

PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: June 23, 2010

TO: Board of Commissioners

FROM: Bruce A. Warner, Executive Director

SUBJECT: Report Number No. 10-63
Budget Amendment No. 3 for Fiscal Year beginning July 1, 2009 and ending June 30, 2010; and making appropriations.

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution No. 6806

ACTION SUMMARY

This action will formally amend the current fiscal year (FY) 2009-10 Adopted Budget for the third time this year, in the following ways,

- (1) Amends the River District Budget to transfer cash resources to Downtown Waterfront and South Park Blocks URAs in exchange for property owned and moved into the River District URA via the amended and restated River District plan amendment.
- (2) Budget adjustments required for the acquisition and loan payoff of the Grove Hotel.
- (3) Specific adjustments to URA projects and programs based on project timing to recognize updated project and program timing and cost based on the FY 2010-11 draft budget and forecast.
- (4) Final appropriation adjustments to advert any appropriation over-expenditures and re-categorization of actual expenditures.

In sum, FY 2009-10 Budget Amendment No. 3 increases the total PDC budget from \$311,890,156 in the FY 2009-10 Revised 2 Budget to \$321,727,312 including Transfers, Contingency and Reserves. Excluding Transfers and Contingency total budgeted expenditures increase from \$226,429,441 to \$228,027,943. Exhibit A to the resolution sets forth the recommended changes to be made to the FY 2009-10 Revised 2 Budget pursuant to Budget Amendment No. 3.

PUBLIC BENEFIT

FY 2009-2010 Budget Amendment No. 3 serves the public interest to the degree that it ensures that the PDC Board of Commissioners (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.

This action will support the following PDC goals:

- Sustainability and Social Equity
- Healthy Neighborhoods
- A Vibrant Central City
- Strong Economic Growth and Competitive Region
- Effective Stewardship over our Resources and Operations, and Employee Investment

PUBLIC PARTICIPATION AND FEEDBACK

PDC itself performs an extensive amount of public outreach through meetings held by its urban renewal advisory committees and other stakeholder groups as part of its budget development process throughout the year. No specific outreach has been performed regarding the recommended changes but the recommended changes included in the FY 2009-10 Budget Amendment No. 3 are consistent with funding priorities established in the FY 2009-10 Adopted Budget and four-year forecast.

COMPLIANCE WITH ADOPTED PLANS AND POLICIES

Adoption of the recommended FY 2009-10 Budget Amendment No.3 by the PDC Board is required by Oregon Local Budget Law (ORS 294.480) before PDC is legally permitted to expend funds for the planned projects and programs in excess of the amounts established in the FY 2009-10 Revised 2 Budget.

FINANCIAL IMPACT

The recommended amendments to the FY 2009-10 Revised 2 Budget reflect the financial implications of organizational changes and other business decisions which amount to approximately \$228 million in program and project expenditures and contingency resources. Key specific changes to projects and programs are:

- (1) Amends the River District Budget to transfer cash resources to Downtown Waterfront and South Park Blocks URAs in exchange for property owned and moved into the River District URA via the amended and restated River District plan amendment. The plan amendment included the absorption of several properties including Yards at Union Station, the Fairfield apartments, Block U and R among others that are owned by PDC. Since these assets belonged to Downtown Waterfront and South Park Blocks URAs but the districts will no longer using these properties to implement their respective URA plans, it is necessary for River District to record an acquisition of these properties and for Downtown Waterfront and South Park Blocks to record a sale. Total impact of these changes will move \$3.8 million from River District to Downtown Waterfront to South Park Blocks in exchange for the current asset value. The budget adjustments in all URAs have already been included in the FY 2010-11 budget and forecast, and provides for

some project resources in Downtown Waterfront and South Park Blocks in the FY 2010-11 Approved Budget and forecast.

- (2) Grove Hotel acquisition/assumption: PDC recently acquired the Grove Hotel and assumed HAP's loan from PDC. To accomplish this transaction, PDC must record a loan payoff from the existing loan and show an acquisition at an equal amount based on the transaction with HAP. Budgeted revenues and expenditures are increased by offsetting amounts (\$3.2 million in Downtown Waterfront and \$200,000 in River District) based on the original loan transaction with HAP. There is no impact to cash resources in either district.
- (3) Specific adjustments to URA projects and programs based on project timing to recognize updated project and program timing and cost based on the FY 2010-11 draft budget and forecast.
- (4) Minor adjustments for project timing are included – mainly decreases in appropriation to match increases in the FY 2010-11 recommended adopted budget. The main changes include moving appropriations for Union Station work and west Burnside-Couch planning to FY 2010-11.
- (5) Final appropriation adjustments to advert any appropriation over-expenditures and re-categorization of actual expenditures – primarily technical in nature. Budgeted expenditures for work on the North/Northeast study and Central City Plan were not categorized as "Administration". This budget amendment moves existing appropriations from "Revitalization" to "Administration" to line up the budget with actual expenditures.

RISK ASSESSMENT

A decision of the Board to not approve FY 2009-10 Budget Amendment No. 3 may result in an appropriation of inadequate levels for some projects and programs that are underway. 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.

WORK LOAD IMPACT

If approved, FY 2009-10 Budget Amendment No. 3 is specific to adjusting appropriations for specific projects and programs already underway and does not have an impact on current staffing levels.

ALTERNATIVE ACTIONS

The Board could choose not to approve FY 2009-10 Budget Amendment No. 3 and direct staff to work within with existing appropriations. Some activities would need to be curtailed in order to remain in compliance with Local Budget Law.

CONCURRENCE

Department directors, other members of the PDC staff, Finance staff and Commissioners have been involved in the development of recommended FY 2009-10 Budget Amendment No. 3.

BACKGROUND

Primary purpose of the FY 2009-10 Budget Amendment No. 3 is to establish budget appropriations for project and program expenditures that were not specifically known when recommending the FY 2009-10 Revised 2 Budget in February.

State Budget Law, ORS 294.480 allows the Governing Body of a municipal government (the PDC Board) to approve supplemental budgets after the beginning of the fiscal year in cases where updated resource and expenditure estimates are received and expenditure appropriations must be increased to accommodate the change. Many of the changes included in FY 2009-10 Budget Amendment No. 3 do not require action by the Governing Body per ORS 294.480 (i.e. decreases in appropriation), however, the changes are included to represent a complete picture of the total budget amendment and all changes required to inform updates the FY 2010-11 recommended Adopted Budget.