



DATE: April 16, 2014
TO: Board of Commissioners
FROM: Patrick Quinton, Executive Director
SUBJECT: Report Number 14-17
Public Hearing on Budget Amendment No. 2; Adopting Budget Amendment No. 2 for the Fiscal Year Beginning July 1, 2013, and Ending June 30, 2014; and Making Appropriations

BOARD ACTION REQUESTED

Adopt Resolution No. 7049

ACTION DESCRIPTION

This proposed action will formally amend the current fiscal year (FY) 2013-14 Revised Portland Development Commission (PDC) Budget for the second time in the following ways:

- (1) Adjust project and program expenditures based on updated estimates of year-end activity including updated staff time, property development, or property management expense;
- (2) Reductions in project and program budgets for inclusion in FY 2014-15 or later fiscal years based on project timing;
- (3) Update forecasts for resources across all funds including year-end estimates for short-term debt (du jour proceeds) and to recognize updated property sale and management activity;
- (4) Adjust administrative materials and services for identified savings and year-end estimated activity; and
- (5) Adjust the Portland Housing Bureau (PHB) Set Aside Budget based on updated estimates of year-end actual expenditures from the PHB and to move funds into the FY 2014-15 Proposed Budget.

In summary, FY 2013-14 Budget Amendment No. 2 increases the total PDC budget from \$260,931,360 in the FY 2013-14 Revised Budget to \$277,530,549 including Transfers, Contingency, and Reserves. Excluding Transfers and Contingency total budgeted expenditures decrease from \$190,201,050 to \$125,393,831.

BACKGROUND AND CONTEXT

The FY 2013-14 Budget Amendment No. 2 is the second and likely final budget amendment of the fiscal year. The majority of the changes are related to updating the budget to reflect updated staff and administrative expenditures as well as project/program adjustments to help provide the best picture of available resources and commitments that will be incorporated into the FY 2014-15 Proposed Budget.

COMMUNITY AND PUBLIC BENEFIT

The FY 2013-14 Budget Amendment No. 2 serves the public interest by ensuring that the PDC Board of Commissioners (Board) has appropriated adequate public funds to be lawfully expended by PDC to implement planned projects and programs for the current fiscal year.

PUBLIC PARTICIPATION AND FEEDBACK

The public has the opportunity to testify at the public hearing held by the Board on Budget Amendment No. 2, prior to action on the resolution. In addition, PDC staff has conducted public outreach at meetings held throughout the year by its advisory groups as part of its budget development process. No specific outreach has been performed regarding this action; however, 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. 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 2014-15 budget development process. Changes included in the FY 2013-14 Budget Amendment No. 2 are consistent with funding priorities established in the FY 2013-14 Adopted Budget and four-year forecast.

BUDGET AND FINANCIAL INFORMATION

The recommended amendments to the FY 2013-14 Revised Budget reflect the financial implications of business decisions which amount to approximately \$125,393,831 in program and project expenditures and contingency. In summary, key changes to projects and programs are:

Changes to Resources

- **Beginning Fund Balance:** Increases \$213,425 to account for actual beginning balance not previously recognized (Economic Opportunity Initiative fund).
- **Fees and Charges:** Increases \$591,027 based on reclassification of Reimbursement revenue and recognition of actual or planned fees (includes current year loan fees).
- **Interest on Investments:** Increases \$168,866 based on updated year-end estimated earnings across all funds.
- **Intergovernmental Revenues:** Increases a net \$34,454 to account for net changes in planned City General Fund planned billing.
- **Loan Collections:** Increases a net \$255,429 for estimated loan collections across all funds.
- **Long Term Debt:** Decreases \$2,000,000 planned line of credit draw in the Gateway Regional Center Urban Renewal Area (URA). Draw no longer needed based on PDC and PHB (PHB) expenditure timing.
- **Miscellaneous:** Decreases \$884,900. The decrease is mostly related to updated timing related to Enterprise Zone revenue (some revenue was accrued to prior fiscal year).
- **Property Income:** Increases a net \$5,738,605 based on updated property sale and property management activities across multiple funds. Majority of the increase is to recognize sale proceeds of Parcel 8 in the Business Management Fund.
- **Reimbursements:** Increases a net \$385,018. Includes \$153,000 in reductions (PHB support service revenue reclassified as Fees and Charges), increase related to planned environmental remediation reimbursements in River District URA.
- **Short Term Debt:** Increases a net \$7,228,527 based on updated du jour proceed forecast across multiple URAs.
- **Transfers In:** Increases \$4,907,045 to recognize planned transfer of Tax Increment Financing (TIF) portion of Parcel 8 sale from the Business Management Fund to the North Macadam URA Fund. Also includes transfer of resources from Enterprise Zone Fund to the Business Management Fund and an interfund loan from South Park Blocks URA to Education URA for the transfer of property related to boundary changes.

Changes to Requirements

- **Administration:** Decreases a net \$378,044. The majority of the decrease is related to reductions in administrative materials and services in PDC's overhead fund.
- **Business Development:** Decreases a net \$4,037,949. Recognizes reallocation of business lending budget to commercial property redevelopment lending based on type of loan activity (Downtown Waterfront and Central Eastside URAs). Decreases also account for funding moving to FY 2014-15 for committed loans (Daimler loan in Interstate Corridor URA).
- **Infrastructure:** Decreases \$4,818,476 based on moving funds to FY 2014-15 for committed projects (Killingsworth and Denver Streetscapes in Interstate Corridor URA, 122nd/Foster in Lents Town Center URA, West Burnside and River District Circulation Improvements in River District URA).
- **Housing:** Decreases \$20,712,450 based on year-end estimated expenditures and FY 2014-15 request from PHB to FY 2014-15.
- **Property Redevelopment:** Decreases a net \$34,860,300. The majority of the decreases are related to Veterans' Memorial Coliseum, Headquarters Hotel, EcoDistrict implementation, and Commercial Property Redevelopment Lending requirements for Pacific Northwest College of Art loan in River District URA. Project funding to be included in the FY 2014-15 Approved Budget or later in the Five-Year Forecast.
- **Transfers:** Increases a net \$4,868,737 to recognize planned transfer of TIF portion of Parcel 8 sale from the Business Management Fund to the North Macadam URA Fund. Also includes transfer of resources from Enterprise Zone Fund to the Business Management Fund and an interfund loan from South Park Blocks URA to Education URA for the transfer of property related to boundary changes.
- **Contingency:** Increases a net \$76,537,671 to balance requirements with resources. Majority of the increase is related to reductions in budget based on current year activity that will be included in the FY 2014-15 Proposed Budget or later years in the Five-Year Forecast (Veterans' Memorial Coliseum, Headquarters Hotel, Commercial Property Redevelopment Lending commitments).

RISK ASSESSMENT

Should the Board decide not to approve FY 2013-14 Budget Amendment No. 2, there may be inadequate appropriations for some projects and programs that are underway. An over-expenditure of an appropriation within a fund is a violation of local budget law (Oregon Revised Statutes 294); therefore, the recommended budget amendments ensure proper appropriations authority for all expenditures.

ALTERNATIVE ACTIONS

The Board could choose not to approve FY 2013-14 Budget Amendment No. 2 and direct staff to work within existing appropriations. In some cases, prior year commitments may not have adequate appropriation and, if expended, may trigger a violation of local budget law.

ATTACHMENTS

None.