



Special Appropriations

Analysis by Angela Butel and Shannon Fairchild

SUMMARY

Key Decisions for Council

1. The Office of Management and Finance through Special Appropriations is requesting \$1.6 million (revised from an original ask of \$2.5 million) in General Fund contingency resources for the Portland's Center for the Arts (Portland's) to assist with operating support during COVID-19 closures through June 2021.
 - Due to COVID-19 impacts to event revenue and transient lodging taxes, the operator of Portland's, the Metropolitan Exposition Recreation Commission (MERC), asserts that without additional funding it would no longer be able to maintain the terms of the operating agreement and the City will have to assume management of operations. This request represents additional support for the venues of \$200,000 per month from November 2020 through June 2021; together with increased support from Metro, revised transient lodging tax projections, and additional cost-cutting measures, this is expected to sustain the venues at a level where they can restart and host events quickly when it is safe again. See additional analysis of this request below.
 - Given the unfunded liability the City would assume if it does not provide operating support to the Portland's as well as the economic and cultural benefits the venues provide, CBO recommends funding the revised request of \$1.6 million.
2. The City Arts Program is requesting \$250,000 in new General Fund discretionary resources to conduct a feasibility study to develop a new operating model for the Interstate Firehouse Cultural Center (IFCC) site.
 - This is a project that the City and community members have spent significant time and effort developing over the past several years, demonstrating a clear community desire for a performance space dedicated to elevating Black artistic voices. Funding for this project is included in the Portland Parks and Recreation (PP&R) Levy to be considered by voters this November; if approved, using Parks Levy funding would allow this project to move forward while preserving limited General Fund dollars for other urgent needs. See additional analysis of this request below.
 - CBO does not recommend General Fund dollars for this project at this time due to the potential availability of funding from another source. If voters do not approve the Levy, Council may consider allocating General Fund resources to this project in the future.
3. Special Appropriations is requesting \$92,500 in General Fund discretionary resources to fund implementation of a Citywide Grants Management software system to administer outgoing grants.
 - The process to procure the Grants Management system has been underway since July 2019; a vendor was selected in March 2020, but due to internal and external review timing the contract

was not fully executed before the end of FY 2019-20. Need for these funds is urgent, as the system will be used in part to track the City's allocation of CARES funding; unforeseen, as several bureaus that originally planned to help pay implementation costs opted out due to COVID-related budget constraints; and relates to support for vulnerable community members in that this system will enhance the City's capacity to track and manage outgoing grants to community organizations. See additional analysis of this request below.

- CBO recommends this request due to the urgent and unforeseen need for these funds. Alternatively, to preserve resources for other urgent needs, Council may direct the other bureaus originally part of the implementation plan to share the implementation costs.
4. The Office of Youth Violence Prevention (OYVP) is requesting \$215,040 in new General Fund discretionary resources to add two additional FTE and to temporarily double-fill the position of a staff member who is retiring in November. See analysis of this request in a separate memo on allocation of funds reduced from the Portland Police Bureau budget during FY 2020-21 budget development.
 5. Special Appropriations' Fall BMP submission also includes a number of requests related to the City's Emergency Coordination Center (ECC) and emergency response to the COVID-19 crisis. See analysis of these requests in a separate memo on ECC COVID-19 Requests.

Budget & Fiscal Monitoring: New Court Ruling Will Affect Elections Spending

- The Open and Accountable Elections program (OAE) is carrying over \$903,751 in fund balance from FY 2019-20. After its first full year in operation, the program underspent its external materials and services budget by nearly 30% even after reducing the budget in the FY 2019-20 Spring BMP based on projected need for matching funds. OAE notes that an April 2020 Oregon Supreme Court ruling, which upheld a \$500 campaign contribution limit approved by Multnomah County voters in 2018, will likely significantly increase participation in the program. In the current year, however, with only the November General Election remaining and candidate participation already set, this change is not yet in effect. The OAE commission is reviewing financial data to develop recommendations to City Council about how to accommodate this change in future years.
- Special Appropriations is requesting \$708,162 in encumbrance carryover (not including emergency response-related requests),¹ a 5% increase to their FY 2020-21 Adopted General Fund allocation. This is a routine Fall BMP process for Special Appropriations, and in fact is a lower carryover amount than in recent years. It is notable, however, that between the various contract timelines, multi-year grants, and programs that have moved between bureaus, it is challenging to parse out this carryover to determine the status of the different deliverables and objectives when assessing carryover needs for FY 2020-21. This is a further argument for the grants management system discussed above, as it will streamline tracking of grants within Special Appropriations and across the City, better enabling the City to monitor the use of outgoing grant funds.
- In the FY 2019-20 Over-Expenditure Ordinance, a total of \$382,618 in underspending was de-appropriated from two Council Offices to help fund Council transition costs in FY 2020-21. This funding is being re-appropriated in Special Appropriations in the Fall BMP to cover costs for known and potential additional Council Office transitions. The Office of Management and Finance,

¹ In the original submission, encumbrance carryover requests totaled \$973,060, but after further discussion with Special Appropriations about which funds would truly be needed in the current year, they agreed to eliminate several requests.

which manages Council transitions, notes that additional resources may be required depending on the number of transitions, payouts required, and costs associated with accommodating a remote work environment. If necessary, the amount available for Council transitions can be revisited in the FY 2020-21 Spring BMP once more is known about total transition-related expenses.

ADDITIONAL ANALYSIS

Portland's Center for the Arts Request

The City owns the Portland's facilities and has a longstanding agreement with the Metropolitan Exposition Recreation Commission (MERC) to operate the venues. As part of this agreement, the City allocated \$981,000 in the FY 2020-21 Adopted Budget. Without additional funding, MERC asserts that existing funds to manage operations could be exhausted, at which point it will no longer be able to maintain the terms of the operating agreement and the City will have to assume the role of Portland's operator and facility owner.

Event revenue makes up approximately 80% of Portland's operating budget, which stopped abruptly in March 2020. Transient Lodging Taxes, another revenue source for the Portland's, also dropped significantly due to COVID-19. In response, Metro laid off 75% of their MERC staff, furloughed the remaining staff, and reduced the venues operations to a level where they can restart and host events quickly when it is safe again. Taking these cuts into account, Portland's operating costs are approximately \$500,000 a month.

This request has since been lowered to \$1.6 million, which equates to \$200,000 per month in operational support from November 2020 to June 2021. The revised request is driven by increased support from Metro (a budget amendment for \$150,000 per month in operational support for the Portland's goes before Metro's Council on October 15, 2020); revised projections for lodging tax revenues; and the MERC's additional cost cutting measures.

Assuming the Portland's will remain closed until the summer of 2021, Metro estimates that together with the \$1.6 million funding from the City, the \$150,000 a month support from Metro, and the \$2.6 million Portland's received in CARES funding (\$1 million from Metro and \$1.6 million from the City) would bring Portland's ending fund balance to \$2.5 million by June 2021. This would provide the Portland's with a small operating reserve to draw from in FY 2021-22 and FY 2022-23 for what is expected to be a slow recovery.

If additional operating support is not provided to the Portland's, Metro may exhaust existing funds to manage the operations and will likely return the venues to the City to operate. If this were to occur, the City would have to either find a new operator to run the venues or decommission the buildings. Both options would result in a significant unfunded liability for the City that by all accounts would exceed the cost of sustaining Portland's current operations. Further, the Portland's venues provide economic and cultural benefits to the City and Metro region and will play an important role in the region's recovery.

Interstate Firehouse Cultural Center Feasibility Study

In its request, the City Arts Program notes that further delays to decision-making about how to move forward with the IFCC site may erode trust between the City and the Community Advisory Committee working on this project, as well as with the Black community in Portland more broadly. The program cites timing issues, as well as the lack of guarantee that voters will approve the Levy, as justification for seeking General Fund support for the project. In conversation with CBO, Portland Parks and Recreation has

indicated that, should voters approve the Levy, PP&R plans to recognize some revenues from it in the current fiscal year through an interfund loan. If the amount for the IFCC project were included in the interfund loan, funds could be available as soon as late 2020 or early 2021, putting the timeline for funding availability not much farther out than approval of the Fall BMP.

CBO also notes that the IFCC project may be an eligible use of Tax Increment Financing (TIF) funds through the Interstate Urban Renewal Area. Use of Interstate TIF resources is governed by two plans: the North-Northeast Housing Strategy (2014), which guides Portland Housing Bureau's investments; and the North-Northeast Community Development Initiative (CDI) Action Plan (2017), which guides Prosper Portland's investments.² Both plans are managed by community oversight committees. These plans outline the kinds of projects for which TIF funds are currently programmed, as the result of extensive community-led planning processes. Prosper Portland notes that TIF funds are only available for projects within the uses outlined in the plans, and that the feasibility study portion of the IFCC project does not clearly fit into these uses at this time. However, the IFCC project does further one of the CDI's core goals: *supporting cultural and community assets*. In the event that the Parks Levy is not approved by voters, it may be worth revisiting the interest of the community oversight committees in exploring support for this project through TIF funds.

Grants Management System Implementation

In July 2019 the Office of Management and Finance convened a group of bureaus with outgoing grant programs to develop a Grant Management Needs Assessment. The group agreed to move forward with an RFP for a system that could be used Citywide to track outgoing grants. Following the City's procurement process the group selected a vendor in March 2020. Due to internal and external review timing the contract was not fully executed before the end of FY 2019-20. Although this is technically not an encumbrance carryover as the contract was not yet finalized, Special Appropriations did have sufficient prior year underspending to cover this request.

When the RFP for the project was developed, the plan was for implementation costs to be shared by the Office of Management and Finance (OMF – Special Appropriations), Office of Community and Civic Life, Bureau of Planning and Sustainability (BPS – Portland Clean Energy Fund), Portland Housing Bureau, Bureau of Environmental Services, and the Portland Children's Levy. Concern about COVID-19-related budget cuts caused all bureaus except OMF and BPS to pull out of the implementation. This request is for funds to cover OMF's half of the implementation cost of the system.

The system will be used initially by the Office of Management and Finance to track the City's allocation of CARES funding and by the Bureau of Planning and Sustainability to track the Clean Energy Fund Grant Program. After implementation the Office of Management and Finance will develop Citywide policies for outgoing grants and the ongoing costs of the system will be covered by bureaus with outgoing grant programs.

² The Housing Strategy Executive Summary can be found at: <https://www.portlandoregon.gov/phb/article/655457> and the CDI Action Plan at: <https://prosperportland.us/wp-content/uploads/2016/08/NNECDI-Action-Plan-web.pdf>

SUPPLEMENTAL BUDGET CHANGES TO ALL FUNDS

The regular Special Appropriations budget includes resources in the General Fund and Public Elections Fund. The summary table below does not include funds related to the City's ECC COVID-19 response efforts (budgeted in the Grants Fund) or the OYVP request for new positions, which are analyzed in separate memos. The CBO-recommended changes below reflect the revised total for the Portland'5 request, not recommending new General Fund resources for the IFCC feasibility study, and removal of an encumbrance carryover request related to the Gateway Center which the bureau has determined is no longer needed.

	Current Revised Budget	Bureau Requested Changes	CBO Recommended Changes	Total Recommended Revised Budget
Resources				
Beginning Fund Balance	\$ -	\$ 903,751	\$ -	\$ 903,751
Intergovernmental	\$ 130,871	\$ -	\$ -	\$ 130,871
Interagency Revenue	\$ 351,733	\$ -	\$ -	\$ 351,733
Fund Transfers - Revenue	\$ 1,281,046	\$ -	\$ -	\$ 1,281,046
General Fund Discretionary	\$ 12,421,164	\$ 4,087,678	\$ (1,519,438)	\$ 15,204,444
General Fund Overhead	\$ 185,877	\$ -	\$ -	\$ 185,877
Total Resources	\$14,370,691	\$4,991,429	(\$1,519,438)	\$18,057,722
Requirements				
Personnel	\$ 1,166,388	\$ 126,264	\$ (233,459)	\$ 1,274,233
External Materials and Services	\$ 12,913,450	\$ 4,864,999	\$ (1,285,979)	\$ 16,492,470
Internal Materials and Services	\$ 290,853	\$ 166	\$ -	\$ 291,019
Total Requirements	\$14,370,691	\$4,991,429	(\$1,519,438)	\$18,057,722

SUPPLEMENTAL BUDGET CHANGES TO THE GENERAL FUND

About 91% of Special Appropriations' FY 2020-21 Adopted Budget, not including ECC COVID response-related allocations, is in the General Fund. The summary table below does not include these emergency response funds or the OYVP request for new positions, which are analyzed in separate memos.

	Current Revised Budget	Bureau Requested Changes	CBO Recommended Changes	Total Recommended Revised Budget
Resources				
Intergovernmental	\$ 130,871	\$ -	\$ -	\$ 130,871
Interagency Revenue	\$ 351,733	\$ -	\$ -	\$ 351,733
General Fund Discretionary	\$ 12,421,164	\$ 4,087,678	\$ (1,519,438)	\$ 15,204,444
General Fund Overhead	\$ 185,877	\$ -	\$ -	\$ 185,877
Total Resources	\$13,089,645	\$4,087,678	(\$1,519,438)	\$15,872,925
Requirements				
Personnel	\$ 846,343	\$ 126,264	\$ (233,459)	\$ 954,188
External Materials and Services	\$ 12,003,407	\$ 3,961,049	\$ (1,285,979)	\$ 14,678,477
Internal Materials and Services	\$ 239,895	\$ 365	\$ -	\$ 240,260
Total Requirements	\$13,089,645	\$4,087,678	(\$1,519,438)	\$15,872,925