



DATE: April 12, 2017
TO: Board of Commissioners
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 17-11

Adopting Budget Amendment No. 2 for the Fiscal Year Beginning July 1, 2016, and Ending June 30, 2017; and Making Appropriations

BOARD ACTION REQUESTED

Adopt Resolution No. 7230

ACTION DESCRIPTION

This proposed action by the Portland Development Commission (PDC) Board of Commissioners (Board) will formally amend the current fiscal year (FY) 2016-17 Revised PDC Budget for the second time in the following ways:

- (1) Adjust project and program expenditures based on updated estimates of year-end activity including updated staff time, property development, or property management expense.
- (2) Move appropriations for the Convention Center Garage construction from the Business Management Fund to the Oregon Convention Center Urban Renewal Area (URA) fund and remove related interfund loan assumptions.
- (3) Adjust the Portland Housing Bureau (PHB) Set Aside Budget based on updated estimates of year-end actual expenditures from PHB and move funds into the FY 2016-17 Proposed Budget.
- (4) Include updated revenue assumptions based on revised loan proceed, tax increment debt proceeds, and land sale timing.
- (5) Update lending program budgets in certain funds based upon year-to-date and estimated activity.

In summary, FY 2016-17 Budget Amendment No. 2 decreases the total PDC budget from \$581,253,828 in the FY 2016-17 Revised Budget to \$557,776,071 including Transfers, Contingency, and Reserves. Excluding Transfers and Contingency, total budgeted expenditures decrease from \$344,579,996 to \$311,377,131. Exhibit A to Resolution No. 7230 sets forth recommended changes in Budget Amendment No. 2 to the FY 2016-17 Adopted Budget.

BACKGROUND AND CONTEXT

The FY 2016-17 Budget Amendment No. 2 is the second budget amendment of the fiscal year. The majority of the changes are related to updating the budget to reflect shifts in project timing based on current year activities to provide the best picture of available resources and commitments that will be incorporated into the FY 2016-17 Proposed Budget and Five-Year Forecast. Many of the requested

adjustments were already reflected in the FY 2017-19 Draft Budget that was reviewed with the PDC Board at its budget work session on January 18, 2017, resulting in the FY 2017-18 Requested Budget that was published and distributed to City Council on February 1, 2017.

COMMUNITY AND PUBLIC BENEFIT

The FY 2016-17 Budget Amendment No. 2 serves the public interest by ensuring that the PDC Board has appropriated adequate public funds to be lawfully expended by PDC to implement planned projects and programs for the current fiscal year.

PUBLIC PARTICIPATION AND FEEDBACK

The public has the opportunity to testify at the public hearing held by the PDC Board on Budget Amendment No. 2, prior to action on the resolution. In addition, PDC staff has conducted public outreach at meetings held throughout the year through the standing Budget Advisory Committee as well as business associations, neighborhood associations, and other community organizations as part of its budget development process. No specific outreach has been performed regarding this action; however, notice of the public hearing to be held by the PDC Board on Budget Amendment No. 2 was published prior to the meeting in the manner required by local budget law. Moreover, PDC's Budget Advisory Committee has reviewed current year priorities and budgets during the FY 2017-18 budget development process in December and January. Changes included in the FY 2016-17 Budget Amendment No. 2 are consistent with funding priorities established in the FY 2016-17 Adopted Budget and four-year forecast.

BUDGET AND FINANCIAL INFORMATION

The recommended amendments to the FY 2016-17 Revised Budget reflect the financial implications of business decisions which amount to \$311,377,131 in program and project expenditures and contingency. Exhibit A to Resolution No. 7230 identifies all fund appropriation changes. In summary, key changes to projects and programs are:

Changes to Resources:

- **Beginning Fund Balance** increases \$1,219,972 based on actual FY 2015-16 ending fund balances and one fund not reconciled in prior budget amendment.
- Decrease **General Fund** resources a net \$100,000 to move funding to next fiscal year based on program timing (requested through City Spring Budget Amendment Process).
- **Fees and Charges** increase \$146,217 – mostly related to Enterprise Zone activity and implementation of Commercial Property Assessed Clean Energy/Property Fit program.
- **Loan Collections** increase \$17,677,205 to include updated repayment estimates through end of fiscal year. Most of the change recognizes the loan term for 2007 New Markets Tax Credit (NMTC) projects (\$7,500,000) and repayment of Veterans Memorial Coliseum loan to the City of Portland Office of Management and Finance (\$3,000,000), and other loans (all in Oregon Convention Center URA Fund). NMTC projects are restructured with equal principal amount included under Property Redevelopment (commercial lending).
- **Tax Increment Financing Debt Proceeds** increase \$1,084,663 between several districts based on updated current year estimates.

- **Property Income** decreases \$13,839,972 mostly related to moving the Parcel 3 transaction in the North Macadam URA to next fiscal year and removing purchase of Block 49 by Business Management Fund from Oregon Convention Center URA (due to Convention Center Hotel Garage transaction being removed from Business Management Fund). Offset by increases in property sales in Airport Way URA.
- **Transfers In** decrease \$30,702,510 to remove interfund loan from Oregon Convention Center URA to Business Management Fund (since Convention Center Hotel Garage no longer will occur in Business Management Fund).

Changes to Requirements:

- **Administration** decreases \$141,969 for net changes in administrative overhead. Increases include adjustments to community sponsorships/special events and director recruitment expenses. Decreases are primarily timing of disparity study (intergovernmental agreement with the City of Portland). Offset by slight increases in URAs for debt management expense.
- **Economic Development** decreases a net \$212,845 - includes pushing business lending resources to future years in several URAs (primarily in the Interstate Corridor URA) and \$100,000 in General Fund resources to next fiscal year based on program timing.
- **Housing** decreases a net \$30,315,263 across URAs based on current year expenditure forecast from PHB (Set Aside amounts moved into next fiscal year). Also includes PDC grant of \$7,000,000 related to Parcel 3 property in the North Macadam URA moving to next fiscal year.
- **Infrastructure** decreases a net \$9,019,228 for (1) reclassifying Downtown Waterfront and River District URA parking investments as broader redevelopment opportunity funds and pushing resources to next fiscal year and (2) moving Gateway Park and Street improvements, Interstate Lombard investments, and Lents Leach Botanical Garden all to next fiscal year based on partner timing. Funding in all cases already represented in FY 2017-18 Requested Budget.
- **Property Redevelopment** increases a net \$6,446,440 based on changes across URA funds. Movement of Convention Center Hotel Garage from Business Management Fund to Oregon Convention Center URA Fund mostly cancels itself. Increases largely related to adding \$7,500,000 lending to Oregon Convention Center URA to fund restructured 2007 NMTC projects that termed.
- **Transfers** decrease \$30,702,509 to remove interfund loan from Oregon Convention Center URA to Business Management Fund since Convention Center Hotel Garage transaction will be managed entirely within Oregon Convention Center URA Fund.
- **Contingency** increases \$40,467,616 to recognize de-appropriation of resources based on project timing (and already factored into FY 2017-18 beginning fund balance). Additional resources being recognized through this revision not programmed will be added to the FY 2017-18 Beginning Fund Balance.

RISK ASSESSMENT

Should the PDC Board decide not to approve FY 2016-17 Budget Amendment No. 2, there may be inadequate appropriations for some projects and programs if forecasted activity occurs. An over-expenditure of an appropriation within a fund is a violation of state budget law (Oregon Revised Statutes 294); therefore, the recommended budget amendments ensure proper appropriations authority for all expenditures.

ALTERNATIVE ACTIONS

The PDC Board could choose not to approve FY 2016-17 Budget Amendment No. 2 and direct staff to work within existing appropriations. In some cases, prior year commitments may not have adequate appropriation and, if expended, may trigger a violation of local budget law.

ATTACHMENTS

None.