



PROSPER
PORTLAND
Building an Equitable Economy

DATE: November 18, 2020
TO: Board of Commissioners
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 20-51
Adopting Budget Amendment No. 2 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. 7404

This action by the Prosper Portland Board of Commissioners (Board) will formally amend the current fiscal year (FY) 2020-21 budget for the second time in the following ways:

- (1) Adjust beginning fund balances to reflect actual FY 2019-20 year-end balances;
- (2) Update other revenues based on latest forecast for loan collections, estimated interest on cash balances, and property income due to impacts related to the COVID-19 pandemic;
- (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 Administrative Expenditures, primarily to address final move expenditures;
- (6) Recognize and appropriate intergovernmental agreements with City of Portland for updated General Fund, Southwest Corridor planning, the Small Business Utility Relief Program, CARES Act administration funding for Portland venues, Community Opportunities and Enhancements Program (COEP) and Downtown Retail Activation; and
- (7) Technical adjustments necessary to move the U.S. Post Office asset from the Business Management Fund to the River District Tax Increment Finance (TIF) District Fund and terminate the ten-year interfund loan between the two funds.

STRATEGIC PLAN ALIGNMENT AND OUTCOMES

The FY 2020-21 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 2020. 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 2020-21 Budget Amendment No. 2 is the first comprehensive budget amendment of the fiscal year. The FY 2020-21 Budget Amendment No. 1, which was adopted by the Prosper Portland Board through Resolution No. 7379 on August 8, 2020, specifically addressed immediate need to establish appropriations for CARES Act funding allocation from the City of Portland and the Economic Development CARES Act special grant. 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 and 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. Prosper Portland staff have also reviewed loan repayment and property management activities since the Adoption of the FY 2020-21 budget to determine changes in revenue and expenditure activities and make corresponding budget revisions. Overall, adjustments to resources and requirements through this amendment will provide the best picture of available resources leading into the FY 2021-22 budget development cycle.

EQUITY IMPACT

The FY 2020-21 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 18, 2020. All other changes included in FY 2019-20 Budget Amendment No. 2 are consistent with funding priorities established in the FY 2020-21 Adopted Budget and four-year forecast.

BUDGET AND FINANCIAL INFORMATION

Recommended amendments to the FY 2020-21 Revised Budget reflect the financial implications of business decisions which amount to \$200,649,348 in program and project expenditures. The total budget amounts to \$565,253,831 when including interfund transfers and contingency (Exhibit A to Resolution No. 7404 identifies all fund appropriation changes). In summary, key changes to resources and requirements are:

Changes to Total Resources:

- **Beginning Fund Balance** increases by \$64,800,000 based on yearend balances. By fund, the larger increases are due to timing of projects and prior year utilization of grant and lending budgets in Central Eastside, Gateway, Interstate, Lents, and River District.
- **City General Fund** increases by \$269,000 because of a decrease of \$56,000 to meet the 5.6 percent overall General Fund reduction and increases of \$25,000 for the Downtown Retail Advocate and \$300,000 for Central City Small Business Repair Grants.

- **Fees and Charges** increase a net \$319,339 from an increase in fees related to the 10th and Yamhill site and increased contract revenue for the Community Opportunities and Enhancements Program (COEP), the Small Business Utility Relief Program, Downtown Retail Support, and the Portland Film Office revenue collections.
- **Grants** increase by \$135,332 from the carryover of the City of Portland's portion of Neighborhood Prosperity Initiative Shared Revenue and the receipt of a new USDA grant, both of which are offset slightly by the decrease of the estimated U.S. EPA grant for the U.S. Post Office expenses.
- **Interest on Investments** decreases by \$562,174 in River District to reflect the U.S. Post Office asset moving from the Business Management Fund into River District. This is offset in Transfers.
- **Loan Collections** increase by \$616,436 to reflect updated loan forecast collections. Approximately half of the increase is in Lents and the Economic Development Administration fund.
- **Property Income** decreases by \$1,200,000 to reflect the updated property income forecast. Significant decreases in Central Eastside, River District, and Willamette.
- **Reimbursements** increase by \$1,600,000 mostly related to the lease agreement on the 10th and Yamhill site.
- **Transfers In** increase by \$140,700,000 to reflect repayment of interfund loans and transfers. Most of this amount relates to the Post Office asset moving from the Business Management Fund to River District.

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 2019-20). 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 2020.

- **Administration** increases a net \$17,912. This includes a decrease of about \$50,000 in staff time, which moved out of the Indirect Fund to assist with Economic Development work mostly around CARES Act. This also includes about \$70,000 in increased debt management expenses.
- **Economic Development** increases \$580,116 related to new service contracts, re-appropriation of General Fund contingency, USDA grant, support for the Coronavirus Aid, Relief, and Economic Security (CARES) Act and COEP.
- **Housing** increases \$5,500,000 based on updated estimates from the Portland Housing Bureau. Most changes occurred in Gateway, Interstate, and North Macadam.
- **Property Redevelopment** decreases by \$26,200,000 with larger decreases in Airport Way, Business Management Fund, Downtown Waterfront, River District, and Willamette due mostly to the postponement of projects. This also includes large increases in Central Eastside and Convention Center related to predevelopment of sites in Central Eastside and improvements to the Inn at Convention Center
- **Transfers Out** increases \$140,700,000 to reflect repayment of interfund loans and transfers. Most of this amount relates to the U.S. Post Office asset moving from the Business Management Fund to River District.
- **Contingency** increases \$86,200,000 across all funding sources because of the increased Beginning Fund Balance and property redevelopment decreases. Contingency represents the amount (within each fund) available for appropriation by another supplemental budget. This amount will be included as the estimated beginning fund balance for the FY 2021-22 Draft Budget.

RISK ASSESSMENT

Should the Prosper Portland Board decide not to approve FY 2020-21 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.