



DATE: June 18, 2024
TO: Board of Commissioners
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 24-19

Adopting the Annual Budget of Prosper Portland for the Fiscal Year Beginning July 1, 2024, and Ending June 30, 2025; and Making Appropriations

BOARD ACTION REQUESTED AND BRIEF DESCRIPTION

Adopt Resolution No. 7533

This action by the Prosper Portland Board of Commissioners (Board) will formally adopt Prosper Portland's fiscal year (FY) 2024-25 Recommended Budget, effective July 1, 2024. The Prosper Portland Board's adoption of the FY 2024-25 Recommended Budget represents the final phase of the FY 2024-25 budget process, which began in November 2023.

STRATEGIC ALIGNMENT AND OUTCOMES

Upon adoption, the FY 2024-25 Recommended Budget will become Prosper Portland's FY 2024-25 Adopted Budget and allow staff to implement key programs, projects, and initiatives that deliver on the agency's goals to build an equitable economy by growing quality jobs, advancing opportunities for prosperity, creating vibrant neighborhoods and communities, and collaborating with partners to create an equitable city.

BACKGROUND AND CONTEXT

The annual budget process for Prosper Portland began in November 2023. After multiple public hearings and input from stakeholders including the Prosper Portland Community Budget Committee (CBC), Portland City Council (City Council), acting as Prosper Portland's Budget Committee, approved a budget on May 15, 2023, referred to as the FY 2024-25 Approved Budget. After City Council approves the Approved Budget, the Prosper Portland Executive Director submits a Recommended Budget to the Prosper Portland Board, which includes minor recommended changes to the City Council Approved Budget.

With this action, the Executive Director is proposing a total Recommended Budget of \$364,656,698, which is an increase of \$2,484,679 from the Approved Budget of \$361,905,202. The Recommended Budgeted increases total budgeted expenditures to \$208,933,855, an increase of \$445,440 from the Approved Budget.

EQUITY IMPACT

The action to adopt the FY 2024-25 Recommended Budget will allow Prosper Portland to invest critical resources in objectives that deliver on strategic objectives through the lens of the Equity Policy.

COMMUNITY PARTICIPATION AND FEEDBACK

The FY 2024-25 budget process included public participation through the approximately 15-member CBC, which met four times during the drafting of the FY 2024-25 Requested Budget and submitted a letter of recommendation. Staff continued to update the CBC through May 2024 as the budget was presented to City Council and additional updates were identified for inclusion in subsequent versions. City Council held a public hearing on May 18, 2024, during its public hearing on the Proposed Budget. The public will have a final opportunity to testify on Prosper Portland's budget during the June 18, 2024, Prosper Portland Board meeting.

BUDGET AND FINANCIAL INFORMATION

The FY 2024-25 recommended budget for adoption incorporates financial decisions that include a total recommended budget of \$208,933,855 in program and project expenditures, including ending fund balance and contingency.

The recommended budget for adoption includes several increases in ongoing and one-time General Fund resources introduced in the Mayor's Proposed Budget and approved by City Council enhancing the Office of Events and Film, Small Business Office and to provide additional repair grants for small businesses. Total addition in one-time and ongoing resources added by City Council total \$1,500,000 over the Requested Budget. In total, City General Fund and Cannabis Funds budgeted from the City of Portland equals \$21,992,575. The budget approved by City Council also incorporates new funding from the Portland Clean Energy Fund (PCEF) to implement clean energy programs supporting small businesses and commercial redevelopment through technical assistance, grants, and loans. Total programming is estimated to be \$8,500,000. While total position count for FY 2024-25 exceeds estimates included for staffing in the Financial Sustainability Plan (FSP), the positions and related costs are tied to specific, new programmatic and while all other funding sources remain consistent with amounts identified in the FSP.

The recommended budget for adoption also includes some changes to the staffing and administrative budgets because of class compensation study adjustments as well as additional positions related to additional General Fund and PCEF Funding. Total positions change from 96 in the Proposed Budget to 105 positions in the budget recommended for adoption. Minor adjustments were also made to align benefit costs as Prosper Portland received updated quotes on benefit plans for 2025. The Adopted Budget also incorporates a final reallocation of indirect costs based on anticipated PCEF Funding that reduced impacts to the City General Fund to allow for additional direct costs related to the Small Business Office allocation. Overall, however, the net increase in indirect costs as a result of additional funding results in the contingency for the indirect administration fund of \$200,000 cover anticipated changes needed for tenant improvements and systems related to new staff as well as a contingency for potential insurance premiums.

Following is a summary of changes to resources and requirements:

Changes to Resources

- **Beginning Fund Balance:** Increase \$266,817 based on updated estimate for ending balance in the General Fund (Indirect sub-fund).
- **City General Fund:** Reduction of \$574 to match final General Fund and Cannabis Fund with City of Portland.
- **Fees and Charges:** Increase of \$50,000 to match the planned intergovernmental agreement for the Community Opportunities and Enhancements Program (COEP).
- **Grants - Federal except HCD:** Increase of \$15,527 to match final budget number with City of Portland for Community Development Block Grant resources.

- **Interest on Investments:** Increase \$2,326,778 to adjust estimated interest earnings based on average, estimated cash balances and interest rate across all funds. Updated estimate will support ongoing property holding costs and adjustments for inflation in capital projects/programs.
- **Service Reimbursements:** Increase \$11,589 based on final indirect allocation to balance administrative funding.
- **Transfers In:** Increase \$81,359 for final transfers related to fund closeouts (Airport Way to Strategic Investment Fund).

Changes to Requirements:

- **Administration:** Net Increase of \$174,009 for final allocation of personnel services (shift to Economic Development) as well as increased personnel services to match estimated total requirement.
- **Economic Development:** Net increase of \$96,037 for final allocation of personnel services (shift from Administration).
- **Property Redevelopment:** Net increase of \$175,454 for expenditure of final percent for art resources received from Regional Arts and Culture Council and final allocation of personnel services allocation.
- **Transfers:** Increases \$92,948 to adjust indirect transfers and transfer of residual program income to Strategic Investment Fund and General Fund.
- **Contingency:** Increases a net \$2,213,108 to balance all changes in resources across funds with all changes in expenditures across funds.

RISK ASSESSMENT

The Prosper Portland Board may adopt the FY 2024-25 Recommended Budget with additional changes up to the ten percent allowable increase in expenditures for each fund. Any changes to the FY 2024-25 Recommended Budget directed by the Prosper Portland Board must be identified during adoption of the budget to include specific funding sources and appropriation categories. If the Prosper Portland Board does not adopt a budget in accordance with local budget law on or before June 30, 2024, Prosper Portland will have no authority to incur expenses after that date.

ATTACHMENTS

None.