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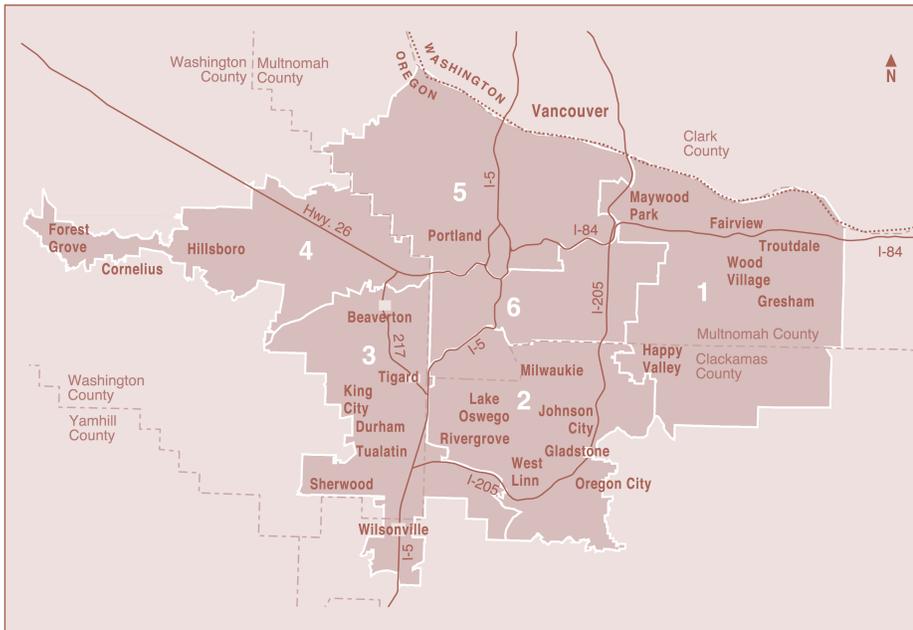
2011-12

PROPOSED BUDGET

Summary



Metro | *Making a great place*



Your Metro representatives

Council President

Tom Hughes
503-797-1889

District 1

Shirley Craddick
503-797-1547

District 2

Carlotta Collette
503-797-1887

District 3

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503-797-1549

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Kathryn Harrington
503-797-1553

District 5

Rex Burkholder
503-797-1546

District 6

Barbara Roberts
503-797-1552

Auditor

Suzanne Flynn, CIA
503-797-1891

Metro

Making a great place

Clean air and clean water do not stop at city limits or county lines. Neither does the need for jobs, a thriving economy and good transportation choices for people and businesses in our region. Voters have asked Metro to help with the challenges that cross those lines and affect the 25 cities and three counties in the Portland metropolitan area.

A regional approach simply makes sense when it comes to protecting open space, caring for parks, planning for the best use of land, managing garbage disposal and increasing recycling. Metro oversees world-class facilities such as the Oregon Zoo, which contributes to conservation and education, and the Oregon Convention Center, which benefits the region's economy.

2011-12

PROPOSED BUDGET – SUMMARY

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Budget summary

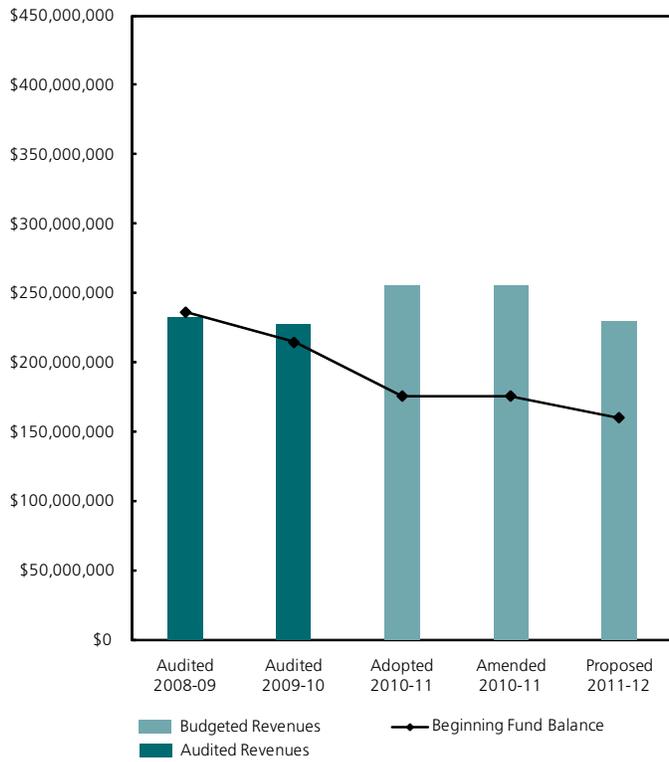


Budget summary by year

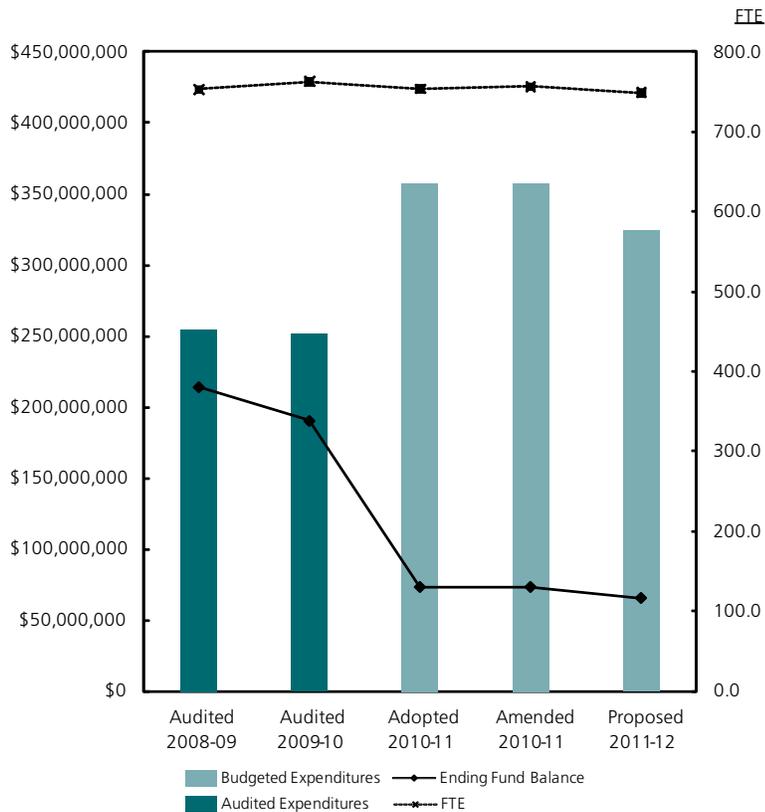
	Audited FY 2008-09	Audited FY 2009-10	Adopted FY 2010-11	Amended FY 2010-11	Proposed FY 2011-12	Approved FY 2011-12	Adopted FY 2011-12	Change from FY 2010-11 Amended
RESOURCES								
<i>Beginning Fund Balance</i>	\$236,190,429	\$214,223,352	\$175,322,025	\$175,322,025	\$159,647,197			(8.94%)
Current Revenues								
Real Property Taxes	44,897,096	51,457,063	48,483,349	48,483,349	39,039,151			(19.48%)
Excise Tax	14,705,646	14,392,093	16,203,937	16,203,937	16,705,765			3.10%
Other Derived Tax Revenue	24,168	25,497	23,300	23,300	25,000			7.30%
Grants	14,306,069	13,115,905	14,783,392	14,809,693	12,271,501			(17.14%)
Local Gov't Shared Revenues	11,202,982	10,406,511	11,173,508	11,173,508	11,708,979			4.79%
Contributions from other Gov'ts	1,001,028	2,271,100	2,361,371	2,547,234	3,827,419			50.26%
Enterprise Revenue	109,086,690	109,754,507	118,870,045	118,870,045	120,751,815			1.58%
Interest Earnings	6,675,487	2,131,822	1,611,106	1,611,106	825,959			(48.73%)
Donations	8,324,043	5,235,274	1,806,930	1,806,930	3,041,100			68.30%
Other Misc. Revenue	2,758,599	2,469,556	2,514,169	2,514,169	302,779			(87.96%)
Bond and Loan Proceeds	5,000,000	0	15,000,000	15,000,000	0			(100.00%)
Interfund Transfers:								
Interfund Reimbursements	7,474,080	7,680,866	8,396,573	8,396,573	9,397,205			11.92%
Internal Service Transfers	944,972	2,723,052	3,122,488	3,122,488	3,000,237			(3.92%)
Interfund Loan	0	0	0	0	0			0.00%
Fund Equity Transfers	6,389,113	5,925,727	10,765,853	10,765,853	8,816,595			(18.11%)
Subtotal Current Revenues	232,789,973	227,588,973	255,116,021	255,328,185	229,713,505			(10.03%)
TOTAL RESOURCES	\$468,980,402	\$441,812,325	\$430,438,046	\$430,650,210	\$389,360,702			(9.59%)
REQUIREMENTS								
Current Expenditures								
Personal Services	\$70,830,852	\$71,819,988	\$76,661,194	\$76,999,346	\$79,107,224			2.74%
Materials and Services	92,362,911	95,771,568	122,107,946	121,993,043	119,918,224			(1.70%)
Capital Outlay	31,654,775	22,391,158	62,131,378	62,331,378	35,711,934			(42.71%)
Debt Service	45,100,347	45,182,021	41,954,002	41,954,002	35,261,700			(15.95%)
Interfund Transfers:								
Interfund Reimbursements	7,474,080	7,680,866	8,396,573	8,396,573	9,397,205			11.92%
Internal Service Transfers	944,972	2,723,052	3,122,488	3,122,488	3,000,237			(3.92%)
Interfund Loan	0	0	0	0	0			0.00%
Fund Equity Transfers	6,389,113	5,925,727	10,765,853	10,765,853	8,816,595			(18.11%)
Contingency	0	0	32,455,006	32,217,620	33,157,377			2.92%
Subtotal Current Expenditures	254,757,050	251,494,380	357,594,440	357,780,303	324,370,496			(9.34%)
<i>Ending Fund Balance</i>	<i>214,223,352</i>	<i>190,317,945</i>	<i>72,843,606</i>	<i>72,869,907</i>	<i>64,990,206</i>			<i>(10.81%)</i>
TOTAL REQUIREMENTS	\$468,980,402	\$441,812,325	\$430,438,046	\$430,650,210	\$389,360,702			(9.59%)
FULL-TIME EQUIVALENTS	753.06	762.84	753.94	756.60	749.56			(0.93%)
FTE CHANGE FROM FY 2010-11 AMENDED BUDGET								(7.04)

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 two primary sources: beginning fund balance and current revenues. 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.

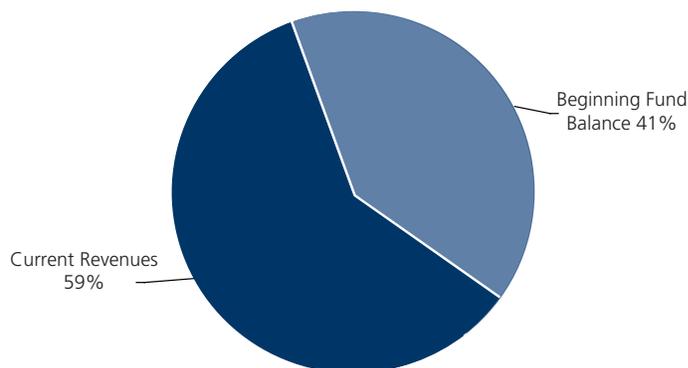
BEGINNING FUND BALANCE

The beginning fund balance for each fund consists of unspent resources carried forward from the previous fiscal year. Primary among these are resources in the Natural Areas Fund for bond proceeds authorized by the voters in November 2006 and issued in spring 2007, and in the Solid Waste Revenue Fund for operations, capital projects and other dedicated accounts. These funds account for 48 percent of the beginning fund balance. 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 \$24.9 million beginning fund balance accounts for 15.6 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, future elections costs and participation in a development opportunity fund. The FY 2011-12 budget sets side \$1.8 million for years two and three of a cross functional project called the Community Investment Strategy. 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 2011-12 about \$6.1 million of the General Fund's beginning fund balance is funding these financial reserves.

Metro's beginning fund balance constitutes 41 percent of its total resources.

FY 2011-12 Total resources



Total resources \$389,360,702

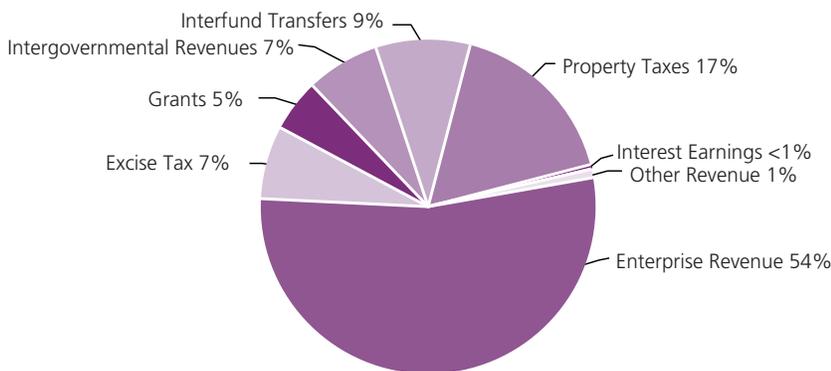
CURRENT REVENUES

Current revenues account for 59 percent of Metro's total resources. Metro's enterprise activities provide the largest amount of fee-generated revenues, constituting 54 percent of current revenues. Property tax revenues provide the next largest amount of total current revenues at 17 percent, followed by interfund transfers at 9 percent and intergovernmental revenue and excise tax at 7 percent each. Federal, state and local grants provide 5 percent. The major elements of current revenues and the percentage of total current revenues they represent include the following:

Enterprise revenues– 54 percent

Enterprise activities account for the largest piece of current revenues at \$120.8 million. Metro's largest enterprise activity is solid waste disposal, generating \$56.5 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 1.0 percent increase over the FY 2010-11 budget. Tonnage related disposal fees are anticipated to increase about 2.0 percent. Metro saw a dramatic decline in tonnage in the past several years due to the economic downturn. Forecasts now indicate that the decline has flattened out and will remain at this lower level through the end of FY 2011-12. However, costs related to new disposal facility operating contracts have resulted in higher disposal charges. The Visitor Venues (Oregon Zoo, Oregon Convention Center, Portland Center for the Performing Arts and Portland Expo Center) produce \$49.2 million and regional parks facilities another \$2.8 million. In spite of record attendance at the Oregon Zoo, per capita spending by visitors has yet to return to pre-recession levels. Regional park revenues are projected to increase moderately over FY 2011-12. Glendoveer golf course revenues are expected to increase after falling to historic lows in FY 2009-10 and FY 2010-11. Careful monitoring will be necessary to determine if this is a short term event or an indication of a longer term trend requiring modification to revenue projections. The Risk Management Fund generates \$10.2 million in internal charges for services to Metro centers and services for health and welfare premium costs. Parking fees, business license fees and Data Resource Center revenues account for the remainder of enterprise revenues. Parking fees increased by \$10 for monthly parking both in spring 2010 and 2011.

FY 2011-12 Current revenues



RESOURCES

<i>Beginning Fund Balance</i>	<i>\$159,647,197</i>
Current Revenues	
Real Property Taxes	\$39,039,151
Excise Tax	16,705,765
Other Derived Tax Revenue	25,000
Grants	12,271,501
Local Gov't Shared Revenues	11,708,979
Contributions from other Gov'ts	3,827,419
Enterprise Revenue	120,751,815
Interest Earnings	825,959
Donations	3,041,100
Other Misc. Revenue	302,779
Interfund Transfers:	
Interfund Reimbursements	9,397,205
Internal Service Transfers	3,000,237
Interfund Loan	0
Fund Equity Transfers	8,816,595
Subtotal Current Revenues	\$229,713,505

Total current revenues \$229,713,505

Property taxes– 17 percent

Metro expects to receive \$39.0 million in property tax revenues in FY 2011-12. This includes current year tax receipts to the General Fund directed toward operations (\$11.4 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 (\$26.5 million). The remainder, approximately \$1.1 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.

Interfund Transfers– 9 percent

Metro budgets its resources in separate and distinct funds. Transfers between funds pay for internal services provided directly by one center or service 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 \$12.4 million in FY 2011-12. The transfer classification also includes \$8.8 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. Interfund transfers appear in the budget as both a resource to the receiving fund and a requirement for the transferring fund.

Excise Taxes– 7 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, elections expense and lobbyist functions. The tax also supports various planning, parks and natural areas activities.

The Metro excise tax is levied as a flat rate per-ton tax on solid waste activities and as a percentage on all other authorized revenues. For budgeting purposes, the amount of excise tax raised by the flat rate per-ton may be increased based on an annual Consumer Price Index factor. The rate for all other authorized revenues remains the same from year to year unless amended by the Metro Council by ordinance. The current percentage rate for all other authorized revenue is 7.5 percent.

In addition to the base per-ton tax generated on solid waste activities, an additional per-ton tax has been levied in previous years. The additional levy was set initially at \$3.00 per ton in FY 2004-05 for specified purposes; in FY 2006-07 the dedications were removed from the Metro Code and became subject to the annual budget process. The FY 2010-11 budget implemented an additional change, combining the additional tax into a single per-ton base rate. This increases predictability and moderates revenue swings in times of either increasing or decreasing tonnage. The combined base rate is modified by the CPI indicator, not tonnage, in future years; the charter limitation on expenditures does not change. The combined rate results in a flat fee of \$11.80 per ton on solid waste tonnage. The decline in solid waste tonnage, mirroring the economic downturn in construction, has resulted in a lower forecast for general excise tax receipts during FY 2010-11. The FY 2011-12 budget projects a relatively flat tonnage base for the year. The collection of excise tax on revenues generated by the Oregon Zoo was eliminated effective Sept. 1, 2008, a reduction of about \$1.4 million annually.

The Metro excise tax is projected to raise \$15.1 million from these sources during FY 2011-12.

In 2006, the Metro Council adopted a construction excise tax to provide funding for expansion area planning. Effective July 1, 2006, the 0.12 percent tax is levied on building permit values of the new construction. Local jurisdictions collect the tax on behalf of Metro as part of the permit process. In June 2009 the Metro Council extended the tax for an additional five years, until Sept. 30, 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. The Construction Excise Tax is expected to generate \$1.6 million in FY 2011-12.

Intergovernmental Revenues– 7 percent

Metro receives revenue from both state and local agencies. Among these are hotel/motel 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.

Grants– 5 percent

Grants are anticipated to provide \$12.3 million to the revenue mix. The primary planning functions of the agency – Planning and Development and the Research Center – receive approximately \$10.5 million in grant funds, about 85 percent of all grants. These functions rely on federal, state and local grants to fund most of the transportation planning and modeling programs. The delay in the federal reauthorization of transportation funding has placed a portion of these grants funds at risk. However, a \$2 million multi-year grant from the Federal Transit Administration to study the best ways to improve transit in the Southwest corridor between downtown Portland and Sherwood as well as the second year of a three year funding commitment from the State of Oregon related to the study of greenhouse gas emissions will provide substitute or bridge funding until such time as the federal funding is reauthorized. Metro also receives grants for projects planned at regional parks and natural areas, Oregon Zoo and solid waste facilities.

Other miscellaneous revenues– 2 percent

In FY 2011-12 other revenues include \$1.6 million in operating and capital donations to the zoo, \$500,000 in donations and sponsorship revenue to MERC and \$866,000 in donations for the Natural Areas program.

Interest– <1 percent

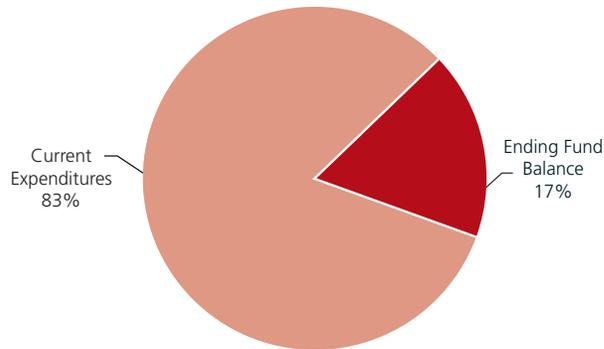
Interest earnings are projected at \$826,000. Interest earned is based upon investing cash balances throughout the year. This revenue source fluctuates by the planned spending of bond proceeds and the current rates earned by investments, estimated at 0.5 percent for FY 2011-12. The earnings rate is considerably lower than prior years' rates due to current market conditions. In FY 2009-10 the most recent audited year, Metro earned \$2.1 million; in FY 2010-11, Metro is estimated to earn about \$1.2 million.

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.

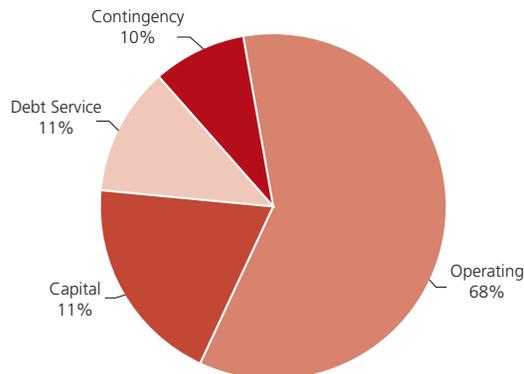
Metro's total current expenditures are allocated for the specific programs and functions described in the Organizational Summary section contained in the body of this budget document. Sixty-eight percent of current expenditures support the operations of Metro facilities such as the Oregon Zoo, the Oregon Convention Center, the Portland Expo Center, Portland Center for the Performing Arts, 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 11 percent is dedicated to debt service on outstanding general obligation and revenue bonds, and 11 percent is allocated for capital outlay and improvements to various facilities and acquisition of new natural areas. Contingencies for unforeseen needs, such as unexpected increases in costs or drops in revenue, make up the balance of current expenditures.

FY 2011-12 Total requirements



Total requirements \$389,360,702

FY 2011-12 Current expenditures by purpose

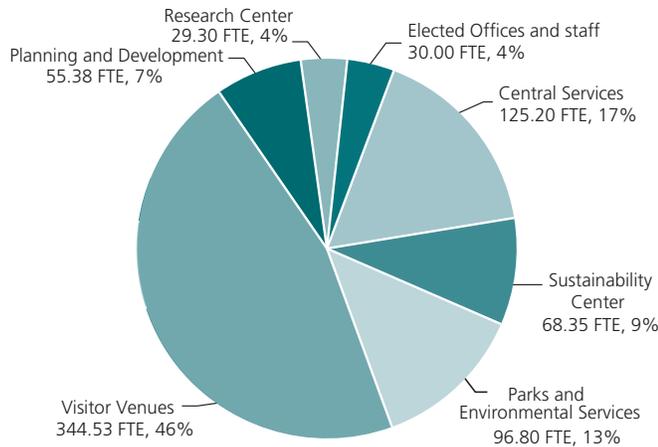


Total expenditures by purpose \$324,370,496

Full-time equivalent staff (FTE) totals 749.56 positions for Metro. Fifty nine percent of these staff work for two organizational units: Visitor Venues (Oregon Convention Center, Portland Center for the Performing Arts, Portland Expo Center and Oregon Zoo) and Parks and Environmental Services.

Metro uses its resources for a variety of programs and functions related to its primary goals. Those programs and functions are explained in detail in the Organizational Summary section contained in the body of this budget document and in the program budget narratives contained in the FY 2011-12 Program Budget. The chart on page B-10 and the following explanation give the information by expenditure classification.

FY 2011-12 FTE positions by function



Total FTE 749.56

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 and transfers to other funds. The major elements of current expenditures and the percentage of total current expenditures they represent include the following:

Personal services– 24 percent

Metro plans to spend about \$79.1 million for salaries and wages and related expenditures for its employees in FY 2011-12. Personal services includes employee related benefit costs such as health and welfare and pension contributions. Fringe benefits are about 40 percent of salaries and wages, and 28.5 percent of total personal services costs. For a more detailed discussion of fringe benefits refer to the appendix “Fringe benefit rate calculation.” A ten-year comparison of salaries, wages and benefits is provided later in this section.

The FY 2011-12 budget includes 749.56 full-time equivalent positions, a reduction of 7.04 FTE. “FTE” means regular, benefit-eligible full or part-time positions. While temporary, seasonal and event-related labor costs are reflected in the total personal services expenditures, these employees are not considered as FTE. A discussion of staff levels is provided later in this section.

Materials and Services– 37 percent

Metro plans to spend about \$119.9 million on materials and services in FY 2011-12. 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 \$27.3 million). Materials and services also include costs for contracted operations of the Oregon Convention Center, the Oregon Zoo, the Portland Center for the Performing Arts, the Portland Expo Center and the regional parks.

Capital outlay– 11 percent

Approximately \$35.7 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 \$20.9 million for land acquisition and capital expenditures related to the Natural Areas program, \$3.6 million for solid waste facility capital projects, \$5.8 million for capital improvements at the Oregon Zoo under the Oregon Zoo Infrastructure and Animal Welfare bond measure and \$1.4 million for capital improvements at MERC facilities. Another \$2.4 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.

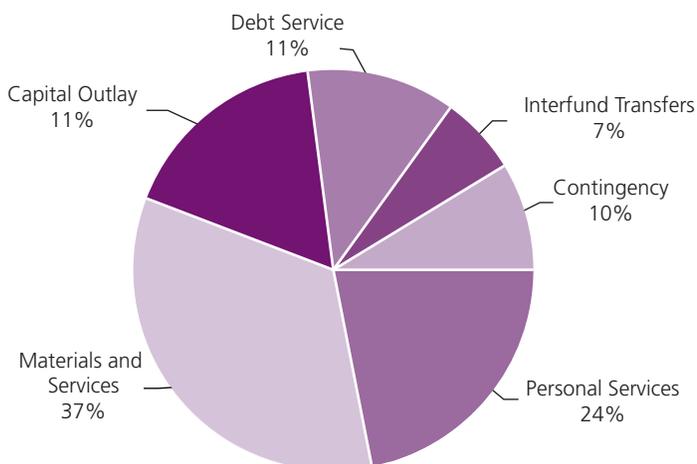
Debt service– 11 percent

Debt service provides for payments on general obligation and full faith and credit bonds sold for the Oregon Convention Center, Metro Regional Center, the Open Spaces Acquisition program, the Natural Areas program, the Expo Center and the Oregon Zoo. Refer to the Debt Summary portion of this budget for the debt service schedules.

Interfund transfers– 7 percent

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 2011-12 total about \$21.2 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.

FY 2011-12 Current expenditures by budget category



REQUIREMENTS

Current Expenditures

Personal Services	\$79,107,224
Materials and Services	119,918,224
Capital Outlay	35,711,934
Debt Service	35,261,700
Interfund Transfers:	
Interfund Reimbursements	9,397,205
Internal Service Transfers	3,000,237
Interfund Loan	0
Fund Equity Transfers	8,816,595
Contingency	33,157,377
Subtotal Current Expenditures	\$324,370,496
Ending Fund Balance	64,990,206
TOTAL REQUIREMENTS	\$389,360,702

Total current expenditures \$324,370,496

Contingency– 10 percent

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.

PROGRAM BUDGET

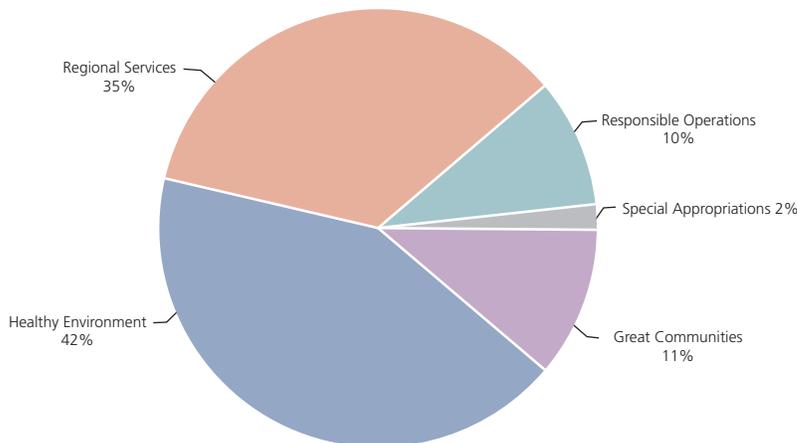
Another way to consider the budget is by program, organized by Metro goals and program performance measures. The detailed program budget can be found in FY 2011-12 Proposed Program Budget.

The four Metro goals – Great Communities, Healthy Environment, Regional Services and Responsible Operations – are an expression of Metro’s strategic intent for the region. In some cases Metro has a direct service aligned with a particular goal; in others, Metro serves as the convener or facilitator, working collaboratively with its local partners and regional residents toward the outcome.

The program budget also includes both agency-wide measures and program specific measures that look at how Metro operates: its business practices, its relationships inside the organization and its relationships within the region.

Metro’s budget and appropriations schedules have been organized under state law by fund, by organizational unit and by specific budget categories of expense. Metro’s goals rise above and cross over fund and organizational unit boundaries. The program budget demonstrates the ways in which our programs interrelate and support Metro’s strategic intent for the region.

FY 2011-12 Program expenditures by Metro goal



Total program expenditures \$245,507,907

The above chart shows the respective operational spending, without contingency, across all goals areas. The program budget which accompanies the proposed budget gives additional detail about the individual goals, the specific programs aligned with those goals and how Metro measures the activities and performance of the individual programs.

Fund balances

BEGINNING FUND BALANCE

Approximately 41 percent (\$159.6 million) of Metro's FY 2011-12 total resources comes from beginning fund balances — money carried over from previous fiscal years.

Solid Waste Revenue Fund– \$39.5 million

The Solid Waste Revenue Fund's beginning fund balance of \$39.5 million comprises the largest piece of the beginning fund balance resource. This amount includes \$5.1 million in reserves for landfill closure; \$8.7 million in the Renewal and Replacement Account; \$5.8 million for capital reserves; \$6.9 million in other dedicated accounts for rate stabilization and pension liability, \$5.2 million for environmental impairment; and \$7.8 million in undesignated fund balance.

Natural Areas Fund– \$36.7 million

The Natural Areas Fund's beginning fund balance of \$36.7 million comprises the second largest piece of the beginning fund balance resource. In November 2006 the voters of the Metro region approved a \$227.4 million general obligation bond measure. In April 2007 Metro issued the first series of bonds under this authorization for \$125.4 million.

General Fund– \$24.9 million

This is the combined balance for several major operating areas — Oregon Zoo, Parks and Environmental Services, Planning and Development and Research Center — as well as all general government and central service functions such as Metro Council, Metro Auditor, Metro Attorney, Communications, Finance and Regulatory Services, Human Resources and Information Services. It includes several dedicated reserves such as the General Fund Recovery Rate Stabilization Reserve, the PERS Reserve for pension liability and a reserve for future debt service on the full faith and credit bonds issued to refinance the Metro Regional Center. It also includes reserves for cash flow and fund stabilization. In January 2007 Metro performed a comprehensive review of fund balance needs in the General Fund. Based on this historical analysis, the “adequate reserves” financial policies call for a minimum of 7 percent of operating expenditures to be set aside in either a contingency or stabilization reserve to guard against unexpected downturns in revenues and stabilize resulting budget actions. The 7 percent target provides a 90 percent confidence level that revenues might dip below this amount only once in a ten-year period. If Metro taps into reserves as a reaction to an economic downturn, then in accordance with the “pay ourselves first” financial policy, these reserves will be replenished before developing spending plans in the subsequent year.

MERC Fund– \$23.0 million

This is the combined operating and capital balance for the three facilities (Oregon Convention Center, Expo Center and Portland Center for the Performing Arts) managed by MERC. In FY 2010-11 Metro and MERC initiated a similar reserve study for the MERC fund, resulting in reserving recommendations for the proposed budget. Operating contingency and stabilization reserves are sized by venue, recognizing the differences in lines of business. Accumulation reserves for renewal and replacement provide a firm five-year plan and will be the basis for continuing refinement work to move toward the 15-year plan that has served the General Fund well. Additional reserves for new capital and business strategy have been identified for all three venues.

General Obligation Bond Debt Service Fund– \$13.2 million

This amount is required to pay debt service due early in FY 2011-12 before property tax revenues are received.

Oregon Zoo Infrastructure and Animal Welfare Fund – \$7.4 million

In November 2008 the voters of the Metro region approved a \$125 million general obligation bond measure for Oregon Zoo infrastructure and projects related to animal welfare. Five million in bonds were issued under this authorization in December 2008 and another \$15 million was issued in August 2010. The fund balance reflects the unspent balance of these proceeds.

General Renewal and Replacement Fund– \$4.9 million

The General Renewal and Replacement Fund provides long term funding for the future renewal and replacement of the General Fund's assets. The fund is managed to provide a positive balance for a minimum of 15 years. The 20 year asset plan is reviewed annually with a full inventory every five years.

Remaining Funds– \$10.1 million

The remainder of the total beginning fund balance is divided among Metro's seven other funds and includes a combination of reserves for debt, future long-term maintenance needs and funds held in trust.

ENDING FUND BALANCES

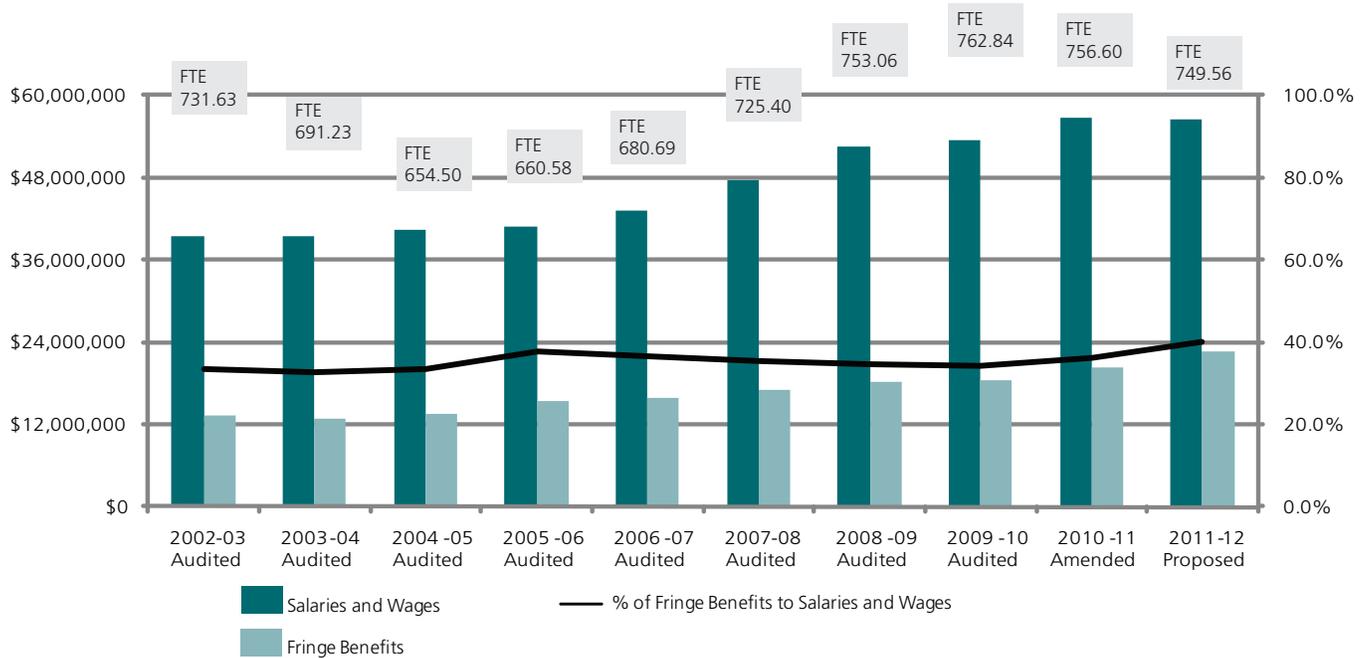
Ending fund balances in one fiscal year become the beginning fund balances of the next fiscal year. Metro plans to carry forward \$65.0 million into FY 2012-13. In addition to the planned carry-over at the end of FY 2011-12, Metro will also carry forward unspent contingency funds and any surplus from operations.

Primary among the planned funds to be carried forward are bond proceeds received in FY 2006–07 for the voter approved Natural Areas acquisition program, bond proceeds received in 2010 for voter approved Oregon Zoo infrastructure projects and reserves for specific purposes (solid waste activities and debt reserves) which are generally required by law, policy or operating agreement. In addition, planned ending balances also include funds to be carried over to provide cash flow for specific operations so that they can operate early in the next fiscal year even though their primary current revenues may not be received until later in that fiscal year.

Salaries, wages and benefits

The table below provides a ten-year comparison of salaries, benefits and authorized FTE.

FY 2011-12 Comparison of salaries and wages



Over the ten-year period authorized FTE has risen by approximately 18, mostly in enterprise or visitor venue areas such as the Oregon Convention Center, the Oregon Zoo and solid waste or hazardous waste disposal facilities. Decreases in FTE between FY 2002-03 through FY 2004-05 were in response to economic fluctuations seen as a result of world events like the World Trade Center terrorist attack of 9/11 and the fear of the SARS epidemic. As the economy began to stabilize and recover, the visitor venues once again began to grow. The reduction in FTE seen in FY 2010-11 and FY 2011-12 is again in response to the current economic situation.

Salaries are a reflection of authorized FTE and will be adjusted based on cost of living, step increase or merit awards, and other collective bargaining factors. Metro is currently engaged in bargaining with its largest unit (AFSCME 3580); other units have agreements already in place for FY 2011-12. The proposed budget establishes a progressive salary adjustment for non-represented employees, ranging from 2.5 percent for the least compensated employees and comparable to similar positions in represented positions, down to 0.5 percent for upper level professional staff. Executive staff earning more than \$125,000 will not receive a salary adjustment. 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. The Oregon PERS system was negatively impacted by investment losses during 2008 and 2009. The PERS rate will see a significant rate increase of 5.2 percent effective July 1, 2011. Anticipating this outcome, the Metro Council decided in FY 2009-10 to reserve for two years the 3.0 percent rate reduction of the current 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 FY 2011-12.

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 has moved to a cost sharing plan whereby the agency picks up a set percentage amount of the premium based on an employee's health and welfare elections. For FY 2011-12 non-represented employees will be on a 92 percent employer share and 8 percent employee share while most collective bargaining agreements will be on a 94 percent/6 percent cost sharing plan. As an agency, the budget assumes its total health and welfare costs will increase approximately 10 percent over the current year. Actual costs are dependent on provider proposals received each spring, which are reviewed by the agency's Joint Labor Management Committee on health care.

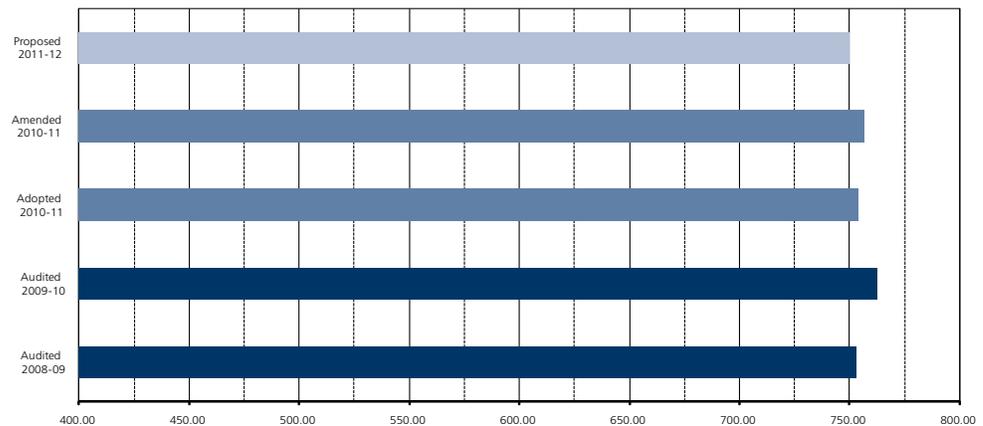
Additional discussion on staffing levels is provided later in this section. The appendices provide more detailed discussion on fringe benefit components.

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.

Between FY 2008-09 and FY 2009-10, staffing levels initially increased by 10 FTE, 1.3 percent. In response to the economic downturn, staff levels have decreased in each of the last two fiscal years to a level just slightly below FY 2008-09.

Historic staffing levels - overall



Historic staffing levels by service

	Audited FY 08-09	Audited FY 09-10	Adopted FY 10-11	Amended FY 10-11	Proposed FY 11-12	% Change from FY 10-11	% Change from FY 08-09
Office of the Metro Auditor	6.00	6.00	6.00	6.00	6.00	0.00%	0.00%
Office of the Council	24.83	26.90	24.50	25.25	24.00	(4.95%)	(3.34%)
Office of Metro Attorney	15.50	15.50	15.50	15.50	15.50	0.00%	0.00%
Communications	22.25	21.00	22.00	22.00	21.00	(4.55%)	(5.62%)
Finance and Regulatory Services	41.70	44.70	43.70	43.70	43.70	0.00%	4.80%
Human Resources	15.00	16.00	16.50	16.50	19.00	15.15%	26.67%
Information Services	22.50	24.50	23.50	23.50	26.00	10.64%	15.56%
Planning & Development	54.15	57.60	56.30	57.20	55.38	(3.18%)	2.27%
Parks & Environmental Services	112.80	104.55	97.55	98.55	96.80	(1.78%)	(14.18%)
Research Center	29.50	31.18	31.91	32.67	29.30	(10.32%)	(0.68%)
Sustainability Center	61.85	62.93	71.50	69.75	68.35	(2.01%)	10.51%
Visitor Venues	346.98	351.98	344.98	345.98	344.53	(0.42%)	(0.71%)
TOTAL	753.06	762.84	753.94	756.60	749.56	(0.93%)	(0.46%)

Several key factors have contributed to the overall change in FTE during this period:

Economy

Several years of economic recovery clearly had a positive impact on Metro's operations. Initially, even with the economic downturn, Metro continued to grow. Metro's revenue sources are more diverse than other local agencies, which are more dependent on one or two primary sources of revenue like property tax or business

income tax, which contract sharply in downturns. People stayed closer to home to take advantage of the local entertainment and visitor attractions in and around the metro region, resulting in record attendance at the Oregon Zoo and the Portland Center for Performing Arts. The Oregon Convention Center, which books major conventions years in advance, continued to do well. As operations increased, the Council authorized additional staff to meet service demands and expectations. However, as the economic downturn persists, Metro is not immune to its effects. Guests continue to visit the Oregon Zoo in record numbers, but they spend less on food and other concessions, producing flat revenue. The MERC venues have also noticed a decrease in days-per-event and the selection of less costly menus for events that previously selected the premium menus. The FY 2010-11 and FY 2011-12 budgets recognize the persisting economic impact on revenues, eliminating several positions and redirecting other staffing resources to the Metro Council's highest priorities.

Bond Program

In November 2008 the voters of the Metro region authorized the sale of \$125.0 million in general obligation bonds for a variety of capital projects all related to the Oregon Zoo infrastructure or animal welfare. With the approval of the bond measure, the Metro Council approved the addition of three new positions to support the intense demands of the new 10 to 12 year capital program. In addition, several existing positions were transferred in whole or part from the zoo's operating department or existing Capital Fund to provide administrative and other support to the program.

Implementation of the Sustainable Metro Initiative

In fall 2008 Metro began a major new effort called the Sustainable Metro Initiative (SMI). The goal of the effort was to advance Metro's mission of protecting and enhancing the regional's environment and quality of life by transforming Metro into a modern, mission driven organization equipped to fulfill the promise as the leader in regional conservation and civic innovation. The approach reoriented Metro's management structure by core competencies and functions to align programs with desired regional outcomes. The agency was structured around two broad areas of focus: strategy and services. The new structure promotes collaboration and efficiency among programs with common goals, improves financial transparency and provides for a more strategic approach to solving regional problems and leading regional initiatives. While SMI did not increase the overall agency FTE, it did change the distribution of FTE by service, most notably between Parks and Environmental Services and Sustainability Center.

The Sustainable Metro Initiative included a major reorganization of Metro departments and functions resulting in the shifting of staff and responsibilities between organizational areas. Where distinct budget sections could be identified they were moved along with the prior year historic data to the new organizational unit under SMI. As a result, not all staff changes resulting from SMI will show as shifts between FY 2008-09 and FY 2009-10.

In addition to merging the Visitor Venues under a single General manager, the FY 2011-12 budget reflects continued consolidation of business services arising from the MERC/Metro Business Practices review. The Metro and MERC business services began its merger in FY 2010-11. The FY 2011-12 budget recognizes this steady progression, transferring a number of staff positions to agency-wide services resulting in individual cost savings to MERC and to the agency as a whole. Transitions have occurred in Information Services, Human Resources, procurement (Finance and Regulatory Services) and construction management (Parks and Environmental Services).

New positions in FY 2011-12

The FY 2011-12 budget shows an decrease of 7.04 FTE from the amended FY 2010-11 budget. The changes can be divided into four categories:

- FTE changes approved during FY 2010-11.
- Changes in FTE to increase or decrease existing FTE.
- Positions eliminated during the preparation of the FY 2011-12 budget.
- New position requests.

The following tables provide a summary of FTE changes by organizational unit.

Full-time equivalent changes by organizational unit

	FY 2011-12 Amended FTE	FY 2011-12 Changes					Total FTE Change	FY 2011-12 Proposed FTE
		Approved in FY 2010-11	Changes in FTE	Transfer Positions	Eliminated Positions	New Positions		
Office of Metro Auditor	6.00	-	-	-	-	-	-	6.00
Council Office	25.25	-	-	-	(1.25)	-	(1.25)	24.00
Office of Metro Attorney	15.50	-	-	-	-	-	-	15.50
Communications	22.00	-	-	-	(1.00)	-	(1.00)	21.00
Finance and Regulatory Services	43.70	-	-	1.00	(1.00)	-	-	43.70
Human Resources	16.50	-	-	1.00	(1.50)	3.00	2.50	19.00
Information Services	23.50	-	-	2.00	(0.50)	1.00	2.50	26.00
Planning and Development	57.20	-	-	-	(1.82)	-	(1.82)	55.38
Parks and Environmental Services	98.55	-	-	0.25	(2.00)	-	(1.75)	96.80
Research Center	32.67	(0.03)	-	(1.00)	(2.34)	-	(3.37)	29.30
Sustainability Center	69.75	(0.15)	0.25	1.00	(2.00)	-	(1.40)	68.35
Visitor Venues	345.98	-	-	(4.25)	(3.80)	6.60	(1.45)	344.53
TOTAL	756.60	(0.18)	0.25	-	(17.21)	10.60	(7.04)	749.56

The FY 2011-12 budget continues the reorganizational efforts begun in fall 2008 under SMI. During FY 2010-11 the MERC venues of Oregon Convention Center, the Portland Center for the Performing Arts and the Portland Expo Center were combined with the Oregon Zoo to create a single organization of Visitor Venues. The consolidation provided an opportunity to review core business services provided at MERC facilities and integrate those services more fully with all other Metro services. As a result, six positions have been transferred in whole or part from the MERC Administration division to various Metro central services such as Finance and Regulatory Services, Human Resources and Information Services.

Labor costs for salaries, wages and benefits such as pension and health insurance continue to rise while revenues to the General Fund and the many visitor venues of the agency remain flat or have begun to experience declines. To avoid unsustainable use of reserves the agency has made selective reductions in staffing levels through the consolidating functions or refocusing staff efforts.

The following FTE changes are made in the FY 2011-12 Proposed Budget:

Action - Eliminated positions	FTE Change
LD Columbia River Crossing Director	(1.00)
LD Associate Public Affairs Specialist - Community Investment Strategy	(0.25)
Administrative Specialist IV	(1.00)
Associate Management Analyst - Procurement	(1.00)
Payroll Technician	(0.50)
LD Administrative Assistant II - Learning Management System (converted to regular status)	(1.00)
Technical Specialist	(0.50)
LD Records and Information Analyst	(0.50)
LD Assistant Regional Planner	(1.00)
LD Program Analyst IV (effective 2/12/12)	(0.32)
Assistant Management Analyst	(1.00)
Program Supervisor I	(1.00)
Assistant Transportation Modeler	(1.00)
LD GIS Technician	(0.67)
LD GIS Technician	(0.67)
LD Senior Regional Planner - Climate Change	(1.00)
Senior Regional Planner - Nature in Neighborhood (job share)	(1.00)
Program Supervisor II - Marketing	(1.00)
Associate Public Affairs Specialist - Marketing	(0.63)
LD Program Analyst IV (effective 10/31/11)	(0.67)
Maintenance Supervisor	(1.00)
Manager I - Construction (effective 12/31/11)	(0.50)
TOTAL	(17.21)

Action - New positions	FTE Change
Program Analyst IV - Diversity Manager	1.00
LD Program Analyst III - procedure/policy development (duration through 6/30/12)	1.00
Administrative Assistant II - Learning Management System (converted from LD)	1.00
LD Records and Information Analyst - (duration through 6/30/12)	1.00
Service Supervisor II - catering (reinstatement of position)	1.00
Senior Public Affairs Specialist - marketing	1.00
Web content and social media specialist	1.00
Manager II - education	1.00
Program Assistant I - volunteer resources	0.60
Marketing Promotions Coordinator	1.00
Utility Lead	1.00
TOTAL	10.60

Action - Misc. action	FTE Change
Program Supervisor II - reduce to 75 percent time	(0.25)
TOTAL	(0.25)

In addition, the following limited duration positions received extended assignment durations:

Action - Limited duration extentions	FTE Change
Principal Regional Planner - Intertwine (extend through 6/30/12)	1.00
Associate Planner Position - HB 2001 (extend through 6/30/12)	1.00
Principal Regional Planner - Regional Indicators (extend through 9/30/11; 80% time)	0.20
TOTAL	2.20

The preceding actions can also be summarized by organizational unit:

	FTE Change from 2010-11
Communications	
Eliminate Administrative Specialist IV	(1.00)
<i>Subtotal</i>	<u>(1.00)</u>
Council	
Eliminate Columbia River Crossing Director	(1.00)
Eliminate Associate Public Affairs Specialist - Community Investment Strategy	(0.25)
<i>Subtotal</i>	<u>(1.25)</u>
Finance and Regulatory Services	
Eliminate Associate Management Analyst - Procurement	(1.00)
Transfer Senior Management Analyst from Parks & Environmental Services	1.00
Transfer Associate Management Analyst from Visitor Venues - Administration	1.00
Transfer Senior Solid Waste Planner to Parks & Environmental Services	(1.00)
<i>Subtotal</i>	<u>0.00</u>
Human Resources	
Eliminate Payroll Technician	(0.50)
Eliminate LD Administrative Assistant II - Learning Management System (converted to regular status)	(1.00)
Add Program Analyst IV - Diversity Manager	1.00
Add LD Program Analyst III - procedure/policy development (duration through 6/30/12)	1.00
Add Administrative Assistant II - Learning Management System (converted from LD)	1.00
Transfer Program Analyst V from Visitor Venues - Administration	1.00
<i>Subtotal</i>	<u>2.50</u>
Information Services	
Eliminate Technical Specialist	(0.50)
Add LD Records and Information Analyst - (duration through 6/30/12)	1.00
Transfer Manager 1 From Visitor Venues - Administration	1.00
Transfer Manager 1 From Visitor Venues - Administration	1.00
<i>Subtotal</i>	<u>2.50</u>
Parks and Environmental Services	
Eliminate Assistant Management Analyst	(1.00)
Eliminate Program Supervisor I	(1.00)
Transfer Senior Management Analyst to Finance & Regulatory Services	(1.00)
Transfer Senior Solid Waste Planner from Finance & Regulatory Services	1.00
Transfer Program Director to Visitor Venues - Administration	(0.30)
Transfer Assistant Management Analyst from Visitor Venues - Administration	0.40
Transfer Manager 1 from Visitor Venues - Administration	0.15
<i>Subtotal</i>	<u>(1.75)</u>
Planning & Development	
Eliminate Records and Information Analyst	(0.50)
Eliminate LD Assistant Regional Planner	(1.00)
Eliminate LD Program Analyst IV (effective 2/12/12)	(0.32)
<i>Subtotal</i>	<u>(1.82)</u>
Research Center	
Eliminate Assistant Transportation Modeler	(1.00)
Eliminate GIS Technician	(0.67)
Eliminate GIS Technician	(0.67)
Extend Associate Planner Position - HB 2001 (extend through 6/30/12)	0.57
Extend Principal Regional Planner - Regional Indicators (extend through 6/30/12; 80% time)	(0.60)
Transfer Senior GIS Specialist to Sustainability Center	(1.00)
<i>Subtotal</i>	<u>(3.37)</u>

	FTE Change from 2010-11
Sustainability Center	
Eliminate LD Senior Regional Planner - Climate Change	(1.00)
Eliminate Senior Regional Planner - Nature in Neighborhood (job share)	(1.00)
Reduce Program Supervisor II - reduce to 75 percent time	(0.25)
Extend Principal Regional Planner - Intertwine (extend through 6/30/12)	0.00
Transfer Senior GIS Specialist from Research Center	1.00
Transfer Associate Planner Position to Research Center	(0.15)
<i>Subtotal</i>	<u>(1.40)</u>
Visitor Venues	
<i>Oregon Zoo</i>	
Eliminate LD Program Analyst IV (effective 10/31/11)	(0.67)
Eliminate Program Supervisor II - Marketing	(1.00)
Eliminate Associate Public Affairs Specialist - Marketing	(0.63)
Add Service Supervisor II - catering (reinstatement of position)	1.00
Add Senior Public Affairs Specialist - marketing	1.00
Add Web content and social media specialist	1.00
Add Manager II - education	1.00
Add Program Assistant I - volunteer resources	0.60
Transfer Director from Visitor Venues - Administration	0.25
Transfer Program Analyst II from Visitor Venues - Administration	0.15
<i>Subtotal</i>	<u>2.70</u>
<i>Administration</i>	
Eliminate Manager I - Construction (effective 12/31/11)	(0.50)
Transfer Associate Management Analyst to Finance & Regulatory Services	(1.00)
Transfer Program Analyst V to Human Resources	(1.00)
Transfer Manager 1 To Information Services	(1.00)
Transfer Manager 1 To Information Services	(1.00)
Transfer Program Director from Parks & Environmental Services	0.30
Transfer Assistant Management Analyst to Parks & Environmental Services	(0.40)
Transfer Manager 1 to Parks & Environmental Services	(0.15)
Transfer Director to Visitor Venues - Zoo	(0.25)
Transfer Program Analyst II to Visitor Venues - Zoo	(0.15)
<i>Subtotal</i>	<u>(5.15)</u>
<i>Portland Center for the Performing Arts</i>	
Eliminate Maintenance Supervisor	(1.00)
Add Marketing Promotions Coordinator	1.00
Add Utility Lead	1.00
<i>Subtotal</i>	<u>1.00</u>
Total FTE Changes (including limited duration extensions)	
	<u>(7.04)</u>

