

Budget Review 2022-23

Port of Portland



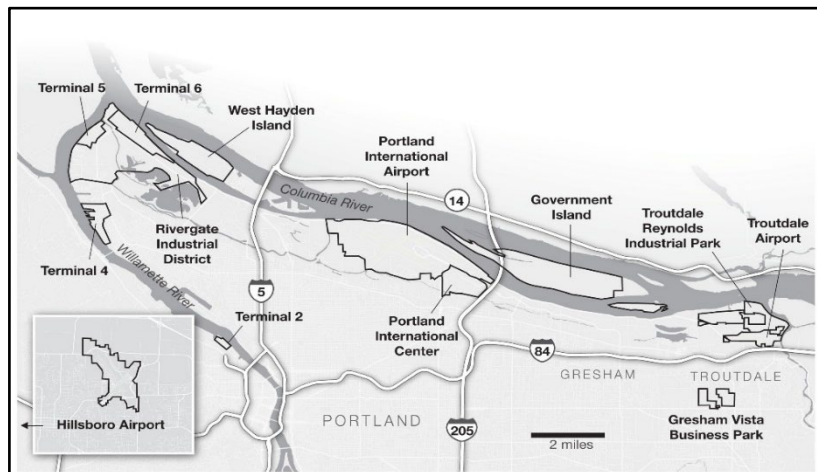
INTRODUCTION & BACKGROUND

The Oregon Legislature created the Port of Portland in 1891; its primary responsibility was to dredge and maintain a shipping channel on the Columbia River between Portland and the Pacific Ocean. Subsequently, its responsibilities grew to include the promotion of maritime, aviation, commercial and industrial interests within Clackamas, Multnomah and Washington counties. A nine-member commission, appointed by the Governor and subject to confirmation by the State Senate, governs the Port without compensation.

The Port levies property taxes to fund capital projects; however, no property tax dollars are used to support Portland International Airport.

Geographic Boundaries

The Port of Portland covers all of Multnomah County and extends into Clackamas and Washington counties. The Port owns and operates four marine terminals located on the Willamette and Columbia rivers, the Portland International Airport (PDX), two general aviation airports in Hillsboro and Troutdale, six industrial/business parks, and a dredge for maintaining a channel to the sea on the lower Columbia River.



Port of Portland	2018-19	2019-20	2020-21	2021-22
Assessed Value in Billions	\$187.353	\$195.539	\$204.617	\$213.836
Real Market Value (M-5) <u>in</u> Billions	\$326.072	\$367.367	\$384.774	\$411.490
Property Tax Rate Extended: Operations	\$0.0701	\$0.0701	\$0.0701	\$0.0701
Measure 5 Loss	\$-193,393	\$-207,991	\$-234,220	\$-253,530
Number of Employees (FTE's)	781	754	810	795
PDX Passenger Volume (in Millions)	19.9	14.6	10.3	12.6
Total Landed Weight (<u>lbs</u> in Billions)	12.7	10.8	8.0	10.2
Automobiles	322,309	265,286	253,649	287,700

STRATEGIC PLAN

In the budget presentation to the Port’s Board, the Chief Financial Officer presented the following budget priorities.

- Address systematic understaffing in key areas
- Restore key services contracts and rebuild air service
- Redevelop the terminal core to prepare for economic growth
- Mass timber manufacturing center at Terminal 2
- Evaluate Port assets’ contribution to shared prosperity
- Significant growth in Terminal 6 container volumes and FTE to accommodate
- Invest in enterprise architecture and business intelligence systems
- Develop strategy for employee learning and development

BUDGET OVERVIEW

The total FY 23 budget is \$2.9 billion, 3% higher than the revised current year budget. The Port of Portland is optimistic about the upcoming fiscal year. Three major highlights are:

- The Port is projecting 8.2 million enplaned passengers in FY 23 – 30% higher than the FY 22 budget of 6.3 million, but 18% below the FY18-19 pre-pandemic level of 10 million. They expect recovery to pre-pandemic levels by FY 25.
- Container volumes have increased steadily since the 2016 cessation of container service. The Port estimates that this year’s (FY 22) anticipated level of 37,500 containers will more than double next year (FY 23) to 80,000. Most other marine shipment categories are also budgeted to increase.
- The Port will begin transforming Terminal 2 to facilitate the growing mass timber industry. The Port has secured a grant to start the process and has applied for an additional \$100 million grant to build out facilities for manufacturing, construction, testing, and workforce training.

RESOURCES

The Port is anticipating a significant carry over from the current year: the FY 23 budget includes a 20% increase in the beginning fund balance (from this year's level of \$653 million to \$787 million next year). Half of the district's funds have increased beginning fund balances.

Total Budget Resources					
(\$ Millions)					
	2019-20	2020-21	2021-22	2022-23	Budget
	Actual	Actual	Rev Bud	App Bud	% Change
Beginning Fund Balance	996.4	685.8	653.3	786.5	20%
Property Taxes	13.1	13.7	13.7	14.9	9%
Intergovernmental Revenue	36.2	67.1	25.0	79.5	218%
Fees and Charges	324.5	300.0	391.6	447.1	14%
Other Income	40.2	11.6	38.6	21.0	-46%
Debt Proceeds	1.0	486.5	820.0	634.5	-23%
Transfers In	395.3	337.1	769.6	887.4	15%
TOTAL RESOURCES	1,806.7	1,901.8	2,711.8	2,870.8	6%

The Port will issue \$635 million in debt proceeds in FY 23. This is down \$186 million from the FY 22 total. Revenue received from debt proceeds in the current year are allocated as follows:

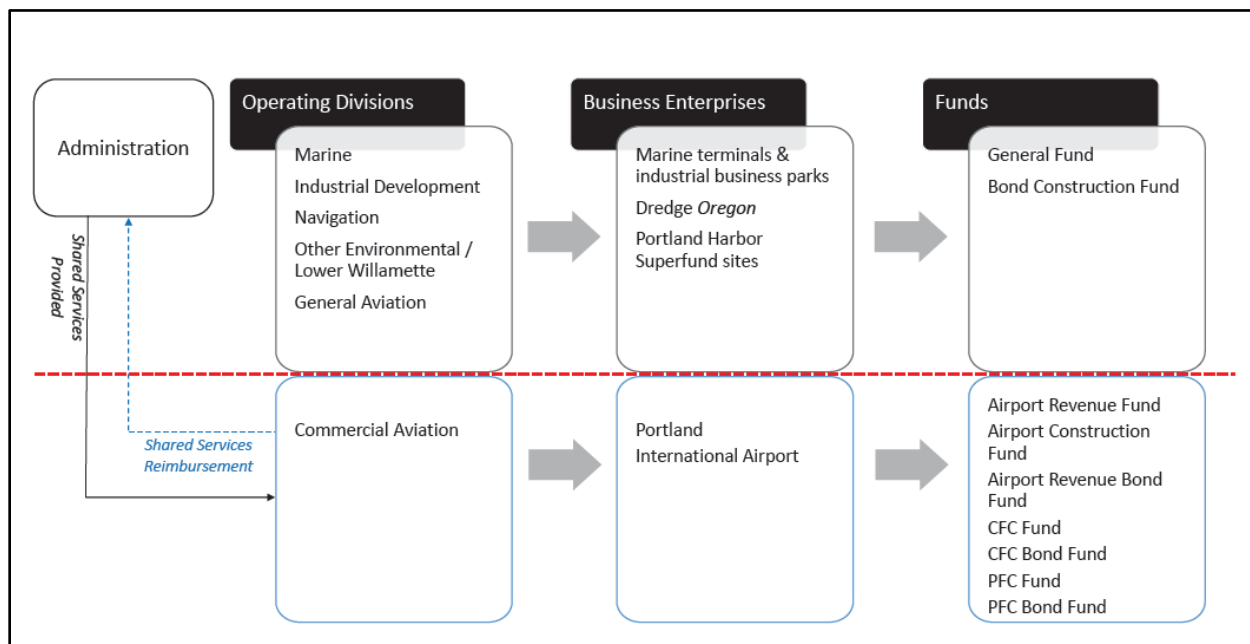
- \$5 million to the General Fund
- \$300 million to the Airport Revenue Fund from which it is transferred to other funds for debt service, capital projects, and operations.
- \$309 million to the Airport Construction Fund where it is used solely to pay for airport additions, expansions, and improvements.
- \$21 million to the Airport Revenue Bond Fund to pay debt service costs.

REQUIREMENTS

Only about 40% of the \$2.9 billion FY23 budget is for expenditures, \$1.2 billion. The rest of the budget consists of interfund transfers and contingency and ending fund balance.

Total Requirements By Function					
(\$ Millions)					
	2019-20	2020-21	2021-22	2022-23	Budget
	Actual	Actual	Rev Bud	App Bud	% Change
Enterprises & Community Svcs	501	602	615	623	1%
Administrative Services	79	47	57	65	15%
Environmental & Conservation Svcs	4	6	10	5	-47%
Debt Service	109	235	424	451	7%
Capital Outlay Unallocated	33	21	50	49	-2%
Total Expenditures	726	911	1,156	1,194	3%
Transfers Out	395	337	770	887	15%
Contingencies	-	-	662	644	-3%
Ending Fund Balance	686	653	124	145	17%
TOTAL REQUIREMENTS	1,807	1,902	2,712	2,871	3%

The financial structure of the Port is defined by certain dedicated funds that are restricted to particular purposes and/or supported by specific business activity.



From a financial perspective, the budget document reflects two primary divisions:

- 1) **General Port** Operations includes Marine, Aviation, Industrial Development, Navigation, and Administration (which is comprised of Corporate Administration, Project Delivery and Safety and Engineering)
- 2) **Aviation** is comprised of Portland International Airport (PDX) and the two General Aviation reliever airports located in Hillsboro and Troutdale. The General Aviation reliever system is included in the Port's General Fund.

Portland Airport (PDX) resources cannot be co-mingled with any other resources of the Port and are restricted for use at Aviation facilities in accordance with FFA regulations and Airport Bond Ordinances. PDX resources can be used to fund the General Aviation reliever system in certain circumstances. A transfer of resources is made from the Airport Revenue Fund to the Port's Bond Construction Fund for that purpose.

Budget Requirements by Program

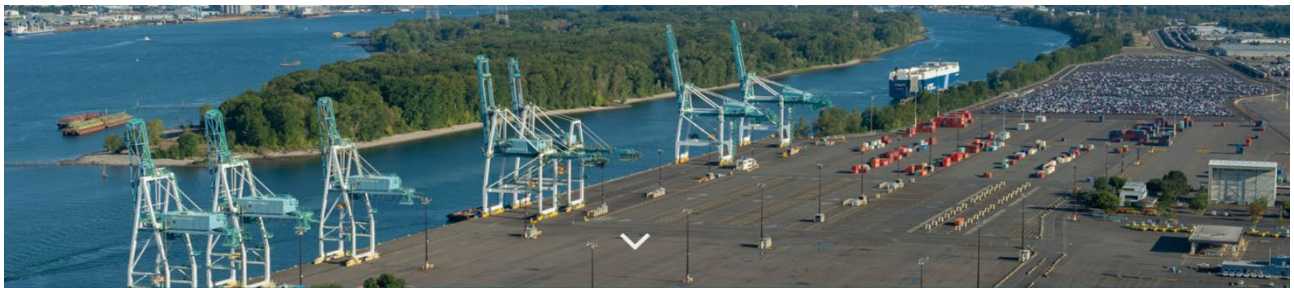
The **Marine Division** owns three active marine terminals handling a diverse mix of cargo. All terminals are near major rail, highway, and inland barge connections providing intermodal transportation flexibility. Except for the container yard at Terminal 6, nearly all the Port's major marine customers are currently under long-term lease agreements.

This division's FY 23 budget is \$73.6 million, with operating expenditures of \$59 million and capital expenditures of \$15 million. The division has 66 FTE. Container volumes at Terminal 6 are budgeted to more than double next year, becoming the primary driver of an \$18.6 million (40%) increase in Marine operating revenues. Marine infrastructure development reflects the rapidly changing international marine shipping environment. The Port is positioning itself to meet the challenges of that change:

- Capitalizing on the recently passed federal infrastructure legislation, plan design and submit for grant opportunities a series of Terminal 6 infrastructure projects to modernize and upgrade Terminal 6 Container Yard to meet the Port's goal of a modern and diversified cargo terminal.
- Develop and implement an equipment acquisition, renewal and replacement strategic plan to ensure the T6 Container Terminal is ready for anticipated future business.
- As the Oregon non-Federal sponsor to the U.S. Army Corps of Engineers, participate in the management and maintenance of the 43-foot Columbia River navigation channel, and the planning & design for the future 43-foot navigation channel on the Willamette River.
- Maintain marine terminal berths to their authorized depths, including a long term strategy for the placement of dredged material from both the Columbia and Willamette River berths.
- Develop plan for funding the demolition of non-operational grain elevator at Terminal 4 to free the site for marketing and future development.
- Work with existing tenants to facilitate new business development and expansion projects.

Marine Budget Volume Assumptions					
Description	FY 2019-20	FY 2020-21	FY 2021-22	FY2022-23	Change
	Actual	Actual	Adopted	Forecast	
Autos (Units)	265,286	253,649	287,700	285,000	-0.9%
Breakbulk (Metric Tons)	-	-	-	2,500	-
Grain Bulk (Metric Tons)	2,140,374	2,500,000	2,500,000	2,800,000	12.0%
Mineral Bulk (Metric Tons)	6,749,236	6,630,002	7,290,000	7,965,000	9.3%
Rail Shuttle (Boxes)	37,096	36,000	38,400	24,000	-37.5%
Containers (TEU)	13,869	30,000	37,500	79,800	112.8%

(1) Percent Change Compares FY 2021-22 Adopted to FY 2022-23 Forecast.



Overview of T-6 Courtesy of Port of Portland

The **Trade and Equitable Development Division** includes real property development, leasing, and sales. The Port is one of the largest developers of industrial property in the region. They oversee six business and industrial parks;

- Troutdale Reynolds Industrial Park (TRIP)
- Gresham Vista Business Park
- Swan Island Industrial Park
- Rivergate Industrial District
- Portland International Center
- Marine Terminal 2

This division's total budget is \$8.6 million, a \$1.6 million increase from the current year, with the majority of that increase being in consulting and contract services. Part of the increase is \$500,000 grant for planning, research, and development of a mass timber manufacturing plant at Terminal 2. A \$100 million grant has been applied for to build facilities for manufacturing, testing, and workforce training.



Rivergate Industrial District courtesy Port of Portland

Located at the confluence of the Columbia and Willamette Rivers and nine miles northwest of downtown Portland, Rivergate is Oregon's primary gateway for international trade. In addition, it offers easy access to freeways, railroads and marine terminals. At 2,800 acres, Rivergate is Portland's largest industrial park with more than 14 million square feet of buildings.

The **Navigation Division** is critical for the success of the maritime trade industry. This division assists in maintaining the Columbia and Willamette River navigation channels through the operation of the *Dredge Oregon*.

Dredge Oregon, Courtesy of Port of Portland



The division has 59 FTE and is budgeting \$15.6 million in expenditures for operating expenses. The dredging operation is funded through a reimbursable agreement with the US Army Corps of Engineers.

The Columbia River channel is maintained at a width of 600 feet by a depth of 43 feet.

Capital projects in the Navigation Division include:

- Purchase a new dredge tender
- Barge Replacements
- Purchase Pipeline Support Equipment
- Drydock Ramp Barge
- Rebuild Dredge Cutterhead Gearbox
- Upgrade Dredge software

Administration provides corporate headquarters functions and project and technical services for the rest of the organization. The FY 23 budget is budgeting \$63.0 million, with \$45.8 million for personnel services expenditures. Administrative costs are either directly charged or allocated to operating divisions. These expenditures cover the 281 FTE.

The **Aviation Division** manages and provides facilities for the airlines and other airport tenants.

Aviation primarily generates revenues from:

- Automobile parking fees
- Facility rentals
- Aircraft landing fees
- Concession agreements.

Capital improvements are funded from:

- Airport operations income
- Revenue bonds
- Federal and State grants
- Passenger Facility Charges
- Customer Facility Charges

General Aviation

The role of General Aviation is to function as a reliever system to PDX. By serving the needs of corporate and private aircraft customers, the airports help preserve capacity for commercial operations at PDX.

Revenue generated from rental and concessions is expected to be \$3.9 million. This income will be used for operating expenditures of \$3.2 million. This division has 8 FTE.

The Port is working to increase existing lease revenue, develop new revenue sources and control costs and update the rates and fee structures at both reliever airports. The emphasis at both Hillsboro and Troutdale is focused on traditional airside aviation development and new non-aviation landside development, including industrial and commercial uses on airport property.

Commercial Aviation

Commercial Aviation at the Port consists of only the Portland International Airport (PDX). The Port manages the airport in partnership with the passenger and cargo airlines. Under the terms of the Airline and Cargo agreements at PDX, the signatory airlines serving PDX guarantee that revenues are equal to operating costs plus 130 percent of debt service costs for the Airfield and Terminal cost centers.

Funding to operate PDX is generated mainly from automobile parking fees, facility rentals, aircraft landing fees and concession agreements and is \$301.0 million in FY 23. This is an increase of \$30

million over the current fiscal year. Total passenger volume at PDX is projected to increase by 30%.

Description	FY 2019-20 Actual	FY 2020-21 Actual	FY 2021-22 Adopted	FY2022-23 Forecast	Change
Total Passengers (<i>in millions</i>)	14.6	7.5	12.6	16.3	29.5%
Landed Weight (<i>lbs. in billions</i>)	10.8	7.8	10.2	11.8	15.5%

(1) Percent Change Compares FY 2021-22 Adopted to FY 2022-23 Forecast.

Landed weight is projected at 11.8 billion pounds, 16% higher than current year. (While the passenger count measures the number of passengers using the airport, their freight going through the airport. "Landed weight" includes both passenger and freight traffic by assigning each model of plane a weight and summing the weight of all the arriving and departing aircraft.)

Overall Requirements

The total budget increased from \$2.7 billion in the current year to \$2.9 billion in the Approved Budget.

	2019-20 Actual	2020-21 Actual	2021-22 Rev Bud	2022-23 App Bud	Budget % Change
Personnel Services	112	109	118	136	14%
Materials & Services	131	103	134	161	20%
Capital Outlay	374	464	480	446	-7%
Debt Service	109	235	424	451	7%
Fund Transfers	395	337	770	887	15%
Contingencies	-	-	662	644	-3%
Ending Fund Balance	686	653	124	145	17%
TOTAL REQUIREMENTS	1,807	1,902	2,712	2,871	6%

Personnel Services:

Total Personal Services costs are increasing by 14% to \$136 million. Total FTE is increasing by 71 positions (9%), with the largest increases being in the commercial aviation division, where security is increased by 17 positions and administration is increased by 20 positions.

Benefit Type	Actual 2019-20	Actual 2020-21	Adopted Budget 2021-22	Proposed Budget 2022-23	Approved Budget 2022-23
Operating Divisions					
Commercial Aviation (1)	381.9	383.1	382.3	424.9	425.9
General Aviation	8.4	8.6	7.0	8.0	8.0
Trade & Equitable Development	14.8	15.1	25.1	26.0	26.0
Marine	58.7	59.3	55.5	65.5	65.5
Navigation	42.9	41.7	54.7	59.0	59.0
Total Operating FTE	506.8	507.8	524.6	583.4	584.4
Administrative Divisions					
Corporate Administration	165.0	166.1	182.1	193.4	193.4
Project Delivery & Safety (inc. Engineering)	81.9	81.6	88.0	88.0	88.0
Total Administrative FTE	246.9	247.7	270.1	281.4	281.4
Total Port FTE	753.7	755.4	794.7	864.8	865.8
Ratio of Administrative to Operating FTE	49%	49%	51%	48%	48%

Materials and Services:

Total Materials and Services costs are increasing by \$27 million (20%) to \$161 million. Half that is a \$14 million increase in longshore labor related to increased container traffic.

Capital Outlay:

FY 23 capital outlay is \$446 million. Total Capital Projects expenditures for FY 23 are \$468 million, with the largest projects as follows (in \$ millions):

Terminal Improvements	\$369
Ground Transportation	\$ 27
Hillsboro Airport	\$ 23
Marine & Navigation Engineering	\$ 27

GENERAL FUND

GENERAL FUND RESOURCES

General Fund Resources					
(\$ Millions)					
	2019-20	2020-21	2021-22	2022-23	Budget
	Actual	Actual	Rev Bud	App Bud	% Change
Beginning Fund Balance	238	209	221	201	-9%
Fees and Charges	63	75	80	99	24%
Other Income	6	6	25	4	-82%
Debt Proceeds	1	-	-	4	0%
Transfers In	50	52	51	57	11%
TOTAL RESOURCES	359	342	377	366	-3%

All of the Port's operations, except those at PDX, are budgeted in the General Fund, including the two general aviation airports at Hillsboro and Troutdale, Marine, Industrial Development, Navigation, and Corporate Administration.

The Port generates revenue from user fees and contracted services by its various divisions: Marine & Industrial Development, General Aviation, and Navigation. The largest source of income in the General Fund, the "drivers" that support administrative costs at the Port, come from the Marine & Navigation divisions.

The General Fund budget is decreasing by \$11 million in FY 23. While revenue from fees and charges is increasing, there is a corresponding decrease in beginning fund balance and other revenues.

GENERAL FUND REQUIREMENTS

General Fund Requirements					
(\$ Millions)					
	2019-20	2020-21	2021-22	2022-23	Budget
	Actual	Actual	Rev Bud	App Bud	% Change
Enterprises & Community Svcs	48	56	68	87	28%
Administrative Services	79	46	55	63	16%
Environmental & Conservation Svcs	4	6	10	5	-47%
Debt Service	14	12	12	13	5%
Transfers Out	5	1	31	11	-63%
Contingencies	-	-	201	186	-7%
Ending Fund Balance	209	221	-	-	0%
TOTAL FUND REQUIREMENTS	359	342	377	366	-3%

OTHER SIGNIFICANT BUDGET AREAS

Summary of Budget by Fund					
(\$ Millions)					
	2019-20 Actual	2020-21 Actual	2021-22 Rev Bud	2022-23 App Bud	Budget % Change
General Fund	359	342	377	366	-3%
Bond Construction Fund	49	31	64	63	-1%
Airport Revenue Fund	379	562	905	1,069	18%
Airport Construction Fund	535	576	959	922	-4%
Customer Facility Charge Fund	143	98	56	44	-21%
Customer Facility Charge Bond Fund	19	19	19	19	0%
Passenger Facility Charge Fund	179	101	106	124	17%
Airport Revenue Bond Fund	114	143	196	236	20%
Passenger Facility Charge Bond Fund	29	29	29	28	-3%
GRAND TOTAL ALL FUNDS	1,807	1,902	2,712	2,871	6%

The Port budgets in eight other funds:

- 1) Bond Construction Fund accounts for the acquisition, construction, expansion, and improvement of new and existing structures and facilities. Resources are generated from property taxes, federal/state grants, interest on investments, and transfers from the General Fund and Airport Revenue Fund. Capital expenditures are budgeted at \$49 million in this fund, mainly for Terminal 4 and 6 projects; equipment upgrades and replacements; procurement of new dredging equipment; and improvement projects at the Hillsboro Airport.
- 2) Airport Revenue Fund is where PDX operations are budgeted. This fund is a requirement as long as the PDX has Revenue Bonds. Primary revenue sources include facility rentals, aircraft landing fees, automobile parking fees and concession agreements. (Operating expenses are forecast at \$629 million and \$300 million for debt service costs)
- 3) Airport Construction Fund is used solely to pay for additions, expansions, and improvements to PDX. Resources are interest earned on investments, capital grants, airport revenue bond proceeds and transfers from the Airport Revenue Fund, Passenger Facility Charge Fund and the Customer Facility Charge Fund. The operating/capital budget is \$397 million.
- 4) Airport Revenue Bond Fund is where the principal and interest payments are budgeted for airport revenue bonds. Funding comes from transfers from the Airport Revenue & Airport Construction Funds, debt proceeds, and interest earned on investments. In the Approved Budget, there are \$114 million set aside to cover debt services.
- 5) Customer Facility Charge (CFC) Fund is used to fund rental car projects and programs. Resources are from customer facility charges and interest earnings on investments. Requirements include transfers to Airport Construction and CFC Bond Funds. There will be \$20 million transferred to these funds for related projects.
- 6) Customer Facility Charge (CFC) Bond Fund accounts for principal and interest payments relating to the CFC revenue bonds at PDX. Transfers and interest earnings are the resources for this fund. (\$9.5 million will be used for debt service payments)
- 7) Passenger Facility Charge (PFC) Fund accounts for activity relating to PFCs derived from PDX. The Aviation Safety and Capacity Expansion Act of 1990 (PFC's Act) requires air carriers and their agents to collect the PFCs and remit collection to the airport once a month. The expenditures include

transfers to the PFC Bond Fund or any other applicable fund of the Port to pay costs of projects that have been approved for PFC use by the FAA. (\$23.7 million will be transferred from this fund to the PFC Bond Fund for various projects.)

- 8) Passenger Facility Charge (PFC) Bond Fund budgets the principal and interest payments relating to the PFC Revenue Bonds at PDX. Transfers from the PFC fund, interest earned on investments, and reserves are the funding sources. (\$14.3 million will be used for debt service payments.)

Further Detail on Airport Revenue Fund

PDX resources and expenditures must be kept separate from general Port operations. These resources are restricted for use following FAA regulations, agreements with the airlines, and revenue bond covenants. The primary sources of revenue include facility rentals, aircraft landing fees, automobile parking fees and concession agreements. The Airport Revenue Fund accounts for operating resources and expenditures. In addition, separate funds are maintained for debt service, capital construction, passenger facility charges (PFC), and customer facility charges (CFC).

PDX operating revenue is budgeted to increase 9% to \$301.0 million in 2022-23. The increase is due in part to rental car, concession and other fees paid to the Port, and landing fees paid by the airlines based on passenger volumes, all increasing slightly with the uptick in travel.

DEBT STATUS

Total outstanding debt for the Port as of June 30, 2022, is estimated at \$1.8 billion. Most of the debt is for capital projects at PDX, either Airport Revenue Bonds or Customer Facility Charge Revenue Bonds. There is no General Obligation Bonded Debt.

Port of Portland Outstanding Long Term Debt	
	\$ Millions
PERS Bonds	46
Long Term Loans - State & Other	11
Revenue Bonds	1,564
Passenger Facility Charge Bonds	81
Customer Facility Charge Bonds	157
Total	1,859

BUDGET/STRATEGIC PLAN ALIGNMENT

The Budget provides clear provisions for several budget priorities:

- Address systematic understaffing in key areas - Budget adds 71 positions
- Redevelop the terminal core – Budget continues funding this project
- Mass timber manufacturing center at Terminal 2 – budget includes initial funding
- Significant growth in Terminal 6 container volumes and FTE to accommodate – budget provides for double the volume of the current year container flow and positions to handle that increase
- Restore key services contracts and rebuild air service -All airport budgets are increased

The budget is less clear about meeting the following priorities:

- Evaluate Port assets’ contribution to shared prosperity
- Invest in enterprise architecture and business intelligence systems
- Develop strategy for employee learning and development

HIGHLIGHTS

- The total FY 2022-23 budget is \$2.9 billion, 3% higher than the revised current year budget.
- Only about 40% of the \$2.9 billion FY23 budget is for expenditures, \$1.2 billion. The rest of the budget consists of interfund transfers and contingency and ending fund balance
- The Port created a new Trade and Economic development division. The division is spearheading a coalition that applied for federal money to facilitate the growing mass timber industry. The coalition now competes for up to \$100 million in American Rescue Plan funding to develop and scale mass timber manufacturing in Oregon. If funded and successful, the Port will transform Terminal 2 into a Mass Timber Modular Manufacturing Facility. The Port anticipates a successful grant proposal could help drive economic recovery in the region.
- The Port is projecting 8.2 million enplaned passengers in FY22-23 – 30% higher than the FY 21-22 budget of 6.3 million.
- The Port estimates that next year it will handle 80,000 containers, more than double the anticipated number of 37,500 containers this year.
- Total Personnel Services costs are increasing by 14% to \$136 million. Total FTE is increasing by 71 positions (9%), with the largest increases being in the commercial aviation division, where security is increased by 17 positions and administration is increased by 20 positions.

BUDGET PROCESS & COMPLIANCE

Yes	No	Compliance Issue
x		Did the district meet publication requirements?
x		Do resources equal requirements in every fund?
NA		Does the G.O. Debt Service Fund show only principal and interest payments?
x		Are contingencies shown only in operating funds?
x		Did the budget committee approve the budget?
x		Did the budget committee set the levy?
x		Does the audit show the district was in compliance with budget law?

LOCAL BUDGET LAW COMPLIANCE

The FY 2022-23 Budget is in substantial compliance with local budget law. Estimates were judged to be reasonable for the purposes shown.

The audit report for FY 2020-21 notes over expenditures in two funds, the General Fund and the Airport Construction Fund.

General Fund	Budget	Actual	Variance
Debt Payments	11,963,926	12,335,167	371,241
Other environmental	6,036,737	6,207,780	171,043
Airport Construction Fund			
Capital outlay	415,092,728	443,212,781	28,120,053

The district provided an explanation in the audit document stating:

- The debt payment over-expenditure resulted from the non-cash, budgetary impact of an unbudgeted forgivable loan from the State which will be due in fiscal 2022 if it is not forgiven.

- The environmental liability resulted from the revision of estimated accrued environmental liabilities after final budget appropriations were made for the fiscal year. Neither represent a cash over-expenditure.
- The Airport Construction Fund capital outlay over-expenditures resulted from the non-cash budgetary impact of accounting expenses accrual that took place after final appropriations were made for the fiscal year.

Over expenditure issues are recurring for the Port. TSCC has discussed the over expenditures with Port staff and they highlighted the challenges of accrual-based accounting, meaning expenditures must be recognized as soon as the liability is incurred. This explanation from the Port last year in response to a similar audit finding provides context: "While we must finalize budget appropriations by June 30 of each year, under accrual accounting we still record expenses well after June 30, until our annual audit is completed, and our books are closed. To avoid future over expenditures, the Budget department will continue to work closely with business unit and project managers to estimate, plan, and appropriate for expenditures that will be accrued through our year-end close process."

CERTIFICATION LETTER RECOMMENDATIONS & OBJECTIONS

TSCC staff did not find any deficiencies in the district's FY 2022-23 budget or budget process. Given the recurring nature of over expenditures (four out of the last five audits), staff is suggesting one recommendation for the certification letter:

Recommendation: The Commission has no objections to the FY 2022-23 approved budget, and one recommendation. On review of the Port's FY 2020-21 audit, the Commission found that the district had expenditures or fund transfers that exceed appropriation limits. We understand the difficulty of a commercial enterprise conforming to the requirements of a budget law created for tax-dependent organizations, particularly in capital funds. We have noticed that over expenditures are a recurring challenge, and encourage the district to implement enhanced policies to mitigate these issues going forward.

Port staff have met with TSCC staff to discuss the over expenditures and have responded with a written letter, including a plan for addressing the issue: "To avoid future over expenditures, the Budget department will continue to work closely with business unit and project managers to estimate, plan, and appropriate for expenditures that will be accrued through our year-end close process."

Port Of Portland

Approved Budget Summary Sheet

	2019-20 Actual	2020-21 Actual	2021-22 Rev Bud	2022-23 App Bud	Budget % Change
SUMMARY OF ALL FUNDS					
Property Tax Breakdown:					
Permanent Rate Property Taxes	13,136,589	13,704,784	13,678,515	14,877,949	9%
Total Property Taxes	13,136,589	13,704,784	13,678,515	14,877,949	9%
Resources:					
Beginning Fund Balance	996,414,667	685,813,573	653,260,961	786,472,225	20%
Property Taxes	13,136,589	13,704,784	13,678,515	14,877,949	9%
Intergovernmental Revenue	36,167,287	67,104,175	25,000,000	79,466,182	218%
Fees and Charges	324,505,367	300,032,204	391,641,898	447,109,279	14%
Other Income	40,202,279	11,605,780	38,599,370	20,983,272	-46%
Debt Proceeds	984,798	486,477,795	820,000,000	634,480,000	-23%
Transfers In	395,272,391	337,104,657	769,576,682	887,433,000	15%
TOTAL RESOURCES	1,806,683,378	1,901,842,968	2,711,757,426	2,870,821,907	6%
Requirements by Function:					
Enterprises and Community Services	500,682,572	601,705,136	615,059,665	623,008,814	1%
Administrative Services	79,101,158	47,345,464	56,970,463	65,484,834	15%
Environmental and Conservation Services	3,922,085	6,207,780	9,750,500	5,146,527	-47%
Debt Service	108,919,949	235,356,367	423,545,058	451,320,556	7%
Capital Outlay Unallocated	32,971,650	20,862,604	50,382,832	49,355,696	-2%
Transfers Out	395,272,391	337,104,657	769,576,683	887,433,000	15%
Contingencies	0	0	662,186,493	643,806,748	-3%
Ending Fund Balance	685,813,573	653,260,960	124,285,732	145,265,732	17%
TOTAL REQUIREMENTS	1,806,683,378	1,901,842,968	2,711,757,426	2,870,821,907	6%
Requirements by Object:					
Personnel Services	111,663,536	108,761,921	118,496,923	135,518,491	14%
Materials & Services	130,945,817	103,283,678	133,843,809	161,047,501	20%
Capital Outlay	374,068,112	464,075,385	479,822,728	446,429,880	-7%
Debt Service	108,919,949	235,356,367	423,545,058	451,320,556	7%
Fund Transfers	395,272,391	337,104,657	769,576,684	887,432,999	15%
Contingencies	0	0	662,186,493	643,806,748	-3%
Ending Fund Balance	685,813,574	653,260,960	124,285,732	145,265,732	17%
TOTAL REQUIREMENTS	1,806,683,378	1,901,842,968	2,711,757,427	2,870,821,907	6%
SUMMARY OF BUDGET - BY FUND					
General Fund	358,662,509	342,456,773	376,912,512	365,559,533	-3%
Bond Construction Fund	49,125,670	31,387,165	64,064,204	63,324,705	-1%
Airport Revenue Fund	379,094,480	562,382,596	905,123,589	1,069,293,611	18%
Airport Construction Fund	535,165,110	575,526,401	959,028,490	921,569,996	-4%
Customer Facility Charge Fund	143,077,905	98,090,341	55,943,940	43,988,881	-21%
Customer Facility Charge Bond Fund	19,308,261	19,277,101	19,279,265	19,277,057	0%
Passenger Facility Charge Fund	178,613,246	100,523,530	106,245,121	123,971,424	17%
Airport Revenue Bond Fund	114,470,439	143,469,916	196,431,655	235,842,899	20%
Passenger Facility Charge Bond Fund	29,165,758	28,729,145	28,728,650	27,993,801	-3%
GRAND TOTAL ALL FUNDS	1,806,683,378	1,901,842,968	2,711,757,426	2,870,821,907	6%
DETAIL OF GENERAL FUND					
Resources:					
Beginning Fund Balance	238,467,733	208,664,341	220,922,334	200,937,555	-9%
Fees and Charges	63,309,047	75,108,229	80,184,951	99,154,585	24%
Other Income	5,968,598	6,353,773	24,682,974	4,353,700	-82%
Debt Proceeds	500,000	0	0	4,480,000	0%
Transfers In	50,417,131	52,330,430	51,122,253	56,633,693	11%
TOTAL FUND RESOURCES	358,662,509	342,456,773	376,912,512	365,559,533	-3%
Requirements:					
Enterprises and Community Services	48,370,342	55,966,795	67,877,782	86,691,683	28%
Administrative Services	78,582,377	46,434,604	54,790,463	63,434,834	16%
Environmental and Conservation Services	3,922,085	6,207,780	9,750,500	5,146,527	-47%
Debt Service	13,867,768	12,335,167	12,391,220	12,972,532	5%
Transfers Out	5,255,596	590,093	31,164,992	11,396,041	-63%
Contingencies	0	0	200,937,555	185,917,916	-7%
Ending Fund Balance	208,664,341	220,922,334	0	0	0%
TOTAL FUND REQUIREMENTS	358,662,509	342,456,773	376,912,512	365,559,533	-3%