

**DATE:** June 24, 2015  
**TO:** Board of Commissioners  
**FROM:** Patrick Quinton, Executive Director  
**SUBJECT:** Report Number 15-40  
Adopting Budget Amendment No. 3 for the Fiscal Year Beginning July 1, 2014, and Ending June 30, 2015; and Making Appropriations

**BOARD ACTION REQUESTED**

Adopt Resolution No. 7126

**ACTION DESCRIPTION**

This action by the Portland Development Commission (PDC) Board of Commissioners (Board) will amend the fiscal year (FY) 2014-15 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 April 8, 2015.

The proposed FY 2014-15 Budget Amendment No. 3 will decrease the total PDC budget from \$300,647,177 in the FY 2014-15 Revised 2 Budget to \$299,409,717 including Transfers, Contingency, and Reserves. Excluding Transfers and Contingency, total budgeted expenditures increase from \$106,498,108 to \$106,558,926.

**BACKGROUND AND CONTEXT**

The PDC Board adopted the original FY 2014-15 Budget on June 25, 2014, by Resolution No. 7063; subsequently the PDC Board authorized amendments to the budget on October 29, 2014, by Resolution No. 7078, and on April 8, 2015, by Resolution 7106 (the FY 2014-15 Revised Budget). The change in expenses resulting in this third amendment can be attributed mostly to increases for housing projects in the Oregon Convention Center Urban Renewal Area (URA), coupled with the removal of expenses set aside for design review contracts in the Business Management Fund.

**COMMUNITY AND PUBLIC BENEFIT**

The FY 2014-15 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 FY.

**PUBLIC PARTICIPATION AND FEEDBACK**

The public has the opportunity to testify at the June 24, 2015, public hearing held by the PDC Board on Budget Amendment No. 3, prior to action on the resolution. In addition, PDC staff has conducted public outreach at meetings held throughout the year with 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. 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 2015-16 budget development process. Changes included in the FY 2014-15 Budget Amendment No. 3 are consistent with funding priorities established in the FY 2014-15 Adopted Budget and four-year forecast.

### **BUDGET AND FINANCIAL INFORMATION**

The recommended amendments to the FY 2014-15 Revised Budget reflect the financial implications of business decisions which amount to approximately \$106,558,926 in program and project expenditures and contingency. In summary, key changes to projects and programs are:

#### **Changes to Resources**

- **Fees and Charges:** Decreases by \$939,527 due to a placeholder revenue for design services being removed from the budget in the Business Management Fund.
- **Property Income:** Decreases by \$324,975 to account for the net rental income for the Headwaters and Fairfield Apartments. These properties are owned by the Portland Housing Bureau (PHB), and therefore PDC accounts only net revenue associated with these properties. Prior budget versions included gross revenues.

#### **Changes to Requirements**

- **Administration:** Increases by \$394,763 across multiple URAs and PDC's overhead fund. Includes increases in the Education URA fund for legal costs, as well as staffing reallocations from other appropriation categories.
- **Housing:** Increases by \$777,762 due to increases in spending in the Oregon Convention Center URA, and final PHB adjustments of carryover from FY 2014-15 to FY 2015-16.
- **Business Development:** Increases by \$28,307 for Traded Sector spending for business recruitment in the Business Management Fund.
- **Infrastructure:** Decreases by \$33,125 due to reallocations of staffing costs.
- **Property Redevelopment:** Decreases by \$1,106,889 due to the elimination of a placeholder for design review services in the Business Management Fund from the budget, and adjustments to the allocation of staffing costs.

### **RISK ASSESSMENT**

Should the PDC Board decide not to approve FY 2014-15 Budget Amendment No. 3, there will be overspending in the Education and Oregon Convention Center URAs, 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 2014-15 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.