

DATE: March 9, 2016
TO: Board of Commissioners
FROM: Patrick Quinton, Executive Director
SUBJECT: Report Number 16-13
Public Hearing on Budget Amendment No. 2; Adopting Budget Amendment No. 2 for the Fiscal Year Beginning July 1, 2015, and Ending June 30, 2016; and Making Appropriations

BOARD ACTION REQUESTED

Adopt Resolution No. 7173.

ACTION DESCRIPTION

This proposed action by the Portland Development Commission (PDC) Board of Commissioners (Board) will formally amend the current fiscal year (FY) 2015-16 Revised PDC Budget for the second time in the following ways:

- (1) Adjust project and program expenditures based on updated estimates of year-end activity including updated PDC staff time, property development, or property management expense;
- (2) Reduce project and program budgets for inclusion in the FY 2016-17 Proposed Budget and Five-Year Forecast based on project timing;
- (3) Recognize planned debt draws in the River District Urban Renewal Area (URA) fund as well as other received or estimated resources in the Downtown Waterfront URA fund;
- (4) Establish appropriations for the interfund loan between the River District URA fund and the Business Management fund for initial acquisition costs associated with the United States Postal Service (USPS) site;
- (5) Establish final appropriations necessary to return excess tax increment fund (TIF) proceeds to overlapping taxing jurisdictions associated with the final closeout of the Education URA; and
- (6) Adjust the Portland Housing Bureau (PHB) Set Aside Budget based on updated estimates of year-end actual expenditures from PHB and move funds into the FY 2016-17 Proposed Budget.

In summary, FY 2015-16 Budget Amendment No. 2 increases the total PDC budget from \$358,339,555 in the FY 2015-16 Revised Budget to \$421,209,635 including Transfers, Contingency, and Reserves. Excluding Transfers and Contingency total budgeted expenditures decrease from \$233,817,412 to \$164,800,128.

BACKGROUND AND CONTEXT

The FY 2015-16 Budget Amendment No. 2 is the second budget amendment of the fiscal year. The majority of the changes are related to updating the budget to reflect shifts in project timing based on current year activities to provide the best picture of available resources and commitments that will be incorporated into the FY 2016-17 Proposed Budget and Five-Year Forecast. Many of the requested adjustments were already reflected in the FY 2016-17 Draft Budget that was reviewed by the PDC Board

at its budget work session on January 27, 2016, resulting in the FY 2016-17 Requested Budget that was published and distributed to Portland City Council on February 1, 2016.

COMMUNITY AND PUBLIC BENEFIT

The FY 2015-16 Budget Amendment No. 2 serves the public interest by ensuring that the PDC Board has appropriated adequate public funds to be lawfully expended by PDC to implement planned projects and programs for the current fiscal year.

PUBLIC PARTICIPATION AND FEEDBACK

The public has the opportunity to testify at the public hearing held by the PDC Board on Budget Amendment No. 2, prior to action on the resolution. In addition, PDC staff has conducted public outreach at meetings held throughout the year by its advisory 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 PDC Board on Budget Amendment No. 2 was published prior to the meeting in the manner required by local budget law. Moreover, the Central City Budget Advisory Committee and Neighborhood Economic Development Leadership Group Budget Sub-Committee have reviewed current year priorities and budgets during the FY 2016-17 budget development process in December 2015 and January 2016. Changes included in the FY 2015-16 Budget Amendment No. 2 are consistent with funding priorities established in the FY 2015-16 Adopted Budget and four-year forecast.

BUDGET AND FINANCIAL INFORMATION

The recommended amendments to the FY 2015-16 Revised Budget reflect the financial implications of business decisions which amount to approximately \$164,800,128 in program and project expenditures and contingency. In summary, key changes to projects and programs are:

Changes to Resources

- **Debt Proceeds:** Increases \$11,673,378 for draws on General Fund-backed interim line of credit for public project expenditures (mostly related to Centennial Mills selective demolition).
- **Fees and Charges:** Increases \$8,372,809, primarily to recognize current year return of TIF resources previously disbursed to Multnomah County for County Courthouse/Bridge Ramp Relocation project (per the intergovernmental agreement (IGA) amended in June 2015 by the PDC and Multnomah County boards).
- **Loan Collections:** Increases \$3,680,105, based on year-to-date principal and interest collections and updated estimates of year-end collections. \$3,500,000 of increase represents White Stag repayment in the Downtown Waterfront URA fund.
- **Long-Term Debt:** Increases \$28,968,145 for revised estimate of TIF line of credit draws by June 30, 2016 (provides reimbursement of resources to support the USPS interfund loan estimated to occur after June 30).
- **Property Income:** Increases a net \$8,486,397 – mostly related to inclusion of Station Place Lot 5 property sale and updates to property income related to Inn at Convention Center.
- **Reimbursements:** Decreases \$1,887,439 based on net change from moving Multnomah County resources from Reimbursements to Fees and Charges (above) and reception of General Growth Properties (GGP) resources. Final budget of \$7,459,570 includes addition of amount received by Downtown Waterfront fund for TIF portion of property contract settlement approved by the PDC Board in December 2015 (GGP resources).
- **Transfers In:** Estimated amount required as an interfund loan from River District URA fund for costs associated with the USPS site acquisition through June 30, 2016.

Changes to Requirements

- **Administration:** Increase \$276,811 for transfer of final Education URA fund resources back to taxing jurisdictions and reclassification of certain activities from Property Redevelopment to Administration based on updated chart of accounts implementation.
- **Economic Development:** Increases a net \$497,630. The change incorporates \$500,000 for the planned IGA with Multnomah County to disperse Multnomah County portion of Inclusive Startup Fund to Portland Economic Investment Corporation.
- **Housing:** Decreases \$10,047,641 based on updated estimates of PHB expenditures. Funding already incorporated in FY 2016-17 Requested Budget.
- **Infrastructure:** Decreases a net \$6,496,883 based on moving portion of funding for parks and transportation in the Lents Town Center, Gateway Regional Center, and Interstate Corridor URAs funds to FY 2016-17, offset by an increase in River District URA funds due to the inclusion of Burnside Street transportation improvements.
- **Property Redevelopment:** Decreases a net \$53,247,201. Key changes include a reduction in River District URA funds for the USPS site and project development in the Oregon Convention Center URA. Amounts have been reflected in estimated beginning balances in those funds to fund activity in FY 2016-17 Requested Budget. The reductions are offset by an increase of \$4,010,565 in the Lents Town Center URA fund for accelerated timing and increased project spending for Lents Town Center projects.
- **Debt:** Adds estimated interest payments in current year related to General Fund-backed interim line of credit in the River District URA funds based on planned borrowings.
- **Transfers:** Increases \$3,000,000 in the River District URA funds for current year estimated interfund loan amount to Business Management Fund (for current year USPS site acquisition requirements).
- **Contingency:** Increases \$128,303,695 to balance change in resources with change in expenditures. Most of the increase is represented as part of the beginning balance and expenditures programmed in the FY 2016-17 Requested Budget.

RISK ASSESSMENT

Should the PDC Board decide not to approve FY 2015-16 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 the State of Oregon budget law (Oregon Revised Statutes 294); therefore, the recommended budget amendments ensure proper appropriations authority for all expenditures.

ALTERNATIVE ACTIONS

The PDC Board could choose not to approve FY 2015-16 Budget Amendment No. 2 and direct PDC staff to work within existing appropriations. In some cases, prior year commitments may not have adequate appropriation and, if expended, may trigger a violation of local budget law.

ATTACHMENTS

None.