



DATE: May 15, 2023
TO: Board of Commissioners
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 23-11
Adopting Budget Amendment No. 2 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. 7483

This action by the Prosper Portland Board of Commissioners (Board) will formally amend the current fiscal year (FY) 2022-23 budget for the second time in the following ways:

- (1) Move planned tax increment finance (TIF) district expenditures for planned projects to contingency so that the funds can be recognized in the Beginning Fund Balance and expenditures in the FY 2023-24 budget;
- (2) Include adjustments made by City Council in the City's Spring Budget Amendment for General Fund, American Rescue Plan Act (ARPA) Funds, and Cannabis Funds;
- (3) Update Affordable Housing Set Aside budgets based on estimated timing of expenditures from the City of Portland (City) Housing Bureau; and
- (4) Transfer personnel services expenditures to projects and funds according to updated forecasts and implementation amended Collective Bargaining Agreement (CBA) extension.

STRATEGIC PLAN ALIGNMENT AND OUTCOMES

The FY 2022-23 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 2022 and the last budget revision in December 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 goals and the agency's ongoing efforts to build an equitable economy.

BACKGROUND AND CONTEXT

The FY 2022-23 Budget Amendment No. 2 is anticipated to be the final budget amendment of the fiscal year. Most of the changes in Budget Amendment No. 2 are related to recognizing which budget appropriations for TIF district project budgets should move into future fiscal years based on project timelines based on review of project and program spending with Prosper Portland project managers. Also, during approval of the City's Spring Budget Amendment (BMP) on April 19, 2023, City Council

included several adjustments requested by Prosper Portland to move funding to next fiscal year and add funding for the TIF district evaluation in accordance with the FY 2022-23 adopted budget note for returning tax increment resources. General Fund, ARPA, and Cannabis programs that were adjusted in the Spring BMP by City Council includes moving funds from the current year to next fiscal year to support year two of the Office of Events and Film, My People’s Market Site Location, East Portland Investment Strategy as well as IBRN and cannabis business and capital advisor funding. These funds will be included in the Mayor’s FY 2023-24 Proposed Budget. Adjustments to personnel and overhead include a reduction of direct personnel charges and an increase in indirect personnel and materials and services to represent the use of prior year savings and current year vacancies to support implementation of the CBA, recruitment activities and temporary services.

EQUITY IMPACT

The FY 2022-23 Revised Budget incorporates projects and programs critical to advancing Prosper Portland’s 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 the original spending priorities included in the adopted budget for General Fund, Community Development Block Grant, and Enterprise Zone resources used to implement the Inclusive Business Resource Network, Workforce Development, Neighborhood Prosperity Network, and Traded Sector activities. Staff continue to implement these programs by centering on racial equity.

COMMUNITY PARTICIPATION AND FEEDBACK

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. The TIF district priorities contained in the Revised 2 budget were also incorporated in the overall stakeholder outreach conducted as part of the FY 2023-24 budget development process between January and April 2023. As with all agency budget actions, the public can testify at the public hearing held by the Prosper Portland Board on May 10, 2023. All other changes included in FY 2022-23 Budget Amendment No. 2 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 \$159,513,523 in program and project expenditures. The total budget amounts to \$457,439,671 when including interfund transfers and contingency (see Exhibit A to Resolution No. 7483 for all fund appropriation changes). In summary, key changes to resources and requirements are:

Changes to Total Resources (summarized):

- **City General Fund:** Decreases by a net \$948,950 for carryover of one-time Economic Development and strategic planning funds to next fiscal year (year-two of one-time funding).
- **Fees and Charges:** Decreases by \$148,440 for current year. \$100,000 is for work with Metro on Southwest Corridor community engagement that is moving to next fiscal year.
- **Grants-Federal except HCD:** Decreases \$9,658,667, mostly to move one-time American Rescue Plan Act (ARPA) resources to the FY 2023-24 Proposed Budget in accordance with program / grant timeline.
- **Interest on Investments:** Decreases \$5,335 to make minor adjustment in interest earnings.

- **Loan Collections:** Increase \$22,622 to reflect higher current year repayments in the Enterprise Loans Fund.
- **Property Income:** Increases \$678,491 based on revised estimates across TIF Districts - most of the change is related to increased parking assumptions at the Convention Center Garage and commercial properties in the Interstate TIF District.
- **Service Reimbursements:** Increases by \$1,161,179 for updated indirect cost allocation to all other funds. Represents increased funding for one-time administrative materials and services that were underspent last year as well as centralization of some personnel costs associated with extension of the Collective Bargaining Agreement.
- **Transfers In: Increase \$210,275;** \$200,000 is for payment from River District (Broadway Corridor) contribution/fee to the Construction and Business Equity Fund.

Changes to Total Requirements (summarized):

- **Administration:** Increases \$866,406 for one-time additional materials and services as well as increased, centralized personnel costs associated with the extension of the Collective Bargaining Agreement. The increase in materials and services is offset by prior year savings/delays on activity. The personnel increases are offset by personnel savings in other funds and categories (mainly TIF District Budgets).
- **Economic Development:** Decreases \$6,917,885 to move one-time funds to FY 2023-24 based on timing of anticipated spending. Includes General Fund allocations including the Office of Events and Film, My Peoples Market Site Location, and IBRN business advising. Also includes APRA allocations including the Office of Events and Film, Rapid Workforce Training and Employment, Venture Portland Business District Support
- **Housing:** Decreases a net \$4,319,426 based on revised forecast provided by Portland Housing Bureau for the Housing Set Aside draws in the district this year. Funds are reallocated to next fiscal year.
- **Infrastructure:** Decreases \$2,573,460 based on updated timing for several infrastructure projects - majority of the change related to street improvements in Gateway (IGA with Portland Bureau of Transportation).
- **Property Redevelopment:** Decreases \$62,282,915 for TIF District Action Plan investments and other major TIF District projects including a portion of USPS Demo, Old Town Action Plan projects, N/NE Action Plan lending, and Lents lending and project expense that will not be disbursed this fiscal year. Most of the funding is incorporated into the FY 2023-24 Proposed Budget; some funding is in later fiscal years.
- **Transfers:** Increases \$1,371,454, mostly tied to the updated indirect cost allocation across funds. Represents increased funding for one-time administrative materials and services that were underspent last year as well as centralization of some personnel costs associated with extension of the Collective Bargaining Agreement.
- **Contingency:** Net increase of \$55,072,092 to balance total revised resources with total revised expenditures for the year. Some of the contingency is committed to TIF Action Plan investments that will be included in the FY 2023-24 Proposed Budget; some resources are uncommitted program income resources that will be transferred to the Strategic Investment Fund in FY 2023-24.

RISK ASSESSMENT

Should the Prosper Portland Board decide not to approve FY 2022-23 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.