

PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: June 23, 2010
TO: Board of Commissioners
FROM: Bruce A. Warner, Executive Director
SUBJECT: Report Number No. 10-65
FY 2010-11 Adopted Budget

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution No. 6807

ACTION SUMMARY

This action will formally adopt and appropriate resources set forth in PDC's FY 2010-11 Budget, effective July 1, 2010. Adoption by the PDC Board of the FY 2010-11 Budget represents the final phase of the FY 2010-11 budget process, which began last December.

The Portland City Council, acting as PDC's Budget Committee "approved" PDC's budget on May 26, 2010 ("the Approved Budget"). The Executive Director and Chief Financial Officer are now submitting the Approved Budget with recommended changes to the Commission to be "adopted" as required by Local Budget Law ("the Adopted Budget"). The Adopted Budget contains minor technical variations from the Approved Budget, which variations are permitted by Local Budget Law.

The recommended changes from the FY 2010-11 Approved Budget to the FY 2010-11 Adopted Budget consist primarily of technical adjustments, and the final carry forward requests for on-going development projects and other commitments that were not originally anticipated in development of the PDC FY 2010-11 budget at the inception of the FY 2010-11 budget process. Technical adjustments are primarily updated staffing and indirect allocation estimates to various funding sources based on updated estimates of planned activity. Other technical adjustments include removing Housing URA program income and reducing Housing URA projects by an equal amount per the proposed PHB-PDC IGA.

With the recommended changes, the total PDC budget will increase from \$228,433,267 in PDC's FY 2010-11 Approved Budget to \$230,217,969 in the FY 2010-11 Adopted Budget, including Transfers and Contingency. Budgeted expenditures increase slightly from \$188,762,352 to \$191,003,390. Contingency decreases a net \$456,000 based on projected unused cash resources that will carry over to FY 2010-11.

PUBLIC BENEFIT

The action to adopt the FY 2010-11 Budget represents the continuation of PDC's mission to achieve Portland's vision of a sustainable community with healthy neighborhoods, a vibrant urban core, a strong regional economy and quality jobs and housing for all.

The recommended FY 2010-11 Adopted Budget allocates the resources necessary to implement PDC's strategic goals and priorities for each department. Chief among these goals are leveraging PDC resources to generate private investment; development of catalytic projects that stimulate other development; retention and growth of existing businesses, and recruitment and creation of new businesses; and providing a number of single and multi-family housing development and financial assistance needs.

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

The FY 2010-11 Budget was developed with significant public input, primarily by the participation of each of PDC's Urban Renewal Area Committees and public stakeholders reviewing draft budgets and providing advisory to PDC staff and the Commission and City Council through the Draft, Requested, Proposed and Approved stages of the budget.

COMPLIANCE WITH ADOPTED PLANS AND POLICIES

The FY 2010-11 was developed in accordance with numerous policy guidelines including the Housing Set-Aside policy, and in accordance with procedural guidelines such as the City of Portland Charter and Oregon State Local Budget Law (ORS 294).

FINANCIAL IMPACT

The recommended FY 2010-11 Adopted Budget incorporates the financial decisions that include a total recommended FY 2010-11 Adopted Budget of \$230,217,969 in program and project expenditures, including ending fund balance and contingency. Excluding contingency and cash transfers, total project and program expenditures equal \$191,003,390. The budget states what funds will be received by PDC, how the funds will be spent within each URA, and on which projects. The budget also shows how resources will be allocated for purposes of staff and operating costs of PDC.

The adopted budget changes include only several small recommended changes from the Approved Budget:

- (1) Business and Industry increases a net \$350,000. The increase is from adding an additional \$200,000 in business finance budget to Central Eastside. Also establishes appropriation for the "Portland Startup Fund" in PDC's Enterprise Loans Fund, utilizing prior year and current year General Fund resources.
- (2) Housing decreases \$582,000 based on reductions in estimated program income. As part of the Housing transition, PHB and PDC staff recognized that housing loan income previously recognized in PDC URA funds will, starting on July 1, 2010, be recognized by PHB since they are PHB loans. Since these resources were used to develop the initial

budget and forecast for housing, PHB and PDC staff agreed to remove an equal amount of the URA funded housing budget to offset this reduction.

- (3) Infrastructure increases \$1.9 million, based on carryover of spending being added for Union Station and west Burnside-Couch couplet work to FY 2010-11.
- (4) Administration increase \$876,000 based on reclassification of North/Northeast Study budget and Central City plan budget expenditures. Also includes reclassification of all Office of Management and Finance debt management charges from Debt Service to Administration.

RISK ASSESSMENT

There is a slight risk that due to project timing and/or final project budget that the appropriation level established through adoption of the proposed FY 2010-11 Adopted Budget may be insufficient to enable PDC to comply with contractual obligations. PDC staff mitigates this risk by continually reviewing project estimates vis-à-vis budget authority and by preparing budget amendments during the fiscal year to request additional appropriations if and when necessary.

WORK LOAD IMPACT

If approved, the implementation of the recommended FY 2010-11 Adopted Budget is administrative in nature and will not impact PDC staffing needs. Management of project and program budgets are part of existing work plans of PDC staff as part of ongoing project and program management duties.

ALTERNATIVE ACTIONS

- (1) Do not adopt the recommended FY 2010-11 Adopted Budget.
- (2) Adopt the recommended FY 2010-11 Adopted Budget with additional changes.

Pursuant to ORS 294.311, absent adoption of the proposed FY 2010-11 Adopted Budget and appropriating funds pursuant to such budget, as of July 1, 2010, PDC would have no authority to incur any new expenses. Any changes to the adopted budget directed by the Commission must be identified during adoption of the budget to include specific funding source and appropriation category.

CONCURRENCE

The Proposed Budget was reviewed and approved by the Portland City Council, acting as PDC's Budget Committee on May 26, 2010. There were no specific changes directed by City Council during the review and approval of the budget.

BACKGROUND

Adoption of the FY 2010-11 Adopted Budget is the final step in setting the appropriation limits for the upcoming fiscal year. Per Local Budget Law (ORS 294), the Board may increase expenditures in any fund by a maximum of 10% between approval of the FY 2010-11 Approved Budget by PDC's Budget Committee and adoption of the proposed FY 2010-11 Adopted Budget by the Board.

The FY 2010-11 budget began with the development of the FY 2010-11 Draft Budget and Five-Year Forecast by PDC URA teams and stakeholders in December, 2009. The budget was formally vetted by the PDC Executive Team with the PDC Commission and Mayor in January of 2010 and then submitted for City Council review as the FY 2010-11 Requested Budget in February, 2010. Due to timing issues, PDC issued a Revised Requested Budget on March 1, 2010 to implement targeted reductions in operations across PDC departments in order to balance the budget and maintain the funding amount for projects and program included in the Requested Budget. Following initial review by City Council, PDC created the FY 2010-11 Proposed Budget which was then submitted to City Council, acting as PDC's Budget Committee per ORS 294 in May 2010. The Proposed Budget included specific reductions that were identified by PDC management in April. These reductions replaced the targeted reductions included in the Revised Requested Budget. Following approval by the Budget Committee on May 26, 2010, the budget was submitted to the Multnomah County Tax Supervising and Conservation Commission (TSCC) for review and compliance with State of Oregon Local Budget Law and also submitted for review to the PDC Commission for consideration for Adoption.