

# PDC

## PORTLAND DEVELOPMENT COMMISSION

**DATE:** September 24, 2010

**TO:** Board of Commissioners

**FROM:** Bruce A. Warner, Executive Director

**SUBJECT:** Report Number No. 10-86  
Budget Amendment No. 1 for Fiscal Year beginning July 1, 2010 and ending June 30, 2011; and making appropriations.

### EXECUTIVE SUMMARY

#### BOARD ACTION REQUESTED

Adopt Resolution No. 6824

#### ACTION SUMMARY

This action will formally amend the current fiscal year (FY) 2010-11 Adopted Budget for the first time this year. This amendment is necessary to modify appropriations for Business and Industry in the Airport Way Urban Renewal Fund to accommodate a \$1,155,000 Business Finance Loan to ReVolt, to increase the FY 2010-2011 Beginning Fund Balance to \$5,663,570 reflecting a higher than expected Ending Fund Balance, and to document the \$1,500,000 million land loan at Cascade Station approved by the Commission on May 12, 2010 as a Resource and Requirement:

This budget amendment also includes a corrective action from the FY 2010-11 adoption of the budget that transfers \$200,000 from the Enterprise Loans Fund to the General Fund to properly account for General Fund resources. These resources were intended to be budgeted in the General Fund during the adoption of the budget for general economic development activity.

In summary, FY 2010-11 Budget Amendment No. 1 increases the total PDC budget from \$230,217,969 in the FY 2010-11 Adopted Budget to \$232,984,904 including Transfers, Contingency and Reserves. Excluding Transfers and Contingency, total budgeted expenditures increase from \$191,003,390 to \$193,960,605. Exhibit A to the Resolution sets forth the recommended changes to be made to the FY 2010-11 Adopted Budget pursuant to Budget Amendment No. 1.

#### PUBLIC BENEFIT

FY 2010-2011 Budget Amendment No. 1 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.

The amendment will support a loan to ReVolt Technology that will provide the following public benefits:

- Recruitment of a Traded Sector Clean Tech cluster firm;
- Creation of high wage quality jobs;

- Provision of sustainable goods or services.
- Leverage of State and Federal grants and loans

**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 2010-11 Budget Amendment No. 1 are consistent with funding priorities established in the FY 2010-11 Adopted Budget and four-year forecast.

**COMPLIANCE WITH ADOPTED PLANS AND POLICIES**

Adoption of the recommended FY 2010-11 Budget Amendment No.1 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 2010-11 Revised 1 Budget.

**FINANCIAL IMPACT**

The recommended amendments to the FY 2010-11 Adopted Budget reflect amendments required to finalize the \$1,155,000 million loan to ReVolt which is being funded by \$759,720 in prior year carryover funds recognized in the actual beginning fund balance and \$390,280 from contingency. This budget amendment also includes a corrective action from the FY 2010-11 adoption of the budget that transfers \$200,000 from the Enterprise Loans Fund to the General Fund to properly account for General Fund resources. These resources were intended to be budgeted in the General Fund during the adoption of the budget.

**RISK ASSESSMENT**

A decision of the Board to not approve FY 2010-11 Budget Amendment No. 1 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 2010-11 Budget Amendment No. 1 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 2010-11 Budget Amendment No. 1 and direct staff to work within 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 2010-11 Budget Amendment No. 1.

## **BACKGROUND**

Primary purpose of the FY 2010-11 Budget Amendment No. 1 is to establish budget appropriations for project and program expenditures that were not specifically known when recommending the FY 2010-11 Approved Budget in May to the Budget Committee (City Council).

The primary purpose of this budget amendment is to provide for a business finance loan for ReVolt Technology. At the time of the original budget, the proposed location of a headquarters and research and development facility were not known. Over the last year, PDC, in conjunction with Business Oregon, successfully recruited ReVolt to locate its headquarters in Portland. Working closely with the Oregon Department of Energy and Business Oregon, PDC offered a package of incentives to attract ReVolt. The bulk of the incentives are from the State as they have broader access to funds for clean technology and energy firms. In recognition of the importance of this recruitment to the Clean Tech cluster and upon an evaluation of ReVolt's planned building expenditures, PDC made an offer of \$1,155,000 to complement the State of Oregon offer. The State of Oregon Department of Energy has approved a Small Energy Loan Program (SELP) loan providing over \$3.3 Million to the company in addition to a forgivable loan commitment of the Governor's Strategic Reserve Fund for \$500,000.

ReVolt Technology is an early stage battery technology company with significant venture capital backing in Europe. The company has developed a breakthrough zinc-air rechargeable battery technology. ReVolt has operated in Europe, most recently headquartered outside Zurich, Switzerland. The battery technology was developed in Norway and the company is seeking to commercialize its products. Initially, the company has been developing a rechargeable button cell battery for hearing aid type applications. The company's plans are to scale up production of this technology overseas and start developing larger format applications. Its next planned application would look at military and consumer electronics applications. The company is in the process of developing larger format applications such as electric bicycle batteries and ultimately electric vehicle and energy storage.

The company has been successful in attracting significant European venture capital investment. In two major rounds of funding since the founding of the company in 2004, ReVolt has attracted over 24 Million Euros of investment from European investors such as RWE Innogy, NorthZone Ventures, SINTEF, SOFINNOVA Partners, TVM Capital, Verdane Capital and Viking Venture. ReVolt has also been successful in obtaining \$5 Million in US Department of Energy ARPA-E funds for research into battery technology for electric vehicles.

By choosing Portland, ReVolt reinforces the City's Economic Development Strategy and aides in the growth of the emerging Electric Vehicle and Energy Storage Cluster within the Clean Tech Group.

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.