



DATE: June 10, 2020
TO: Board of Commissioners
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 20-26

Adopting the Annual Budget of Prosper Portland for the Fiscal Year Beginning July 1, 2020 and Ending June 30, 2021; and Making Appropriations

BOARD ACTION REQUESTED AND BRIEF DESCRIPTION

Adopt Resolution No. 7376

This action by the Prosper Portland Board of Commissioners (Board) will formally adopt Prosper Portland's fiscal year (FY) 2020-21 Recommended Budget, effective July 1, 2020. The Prosper Portland Board's adoption of the FY 2020-21 Recommended Budget represents the final phase of the FY 2020-21 budget process, which began in October 2019.

STRATEGIC PLAN ALIGNMENT AND OUTCOMES

Upon adoption, the FY 2020-21 Recommended Budget will become Prosper Portland's FY 2020-21 Adopted Budget and allow staff to implement key programs, projects, and initiatives that deliver on the agency's Strategic Plan goal to build an equitable economy by growing quality jobs, advancing opportunities for prosperity, creating vibrant neighborhoods and communities, and collaborating with partners to create an equitable city.

BACKGROUND AND CONTEXT

The annual budget process for Prosper Portland began in October 2019. After multiple public hearings and input from stakeholders including the Prosper Portland Community Budget Committee (CBC), Portland City Council, acting as Prosper Portland's Budget Committee, approved a budget on May 20, 2020, referred to as the FY 2020-21 Approved Budget. After City Council approves the Approved Budget, the Prosper Portland Executive Director submits a Recommended Budget to the Prosper Portland Board, which includes minor recommended changes to the City Council Approved Budget.

With this action, the Executive Director is proposing a Recommended Budget of \$340,807,006 which is a decrease from the Approved Budget of \$348,558,005. The Recommended Budgeted decreases budget expenditures from \$207,812,266 in the Approved Budget to \$200,062,549. The recommended changes consist of minor technical alignments of the personnel and materials and services budget to match the amended contract with ASFCME Local 75 by fund and cost center, additional resources for Neighborhood Prosperity Network business technical assistance, as well as an adjustment for the timing of the Block 24 acquisition.

EQUITY IMPACT

The action to adopt the FY 2020-21 Recommended Budget will allow Prosper Portland to invest critical resources in objectives that deliver on the Strategic Plan through the lens of the Equity Policy.

COMMUNITY PARTICIPATION AND FEEDBACK

The FY 2020-21 budget process included public participation through the approximately 18- member CBC, which met six times during the drafting of the FY 2020-21 Requested Budget. A letter from the CBC support for the budget, including Tax Increment Financing (TIF) district project allocations and General Fund decision packages, was previously shared with the Prosper Portland Board. Staff continued to update the CBC through May as budget and financial implications related to the COVID-19 crisis began to impact both the City of Portland and Prosper Portland's financial outlook and budget decisions. City Council received testimony from the public on May 13, 2020 during its public hearing on the Proposed Budget. The public will have a final opportunity to testify on Prosper Portland's budget during the June 10, 2020 Prosper Portland Board meeting.

BUDGET AND FINANCIAL INFORMATION

The FY 2020-21 Recommended Budget incorporates financial decisions that include a total recommended budget of \$340,807,006 in program and project expenditures, including ending fund balance and contingency. Excluding contingency and cash transfers, total project and program expenditures equal \$200,062,549. Total expenditures are higher than the FY 2019-20 Revised Budget due primarily to capital items in TIF districts moving from the current fiscal year to next fiscal year that were identified in the FY 2019-20 Revised 4 budget brought before the Prosper Portland Board on May 13, 2020.

The Recommended Budget's operating budget is lower than FY 2019-20 due to City Council's approved General Fund budget allocation to Prosper Portland as well as significant, budgeted reductions in program income primarily from property leases, parking and loan collections throughout ten TIF Districts due to the impact of the COVID-19 pandemic. Overall, the Adopted Budget includes \$6,000,000 less in estimated program income than the FY 2019-20 Adopted Budget, impacting available resources for operating activities across the organization as well as capital programming in the River District and Oregon Convention Center TIF districts.

Prosper Portland's operating expenditures for personnel and administrative materials and services were reduced \$1,200,000 from the FY 2020-21 Requested Budget that was presented in January. The majority of the reductions were achieved by a 7 percent reduction in personnel service costs by implementing furlough days for non-management staff and a pay reduction for management. Prosper Portland's General Fund programming is reduced a net \$450,000 (7.5 percent) from the FY 2020-21 Requested Budget based on Council's budget approval and in anticipation of further reductions that may occur when the City receives updated financial information in the first quarter of the fiscal year. The General Fund reductions include savings from a portion of the agency-wide personnel cost reductions as well as reductions to grants and contracts for the Inclusive Business Resource Network (IBRN), the Neighborhood Prosperity Initiative, Venture Portland, workforce development, and traded sector activities. City Council however did fund a \$50,000 increase in ongoing and \$420,000 in one-time Cannabis business tax resources to support IBRN and \$72,000 in one-time resources to provide partial funding for the Portland Film Office.

The FY 2020-21 Recommended Budget includes several changes from the FY 2020-21 Approved Budget, that in total decrease a net \$7,724,635 in expenditures. Changes include:

- Decrease of \$49,717 to align personnel services and materials and services with the agreement reached with AFSCME Local 75.
- Increase Economic Development appropriations by \$100,000 in the Enterprise Zone to support ongoing business technical assistance programming in the Neighborhood Prosperity Initiative Districts.
- Decrease of \$7,800,000 to Property Redevelopment in Downtown Waterfront, recognizing that the resources and appropriation for the Block 24 acquisition is being added to the FY 2019-20 Revised 5 budget to allow adequate appropriations if the acquisition is recorded in FY 2019-20. There is still a possibility that the acquisition could be recorded in FY 2020-21, however, there is sufficient appropriation remaining in the Downtown Waterfront FY 2020-21 recommended budget to allow for the expenditure after this change.

RISK ASSESSMENT

There is a slight risk that due to project timing and/or final project budget, appropriation levels established through adoption of the FY 2020-21 Recommended Budget may be insufficient to enable Prosper Portland to comply with contractual obligations. Prosper Portland staff mitigates this risk by continually reviewing project estimates with respect to budget authority and by preparing budget amendments during the fiscal year to request additional appropriations if and when necessary.

The Prosper Portland Board could adopt the FY 2020-21 Recommended Budget with additional changes up to the ten percent allowable increase in expenditures for each fund. Any changes to the FY 2020-21 Recommended Budget directed by the Prosper Portland Board must be identified during adoption of the budget to include specific funding sources and appropriation categories. If the Prosper Portland Board does not adopt a budget in accordance with local budget law on or before June 30, 2020, Prosper Portland will have no authority to incur expenses after that date.

ATTACHMENTS

None.