



CITY OF PORTLAND
OFFICE OF MANAGEMENT AND FINANCE

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TO: City Elected Officials
CC: Ken Rust
FROM: Casey Short, Financial Planning Manager
RE: Spring Major Supplemental Budget
DATE: May 29, 2008

The FY 2007-08 spring major supplemental budget increases expenditures by a total of \$6,992,458 in four funds. State law generally requires Council to adopt a major supplemental budget when a fund's expenditures will increase by 10% or more, after excluding contingency, transfers, and fund balance. For the spring BuMP, four funds meet this criterion.

FY 2007-08 Spring Major Supplemental Budget Summary	FY 2007-08 Revised Budget (AP 10)	Increase in Expenditures	Change in Contingency or Transfers	Total Budget After Major Supplemental
Golf Operating Fund	\$7,823,862	\$853,658	(\$250,107)	\$8,427,413
Portland Parks Memorial Trust Fund	\$2,066,750	\$198,260	(\$140,933)	\$2,124,077
Federal Grants Fund	\$32,129,551	\$1,740,540	\$2,744,068	\$36,614,159
Sewer System Construction Fund	\$309,870,000	\$4,200,000	\$102,850,000	\$416,920,000
Total	\$351,890,163	\$6,992,458	\$105,203,028	\$464,085,649

The primary 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 the major supplemental budget. The TSCC hearing on this major supplemental budget (as well as the renewal of the children's property tax levy and the FY 2008-09 Approved Budget) is scheduled for June 25, 8:00 to 9:30 AM, in the Rose Room. Below is a summary of the specific actions requested in the spring major supplemental budget. Please do not hesitate to contact me or Stacy Jones at 823-6807 with any questions or concerns.

Golf Operating Fund (Fund 154)

The City's golf program experienced two significant unexpected events this fiscal year. First, the concessionaire contract at Heron Lakes Golf Course was not renewed upon its expiration in October. A temporary operating permit has been in effect while Portland Parks & Recreation (PP&R) negotiates a new contract. Under the terms of the concessionaire contract PP&R received a percent of revenues; under the terms of the operating permit PP&R receives all revenues and is responsible for all expenses. For this reason, PP&R must budget \$725,000 in additional program revenue and an equal amount in materials and services expenses. PP&R also purchased \$212,500 worth of equipment from the previous concessionaire and is transferring funds from contingency

to cover this expense. The second event was unusually wet weather for the last nine months, which has resulted in a program revenue forecast for the entire golf system that is \$300,000 less than budgeted. This revenue shortfall is offset by recognizing \$178,551 in additional beginning fund balance and reducing fund expenses by \$121,449.

Various other technical adjustments are also made in this fund. The most significant of these are a \$191,000 reduction in the interagency agreement with the Bureau of Technology Services because of a delayed project, and the re-budgeting of \$140,796 for pension obligation bond payments as debt expense instead of a cash transfer, in compliance with accounting requirements.

Portland Parks Memorial Trust Fund (Fund 602)

PP&R is budgeting for several unanticipated expenses by transferring \$140,933 from contingency and recognizing \$57,327 in new revenue in the Trust Fund. The Parks Bureau believes FY 2007-08 costs for the "Summer Concerts in the Parks" program will be \$129,000 more than budgeted. The bureau is recognizing \$50,000 in new private donations and transferring \$79,000 from fund contingency to cover these expenses. In addition, \$40,000 will be withdrawn from Trust Fund contingency for skateboard park capital expenses. Likewise, \$21,933 will be withdrawn from Trust Fund contingency to offset higher Community Schools expenses. Finally, the Trust Fund will receive \$7,327 in new interagency revenue from the Office of Transportation for PP&R to plant new trees following completion of a transportation project at NE 135th Avenue and Prescott Street.

Federal Grants Fund (Fund 252)

The Grants Fund receives most of the City's intergovernmental grant revenues and transfers them to the appropriate City bureau. Since the fund does not usually have direct expenses it does not typically have an expenditure budget. However, the fund receives grant revenues on behalf of the Portland Development Commission (PDC) on occasion. These revenues cannot be sent to PDC via cash transfer because PDC is not a City bureau. The funds must be passed to PDC through an external contract. The Grants Fund is budgeting six PDC grants totaling \$1,740,540 in this supplemental budget. As the fund did not have an expenditure budget to begin with, this action triggers the major supplemental budget process. City staff was unaware of two of the six grants until recently because of PDC staff turnover; the four other grants were not expected to have FY 2007-08 expenses at budget adoption. The Grants Fund is also budgeting \$2,744,068 to be transferred to City bureaus in this supplemental budget.

Sewer System Construction Fund (Fund 552)

The Bureau of Environmental Services (BES) is budgeting \$4,200,000 in the Sewer System Construction Fund to cover issuance costs for two new bond series. BES is also transferring \$2,000,000 from the Sewer System Construction Fund to the Sewer System Operating Fund to reimburse the operating fund for capital expenses and associated overhead costs. BES is budgeting additional beginning fund balance, additional bond proceeds, and additional investment income to cover these expenses, with excess resources of \$100,850,000 appropriated to contingency. The operating fund will also transfer \$7,400,000 to the construction fund for cash financing of some capital projects in future years.