



DATE: June 21, 2023
TO: Board of Commissioners
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 23-13
Adopting the Annual Budget of Prosper Portland for the Fiscal Year Beginning July 1, 2023, and Ending June 30, 2024; and Making Appropriations

BOARD ACTION REQUESTED AND BRIEF DESCRIPTION

Adopt Resolution No. 7485

This action by the Prosper Portland Board of Commissioners (Board) will formally adopt Prosper Portland's fiscal year (FY) 2023-24 Recommended Budget, effective July 1, 2023. The Prosper Portland Board's adoption of the FY 2023-24 Recommended Budget represents the final phase of the FY 2023-24 budget process, which began in November 2022.

STRATEGIC ALIGNMENT AND OUTCOMES

Upon adoption, the FY 2023-24 Recommended Budget will become Prosper Portland's FY 2023-24 Adopted Budget and allow staff to implement key programs, projects, and initiatives that deliver on the agency's goals 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 November 2022. After multiple public hearings and input from stakeholders including the Prosper Portland Community Budget Committee (CBC), the Portland City Council, acting as Prosper Portland's Budget Committee, approved a budget on May 19, 2023, referred to as the FY 2023-24 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 total Recommended Budget of \$474,182,605, which is an increase of \$7,213,250 from the Approved Budget of \$466,969,355. The Recommended Budgeted increases total budgeted expenditures to \$217,600,097, an increase of \$661,286 from the Approved Budget.

EQUITY IMPACT

The action to adopt the FY 2023-24 Recommended Budget will allow Prosper Portland to invest critical resources in objectives that deliver on strategic objectives through the lens of the Equity Policy.

COMMUNITY PARTICIPATION AND FEEDBACK

The FY 2023-24 budget process included public participation through the approximately 15-member CBC, which met four times during the drafting of the FY 2023-24 Requested Budget and submitted a letter of recommendation. Staff continued to update the CBC through May as the budget was presented to City Council and additional updates were identified for inclusion in subsequent versions. City Council held a public hearing on May 10, 2023, 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 21, 2023, Prosper Portland Board meeting.

BUDGET AND FINANCIAL INFORMATION

The FY 2023-24 recommended budget for adoption incorporates financial decisions that include a total recommended budget of \$474,182,605 in program and project expenditures, including ending fund balance and contingency. Most of the total budget increase is due to an increase in contingency that will be appropriated for spending in later fiscal years. The increase in contingency is largely due to an increase in resources from the transfer of final tax increment finance (TIF) bond reserves for the Downtown Waterfront TIF District to Prosper Portland from the City of Portland following payoff of the related bonds. Excluding contingency and cash transfers, total project, and program expenditures equal \$217,600,097, an increase of \$661,286 from the Approved Budget.

The recommended budget for adoption includes changes incorporated in the Proposed Budget based on the Mayor's Proposed Budget, and City Council Approved Budget. In total, City General Fund, American Rescue Plan, and Cannabis Funds budgeted from the City of Portland equals \$33,597,662. Most of the funding represent the second year of one-time General Fund and American Rescue Plan Act funding allocated towards economic recovery programming and for the Office of Events and Film. Funding also includes the second year of key initiatives funded by City Council including the East Portland Development Strategy and new funding for TIF Exploration.

The largest change between the Requested Budget reviewed with the Prosper Portland Board in January 2023 and the Approved Budget was the inclusion of over \$10,000,000 in Cannabis Funding related to prior year and next year funding for the Social Equity & Economic Development (SEED) and Reimagine Oregon programs that are being moved from the Office of Civic Life to Prosper Portland.

The recommended budget for adoption also includes some increases to the staffing and administrative budgets. The staffing budget changes by \$328,000 from the Approved Budget based on extensions in one-time (Limited Term Employee) position funding, the latest salary and benefit amounts for all positions, and the inclusion of pay for several student employees through the fiscal year.

The administrative budget changes by \$261,000 based on the inclusion of several, mostly one-time expenditures that were not incorporated in earlier versions of the budget. Key changes include incorporation of updated administrative overhead allocated by the City of Portland, additional facilities, and information technology one-time costs, and funding to conduct a comprehensive Equal Pay Act audit and review. Changes to the personnel and administrative budgets along with an updated indirect cost allocation result in changes in the Transfers appropriation category in most funds whereby TIF districts and other funds reimburse the General Fund for administrative costs.

While the changes represent an increase to the overall personnel and administrative budgets from amounts previously incorporated into the Requested, Proposed and Approved Budgets, the amounts are

within the operating budget guidelines established in the updated Financial Sustainability Plan due to budget savings occurring in FY 2022-2023 and one-time resources available in FY 2023-24.

Other recommended changes to the budget includes the incorporation of the latest estimates for property insurance premiums (increasing approximately 30 percent, which is about \$163,000 higher than prior estimates) and grants through the Oregon Manufacturing Extension Program in several TIF district funds (an additional \$39,000 based on remaining contract balances).

RISK ASSESSMENT

The Prosper Portland Board may adopt the FY 2023-24 Recommended Budget with additional changes up to the ten percent allowable increase in expenditures for each fund. Any changes to the FY 2023-24 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, 2023, Prosper Portland will have no authority to incur expenses after that date.

ATTACHMENTS

None.