



PROSPER
PORTLAND
Building an Equitable Economy

DATE: December 14, 2022
TO: Board of Commissioners
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 22-36
Adopting Budget Amendment No. 1 for the Fiscal Year Beginning July 1, 2022, and Ending June 30, 2023; and Making Appropriations

BOARD ACTION REQUESTED AND BRIEF DESCRIPTION

Adopt Resolution No. 7472

This action by the Prosper Portland Board of Commissioners (Board) will amend the current fiscal year (FY) 2022-23 budget as follows:

- (1) Adjust beginning fund balances to reflect actual FY 2021-22 year-end balances;
- (2) Adjust funding from City Council's Fall Budget Monitoring Process (BMP) to adjust funding for American Rescue Plan Act (ARPA) round 2 funding;
- (3) Update project, program, and administrative expenditures that are underway for committed carryover of funds that did not spend in FY 2021-22; and
- (4) Update Affordable Housing Set Aside budgets based on estimated timing of expenditures from the City of Portland Housing Bureau.

STRATEGIC PLAN ALIGNMENT AND OUTCOMES

The FY 2022-23 Budget Amendment No. 1 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 the Prosper Portland Board adopted the FY 2022-23 budget in June 2022. 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 2022-23 Budget Amendment No. 1 is the first budget amendment of the fiscal year. Most of the changes in Budget Amendment No. 1 are related to updating the budget to reflect actual beginning fund balances and recognizing project carryover and adjustments. Adjustments to expenditure appropriations primarily relate to projects or programs that were underway at the close of the prior fiscal year. While review of property management activities is ongoing, staff are including several more significant adjustments at this time based on current performance. Overall, adjustments to resources and requirements through this amendment will provide both the best estimate of available resources for the remainder of the FY 2022-23 and an updated forecast for the FY 2023-24 budget development cycle.

EQUITY IMPACT

The FY 2022-23 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 FY 2021-22 as part of existing Tax Increment Finance (TIF) District Action Plans will provide additional funding in FY 2022-23 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 with the Community Budget Committee and other stakeholders. While no specific outreach has taken place regarding this action, notice of the public hearing to be held by the Prosper Portland Board on Budget Amendment No. 1 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 December 14, 2022. All changes included in FY 2022-23 Budget Amendment No. 1 are consistent with funding priorities established in the FY 2022-23 Adopted Budget and four-year forecast.

BUDGET AND FINANCIAL INFORMATION

Recommended amendments to the FY 2022-23 Revised Budget reflect the financial implications of business decisions which amount to \$234,740,803 in program and project expenditures. The total budget amounts to \$476,223,405 when including interfund transfers and contingency (Exhibit A to Resolution No. 7472 identifies all fund appropriation changes). In summary, key changes to resources and requirements are:

Changes to Total Resources:

- **Beginning Fund Balance:** increase of \$54,343,234 based on prior year-end audited balances. By fund, the larger increases are due to timing of projects and prior year utilization of property redevelopment and lending budgets in Central Eastside, Gateway, Interstate, Lents, and River District.
- **City General Fund:** increase of \$904,292 related to City Council allocation of one-time Fall Budget Monitoring Process (BMP) carryover. Includes funding for Inclusive Economic Development Strategy, community development planning activities and community grants.
- **Fees and Charges:** increases a net \$2,059,028; majority of the increase is related to updated estimates of funding from the Community Opportunities and Enhancements Program (COEP) with partner bureaus as well as receipt of a penalty fee for the Construction and Workforce Equity policy for a cancelled project.
- **Grants-Federal except HCD:** increase of \$785,595 to include updated federal funds including ARPA round 1 carryover (increase) from prior year and ARPA round 2 decrease/reallocation.
- **Interest on Investments:** net decrease of \$103,197 based on updated interest forecast (based on estimated fund balances and interest rates through fiscal year-end).
- **Loan Collections:** net decrease of \$196,498 to reflect updated loan forecast collections. Includes more conservative forecast for portfolio in some districts; increases in other district where payoffs have occurred.
- **Property Income:** decrease of \$1,746,681 to reflect updated property income forecast. Most of the decrease is related to updated forecast for parking revenue at the Oregon Convention Center Garage.

- **Transfers In:** increase of \$4,307,925 mostly for interfund transfers that consolidate several small business working capital funds into a single fund that resides within the Enterprise Loans Fund. The amount also includes repayment of short-term interfund loans and transfers from prior fiscal year. Repayment of funds from ARPA, COEP, and Other Federal Grant funds to Business Management Fund.

Changes to Total Requirements:

For budgeted expenditures and requirements, changes include City Council's decisions this fall on reallocation of ARPA grant funds and additional General Fund one-time resources. Most TIF district 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 2021-22). 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 2022. Changes are summarized as follows:

- **Administration:** net increase of \$567,564 for internal department carryover including prior year funding for the Microsoft D365 upgrade (finance system), carryover of prior year funding to support equity initiatives and training.
- **Economic Development:** increase of \$1,747,505 to incorporate ARPA/carry over to support small businesses and workforce development and allocations for Fall BMP, one-time carryover for Inclusive Economic Development Strategy and other community economic development planning efforts (Neighborhood Business Strategy, Future of Central City Market Analysis/Strategy). Also includes increased funding for business lending in Central Eastside, Economic Development Administration, and Enterprise working capital loan funds.
- **Housing:** net decrease across TIF Districts of \$2,176,506 based on updated estimates from the Portland Housing Bureau.
- **Infrastructure:** increase of \$720,372 across several funds. Most of the increase is related to projects for the Old Town Action Plan (skate park project and Chinatown Gate project).
- **Property Redevelopment:** net increase of \$24,628,033 across funds, primarily for timing of projects including USPS/Broadway Corridor, Old Town Action Plan, and carryover additions for Prosperity Investment Program and Community Livability grants in Interstate, Gateway, Central Eastside, and Lents. Also includes added funding for repair grant activity from American Rescue Plan funds.
- **Transfers:** increase of \$4,311,695 mostly for interfund transfers that consolidate several small business working capital funds into a single fund that resides within the Enterprise Loans Fund. Also amount also includes repayment of short-term interfund loans and transfers from prior fiscal year. Repayment of funds from ARPA, COEP and Other Federal Grant funds to Business Management Fund.
- **Contingency:** increase of \$26,757,109 across all funding sources as a result of the increased Beginning Fund Balance and net reductions in budgeted expenditures.

RISK ASSESSMENT

Should the Prosper Portland Board decide not to approve FY 2022-23 Budget Amendment No. 1, there may be inadequate appropriations for some projects and programs that are committed and underway that did not fully expend in the prior fiscal year. 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.