



DATE: November 13, 2019
TO: Board of Commissioners
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 19-55
Adopting Budget Amendment No. 2 for the Fiscal Year Beginning July 1, 2019, and Ending June 30, 2020; and Making Appropriations

BOARD ACTION REQUESTED AND BRIEF DESCRIPTION

Adopt Resolution No. 7350

This action by the Prosper Portland Board of Commissioners (Board) will formally amend the current fiscal year (FY) 2019-20 budget for the second time in the following ways:

- (1) Adjust beginning fund balances to reflect actual FY 2018-19 year-end balances;
- (2) Update other revenues based on latest forecast for loan collections, estimated interest on cash balances, and property income;
- (3) Update project, program, and administrative expenditures that are underway for committed carryover of funds that did not spend in the prior fiscal year;
- (4) Update Affordable Housing Set Aside budgets based on estimated timing of expenditures from the City of Portland (City) Housing Bureau;
- (5) Adjust General Fund expenditures according to City of Portland Fall Budget Monitoring Process adjustments;
- (6) Adjust Administrative Expenditures, primarily to address anticipated move expenditures that will be incurred before June 30, 2020; and
- (7) Add the Construction Opportunities and Enhancements Program (COEP) fund and estimated revenues and expenditures.

STRATEGIC PLAN ALIGNMENT AND OUTCOMES

The FY 2019-20 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. This action will also address any changes to these efforts since adoption of the budget in June 2019.

Outcomes related to budgeted projects and programs will be measured over time to determine how Prosper Portland's allocation of resources will impact all Strategic Plan goals and the agency's ongoing efforts to build an equitable economy.

BACKGROUND AND CONTEXT

The FY 2019-20 Budget Amendment No. 2 is the first comprehensive budget amendment of the fiscal year. FY 2019-20 Budget Amendment No. 1, which was adopted by the Prosper Portland Board through Resolution No. 7339 on September 11, 2019, only addressed appropriations in the South Park Block tax

increment finance (TIF) Fund for the purpose of establishing infrastructure appropriation necessary to implement intergovernmental agreements with Multnomah County and the City of Portland. Most of the changes in Budget Amendment No. 2 are related to updating the budget to reflect actual beginning fund balances and recognizing project carryover/adjustments. Most adjustments to expenditure appropriations relate to projects or programs that were underway at the close of the prior fiscal year; however, in some cases additional requirements have been identified and recommended as budget additions. Overall, adjustments to resources and requirements through this amendment will provide the best picture of available resources leading into the FY 2020-21 budget development cycle.

EQUITY IMPACT

The FY 2019-20 Adopted Budget incorporates projects and programs critical to advancing Prosper Portland's Strategic Plan and equity goals. This amendment augments the initial adopted budget by providing additional resources to advance ongoing projects and programs. Specifically, Prosperity Investment Program, Community Livability Grants, lending, and other project resources that were not fully expended in the prior fiscal year will provide additional resources in the current year to serve community members and businesses owned by people of color.

COMMUNITY PARTICIPATION AND FEEDBACK

Prior to the beginning of the fiscal year, Prosper Portland's budget development process includes extensive public outreach through meetings held by its advisory groups and other stakeholders. No specific outreach has taken place regarding this action; however, 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. As with all agency budget actions, the public can testify at the public hearing held by the Prosper Portland Board on November 13, 2019. All other changes included in FY 2019-20 Budget Amendment No. 2 are consistent with funding priorities established in the FY 2019-20 Adopted Budget and four-year forecast.

BUDGET AND FINANCIAL INFORMATION

Recommended amendments to the FY 2019-20 Revised Budget reflect the financial implications of business decisions which amount to \$201,170,090 in program and project expenditures. The total budget amounts to \$460,754,735 when including interfund transfers and contingency. Exhibit A to Resolution No. 7295 identifies all fund appropriation changes. In summary, key changes to resources and requirements are:

Changes to Total Resources:

- **Beginning Fund Balance** increases by \$64,000,000 based on year-end balances. By fund, the larger increases are due to timing of projects and prior year utilization grant and lending budgets in Interstate, River District, Downtown Waterfront and Lents districts.
- **Fees and Charges** increase by \$270,000 for the new Community Opportunities and Enhancement Program and projected Mercatus and My People's Market revenue.
- **Grants** increase by \$50,000 primarily due to finalization of the multi-year Union Station analysis project.
- **Interest on Investments** increases by \$2,300,000 from updated interest earnings on cash balances.
- **Loan Collections** decrease by \$216,648 based on revised forecast of loan collections.
- **TIF Debt Proceeds** increase by \$6,600,000 due to adjustment of the bond issuance proceed estimate in Lents.

- **Property Income** decreases by a net \$2,700,000 mostly related a \$1,500,000 decrease to an estimated disposition in Lents.
- **Reimbursements** decrease by \$15,000 due to adjustment in revenues for the management of 10th & Yamhill retail operations.
- **Transfers In** increase by \$920,895 related to interfund loan repayments.

Changes to Total Requirements (summarized):

For budgeted expenditures and requirements, most 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 2018-19). Other changes include revisions to real estate management expenditures and other contracts that were not fully established or known at the time the budget was adopted in June 2019.

- **Administration** decreases a net \$575,120. The net change includes a net increase to administrative overhead for current year anticipated office move expenses of \$353,000 and increases in the current year debt management agreement with the City of Portland (allocated across all TIF districts). However, personnel expense reclassifications from general administration to Property Redevelopment and Economic Development, as well as \$200,000 in estimated personnel savings from vacancies more than offset these additions.
- **Economic Development** increases by \$1,200,00. \$200,000 is added in the Airport Way TIF District for a business finance loan and \$200,000 is added to the new Community Opportunities and Enhancements Program Fund (COEP) as a placeholder for anticipated program management and initial program disbursements.
- **Housing** increases by a net \$7,800,000 from prior year rollover. Most of the changes occurred in the Interstate TIF District.
- **Infrastructure** increases by a net \$2,100,000, most of the increase is due to an increase in the allocation for the Earl Blumenauer Pedestrian Bridge in the Oregon Convention Center TIF District. The increase will be part of a funding agreement with the Portland Bureau of Transportation with infrastructure improvements occurring at Broadway Corridor.
- **Property Redevelopment** decreases a net \$20,100,000. Most of the decrease is related to anticipated demand for the resources in Old Town/Chinatown in the River District and Downtown Waterfront District and will be re-budgeted in the in FY 2020-21 Draft Budget. Decreases are offset by increases in Oregon Convention Center related to closeout construction of the Convention Center Hotel Garage and design of 100 Multnomah, increases in Central Eastside related to predevelopment of the ODOT Blocks, and a reallocation of personnel costs in the General Fund from Administration to Property Redevelopment based on general lending, grant and other property redevelopment activities.
- **Transfers Out** increases \$920,895 based on repayment of year-end interfund loans to the HCD fund from the Enterprise Loans Fund and a \$180,000 transfer of loan income from the General Fund to the Enterprise Fund to consolidate funds available for working capital type loans.
- **Contingency** increases \$80,200,000 to represent to overall change between updated resources and expenditures. Contingency represent the amount (within each fund) available for appropriation by another supplemental budget. this amount also will be included as the estimated beginning fund balance for the FY 2020-21 Draft Budget.

RISK ASSESSMENT

Should the Prosper Portland Board decide not to approve FY 2019-20 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.