



Adopted Budget Fiscal Year 2013-14

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For the Fiscal Year Beginning

July 1, 2012

Christopher P. Movill *Jeffrey R. Egan*

President

Executive Director

The Government Finance Officers Association (GFOA) of the United States and Canada presented a Distinguished Presentation Award to Metro for its annual budget for the fiscal year beginning July 1, 2012.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communication device. This is the seventeenth consecutive year Metro has received this award.

The award is valid for a period of one year only. We believe our current budget continues to conform to program requirements.

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Metro's adopted budget for FY 2013-14 is provided in two volumes. The first volume SUMMARY presents the budget in sections designed to provide an understanding of how the budget is developed, its primary revenues and expenditures, and how these resources are applied to programs and activities. Many readers will find Volume 1 sufficient to gain an understanding of Metro's financial strategies for the coming year. Some readers may require additional detail which can be found in the second volume DETAIL.

SUMMARY (VOLUME 1)

The SUMMARY is organized in the following sections:

Budget message

By law the budget message is given at the time the budget is proposed and identifies any significant changes from one year to the next. The Metro Chief Operating Officer serves as Metro's Budget Officer.

What is Metro

This section provides the reader with an overview of Metro's history, a timeline showing the development of the agency, information regarding Metro's charter, and an overview of the region's economy.

Budget summary

This section provides a comprehensive summary of the budget. It provides information on adoption ordinance, schedule of appropriations, property tax calculation, budget environment, revenues and expenditures, including trends and fund summaries, and summarizes staffing changes. It also includes the summaries of both the debt and five-year Capital Improvement Plan.

Organizational summary

The organizational summary presents Metro's appropriations units as required by Oregon budget law. Centers and services may be budgeted in a single fund or in several funds, but always by appropriations unit. This section discusses the purpose, organization and accomplishments related to the prior year's objectives. It identifies service level changes in the proposed budget and the new objectives for the upcoming budget year.

DETAIL (VOLUME 2)

Volume 2 provides greater detail about the budget. Readers should consider Volume 2 when looking for additional information about individual aspects of the budget.

Fund summaries and detail

This section presents detailed financial information and analysis for each of Metro's 14 funds, the legal units by which the budget is appropriated. The detail after each fund description contains technical information used by Metro managers to manage their programs. This detail includes current as well as historical line item revenues and line item expenditures required by law.

Capital Improvement Plan detail

Metro's capital budget for fiscal years 2013-14 through 2017-18 is included in the FY 2013-14 budget document. This section presents the department specific project summaries and analysis.

Debt schedules

This section contains information about Metro’s outstanding debt obligations. It also provides detailed debt schedules for existing revenue bonds, general obligation bonds, capital leases and other debt.

Budget and financial structure

This section describes the budget process at Metro. It reviews the budget calendar and budget development guidelines.

Appendices

The appendices include several related documents that are legally required to be included with Metro’s budget document or that provide additional policy background information. These appendices include the cost allocation for federal grant purposes, budget transfers, excise taxes, GASB 54 fund balance designation, limited duration positions and personnel changes detail, the charter of limitations on expenditures and fringe benefits. The glossary, annual contracts list and detailed chart of accounts are located in this section.

April 25, 2013

To the Metro Council, citizens and regional partners and valued employees:

I am pleased to present Metro's FY 2013-14 proposed budget. My goal in proposing this budget has been to ensure that Metro provides excellent core services to the citizens and communities of the Portland metropolitan area to support the region's people, economy and environment.

The proposed budget is a strategic and prudent approach to managing public resources next fiscal year and into the future. Metro has made careful choices to avoid disruptive service cutbacks, knowing that the citizens and communities of the region rely on our wide range of services. In developing the proposed budget, I relied on Metro's excellent financial policies and on the planning Metro's departments have engaged in to ensure that the decisions we make today serve us well over the next three to five years. The proposed budget follows basic principles such as protecting our assets, committing one-time funds to one-time purposes and requiring our enterprise activities to perform to the bottom line. Additionally, the proposed budget relies on the policy framework adopted by the Metro Council to evaluate our programs and activities: the Metro Compass and Six Desired Regional Outcomes.

Maintaining Metro's ability to provide core services is challenging; the economic downturn stresses Metro's programs and activities. The region's economy is slowly returning to prerecession levels, but many of Metro's key revenue sources lag behind the economy. For a variety of reasons, federal transportation funding is declining, which affects Metro's ability to meet its general transportation planning mandates and to develop specific projects. Additionally, most of Metro's departments and facilities face critical strategic issues, many of which threaten to reduce revenues or substantially increase the costs of operations. Lastly, some of our costs, particularly personnel costs, are growing at a rate that outpaces our revenues. With the help of our labor unions, Metro has made strategic decisions that will limit the growth of labor costs, but we still have considerable work to do to ensure Metro's wages and benefits are sustainable for the agency and fair for employees.

Despite these challenges, the proposed budget reflects an agency that is well positioned to preserve and enhance the region's economy, natural environment and people both today and well into the future. This is especially true should voters approve the May 2013 Parks and Natural Areas Local Option Levy. Metro has been and will remain focused on providing needed regional services, exceptional customer service, and a collaborative environment that allows our citizens, businesses and communities to thrive.

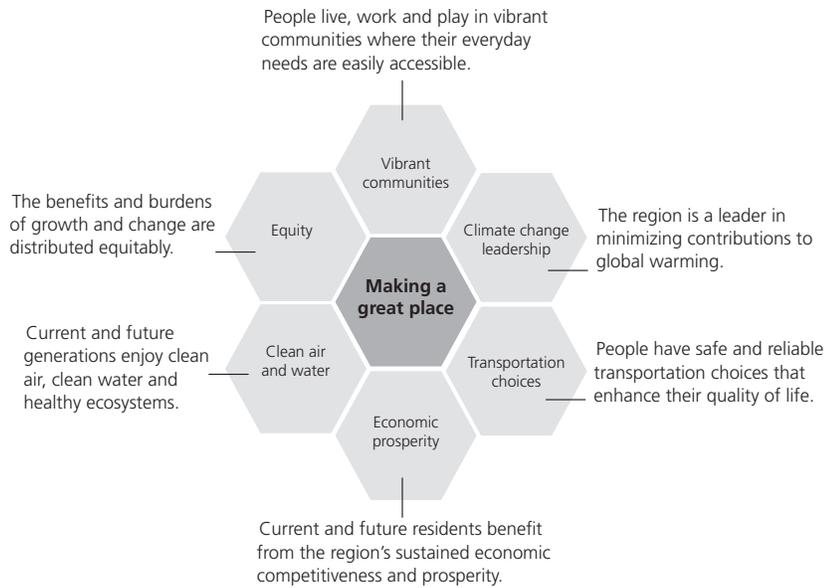
How the budget proposal was developed

In November 2012 the Metro Council met to review the revenue and expenditure forecasts for Metro's major operating funds and to provide direction about Council initiatives for the upcoming year. Council provided key strategic guidance on a variety of policy and fiscal choices. Following that discussion, as Budget Officer, I instructed departments to prepare initial budget requests that balanced to the current year's General Fund allocations of to the available enterprise and grant revenues.

I asked each department to use three tools to develop budgets to ensure programs and activities serve the region's citizens and are sustainable over the next three to five years. First, this proposed budget is anchored by the region's six desired outcomes. Developed in a collaborative process and adopted by the Metro Council in 2010, the six outcomes ensure that Metro's programs and activities focus on what makes this region a great place.

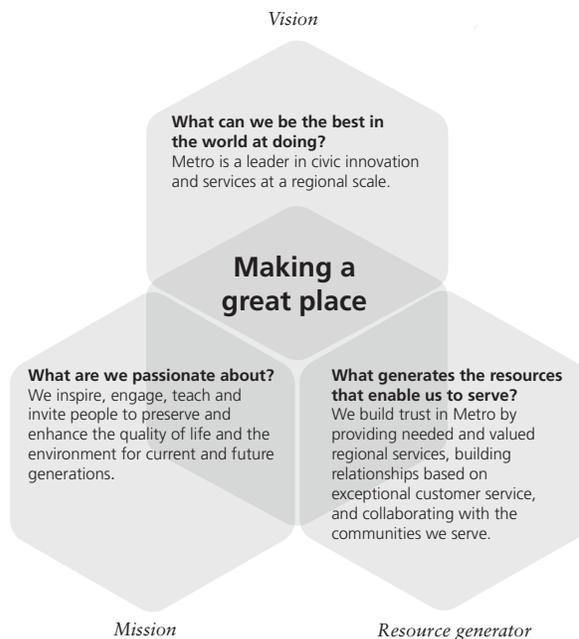
**Chief
Operating
Officer's
Budget
Message**

Region's six desired outcomes



Second, the department directors and I used the Metro Compass to frame decisions about our core priorities in developing the budget. The Metro Compass helps us ensure that Metro's programs and activities achieve our vision for the region, deliver on our core mission and build public trust in Metro.

Metro Compass



Third and finally, each of Metro's departments has developed a five-year mission critical plan for their operations. These mission-critical plans helped each department look ahead to identify the key opportunities and threats that face the region, Metro and their programs to ensure we are making decisions today that will be sustainable and strategic for the next three to five years.

Strategic Issues in Budget

As has been true for several years, the major factors driving the budget relate to the economic slowdown. Some portions of the economy appear to be recovering – especially the visitor economy – and this recovery has relieved the pressure on some of Metro’s services. In other cases, Metro’s revenues lag significantly behind the economy, and it will be several years before revenues recover to the same level as FY 2006-07. In other cases, the economy has permanently “reset.” For example, revenue from interest earned on investments may never return to pre-2006 levels.

Outside of the larger forces of the economy, this budget presents several strategic issues:

Local Option Levy for Parks and Natural Areas. In December 2012, the Metro Council referred a five-year local option levy of 9.6 cents per thousand to the voters at the May 2013 election. The Council also directed me to prepare an “A” budget, which assumes passage of the levy, and a “B” budget, which assumes failure. The proposed budget is the “A” Budget. It would invest in projects and programs that will protect our region’s water quality and help restore native fish and wildlife habitat. Those include on-the-ground investments that will:

- Improve water quality in local rivers and streams for salmon and other native fish.
- Restore wildlife habitat, remove invasive weeds, and restore wetlands and floodplains.
- Improve visitor services in Metro’s parks, including replacing aging restrooms, picnic shelters and playgrounds.
- Provide nature education programs to school-aged children and visitors.
- Support community partnership projects that connect people with nature in their neighborhoods through the Nature In Neighborhoods Restoration and Enhancement Grant program.

By contrast, the “B” budget will require fee increases at all of Metro’s parks and boat ramps, will reduce our work on regional trails and will eliminate the Nature in Neighborhoods Restoration and Enhancement grants. However, the full impact of failure of the levy will not appear in FY 2013-14. The B Budget puts the agency on a course of significant deferred maintenance and increases the risk that the region may lose a significant portion of the value of the land voters asked us to protect when they passed natural area acquisition bond measures. If the levy fails, the Council will adopt the “B” budget by eliminating the Parks and Natural Areas Local Option Levy Fund and some related other expenditures from the proposed budget.

Implementing the 2040 Vision. This budget continues Metro Council’s strategic effort to shift the Planning and Development department’s focus to on the ground implementation of projects that make great places. Work on the Regional Transportation Plan and Climate Smart Communities will likely highlight that important equity, environmental, climate change and related regional desired outcomes require additional investments in all modes of transportation and in other infrastructure. Similarly, the East Metro Connections Plan, Southwest Corridor Plan and the upcoming Powell-Division Plan illustrate the growing gap between our ability to plan for vibrant downtowns, safe and reliable transportation and economic prosperity and the region’s ability to pay for the infrastructure and services to support those plans.

Metro has been very active in efforts to ensure the region has sufficient industrial lands, to redevelop brownfields and planning for a regional Active Transportation system to mirror our automobile and freight systems. Our ability to implement this work, as with the corridor plans, is limited by inadequate funding for infrastructure.

Metro's partnership with the Community Investment Initiative (CII) is a piece of bringing sufficient resources to help us build the employment centers, mainstreets and downtowns that will make the 2040 Growth Concept a reality throughout the region. In the coming year, the Metro Council will receive a recommendation about a Regional Infrastructure Enterprise from the CII Leadership Council.

Visitor Venues. Each of our visitor venues faces key strategic issues. For the Oregon Convention Center (OCC), the success or failure of the hotel project will shape the future direction of and market for the facility. A portion of OCC is also nearly 25 years old and has capital needs as a result. The Portland Expo Center (Expo) is confronted with how the I-5 replacement bridge will affect operations both during construction and after completion. Expo is also working on a plan for Halls A, B and C, which are critical exposition space, aging and historically significant. Portland Center for the Performing Arts (PCPA) also has aging facilities, an older agreement with the City of Portland, changes that affect the community's resident performing arts companies, and the introduction of the Portland Arts Tax.

Solid Waste Road Map. Increasing competition, changing technology and site specific constraints at Metro's transfer stations require vigilance, planning and investment. Within the next five years Metro will need to make significant decisions about the solid waste system that could fundamentally change the agency's existing financial structure.

What the budget looks like

By law Metro must present a balanced budget. The legal budget, which accounts for all resources and all requirements, is \$481 million. This number includes monies from the sale of bonds authorized by the voters for the Natural Areas and the Oregon Zoo, as well as the accompanying debt service, which took place in FY 2012-13.

Metro actual operating budgets have increased. The proposed budget includes the new Parks and Natural Areas Local Option Levy Fund, which increases Metro's operating budget by a little more than \$10 million.

What the budget delivers

The focus of Metro's budget is to:

Deliver excellent public and customer service

The majority of Metro's financial resources and employees are dispatched to welcome more than five million citizens and customers to its parks, zoo, concert halls and convention and event centers. What the region is unable to reuse, recover or recycle is disposed of properly to keep the public and the environment safe. Citizens can find information on Metro's website about events, policies and programs during regular business hours or whenever they choose. Qualified applicants and vendors can find opportunities to do business with Metro.

In FY 2013-14 Metro will commit nearly \$200 million in meeting this daily, operational requirement.

Deliver on the bond promises

Voters have authorized Metro to invest in the region's future by approving general obligation bonds to construct facilities and to preserve natural areas and streams.

Metro is continuing acquisition of natural areas under a second voter authorization in 2006. Capital improvements across the zoo have been completed, and construction is underway to create a new elephant habitat, four times the current size, under the 2008 Oregon Zoo Infrastructure and Animal Welfare bond authorization. Creation of a new Condor Exhibit at the zoo is also underway, with completion expected in FY 2013-14.

Maintaining and caring for public assets

Like most public entities, Metro relies on debt financing to acquire, build or renovate entire facilities. Once acquired, Metro protects the public's investments by setting aside renewal and replacement funding to ensure that facilities and major equipment reach their full useful life.

In total, over the next five years, the Capital Improvement Plan proposes to spend \$184 million to acquire, improve and care for Metro's assets.

Move forward with the Council's key initiatives

The Metro Council positions the agency for the future by directing specific policies, programs and projects. These may include specific enhancements to current programs or strategic investments to assess and understand emerging needs. The proposed budget includes a fourth year commitment to CII (\$330,000), which is a level that will require participation from other partners. The proposed budget also funds the development of an agency specific equity strategy (\$390,000), maintains \$200,000 in Development Opportunity funding and commits staff and financial resources (\$419,000) to finding a solution to the persistently identified need for a large hotel room block to boost convention bookings. The Solid Waste Roadmap (\$390,000) is a multiyear effort to define the best approach for Metro to dispose of the region's solid waste after 2019.

The proposed budget also includes continued staffing in several departments to support Oregon City's work to redevelop the Willamette Falls property in support of local aspirations while providing protection of appropriate historic resources and improved public access to the falls.

The proposed budget includes continued work on critical planning projects, including the Southwest Corridor Plan (\$2 million); Climate Smart Communities (\$790,000), the Urban Growth Report (\$356,000) the Regional Transportation Plan (\$650,000) and the Powell-Division Corridor Plan (\$441,000).

Significant changes in the budget

Oregon budget law directs the Budget Officer to highlight significant changes in the proposed budget. Using the six desired regional outcomes, the Metro compass and the Council's guidance, I have reduced some programs, activities and staffing to meet the available resources and to avoid more severe reductions in the future. I have applied one-time money to urgent investments, especially investments with the potential to increase future revenues. I have proposed the use of limited duration positions, new or continued, for projects and activities with clear endpoints.

Workforce Changes

The FY 2013-14 proposed budget increases the number of authorized positions by a approximately 9.0 FTE. This includes the expiration of 6.2 limited duration FTE as scheduled. The budget eliminates 11.2 FTE, a mix of management and represented positions, many 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, declining grant revenues and activity-based revenues. The increase in the total FTE is primary tied to the Local Option Levy for Parks and Natural Areas: the addition of 16.0 FTE dependent upon successful passage of the Parks and Natural Areas local option levy. Other additions include 0.4 FTE in the Council Office, 5.5 FTE in janitorial staffing, bringing the services in house and an increase of 4.5 FTE in staffing at the MERC venues.

Planning and Development continues to see change

The most significant policy and programmatic changes appear in Planning and Development. Federal transportation funding and specific project grant funding, the major funding sources for Planning and Development, are in short supply.

Summary of changes by department

The proposed budget includes the following service level changes:

Metro Council

The Metro Council budget includes the Council, the Office of the Chief Operating Officer and Government Affairs and Policy Development. It also includes the Diversity Program, Equity Strategy and the Community Investment Initiative, three signature initiatives of the agency, as well as the continuation of a limited duration policy advisor to assist OCC in exploring construction of a headquarters hotel.

The Metro Council is leading the agency's economic development actions through the FY 2013-14 proposed budget. The proposal maintains special appropriations for membership in Greater Portland Inc., the Portland-Vancouver regional economic development partnership driving quality economic expansion and job creation. In addition, the budget continues resources for the Council to participate in the Metro Export Initiative, a Greater Portland Inc. project to create and retain the jobs to double exports in the next five years. The use of the construction excise tax funds Community Planning and Development grants.

The proposed budget also includes resources for increasing outreach and public involvement opportunities for both local government officials and for underserved groups, especially communities of color. The Council budget adds 2.9 FTE in support of the Equity Strategy Program.

Office of Metro Auditor

Metro's elected Auditor operates independently and is a link between the public and Metro. The Office of the Auditor conducts performance auditing and oversees the financial auditing of the agency. The Auditor objectively assesses how well Metro services and activities are performing, ensuring accountability and transparency. There are no service level changes for FY 2013-14.

Parks and Environmental Services

Parks and Environmental Services operates Metro's parks facilities, including cemeteries, the Metro Regional Center building and solid waste facilities. FY 2013-14 begins the first full year of the new Glendoveer operations contract. Unlike prior years, the current year will show all revenue and expenditures for the golf course. Under the terms of the prior agreement only the net revenue was recorded.

At the Metro Regional Center janitorial and security services will no longer be contracted out. The budget shows the additional cost and 5.5 FTE to bring the services in house. This has been done mostly to increase the efficiencies and provide better control of service levels.

The budget also projects an increase of 5.0 FTE if the Parks and Natural Areas Local Option levy passes. These FTE will not be added if the levy does not pass.

PES also operates Metro's two public transfer stations. The current budget shows current rates will be virtually unchanged from the FY 2012-13 rates.

Planning and Development

Planning and Development includes three program areas that reflect the Council's Community Investment Strategy: Community Development, Project Development and Transportation System Planning. The organization reflects the Metro Council's desire

to work with communities throughout the region to target investments that boost economic vitality, provide transportation choices and prepare for population growth consistent with shared local and regional aspirations.

The proposed budget reflects continued reductions in Federal Transportation dollars, partially offset by increases in Public Lands/Surface transportation dollars from ODOT. It also accounts for relatively stable funding in both Transit Oriented Development (TOD) and Regional Travel Options (RTO) for the next several years. Overall personnel impacts in the current budget are reductions of 2.0 FTE in Community Development, 1.0 FTE in Project Development related to Corridors, 0.4 FTE reduction in Transportation System Planning and 0.5 FTE in administrative support.

Consistent with the Council's direction, General Fund resources have been prioritized to maintain the Development Opportunity fund (\$200,000). This resource complements and fills in where TOD funding is not eligible. Together these on-the-ground programs provide assistance to a variety of local projects that meet both community goals and regional policy priorities.

Federal resources, while limited, will fund initial analysis for the next corridor plan. However, the level of future project funding awaits federal decision-making. The proposed budget reflects only funds that have been committed. Planning and Development continues to pursue aggressively other grant and funding opportunities, a strategy which is equally helpful and difficult for program stability.

Research Center

The Research Center provides data, information, mapping and technical services to support public policy and regulatory compliance for Metro programs and for the region. The center coordinates data and research with local government partners, academic institutions and the private sector.

The Forecasting and Modeling Services group is impacted by the reduction in work performed for Planning and Development, previously its major client. As a result Forecasting and Modeling Services is taking on outside public and private clients to retain highly skilled and talented staff. Including additional local government and private revenues presents some budgetary risk and will be monitored closely during the coming fiscal year.

Even with the additional revenue this budget reflects a reduction of 2.5 limited duration FTE in the Research Center tied to the reduction of transportation related funding; these positions were set to expire in FY 2013-14.

Sustainability Center

The Sustainability Center contributes directly to the region's livability and focuses on providing accessible regional natural areas, parks and trails and maintaining and enhancing environmental quality. It also promotes sustainable resource management through waste reduction initiatives ranging from residential recycling assistance to required recovery of dry waste at materials recovery facilities.

The budget also projects the hiring of 9.0 FTE for projects and programs if the Parks and Natural Areas local option levy, to be voted on in May 2013, passes. These FTE will not be added if the levy does not pass.

The Sustainability Center's Resource Conservation and Recycling program recognizes the successful completions of the two-year diesel retrofit program and the four-year Business Recycling Requirement technical assistance program. The Resource Conservation and Recycling budget shows a reduction of more than \$300,000 in materials and services due to the successful completion of the Diesel Retrofit project and other DEQ-related activities.

Visitor Venues

Visitor Venues includes OCC, PCPA, Expo (MERC venues) and the Oregon Zoo. The Metropolitan Exposition Recreation Commission oversees the three MERC venues and recommends the budget for the MERC Fund, an enterprise fund. The Oregon Zoo's operations are found in the General Fund. A General Manager of Visitor Venues manages all four venues and reports to Metro's Chief Operating Officer. Organizationally, the Visitor Venues represent 23 percent of the annual revenues and 44 percent of the agency's payroll.

National convention bookings for FY 2013-14 are rebounding from prior year levels. Resident companies using PCPA's facilities have shortened their performance runs or moved into smaller performance halls, which provides some additional opportunity for other commercial bookings. The FY 2013-14 Broadway season outlook currently has six and a half weeks. PCPA staff will look to fill the open slots with additional commercial shows. The Oregon Zoo continues its outstanding attendance and has seen a return of per capita spending to prerecession levels. There is some concern about on-site construction of the Elephant Lands exhibit and shutting down the zoo train during one of its busy seasons during the year.

A longstanding intergovernmental partnership provides for the sharing of transient lodging tax and car rental tax for convention and visitor activity. OCC relies on transient lodging tax for 25-35 percent of its operations, depending on the year. PCPA receives a smaller share of transient lodging tax as well as support from the City of Portland, the owner of the facilities. Tax collections have regained strength after a significant downturn and continue to move forward.

As part of the continuing consolidation of Metro and MERC business functions, six MERC positions will be transferred to Finance and Regulatory Services and Information Services, with MERC venues paying a proportionate cost through the general cost allocation plan.

OCC will use the Metro Tourism Opportunity Competitiveness Account request of \$418,633 from the General Fund to continue to strive for a 500-hotel room block, a persistently identified reason for rejecting Portland as a convention site by national convention meeting planners. A limited duration policy advisor in the Chief Operating Officer's budget will be assigned to this project. A sales manager position has been added in the OCC budget, but will only be filled if the hotel project moves forward.

PCPA will eliminate two painter positions and a lead stage door position and add a new position to supervise maintenance and engineering services. PCPA's mission to support local resident arts groups by providing discounted rental rates of performance spaces remains challenging.

Expo does not receive transient lodging tax support for operations and must meet its debt service obligations for Hall D through annual operating revenues. The budget shows a \$165,000 increase in funding in renewal and replacement from the MERC pooled capital account.

The Oregon Zoo generates the majority of its operating costs through gate admissions, memberships and sales related to concerts, train rides, food and other concessions. The Oregon Zoo Foundation provides operational support as well as major capital fund raising. The General Fund provides the remainder of the zoo's annual operating costs. The budget proposes two new animal keeper positions, offset by a reducing temporary service employees, to provide continuous, safer and better care for the animals. A number of part-time positions will be either increased or decreased, based on creating program efficiencies and reflecting how operations are conducted. The zoo has made continuous improvements in its use – and past overuse – of temporary staff.

The largest changes in the zoo's budget are the elimination of a Deputy Director position, with the retirement of a long-term employee, and the elimination of parking revenue due to a new agreement with the City of Portland. The General Fund will continue to fund positions transferring from parks programs; some limited funding from the Smith and Bybee Wetlands Fund also continues to fund a portion of the naturalist staff. The Solid Waste Fund will pay for its environmental education programs, including the outdoor school payments.

In the Oregon Zoo Infrastructure and Animal Welfare bond program, staff and expenses associated with the comprehensive capital master plan are eliminated, reflecting the successful completion of those activities. The next stages of construction, including the six-acre reconstruction of the elephant habitat, will have an impact on zoo operations. Train revenue will decline during the six-month period that train service will be disrupted, but staff is considering ways to incorporate "construction watching" into the visitor experience. The arrival of baby elephant Lily is expected to help mitigate attendance concerns. Other significant non-bond capital projects include the continuation of the new aviary projects funded by The Oregon Zoo Foundation.

Operational Support

Communications

Metro's Communications department supports the Metro Council and departments in providing public information and supporting public involvement in key agency decisions. Audiences include other government partners, specific advocacy groups, media outlets and the general public. The proposed budget represents a broad range of information and engagement activities but represents a \$140,000 reduction in materials and services resources.

Opt In's technical platform and panel will be funded by the General Fund while specific surveys will be funded by its users: Metro programs or other partners. Because of resource limitations, Communications will provide reduced support to the CII.

The department, in partnership with Information Services, will deliver a new website during the upcoming fiscal year.

Finance and Regulatory Services

In addition to its portfolio of financial services, risk management and procurement, Finance and Regulatory Services is responsible for solid waste regulation, rate setting and financial analysis and modeling for solid waste operations. The proposed budget includes the transfer of four positions from the MERC Fund into agency-wide financial services, a continuing step in the consolidation of MERC and Metro business services. This allows Finance and Regulatory Services to eliminate two positions mid-year, one in accounting and one in procurement, following the retirement of long-serving staff.

The Solid Waste Information System, the data base application supporting solid waste fee and tax collection and reporting, will be operational on July 1. A new budget module application will become operational in May 2013, and a Phase 1 implementation of Metro's financial systems application is currently underway.

Human Resources

Human Resources supports both the operating units and the individuals of Metro, providing strategic leadership, building collaborative relationships, promoting diversity and instilling best human resources management practices.

A limited duration position authorized for FY 2011-12 to review, update and refresh personnel policies will conclude successfully. The proposed budget includes a 0.75 FTE limited duration position with a new focus including a limited classification review of administrative positions common to Metro and visitor venue programs. The position will also support diversity activities including targeted employment materials.

Information Services

Keeping pace with technology remains a challenge for Metro. Information Services supports Metro's goals and business processes through the development, implementation, support and management of its information systems.

A limited duration Records Management Analyst position is converted to regular status at its current level of 0.5 FTE to continue management of Planning and Development records. In addition the proposed budget includes resources to conduct security and intrusion testing on network, web and application systems.

To continue to accept credit cards for payment, an essential business service for the visitor venues and transfer stations, Metro must establish comprehensive security and testing protocols. The budget also includes a significant increase in maintenance and support costs for business applications (financial systems, human resources and timekeeping systems and electronic records storage and retrieval). The budget shows 2.0 FTE moving from the MERC Fund to Information Services to further consolidate services across the agency.

Office of Metro Attorney

The Office of Metro Attorney provides legal services for the Metro Council, the Metro Auditor, the Chief Operating Officer and all of Metro's operating units and commissions. Office of Metro Attorney provides review and advice to the Metro Council to support its land use and transportation decisions. Attorneys are assigned to direct due diligence responsibilities for the Natural Areas acquisitions and to advise the Oregon Zoo for the master planning, land use and development approvals for the new bond measure.

General Expense

The General Expense category includes non-program revenues such as property tax, excise tax and interest earnings as resources. On the expenditure side, it includes non-operating expenses such as general obligation debt, transfers, and, in the General Fund, special appropriations that are not tied to an individual program, service or center. The greatest interest centers on the General Fund, which is discussed in detail below.

Revenues

The General Fund includes three important discretionary revenues: property tax, excise tax and interest earnings. These are the resources that the Council can direct by choice to any general purpose. Since 2008 interest earnings have remained at an unprecedented low, effectively removing them from being considered a primary resource.

The excise tax on Solid Waste disposal is established in Metro Code to generate a defined yield and may increase annually based on a specific consumer price index. The rate is calculated based on tonnage of the prior two years. For FY 2013-14 the proposed rate will increase by 10 cents per ton; Excise tax on other Metro facilities and services remains at 7.5 percent. Discretionary excise tax is expected to generate \$15 million, a slight increase over the current year.

Construction excise tax has been recovering to pre-recession levels and is expected to increase in FY 2013-14. CET is a dedicated tax and is used to support Community Planning and Development grants.

Property taxes are levied for both operations (discretionary) and general obligation debt service (dedicated). The operating levy has a permanent rate of .0966, about ten cents, and raises \$12 million for discretionary purposes. The levy for general obligation will be \$36.4 million, based on debt schedules and cash flow requirements for existing debt. The estimated schedule is based on a not-to-exceed maximum for each issue, consistent with promises made to Metro taxpayers. If the voters pass the Parks and Natural Areas Local Option Levy in May 2013, it will add another .0966, raising approximately \$10 million in FY 2013-14.

Despite economic conditions, collections have remained strong and are estimated to be 94.5 percent. Combined, the estimated tax rate for an urban Metro resident is 38 cents, or about \$76 for owners of property assessed at \$200,000.

Expenditures

The General Expense spending includes general agency payments for elections, the outside annual audit, and, in accordance with the financial policies, the appropriated contingency for the General Fund and the annual contribution to renewal and replacement. The Council Opportunity fund provides the Council with a modest resource to take advantage of new opportunities that arise which require a partnership match or otherwise leverage existing budgeted funds. In FY 2013-14 the fund has been reduced from \$500,000 to \$250,000 to assist in balancing the General Fund.

The General Expense category also includes special appropriations. These include payments for previously awarded grants for Nature in Neighborhoods small projects and Community Planning and Development grants; and payments for specific organizational dues and sponsorships such as Rail~Volution, the Regional Arts and Culture Council, Regional Water Consortium and the Lloyd Business Improvement District.

The proposed FY 2013-14 budget maintains \$25,000 for Greater Portland, Inc., membership; \$50,000 for Intertwine organizational support, which has been a diminishing allocation as part of a three year schedule to reach the \$50,000 required to be a sustaining member; and \$60,000 to support Greater Portland Pulse, the regional indicators project housed at Portland State University. The annual Metro Tourism Opportunity Competitiveness Account transfer to MERC is decreased to \$418,663 and designated for the Convention Center Hotel project.

A continuing agency-wide project, the major conversion of the agency's primary website, is budgeted in General Expense and funded by assessments to all funds on a one-time basis. The total project cost is \$592,000 over 18 months and includes a limited duration position. Solid Waste will provide \$333,000 over two years, reflecting the greatest number of user inquiries, particularly for recycling information. The General Fund will provide \$225,000; the remainder includes very small assessments to the MERC, Natural Areas and zoo bond funds. The project is expected to be completed during FY 2013-14.

CAPITAL IMPROVEMENT PLAN

The five-year Capital Improvement Plan identifies all capital projects which exceed \$100,000 and meet the State of Oregon's definition for public improvements. The \$184 million CIP spending plan includes 155 projects, about one quarter new capital projects and three quarters scheduled renewal and replacement projects. On a funding basis, it is the reverse – about 80 percent of the spending is related to new capital, led by the Natural Areas and zoo bond projects.

New capital projects

The General Fund does not have a reserve for new capital projects, relying on the accumulation of one-time resources from unanticipated revenues or underspending in a prior year to fund the most critical new capital needs. The pace of Natural Areas acquisitions has been increasing, and the zoo has begun the Elephant Lands habitat project, the largest of the zoo bond projects.

Renewal and replacement

Renewal and replacement projects are scheduled according to the expected useful life of the asset and its condition. All operating funds make annual contributions for renewal and replacement. This accumulating strategy is intended to smooth out the funding in years when higher cost projects are scheduled. The General Fund contribution in FY 2013-14 will be \$1.8 million.

The MERC Fund is currently in a lower spending period but has several expensive projects, including the OCC roof, scheduled to begin in FY 2013-14.

Significant renewal and replacement projects for FY 2013-14 include a \$1 million roof update at OCC; \$380,000 lighting efficiency project at Expo; and \$582,000 to partially replace the roof at the Metro Regional Center.

SOLID WASTE RATES

As a companion to the budget, we are also presenting the proposed solid waste rate ordinance and its accompanying rate report. The Council will receive a review of the rates prepared by an independent consultant. Interested parties may testify or comment on the rates under either the budget ordinance or the rate ordinance.

Based on the proposed budget, the anticipated tip fee, including all fees and taxes, will be \$94.33 on August 1, an increase of \$0.49 over current rates. The agency is making a conscious decision to keep rates similar to the previous year after three years of \$4 dollar increases. A proposal to capture a portion of the fixed costs from recoverable solid waste, particularly organics processing, helps avoid a higher fee increase.

CHARTER LIMITATION ON EXPENDITURES

Metro's charter includes a limitation on expenditures of certain tax revenues imposed and collected by Metro, specifically the general excise tax and the construction excise tax. The general excise tax is a yield-base tax which may increase annually only by the consumer price index. The expenditure limit for FY 2013-14 is \$20.5 million; budgeted expenditures are \$18.8 million. The proposed budget does not exceed this limitation.

The majority of the excise tax is collected on solid waste activities and is calculated as a per-ton tax. The proposed rate for FY 2013-14 is \$12.29 per ton, an increase of 10 cents. The excise tax on services and product sales provided by Metro facilities remains 7.5 percent. Activities at the Oregon Zoo are specifically exempted by Metro Code; activities at PCPA are excluded by intergovernmental agreement with the City of Portland, the owner of the facilities.

Metro assesses an excise tax on construction permits throughout the region to fund land use planning to make land ready for development. Collections are continuing to improve after declining sharply when building activity fell off during the recession.

Today's Decisions Shape Metro's Future

Each year's budget is a chance to prepare both for the coming year and for the longer term. Preparing for the future is a core element of Metro's charter and organizational culture, and this budget reflects that value. As we look to the future, we remain focused on four things:

Footprint

How big is Metro and are we organized in the best possible way?

The FY 2013-14 budget continues to focus in balancing the resources we have with the need to maintain the talent we have developed. In some areas of the organization, this means we have had to reduce a program or activity and the related staffing. In other areas, the outcome of the May 2013 election will determine whether the region wants us to expand our programs for the period of the levy. As with past budgets, we have critically examined our one-time projects to ensure they have clear one-time objectives so they can reach a successful conclusion. The future of federal transportation funding remains a critical issue for the agency, and we have again “rightsized” both the general planning transportation program and the work unit that does planning for specific corridors.

Focus

Are we focusing on our priorities, applying our expertise in a way that Metro can make the most significant contribution?

The FY 2013-14 budget again applies two tests to our agency’s programs to ensure we have the right programs and efforts and are working towards the right outcomes in our region. First, the six desired regional outcomes ensure that we are clear about the ways our work helps make this region a great place. Throughout the agency, the budget reflects this focus – healthier environment, vibrant communities, economic prosperity, clean air and water, opportunity for all citizens, and leadership on climate change. The Metro Compass, too, challenges us to prioritize the things that we are passionate about, that we do best in the world, and that build trust and support with our citizens.

Employee Compact

What is Metro’s strategy as an employer?

Metro is fortunate that our employees – non-represented and represented – are well informed about Metro’s financial condition and have collaborated with agency leadership on strategies to contain costs and preserve jobs. The proposed budget implements changes in collective bargaining agreements. Metro’s Joint Labor-Management Committee is continuing to work on options to increase the sustainability of Metro’s health care benefits. Additionally, the implementation of the Affordable Care Act is being done in a way that supports the needs of employees and the operational constraints of our agency.

Resources

Is Metro increasing resources that allow us to deliver services?

The proposed budget anticipates that the voters will approve additional funds for improving the region’s natural areas, water quality and fish habitat. Outside of these programs, the budget continues to use public resources to support development in our region’s communities. The budget anticipates that the Regional Infrastructure Enterprise will emerge to assist with building the infrastructure that supports Metro’s urban growth strategy. The proposed budget also invests in the OCC hotel project, and in capital projects that keep our other enterprises viable.

The proposed budget also includes resources to engage our citizens. The Equity Strategy project in particular will help us work with citizens who traditionally have not been involved at the regional level.

METRO VALUES:

Public Service

Excellence

Innovation

Respect

Teamwork

Sustainability

Public Trust is Key to Public Service

As I said last year, Metro's greatest asset is the confidence of its citizens. As Budget Officer, I am required to develop a balanced budget for your consideration. This proposed budget for FY 2013-14 will continue Metro's legacy as a leader in civic innovation and public service, with a focus on making a great place for all of the region's residents. I am grateful for the work of the department directors in its development and for the opportunity to work with the Metro Council to ensure that this budget is a responsible spending plan that carefully stewards the resources of the agency, not only next year, but also well into the future.

I look forward to your deliberations.

Sincerely,

A handwritten signature in cursive script, appearing to read "Martha J. Bennett".

Martha J. Bennett
Chief Operating Officer.