



DATE: November 14, 2012
TO: Board of Commissioners
FROM: Patrick Quinton, Executive Director
SUBJECT: Report Number 12-40
Public Hearing on Budget Amendment No. 1; Adopting Budget Amendment No. 1 for the Fiscal Year Beginning July 1, 2012, and Ending June 30, 2013; and Making Appropriations

BOARD ACTION REQUESTED

Adopt Resolution No. 6979

ACTION DESCRIPTION

This action will formally amend the current fiscal year (FY) 2012-13 Adopted Portland Development Commission (PDC) Budget for the first time this year, in the following ways:

- (1) Adjust beginning fund balances to match actual FY 2011-12 year-end fund balances,
- (2) Adjust individual project budgets based on new/better information,
- (3) Carry over items for prior year commitments (including Housing Set Aside), and
- (4) Implement updated, specific property management budgets for all PDC real estate parcels.

In summary, FY 2012-13 Budget Amendment No. 1 increases the total PDC budget from \$217,364,784 in the FY 2012-13 Adopted Budget to \$258,117,731 including Transfers, Contingency and Reserves. Excluding Transfers and Contingency total budgeted expenditures increase from \$168,408,229 to \$181,115,016. Exhibit A to the resolution sets forth the recommended changes to be made to the FY 2012-13 Adopted Budget pursuant to Budget Amendment No. 1.

BACKGROUND AND CONTEXT

The FY 2012-13 Budget Amendment No. 1 is the first budget amendment of the fiscal year and the majority of the changes are related to updating the budget to reflect actual beginning fund balances and recognizing project carryover/adjustments. Properly reflecting available resources and changes to planning projects and programs will provide the best picture of available resources leading into the FY 2013-14 budget development cycle.

COMMUNITY AND PUBLIC BENEFIT

FY 2012-13 Budget Amendment No. 1 serves the public interest to the degree that it ensures that the PDC Board of Commissioners (the Board) has appropriated adequate public funds to be lawfully expended by PDC as necessary to implement projects and programs which are planned for the current fiscal year.

PUBLIC PARTICIPATION AND FEEDBACK

The public has the opportunity to testify at the public hearing to be held by the Board on Budget Amendment No. 1, prior to action on the Resolution. In addition, PDC performs an extensive amount of public outreach through meetings held throughout the year by its urban renewal advisory committees and other stakeholder groups as part of its budget development process. No specific outreach has been performed regarding this action; however, notice of the public hearing to be held by the Board on Budget Amendment No. 1 was published prior to the meeting in the manner required by Local Budget Law and changes included in the FY 2012-13 Budget Amendment No. 1 are consistent with funding priorities established in the FY 2012-13 Adopted Budget and four-year forecast.

BUDGET AND FINANCIAL INFORMATION

The recommended amendments to the FY 2012-13 Revised Budget reflect the financial implications of business decisions which amount to approximately \$181 million in program and project expenditures and contingency. Exhibit A to the resolution identifies all fund appropriation changes. In summary, key changes to projects and programs are:

Summary of Changes to Resources

- 1) **Beginning Fund Balance:** Increase a net \$42,242,455 for matching final FY 2011-12 ending fund balance for all funds. Largest changes include River District, Lents, Interstate, and South Park Blocks for projects that did not complete or did not move forward in FY 2011-12.
- 2) **Long Term Debt:** Decrease a net \$7,000,000. Planned line of credit draws in the Lents URA are no longer required this fiscal year based on updated beginning fund balances and changes in project spending.
- 3) **Property Income:** Increase \$3,270,000 due to updating assumptions on property sales including the Burnside Bridgehead transaction.

Summary of Changes to Requirements

- 4) **Administration Appropriations:** Decrease \$231,703 due to decreasing current year allocation for information technology projects and moving funds to contingency.
- 5) **Business Development Appropriations:** Decrease \$1,298,970 to better align business lending budget with current year planned activity.
- 6) **Housing Appropriations:** Increase \$6,275,165 due to carryover of Set Aside resources, primarily in the Oregon Convention Center and River District URAs.
- 7) **Infrastructure Appropriations:** Increase \$3,842,932 related primarily to carryover of Central District Greenway project (Parks Bureau).
- 8) **Property Redevelopment Appropriations:** Increase \$4,119,363 due to adding committed carryover for storefront grant programs and adding resources to the commercial property redevelopment loan program in the Interstate and South Park Block URAs to address potential demand. This amendment also includes improved forecasts for property management revenues and expenditures. All updated revenues and expenditures are being detailed by specific parcel to be able to report budget vs. actual and net operating income by parcel.
- 9) **Contingency:** Increase a net \$27,364,524 based on increases in beginning fund balances and other resources balanced with changes in expenditures.

RISK ASSESSMENT

A Board decision not to approve FY 2012-13 Budget Amendment No. 1 may result in inadequate appropriations for some projects and programs that are under way. An over-expenditure of an

appropriation within a fund is a violation of Local Budget Law (ORS 294); therefore, the budget is being adjusted to make sure all expenditures are properly appropriated.

ALTERNATIVE ACTIONS

The Board could choose not to approve FY 2012-13 Budget Amendment No. 1 and direct staff to work within existing appropriations. In some cases, prior year commitments may not have adequate appropriation which may trigger a violation of Local Budget Law (ORS 294) if the commitment was expended.

ATTACHMENTS

None