Budget summary

Since 2008 Metro has relied on its financial discipline to weather the national recession. Operating revenues have been generally slow-growing or flat while costs have continued to increase. Focus and financial sustainability for the future have guided decision-making.

An important tool for building Metro's budget is the five-year forecast for its primary operating funds: the General Fund, the Metropolitan Exposition Recreation Commission (MERC) Fund and the Solid Waste Revenue Fund. Each budget cycle begins with a review of how the funds are performing, what factors affect the funds in the same way and become the global assumptions, and what factors are related to the nature of the operations and need individual assumptions.

Global labor assumptions

Most labor costs affect the primary funds in the same way. There are some differences in individual collective bargaining agreements which are implemented and carried throughout the forecast period; benefit costs follow the same assumptions. With strategic foresight and the help of our labor organizations in FY 2011-12, Metro did blunt its rise in labor costs. However, after two years of little or no increase in the Consumer Price Index (the escalator index for most labor agreements), base wages will rise over the next five-year period.

The current Public Employee Retirement System (PERS) sets rates for a two-year period, marking July 2013 and July 2015 as the next rate adjustment dates. To help mitigate the expected future increases Metro established a PERS reserve, funded by capturing a temporary rate decrease from a prior period. These reserves, pooled from all operating funds, are being applied over the five-year period to reduce pension bond debt service payments. Over the course of the five-year period departments will resume making the debt service payments as an ongoing operational cost. In addition, new non-represented employees began paying the 6 percent employee share of PERS in July 2011; new AFSCME 3580 members began paying in July 2012, joining LIUNA members who have been paying this share for many years.

Metro has also implemented a specific cost sharing formula for its health insurance programs: non-represented employees pay an 8 percent share while most bargaining units pay a 6 percent share. This change is intended to influence the design of future benefit plans where cost savings can be shared. Nevertheless, health insurance costs continue to rise over the forecast period.

Global operating assumptions

The principles of Metro's financial policies are followed throughout the five-year forecasts. Limited duration positions have been eliminated as scheduled; no additional positions are included. A factor for historic under spending is included in the forecast. In the absence of contractual escalators tied to specific indices, general inflationary increases are modest and uniform. Each operating fund must budget for prudent contingency and stabilization reserves. Annual renewal and replacement contributions are required, reflecting Metro's commitment to care for its assets. New capital spending is included only if it has been included in the five-year Capital Improvement Plan.

Unique operating assumptions

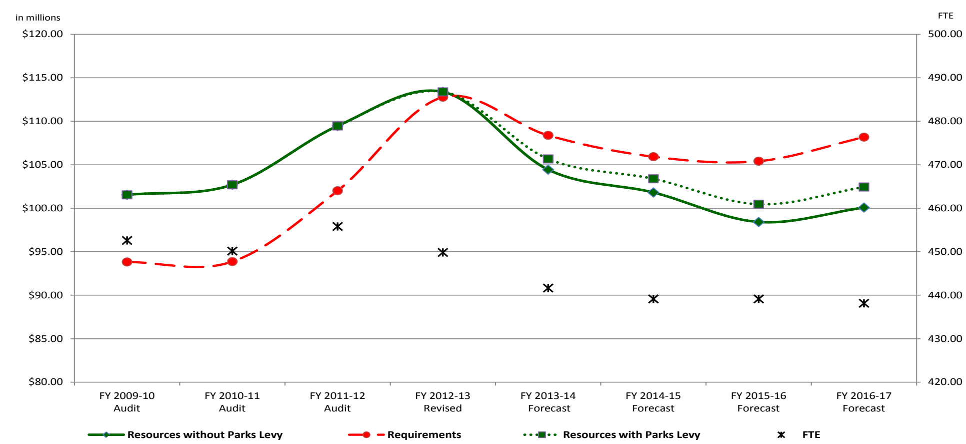
Each fund also has assumptions unique to its operations. Factors such as general and specialized taxes, federal and state grant funding, tonnage or attendance-driven enterprise activity impact the funds differently. Interest earnings calculations remain historically low and are applied uniformly. The visitor venues are more sensitive to utility costs, food and beverage margins or per capita spending. Planning and Development is experiencing constraints tied to uncertainties about transportation funding at the national level. The unique assumptions are addressed in the individual forecasts.

Understanding the importance of the forecasts

The purpose of the forecasts is not to display a balanced budget in all future years. The purpose is to identify vulnerabilities, highlight trends and provide a line of sight to guide decision-making. The forecasts serve as an early warning system and confirm that without continued strategic decision making, the current plan will not be sustainable. For the General Fund it confirms that today's circumstances are not temporary and cannot be addressed with temporary measures and minimal trimming around the edges. The five-year forecast keeps us focused on how decisions today set the path for future choices.

General Fund

General Fund five-year forecast



The General Fund has more complex challenges because of its mix of enterprise, grant and general governance activities. The Oregon Zoo is becoming increasingly, but not entirely, able to meet its direct operating costs; the developed parks and new natural areas coming into the parks system are becoming more dependent on general support. Planning and Development is heavily reliant on federal transportation funding for general transportation system planning and for specific project planning, both areas where federal support has flattened or declined, now and for the foreseeable future. The Council has committed significant one-time general resources to complete the important policy framework for the 2040 Growth Concept, the plan intended to guide growth and development over 50 years. With this work completed, and with little or no growth in discretionary revenues, the General Fund needs recalibrating for the future.

Most noticeable is the reduction in FTE next year. Limited duration positions for project-specific work, both grant funded positions and those funded with special one-time discretionary resources, are concluded in June 2013 as scheduled. Other long-term grant funded positions are reduced because of diminishing federal transportation grant funds. A small number of positions are reduced through operating efficiencies. At the same time total personnel costs for FY 2013-14 changed slightly and increase over the forecast period under the global labor assumptions of increasing wages, increasing health benefits and increasing pension costs.

The General Fund includes three important discretionary revenues virtually unchanged from FY 2012-13: property tax ($12 million), general excise tax ($15 million) and interest earnings. These are the resources that the Council can direct by choice to any general purpose. Throughout the forecast period property taxes maintain their solid collection rate but grow less than 3 percent annually because of the decreasing ratio of real market value to assessed value and increasing compression under the state's property tax limitation statutes. Excise tax is established in Metro code and grows at the rate of the Consumer Price Index. Over the forecast period excise tax does grow modestly. Interest earnings, once a significant discretionary revenue source, are constrained by the low market rates. The General Fund also includes the construction excise tax which has been recovering to pre-recession levels and is expected to increase modestly over the forecast period. The construction excise tax is a dedicated tax used to provide funding for planning of future expansion areas, future urban reserves and planning that enables redevelopment of centers, corridors and employment areas within the existing Urban Growth Boundary. In May 2013 the Metro region voted to approve the Parks and Natural Areas local option levy. The five-year long levy will generate an estimated $10 million annually for Parks and Natural Areas operations.

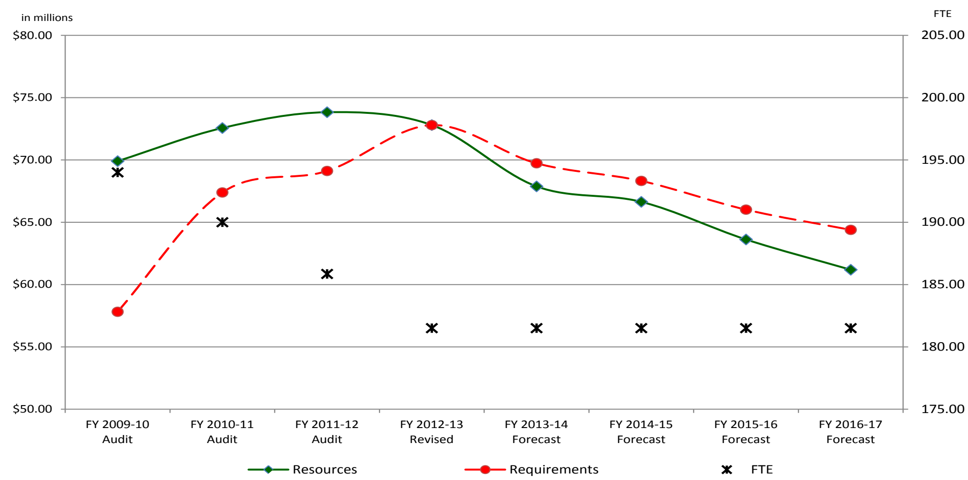
Enterprise revenues in the General Fund are generated by the Oregon Zoo and, to a lesser extent, by parks programs. The zoo continues to experience record attendance which will remain high over the forecast period despite on-site construction throughout. Per capita spending will improve modestly, and the zoo forecasts two small fee increases: one was implemented in 2013 and another to be implemented in 2015. Parks revenues will be mostly flat over the forecast period with one major exception. Metro entered into a new operations contract for the Glendoveer Golf Course in January of 2013; this budget represents the first full year of full revenues and expenses. Revenues are expected to remain suppressed initially. Metro will continue to make new capital investments at the site.

Uncertainties about federal transportation funding are expected to persist. Discretionary federal funding for general system planning, the Regional Transportation Plan and the Metropolitan Transportation Improvement Program, has not increased. Project specific planning dollars for corridors is declining. The forecast reflects only those resources that are committed.

The forecast illustrates the application of one-time resources accumulated in one year to one-time spending, usually in a later year. Earlier multi-year special allocations were committed to urban and rural reserves and climate change start up; current multi-year allocations include programs such as Community Investment Initiative, Metro Export Initiative and the Greater Portland Pulse. For the General Fund the five-year forecast reminds us of the need to be proactive, not reactive, to challenges that we see in the future years. The budget reduces some programs, activities and staffing to meet the available resources and to avoid more severe reductions in the future. Combined, the steps taken in FY 2012-13 and FY 2013-14 have reduced the five-year gap by half. The forecast suggests that additional adjustments will be required in future years unless revenues improve more quickly than expected. Unique to the General Fund is Metro's charter limitation, a limit on excise tax spending, adjusted annually by the Consumer Price Index. This limit includes spending of both general excise tax as well as construction excise tax. The budget and the forecast years do not exceed the spending limit.

Metropolitan Exposition Recreation Commission Fund

Metropolitan Exposition Recreation Commission Fund Five-year forecast

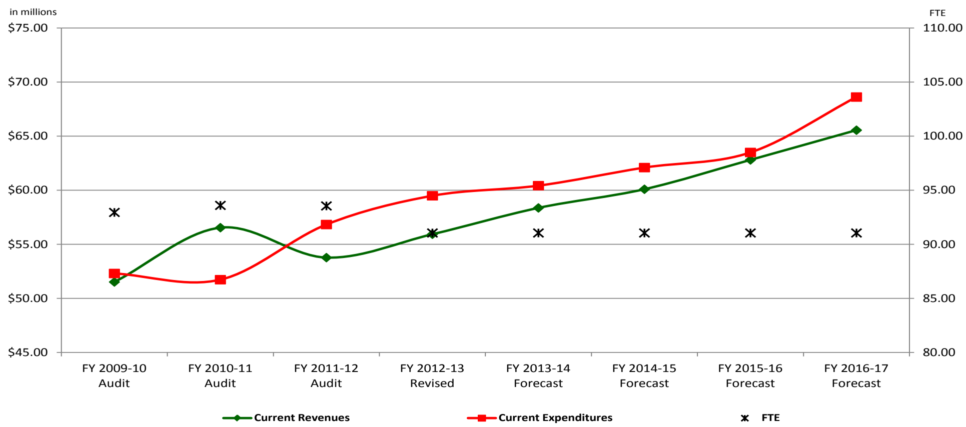


The Metropolitan Exposition Recreation Commissin (MERC) Fund demonstrates the lag time phenomenon between bookings and economic changes. The Oregon Convention Center is particularly sensitive to national economic conditions that shape convention bookings years into the future, drive competition and pressure profit margins. As the recession commenced in 2008, rental revenue from conventions booked prior to the 2008 recession continued, although food and beverage margins began to decline, and transient lodging taxes fell more sharply. Transient lodging tax is now returning to the 2008 levels and showing modest growth throughout the forecast, while convention bookings are continuing to improve.

Revenues throughout the forecast reflect only those bookings that are confirmed. Transient lodging tax recovers to the pre-recession levels, and then grows modestly throughout the forecast. Food and beverage margins are based on current performance and maintained throughout. Revenues and expenditures directly related to event activity rise and fall with bookings. Fixed costs, facility maintenance and capital improvements require operational support from public resources, primarily transient lodging taxes. In the last four years of the forecast, major capital projects spend down reserves accumulated prior to FY 2013-14. The Oregon Convention Center also began repaying a $2.2 million loan to the General Fund for its streetcar assessment at a rate of about $232,000 per year, beginning in FY 2012-13.

The five-year forecast keeps us focused on marketing and pricing strategies for the future. Among those strategies is a key Council initiative for FY 2012-13 and continuing into 2013-14, a renewed effort to find a solution to the persistently identified need for a large hotel room block to boost convention bookings.

Solid Waste Revenue Fund Five-year forecast



The Solid Waste Revenue Fund display differs from the other forecasts because it includes only current revenues and current expenditures. It does not include the fund balance as a resource. We excluded the large fund balance because sizeable portions are restricted to landfill closure and environmental impairment responsibilities which will occur outside the five-year window.

The Council sets rates to fund the current expenditures of the Solid Waste Revenue Fund, balancing the public's interest in its facilities with the pocketbook issues of its rate payers. Tonnage declined slightly in 2007, more significantly in 2008 and has remained low through FY 2012-13, but is beginning to increase. Actual core tonnage will remain nearly flat before beginning to rise modestly in the last half of the forecast. The forecast indicates that rates will also rise throughout the five year period, the result of increasing labor costs for the programs Metro operates, and contractual escalator provisions for transfer, transport and disposal. Since tonnage generally increased in those years before the debt was retired, Metro was able to accumulate sufficient resources to fund future capital improvements without impacting rates. In forecast years where expenditures exceed current revenue, this represents planned capital spending. In FY 2013-2014 it is anticipated that some reserves will be used to limit the increase in the rates. In the final year of the forecast, all capital projects currently identified in the five-year CIP will be performed, realigning resources and expenditures.

The five-year forecast suggests that the per-ton cost for disposal has and will continue to increase even with fewer tons being disposed. Contractual costs and fixed costs are being spread over a smaller base. The Solid Waste Road Map discussions are examining how changes in the waste stream, increased residential organics diversion and new technology approaches to handling the waste fit into the regional system.

BEFORE THE METRO COUNCIL

ADOPTING THE ANNUAL BUDGET FOR FISCAL YEAR FY 2013-14, MAKING APPROPRIATIONS, LEVYING AD VALOREM TAXES, AND AUTHORIZING AN INTERFUND LOAN	)))))	ORDINANCE NO. 13-1300A Introduced by Martha Bennett, Chief Operating Officer, with the concurrence of Council President Tom Hughes

WHEREAS, the Multnomah County Tax Supervising and Conservation Commission held its public hearing on the annual Metro budget for the fiscal year beginning July 1, 2013, and ending June 30, 2014; and

WHEREAS, recommendations from the Multnomah County Tax Supervising and Conservation Commission have been received by Metro (attached as Exhibit A and made a part of the Ordinance) and considered; now, therefore,

THE METRO COUNCIL ORDAINS AS FOLLOWS:

1. The "Fiscal Year 2013-14 Metro Budget," in the total amount of FOUR HUNDRED NINETY MILLION SIX HUNDRED THIRTY FIVE THOUSAND FIVE HUNDRED SEVEN ($490,635,507), attached hereto as Exhibit B, and the Schedule of Appropriations, attached hereto as Exhibit C, are hereby adopted.

2. The Metro Council does hereby levy ad valorem taxes, as provided in the budget adopted by Section 1 of this Ordinance, at the rate of $0.0966 per ONE THOUSAND DOLLARS ($1,000) of assessed value for operating rate levy; at the rate of $0.0960 per ONE THOUSAND DOLLARS ($1,000) of assessed values for local option rate levy and in the amount of THIRTY SEVEN MILLION SIX HUNDRED SEVENTY NINE THOUSAND FOUR HUNDRED NINETY SEVEN ($37,679,497) for general obligation bond debt, said taxes to be levied upon taxable properties within the Metro District for the fiscal year 2013-14. The following allocation and categorization subject to the limits of Section 11b, Article XI of the Oregon Constitution constitute the above aggregate levy.

SUMMARY OF AD VALOREM TAX LEVY

	Subject to the General Government Limitation	Excluded from the Limitation
Operating Tax Rate Levy	$0.0966/$1,000	
Local Option Tax Rate Levy	$0.0960/$1,000	
General Obligation Bond Levy		$37,679,497

3. In accordance with Section 2.02.040 of the Metro Code, the Metro Council hereby authorizes positions and expenditures in accordance with the Annual Budget adopted by Section 1

of this Ordinance, and hereby appropriates funds for the fiscal year beginning July 1, 2013, from the funds and for the purposes listed in the Schedule of Appropriations, Exhibit C.

4. The Parks and Natural Areas Local Option Levy Fund is hereby created for the purpose of accounting for property taxes received under the local option levy authorization approved by the voters of the Metro region on May 21, 2013. Major revenue source for the fund includes but is not limited to property taxes. In the event of the elimination of this fund, any fund balance remaining shall revert to the General Fund.

5. An interfund loan from the Solid Waste Revenue Fund to the Natural Areas Local Option Levy Fund in an amount not to exceed $5.0 million is hereby authorized. The loan will be made to provide cash flow for authorized levy expenditures prior to the receipt of the first tax revenues in November/December 2013. The loan, including interest at a rate equal to the average yield on Metro's pooled investments, will be repaid from the Natural Areas Local Option Levy Fund prior to June 30, 2014.

6. An interfund loan from the General Fund to the MERC Fund in an amount not to exceed $2.2 million is hereby authorized. The loan will be made to provide financing of the Eastside Streetcar Local Improvement District assessment on the Oregon Convention Center. The loan, including interest at a rate equal to the average yield on Metro's pooled investments, will be repaid from Oregon Convention Center revenues and/or reserves. Repayment will be over a period not to exceed ten years beginning FY 2013-14 and provide for a minimum of $220,000 annual principal payments due no later than June 30th of each fiscal year

7. The Chief Operating Officer shall make the filings as required by ORS 294.458 and ORS 310.060, or as requested by the Assessor's Office of Clackamas, Multnomah, and Washington Counties.

8. This Ordinance being necessary for the health, safety, or welfare of the Metro area, for the reason that the new fiscal year begins July 1, 2013, and Oregon Budget Law requires the adoption of a budget prior to the beginning of the fiscal year, an emergency is declared to exist and the Ordinance takes effect upon passage.

ADOPTED by the Metro Council on this 20th day of June 2013.

CONSIGLIO METROPOLITANO METRO COUNCIL APPROVATO APPROVED

Tom Hughes

Tom Hughes, Council President

ATTEST:

KNewell

Kelsey Newell, Recording Secretary

Approved as to Form:

Alison Kean Campbell, Metro Attorney

Schedule of Appropriations

		Adopted Budget
GENERAL FUND		
Communications		2,701,648
Council Office		3,938,637
Finance & Regulatory Services		4,628,354
Human Resources		2,219,337
Information Services		3,915,095
Metro Auditor		725,382
Office of Metro Attorney		2,061,480
Oregon Zoo		31,585,451
Parks & Environmental Services		8,818,344
Planning and Development		14,216,023
Research Center		3,644,374
Sustainability Center		3,916,131
Special Appropriations		5,350,265
Non-Departmental		
Debt Service		1,720,071
Interfund Transfers		7,146,409
Contingency		4,290,572
	Total Appropriations	100,877,573
Unappropriated Balance		15,946,701
Total Fund Requirements		**$116,824,274**
GENERAL ASSET MANAGEMENT FUND		
Asset Management Program		10,018,546
Non-Departmental		
Contingency		2,785,481
	Total Appropriations	12,804,027
Unappropriated Balance		686,312
Total Fund Requirements		**$13,490,339**
GENERAL OBLIGATION BOND DEBT SERVICE FUND		
Debt Service		36,347,675
Unappropriated Balance		146,450
Total Fund Requirements		**$36,494,125**
GENERAL REVENUE BOND FUND		
Debt Service		2,869,322
Unappropriated Balance		5,393
Total Fund Requirements		**$2,874,715**
MERC FUND		
MERC		47,913,967
Non-Departmental		
Interfund Transfers		5,131,804
Contingency		10,979,029
	Total Appropriations	64,024,800
Unappropriated Balance		8,770,342
Total Fund Requirements		**$72,795,142**
NATURAL AREAS FUND		
Sustainability Center		35,247,915
Non-Departmental		
Interfund Transfers		1,885,809
Contingency		20,000,000
	Total Appropriations	57,133,724
Unappropriated Balance		9,129,631
Total Fund Requirements		**$66,263,355**
NATURAL AREAS LOCAL OPTION LEVY FUND		
Oregon Zoo		297,413
Parks & Environmental Services		2,296,544
Sustainability Center		5,227,100
Special Appropriations		750,000
Non-Departmental		
Interfund Transfers		929,953
Contingency		715,760
	Total Appropriations	10,216,770
Unappropriated Balance		0
Total Fund Requirements		**$10,216,770**
OPEN SPACES FUND		
Sustainability Center		643,064
Total Fund Requirements		**$643,064**

	Adopted Budget
OREGON ZOO INFRASTRUCTURE AND ANIMAL WELFARE FUND	
Oregon Zoo	25,765,168
Non-Departmental	
Interfund Transfers	242,153
Contingency	5,200,000
Total Appropriations	31,207,321
Unappropriated Balance	35,371,118
Total Fund Requirements	**$66,578,439**
CEMETERY PERPETUAL CARE FUND	
Unappropriated Balance	445,067
Total Fund Requirements	**$445,067**
REHABILITATION & ENHANCEMENT FUND	
Sustainability Center	330,990
Non-Departmental	
Interfund Transfers	114,602
Contingency	280,000
Total Appropriations	725,592
Unappropriated Balance	1,549,335
Total Fund Requirements	**$2,274,927**
RISK MANAGEMENT FUND	
Finance & Regulatory Services	2,616,951
Non-Departmental	
Interfund Transfers	301,961
Contingency	500,000
Total Appropriations	3,418,912
Unappropriated Balance	1,050,326
Total Fund Requirements	**$4,469,238**
SMITH AND BYBEE LAKES FUND	
Parks & Environmental Services	65,000
Non-Departmental	
Interfund Transfers	110,102
Contingency	200,000
Total Appropriations	375,102
Unappropriated Balance	3,225,467
Total Fund Requirements	**$3,600,569**
SOLID WASTE REVENUE FUND	
Finance & Regulatory Services	2,179,938
Sustainability Center	5,842,884
Parks & Environmental Services	45,107,091
Non-Departmental	
Interfund Transfers	7,766,403
Contingency	15,293,514
Total Appropriations	76,189,830
Unappropriated Balance	17,475,653
Total Fund Requirements	**$93,665,483**
Total Appropriations	**$396,833,712**
Total Unappropriated Balance	**$93,801,795**
TOTAL BUDGET	**$490,635,507**

Property Tax Levy

Permanent Tax Rate Levy Calculation

FY 2012-13 Assessed Value	$130,835,372,208
Assessed Value Increase:	
Within 3% Statutory allowable (2.25% estimate)	2,943,795,875
Estimate for new construction @ 0.0%	0
ESTIMATED FY 2013-14 ASSESSED VALUE	**$133,779,168,083**
Tax Rate	$0.0966 /$1000
FY 2013-14 TAX RATE LEVY	$12,923,067
(estimated assessed value x tax rate)	
Less: Loss due to Measure 5 compression	($325,000)
Estimated uncollectable @ 5.5%	($692,894)
Comcast appeal	($42,000)
ESTIMATED TAXES TO BE RECEIVED	**$11,863,173**

(based on 94.5% collectable rate)

Local Option Rate Levy Calculation

FY 2012-13 Assessed Value	$130,835,372,208
Assessed Value Increase:	
Within 3% Statutory allowable (2.0% estimate)	2,616,707,444
Estimate for new construction @ 0.0%	0
ESTIMATED FY 2013-14 ASSESSED VALUE	**$133,452,079,652**
Tax Rate	$0.0960 /$1000
FY 2013-14 TAX RATE LEVY	$12,811,399
(estimated assessed value x tax rate)	
Less: Loss due to Measure 5 compression	($2,000,000)
Estimated uncollectable @ 5.5%	($594,627)
ESTIMATED TAXES TO BE RECEIVED	**$10,216,772**

(based on 94.5% collectable rate)

General Obligation Bond Debt Service Calculation

FY 2013-14 REQUIREMENTS		
07/15/13	Oregon Zoo-Oregon Project (2005 Series)	$193,700
12/01/13	Open Spaces (2012B Series)	$421,375
12/01/13	Natural Areas (2007 Series)	$1,869,875
12/01/13	Natural Areas (2012A Series)	$1,702,175
12/01/13	Zoo Infrastructure (2012A Series)	$1,379,213
01/15/14	Oregon Zoo-Oregon Project (2005 Series)	$2,083,700
06/01/14	Open Spaces (2012B Series)	$9,571,375
06/01/14	Natural Areas (2007 Series)	$6,269,875
06/01/14	Natural Areas (2012A Series)	$6,312,175
06/01/14	Zoo Infrastructure (2012A Series)	$6,544,213
07/15/14	Oregon Zoo-Oregon Project (2005 Series)	$146,450
TOTAL REQUIREMENTS		**$36,494,125**

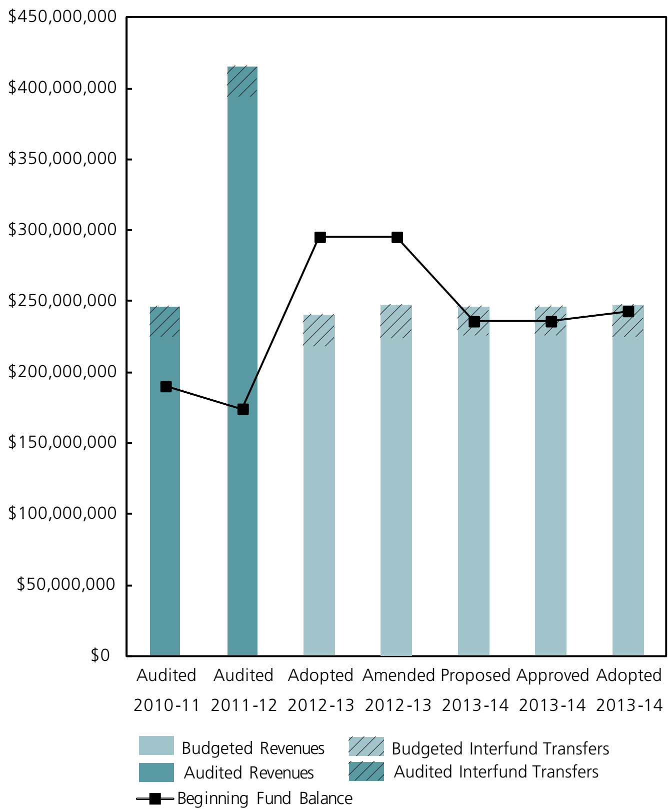
Sources available for cash flow:	
Fund balance	$177,000
Prior years taxes to be rec'd in FY 2013-14	700,000
Interest earned, FY 2013-14	10,000
Total non-tax sources available in FY 2013-14	$887,000
Tax resources required to balance	$35,607,125
Levy (assume 94.5% collectable rate)	$37,679,497
Estimated FY 2013-14 Assessed Value	$133,779,168,083
Levy rate per $1,000 of assessed value	$0.2817
On $100,000 of assessed property value	$28.17
FY 2013-14 GO DEBT TAX LEVY AMOUNT	**$37,679,497**

Budget summary by year

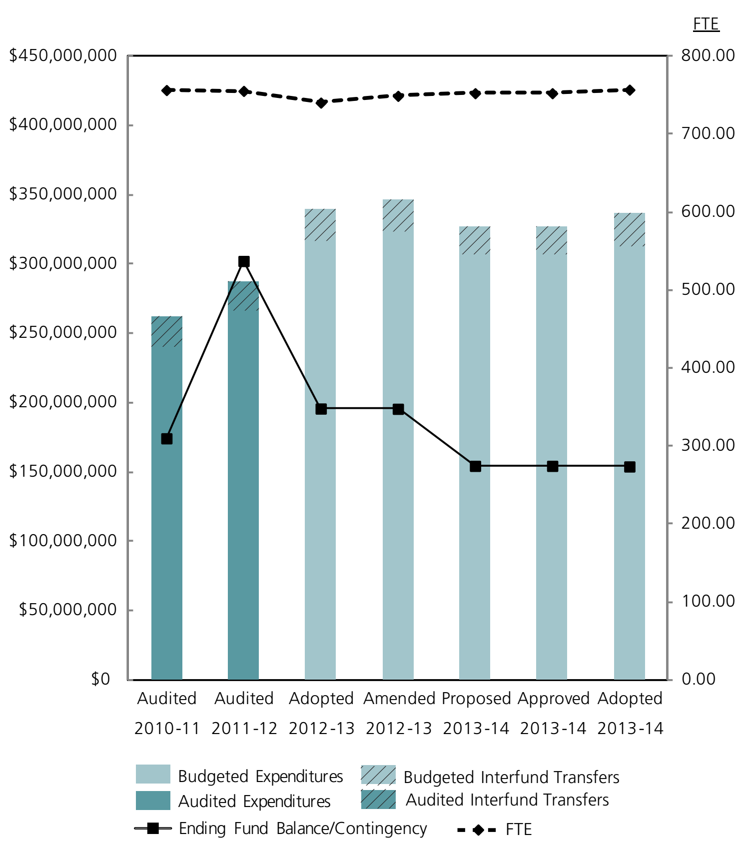
	Audited FY 2010-11	Audited FY 2011-12	Adopted FY 2012-13	Amended FY 2012-13	Proposed FY 2013-14	Approved FY 2013-14	Adopted FY 2013-14	Change from FY 2012-13 Amended
RESOURCES								
Beginning Fund Balance	*$190,317,945*	*$174,355,620*	*$295,435,747*	*$295,435,747*	*$236,015,398*	*$236,015,398*	*$243,182,410*	*(17.69%)*
Current Revenues								
Real Property Taxes	49,747,025	39,333,292	51,157,728	51,157,728	58,683,668	58,683,668	58,683,668	14.71%
Excise Tax	15,508,750	16,177,939	17,399,971	17,399,971	17,347,866	17,347,866	17,347,866	(0.30%)
Other Derived Tax Revenue	26,861	33,195	75,000	75,000	30,000	30,000	30,000	(60.00%)
Grants	10,267,397	10,290,105	12,273,683	12,328,058	10,308,412	10,308,412	10,381,662	(15.79%)
Local Gov't Shared Revenues	11,983,681	13,004,166	13,671,720	13,671,720	14,276,129	14,276,129	14,276,129	4.42%
Contributions from other Gov'ts	832,524	5,201,579	3,723,036	3,753,036	3,746,224	3,746,224	3,746,224	(0.18%)
Enterprise Revenue	113,192,834	109,865,624	115,772,391	119,680,160	115,700,485	115,700,485	114,428,110	(4.39%)
Interest Earnings	1,297,723	898,372	1,152,900	1,152,900	699,561	699,561	699,561	(39.32%)
Donations	2,661,868	2,432,270	1,606,027	3,868,281	3,847,801	3,847,801	3,847,801	(0.53%)
Other Misc. Revenue	3,307,412	843,009	333,941	340,261	262,880	262,880	382,880	12.53%
Bond and Loan Proceeds	15,000,000	195,478,859	0	0	0	0	0	0.00%
Subtotal Current Revenues	223,826,075	393,558,410	217,166,397	223,427,115	224,903,026	224,903,026	223,823,901	0.18%
Interfund Transfers:								
Interfund Reimbursements	8,396,573	9,167,136	10,118,777	10,118,777	9,885,541	9,885,541	9,885,541	(2.30%)
Internal Service Transfers	2,887,871	2,820,489	4,143,190	4,143,190	5,000,442	5,000,442	5,000,442	20.69%
Interfund Loan	0	0	2,431,000	2,431,000	239,800	239,800	2,670,800	9.86%
Fund Equity Transfers	10,708,853	9,948,218	6,522,471	6,645,571	5,622,413	5,622,413	6,072,413	(8.62%)
Subtotal Interfund Transfers	21,993,297	21,935,843	23,215,438	23,338,538	20,748,196	20,748,196	23,629,196	1.25%
TOTAL RESOURCES	**$436,137,317**	**$589,849,873**	**$535,817,582**	**$542,201,400**	**$481,666,620**	**$481,666,620**	**$490,635,507**	**(9.51%)**
REQUIREMENTS								
Current Expenditures								
Personnel Services	$73,984,490	$76,388,503	$79,964,117	$79,683,638	$83,203,038	$83,203,038	$83,751,779	5.11%
Materials and Services	99,375,744	96,023,272	116,199,406	120,819,885	117,050,113	117,050,113	121,872,363	0.87%
Capital Outlay	24,478,087	28,293,892	65,845,165	67,946,194	65,246,974	65,246,974	66,398,950	(2.28%)
Debt Service	41,950,078	64,941,026	54,769,223	54,769,223	40,937,068	40,937,068	40,937,068	(25.26%)
Subtotal Current Expenditures	239,788,399	265,646,693	316,777,911	323,218,940	306,437,193	306,437,193	312,960,160	(3.17%)
Interfund Transfers:								
Interfund Reimbursements	8,396,573	9,167,136	10,118,777	10,118,777	9,885,541	9,885,541	9,885,541	(2.30%)
Internal Service Transfers	2,887,871	2,820,489	4,143,190	4,143,190	5,000,442	5,000,442	5,000,442	20.69%
Interfund Loan	0	0	2,431,000	2,431,000	239,800	239,800	2,670,800	9.86%
Fund Equity Transfers	10,708,854	9,948,218	6,522,471	6,645,571	5,622,413	5,622,413	6,072,413	(8.62%)
Subtotal Interfund Transfers	21,993,298	21,935,843	23,215,438	23,338,538	20,748,196	20,748,196	23,629,196	1.25%
Contingency	0	0	61,037,639	56,421,152	58,243,430	58,243,430	60,244,356	6.78%
Ending Fund Balance	*174,355,620*	*302,267,337*	*134,786,594*	*139,222,770*	*96,237,801*	*96,237,801*	*93,801,795*	*(32.62%)*
TOTAL REQUIREMENTS	**$436,137,317**	**$589,849,873**	**$535,817,582**	**$542,201,400**	**$481,666,620**	**$481,666,620**	**$490,635,507**	**(9.51%)**
FULL-TIME EQUIVALENTS	756.60	755.49	740.50	749.14	752.55	752.55	757.09	1.06%
FTE CHANGE FROM FY 2012-13 AMENDED BUDGET								7.95

Budget summary by year

Current revenues and fund balance



Current expenditures and full-time equivalents



Where the money comes from

Resources to meet Metro's obligations and needs are derived from three primary sources: beginning fund balance, current revenues and interfund transfers. Beginning fund balance consists of resources carried forward from previous fiscal years, including proceeds from voter-approved bonds (e.g., Natural Areas and Oregon Zoo Infrastructure and Animal Welfare), reserves for specific purposes (e.g., self insurance, debt reserves) and monies used for cash flow. Current revenues are those earned from Metro operations or taxes levied during the fiscal year. The principal sources of current revenues are user fees and charges from individuals and organizations that pay to use Metro facilities or buy its services. Interfund transfers are payments from one fund to another fund usually for services rendered.

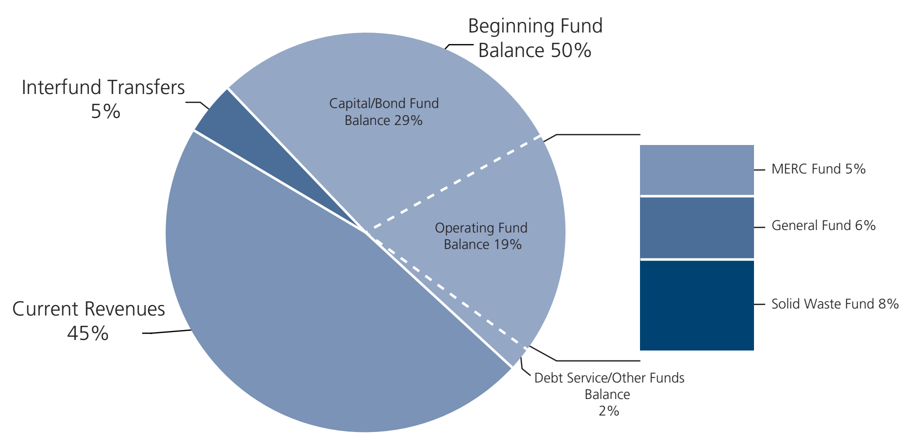
BEGINNING FUND BALANCE

Metro's beginning fund balance constitutes 50 percent of its total resources.

The beginning fund balance for each fund consists of unspent resources carried forward from the previous fiscal year. Primary among these are unspent bond proceeds, and fees collected in prior years in the Solid Waste Revenue Fund for operations, capital projects and other dedicated accounts. Another element of the beginning fund balance includes reserves for specific purposes (e.g., self-insurance, future capital reserves, debt reserves and trust reserves), which are generally required by law, policy or operating agreements. The beginning fund balance also provides cash flow for specific operations until current year revenues are received.

The General Fund's $31.1 million beginning fund balance accounts for 12.8 percent of the total beginning balances and is a combination of designated and undesignated reserves. Designated reserves include grant funds, construction excise tax for local development grants, Public Employees Retirement System (PERS) reserves and debt service reserves. The Council also designated reserve funds for multi-year Nature in Neighborhoods grants, and participation in a Development Opportunity fund. Finally, as part of its financial policies, the Council also directed that undesignated reserves be maintained for contingency and stabilization reserves, available for any lawful purpose in the event of sudden and unforeseen revenue drops or unplanned expenditures. For FY 2013-14 about $7.2 million of the General Fund's beginning fund balance is funding these financial reserves.

FY 2013-14 Total resources



Total resources $490,635,507

CURRENT REVENUES

Current revenues account for 45 percent of Metro's total resources. The major elements of current revenues and the percentage of total current revenues they represent include the following:

Enterprise revenues– 51 percent

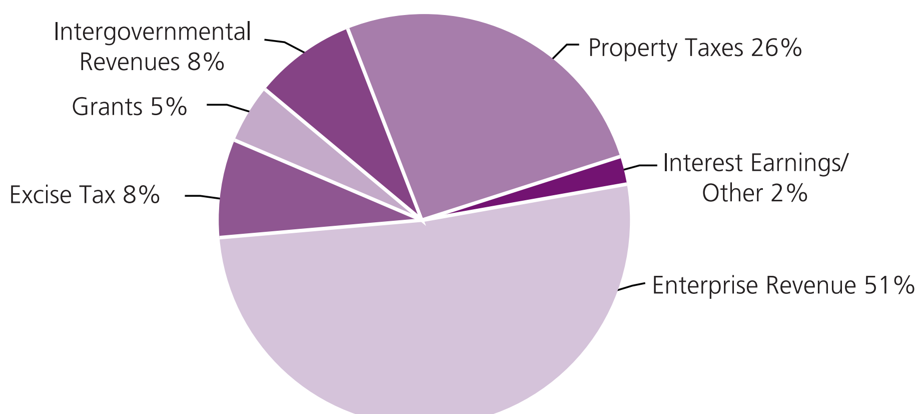
Enterprise activities generate the largest piece of current revenues at $114.4 million. Metro's largest enterprise activity is solid waste disposal, generating $55.4 million, which comes from fees charged on solid waste deposited at Metro's transfer stations or several other designated solid waste facilities. This is about a 8.5 percent decrease from the FY 2012-13 budget.

While tonnage to regional solid waste non-Metro facilities is starting to trend upward, solid waste tonnage to Metro facilities is just now beginning to stabilize. To mitigate upward pressure on the disposal rates the Metro Council took a three prong approach for FY 2012-13. For the first time, organics rates are set to a level that covers their costs removing subsidies formally paid from the disposal rate. It also recognized that renewal and replacement reserves are currently fully funded and chose to forego a deposit for one year. And finally, it used approximately $800,000 of uncommitted funds to offset potential costs. The actions resulted in a rate increase of $0.49 per ton; about 0.5 percent increase.

The Visitor Venues (Oregon Zoo, Oregon Convention Center, Portland Center for the Performing Arts and Portland Expo Center) produce $51.7 million, about 3.8 percent above the current year. The Oregon Zoo is showing revenue growth of about 4 percent. The zoo has experienced record-breaking attendance the last several years; the budget again projects annual attendance of 1.61 million. Budget per capita shows modest increases in admission and food service revenue. The Oregon Convention Center (OCC) relies on convention bookings made years in advance. Although the economy is recovering it will be another year or more before bookings return to pre-recession levels. Revenue is expected to remain relatively flat compared to last year but is about 25 percent below pre-recession levels. The Portland Expo Center (Expo) is reflecting a 4 percent increase from the current year, projecting a modest increase in attendance and per capita spending. In addition, several major clients have accepted multi-year agreements, stabilizing revenue generation in future years.

FY 2013-14 Current revenues

RESOURCES	
Beginning Fund Balance	*$243,182,410*
Current Revenues	
Real Property Taxes	58,683,668
Excise Tax	17,347,866
Other Derived Tax Revenue	30,000
Grants	10,381,662
Local Gov't Shared Revenues	14,276,129
Contributions from other Gov'ts	3,746,224
Enterprise Revenue	114,428,110
Interest Earnings	699,561
Donations	3,847,801
Other Misc. Revenue	382,880
Subtotal Current Revenues	223,823,901
Interfund Transfers:	
Interfund Reimbursements	9,885,541
Internal Service Transfers	5,000,442
Interfund Loan	2,670,800
Fund Equity Transfers	6,072,413
Subtotal Interfund Transfers	23,629,196
TOTAL RESOURCES	**$490,635,507**



Total current revenues $223,823,901

Revenues generated at the Portland Center for the Performing Arts (PCPA) are up about 10 percent due primarily to a change in the structure of ticket commissions. Previously, PCPA received revenue net of ticket service fees. Under the new operating structure, PCPA receives gross revenues then pays the ticket company the ticket service fee. Finally, while rental rates and billable rates are increasing 3 percent overall, rental revenues are down 13 percent because of 3.5 fewer weeks of Broadway shows.

Regional parks facilities generate another $4.9 million in fees and services, an increase of about 17 percent. The majority of the increase is due to a change in the Glendoveer Golf Course operating contract. Previously, Metro received a straight percentage of gross revenues. Under the new agreement, Metro will receive gross revenues and pay the operator per the contractual agreement. Also, cemetery revenues and admission fees are declining about 35 percent and 22 percent respectively. As the year has progressed, it is clear staff were too optimistic regarding revenue generating options in the current year. Revenues have been reduced to more accurately reflect reality.

Parking fees, business license fees and Data Resource Center revenues account for the remainder of enterprise revenues.

Property taxes– 26 percent

Metro expects to receive $58.6 million in property tax revenues in FY 2013-14. This includes current year tax receipts to the General Fund directed toward operations ($11.9 million) and debt service levies for outstanding general obligation bond issues for the Open Spaces Acquisition program, the original Oregon Convention Center construction, the zoo's Great Northwest project, the Natural Areas program and the Oregon Zoo Infrastructure and Animal Welfare bond projects ($35.6 million). Also included beginning in FY 2013-14 is the first year of a five-year local option levy for natural areas operations. The levy rate is $0.960/$1,000 of assessed value and is expected to generate approximately $10.2 million in the first year. The remainder, approximately $1.0 million, will be received in the form of delinquent property taxes, levied in prior years but received in the current year, and interest and penalties on those late payments.

Excise Taxes– 8 percent

The Metro excise tax is paid by users of Metro facilities and services in accordance with the Metro Charter and Metro Code. The tax is recorded as revenue in the General Fund. It supports the costs of general government activities, such as the Council Office and elections expense. The tax also supports various planning, parks and venue activities.

The Metro excise tax is levied as a flat rate per-ton tax on solid waste disposal and as a percentage of all other authorized sales and services. The Metro excise tax is estimated to raise $15.3 million in FY 2013-14. By Metro Code, the amount of the per-ton tax may be increased annually based on the Consumer Price Index. The flat-rate per-ton tax was consolidated into a single yield-based tax in FY 2010-11, folding in a number of individual per-ton rates which had been imposed at different times. The single rate approach increases predictability and moderates revenue swings in times of either increasing or decreasing tonnage. The consolidation did not change the charter limitation on expenditures. The consolidated rate for FY 2013-14 will be $12.29 per ton, an increase of 10 cents, effective September 1st. The rate for all other authorized revenues, currently 7.5 percent, does not change unless amended by the Metro Council. The Council has exempted the Oregon Zoo from excise tax; the intergovernmental agreement between Metro and the City of Portland exempts the Portland Center for the Performing Arts from the tax.

In 2006 Metro also enacted a construction excise tax to fund land use planning to make land ready for development throughout the region. A 0.12 percent tax is assessed on construction permits issued by local cities and counties in the Metro region. In 2009 the tax was extended for an additional five years, through September 2014, to provide funding for planning of future expansion areas, future urban reserves and planning that enables redevelopment of centers, corridors and employment areas within the existing Urban Growth Boundary. Proceeds from the tax fell sharply during the recession and began rebounding in 2011. The tax is expected to generate $2.0 million in FY 2013-14.

Intergovernmental Revenues– 8 percent

Metro receives revenue from both state and local agencies. Among these are transient lodging tax receipts from Multnomah County, funds from the City of Portland to support the Portland Center for the Performing Arts, state marine fuel tax revenues and a portion of the recreational vehicle registration fees passed through Multnomah County from the State of Oregon to support the regional parks. It also receives an allocation from the Visitor Development Fund created as a cooperative agreement between Metro, Multnomah County, the City of Portland and the hotel and car rental industries to cooperatively support and market various visitor facilities and amenities in the region. Transient Lodging Tax receipts are projected to increase 3 percent in FY 2013-14. The request to the Visitor Development Fund has increased by 9 percent based on projected need including repayment of the streetcar assessment over 10 years and continued efforts to secure a 500-room block commitment.

Grants– 5 percent

Grants are anticipated to provide $10.4 million to the revenue mix. The primary planning functions of the agency — Planning and Development and the Research Center — receive approximately $8.8 million in grant funds, 85 percent of all grants. These functions rely on federal, state and local grants to fund most of the transportation planning and modeling programs. Although Metro has received a small increase in federal allocations through MAP-21, other dedicated grant funds such as HB 2001 green house gas funding from ODOT and other funding for corridor planning are at or near completion, resulting in an overall decrease of 8 percent from FY 2012-13. Metro also receives grants for projects planned at regional parks and natural areas, Oregon Zoo and solid waste facilities.

Other miscellaneous revenues/Interest Earnings– 2 percent

In FY 2013-14 other revenues include $3.8 million in donations; $700,000 in projected interest earnings and about $383,000 in a variety of other miscellaneous revenue categories.

INTERFUND TRANSFERS

Metro budgets its resources in separate and distinct funds. Transfers between funds pay for internal services provided directly by one department to another or indirectly on a cost-share basis as determined through the indirect cost allocation plan. Interfund reimbursements (indirect services) and internal service transfers (direct services) total $14.9 million in FY 2013-14. The transfer classification also includes $5.6 million in Fund Equity Transfers (revenue sharing between funds) such as the transfer of discretionary revenues from the General Fund to assist in capital development and renewal and replacement of General Fund assets. Also included in FY 2013-14 is a one-time interfund loan from the General Fund to the MERC Fund to pay the Oregon Convention Center's $2.2 million local improvement district assessment for the Eastside Streetcar.

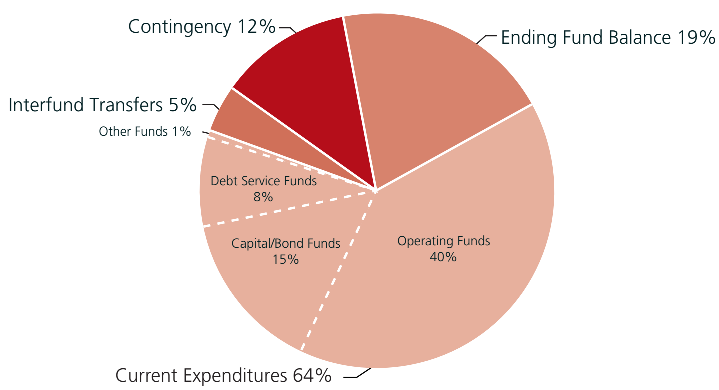
Where the money goes

Metro uses its resources for a variety of purposes prescribed by state law and Metro Charter. Ending fund balances are resources that are not spent during the year but carried over to subsequent year(s). They include reserves, monies for cash flow purposes and bond proceeds that will be spent in ensuing years for capital projects. Resources to be spent during the year can be categorized in one of several current expenditure categories.

Metro's total current expenditures are allocated for the specific programs and functions described in the Organizational Summary section contained in the body of this budget document. Sixty-three percent of current expenditures support the operations of Metro facilities such as the Oregon Zoo, OCC, Expo, PCPA, regional park facilities and solid waste disposal facilities, as well as programs such as waste reduction, recycling information and regional transportation and growth management planning. Another 13 percent is dedicated to debt service on outstanding general obligation and full faith and credit bonds, and 23 percent is allocated for capital outlay and improvements to various facilities and acquisition of new natural areas. The final one percent is allocated for specific requirements such as the cemetery perpetual care, risk management, rehabilitation and enhancement, and the Smith and Bybee wetlands.

Interfund transfers between funds and contingencies for unforeseen needs, such as unexpected increases in costs or drops in revenue, make up the balance of Metro expenditure requirements.

FY 2013-14 Total requirements



Total requirements $490,635,507

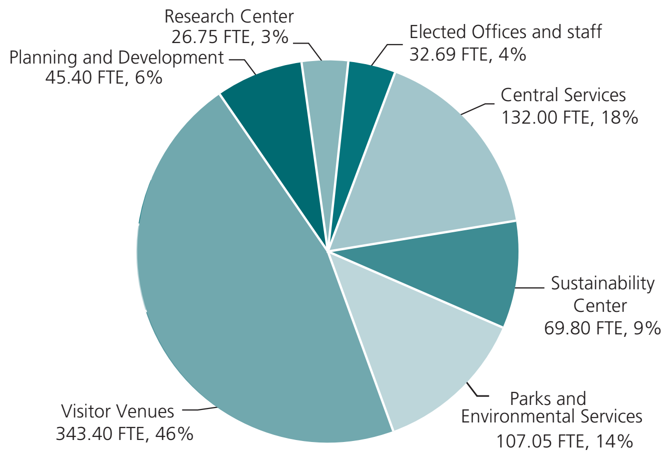
CURRENT EXPENDITURES

Current expenditures consist of amounts to be paid out in the current fiscal year by categories defined in budget law. This includes payments for operations, debt service, capital improvements and acquisitions. The major elements of current expenditures and the percentage of total current expenditures they represent include the following:

Personnel services– 27 percent

Metro plans to spend about $83.8 million for salaries and wages and related expenditures for its employees in FY 2013-14. Personnel services includes employee-related benefit costs such as health and welfare and pension contributions. Fringe benefits are about 43 percent of salaries and wages, and 30 percent of total personnel services costs. For a more detailed discussion of fringe benefits refer to the appendix "Fringe benefit rate calculation." A 10-year comparison of salaries, wages and benefits is provided later in this section.

FY 2013-14 FTE positions by function



Total FTE 757.09

The FY 2013-14 budget includes 757.09 full-time equivalent positions, an increase of 7.95 FTE. "FTE" means regular, benefit-eligible full or part-time positions. While temporary, seasonal and event-related labor costs are reflected in the total personnel services expenditures, these employees are not considered as FTE. A discussion of staff levels is provided later in this section.

Materials and Services– 39 percent

Metro plans to spend about $122 million on materials and services in FY 2013-14. Large expenditures in this area include solid waste transfer station operations and the transport of solid waste to the Columbia Ridge Landfill in Gilliam County (about $29 million). Materials and services at the visitor venues (OCC, Oregon Zoo, Expo and PCPA) also include $38 million for operations.

Capital outlay– 21 percent

Approximately $66.4 million is provided for capital expenditures. These funds provide for land acquisitions and major capital improvement projects at various facilities. The largest uses of capital funds are $21 million for land acquisition and capital expenditures related to the Natural Areas program, $25 million for capital improvements at the Oregon Zoo under the Oregon Zoo Infrastructure and Animal Welfare bond measure, $3.7 million for solid waste facility capital projects and $4.8 million for capital improvements at MERC facilities. Another $3.8 million is provided for various renewal and replacement projects at the Oregon Zoo, regional parks or Metro Regional Center, including information technology infrastructure. Capital expenditures include purchases of land and equipment, improvements to facilities and other capital related expenditures. Projects costing $100,000 or more are included in Metro's capital improvement plan, updated and adopted annually.

Debt service– 13 percent

Debt service provides for payments on general obligation and full faith and credit bonds sold for OCC Metro Regional Center, the Open Spaces Acquisition program, the Natural Areas program, Expo and the Oregon Zoo. A more detailed discussion of outstanding debt is provided later in this section.

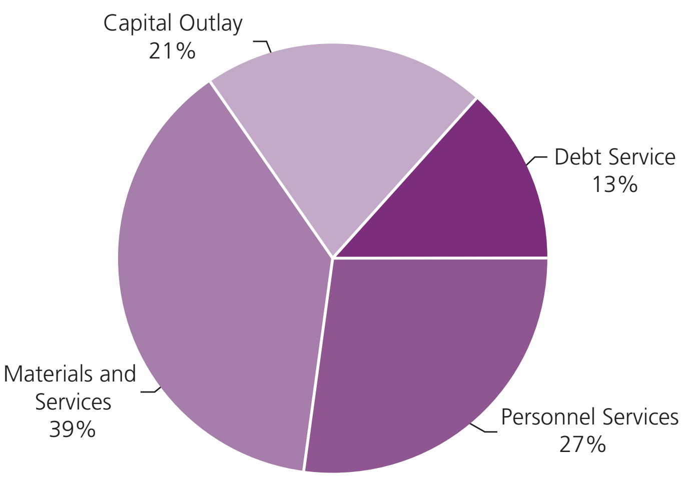
INTERFUND TRANSFERS

Metro budgets its resources in separate and distinct funds. Transfers between funds are made to pay for the cost of services provided in one fund for the benefit of another (e.g., payroll, fleet, etc.) or to share resources between funds. Interfund transfers in FY 2013-14 total about $23.6 million. Interfund transfers appear as both a resource to the receiving fund and a requirement for the transferring fund in the budget. An explanation of all transfers is provided in the appendices of the detail budget volume.

CONTINGENCY

Contingencies in each fund are created to provide for unforeseen requirements such as unexpected increases in costs or drops in revenue. These funds may be spent only after an action of the Metro Council authorizes transferring appropriations from contingency to an expenditure line item.

FY 2013-14 Current expenditures by budget category



REQUIREMENTS	
Current Expenditures	
Personnel Services	$83,751,779
Materials and Services	$121,872,363
Capital Outlay	$66,398,950
Debt Service	$40,937,068
Subtotal Current Expenditures	$312,960,160
Interfund Transfers:	
Interfund Reimbursements	$9,885,541
Internal Service Transfers	$5,000,442
Interfund Loan	$2,670,800
Fund Equity Transfers	$6,072,413
Subtotal Interfund Transfers	$23,629,196
Contingency	$60,244,356
Ending Fund Balance	$93,801,795
TOTAL REQUIREMENTS	**$490,635,507**

Total current expenditures $312,960,160

Fund Summary Highlights

FY 2013-14 Fund Summary by Category

	Operating Funds	Capital / Bond Funds	Debt Service Funds	Other Funds	Total
Resources					
Beginning Fund Balance	*$93,234,448*	*$140,921,564*	*$182,367*	*$8,844,031*	*$243,182,410*
Current Revenues					
Real Property Taxes	22,376,543	0	36,307,125	0	58,683,668
Excise Tax	17,347,866	0	0	0	17,347,866
Other Derived Tax Revenue	0	0	0	30,000	30,000
Grants	10,258,412	73,250	0	50,000	10,381,662
Local Government Shared Revenues	14,276,129	0	0	0	14,276,129
Contributions from other Governments	3,746,224	0	0	0	3,746,224
Enterprise Revenue	113,659,975	0	0	768,135	114,428,110
Interest Earnings	234,465	420,286	10,027	34,783	699,561
Donations	736,801	3,111,000	0	0	3,847,801
Other Misc. Revenue	377,880	0	0	5,000	382,880
Subtotal Current Revenues	183,014,295	3,604,536	36,317,152	887,918	223,823,901
Interfund Transfers:					
Interfund Reimbursements	8,891,931	0	0	993,610	9,885,541
Internal Service Transfers	4,816,200	120,000	0	64,242	5,000,442
Interfund Loan	2,670,800	0	0	0	2,670,800
Fund Equity Transfers	873,995	2,329,097	2,869,321	0	6,072,413
Subtotal Interfund Transfers	17,252,926	2,449,097	2,869,321	1,057,852	23,629,196
Total Resources	**$293,501,669**	**$146,975,197**	**$39,368,840**	**$10,789,801**	**$490,635,507**
Requirements					
Current Expenditures					
Personnel Services	81,450,126	2,301,653	0	0	83,751,779
Materials and Services	105,542,894	13,316,528	0	3,012,941	121,872,363
Capital Outlay	10,342,438	56,056,512	0	0	66,398,950
Debt Service	1,720,071	0	39,216,997	0	40,937,068
Subtotal Current Expenditures	199,055,529	71,674,693	39,216,997	3,012,941	312,960,160
Interfund Transfers:					
Interfund Reimbursements	8,317,148	1,568,393	0	0	9,885,541
Internal Service Transfers	4,216,169	559,569	0	224,704	5,000,442
Interfund Loan	2,670,800	0	0	0	2,670,800
Fund Equity Transfers	5,770,452	0	0	301,961	6,072,413
Subtotal Interfund Transfers	20,974,569	2,127,962	0	526,665	23,629,196
Contingency	31,278,875	27,985,481	0	980,000	60,244,356
Ending Fund Balance	42,192,696	45,187,061	151,843	6,270,195	93,801,795
Total Requirements	**$293,501,669**	**$146,975,197**	**$39,368,840**	**$10,789,801**	**$490,635,507**
Full-Time Equivalents (FTE)	737.79	19.30	0.00	0.00	757.09

Fund Summary Highlights

Operating Funds

The operating funds include the General Fund, the MERC Fund, the Solid Waste Revenue Fund and the newly authorized Parks and Natural Areas Local Option Levy Fund. A more detailed presentation of the operating funds follows this section.

- Property taxes reflect Metro's permanent operating rate of $0.0966/$1,000 of assessed value assuming a 2.25 percent increase in assessed value and a 94.5 percent collectible rate. It also includes the newly authorized Parks and Natural Areas Local Option Levy approved by the voters of the Metro region in May 2013. The five-year local option levy is proposed at $0.0960/$1,000 of assessed value.
- Local Government Shared Revenues include a 3 percent increase in transient lodging tax and 9 percent increase in the Visitor Development Fund allocation. Both sources provide funding for MERC facilities and operations.
- The reduction in grants recognizes the completion or near completion of specific grant funds such as HB 2001 Green House Gas funding from ODOT and corridor planning.
- Enterprise revenues include an 6 percent decrease in solid waste revenues; 4 percent increase in revenues generated at the Oregon Zoo; 4 percent increase at MERC primarily in PCPA revenues; and a 17 percent increase in regional parks fees resulting from a change in the structure of the Glendoveer Golf Course contract revenue.
- Personnel services reflect a net increase of 7.85 FTE resulting from the addition of 15.50 FTE for the proposed parks and natural areas local option levy and the net reduction of 7.65 existing FTE. It also includes salary adjustment increases for COLA, merit and step for the remaining staff as specified in collective bargaining agreements.
- Contingencies are replenished following Council approved financial policies.

Capital/Bond Funds

The capital/bond funds include the General Asset Management Fund, the Natural Areas Fund, the Open Spaces Fund and the Oregon Zoo Infrastructure and Animal Welfare Fund.

- The Open Spaces Fund, Natural Areas Fund, and Oregon Zoo Infrastructure and Animal Welfare Fund are funded through the sale of general obligation bonds following voter authorization in 1995, 2006 and 2008, respectively.
- In May 2012 Metro issued an additional $75 million in bonds for the Natural Areas program and $65 million for zoo infrastructure projects resulting in a tripling in the amount available for beginning fund balance. FY 2013-14 represents a 24 percent reduction in beginning fund balance as the bond funds are spent down.
- Significant project expenditures in FY 2013-14 include:
    - $24 million for the elephant habitat and related infrastructure at the Oregon Zoo.
    - $20 million for land acquisition under the Natural Areas program.
    - $10 million for local share payments under the Natural Areas program.
    - $4.7 million in renewal and replacement projects at the Oregon Zoo, regional parks and Metro Regional Center.

Debt Service Funds

The debt service funds include the General Revenue Bond Fund and the General Obligation Bond Debt Service Fund. Property taxes provide for debt service payments on the outstanding general obligation bonds.

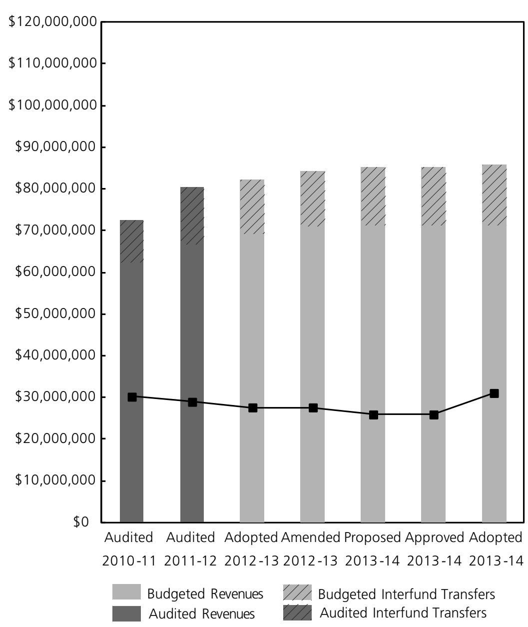
Other Funds

The other funds include the Cemetery Perpetual Care Fund, the Rehabilitation and Enhancement Fund, the Risk Management Fund and the Smith and Bybee Wetlands Fund.

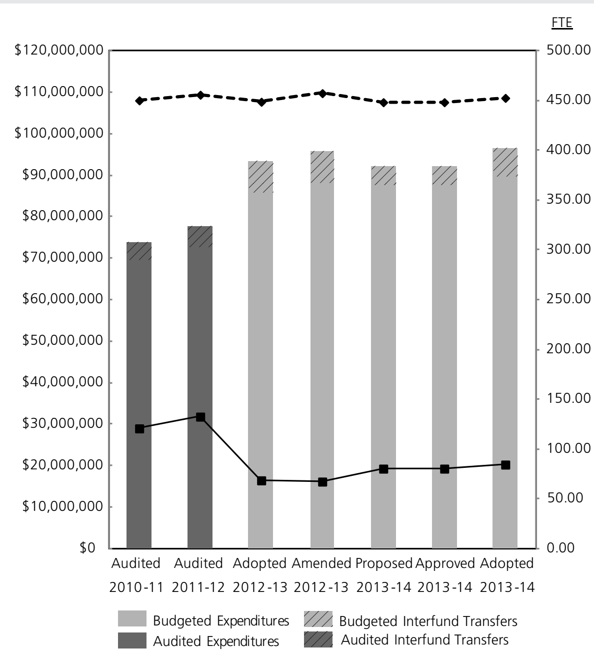
FY 2013-14 General Fund Summary

	Audited FY 2010-11	Audited FY 2011-12	Adopted FY 2012-13	Amended FY 2012-13	Proposed FY 2013-14	Approved FY 2013-14	Adopted FY 2013-14	Change from FY 2012-13 Amended
RESOURCES								
Beginning Fund Balance	$30,194,768	$28,964,227	$27,621,707	$27,621,707	$25,931,371	$25,931,371	$31,083,766	12.53%
Current Revenues								
Real Property Taxes	11,569,455	11,780,994	12,081,132	12,081,132	12,159,773	12,159,773	12,159,773	0.65%
Excise Tax	15,508,750	16,177,939	17,399,971	17,399,971	17,347,866	17,347,866	17,347,866	(0.30%)
Grants	9,421,745	8,961,588	10,738,583	10,792,958	9,894,409	9,894,409	9,894,409	(8.33%)
Local Gov't Shared Revenues	468,776	466,124	539,087	539,087	574,634	574,634	574,634	6.59%
Contributions from other Gov'ts	9,128	4,408,500	2,929,628	2,959,628	2,930,204	2,930,204	2,930,204	(0.99%)
Enterprise Revenue	21,880,352	23,482,901	24,741,551	26,132,491	27,579,738	27,579,738	27,579,738	5.54%
Interest Earnings	230,215	178,157	31,000	31,000	65,000	65,000	65,000	109.68%
Donations	1,291,007	839,035	500,927	900,927	527,801	527,801	527,801	(41.42%)
Other Misc. Revenue	1,920,970	243,711	173,881	173,881	149,075	149,075	269,075	54.75%
Subtotal Current Revenues	**62,300,398**	**66,538,949**	**69,135,760**	**71,011,075**	**71,228,500**	**71,228,500**	**71,348,500**	**0.48%**
Interfund Transfers:								
Interfund Reimbursements	7,271,150	7,410,638	8,591,807	8,591,807	8,891,931	8,891,931	8,891,931	3.49%
Internal Service Transfers	2,797,314	2,725,389	4,045,103	4,045,103	4,727,316	4,727,316	4,727,316	16.87%
Interfund Loan	0	0	231,000	231,000	239,800	239,800	470,800	103.81%
Fund Equity Transfers	132,278	3,823,352	295,207	295,207	301,961	301,961	301,961	2.29%
Subtotal Interfund Transfers	**10,200,742**	**13,959,379**	**13,163,117**	**13,163,117**	**14,161,008**	**14,161,008**	**14,392,008**	**9.34%**
TOTAL RESOURCES	**$102,695,908**	**$109,462,555**	**$109,920,584**	**$111,795,899**	**$111,320,879**	**$111,320,879**	**$116,824,274**	**4.50%**
REQUIREMENTS								
Current Expenditures								
Personnel Services	45,524,111	47,726,882	50,638,357	50,588,714	51,515,052	51,515,052	52,038,178	2.87%
Materials and Services	22,140,052	23,174,978	33,230,242	35,356,498	34,223,778	34,223,778	35,552,843	0.56%
Capital Outlay	199,492	130,132	244,325	244,325	104,000	104,000	129,500	(47.00%)
Debt Service	1,529,472	1,588,214	1,654,290	1,654,290	1,720,071	1,720,071	1,720,071	3.98%
Subtotal Current Expenditures	**69,393,127**	**72,620,206**	**85,767,214**	**87,843,827**	**87,562,901**	**87,562,901**	**89,440,592**	**1.82%**
Interfund Transfers:								
Interfund Reimbursements	476,219	727,260	555,274	555,274	420,704	420,704	420,704	(24.23%)
Interfund Loan	0	0	2,200,000	2,200,000	0	0	2,200,000	0.00%
Fund Equity Transfers	3,862,335	4,318,347	4,966,251	5,059,351	4,075,705	4,075,705	4,525,705	(10.55%)
Subtotal Interfund Transfers	**4,338,554**	**5,045,607**	**7,721,525**	**7,814,625**	**4,496,409**	**4,496,409**	**7,146,409**	**(8.55%)**
Contingency	0	0	3,771,000	1,684,319	4,289,868	4,289,868	4,290,572	154.74%
Ending Fund Balance	*$28,964,227*	*$31,796,742*	*$12,660,845*	*$14,453,128*	*$14,971,701*	*$14,971,701*	*$15,946,701*	*10.33%*
TOTAL REQUIREMENTS	**$102,695,908**	**$109,462,555**	**$109,920,584**	**$111,795,899**	**$111,320,879**	**$111,320,879**	**$116,824,274**	**4.50%**
FULL-TIME EQUIVALENTS	450.15	455.81	448.75	457.39	448.30	448.30	452.64	(1.04%)
FTE CHANGE FROM FY 2012-13 AMENDED BUDGET								(4.75)

Current revenues and fund balance



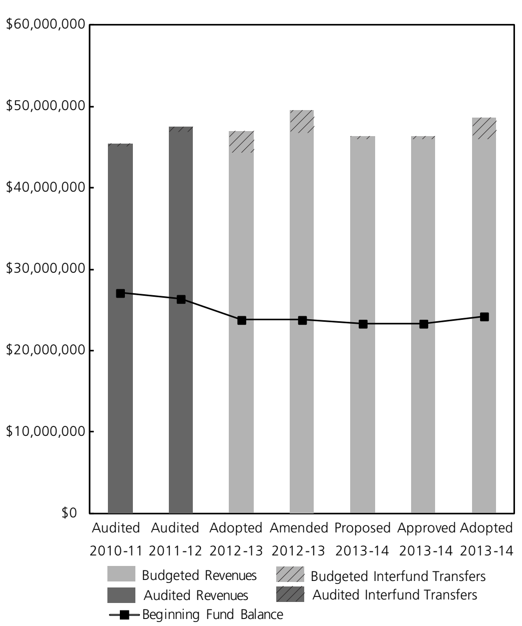
Current expenditures and full time equivalents



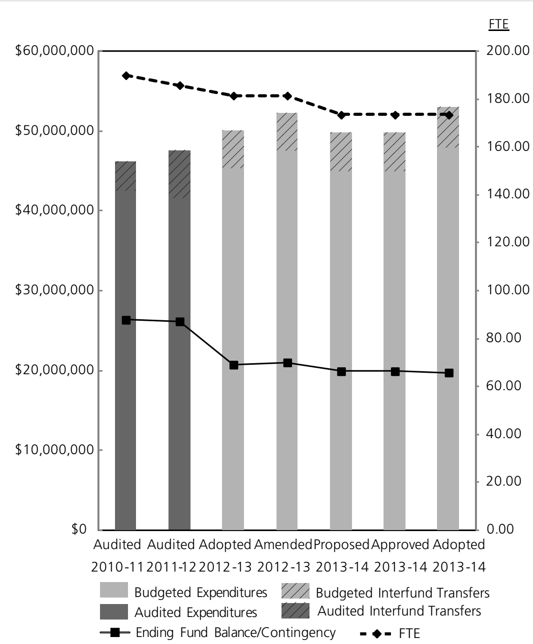
FY 2013-14 MERC Fund Summary

	Audited FY 2010-11	Audited FY 2011-12	Adopted FY 2012-13	Amended FY 2012-13	Proposed FY 2013-14	Approved FY 2013-14	Adopted FY 2013-14	Change from FY 2012-13 Amended
RESOURCES								
Beginning Fund Balance	$27,089,536	$26,357,848	$23,776,767	$23,776,767	$23,318,290	$23,318,290	$24,211,557	1.83%
Current Revenues								
Grants	584,808	123,574	220,000	220,000	364,003	364,003	364,003	65.46%
Local Gov't Shared Revenues	11,514,905	12,538,042	13,132,633	13,132,633	13,701,495	13,701,495	13,701,495	4.33%
Contributions from other Gov'ts	767,019	774,040	793,408	793,408	816,020	816,020	816,020	2.85%
Enterprise Revenue	31,521,463	32,598,767	29,637,393	32,154,222	30,716,487	30,716,487	30,716,487	(4.47%)
Interest Earnings	111,166	155,883	135,412	135,412	76,142	76,142	76,142	(43.77%)
Donations	374,713	542,634	209,100	209,100	209,000	209,000	209,000	(0.05%)
Other Misc. Revenue	121,174	124,969	122,060	122,060	81,805	81,805	81,805	(32.98%)
Subtotal Current Revenues	**44,995,248**	**46,857,909**	**44,250,006**	**46,766,835**	**45,964,952**	**45,964,952**	**45,964,952**	**(1.71%)**
Interfund Transfers:								
Interfund Loan	0	0	2,200,000	2,200,000	0	0	2,200,000	0.00%
Fund Equity Transfers	475,000	594,822	568,633	568,633	418,633	418,633	418,633	(26.38%)
Subtotal Interfund Transfers	**475,000**	**594,822**	**2,768,633**	**2,768,633**	**418,633**	**418,633**	**2,618,633**	**(5.42%)**
TOTAL RESOURCES	**$72,559,784**	**$73,810,579**	**$70,795,406**	**$73,312,235**	**$69,701,875**	**$69,701,875**	**$72,795,142**	**(0.71%)**
REQUIREMENTS								
Current Expenditures								
Personnel Services	17,212,893	17,202,909	17,567,418	17,403,962	17,657,221	17,657,221	17,657,221	1.46%
Materials and Services	21,195,003	22,264,499	24,341,158	26,635,381	23,031,141	23,031,141	25,477,403	(4.35%)
Capital Outlay	4,006,479	2,044,280	3,344,077	3,449,077	4,198,338	4,198,338	4,779,343	38.57%
Subtotal Current Expenditures	**42,414,375**	**41,511,688**	**45,252,653**	**47,488,420**	**44,886,700**	**44,886,700**	**47,913,967**	**0.90%**
Interfund Transfers:								
Interfund Reimbursements	2,492,498	2,906,621	3,227,725	3,227,725	3,315,931	3,315,931	3,315,931	2.73%
Internal Service Transfers	0	79,949	161,056	161,056	156,423	156,423	156,423	(2.88%)
Interfund Loan	0	0	231,000	231,000	239,800	239,800	470,800	103.81%
Fund Equity Transfers	1,295,063	3,150,605	1,187,132	1,187,132	1,188,650	1,188,650	1,188,650	0.13%
Subtotal Interfund Transfers	**3,787,561**	**6,137,175**	**4,806,913**	**4,806,913**	**4,900,804**	**4,900,804**	**5,131,804**	**6.76%**
Contingency	0	0	7,838,268	5,549,137	8,459,107	8,459,107	10,979,029	97.85%
Ending Fund Balance	*$26,357,848*	*$26,161,716*	*$12,897,572*	*$15,467,765*	*$11,455,264*	*$11,455,264*	*$8,770,342*	*(43.30%)*
TOTAL REQUIREMENTS	**$72,559,784**	**$73,810,579**	**$70,795,406**	**$73,312,235**	**$69,701,875**	**$69,701,875**	**$72,795,142**	**(0.71%)**
FULL-TIME EQUIVALENTS	190.00	185.85	181.50	181.50	173.50	173.50	173.50	(4.41%)
FTE CHANGE FROM FY 2012-13 AMENDED BUDGET								(8.00)

Current revenues and fund balance



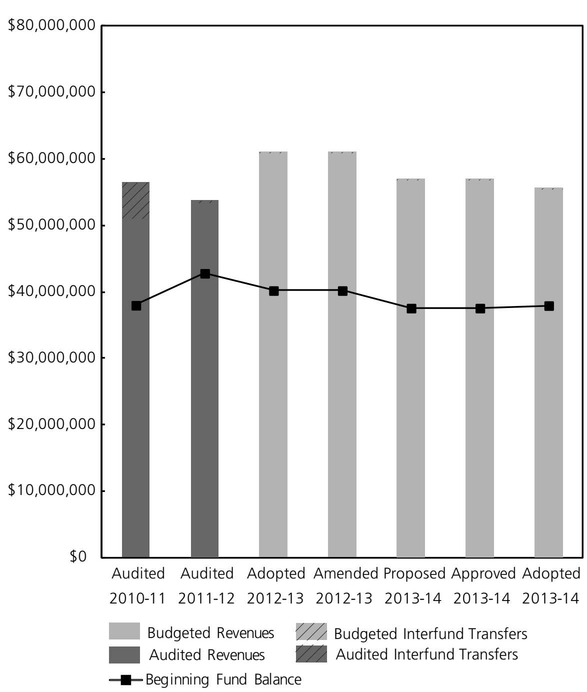
Current expenditures and full-time equivalents



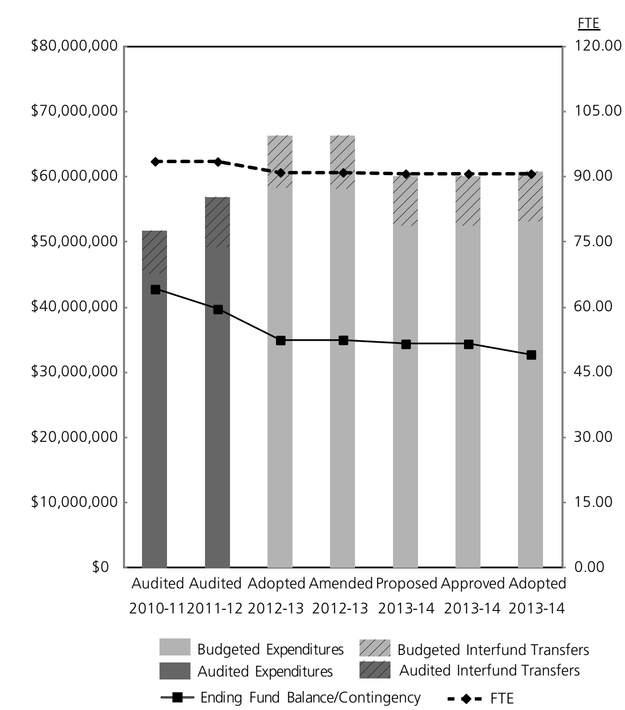
FY 2013-14 Solid Waste Fund Summary

	Audited FY 2010-11	Audited FY 2011-12	Adopted FY 2012-13	Amended FY 2012-13	Proposed FY 2013-14	Approved FY 2013-14	Adopted FY 2013-14	Change from FY 2012-13 Amended
RESOURCES								
Beginning Fund Balance	$37,982,914	$42,792,555	$40,199,273	$40,199,273	$37,556,996	$37,556,996	$37,939,125	(5.62%)
Current Revenues								
Grants	3,134	304,314	231,200	231,200	0	0	0	(100.00%)
Enterprise Revenue	50,687,036	52,919,021	60,479,558	60,479,558	56,644,873	56,644,873	55,363,750	(8.46%)
Interest Earnings	301,014	235,712	197,749	197,749	93,323	93,323	93,323	(52.81%)
Other Misc. Revenue	102,318	53,894	33,000	33,000	27,000	27,000	27,000	(18.18%)
Subtotal Current Revenues	**51,093,502**	**53,512,941**	**60,941,507**	**60,941,507**	**56,765,196**	**56,765,196**	**55,484,073**	**(8.96%)**
Interfund Transfers:								
Internal Service Transfers	32,962	33,287	33,465	33,465	88,884	88,884	88,884	165.60%
Fund Equity Transfers	5,413,487	224,457	175,313	175,313	153,401	153,401	153,401	(12.50%)
Subtotal Interfund Transfers	**5,446,449**	**257,744**	**208,778**	**208,778**	**242,285**	**242,285**	**242,285**	**16.05%**
TOTAL RESOURCES	**$94,522,865**	**$96,563,240**	**$101,349,558**	**$101,349,558**	**$94,564,477**	**$94,564,477**	**$93,665,483**	**(7.58%)**
REQUIREMENTS								
Current Expenditures								
Personnel Services	8,854,425	9,262,025	9,618,935	9,567,174	9,992,345	9,992,345	9,992,345	4.44%
Materials and Services	35,581,343	38,260,199	43,229,693	43,229,693	38,906,429	38,906,429	39,453,973	(8.73%)
Capital Outlay	497,338	1,588,720	5,361,781	5,361,781	3,503,595	3,503,595	3,683,595	(31.30%)
Subtotal Current Expenditures	**44,933,106**	**49,110,944**	**58,210,409**	**58,158,648**	**52,402,369**	**52,402,369**	**53,129,913**	**(8.65%)**
Interfund Transfers:								
Interfund Reimbursements	4,353,932	4,363,236	4,754,458	4,754,458	4,580,513	4,580,513	4,580,513	(3.66%)
Internal Service Transfers	2,116,816	2,045,886	3,349,245	3,349,245	3,129,793	3,129,793	3,129,793	(6.55%)
Fund Equity Transfers	326,456	1,311,241	54,200	84,200	56,097	56,097	56,097	(33.38%)
Subtotal Interfund Transfers	**6,797,204**	**7,720,363**	**8,157,903**	**8,187,903**	**7,766,403**	**7,766,403**	**7,766,403**	**(5.15%)**
Contingency	0	0	15,105,279	15,075,279	15,988,214	15,988,214	15,293,514	1.45%
Ending Fund Balance	*$42,792,555*	*$39,731,933*	*$19,875,967*	*$19,927,728*	*$18,407,491*	*$18,407,491*	*$17,475,653*	*(12.30%)*
TOTAL REQUIREMENTS	**$94,522,865**	**$96,563,240**	**$101,349,558**	**$101,349,558**	**$94,564,477**	**$94,564,477**	**$93,665,483**	**(7.58%)**
FULL-TIME EQUIVALENTS	93.60	93.55	91.05	91.05	90.75	90.75	90.75	(0.33%)
FTE CHANGE FROM FY 2012-13 AMENDED BUDGET								(0.30)

Current revenues and fund balance

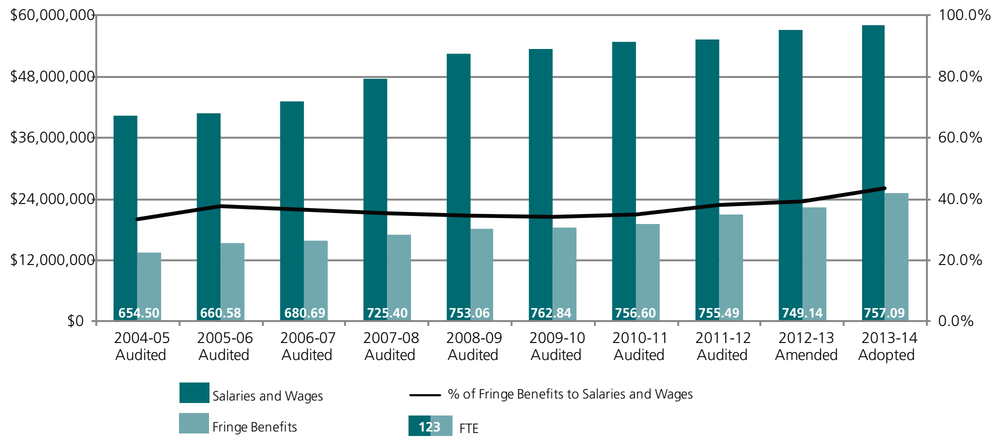


Current expenditures and full-time equivalents



Salaries, wages and benefits

FY 2013-14 Comparison of salaries and wages



Over the 10-year period authorized FTE has risen by approximately 102 FTE. Fifty percent of the increase is attributable to the addition of the Natural Areas bond program authorized by the voters in 2006, the Oregon Zoo Infrastructure and Animal Welfare bond program authorized by the voters in 2008, the newly authorized Parks and Natural Areas Local Option Levy approved in May 2013, or the reclassification of stagehands in 2007 from non-FTE-event related staff to regular FTE staff. Many of the remaining increases are the result of additions for specific projects such as the Community Investment Initiative, Active Transportation, Greenhouse Gas scenarios, Diversity program, internal training and the web redesign project. The positions are a combination of limited duration and regular status.

Salaries are a reflection of authorized FTE and are adjusted based on cost of living, step increase or merit awards and other collective bargaining factors. Metro has eight collective bargaining units. AFSCME 3580 and LIUNA 483, the two largest collective bargaining units representing approximately 50 percent of all regular staff and 70 percent of represented regular staff, have agreements in place through June 30, 2014. Both agreements provide for cost of living adjustments with set minimums and maximums as determined by CPI. The budget provides for a cost of living adjustment for regular represented employees ranging from 2.09 percent to 2.5 percent depending on bargaining unit, and a merit pool for non-represented employees of 2.25 percent. Metro's salary plan remains competitive in the market although there may be slight adjustments to salary ranges for specific classifications.

Fringe benefits include components such as payroll taxes, pension contribution and health and welfare premiums. Overall costs are driven primarily by two factors: pension contributions and health and welfare premiums. The PERS rate saw a significant increase of 5.2 percent effective July 1, 2011, and projected additional similar increases in future years. Anticipating this outcome, the Metro Council decided in FY 2009-10 to reserve for two years the 3 percent rate reduction of that actuarial period as a hedge against future rate increases. This reserve is now being used to reduce PERS related costs associated with the outstanding pension liability bonds, resulting in a 3 percent offset to the rate increase for a period of about three years through FY 2013-14.

The PERS rate is divided into two components – the employer rate and the employee contribution. The employer rate is determined through actuarial studies performed every two years. The employee pick-up rate is set at 6 percent. For years, Metro has paid the employee contribution on behalf of the employee, except for one collective bargaining group which opted at the time to receive the salary increase. Beginning July 1, 2011, all newly hired non-represented employees began paying their own PERS employee contributions. Beginning July 1, 2012, all newly hired AFSCME employees began paying their own PERS employee contributions.

Metro provides medical, dental and vision coverage on behalf of its employees. Prior to FY 2011-12 the agency's cost was subject to a cap set by the Metro Council for non-represented employees and through collective bargaining for represented employees. Monthly premium costs above the cap were paid by the employee. Historically, the cap increased approximately 5 percent annually. However, collective bargaining agreements negotiated a 10 percent cap increase from FY 2008-09 through FY 2010-11. Beginning in FY 2011-12 Metro moved to a cost sharing plan where the agency picks up a set percentage amount of the premium based on an employee's health and welfare elections. Non-represented employees receive a 92 percent employer share and 8 percent employee share; represented employees, a 94 percent/6 percent cost sharing plan.

The FY 2012-13 budget assumed that total health and welfare costs would increase at 10 percent more than the previous year. Actual costs for that year based on provider proposals only resulted in an average 5 percent increase. The FY 2013-14 budget is based on provider proposals for the coming year and again provides for only a 5 percent increase over the current year actual costs. While actual costs have increased 5 percent each of the last two years when compared to the previous year budget, health and welfare costs have remained flat.

Actual costs will depend on provider proposals received each spring, which are reviewed by the agency's Joint Labor Management Committee on health care, and the enrollment choices made by Metro employees.

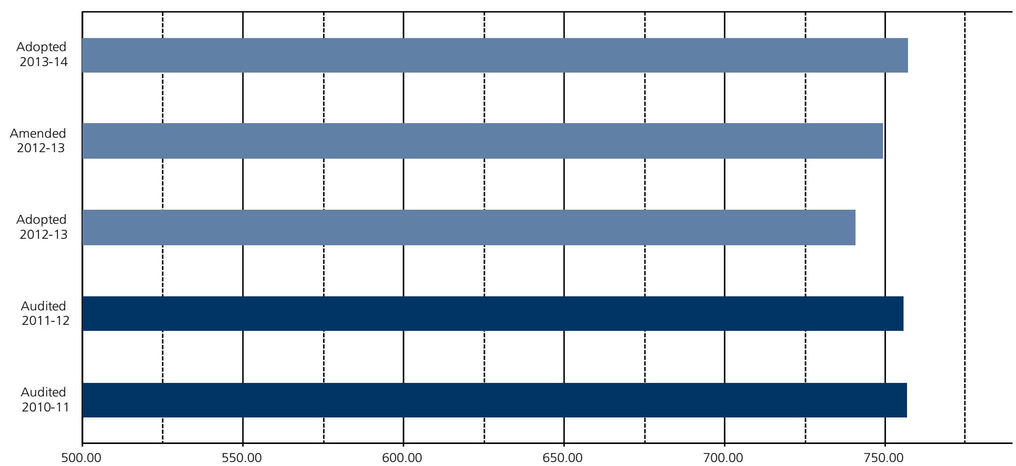
The appendices in the Detail volume provide more discussion on fringe benefit components.

Staff levels

Metro counts regular, benefit-eligible staff positions by full-time equivalent (FTE). One FTE equals one person working full-time for one year (2,080 hours). One FTE most often is one person working full-time, but it may also be two people each working half-time, or some other combination of people whose total work time does not exceed 2,080 hours. Temporary, seasonal and MERC part-time, event-related positions are not included in the FTE chart.

Staffing levels since the beginning of the recession have gradually decreased, with the greatest change coming in FY 2012-13. Recent staffing changes by service area reflect the continuing consolidations and realignments arising from an agency reorganization. The majority of the changes were in place in FY 2009-10, the base year in the chart below. Since then changes have continued with the consolidation of the MERC business functions into Human Resources, Information Services and Finance and Regulatory Services, and the consolidation of Conservation and Education staff transferring staff from the Sustainability Center to the Oregon Zoo. For FY 2013-14, the budget reflects the continued consolidation of MERC business functions transferring additional staff from MERC to Information Services and Finance and Regulatory Services.

Historic staffing levels - overall



Historic staffing levels by service

	Audited FY 10-11	Audited FY 11-12	Adopted FY 12-13	Amended FY 12-13	Adopted FY 13-14	% Change from FY 12-13	% Change from FY 10-11
Office of the Metro Auditor	6.00	6.00	6.00	6.00	6.00	0.00%	0.00%
Office of the Council	25.25	25.38	25.38	26.39	26.69	1.13%	5.69%
Office of Metro Attorney	15.50	15.12	14.50	14.50	15.00	3.45%	(3.23%)
Communications	22.00	22.00	22.00	23.13	22.25	(3.80%)	1.14%
Finance and Regulatory Services	43.70	43.70	45.87	45.87	48.50	5.73%	10.98%
Human Resources	16.50	18.00	17.75	17.75	17.75	0.00%	7.58%
Information Services	23.50	26.00	25.50	25.50	27.50	7.84%	17.02%
Planning & Development	57.20	55.96	46.80	46.80	45.40	(2.99%)	(20.63%)
Parks & Environmental Services	98.55	97.30	97.15	102.65	107.05	4.29%	8.63%
Research Center	32.67	31.47	28.50	29.25	26.75	(8.55%)	(18.12%)
Sustainability Center	69.75	69.40	60.60	60.60	69.80	15.18%	0.07%
Visitor Venues	345.98	345.16	349.45	349.70	343.40	(1.80%)	(0.75%)
Non-Departmental	0.00	0.00	1.00	1.00	1.00	0.00%	n/a
TOTAL	**756.60**	**755.49**	**740.50**	**749.14**	**757.09**	**1.06%**	**0.06%**

Staffing changes for FY 2013-14

The FY 2013-14 adopted budget increases the number of authorized positions by a net 7.95 FTE. This includes the expiration of 5.99 limited duration positions as scheduled. The budget also eliminates 10.2 positions, a mix of management and represented positions, the majority of which have been managed by attrition. Some of these reductions reflect successfully completed projects; some reflect program efficiencies brought about by consolidation or increased automation. But the most difficult reductions reflect flat or slow growing general revenues, and declining grant revenues and activity-based revenues.

The budget includes an additional 24.11 FTE, the majority of which are associated with the new Parks and Natural Areas Local Option Levy approved by voters in May 2013. An additional 16.0 FTE will be added to provide for natural areas restoration, management and operations as well as improve public access to natural areas, provide conservation education and volunteer resources and funding for local community project grants. Also included in the budget are two proposals approved by the Metro Council during FY 2012-13. Staff has determined that bringing janitorial and security services for Metro Regional Center in-house will provide the best balance for agency needs. An additional 5.5 FTE is included to meet these service level needs. The remaining additional FTE are divided between the Visitor Venues all of which are offset by reductions in other FTE or by reducing temporary service employees.

A detailed list of all position changes is provided in the appendices of the Detail Volume of the Adopted Budget.

Full-time equivalent changes by organizational unit

		FY 2013-14 Changes							
	FY 2012-13 Amended FTE	Requested in 2012-13	Misc. Changes in FTE	Transferred Positions	Eliminated LD Positions	Eliminated Regular Positions	"New LD Positions"	"New Regular Positions"	FY 2013-14 Proposed FTE
Office of Metro Auditor	6.00	-	-	-	-	-	-	-	6.00
Council Office	26.39	0.99	-	(1.19)	-	0.50	-	0.30	26.69
Office of Metro Attorney	14.50	-	-	-	-	0.50	-	0.50	15.00
Communications	23.13	(0.38)	-	(0.50)	-	-	-	(0.88)	22.25
Finance and Regulatory Services	45.87	(0.20)	5.00	-	(2.17)	-	-	2.63	48.50
Human Resources	17.75	-	-	-	-	-	-	-	17.75
Information Services	25.50	-	2.00	-	-	-	-	2.00	27.50
Planning and Development	46.80	(0.40)	-	(1.00)	(2.00)	2.00	-	(1.40)	45.40
Parks and Environmental Services	102.65	-	(0.60)	-	-	5.00	-	4.40	107.05
Research Center	29.25	-	-	(2.50)	-	-	-	(2.50)	26.75
Sustainability Center	60.60	0.60	(0.40)	-	-	9.00	-	9.20	69.80
Visitor Venues	349.70	0.50	(6.00)	(0.80)	(6.00)	1.50	4.50	(6.30)	343.40
Non-Departmental	1.00	-	-	-	-	-	-	-	1.00
TOTAL	**749.14**	**1.11**	**-**	(5.99)	**(10.17)**	**18.50**	**4.50**	**7.95**	**757.09**

Debt Summary

Debt Summary

Metro uses long and short-term debt to finance capital projects and some capital equipment. The following pages provide a summary of Metro's overall debt level as well as an explanation of Metro's outstanding debt by type and issue.

In May 2012 Moody's Investors Services and Standard & Poor's reaffirmed Metro's Aaa/AAA ("double triple A") underlying general obligation bond rating, the highest rating available. Metro was one of only two local governments in Oregon to obtain the double triple A rating in 2007 and has maintained its rating through the recession because of the strength of its fund balance and financial policies. The value of the high grade rating was confirmed in the successful 2012 bond sale which netted Metro both a favorable interest rate and high yield premiums. In January 2013 Standard & Poor's awarded Metro a AAA rating for its Full Faith and Credit obligation issue, reaffirming Metro's strong financial practices.

SUMMARY OF OVERALL DEBT

Metro has a relatively low level of outstanding debt. As of July 1, 2013, Metro will have eight debt issues outstanding, totaling $282,845,000. Metro has authorized but unissued debt remaining from the 2006 Natural Areas measure and the 2008 Oregon Zoo Infrastructure and Animal Welfare measure. In May 2012 Metro issued the latest series of bonds under each of these authorizations for $75 million and $65 million, respectively. It is expected that the final bonds will be issued in spring or summer 2015.

The graphs and charts on the following pages summarize Metro's total outstanding debt by fiscal year as well as total debt as a percentage of real market value and assessed value. In addition, the Debt Ratios table shows Metro's level of outstanding debt on a per capita basis and as compared to the estimated real market value of the Metro region. With the passage of Ballot Measure 50 in May 1997, assessed values were rolled back to FY 1994-95 levels less 10 percent and capped at no more than a 3 percent annual increase with exceptions for new construction. In the first 15 years following passage of the measure, real market values rose significantly faster than assessed values. In the past few years as the economy has stuttered, real market value has decreased by almost 17 percent. As a result the ratio of assessed value to real market value has risen from 53 percent in 2009 to an estimated 74 percent in 2014 (see chart on page B-37). Bonded debt is not subject to compression under Oregon's property tax laws.

Periodically Metro will refund bond issues to take advantage of lower interest rates. Metro currently has five refunding bond issues outstanding. The net present value of the savings from refunding is calculated when the new bonds are issued and is included on the debt service schedules in the detail volume of the budget.

General Obligation Debt: $235,675,000 outstanding

Metro's Charter and Oregon state law require Metro to obtain voter approval prior to issuing any general obligation bonds. Voters have approved five general obligation bond issues: $65 million for the Oregon Convention Center issued in 1987, refunded in 1992 and 2001, and retired in January 2013; $135.6 million for Open Spaces, Parks and Streams issued in three series in 1995, with two of the three series refunded in 2002 and again in 2012; $28.8 million for improvements to the Oregon Zoo issued in 1996 and refunded in 2005; $227.4 million for Natural Areas, the first series of which was issued in April 2007; and $125.0 million for Oregon Zoo infrastructure and projects related to animal welfare, for which two small issues of $5 million and $15 million were placed in December 2008 and August 2010, respectively. In May 2012 Metro issued an additional $75 million under the 2006 Natural Areas authorization and $65 million under the 2008 Oregon Zoo Infrastructure authorization.

State law establishes a limit of 10 percent of real market value on Metro's total general obligation indebtedness. Metro's general obligation debt is 0.13 percent of real market value. The Metro Debt Limitation Comparison table (page B-38) shows a comparison of Metro's outstanding general obligation bonds to the statutory debt limit.

Full Faith and Credit Bonds: $24,870,000 outstanding

Metro issued full faith and credit refunding bonds in 2003, refunding obligations for Metro Regional Center construction and loans to the Oregon Zoo. The Metro Regional Center obligation had been a General Revenue Bond issued in 1993, backed by assessments to Metro departments occupying Metro's headquarters building. The zoo obligations were loans from the Oregon Economic and Community Development Department issued in 1995 and 1996 to pay Metro's share of Westside MAX light rail construction and reconfiguration of the Washington Park parking lot used by zoo patrons. These loans were to be repaid from zoo revenues. In February 2013 the callable portion of these bonds was refunded receiving a net present value savings of 10.1 percent.

In April 2006 Metro joined with two other Oregon local governments to issue full faith and credit refunding bonds to refund the outstanding obligation remaining on an Oregon Economic Development Department, Special Public Works Fund loan. In April 2000 Metro obtained a loan from the Oregon Bond Bank through the Oregon Economic Development Department, Special Public Works Fund to pay for the construction of a new building to replace the existing Hall D at the Portland Expo Center. The loan was divided into two parts with the first being used to finance the construction of the Hall D replacement. The second part of the loan was for infrastructure improvements associated with the new building. The loan was paid from Portland Expo Center revenues.

The full faith and credit bonds are backed by a broader pledge of Metro revenues, including property taxes used to support operations and excise taxes levied on users of certain Metro services. The prior funding sources will continue to be used to pay debt service on the full faith and credit bonds, but the additional backing from other Metro revenues provides greater security for bondholders.

Pension Obligation Bonds: $22,300,000 outstanding

In fall 2005 Metro joined with a pool of other local governments in the State of Oregon to issue limited tax pension obligation bonds to fund its share of the Oregon Public Employees Retirement System unfunded actuarial liability. Metro's share of the total principal will be repaid over a period of 22 years through assessments on operating units in exchange for a lower pension cost.

PLANNED DEBT

In May 2012 Metro issued the latest series of general obligation bonds under both the 2006 Natural Areas authorization and the 2008 Oregon Zoo Infrastructure and Animal Welfare authorization. The total new debt issued was $140 million: $75 million for Natural Areas and $65 million for Oregon Zoo Infrastructure. With this issuance, there is a balance remaining on the Natural Areas authorization of $28.105 million and on the Oregon Zoo Infrastructure authorization of $40 million. Metro expects to issue the final series of bonds under both authorizations in the spring or summer of 2015. Current plans are to structure debt payments such that all issues are repaid within 20 years from the date of the original authorization, with final maturity in 2026 for the Natural Areas bonds and 2028 for the Oregon Zoo Infrastructure and Animal Welfare bonds.

Outstanding debt issues

	Original Amount	Original Issue Date	Principal Outstanding	Final Maturity	Source of Payment
GENERAL OBLIGATION BONDS					
General Obligation Refunding Bonds					
Metro Washington Park Zoo Oregon Project 2005 Series	18,085,000	5/12/05	8,190,000	1/15/2017	Property Taxes
Open Spaces, Parks, and Streams 2012B Series	27,575,000	5/23/12	18,685,000	6/1/2015	Property Taxes
General Obligation Bonds					
Natural Areas 2007 Series	124,295,000	4/3/07	77,715,000	6/1/2026	Property Taxes
Natural Areas 2012A Series	75,000,000	5/23/12	70,920,000	6/1/2026	Property Taxes
Oregon Zoo Infrastructure 2012A Series	65,000,000	5/23/12	60,165,000	6/1/2028	Property Taxes
TOTAL GENERAL OBLIGATION BONDS OUTSTANDING			**$235,675,000**		
FULL FAITH AND CREDIT BONDS					
Full Faith and Credit Refunding Bonds					
2003 Series	24,435,000	10/16/03	1,385,000	8/1/2013	General Revenues
2006 Series	14,700,000	4/20/06	10,885,000	12/1/2024	General Revenues
2013 Series	12,600,000	2/26/13	12,600,000	8/1/2022	General Revenues
TOTAL FULL FAITH & CREDIT BONDS OUTSTANDING			**$24,870,000**		
PENSION OBLIGATION BONDS					
Limited Tax Pension Obligation Bonds					
Series 2005	$24,290,000	9/23/05	$22,300,000	6/1/2028	Department Assessments
TOTAL PENSION OBLIGATION BONDS OUTSTANDING			**$22,300,000**		
GRAND TOTAL – METRO DEBT OUTSTANDING			**$282,845,000**		

Comparison of Assessed Value to Real Market Value

	Year ending June 30,	Assessed Value	Change in Assessed Value	% Change in Assessed Value	Real Market Value	Change in Real Market Value	% Change in Real Market Value	Ratio Assessed Value to Real Market Value	M5: Loss due to Compression	% Change in Loss due to Compression
(1)	1997	77,721,485,259	----------	--------	77,721,485,259	----------	--------	100.0%		
	1998	66,711,834,456	(11,009,650,803)	(14.2%)	87,320,546,481	9,599,061,222	12.4%	76.4%		
	1999	71,935,532,500	5,223,698,044	7.8%	94,157,744,893	6,837,198,412	7.8%	76.4%		
	2000	76,258,210,803	4,322,678,303	6.0%	105,147,450,817	10,989,705,924	11.7%	72.5%		
	2001	81,009,866,113	4,751,655,310	6.2%	113,011,064,594	7,863,613,777	7.5%	71.7%	**Data not tracked prior to FY 2006-07**	
	2002	86,489,564,017	5,479,697,904	6.8%	123,050,948,638	10,039,884,044	8.9%	70.3%		
	2003	89,837,920,089	3,348,356,072	3.9%	128,542,544,330	5,491,595,692	4.5%	69.9%		
	2004	92,737,859,477	2,899,939,388	3.2%	138,455,070,187	9,912,525,857	7.7%	67.0%		
	2005	96,486,155,140	3,748,295,663	4.0%	146,360,729,671	7,905,659,484	5.7%	65.9%		
	2006	100,603,570,790	4,117,415,650	4.3%	156,692,361,468	10,331,631,797	7.1%	64.2%		
	2007	105,614,559,121	5,010,988,331	5.0%	181,787,247,525	25,094,886,057	16.0%	58.1%	103,618	--------
	2008	111,760,381,863	6,145,822,742	5.8%	207,455,843,980	25,668,596,455	14.1%	53.9%	106,945	3.2%
	2009	116,514,323,505	4,753,941,642	4.3%	218,478,090,509	11,022,246,529	5.3%	53.3%	122,926	14.9%
	2010	120,667,474,935	4,153,151,430	3.6%	208,123,520,973	(10,354,569,536)	(4.7%)	58.0%	135,553	10.3%
	2011	124,354,465,812	3,686,990,877	3.1%	196,930,643,603	(11,192,877,370)	(5.4%)	63.1%	161,385	19.1%
	2012	127,913,281,573	3,558,815,761	2.9%	186,113,692,723	(10,816,950,880)	(5.5%)	68.7%	223,065	38.2%
	2013	130,835,372,208	2,922,090,635	2.3%	183,508,101,025	(2,605,591,698)	(1.4%)	71.3%	295,537	32.5%
(2)	2014	133,779,168,083	2,943,795,875	2.3%	181,673,020,015	(1,835,081,010)	(1.0%)	73.6%	325,000	10.0%

(1) The passage of ballot measure 50 converted the State of Oregon from a levy based to a rate based property tax system with reductions in assessed values.

(2) Estimate for FY 2013-14 budget.

Debt ratios as of July 1, 2013

FY 2013-14 Estimated Real Market Value	**$182,115,877,804**
2013 Estimated Population	**1,689,765**

	Debt Outstanding	Debt per Capita	Debt as % of Real Market Value
General Obligation Debt	$235,675,000	$139.47	0.13%
Full Faith and Credit Bonds	24,870,000	14.72	0.01%
Pension Obligation Bonds	22,300,000	13.20	0.01%
TOTAL METRO DEBT	**$282,845,000**	**$167.39**	**0.16%**

Debt ratios as of June 30, 2014

FY 2013-14 Estimated Real Market Value	**$182,115,877,804**
2013 Estimated Population	**1,689,765**

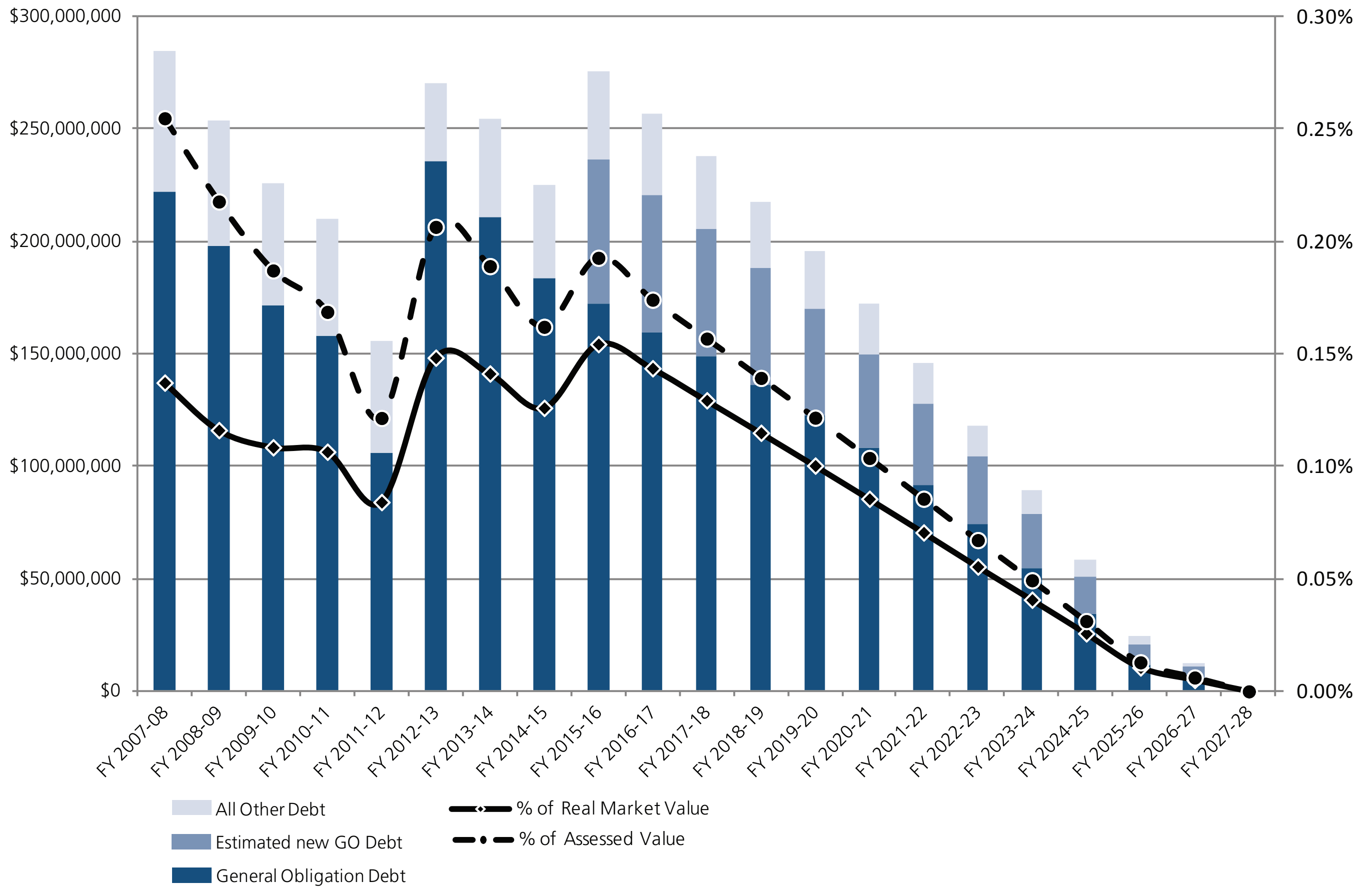
	Debt Outstanding	Debt per Capita	Debt as % of Real Market Value
General Obligation Debt	$210,460,000	124.55	0.12%
Full Faith & Credit Bonds	$22,675,000	13.42	0.01%
Pension Obligation Bonds	$21,685,000	12.83	0.01%
TOTAL METRO DEBT	**$254,820,000**	**$150.80**	**0.14%**

Debt limitation comparison

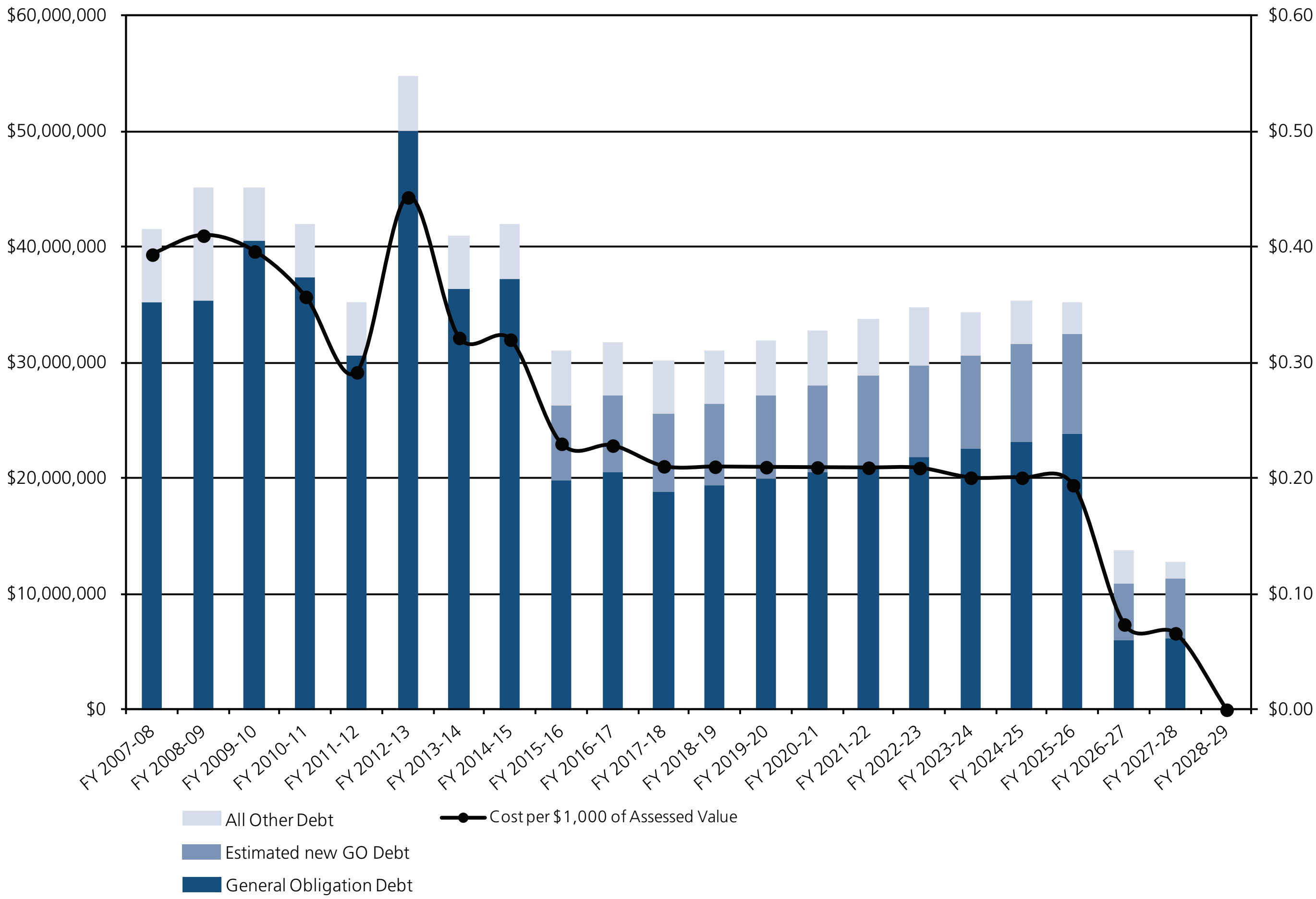
Statutory general obligation bond limit – 10 percent of Real Market Value

FY 2013-14 Estimated Real Market Value	182,115,877,804
General Obligation Debt Limit Percentage	10%
Statutory General Obligation Bond Limit	$18,211,587,780
Less General Obligation Debt Outstanding	$235,675,000
General Obligation Bond Limit Remaining	$17,975,912,780
Metro's General Obligation Debt Percentage	0.13%

Outstanding debt by fiscal year



Debt service payments by fiscal year



FY 2013-14 Summary of debt service payments

	Principal	Interest	Fiscal Year Debt Service
General Obligation Refunding Bonds			
Metro Washington Park Zoo Oregon Project 2005 Series	1,890,000	387,400	2,277,400
Open Spaces, Parks, and Streams 2012B Series	9,150,000	842,750	9,992,750
General Obligation Bonds			
Natural Areas 2007 Series	4,400,000	3,739,750	8,139,750
Natural Areas 2012A Series	4,610,000	3,404,350	8,014,350
Oregon Zoo Infrastructure 2012A Series	5,165,000	2,758,425	7,923,425
Full Faith & Credit Refunding Bonds			
2003 Series	1,385,000	24,238	1,409,238
2006 Series	705,000	483,650	1,188,650
2013 Series	105,000	166,433	271,433
Limited Tax Pension Obligation Bonds, Series 2005	615,000	1,105,071	1,720,071
TOTAL FY 2013-14 DEBT SERVICE PAYMENTS	**$28,025,000**	**$12,912,066**	**$40,937,066**

Capital Improvement Plan Summary

Overview

A capital project is defined in Metro's capital improvement plan (CIP) as any physical asset acquired or constructed by Metro with a total capital cost of $100,000 or more and a useful life of at least five years. The CIP for the next five years, FY 2013-14 through FY 2017-18, includes 163 projects with anticipated new spending of $189.5 million.

The foundation for the CIP is provided by the capital project requests from operating units. To develop these requests, departments inventory existing capital assets, assess the status of current capital projects and assess future capital needs. Operating programs and the financial planning division prepare five-year financial forecasts that are used to evaluate each program's funding capacity for the capital projects requested. The Chief Operating Officer reviews and includes selected projects in the proposed budget. The Metro Council reviews and acts on the proposed CIP following a public hearing. The Council adopts the five-year plan in its entirety and makes appropriations for the first year through budget adoption. Changes to the plan require Council action by resolution or ordinance, depending on the circumstance.

Five-year CIP Summary: FY 2013-14 through FY 2017-18

The summary table below presents the capital costs of projects by fiscal year, by operating unit. The "Total" column represents the overall project costs, including expenditures in all prior years. This year's CIP remains dominated by bond projects.

Total projects costs by organization unit

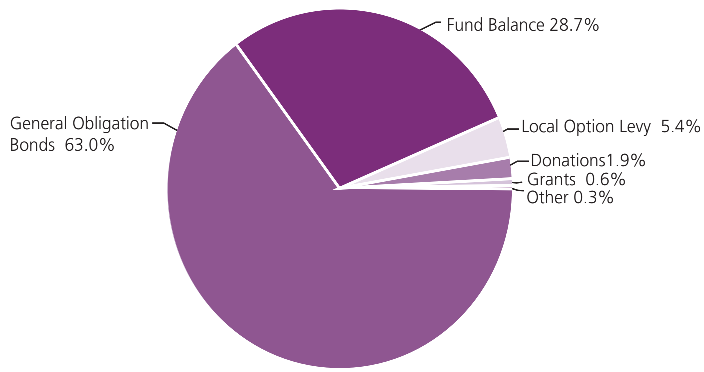
	Total Projects	Prior Years	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	Total
Finance and Regulatory Services	2	885,000	240,000	30,000	30,000	30,000	30,000	1,245,000
Information Services	4	614,545	897,893	408,475	285,913	340,063	432,301	2,979,190
Parks and Environmental Services	45	1,088,283	5,747,559	5,412,157	2,427,486	4,264,635	4,822,843	23,762,963
Parks and Natural Areas Levy	27	0	1,565,000	3,860,000	3,250,000	1,065,000	750,000	10,490,000
Sustainability Center	5	83,524,000	21,652,441	5,000,000	5,000,000	4,000,000	0	119,176,441
Visitor Venues- MERC	49	330,000	3,516,008	3,637,000	5,377,000	4,435,000	4,535,000	21,830,008
Visitor Venues- Oregon Zoo	31	20,944,719	31,942,857	21,358,804	16,929,383	13,080,988	13,156,739	117,413,488
TOTAL	**163**	**107,386,547**	**65,561,758**	**39,706,436**	**33,299,782**	**27,215,686**	**23,726,883**	**296,897,091**
FIVE YEAR TOTAL, FY 2013-14 THROUGH FY 2017-18			**189,510,544**					

Parks and Environmental Services spending includes solid waste projects, parks renewal and replacement and projects for the Metro Regional Center. The Sustainability Center includes bond funding for land purchases as well as grant and general funding for trail construction at Blue Lake. The Oregon Zoo projects reflect expenditures in the zoo bond program approved by voters in 2008 as well as other capital and renewal and replacement projects. MERC includes capital projects for the Oregon Convention Center, Portland Center for the Performing Arts and the Portland Expo Center. The voter-approved Parks and Natural Areas Levy includes both new capital and renewal and replacement projects at Metro's parks and natural areas.

SOURCES OF FUNDS

Expected spending for the next five years is $189.5 million, apportioned as follows:

Major funding sources



General Obligation Bonds

The Natural Areas and Oregon Zoo Infrastructure and Animal Welfare bond proceeds continue to dominate at 63 percent of funding for CIP projects.

Fund balance

The second largest source of funds for capital projects, almost 29 percent of total funds, is fund balance. Metro uses an accumulating strategy for its renewal and replacement funding, resulting in a more predictable and level annual contribution, no matter what projects start in any given year. The Solid Waste Revenue Fund employed this technique as a condition of its now retired bond financing for the transfer stations and continues to do so. The General Fund established its General Renewal and Replacement Fund (now housed in the General Asset Management Fund) in 2008, fueled by a $5.7 million initial contribution. In 2011 the MERC Fund also designated dedicated renewal and replacement funding for each of its venues. This financing technique is particularly well suited for small-to medium-sized projects.

Local Option Levy

The Parks and Natural Areas local option levy will make up about 5.4 percent of funding for CIP projects. All local option levy funding in the CIP will support capital and renewal and replacement projects at Metro's parks and natural areas.

Donations

Donations vary annually and reflect contributions from the Oregon Zoo Foundation and the Portland Center for the Performing Arts Foundation, targeted to specific projects.

Grants and Other

Grants and other sources support less than one percent of total five-year funding for capital projects, including a portion of funding for the 40-mile loop project at Blue Lake and several sustainability projects at the Expo Center.

Additional detail about CIP projects and their funding can be found in Detail Budget volume.

Financial Policies

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF ADOPTING THE CAPITAL IMPROVEMENT PLAN FOR FISCAL YEARS 2013-14 THROUGH 2017-18, APPROVING THE METROPOLITAN TOURISM OPPORTUNITY COMPETITIVENESS ACCOUNT PROJECTS AND RE-ADOPTING METRO'S FINANCIAL POLICIES	)	RESOLUTION NO. 13-4439 Introduced by Martha Bennett, Chief Operating Officer, with concurrence of the Council President

WHEREAS, Metro recognizes the need to prepare a long-range plan estimating the timing, scale and cost of its major capital projects and equipment purchases; and

WHEREAS, Metro's Chief Operating Officer has directed the preparation of a Capital Improvement Plan for fiscal years 2013-14 through 2017-18 that projects Metro's major capital spending needs over the next five years;

WHEREAS, the Metro Council has reviewed the FY 2013-14 through FY 2017-18 Capital Improvement Plan; and

WHEREAS, the Metro Council has conducted a public hearing on the FY 2013-14 budget including the FY 2013-14 through FY 2017-18 Capital Improvement Plan; and

WHEREAS, the Metro Council approves projects funded by the Metropolitan Tourism Opportunity Competitiveness Account (MTOCA); and

WHEREAS, the Metro Council annually reviews and readopts its Comprehensive Financial Policies including the Capital Asset Management Policies; now therefore

BE IT RESOLVED that the Metro Council hereby authorizes the following:

1. That the FY 2013-14 through FY 2017-18 Capital Improvement Plan (CIP), summarized in Exhibit A, is hereby adopted.

2. That the FY 2013-14 capital projects from the FY 2013-14 through FY 2017-18 Capital Improvement Plan be included and appropriated in the FY 2013-14 budget.

3. That the Comprehensive Financial Polices, including the Capital Asset Management Policies, included as Exhibit B to this Resolution, are re-adopted and will be published in the FY 2013-14 budget.

ADOPTED by the Metro Council this 20 day of June 2013.

Tom Hughes, Metro Council President

Approved as to Form:

Alison Kean Campbell, Metro Attorney

CONSIGLIO METROPOLITANO METRO COUNCIL APPROVATO APPROVED

Financial policies

In 2004 the Metro Council enacted Resolution No. 04-3465, "adopting comprehensive financial policies for Metro."

Metro's financial policies are reviewed annually and approved by the Metro Council for inclusion in the adopted budget. The financial policies are the cornerstone of Metro's financial planning and financial management. Budget decisions are framed in relation to the policies; exceptions, usually related to fund balance, are disclosed in the budget message; and quarterly reporting on financial performance provides transparency and accountability. In May 2012 Metro's highest grade bond ratings were confirmed by Standard & Poor's and Moody's Investors Services. Both rating agencies cited Metro's strong financial policies and its commitment to following them.

Operating independently of changing circumstances and conditions, these policies are designed to help safeguard Metro's assets, promote effective and efficient operations and support the achievement of Metro's strategic goals. Recently the Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which requires the Metro Council to make certain policy decisions regarding the use of resources and classifications of fund balance. In June 2010 the Metro Council took action to amend Metro's Comprehensive Financial Policies to incorporate the GASB Statement No. 54 principles and to re-approve the policies. These changes are reflected in Budget and Financial Planning, section 2.

These financial policies establish basic principles to guide Metro's elected officials and staff in carrying out their financial duties and fiduciary responsibilities. The Chief Financial Officer shall establish procedures to implement the policies established in this document.

General policies

1. Metro's financial policies shall be reviewed annually by the Council and shall be published in the adopted budget.
2. Metro shall prepare its annual budget and Comprehensive Annual Financial Report consistent with accepted public finance professional standards.
3. The Chief Financial Officer shall establish and maintain appropriate financial and internal control procedures to assure the integrity of Metro's finances.
4. Metro shall comply with all applicable state and federal laws and regulations concerning financial management and reporting, budgeting and debt administration.

Accounting, auditing and financial reporting

1. Metro shall annually prepare and publish a Comprehensive Annual Financial Report including financial statements and notes prepared in conformity with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board.
2. Metro shall maintain its accounting records on a basis of accounting consistent with the annual budget ordinance.
3. Metro shall have an independent financial and grant compliance audit performed annually in accordance with generally accepted auditing standards.

Budgeting and financial planning

1. As prescribed in Oregon budget law, total resources shall equal total requirements in each fund, including contingencies and fund balances. However, Metro considers a budget to be balanced whenever budgeted revenues equal or

exceed budgeted expenditures. Beginning fund balances shall not be considered as revenue, nor shall contingencies or ending fund balances be considered expenditures, in determining whether a fund is in balance.

2. Metro shall maintain fund balance reserves that are appropriate to the needs of each fund. Targeted reserve levels shall be established and reviewed annually as part of the budget process. Use of fund balance to support budgeted operations in the General Fund, an operating fund, or a central service fund shall be explained in the annual budget document; such explanation shall describe the nature of the budgeted reduction in fund balance and its expected future impact. Fund balances in excess of future needs shall be evaluated for alternative uses.
   a. The Metro Council delegates to the Chief Operating Officer the authority to assign (and un-assign) additional amounts intended to be used for specific purposes more narrow than the overall purpose of the fund established by Council. A schedule of such assignments shall be included within the adopted budget document.
   b. Metro considers restricted amounts to have been spent prior to unrestricted (committed, assigned, or unassigned) amounts when an expenditure is incurred for purposes for which both restricted and unrestricted amounts are available. Within unrestricted amounts, committed amounts are considered to have been spent first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.
   c. The following information shall be specified by Council in the establishment of Stabilization Arrangements as defined in GASB Statement No. 54: a) the authority for establishing the arrangement (resolution or ordinance), b) the requirements, if any, for additions to the stabilization amount, c) the specific conditions under which stabilization amounts may be spent, and d) the intended stabilization balance.
3. Metro staff shall regularly monitor actual revenues and expenditures and report to Council at least quarterly on how they compare to budgeted amounts, to ensure compliance with the adopted budget. Any significant changes in financial status shall be timely reported to the Council.
4. Metro shall use its annual budget to identify and report on department or program goals and objectives and measures of performance.
5. A new program or service shall be evaluated before it is implemented to determine its affordability.
6. Metro shall authorize grant-funded programs and associated positions for a period not to exceed the length of the grant unless alternative funding can be secured.
7. Each operating fund will maintain a contingency account to meet unanticipated requirements during the budget year. The amount shall be appropriate for each fund.
8. Metro shall prepare annually a five-year forecast of revenues, expenditures, other financing sources and uses, and staffing needs for each of its major funds, identifying major anticipated changes and trends, and highlighting significant items which require the attention of the Council.
9. Metro will annually prepare a cost allocation plan prepared in accordance with applicable federal guidelines to maintain and maximize the recovery of indirect costs from federal grants, and to maintain consistency and equity in the allocation process.

Capital asset management

1. Metro shall budget for the adequate maintenance of capital equipment and facilities and for their orderly replacement, consistent with longer-term planning for the management of capital assets.
2. The Council's previously-adopted policies governing capital asset management are incorporated by reference into these policies.

Cash management and investments

1. Metro shall maintain an investment policy in the Metro Code, which shall be subject to annual review and re-adoption.
2. Metro shall schedule disbursements, collections and deposits of all funds to ensure maximum cash availability and investment potential.
3. Metro shall manage its investment portfolio with the objectives of safety of principal as the highest priority, liquidity adequate to needs as the second highest priority and yield from investments as its third highest priority.

Debt management

1. Metro shall issue long-term debt only to finance capital improvements, including land acquisition, that cannot be readily financed from current revenues, or to reduce the cost of long-term financial obligations.
2. Metro will not use short-term borrowing to finance operating needs unless specifically authorized by the Council.
3. Metro shall repay all debt issued within a period not to exceed the expected useful life of the improvements financed by the debt.
4. Metro shall fully disclose financial and pertinent credit information as it relates to Metro's outstanding securities.
5. Metro shall strive to obtain the highest credit ratings to ensure that borrowing costs are minimized and Metro's access to credit is preserved.
6. Equipment and vehicles should be financed using the least costly method, including comparison to direct cash expenditure. This applies to purchase using operating leases, capital leases, bank financing, company financing or any other purchase programs.

Revenues

1. Metro shall estimate revenues through an objective, analytical process.
2. Metro shall strive to maintain a diversified and balanced revenue system to protect it from short-term fluctuations in any one revenue source.
3. One-time revenues shall be used to support one-time expenditures or increase fund balance.
4. Metro shall pursue appropriate grant opportunities; however, before accepting any grant, Metro will consider the current and future implications of either accepting or rejecting it. The Chief Financial Officer may establish criteria to be used in evaluating the potential implications of accepting grants.

Capital Asset Management Policies

The following policies establish the framework for Metro's overall capital asset planning and management. They provide guidance for current practices and a framework for evaluation of proposals for future projects. These policies also seek to improve Metro's financial stability by providing a consistent approach to fiscal strategy. Adopted financial policies show the credit rating industry and prospective investors (bond buyers) the agency's commitment to sound financial management and fiscal integrity. Adherence to adopted policies ensures the integrity and clarity of the financial planning process and can lead to improvement in bond ratings and lower cost of capital.

1. Metro shall operate and maintain its physical assets in a manner that protects the public investment and ensures achievement of their maximum useful life.

   Ensuring the maximum useful life for public assets is a primary agency responsibility. Establishing clear policies and procedures for monitoring, maintaining, repairing and replacing essential components of facilities is central to good management practices. It is expected that each Metro department will have written policies and procedures that address:

   Multi-year planning for renewal and replacement of facilities and their major components;

   Annual maintenance plans.

2. Metro shall establish a Renewal and Replacement Reserve account for each operating fund responsible for major capital assets.

   Ensuring that the public receives the maximum benefit for its investments in major facilities and equipment requires an ongoing financial commitment. A Renewal and Replacement Reserve should initially be established based on the value of the asset and consideration of known best asset management practices. Periodic condition assessments should identify both upcoming renewal and replacement projects and the need to adjust reserves to support future projects. If resources are not sufficient to fully fund the Reserve without program impacts, the Council will be consider alternatives during the annual budget process. Establishing and funding the Reserve demonstrates Metro's ongoing capacity and commitment to these public investments.

3. Metro shall prepare, adopt and update at least annually a five-year Capital Improvement Plan (CIP). The Plan will identify and set priorities for all major capital assets to be acquired or constructed by Metro. The first year of the adopted CIP shall be included in the Proposed Budget.

   The primary method for Metro departments to fulfill the need for multi-year planning is the Capital Improvement Planning process. The CIP allows a comprehensive look at Metro's capital needs for both new facilities and renewal and replacement of existing ones, and allows the Council to make the necessary decisions to ensure financial resources match forecasted needs.

4. Capital improvement projects are defined as facility or equipment purchases or construction which results in a capitalized asset costing more than $100,000 and having a useful (depreciable life) of five years or more. Also included are major maintenance projects of $100,000 or more that have a useful life of at least five years.[1]

   A clear threshold ensures that the major needs are identified and incorporated in financial plans.

[1] Effective July 1, 2009, capital asset threshold was increased from $50,000 to $100,000 in accordance with Metro Resolution 08-3941A. This reflected a State of Oregon definition of a public improvement project.

5. An assessment of each Metro facility will be conducted at least every five years. The report shall identify repairs needed in the coming five years to ensure the maximum useful life of the asset. This information shall be the basis for capital improvement planning for existing facilities and in determining the adequacy of the existing Renewal and Replacement Reserves.

   A foundation step for capital planning is an understanding of the current conditions of Metro facilities. It is expected that Metro departments have a clear, documented process for assessing facility condition at least every five years. The assessment processes may range from formal, contracted engineering studies to in-house methods such as peer reviews. The assessment should identify renewal and replacement projects that should be done within the following five years. The Renewal and Replacement Reserve account should be evaluated and adjusted to reflect the greater of the average renewal and replacement project needs over the coming five years or 2 percent of the current facility replacement value.

6. The Capital Improvement Plan will identify adequate funding to support repair and replacement of deteriorating capital assets and avoid a significant unfunded liability from deferred maintenance.

   Using the information provided by facility assessments, Metro departments should use the CIP process to identify the resources necessary to keep facilities in an adequate state of repair. In situations where financial resources force choices between programs and facility repair, the annual budget process should highlight these policy choices for Council action.

7. A five-year forecast of revenues and expenditures will be prepared in conjunction with the capital budgeting process. The forecast will include a discussion of major trends affecting agency operations, incorporate the operating and capital impact of new projects, and determine available capacity to fully fund the Renewal and Replacement Reserve.

   Incorporation of capital needs into agency five-year forecasts ensures that problem areas are identified early enough that action can be taken to ensure both the maintenance of Metro facilities and integrity of Metro services.

8. To the extent possible, improvement projects and major equipment purchases will be funded on a pay-as-you-go basis from existing or foreseeable revenue sources. Fund Balances above established reserve requirements may be used for one-time expenditures such as capital equipment or financing of capital improvements.

   Preparing a CIP and incorporating it into five-year forecasts enables Metro to plan needed capital spending within foreseeable revenues. This minimizes the more costly use of debt for capital financing and ensures renewal and replacement of facility components takes place without undue financial hardship to operations.

9. Debt (including capital leases) may only be used to finance capital, including land acquisition, not ongoing operations. Projects that are financed through debt must have a useful service life at least equal to the debt repayment period.

   Because interest costs impact taxpayers and customers, debt financing should be utilized only for the creation or full replacement of major capital assets.

10. When choosing funding sources for capital items, every effort should be made to fund enterprise projects either with revenue bonds or self-liquidating general obligation bonds. For the purpose of funding non-enterprise projects, other legally permissible funding sources, such as systems development charges, should be considered.

11. Acquisition or construction of new facilities shall be done in accordance with Council adopted facility and/or master plans. Prior to approving the acquisition or construction of a new asset, Council shall be presented with an estimate of the full cost to operate and maintain the facility through its useful life and the plan for meeting these costs. At the time of approval, Council will determine and establish the Renewal and Replacement Reserve policy for the asset to ensure resources are adequate to meet future major maintenance needs.

    New Metro facilities should be planned within the overall business and service objectives of the agency. To ensure that the public gains the maximum utility from the new facility or capital asset, Metro should identify the full cost of building and operating the facility throughout its useful life. Resources generated from its operation or other sources should be identified to meet these needs.