

PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: June 22, 2011
TO: Board of Commissioners
FROM: Patrick Quinton, Executive Director
SUBJECT: Report Number 11-54
FY 2011-12 Budget Adoption

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution No. 6893

ACTION SUMMARY

This action will formally adopt PDC's FY 2011-12 Recommended Budget and appropriate resources as set forth therein, effective July 1, 2011. Adoption by the PDC Board of the FY 2011-12 Recommended Budget represents the final phase of the FY 2011-12 budget process, which began last December. Upon adoption, the 2011-12 Recommended Budget will become PDC's 2011-12 Adopted Budget.

The Portland City Council, acting as PDC's Budget Committee approved PDC's FY 2011-12 Proposed Budget on May 25, 2011 (the "FY 2011-12 Approved Budget"). The Executive Director and Chief Financial Officer are now submitting the FY 2011-12 Approved Budget, with recommended adjustments, to the Commission to be adopted as required by Local Budget Law (the "FY 2011-12 Recommended Budget").

The FY 2011-12 Recommended Budget reflects minor technical adjustments to the FY 2011-12 Approved Budget, which adjustments are permitted by Local Budget Law. The adjustments to recommended changes from the FY 2011-12 Approved Budget, reflected in the FY 2011-12 Recommended Budget, consist primarily of technical adjustments, and the final carry forward requests for on-going development projects and other commitments that were not originally anticipated in development of the PDC FY 2011-12 budget at the inception of the FY 2011-12 budget process. Technical adjustments are primarily updated staffing and indirect allocation estimates to various funding sources based on updated estimates of planned activity.

With the recommended changes, the total PDC budget will increase from \$208,208,275 in PDC's FY 2011-12 Approved Budget to \$209,084,319 in the FY 2011-12 Recommended Budget, including Transfers and Contingency. Budgeted expenditures increase from \$157,487,634 to \$159,375,330.

PUBLIC BENEFIT

The action to adopt the FY 2011-12 Recommended Budget represents the continuation of PDC's mission to achieve Portland's vision of a sustainable community with healthy neighborhoods, a vibrant urban core, a strong regional economy and quality jobs and housing for all.

The FY 2011-12 Recommended Budget allocates the resources necessary to implement PDC's strategic goals and priorities for each department. Chief among these goals are leveraging PDC resources to generate private investment; development of catalytic projects that stimulate other development; retention and growth of existing businesses, and recruitment and creation of new businesses; and providing a number of single and multi-family housing development and financial assistance needs.

This action will support the following PDC goals:

- Strong Economic Growth and Competitiveness
- Sustainability and Social Equity
- Healthy Neighborhoods
- A Vibrant Central City
- Effective Stewardship over our Resources and Operations, and Employee Investment

PUBLIC PARTICIPATION AND FEEDBACK

The FY 2011-12 Recommended Budget was developed with significant public input, primarily by the participation of each of PDC's Urban Renewal Advisory Committees and public stakeholders reviewing draft budgets and providing feedback to PDC staff and the Board and City Council through the Draft, Requested, Proposed and Approved stages of the budget. The June 8 Update on the FY 2011-12 Approved Budget included a summary of budget testimony received by the PDC Budget Committee (City Council) on May 19, 2011.

COMPLIANCE WITH ADOPTED PLANS AND POLICIES

The FY 2011-12 Recommended Budget was developed in accordance with numerous policy guidelines including the Housing Set-Aside policy, and in accordance with the City of Portland Charter and Oregon State Local Budget Law (ORS Chapter 294).

FINANCIAL IMPACT

The FY 2011-12 Recommended Budget incorporates a total of \$209,084,319 in program and project expenditures, including ending fund balance and contingency. Excluding contingency and cash transfers, total project and program expenditures equal \$159,375,330. The budget states what funds will be received by PDC, how the funds will be spent within each URA, and on which projects. The budget also shows how resources will be allocated for purposes of staff and operating costs of PDC. The changes reflected in the FY 2011-12 Recommended Budget include several recommended changes from the FY 2011-12 Approved Budget:

Requirements	Proposed	Recommended	Approved	Recommended	Adopted
Expenditures	FY 2011-12	Change	FY 2011-12	Change	FY 2011-12
Business Development	25,075,045	0	25,075,045	-440,466	24,634,579
Housing	49,525,491	1,287,564	50,813,055	1,181,280	51,994,335
Infrastructure	18,227,349	0	18,227,349	45,623	18,272,972
Property Redevelopment	42,234,469	3,803,000	46,037,469	1,291,946	47,329,415
Administration	17,097,716	237,000	17,334,716	-190,687	17,144,029
Debt Service	0	0	0	0	0
Total Expenditures	152,160,070	5,327,564	157,487,634	1,887,696	159,375,330
Transfers	16,251,853	-1,287,564	14,964,289	-645,863	14,318,426
Contingency	35,756,352	0	35,756,352	-365,789	35,390,563
Ending Fund Balance	0	0	0	0	0
Total Requirements	204,168,275	4,040,000	208,208,275	876,044	209,084,319

Business Development: Decreases a net \$440,466 across several funds. Most of the decrease occurs in the General Fund representing a final forecast of general fund activities funded by program income and an updated staff and indirect cost allocation based on the approved budget.

Housing: Increases a net \$1,181,280 based on project timing adjustments. Includes carryover of \$850,000 in Oregon Convention Center for the McCoy Apartments rehabilitation and \$260,000 and moving funds from FY 2012-13 to FY 2011-12 in Gateway for the Ventura Park housing project.

Infrastructure: Increases \$45,623 across several URAs for changes in the staff allocation.

Property Redevelopment: Increases \$1,291,946. Most of the increase is related to updating property management expenses across all PDC properties. The largest change is the gross operating expenditures for the Inn at the Convention Center (\$1,000,000). Most of the increases are offset by property income estimates being added to budgeted revenue. Other increases are related to staff allocation changes; moving from Administration to Property Redevelopment based the categorization of area planning and implementation activities.

Administration: Decreases \$190,687. Most of the decrease in Administration is a result of categorizing area planning and implementation activities as Property Redevelopment instead of Administration.

Transfers: Transfers from PDC's special revenue and capital funds to the general (indirect) fund decrease by \$645,863. This change is mostly due to re-calculating PDC's indirect cost allocation. This update aligns PDC's cost saving measures with the indirect allocation model.

Contingency: Decreases a net \$365,789 as a result of changes in specific funds, however, the net decrease is primarily related to moving budget from contingency to personal services budgets (which impacts all the above appropriation categories) to implement the most current estimates for total PDC personal services in FY 2011-12.

RISK ASSESSMENT

There is a slight risk that due to project timing and/or final project budgets that the appropriation level established through adoption of the FY 2011-12 Recommended Budget may be insufficient to enable PDC to comply with contractual obligations. PDC staff mitigates this risk by continually reviewing project estimates vis-à-vis budget authority and by preparing budget amendments during the fiscal year to request additional appropriations if and when necessary.

WORK LOAD IMPACT

If adopted, the implementation of the FY 2011-12 Recommended Budget is administrative in nature and will not impact PDC staffing needs. Management of project and program budgets are part of existing work plans of PDC staff as part of ongoing project and program management duties.

ALTERNATIVE ACTIONS

If the Board does not adopt the FY 2011-12 Recommended Budget, it could also elect to propose additional changes.

Pursuant to ORS 294.311, absent adoption of the FY 2011-12 Recommended Budget and appropriation of funds pursuant to such budget, as of July 1, 2011, PDC would have no authority to incur any new expenses. Any changes to the FY 2011-12 Recommended Budget directed by the Board must be identified during adoption of the budget to include specific funding source and appropriation category.

CONCURRENCE

PDC's 2011-12 Proposed Budget was reviewed and approved by the Portland City Council, acting as PDC's Budget Committee, on May 25, 2011. There were no specific changes directed by City Council during the review and approval of the FY 2011-12 Proposed Budget.

BACKGROUND

Adoption of the FY 2011-12 Recommended Budget is the final step in setting the appropriation limits for the upcoming fiscal year. Per Local Budget Law (ORS Chapter 294), the Board may increase expenditures in any fund by a maximum of 10 percent from that included in the FY 2011-12 Approved Budget to that included in the FY 2011-12 Adopted Budget.

The FY 2011-12 budget process began with the development of the FY 2011-12 Draft Budget and Five-Year Forecast by PDC URA teams and stakeholders in November 2010. The budget was formally vetted by the PDC Executive Team with the PDC Board in January 2011, and then submitted for City Council review as the FY 2011-12 Requested Budget on January 31, 2011. Following initial review by City Council, PDC created the FY 2011-12 Proposed Budget which was then submitted to City Council, acting as PDC's Budget Committee per ORS Chapter 294 in May 2011.

The FY 2011-12 Proposed Budget included approximately \$4 million in specific reductions that were identified by PDC management that includes a combination of staffing reductions, reductions in general overhead materials and services and materials and services associated with the Portland Housing Bureau IGA. These reductions incorporated the \$2.7 million in targeted reductions included in the FY 2011-12 Requested Budget. Following approval by the Budget Committee on May 26, 2011, with minor, recommended technical changes, the budget was submitted to the Multnomah County Tax Supervising and Conservation Commission (TSCC) for review and compliance with State of Oregon Local Budget Law.