

DATE: June 8, 2016
TO: Board of Commissioners
FROM: Patrick Quinton, Executive Director
SUBJECT: Report Number 16-30

Adopting the Annual Budget of the Portland Development Commission for the Fiscal Year Beginning July 1, 2016, and Ending June 30, 2017; and Making Appropriations

BOARD ACTION REQUESTED

Adopt Resolution No. 7187.

ACTION DESCRIPTION

This action by the Portland Development Commission (PDC) Board of Commissioners (Board) will formally adopt PDC's fiscal year (FY) 2016-17 Recommended Budget and appropriate resources set forth therein, effective July 1, 2016. Adoption by the PDC Board of the FY 2016-17 Recommended Budget represents the final phase of the FY 2016-17 budget process, which began in November 2015. Upon adoption, PDC's FY 2016-17 Recommended Budget will become PDC's FY 2016-17 Adopted Budget.

With the recommended changes, the total PDC budget will decrease from \$517,304,896 in PDC's FY 2016-17 Approved Budget to \$516,090,279 in PDC's FY 2016-17 Recommended Budget, including Transfers and Contingency. Budgeted expenditures decrease from \$297,744,821 to \$296,372,887.

BACKGROUND AND CONTEXT

The Portland City Council (City Council), acting as PDC's Budget Committee, approved PDC's budget on May 18, 2016 (PDC's FY 2016-17 Approved Budget). The PDC Executive Director is now submitting PDC's FY 2016-17 Approved Budget with recommended changes to the PDC Board to be adopted as required by local budget law (PDC's FY 2016-17 Recommended Budget). PDC's FY 2016-17 Recommended Budget contains minor changes from PDC's FY 2016-17 Approved Budget, which are permitted by local budget law. The recommended changes consist primarily of technical adjustments, including updated PDC staffing costs based on implementation of the Early Retirement Incentive Program (ERIP) and Collective Bargaining Agreement (CBA), as well as timing adjustments that relate to changes in the FY 2015-16 Revised 3 Budget.

COMMUNITY AND PUBLIC BENEFIT

The action to adopt PDC's FY 2016-17 Recommended Budget represents the continuation of PDC's vision to create one of the most globally competitive, equitable, and healthy cities in the world by investing in job creation, innovation, and economic opportunity throughout Portland. PDC's FY 2016-17 Recommended Budget allocates resources focused on implementing PDC's 2015-2020 Strategic Plan and the City of Portland's (City) Economic Development Strategy. Chief among these goals is leveraging PDC

resources to recruit and create new businesses; retain and grow existing businesses; invest in redevelopment and infrastructure; and generate private investment.

PUBLIC PARTICIPATION AND FEEDBACK

The FY 2016-17 budget process included public participation through the Central City Budget Advisory Committee and the Neighborhood Economic Development Leadership Group Budget Sub-Committee, both of which met three times during the drafting of PDC's FY 2016-17 Requested Budget. The FY 2016-17 Requested Budget included letters from both groups. City Council received testimony from the public on May 12, 2016, during its public hearing on PDC's Proposed Budget. The public will have a final opportunity to testify on PDC's budget during the Tax Supervising and Conservation Commission Hearing on June 8, 2016.

BUDGET AND FINANCIAL INFORMATION

PDC's FY 2016-17 Recommended Budget incorporates financial decisions that include a total recommended budget of \$516,090,279 in program and project expenditures, including ending fund balance and contingency. Excluding contingency and cash transfers, total project and program expenditures equal \$296,372,887. The budget states what funds will be received by PDC, how the funds will be spent within each urban renewal area (URA), and on which projects. The budget also shows how resources will be allocated for purposes of PDC staff and operating costs.

PDC's 2016-17 Recommended Budget includes several changes from PDC's FY 2016-17 Approved Budget:

- Final adjustments for personnel services based on implementation of the CBA, revised, total position based on implementation of the ERIP, actual benefit premium adjustments, and planned student workers;
- Final adjustments for project requirements based on updated estimates of construction timing including:
 - Revised total expenditures in FY 2016-17 for acquisition of the United States Postal Service site and related interfund loan transaction between the River District URA and the Business Management Fund;
 - Updated estimates on property management revenue and expenditures;
- Reclassification of the payments to the City for the general fund-backed interim financing to support River District URA projects from "Debt Service" to "Administration" – PDC staff have determined that since the payments are not associated with a direct liability on PDC's balance sheet, the payments should be classified as a materials and services expense rather than debt service.

RISK ASSESSMENT

There is a slight risk that due to project timing and/or final project budget, the appropriation levels established through adoption of PDC's FY 2016-17 Recommended Budget may be insufficient to enable PDC to comply with contractual obligations. PDC staff mitigates this risk by continually reviewing project estimates with respect to budget authority and by preparing budget amendments during the fiscal year to request additional appropriations if and when necessary.

ALTERNATIVE ACTIONS

The PDC Board could adopt PDC's FY 2016-17 Recommended Budget with additional changes up to the 10 percent allowable increase in expenditures for each fund. Any changes to PDC's FY 2016-17 Recommended Budget directed by the PDC Board must be identified during adoption of the budget to

include specific funding sources and appropriation categories. If the PDC Board does not adopt a budget in accordance with local budget law on or before June 30, 2016, PDC will have no authority to incur new expenses after that date.

ATTACHMENTS

None.