

**DATE:** November 9, 2016  
**TO:** Board of Commissioners  
**FROM:** Kimberly Branam, Executive Director  
**SUBJECT:** Report Number 16-56  
Public Hearing on Budget Amendment No. 1; Adopting Budget Amendment No. 1 for the Fiscal Year Beginning July 1, 2016, and Ending June 30, 2017; and Making Appropriations

**BOARD ACTION REQUESTED**

Adopt Resolution No. 7215

**ACTION DESCRIPTION**

This proposed action by the Portland Development Commission (PDC) Board of Commissioners (Board) will formally amend the current fiscal year (FY) 2016-17 Adopted PDC Budget for the first time in the following ways:

- (1) Adjust beginning fund balances to match actual FY 2015-16 year-end fund balances;
- (2) Revise loan repayment and property disposition income based on updated estimates on payments and timing;
- (3) Adjust individual project and program budgets based on FY 2015-16 carryover that was not included in the FY 2016-17 Adopted Budget due to maintaining conservative estimates on timing but are now anticipated to spend in FY 2016-17;
- (4) Adjust the City of Portland Housing Bureau (PHB) Tax Increment Financing (TIF) Set Aside Budget to match updated FY 2016-17 expenditure estimates from PHB; and
- (5) Decrease funding if necessary based on current project timelines for inclusion in the FY 2017-18 Draft Budget and Forecast.

In summary, FY 2016-17 Budget Amendment No. 1 increases the total PDC budget from \$516,090,279 in the FY 2016-17 Adopted Budget to \$581,253,828 including Transfers, Contingency, and Reserves. Excluding Transfers and Contingency, total budgeted expenditures increase from \$296,372,887 to \$344,579,996. Exhibit A to Resolution No. 7215 sets forth Budget Amendment No. 1 recommended changes to the FY 2016-17 Adopted Budget.

**BACKGROUND AND CONTEXT**

The FY 2016-17 Budget Amendment No. 1 is the first budget amendment of the fiscal year, and the majority of the changes are related to updating the budget to reflect actual beginning fund balances and recognizing project carryover/adjustments. These adjustments provide the best picture of available resources leading into the FY 2017-18 budget development cycle.

### **COMMUNITY AND PUBLIC BENEFIT**

The FY 2016-17 Budget Amendment No. 1 serves the public interest by ensuring that the PDC 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**

On November 9, 2016, the public has the opportunity to testify at the public hearing held by the PDC Board on Budget Amendment No. 1, prior to action on Resolution No. 7215. In addition, PDC performs an extensive amount of public outreach through 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 PDC Board on Budget Amendment No. 1 was published prior to the meeting in the manner required by local budget law. All other changes included in the FY 2016-17 Budget Amendment No. 1 are consistent with funding priorities established in the FY 2016-17 Adopted Budget and four-year forecast.

### **BUDGET AND FINANCIAL INFORMATION**

The recommended amendments to the FY 2016-17 Revised Budget reflect the financial implications of business decisions which amount to approximately \$344,579,996 in program and project expenditures and contingency. Exhibit A to Resolution No. 7215 identifies all fund appropriation changes. In summary, key changes to resources and requirements:

#### **Resources:**

- Beginning Fund Balance increasing across all funds by \$31,306,772 (total now \$280,827,314).
- Adding anticipated General Fund revenue for carryover, net of removal of B-Corp project.
- Fees and Charges: Addition of PHB's contribution for acquisition of U.S. Postal Service (USPS) site (in Business Management Fund).
- Increase of Tax Increment Financing (TIF) Debt Proceeds (Line of Credit borrowing) in Lents Town Center Urban Renewal Area (URA) based on timing of projects.
- Property Sales:
  - Addition of Station Place Lot 5 in River District URA
  - Addition of Parcel 3 sale in North Macadam URA
  - Move out sale of B&K site in Oregon Convention Center URA to future years
- Transfers: increase of transfers in from River District URA to Business Management Fund for environmental liability escrow related to USPS site. The asset for the USPS site is recorded in the Business Management Fund.

#### **Requirements:**

On the budgeted requirements side, most of the changes are related to carryover (projects and programs that were included in the prior year budget but did not occur or finish as represented in the final budget for FY 2015-16). Other changes include appropriate matching budget to actual USPS transactions and revisions to property acquisition amounts or real estate management expenditures and other contracts that were not fully established or known at the time the budget was adopted in June, 2016.

- **Administration:** Adding department overhead adjusted for variations observed to date in FY 2016-17, including the PDC executive director search and Commercial Property Assessed Clean Energy (CPACE) and Community Development Entity (CDE) program development costs. Most of these items were programmed but not fully expended in FY 2015-16.

- **Economic Development:**
  - Programmatic adjustments within General Fund and adding prior year carryover.
  - Increasing Enterprise Zone for Community Economic Development activity carryover.
  - Added carryover for programmed resources as necessary in Neighborhood Prosperity Initiative funds.
- **Infrastructure**
  - Carryover for ongoing street and other infrastructure projects (City of Portland Bureau of Transportation and Bureau of Parks and Recreation).
  - Move majority of District Parking in Downtown Waterfront URA and River District URA allocation to future years.
- **Housing:** add TIF Set Aside carryover in multiple URA funds.
- **Property Redevelopment:**
  - Representing the full purchase price (including PHB portion) of the USPS site in Business Management Fund to match accounting for the acquisition.
  - Trueing up Lents Town Center URA lending budgets for timing and amount of projects moving forward.
  - Updating Storefront, Development Opportunity Services and Community Livability Grant budgets based on grants committed in the prior year but not spent.
  - Carryover for Multnomah County Health Department building in River District URA.
  - Moving Commercial Property Redevelopment Loan resources in River District URA and Downtown Waterfront URA for future year use (delivering on Old Town/Chinatown Action Plan) based on estimated timing.
- **Transfers:** Increase of transfers in from River District URA to Business Management Fund for environmental liability escrow related to USPS site.
- **Contingency:** Increase \$13,463,295 across all funds based on total fund balancing (difference between the change in resources and change in programmed expenditures).

#### **RISK ASSESSMENT**

Should the PDC Board decide not to approve FY 2016-17 Budget Amendment No. 1, there may be 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 (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 2016-17 Budget Amendment No. 1 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