



CITY OF PORTLAND
OFFICE OF MANAGEMENT AND FINANCE

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TO: Mayor Tom Potter

FROM: Casey Short, Financial Planning Manager

DATE: November 29, 2007

RE: **FY 2007-08 Fall Major Supplemental Budget**

FOR MAYOR'S OFFICE USE ONLY

Reviewed by Bureau Liaison _____

- 1. INTENDED THURSDAY FILING DATE:** November 29, 2007
2. REQUESTED COUNCIL AGENDA DATE: December 5, 2007 (Time Certain Already Set)
3. CONTACT NAME & NUMBER: Stacy Jones, 823-6807
4. PLACE ON: CONSENT REGULAR
5. BUDGET IMPACT STATEMENT ATTACHED: Y N N/A
6. (3) ORIGINAL COPIES OF CONTRACTS APPROVED AS TO FORM BY CITY ATTORNEY ATTACHED: Yes No N/A

BACKGROUND/ANALYSIS

This ordinance adopts the FY 2007-08 fall major supplemental budget in the total amount of \$76,678,593. Oregon Local Budget Law generally requires a major supplemental budget when mid-year budget adjustments increase a fund's expenditures by 10% or more, after excluding contingency, transfers, and fund balance. The City normally prepares a major supplemental budget each fall and spring with the BuMP, as needed. This fall 11 funds need to be included in the major supplemental budget. Brief descriptions of the specific actions requested in each fund are listed below.

Transportation Operating Fund (Fund 112)

The City issued parking revenue-backed bonds in August to finance a City match of the federal grant for the Portland Transit Mall project. The bond proceeds have been received, and the Portland Office of Transportation (PDOT) is budgeting a \$17.0 million payment to TriMet in this supplemental budget. PDOT is also budgeting \$2.1 million in debt service payments on the bonds for FY 2007-08. Additional significant actions in this fund include:

- A General Fund transfer of \$174,000 for safety improvements on West Burnside Street, future "Keep Portland Moving" project expenses, and installation of a bench
- Grant appropriation of \$2.0 million for the Burnside Bridge project and Safe Routes to Schools program
- Appropriation of \$0.8 million in interagency revenues to conduct work for the Bureau of Environmental Services (BES) and the Planning Bureau
- Appropriation of \$0.2 million in additional system development charges, to be used to complete the analysis of the South Waterfront overlay district
- Authorization to add 13 new permanent full-time positions, one permanent part-time positions, and four limited term positions; Authorization to cut two permanent full-time positions that are currently vacant

Sewer System Operating Fund (Fund 151)

BES is carrying over \$38.4 million in unspent funds from FY 2006-07 to FY 2007-08, primarily for delayed capital projects. The unspent funds are carried over in the Sewer System Construction Fund and will be transferred to the Sewer System Operating Fund, where the funds will be expended on capital projects in FY 2007-08. Of the \$38.4 million, \$30.0 million is for the East Side Combined Sewer Overflow Project. Progress on this project was slower than anticipated in FY 2006-07 due to delays with the tunnel boring machine. Other delayed projects include capital maintenance projects (\$3.4 million), construction of a co-generator and expansion of a digester at the Columbia Boulevard Wastewater Treatment Plant (\$2.8 million), and a land purchase (\$0.5 million). In addition, a \$1.1 million payment to TriMet for the I-205 light rail project and a \$0.6 million payment to the Housing Authority of Portland for Columbia Boulevard/Woolsey Court were delayed from FY 2006-07 to FY 2007-08. The Sewer System Operating Fund is also recognizing \$1.3 million in grant appropriation and \$1.8 million in fund balance, to be spent on projects such as facility planning, green street planning, watershed enhancement, brownfield clean-up, lab equipment purchases, and the addition of three limited term positions.

Housing and Community Development Fund (Fund 254)

The Bureau of Housing and Community Development (BHCD) is carrying over \$1.4 million in federal Community Development Block Grant funds not expended in FY 2006-07. The majority of these funds are dedicated to projects managed by the Portland Development Commission (PDC). These include the Native American Youth Association Portfolio Transfer (\$400,000), Clara Vista Rehab (\$263,063), the Urban League Plaza (\$219,000), four Human Solutions Mini Rehab Centers (\$190,000), Tryon Mews Apartments (\$182,768), Country Squire Mini Rehab (\$58,485), LIHNAPO – Tistial (\$48,448), and Albina Community Development Corporation (\$1,297).

HOME Grant Fund (Fund 255)

BHCD is carrying over \$4.0 million in federal HOME grant funds not expended in FY 2006-07. As the regional administrator for the HOME grant, BHCD will pass a little over \$100,000 of these funds to Multnomah County and Gresham. The majority of the City's portion of the carryover is dedicated to projects managed by PDC. These include Innovative Housing Incorporated - 82nd Avenue (\$2.2 million), Bertha Station (\$824,932), Leander Court (\$576,560), Miraflores (\$240,421), Village at Headwaters (\$32,089), Clara Vista (\$25,000), Lincoln Woods (\$22,865), West Gresham Apartments (\$13,030), and Columbia Knoll (\$3,039).

Hydropower Operating Fund (Fund 152)

The Water Bureau will transfer \$575,000 from the Hydropower Renewal and Replacement Fund to the Hydropower Operating Fund to replace the 25 year-old communication cable at the Portland Hydroelectric Project (PHP). Portland General Electric, which manages the PHP under contract with the City, did not inform the Water Bureau that the purchase was required until after the FY 2007-08 budget was adopted. The Hydropower Operating Fund will also transfer \$32,221 to the Hydropower Bond Redemption Fund, to refund an overpayment for bond issuance costs.

Solid Waste Management Fund (Fund 157)

In August Council adopted significant portions of the new Portland Recycles! Plan, which will expand recycling services for over 140,000 households and 20,000 businesses. The Office of Sustainable Development (OSD) is transferring \$335,262 from contingency in the Solid Waste Management Fund to begin implementation of the plan. OSD will hire 5.5 FTE and reclassify two other positions to coordinate public outreach information and to work with haulers on the new residential roll cart recycling program and the expansion of business recycling services. In addition, funds will be added to the budget to purchase recycling containers, to conduct a public campaign, and to create an electronic newsletter targeted at the business community. The fund is also appropriating \$144,810 in new grants and grant carryover.

River District URA Debt Redemption Fund (Fund 301), Interstate Corridor Debt Service Fund (Fund 304), N Macadam URA Debt Redemption Fund (Fund 313), Gateway URA Debt Redemption Fund (Fund 315),

Willamette Industrial URA Debt Service Fund (Fund 316)

Tax increment collections were higher than expected in these five urban renewal areas. The major supplemental budget will appropriate the additional revenue, as well as some prior year tax receipts, so that the funds will be available for projects in these districts. The funds will likely be used to service du jour debt. The requested appropriation increases are \$2.6 million for the River District fund, \$1.3 million for the Interstate Corridor fund, \$3.5 million for the North Macadam fund, \$0.3 million for the Gateway fund, and \$0.3 million for the Willamette Industrial fund.

Legal Issues:

As mentioned above, Oregon Local Budget Law (ORS 294.305 to 294.565) requires Council to adopt a major supplemental budget when certain conditions are met. The primary legal difference between the major supplemental budget and other BuMP actions is the requirement that the Tax Supervising and Conservation Commission (TSCC) hold a public hearing on major supplemental budget actions. TSCC is scheduled to hold a hearing on this major supplemental budget on November 29 at 4:00 PM in the Rose Room. Your attendance is welcome and encouraged, but not required.

Controversial Issues:

This ordinance authorizes the transfer of \$129,000 in General Fund resources to PDOT to make safety improvements on West Burnside Street in advance of converting West Burnside and Couch Streets to a couplet. The couplet project has been controversial. In addition, this ordinance authorizes the transfer of \$42,000 to PDOT for "Keep Portland Moving" project expenses in FY 2008-09. FPD has recommended against this transfer since the funds will not be used in the current fiscal year.

Citizen Participation:

Citizen testimony will be accepted at the TSCC hearing on November 29, 2007 and at the Council meeting to adopt the major supplemental budget on December 5, 2007.

Link to Current City Policies:

The major supplemental budget was prepared in accordance with the Comprehensive Financial Management Policy; relevant intergovernmental and contract agreements; and other applicable policies and administrative rules, including those governing accounting, personnel, debt, and purchasing practices.

Other Governmental Participation:

The major supplemental budget authorizes payments of \$18.7 million to TriMet for the Portland Transit Mall project and the I-205 light rail project and \$0.6 million to the Housing Authority of Portland for Columbia Boulevard/Woolsey Court. In addition, the budget authorizes \$6.9 million in payments to the Portland Development Commission (PDC) for housing projects, and makes an additional \$6.5 million in tax increment revenues available to PDC for projects in urban renewal areas. Finally, the budget recognizes \$3.4 million in new state and federal grant revenues for a variety of projects. The Multnomah County TSCC will hold a hearing on the major supplemental budget.

FINANCIAL IMPACT

This ordinance increases total budgeted expenditures by \$76,678,593 in 11 funds.

- Expenditures will increase by \$24,209,940 in the Transportation Operating Fund. The primary funding sources are \$17,261,000 in bond proceeds, a \$3,502,520 contingency draw, \$1,982,321 in grant funds, and a \$174,000 transfer from the General Fund.
- Expenditures will increase by \$41,578,184 in the Sewer System Operating Fund. The primary funding sources are \$38,653,000 in fund transfers, \$1,752,272 in additional beginning fund balance, and \$1,302,400 in grant funds.
- Expenditures will increase by \$1,413,579 in the Housing and Community Development Fund. The primary funding source is \$1,402,894 in carried over grant funds.

- Expenditures will increase by \$4,005,716 in the HOME Grant Fund. The primary funding source is \$4,002,939 in carried over grant funds.
- Expenditures will increase by \$575,000 in the Hydropower Operating Fund. The funding source is a \$575,000 transfer from the Hydropower Renewal and Replacement Fund.
- Expenditures will increase by \$415,072 in the Solid Waste Manage Fund. The primary funding sources are a \$335,262 contingency draw and \$100,000 in grant funds.
- Expenditures will increase by \$7,993,570 in five urban renewal area funds: River District Urban Renewal Debt Redemption Fund, Interstate Corridor Debt Service Fund, North Macadam URA Debt Redemption Fund, Gateway URA Debt Redemption Fund, and the Willamette Industrial URA Debt Service Fund. The funding sources are \$6,469,709 in tax increment revenues and \$1,523,861 in additional beginning fund balance.

RECOMMENDATION/ACTION REQUESTED

Introduce the major supplemental budget ordinance and place it on Council Calendar for December 5, 2007.