

FINANCIAL IMPACT STATEMENT

For Council Action Items

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(Deliver original to Financial Planning Division. Retain copy.)

1. Name of Initiator Denise Kleim		2. Telephone No. 823-7338	3. Bureau/Office/Dept. Development Services
4a. To be filed (date) 2/10/11 to be heard 2/16/11	4b. Calendar (Check One) Regular <input checked="" type="checkbox"/> Consent <input type="checkbox"/> 4/5ths <input type="checkbox"/>	5. Date Submitted to FPD Budget Analyst: 2/11/11	

1) Legislation Title:

Authorize a temporary operating loan from the Bancroft Bond Interest and Sinking Fund to the Development Services Operating Fund to provide interim funding (Resolution)

2) Purpose of the Proposed Legislation:

In Fiscal Year (FY) 1988-89, City Council directed the Bureau of Development Services (BDS) to create a reserve to fund pre-paid work and serve as a countercyclical reserve when the economy was in a downturn.

The recession has negatively impacted the construction industry, and as a result BDS began experiencing a sharp decline in permit and other revenues in the fall of 2008. To help maintain its fiscal solvency and safeguard the reserve fund while maintaining customer service, the bureau took proactive steps of implementing efficiencies, restructuring the bureau, and laying off approximately 150 employees in the summer and fall of 2009.

On March 10, 2010, the City Council passed resolution No. 36768 authorizing a temporary operating loan from the Bancroft Bond Interest and Sinking Fund to the Development Services Operating Fund in the not-to-exceed amount of \$1,500,000 with a repayment schedule of principal and accrued interest due by June 30, 2011. The purpose of this loan was to avoid cash flow issues that the bureau anticipated.

BDS has continued to closely monitor expenses and revenues. In FY 09-10 the Bureau of Development Services revenues were within 1.5% of projection, but they continue to be low. Revenues are expected to increase somewhat in the spring and summer of 2011.

In the next several months, BDS is embarking on replacing its permit review and processing software. The Information Technology Advancement Project (ITAP) is to be funded with a line of credit. This financial instrument requires that BDS incur costs then submit documentation for reimbursement. Therefore there is a delay in replenishing BDS cash reserves which could possibly cause a cash flow issue in June 2011.

Since bureau revenues have fallen further than workload, BDS programs are currently at minimal staffing levels, negatively impacting bureau customers, development projects, and neighborhood livability. Further staff reductions at BDS would thus be disadvantageous to the bureau's customers and the community.

So to mitigate any possibility of negative cash flow, BDS is proposing the following:

- Repay the current loan with accrued interest on February 16, 2011, since BDS is currently in a financial position to repay this loan prior to the June 30, 2011 due date
- Request a new loan effective on February 17, 2011 to be repaid no later than June 30, 2012

BDS has met with both the Auditor's Office and the Office of Management and Finance (OMF) to review this proposal. The bureau, in consultation with OMF, will continue to carefully monitor the local economy, the construction industry, and BDS revenues. In addition, BDS has submitted its Five Year Financial Plan which projects that reserves will grow over the next several years and no additional loan would be needed in FY 12-13.

The loan will enable the Bureau of Development Services to maintain fiscal solvency with a positive cash flow. BDS is therefore proposing to repay the current \$1.5 million loan with accrued interest and that a temporary operating loan be authorized immediately from the Bancroft Bond Interest and Sinking Fund to the BDS Operating Fund in the not-to-exceed amount of \$1,500,000 with a repayment schedule of principal and accrued interest due by June 30, 2012. The bureau, in consultation with the Office of Management and Finance, will continue to carefully monitor the local economy, the construction industry, and BDS revenues.

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3) Revenue:

Will this legislation generate or reduce current or future revenue coming to the City? If so, by how much? If new revenue is generated please identify the source.

This resolution does not generate or reduce current or future revenue coming to the City.

4) Expense:

What are the costs to the City as a result of this legislation? What is the source of funding for the expense? (Please include costs in the current fiscal year as well as costs in future years) (If the action is related to a grant or contract please include the local contribution or match required)

The costs to the City would be minimal administrative costs to transfer funds and monitor the loan repayment.

Staffing Requirements:

5) Will any positions be created, eliminated or re-classified in the current year as a result of this legislation? (If new positions are created please include whether they will be part-time, full-time, limited term or permanent positions. If the position is limited term please indicate the end of the term.)

No positions will be created or eliminated or re-classified in the current or future years as a result of this resolution.

6) Will positions be created or eliminated in future years as a result of this legislation?

No.

Complete the following section only if an amendment to the budget is proposed.

7) Change in Appropriations (If the accompanying ordinance amends the budget please reflect the dollar amount to be appropriated by this legislation. Include the appropriate cost elements that are to be loaded by accounting. Indicate "new" in Center Code column if new center needs to be created. Use additional space if needed.)

N/A

Fund	Fund Center	Commitment Item	Functional Area	Funded Program	Grant	Amount

Paul L. Scarlett, Director, Bureau of Development Services

APPROPRIATION UNIT HEAD (Typed name and signature)



City of Portland, Oregon
Bureau of Development Services
Office of the Director
FROM CONCEPT TO CONSTRUCTION

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Paul L. Scarlett, Director
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Memorandum

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Date: February 10, 2011

To: Mayor Sam Adams
Commissioner Nick Fish
Commissioner Amanda Fritz
Commissioner Randy Leonard
Commissioner Dan Saltzman

From: Paul L. Scarlett, Director *PLS*
Bureau of Development Services

RE: Bureau of Development Services Resolution to authorize a temporary operating loan from the Bancroft Bond Interest and Sinking Fund to the Development Services Operating Fund to provide interim funding

The Bureau of Development Services (BDS) has prepared a Resolution authorizing a temporary operating loan from the Bancroft Bond Interest and Sinking Fund to the Development Services Operating Fund to provide interim funding.

Background

In Fiscal Year (FY) 1988-89, City Council directed the Bureau of Development Services (BDS) to create a reserve to fund pre-paid work and serve as a countercyclical reserve when the economy was in a downturn.

The recession has negatively impacted the construction industry, and as a result BDS began experiencing a sharp decline in permit and other revenues in the fall of 2008. To help maintain its fiscal solvency and safeguard the reserve fund while maintaining customer service, the bureau took proactive steps of implementing efficiencies, restructuring the bureau, and laying off approximately 150 employees in the summer and fall of 2009.

On March 10, 2010, the City Council passed resolution No. 36768 authorizing a temporary operating loan from the Bancroft Bond Interest and Sinking Fund to the Development Services Operating Fund in the not-to-exceed amount of \$1,500,000 with a repayment schedule of principal and accrued interest due by June 30, 2011. The purpose of this loan was to avoid cash flow issues that the bureau anticipated.

Issue

BDS has continued to closely monitor expenses and revenues. In FY 09-10 the Bureau of Development Services revenues were within 1.5% of projection but they continue to be low. Revenues are expected to increase somewhat in the spring and summer of 2011.

In the next several months, BDS is embarking on replacing its permit review and processing software. The Information Technology Advancement Project (ITAP) is to be funded with a line of credit. This financial instrument requires that BDS incur costs then submit documentation for reimbursement, therefore there is a delay in replenishing BDS cash reserves which could possibly cause a cash flow issue in June 2011.

Since bureau revenues have fallen further than workload, BDS programs are currently at minimal staffing levels, negatively impacting bureau customers, development projects, and neighborhood livability. Further staff reductions at BDS would thus be disadvantageous to the bureau's customers and the community.

So to mitigate any possibility of negative cash flow, BDS is proposing the following:

- Repay the current loan with accrued interest on February 16, 2011, since we are currently in a financial position to repay this loan prior to the June 30, 2011 due date
- Request a new loan effective on February 17, 2011 to be repaid no later than June 30, 2012

BDS has met with both the Auditor's Office and the Office of Management and Finance (OMF) to review this proposal. The bureau, in consultation with the OMF, will continue to carefully monitor the local economy, the construction industry, and BDS revenues. In addition, BDS has submitted its Five Year Financial Plan which projects that reserves will grow over the next several years and no additional loan would be needed in FY 12-13.

Recommendation:

City Council authorize a new temporary operating loan immediately from the Bancroft Bond Interest and Sinking Fund to the BDS Operating Fund in the not-to-exceed amount of \$1,500,000 with a repayment schedule of principal and accrued interest due by June 30, 2012.