



PROSPER
PORTLAND
Building an Equitable Economy

DATE: May 8, 2019
TO: Board of Commissioners
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 19-14
Adopting Budget Amendment No. 2 for the Fiscal Year Beginning July 1, 2018, and Ending June 30, 2019; and Making Appropriations

BOARD ACTION REQUESTED AND BRIEF DESCRIPTION

Adopt Resolution No. 7308

This proposed action by the Prosper Portland Board of Commissioners (Board) will formally amend the current fiscal year (FY) 2018-19 Budget for the second time in the following ways:

- (1) Update forecasted tax increment revenue based on estimated short-term debt and demand for line of credit draws;
- (2) Update other revenues based on latest forecast for loan collections and property income;
- (3) Update project and program budgets based on changes for forecasted year-end expenditures; and
- (4) Update Affordable Housing Set Aside Budgets based on estimated timing of expenditures from the City of Portland (City) Housing Bureau (PHB).

STRATEGIC PLAN ALIGNMENT AND OUTCOMES

The FY 2018-19 Budget Amendment No. 2 ensures that the Prosper Portland Board has appropriated adequate public funds to be lawfully expended by Prosper Portland to implement all planned projects and programs established through the strategic planning and agency work planning processes, while addressing any changes to these efforts since adoption of the budget in June 2018. The agency will measure outcomes related to budgeted projects and programs over time to determine how Prosper Portland's allocation of resources will impact all Strategic Plan goals to build an equitable economy.

BACKGROUND AND CONTEXT

The FY 2018-19 Budget Amendment No. 2 is the second budget amendment of the fiscal year. Most of the changes are related to updating the budget to reflect changes in resources and timing of project expenditures based on budget monitoring that have occurred since the Prosper Portland Board adopted Budget Amendment No. 1 in November 2018. Overall, adjustments to resources and requirements will provide the best picture of available resources to incorporate into the FY 2019-20 Budget.

EQUITY IMPACT

The FY 2018-19 Adopted and Revised Budget incorporates projects and programs critical to advancing Prosper Portland's Strategic Plan and equity goals. This amendment ensures that appropriations are adequate for current year planned spending and adjusted for programs that will carry forward to the

next fiscal year. The budget maintains 100 percent of the original spending that was included in the adopted budget for General Fund and Community Development Block Grant programming that is instrumental to implementing Strategic Plan goals 2, 3, and 4.

COMMUNITY PARTICIPATION AND FEEDBACK

While there has been no direct public outreach regarding this action, notice of the public hearing to be held by the Prosper Portland Board on Budget Amendment No. 2 was published prior to the meeting in the manner required by local budget law. At the Prosper Portland Board meeting on May 8, 2019, the public can testify prior to action on Resolution No. 7308. Furthermore, Budget Amendment No. 2 estimates have been incorporated in materials reviewed by Prosper Portland’s Budget Advisory Committee and other stakeholder groups as part of the FY 2019-20 budget development process. Changes included in the FY 2018-19 Budget Amendment No. 2 are consistent with funding priorities established in the FY 2018-19 Adopted Budget and four-year forecast and FY 2018-19 agency-wide work plan.

BUDGET AND FINANCIAL INFORMATION

The recommended amendments to the FY 2018-19 Revised Budget reflect the financial implications of business decisions which amount to \$205,317,642 in program and project expenditures; all fund appropriation changes are detailed in Exhibit A to Resolution No. 7308. In summary, key changes to resources and requirements are:

For budgeted revenues, most changes are related to adjustments to tax incremental financing (TIF) Debt Proceeds based on a true-up of tax increment resources, changes to TIF line of credit draws based cash needs, and changes to loan and property income estimates based on updated forecasts and actuals receipts.

Resources:

- **City General Fund** decreases by \$123,000 to carryover Brownfields Program implementation to next fiscal year.
- **Fees and Charges** decrease by \$170,827 for updated fee income across funds; primarily related to decrease in Enterprise Zone income for the current fiscal year.
- **Grants** increase by \$83,489, due to update of current year TIF forecast related to shared revenues coming from City of Portland and Multnomah County.
- **Interest on Investments** increases by \$30,000 from updated interest earnings on cash balances.
- **Loan Collections** increase by \$817,837 based on revised forecast of loan collections.
- **TIF Debt Proceeds** decrease by \$7,959,464 for removing line of credit draw in Lents Town Center Urban Renewal Area (URA) that is no longer required this fiscal year.
- **Miscellaneous** revenues increase by \$40,000 for economic development program events and registrations.
- **Property Income** decreases a net \$85,857, for adjustments to rent and lease income across the real estate portfolio.
- **Reimbursements** increase by \$1,266,353, primarily related to partial reimbursement of prior year grant related to Parcel 3 transaction in North Macadam URA.
- **Transfers In / Service Reimbursements:** increase by \$309,413 related to interfund loan repayments and adjustments to the indirect allocation.

Requirements:

For budgeted expenditures and requirements, most changes are related to reductions in projects that will be included in the FY 2019-20 Budget that will be approved by Portland City Council in May 2019 and presented to the Prosper Portland Board in June 2019.

- **Administration** decreases by a net \$56,131 based on several decreases to administrative overhead offset by increases planned in expenditure for URA debt management activities.
- **Economic Development** increases by \$529,595, primarily for increases in Economic Development Administration and Enterprise Loan Fund lending activity.
- **Housing** decreases a net \$6,886,051 to match PHB Spring Budget Monetary Process budget (forecast of year-end expenditures).
- **Infrastructure** decreases \$9,903,864 for projects moving to next fiscal year or later including Leach Botanical Garden, Lombard streetscape investments, and infrastructure improvements in North Macadam.
- **Property Redevelopment** decreases \$55,075,268 based on net changes to commercial lending, property management, and development activity. Most of the decrease is related to Old Town/Chinatown Action Plan funding and Gateway Halsey 106 development funding that are being included in the FY 2019-20 Proposed Budget (moving from current year).
- **Transfers** increases \$309,413 for transfer of General Fund loan income and balance to Enterprise Loan Fund for inclusion in revolving loan resource balance.
- **Contingency** increases \$65,290,250 from increase in resources and decreased current year budgeted spending that will be included as the beginning balance for the FY 2019-20 budget. Majority of the contingency is reserved for specific project and programs that did not expend in the current fiscal year and are re-budgeted to FY 2019-20 or future fiscal years.

RISK ASSESSMENT

Should the Prosper Portland Board decide not to approve FY 2018-19 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.

ATTACHMENTS

None