIC Coordinator.
- ii. Meeting materials handed out during the meeting that were not in the Meeting Item Folder will need to be put in the Meeting Item Folder by the presenter and/or admin, subsequent to the meeting.
- iii. The FIC Approval Coversheet will be scanned and saved in the Meeting Item Folder in TRIM by the FIC Coordinator. The FIC Coordinator will compile all the documents and will distribute them for final review and approval by the ED.
- iv. Finalized FIC Approval Coversheet with ED signature and all associated documents will be scanned into the dated FIC Meeting Folder for records retention, by the FIC Coordinator. The FIC Agenda and FIC Meeting Minutes will be saved in the dated FIC Meeting Folder with the link sent in an email to the FIC Committee members.
- v. Original hard-copy Acquisition and Disposition documents, including FIC Approval Coversheet, are to be returned and filed with Real Estate Services. Original hard-copy loan and grant documents, including FIC Approval Coversheet, are to be returned to the presenter.