



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

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BDS Finance Committee

Meeting Notes

Tuesday, January 5, 2016

Committee Members Present

Kimberly Branam, PDC Deputy Director
Claire Carder, Development Review Advisory Committee
Josh Harwood, City Economist
Jerry Johnson, Johnson Economics
Mike Paruszkiewicz, PSU NW Economic Research Center

City Staff Present

Rebecca Esau, BDS	Mark Fettters, BDS	Elshad Hajiyev, BDS
Doug Le, City Budget Office (CBO)	Mitch Nickolds, BDS	Kyle O'Brien, BDS
Andy Peterson, BDS	Paul Scarlett, BDS	Deborah Sievert Morris, BDS

Committee Members Absent

Justin Douglas, Portland Development Commission
Eric Hovee, E.D. Hovee & Co.
Mike Wilkerson, ECONorthwest

Handouts

- 12/1/15 Committee Meeting Minutes
- Econometric Models
- Preliminary Programmatic Growth Rates
- Alternative Scenario Options
- FY 2015-16 Finance Committee Letter

Welcome & Self-Introductions

Deborah Sievert Morris welcomed Finance Committee members and City staff. Committee members and staff introduced themselves.

BDS Director Paul Scarlett shared feedback from the development industry that given the bureau's large reserve, fees should be reduced. As a result, BDS is looking at ways to possibly reduce some fees for FY 2016-17. BDS Finance Manager Elshad Hajiye gave a brief overview of the meeting agenda.

Preliminary 5-Year Revenue Growth Rates

Mr. Hajiye shared that for the first time Land Use revenues were added to the bureau's financial models. The number of models run has increased from around 100 last year to about 170 this year.

Mr. Hajiye then reviewed the handout ***Preliminary Programmatic Growth Rates***. The handout shows projected growth for FY 2016-17, then a correction beginning in FY 2017-18. Mr. Hajiye said that changes of around +/- 1% are very minor – basically no change.

Josh Harwood suggested creating a graphical model of the data in the handout, to make the changes easier to grasp. Committee members discussed the implications of the projected growth rates for the various bureau programs. Mr. Harwood asked for a growth rate projection for the bureau as a whole.

Kyle O'Brien (BDS Finance) said the lower projected rates for FY 2017-18 reflect that the economy is nearing the end of the current growth cycle. Mr. Harwood discussed the City's current revenue projections.

Mr. O'Brien reviewed the handout ***Econometric Models*** and discussed the rationale and strengths of each model.

Mr. Harwood noted a lack of national variables, and postured that they represent greater risk for BDS than the local variables. Mr. O'Brien explained that local data was favored because of its greater accuracy. Mr. Hajiye said national variables are used when they will impact the local economy. Mike Paruszkiewicz (PSU) said the national variables are implicitly included because they are used in their local forecasts, which BDS uses.

Discussion

Committee members discussed the strengths and weaknesses of the various models, and how the models could be improved.

Mr. Harwood mentioned that the models are only part of the credibility of the forecast. Equally important is recognizing where the region is at, and where the economy is in the natural business cycle.

Mr. Hajiyev noted that the modest negative growth rates indicate the correction is essentially spread out over four years. A more likely scenario is that a correction will affect one or two years only, but there is no consensus on which years those will be. The models spread this risk over four years.

Rebecca Esau (BDS Land Use Services) said the Bureau of Planning & Sustainability's proposed changes to the Zoning Code will likely create a significant bump in permit applications before they're implemented.

Mr. Paruszkiewicz suggested comparing average wage with local jurisdiction to see how wages are doing relative to other cities.

Andy Peterson (BDS Plan Review & Permitting Services) said that changes in other bureaus' fees influence whether projects come in in the current fiscal year or the next, impacting revenues and the forecast. There will be a large SDC fee increase in July. Mr. Hajiyev said that will be taken into account in the forecast.

Alternative (Worst) Case Scenario

The Committee discussed how the scenario is applied. Rather than a 5% reduction from the baseline each year, they advised applying a 7.5% reduction for a couple years, then 2.5% for the following two years. This would mirror the shape of an economic contraction, as the severity of decline would likely be focused in a two year time period, followed by a period of less contraction.

Finance Committee Report

Mark Fettters (BDS) circulated the letter the Finance Committee submitted with last year's 5-Year Financial Plan and described process of preparing it. Committee members agreed to use the same process for this year's letter. BDS will circulate a draft letter for review, edit, and approval by the Committee.

Adjournment

Mr. Hajiyev thanked Committee members again for their time and input, and noted that many changes in this year's models reflect input received from the Committee last year.

Meeting notes prepared by Mark Fettters and Kyle O'Brien, BDS