



**City of
Portland, Oregon**
Bureau of Development Services
FROM CONCEPT TO CONSTRUCTION

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BDS Financial Advisory Committee
Meeting Notes
Wednesday, January 21, 2015

Committee Members Present

Josh Harwood, CBO
Eric Hovee, E.D. Hovee & Co.

City Staff Present

Adrienne Edwards, BDS
Mark Fetters, BDS
Elshad Hajiyev, BDS
Doug Le, City Budget Office
Kyle O'Brien, BDS
Dora Perry, Commissioner Fritz's Office
Andy Peterson, BDS
Paul Scarlett, BDS
Deborah Sievert Morris, BDS

Guests Present:

Committee Members Absent

Phil Damiano, Development Review Advisory Committee
Justin Douglas, Portland Development Commission
Jerry Johnson, Johnson Economics
Mike Wilkerson, ECONorthwest

Handouts

- 1/7/15 Meeting Notes
- Non-Cumulative Cost Recovery Report
- Econometric Models
- Preliminary Programmatic Growth Rates
- Alternative Scenario Options

Welcome & Introductions / Meeting Overview

BDS Director Paul Scarlett welcomed Finance Committee members and City staff. Staff has done a lot of work since the last meeting updating the model and incorporating suggestions the Committee made.

BDS Finance Manager Elshad Hajiyev also thanked Committee members for the suggestions they submitted.

Mr. Hajiyev asked Committee members to review the notes from the previous meeting. Eric Hovee said that he had changed his position on the Worst Case Scenario since the meeting; he emailed Elshad about it.

Revised 5 Year Revenue Growth Rates / Revised Models

Mr. Hajiyev and Kyle O'Brien (BDS) reviewed the handouts *Base Case Scenario* and *Econometric Models* and described the changes they made to the models based on the input since the last meeting.

Mr. Hovee said the revised models make sense to him.

Mr. Hajiyev said that BDS will explore establishing a relationship with one or more banks, to review the bureau's projections.

Alternative (Worst) Case Scenario Growth Rates

Mr. Hajiyev reviewed the handout *Worst Case Scenario*. Mr. Hovee had suggested using model #4 at the last meeting. However, Mr. Hajiyev said when they ran the model, it came up with a very drastic scenario, with a drop of nearly 20% in the near term.

They are proposing instead to use a 5% drop from the Base Case Scenario as the Worst Case Scenario, as had been suggested by the Committee at the last meeting.

Mr. Hovee asked what the Worst Case scenario means for BDS's planning? Mr. Hajiyev said that if revenues aren't growing, then workload isn't growing, which means the bureau will need fewer staff. It may also imply a need for fee increases. BDS always tries to achieve balance between staffing levels, performance, reserve goals, and fee increases.

BDS has a contingency plan that will be included in the 5-Year Financial Plan. The contingency plan would come into play when the bureau sees drops in revenues, valuation, and the number of permits for 5-6 consecutive months.

As of December BDS had over \$40 million in reserves. The bureau is currently revising reserve goals, as is done annually. 12-15 months' worth of expenses will be needed in reserves as a minimum, in order to ensure that mandatory fixed costs can be met. Committee members and staff discussed the recent recession, its effects on BDS, and how it impacted the bureau's reserve policy and goals. The current reserve equates to 12-13 months' expenses.

Josh Harwood said that the Base Case seems conservative in the short term, but the bureau may see the Worst Case in the 4th or 5th year of the Financial Plan.

Mr. Hajiyev said that there is currently a good pipeline of upcoming large development projects, at least through January 2016.

Letter of Recommendation

Mr. Hajiyev reviewed the draft letter of recommendation and asked Committee members to get back to him with comments/edits by Wednesday, January 28th.

Adjourn / Other

Mr. Scarlett again thanked Committee members for their time, input, and work on behalf of the bureau. He said he will share the Financial Committee's feedback with the BDS Budget Advisory Committee and the Development Review Advisory Committee in meetings this week and next.

Meeting notes prepared by Mark Feters, BDS