

DATE: April 9, 2013
TO: Board of Commissioners
FROM: Patrick Quinton, Executive Director
SUBJECT: Report Number 13-13
Approving Reduction in Force; Public Hearing on Budget Amendment No. 2; Adopting Budget Amendment No. 2 for the Fiscal Year beginning July 1, 2012, and ending June 30, 2013; and Making Appropriations

BOARD ACTION REQUESTED

Adopt Resolution Nos. 7000 and 7001

ACTION DESCRIPTION

Resolution 7000 will formally authorize a reduction in force in two phases. The first phase includes a reduction of 14 positions between fiscal year (FY) 2012-13 and FY 2013-14 based on existing vacancies and planned vacancies achieved through the Early Retirement Incentive Program. Nine positions will be eliminated in FY 2012-13 and an additional five vacancies created through the Early Retirement Incentive Program will be eliminated in FY 2013-14. The second phase will include a reduction in force of approximately 26 additional positions to implement a total reduction in personnel services of 30 percent, as originally directed during the FY 2012-13 budget development process.

Resolution 7001 will amend the FY 2012-13 Revised Portland Development Commission (PDC) Budget in the following ways:

- (1) Adjust project and program budgets based on updated information regarding project timing and need;
- (2) Adjust Housing Set Aside / Portland Housing Bureau Intergovernmental Agreement (IGA) requirements based on project timing;
- (3) Reduce personnel services based on the current year savings related to Phase I of the reduction in force;
- (4) Reduce administrative materials and services based on forecast year-end expenditures and planned reductions in materials and services spending; and
- (5) Approve establishment of one new fund (Business Management Fund).

The proposed FY 2012-13 Budget Amendment No. 2 will increase the total PDC budget from \$258,117,73 in the FY 2012-13 Revised Budget to \$258,831,852 including Transfers, Contingency, and Reserves. Excluding Transfers and Contingency total budgeted expenditures decrease from \$181,115,016 to \$125,304,002. Exhibit A to resolution 7001 sets forth the recommended changes to be made to the FY 2012-13 Revised Budget pursuant to this proposed Budget Amendment No. 2.

BACKGROUND AND CONTEXT

This Board adopted the original FY 2012-13 Budget on June 27, 2012 by Resolution 6955, and authorized the amendment of the budget on November 14, 2012, by Resolution 6979 (the FY 2012-13 Revised Budget). The majority of the changes in this proposed Amendment No. 2 are related to project and

program budgets based on updates to current year expenditure forecast and provide a more accurate picture of fund cash balances that will be included as the beginning fund balance in the FY 2013-14 Proposed Budget to be released in May 2013. Removing personnel services and administrative materials and services not anticipated to be spent this fiscal year will also improve the accuracy of the FY 2013-14 Proposed Budget beginning fund balances and align the budget with actual spending.

During the adoption of the FY 2012-13 Budget, the Board directed PDC management to plan for a 30 percent reduction in annual personnel services and administrative materials and services in order to align the organization to the projected decline in future Tax Increment Financing resources. In total, this reduction requires approximately 40 full time equivalent (FTE) positions, in addition to reductions in other annually recurring personnel costs.

The Executive Director, after consultation with Department Directors and based on an analysis of PDC's needs, is recommending the elimination of the nine positions identified in Exhibit A to Resolution 7000. Each of these positions is currently vacant and no layoffs of personnel will be required to eliminate these nine positions. The Executive Director shall provide a confidential list to the Board of the remaining five positions to be eliminated as a result of the ERIP at least 14 days prior to the elimination of such positions, and shall also provide a confidential list to the Board of the positions to be eliminated during Phase 2 of the reduction in force (RIF) no later than 14 days prior to the announcement of any portion of Phase 2 of the RIF.

COMMUNITY AND PUBLIC BENEFIT

FY 2012-13 Budget Amendment No. 2 serves the public interest to the degree that it ensures that the 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 public hearing to be held by the Board on Budget Amendment No. 2, prior to action on this proposed Resolution. PDC performs public outreach through meetings held throughout the year by its Urban Renewal Advisory Committees (URACs) and other stakeholder groups as part of its budget development process. Anticipated changes were discussed with URACs as part of the FY 2013-14 budget process. Also, a notice of the public hearing to be held by the Board on Budget Amendment No. 2 was published prior to the meeting in the manner required by Local Budget Law (Oregon Revised Statue 294) and changes included in the FY 2012-13 Budget Amendment No. 2 are consistent with funding priorities established in the FY 2012-13 Adopted Budget and four-year forecast.

BUDGET AND FINANCIAL INFORMATION

The recommended amendments to the FY 2012-13 Revised Budget reflect the financial implications of business decisions which amount to approximately \$125,304,002 in program and project expenditures and contingency. Exhibit A to resolution 7001 identifies all fund appropriation changes. In summary, key changes to projects and programs are:

Administration: Net decrease of \$1.6 million from a combination of personnel services savings and material and service decreases in Facilities, Information Technology, Human Resources, and other administrative areas.

Business Development: Net decrease of \$2.2 million. Approximately \$1.4 million is from decreasing the BIF Lending Budget across multiple Urban Renewal Areas (URAs). The balance of changes is from savings in Oregon Convention Center URA business development and personnel services across the business line.

Infrastructure: Net decrease of \$6 million. Approximately \$2 million of the decrease is related to removing the capital construction portion of the Pearl District Circulation Improvements and \$1.4 million is related to the Portland Streetcar realignment in South Park Blocks (no longer active). The balance of reductions is related to multiple project commitments moving to future fiscal years and updated IGA/Construction amounts. Projects include Bridgeton Trail, Dawson Park, Killingsworth Streetscapes, Lombard, Foster, and Lents Entryway projects.

Property Redevelopment: Net decrease of \$31.2 million. Most of the decrease is related to timing on key projects including Veterans Memorial Coliseum (\$18 million), Headquarters Hotel (\$4 million), Lloyd Ecodistrict (\$1.6 million), Lents Town Center (\$2.6 million), and Horse Barn (Mounted Patrol Unit) relocation (\$1.75 million). Some increases are included: Storefront Improvement Program (\$400 thousand), and property remediation of River District lots under active redevelopment that will be mostly reimbursed through existing agreements (\$525 thousand).

Housing: Net decrease of \$14.8 million. Most of the changes are related to carryover items including River District and Oregon Convention Center URA set aside resources from recent Request for Proposals process.

Contingency: Increases a net \$56.6 million. This is the combined result of reductions in project spending, primarily in districts with existing cash resources (Oregon Convention Center URA, River District URA) as well as higher loan collection and short-term debt resources.

Personnel Services (Salaries & Wages): included in all above business lines in total decrease from \$800 thousand from \$16.8 million to \$16 million as a result of current year vacancies.

Business Management Fund: This is a new fund is being established via the resolution. Staff determined that all non-Tax Increment Financing (TIF) and non-General Fund assets and fee driven activity should be held and recorded in a new enterprise type fund. Following the establishment of this fund, all non-TIF related property held by PDC will be transferred to this fund. Also, all non-TIF fee-driven activity will be recorded in this fund to properly segregate all enterprise type business activities.

RISK ASSESSMENT

A Board decision not to approve FY 2012-13 Budget Amendment No. 2 may result in inadequate appropriations for some projects and programs that are under way. 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.

ALTERNATIVE ACTIONS

The Board could choose not to approve the Reduction in Force, thereby holding authorized positions at the current 135.25 positions.

The Board could choose not to approve FY 2012-13 Budget Amendment No. 2 and direct staff to work within existing appropriations. In some cases, expenditures may not have adequate appropriation which may trigger a violation of Local Budget Law (ORS 294) if the commitment was expended.

ATTACHMENTS

None