

PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: October 27, 2010
TO: Board of Commissioners
FROM: Bruce A. Warner, Executive Director
SUBJECT: Report Number 10-98
Adopt Financial Investment Policy and Establish Financial Investment Committee

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution No. 6832

ACTION SUMMARY

This action will adopt the following Financial Investment Policy to guide future PDD financial investments:

When investing public resources to achieve its strategic plan, PDC will apply sound financial guidelines, and accountable and transparent processes. PDC will measure its performance by jobs retained and created, community and stakeholder satisfaction, dollars leveraged, assessed value increases, and customer satisfaction.

This action will also delegate authority to approve financial assistance in the form of loans or grants to the Executive Director and department directors, and replace the existing Loan Review Committee (LRC) with a new Financial Investment Committee that will assume responsibilities of the former LRC as well as provide additional oversight of real property transactions.

This recommend action is the result of a comprehensive internal "Finance ReThink" project to update financial assistance products and improve business processes. This project was initiated at the request of the Board.

PUBLIC BENEFIT

Adopting an overarching Financial Investment Policy will serve to ensure that decisions about financial investments in local businesses and projects are made with a clear understanding and purpose of supporting PDC's mission and Strategic Plan – as well as urban renewal plan objectives.

Establishing a Financial Investment Committee responsible for undertaking a systematic review and analysis of proposed investments is a best business practice that will serve to ensure program guidelines are followed and investments align with the Financial Investment Policy.

This action will support the following PDC goals:

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

PUBLIC PARTICIPATION AND FEEDBACK

No specific activities undertaken. These actions continue a long history of PDC Commissioner's desire that appropriate business processes exist that provide professional and prudent oversight of the distribution of financial assistance.

COMPLIANCE WITH ADOPTED PLANS AND POLICIES

These actions are directly supportive of PDC's Strategic Plan Goal to exhibit "Effective stewardship over our resources and operations" by incorporating best practices into our key business processes.

FINANCIAL IMPACT

Not applicable.

RISK ASSESSMENT

These actions will serve to reduce risks given a clear and consistent Financial Investment Policy. Diligent oversight and review of requests for financial assistance will also serve to reduce some, but not all risks associated with individual investments.

WORK LOAD IMPACT

This action will not require any additional staff to implement. Revised business processes and procedures are anticipated to reduce staff time needed to carry out financial assistance activities and provide better service to customers

ALTERNATIVE ACTIONS

Not approving these actions would leave in place the existing Loan Review Committee and internal Investment Committee. PDC would also continue to operate without an overarching

financial investment policy. Either the proposed policy or structure of the Financial Investment Committee could be modified as desired by the Board.

CONCURRENCE

These actions reflect the collective work and recommendations of a cross-departmental internal PDC work group that began in June, 2009. This group undertook a thorough review of our financial assistance products and processes from top to bottom and shared their work and recommendations with the Executive Leadership Team.

BACKGROUND

An internal audit review of loan policies in 2004 revealed that:

- There was no clear policy from the Board regarding overall financial policies and delegations of responsibility and authority.
- PDC offered 37 different financial products presenting the organization with an extraordinary management and systems support challenge with regard to developing and cataloging different guidelines, and servicing loans.
- There was no coordinated or centralized oversight or management of the entire portfolio of financial assistance products to develop and enforce consistent procedures, integrated processes and best business practices.
- There was a long and clear history of established guidelines and approval procedures for loans, there was no similar discipline, policy or procedures for grants or development financing.

In 2007, after staff inventory, review and reorganization of financial assistance products, the Board adopted new financial assistance program guidelines for Business Finance (Resolution No. 6444), Housing Development (Resolution No. 6443), and Development (Resolution No. 6442).

This past year, in June of 2009, at the direction of the Board, staff initiated an intensive project – called Finance ReThink – with the charge to:

Conduct and assessment of PDC's Financial Assistance Products and identify gaps and proposed solutions, improvements for streamlining, and improvements for standardizing. Determine smartest method of combining Loan Committee and Investment Committee processes. Identify detailed work, policies, and database alterations resulting from these changes.

One of the first tasks of the group was to develop an overarching Financial Investment Policy to guide future PDC financial investments as well as the approach to all other elements of PDC's business processes related to financial assistance and investments.

This action also specifically addresses the recommended manner to combine the Loan Review Committee and Investment Committee into a new Financial Investment Committee, as well as associated delegations of authority and approval processes.