A G E N D A

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METRO

Agenda

MEETING: METRO COUNCIL REGULAR MEETING
DATE: April 15, 1999
DAY: Thursday
TIME: 2:00 PM
PLACE: Council Chamber

CALL TO ORDER AND ROLL CALL

1. **INTRODUCTIONS**

2. **CITIZEN COMMUNICATIONS**

3. **EXECUTIVE OFFICER COMMUNICATIONS**

4. **AUDITOR COMMUNICATIONS**

5. **MPAC COMMUNICATIONS**

6. **METRO LEGISLATIVE UPDATE** PacWest

7. **CONSENT AGENDA**

7.1 Consideration of Minutes for the April 8, 1999 Metro Council Regular Meeting.

8. **ORDINANCES - FIRST READING**

8.1 **Ordinance No. 99-802,** Amending the FY 1998-99 Budget and Appropriations Schedule in the Planning Fund transferring appropriations from Capital Outlay to Materials and Services for the Transit Oriented Development Program; and Declaring an Emergency.

9. **ORDINANCES - SECOND READING**

9.1 **Ordinance No. 99-793,** For the Purpose of Adopting the Annual Budget for Fiscal Year 1999-00, Making Appropriations, and Levying Ad Valorem Taxes; and Declaring an Emergency. ***(CONSIDERATION OF AMENDMENTS AND PUBLIC HEARING)***

9.2 **Ordinance No. 99-799**, Confirming the Readoption of Metro Code 2.06 (Investment Policy); and Declaring an Emergency. McLain

9.3 **Ordinance No. 99-800**, For the Purpose of Amending a Solid Waste Franchise Granted to USA Waste of Oregon, Inc., Doing Business as Metropolitan Disposal and Recycling Corporation, to Operate the Forest Grove Transfer Station; and Declaring an Emergency. McLain

10. CONTRACT REVIEW BOARD

10.1 **Resolution No. 99-2766,** For the purpose of approving Change Order No. 8 to the Waste Disposal Services Contract. Washington

11. COUNCILOR COMMUNICATION

ADJOURN

Cable Schedule for April 15, 1999 Metro Council Meeting

	Sunday (4/18)	Monday (4/19)	Tuesday (4/20)	Wednesday (4/21)	Thursday (4/15)	Friday (4/16)	Saturday (4/17)
CHANNEL 11 (Community Access Network) (most of Portland area)						2:00 P.M. *	
CHANNEL 21 (TVCA) (Washington Co., Lake Oswego, Wilsonville)	7:00 P.M. *	1:00 A.M. *		7:00 P.M. *			
CHANNEL 30 (TVCA) (NE Washington Co. - people in Wash. Co. who get Portland TCI)	7:00 P.M. *			7:00 P.M.*			
CHANNEL 30 (CityNet 30) (most of Portland area)		2:00 P.M. (4/8 meeting)					
CHANNEL 30 (West Linn Cable Access) (West Linn, Rivergrove, Lake Oswego)		12:00 P.M. (4/8 meeting)		10:00 P.M.	11:00 P.M. (4/8 meeting)	10:30 P.M. (4/8 meeting)	7:00 A.M. (previous meeting)
CHANNEL 19 (Milwaukie TCI) (Milwaukie)	4:00 P.M. (4/8 meeting)					10:00 P.M. (4/8 meeting)	9:00 A.M. (4/8 meeting)

* These meetings may be preceded by a 30-minute public affairs program, *The Regional Report*, produced by Metro.

PLEASE NOTE THAT ALL SHOWING TIMES ARE TENTATIVE BASED ON THE INDIVIDUAL CABLE COMPANIES' SCHEDULES.

PUBLIC HEARINGS: Public Hearings are held on all Ordinances second read and on Resolutions upon request of the public.
Agenda items may not be considered in the exact order. For questions about the agenda, call Clerk of the Council, Chris Billington, 797-1542.
For assistance per the American Disabilities Act (ADA), dial TDD 797-1804 or 797-1540 (Council Office).

Agenda Item Number 7.1

Consideration of the April 8, 1999 Metro Council Meeting minutes.

Metro Council Meeting
Thursday, April 15, 1999
Council Chamber

MINUTES OF THE METRO COUNCIL MEETING

April 8, 1999

Council Chamber

Councilors Present: Rod Monroe (Presiding Officer), Susan McLain, Ed Washington, Rod Park, Bill Atherton, David Bragdon, Jon Kvistad

Councilors Absent: None

Presiding Officer Monroe convened the Regular Council Meeting at 2:02 p.m.

1. INTRODUCTIONS

None.

2. CITIZEN COMMUNICATION

None.

3. EXECUTIVE OFFICER COMMUNICATIONS

None.

4. AUDITOR COMMUNICATIONS

None.

5. MPAC COMMUNICATION

Councilor McLain said there would be a MPAC Coordinating Committee meeting and MPAC meeting next week; agenda items include performance measures.

5-A. JPACT COMMUNICATION

Presiding Officer Monroe asked Councilor Kvistad for a report of the JPACT meeting that morning.

Councilor Kvistad said JPACT voted unanimously to begin environmental studies on the viability of a north light rail from the Expo Center to the Rose Garden Transit Center. The north light rail project would be independently funded without additional taxes. JPACT also voted to move forward on the development of a work program for Clackamas County for bus and other transportation improvements. JPACT also addressed the 150 percent cut list, which would come before the Council today.

Councilor McLain congratulated Councilor Kvistad on the tenor and results of the JPACT meeting.

Councilor Kvistad said that this region owed a debt of gratitude to Dick Rieten of Northwest Natural for his leadership on the north light rail project.

Presiding Officer Monroe commended the level of excellent, progressive leadership among Portland's business leaders. He said Mr. Rieten's activities were a classic example of this type of leadership which was the reason for the region's livability.

7. CONSENT AGENDA

7.1 Consideration of the meeting minutes of the April 1, 1999, Regular Council Meeting.

Motion: **Councilor McLain** moved to adopt the meeting minutes of the April 1, 1999, Regular Council Meeting.

Seconded: **Councilor Washington** seconded the motion.

Vote: The vote was 7 aye/ 0 nay/ 0 abstain. The motion passed unanimously.

8. ORDINANCES - FIRST READING

8.1 **Ordinance No. 99-796,** For the Purpose of Authorizing a Transfer of Metro Yard Debris Processing Facility License No. YD-0197 from Scotts Hyponex Corporation to Clackamas Compost Products, Inc. to Continue Operations at an Existing, Approved, Yard Debris Processing Site and Declaring an Emergency.

Presiding Officer Monroe assigned Ordinance No. 99-796 to the Regional Environmental Management Committee.

8.2 **Ordinance No. 99-801,** For the Purpose of Transferring the Solid Waste Franchise for Operation of the Citistics Reload/Materials Recovery Facility for Citistics, Inc. to USA Waste of Oregon, Inc.

Presiding Officer Monroe assigned Ordinance No. 99-801 to the Regional Environmental Management Committee.

Councilor McLain announced Amendment 8 on Metro's contract would not come up for a vote until April 15, 1999.

9. COUNCIL APPROVAL METROPOLITAN TRANSPORTATION IMPROVEMENT PROGRAM (MTIP) 150 PERCENT CUT LIST

Motion: **Councilor Kvistad** moved to approve the MTIP 150 Percent Cut List as amended by JPACT.

Seconded: **Councilor Washington** seconded the motion.

Councilor Kvistad said the region was facing a critical shortage of transportation funding. He said the requests for funding must be narrowed from over $300 million to $75 million. He said JPACT approved the recommendations of the Transportation Policy Alternatives Committee

(TPAC) with minor amendments. He said the 150 percent cut list was the first cut, the final cut will occur in a month. He said he hoped the state would vote to increase transportation funding to meet the needs that MTIP could not address with its limited funding.

Presiding Officer Monroe said the Council received a thorough briefing of the 150 percent cut list on April 6. He asked Andy Cotugno, Transportation Planning Director, for a summary of the changes made at JPACT.

Councilor Atherton asked Councilor Kvistad about his earlier statement that the 150 percent list was consistent with the Council's stated goals. He asked where the Council's goals were written.

Councilor Kvistad said the goals in the 2040 Growth Concept and Regional Framework Plan were used in the ranking, along with all the goals and objectives of all the jurisdictions and parties represented in JPACT.

Councilor Atherton asked if there were any criteria that evaluated the potential for the beneficiaries of projects to fund or participate in their funding. He said the topic came up recently during a discussion of local improvement districts, spheres of influence, system development charges, et cetera. The funds for making decisions about Metro's flexible funds were very valuable to Metro. There were transportation modes for which this was the only way that they could be funded. He asked if JPACT considered this issue.

Councilor Kvistad said yes, JPACT did consider this. He said different jurisdictions had different match criteria, and it depended upon a project-by-project basis. He said the problem was that there was billions of dollars of need and $75 million in funding. He asked Mr. Cotugno to respond to the remainder of Councilor Atherton's question.

Mr. Cotugno said Councilor Kvistad was correct concerning the root source of the criteria; it came from the 2040 plan and was agreed upon by JPACT and the Council. He said the specific criteria and point system, however, was approved by the Council before JPACT solicited projects. He said preference was given to projects with public or private over-match.

Councilor Atherton said his concern was how the region could get out of its dire transportation funding situation. He said there was no better time to start recovering than right now. He said other funding options must be found and many community members support trail, pedestrian and bicycle options.

Councilor Kvistad stated that he supported a pedestrian and trail package in the 150 percent cut list.

Councilor Kvistad noted the two changes made to the 150 percent cut list at the April 8, 1999, JPACT meeting. First, Washington County dropped certain projects and added others; the effect was revenue neutral. Second, the Fanno Creek trail project was added at the request of local jurisdictions.

Mr. Cotugno said on the reverse side of the sheet they summarized all of the changes that occurred from testimony from the public hearing on 4/6/99 evening. The large sheet was the subject of action for the Council meeting (040899c-02) which may be found in the permanent record of this meeting. This sheet was the final cut list that incorporated these recommendations. Included in the packet was a model survey for the councilors to fill which gave Mr. Cotugno guidance on how much money the council would assign to each one of the modes with the top grouping being the 150% cut list and generally being the group that could spend the STP funds that were available. He asked councilors to fill out either the dollar column or the percent column but to assign no more than $40 million to the first group and as much as the council wanted to the second group. Mr. Cotugno's staff would then compile those results from the Metro Council and JPACT as they moved toward the final cut list.

Councilor Kvistad said one of the areas of controversy that there would be discussion about was on the road portion of the equation the maximum amount of money that could be spent on this side of the equation was 53% whereas on the alternative mode side of the equation, 100% could be spent. One of the big areas of contention would be the area of balance, also an area of concern expressed at the public hearing. The balance issue was still an area of concern especially on the west and south sides of the region. He said this was money that they were not expecting so this was an extra opportunity to fund some projects but it would be difficult to allocate equitably across the region. He felt that most of the projects that were on the list were deserving of funding, now it would be a matter of discretionary choice.

Mr. Cotugno noted that the very first project on the list was a project to fund the development activities, engineering activity for the Lombard Columbia connector. Freight shippers expressed concern about that connection. JPACT did not include that project in the 150% pot of money. However, they did say to ODOT, as a state highway, it really ought to be one of their next priorities. While this project was not the subject of this action, it was certainly out there as a statement of intent as Metro dealt with ODOT's portion of the program if that existed in the future.

Councilor Kvistad said that it was unanimously agreed to at JPACT to send a letter and memo to ODOT and the legislature letting them know that this project was a priority.

Councilor McLain asked Mr. Cotugno about Washington County taking three projects with lower rankings and replaced them with lower ranked projects. The only response to them she could make was that she assumed that Washington County, as a local jurisdiction, was looking at staging or issues of what could and should be done first. She wondered if they had that information when the projects were ranked. She thought it was pretty startling when they were reducing and taking out the project that ranked 16 out of 48, 11 out of 48, 12 out of 48 and replacing it with two lower ranked projects, 19 out of 48 and 43 out of 48. There had to be a reason for the selection of those particular projects. The second question she could not answer was that some of these requests were getting the project through the engineering stage versus the construction stage; were we digging ourselves into a deeper hole if we were putting off something that could actually be constructed in favor of something that was only going to be engineered and then not have money to take any of it to construction.

Mr. Cotugno responded that the trade off between engineering and construction was an important one. It was why ODOT was not spending money on developing projects, the message they wanted to send was why spend money on development when you don't have money to build the project. If you are pursuing money to build projects then you wanted to be completing engineering on projects, then, when you succeeded in getting the money those projects were ready to go and you didn't have to start from ground zero. It did take time to go through the engineering and environmental process. If, on the other hand, you didn't think you were going to get money, then you ought not waste the money on engineering for something that was not going to be built. The premise was we can't sit our hands, we have to build some of those projects, we have to get the engineering done because it did take so long. It may be that they would like to go to construction in two years and couldn't for three or four years so getting the engineering done pressed the issue. The specific thought process and debate that the Washington County Coordinating Committee went through was their acknowledgment that the I-5 Nyberg and Greenberg Road projects, which Metro recommended for construction on this list, had to go through the engineering and right-a-way acquisition process. Metro would do this again in two years, Washington County's preference was that they were not going to be ready to go to construction within the next two years, other projects would be ready to go to construction with this money knowing that this review will occur again in two years at which time Washington County would be back asking for construction moneys. They did not want to encumber from this allocation the money that was not going to be going to construction.

Councilor McLain summarized that they were not ready to go to construction so they would like money for engineering because they couldn't use it on that project today. She then asked about the other two projects.

Mr. Cotugno agreed and added that it was true for I-5 Nyberg and Greenberg Road. On the Cornelius Pass project, it ranked well on the modernization category, the one that Hillsboro wanted to replace was one that was in the boulevard category, 15 out of 19. The Cornelius Pass project ranked well in the modernization category because it was a congestion location, the other one ranked on the boulevard category because it was more of an urban design concern for downtown Hillsboro than it was a congestion issue.

Councilor Kvistad followed up by saying that the Greenberg Road improvement were right in the middle of the regional center. They were in the process of finalizing the regional design center for the Washington Square area so this was engineering work that had to be done regardless.

Presiding Officer Monroe called for additional questions.

Councilor Kvistad thanked Mr. Cotugno, his staff, TPAC, and JPACT. The heavier lifting was still up coming. We would have had to determine those priorities, it would be difficult as there were competing priorities across the region but he thought they had a good partnership with JPACT. He thought this council had been a long time partner with all of the local jurisdictions. They would try to do the best they could for the entire region. He noted the upcoming schedule.

Vote: The vote was 7 aye/ 0 nay/ 0 abstain. The motion passed unanimously.

10. COUNCILOR COMMUNICATION

Presiding Officer Monroe announced that budget amendments should be submitted to Mr. Stone by Tuesday for consideration at the Council Budget Work Session on Wednesday, April 14th. A public hearing on the budget was scheduled on April 15, 1999 at the Council meeting. The Council/Executive Officer Informal meeting was canceled. The Budget Work Session on the 14th would be chaired by Councilor McLain.

Councilor Washington said during the Metro Operation Committee meeting there was a large contingent of people wishing to discuss the issue of Smith and Bybee Lake attempting to get Metro involved in the local share considerations to buy the Ledbetter Peninsula so that a jail could not be build on the property. There was a gentleman who was filming up at the dais. Councilor Washington felt that this was inappropriate, the dais area belonged to the council. Councilor Washington courteously asked the gentleman several times to go into the audience to do the filming. He ignored Councilor Washington's request. Councilor Washington expected respect, there had been several incidents where people had been rude. He was very upset but still remained respectful. He said this would never happen again on his watch.

Councilor Kvistad thanked the Council for coming to the five hour public hearing on transportation issues on April 6th.

Councilor Atherton reported that the Oregon City Commission debated at length the 20 year land supply mandate from the state and legislation that was currently before the legislature. The commission voted in favor of a resolution to ask the state legislature to repeal the 20 year mandate but also sent letters in regard to SB 87 and HB 2595, similar to the Council's action.

6. METRO LEGISLATIVE UPDATE

Ray Phelps, Pacwest Communication, updated the Council on the legislation introduced at the request of Metro. Metro had five bills, of which now four were on the floor. One bill passed, the business license tax passed both the house and senate and was on its way to the governor for signature. In both houses there were only two persons voting in the negative and it had to do with a misunderstanding as to whether it was a tax measure as opposed to a facilitation process.

The pool chlorine bill SB 964 was up Monday afternoon at 4:30pm. Mr. Phelps indicated that because it was a solid waste measure he would be talking to Councilor Washington about this bill.

There would probably a hearing on the boundary change bill and the conservation easement bill within the next ten days. He had spoken to Councilor McLain about her availability to testify but he did not have any direction from the chairperson of that committee.

On SB 838, the lot line adjustment for open spaces, they were working with DLCD and the Farm Bureau to smooth out some concerns that they had. When the bill was initially introduced it got everyone's attention, now it appeared that most everyone was on board. The Oregon State Parks Department wanted the bill to pass.

Transportation funding bills were covered in the JPACT meeting, one was a \$.04 gas tax beginning January 1, 2000 with a \$10 increase in vehicle registration. Weight mile had not been calculated for that bill, HB 2082, was an AOI bill. AOI had to get aggressive, if they did not, there would be no funding. The 800 pound gorilla was the Oregon Truckers Association. They wished to eliminate weight mile. The flip side was that they were willing to agree to a diesel tax, that would be \$.01 over the gas tax. He spoke of the revenue cap without the weight mile. As a result they were talking about making up the difference in the registration fee. This set off the whole issue between intra and inter state. This was about a 12 fold increase being proposed. An in-state operator whose current registration fee was \$300 would see an approximate increase to \$3000. This would impact a lot of companies, there was no weight discrimination with this proposal. Consultants were looking at this to see if it was revenue neutral. Representative Lehman proposed an additional $.02 getting closer to the AOI initial proposal of 3 and 3 in that the extra $.02 would be used for modernization. There would be a 15 year sunset, the 15 years would be debt service. If you had the $.04 and the $10 vehicle registration increase, maintenance and repair could be covered with no modernization. He explained the distribution formula. The distribution was weighted very heavily toward local government.

Representative Lokan's bill, the ODOT reorganization, was on the Senate floor and it was going to pass. He concluded that we needed AOI, without AOI there was no funding mechanism.

Presiding Officer Monroe asked about SB 1031, granting boundary commission authority to Metro.

Mr. Phelps said this was one of the two bills he had mentioned earlier. He had spoken with Councilor McLain about this bill. It was his opinion this bill would have a hearing within the next week to 10 days. Councilor McLain would be testifying on that bill as well as on SB 1062, the conservation easement legislation. He noted the joint letter from the Presiding Officer and the Executive Officer on this legislation.

Presiding Officer Monroe indicated that Multnomah County Commission said they were planning to be very cooperative of our attempts to meet land use requirements. It was his hope that the legislature would move expeditiously on that bill.

Mr. Phelps said he had told the committee that there was no known opposition to either bill. Metro had had discussions with the three counties and the counties believed it was much more intelligent to have Metro control the boundary issues.

Presiding Officer Monroe asked Mr. Phelps his view of the current status of the prison siting issue.

Mr. Phelps said he believed that the governor would veto the bill, SB 3. Representative Krummel from Wilsonville, former mayor, had a working draft. He had put it in the process to have it printed, there would be a hearing on Day Road. The draft had essentially the elements that the Presiding Officer and Representative Krummel had talked about, particularly the Wilsonville tract. He believed that it would start through a hearing process within ten days. It did not yet have a bill number.

Presiding Officer Monroe asked if Brady Adams was still sitting on the Umatilla bill, had he signed it yet and sent it to the governor.

Mr. Phelps said the measure was still in the Senate.

Presiding Officer Monroe said his concern was that the longer he delayed sending it to the governor, the less time would be available to get another bill through.

Mr. Phelps said he did not share that thought, Representative Krummel's bill was moving on a track of its own. He felt there would be hearings on this bill.

Presiding Officer Monroe said until the governor vetoed the Umatilla site there would continue to be some people who would say, maybe the governor would change his mind about the veto.

Mr. Phelps said everything he had seen would indicate the contrary. He noted the inside baseball game going on with regard to quid pro quo. He did not have enough information concerning the bargaining process to give input on this.

Presiding Officer Monroe wondered if Mr. Phelps had any late information since his discussions with Representative Krummel two weeks ago.

Mr. Phelps said that he did not have further information.

Presiding Officer Monroe added that Representative Krummel was looking for a reasonable way out of this dilemma. He had made it clear to the people in the Day Road area, constituents of his, that if it came down to a choice between Dammasch or Day Road, he would be supporting Day Road. This had also been the position of the Metro Council. The Wilsonville Dammasch Town Center Plan was a major part of the 2040 plan for additional housing in the Wilsonville area where there was a jobs-housing imbalance.

Mr. Phelps added that Representative Krummel looked at where the growth would be occurring and determined that Day Road had less need for housing than the Dammasch site.

Councilor Atherton asked about a report on SB 87.

Mr. Phelps said the measure was on the Senate third reading calendar yesterday but had been delayed until the following Tuesday.

Councilor Atherton said SB 87 concerned the 20 year land supply mandate from the State. He asked about HB 2595, the Metro Council had sent a letter to Representative Wilson, Chair of General Government Committee and asked for a hearing on this legislation.

Mr. Phelps said he had not seen a copy of the letter and was unaware that the Council had sent a letter.

Presiding Officer Monroe asked Mr. Stone to provide a copy of the letter to Mr. Phelps.

Mr. Phelps said SB 87 had come out of a process in this area, supported by CREEC. The bill initially started off not working for Metro, the more productive way of dealing with the bill was to make it workable where Metro could be satisfied that it could continue to do as it was doing. Metro was being proactive unlike most government agencies who had been very scarce in their willingness to help. He felt that SB 87 was workable and the Metro could continue to do the planning processes so it did not restrict or limit Metro in any way.

Councilor Atherton said he had seen a copy of the engrossed version which had been sent to the Senate for a vote. It still had the mandate in the bill. He hadn't seen any changes in the bill that made it acceptable to Metro.

Mr. Phelps said he would defer to Mr. Cooper, with whom he had been working on amendments, but he thought it preserved the status quo. Changes had been made to reflect new language such as "employment" which made it far more workable for Metro. When you plan on growth, you must make provision for employment. Making those changes in the legislation allowed Metro to continue forward.

Councilor Atherton said it was possible he was not looking at the correct copy of the bill. The one he had seen still required an inventory among the various classes of commercial land use.

Mr. Cooper said there was only one engrossed 'A' version of the bill. The significant difference between the language in the first bill and second bill version was the ability to use estimates and statistical methods rather than hard data that had to be determined. He believed, the language as written now, allowed the Data Resource Center to use the current methods they were using under their current work program to do the projections. What had been achieved had been an explanation to the proponents of the bill, what it was that Metro actually did. They were using language now which described what Metro did. The bill still repeated the 20 year land supply for housing that was in the current law, which was the legislative description of Goal 14's long term land supply. This was a policy issue. At times, the Council had expressed concerns about what that meant. What had changed was the description in the bill of how you did the calculations. The bill now coincided with what the Data Resource Center did. If the bill was adopted it would allow the DRC to continue their work program instead of doing something different than they were already charged with doing.

Councilor Atherton said it was still a 20 year mandate, it was still the state legislature believing that they could plan our communities better than we could plan our communities and meddle in our affairs. This was still the overriding thrust of what the bill was about.

Mr. Cooper responded that the existing goals that had been in place on a long term basis, which Metro must comply with, had an economic development goal, a housing goal as well as the urbanization goal in Goal 14. The net effect of those goals, as reflected in our code provisions amended in 1992 while in periodic review, was to reflect compliance with all of the goals. Every five years Metro had to review the existing land inside the urban growth boundary to determine whether there was a need for a long term supply of land for both housing and employment. 'Long term' had been consistently construed by this council and LCDC in the past to be something around 20 years. What the statute did when 2709 was adopted was to fix that at 20 years rather than something around 20 years. If adopted, one of the effects that this bill would do, would be to fix "long term" at 20 years rather than around 20 years.

Councilor Atherton said there were 15 state goals that applied to Metro's planning program, housing and jobs were only two of those goals. This legislation was highlighting and focusing on those two goals. If the legislation included a 20 year supply of uncrowded school, uncongested roadway, parks, open spaces, fish in the streams, would that not be consistent with a critique of this legislation.

Mr. Cooper said he was not here to debate policy issues with Councilor Atherton. He pointed out that one of the things that this council, all local governments as well as the legislature struggled with was the difference between land use planning, comprehensive plans and ordinances which set requirements for development and how to fund required pieces that the public had always traditionally paid for in the past when there weren't public dollars now to do that. Transportation and schools were two very costly items. Metro had authority under their charter and the statutes to require local governments develop comprehensive plans and move the

Urban Growth Boundary. Metro did not have authority to require any particular local government to budget in any particular way at any particular level and unless Metro wanted to go to the voters, they also had no significant way to raise money for transportation for road construction.

Councilor Atherton said you raised the issue of cost. He said perhaps that was the element Metro needed to focus on, who paid for this.

Presiding Officer Monroe asked Mr. Phelps his response on the letter that the Council had sent to Representative Wilson.

Mr. Phelps said he would follow-up on the letter and see if there was a possibility of a hearing.

Councilor Park asked about SB 87 regarding the timeline. Was the current timeline still in effect? What effect did that have on Metro if the timeline was still in effect? In the workload, would it allow Metro to stay in sync with what Metro was currently doing?

Mr. Cooper said he believed the bill, as written, would not require Metro to advance any timeline. It simply would be required when Metro did their next review. Metro was currently in a work program. He did not know when it was intended to be finished and it did not coincide with Metro's current timeline for moving the urban growth boundary based on the housing need that was determined preliminary in December of 1997.

Councilor Park said he thought that under one of the original drafts there had been a timeline with date certains.

Mr. Cooper said they did not tie it to the timeline that was mandated by HB 2493 of 1997, 1998, and 1999.

Councilor Park said his opinion on this bill was that it was repetitive given what Metro had to do with the residential need, Metro had to calculate this need anyway. He believed the main discussion about the 20 year land supply would occur later. He then asked about Ballot Measure 66 bill. Was everything frozen until the school issues were dealt with and then they would see what money was left?

Mr. Phelps said yes.

Councilor Park asked about the progress with the House Joint Salmon Committee.

Mr. Paul Phillips, Pacwest, said they were meeting today. Ways and Means Committee was also looking at salmon funding. There was a lot of movement on this issue. The hearing that was held at Metro was a great success. The legislators reception of this hearing was exceedingly positive especially in comparison to other governmental units that participated. There was still some discussion as to who should be the lead agency in the tri-county metropolitan area. They expected there to be a different blue print out on the salmon plan. It had not come yet. There would be two public forums outside of Salem discussing the salmon plan before the end of the session. He would let the Council know about the dates and times once announced. It would be important for the council to participate in those forums. The salmon issue was dominating the natural resource discussion.

Councilor Park said his comment to that was that the only thing worse than responsibility without authority was authority without funding. If indeed it was decided that Metro was the best lead agency in the region for this responsibility, he suggested that the lobbyists carry his concerns about authority and funding to the legislature.

Mr. Phillips assured the Council that the Presiding Officer and Executive Officer had made that very clear to them, responsibility without funding was not something Metro was looking towards.

Councilor Atherton asked if they were going to have a council communication session on the agenda.

Presiding Officer Monroe said they had already had councilor communication but he would allow a continuation of that communication.

Councilor Washington said he wanted to assure our cable cameramen that his previous comments were not meant for them.

Mr. Phillips said the session was beginning to pick up speed. Bills would start moving through. He was sure that the Council would have opinions about some of the bills, he encouraged the council to let them know about letters being sent and issues that effected the agency or their constituents. They would be as responsive as they could be.

Mr. Phelps added that he sent daily emails to Mr. Stone, Mr. Cooper, Mr. Raphael, Ms. Goss-Duran and Ms. Kirchner.

Presiding Officer Monroe said it had been requested to return to Councilor Communications.

Councilor Atherton said he still thought the council needed to clarify their communication about SB 87 with the legislature and the business of the state mandating local jurisdiction on how they should carry out their planning program. He said that Mr. Park had analyzed this current bill as a "feel good" piece of legislation. He was uncomfortable sitting by, standing neutral on changing laws this way while this state's interference process went forward. He felt that the Council should speak up on this and make it very clear that we did not support SB 87, that it was unnecessary, unwarranted.

Motion: **Councilor Atherton** moved that the Council send a communication to the legislature that the Council does not support SB 87, A engrossed version.

Seconded: **Councilor Bragdon** seconded the motion.

Councilor Kvistad said this would be a huge error on Metro part to do this. He believed to send a communication on this item would do nothing to enhance its options to be changed. If the Council was to send this letter, he would personally write a letter in support of SB 87 and lobby in support of SB 87.

Councilor McLain said she could not vote for this motion because we had spent a great deal of time working on amendments, talking to them about the meanings of the definitions and terms, and making sure that the legislation was something that Metro believed they could live with, with the status quo responsibilities that were put upon Metro with the 20 years land supply that was already requested of Metro through other legislation. With that type of a motion we would not change that responsibility. Metro would still have the residential work on its plate, the responsibility to deal with Metro's goals which was a balance of residential and jobs, so we would be gathering that information even though we may not use the same methods that they started out thinking that they would want to have used in SB 87. She did not believe that this motion would change anything that was happening inside of Metro today. There was a bigger issue, a 20 year land supply in residential and industrial as well as having the state involved in requesting that any local jurisdiction have a 20 year land supply. She felt that this Council needed to continue to discuss this issue but she did not believe that this motion was going to help us do that nor did she think that the timing on the motion would help the council have a good conversation on those issues. She would be voting no on the motion with the understanding that she still wanted to have the 20 year land supply discussion.

Councilor Park said he would be voting no on the motion. He personally did not believe in the 20 year land supply but he felt there was a bigger issue and that was one of credibility of this council. He said what Councilor Atherton brought up concerning the 20 year land supply issue was a different issue. He felt it would be debated in the region and across the state but he did not think SB 87 was the correct vehicle at this point in time.

Councilor Washington said he would not be supporting this motion. The method and timing was not good.

Presiding Officer Monroe said he had been working very hard to build bridges with the legislature to try to improve the image of Metro in Salem and to try to get folks in Salem to listen to Metro on issues that were of dire concern not only to the region but to the State of Oregon to try to convince them that there was not two Oregons, there was one Oregon and that we were all in it together. He believed that if this motion was successful today it would undo everything he and the lobbyists had been trying to accomplish for the last four months so he could not support this motion.

Mr. Phillips said starting in September they had worked with Councilor Kvistad and the Executive Officer to reposition Metro with the legislature and focus in on a group that they would work with proactively. They might not always agree but when we disagreed they would know why and what the policies were and that we would work for amendments that would help Metro. That relationship had been phenomenally successful thus far in the session. The Committee, specifically on SB 87, had adopted, adjusted, changed and been responsive to Metro's requests. He had served 14 years in the legislature and 5 years in the governor's office, one of the things that frustrated the legislators the most was when you worked diligently with a group that had an interest, adopted their changes, then all of the sudden they were against you. It made you wonder why you worked with them in the first place. Why bother. He suggested that there was a deeper philosophical issue that the Council needed to debate in this forum at a different time and determine where the Council wanted to go with the 20 year land supply issue. This was a legitimate public policy debate separate and apart from a bill that Metro had been working on with legislators, some of whom were not from this area, but had been responsive to Metro's requests. Changing positions now, which the resolution did, would not be the best way to position Metro from a communication stand point. This did not say that the issue wasn't legitimate, he was not sure now was the time to do it in this bill. It would make Metro's lobbyists job much more difficult. He encouraged the Council not to change direction on the bill.

Councilor Atherton said the reason that he made the motion was to provide clarity to the conflict that was at hand. The discussion that the Council had just gone through provided that clarity to the Council and to the public. Councilors McLain and Park had suggested that perhaps this was not the time to fight this fight but we did need to point out a time when we did come to a recognition of this issue. He felt the current recommendation of the council to ask for a hearing on the bill was a positive direction.

Withdrawal of Motion: **Councilor Atherton** withdrew his motion and asked his seconder if he would concur to withdraw the motion.

Presiding Officer Monroe said with Councilor Bragdon's agreement the motion was withdrawn.

Councilor Bragdon concurred.

Mr. Cooper added that Mr. Phelps had reported to him that HB 2880 and 3005 were going to have hearings tomorrow. HB 2880 would change the methods for calculating housing supply and force Metro to go back through the process all over again. The effect of HB 3005 would be to repeal the significant features of our Urban Growth Management Functional Plan which try to direct density along the transit corridors rather than sprawling the urban growth boundary. He thought Metro had started off with the assumption that those were bills that Metro was going to be instructing Mr. Phelps to oppose. He wanted to make sure the Council was clear on this so they did not have any misunderstandings about what they should be communicating to the committee.

Presiding Officer Monroe instructed the Metro lobbyists to oppose these two pieces of legislation vigorously.

Councilor McLain said those two were at the very heart of Metro's 2040 Growth Concept. It seemed to her that there should be a staff person accompanying the lobbyists to explain that concept.

Mr. Cooper said it was his recommendation to have an elected official explain the concepts. The planning staff was preparing testimony.

Councilor McLain indicated that she would be available to testify.

Presiding Officer Monroe said that Councilor McLain would speak for the Council.

Mr. Phelps suggested that Councilor McLain meet him at the information desk and Mr. Cooper provide her a copy of the bill for her review.

Mr. Phillips said he would be in Salem all day if she had any questions. These were pretty straight forward bills.

Councilor Park asked who the sponsoring agent was on both bills.

Mr. Cooper said 2080 was Representative Lewis and 3005 was at the request of Oregonians in Action.

Councilor Kvistad asked if anyone would entertain a motion to support either of those bills?

Councilor Park said he may be available to go to the hearing as well.

Presiding Officer Monroe said without objection it was so ordered that Metro was in opposition to those two bills.

Mr. Phillips cautioned that there may be several bills like this that could show up next week because of the April 22nd deadline for hearings.

11. ADJOURN

There being no further business to come before the Metro Council, Presiding Officer Monroe adjourned the meeting at 3:38 p.m.

Prepared by,

Chris Billington
Clerk of the Council

Document Number	Document Date	Document Title	TO/FROM	RES/ORD
040899c-01	4/8/99	JPACT Revisions of TPAC's Priorities 2000 "150%" Short List and Requests to Revise the TPAC Recommended 150% Short List received at the 4/6/99 Priorities 2000 Public Hearing	TO: Metro Council FROM: Andy Cotugno, Transportation Planning Director	
040899c-02	4/8/99	JPACT Approved Priorities 2000 150% Short List	TO: Metro Council FROM: Andy Cotugno	
040899c-03	4/8/99	Draft JPACT Resolution	TO: Metro Council FROM: Andy Cotugno	

Agenda Item Number 8.1

Ordinance No. 99-802, Amending the FY 1998-99 Budget and Appropriations Schedule in the Planning Fund transferring appropriations from Capital Outlay to Materials and Services for the Transit Oriented Development Program; and Declaring an Emergency.

First Reading

Metro Council Meeting
Thursday, April 15, 1999
Council Chamber

BEFORE THE METRO COUNCIL

AN ORDINANCE AMENDING THE FY 1998-99 BUDGET AND APPROPRIATIONS SCHEDULE IN THE PLANNING FUND TRANSFERRING APPROPRIATIONS FROM CAPITAL OUTLAY TO MATERIALS AND SERVICES FOR THE TRANSIT ORIENTED DEVELOPMENT PROGRAM; AND DECLARING AN EMERGENCY	)	ORDINANCE NO. 99-802 Introduced by Mike Burton, Executive Officer

WHEREAS, The Metro Council has reviewed and considered the need to transfer appropriations with the FY 1998-99 Budget; and

WHEREAS, The need for a transfer of appropriation has been justified; and

WHEREAS, Adequate funds exist for other identified needs; now, therefore,

THE METRO COUNCIL ORDAINS AS FOLLOWS:

1. That the FY 1998-99 Budget and Schedule of Appropriations for Planning Fund are hereby amended as shown in the column entitled "Revision" of Exhibits A and B to this Ordinance for the purpose of transferring $3,861,000 from Capital Outlay to Materials and Services in the Transportation Department.

2. This Ordinance being necessary for the immediate preservation of the public health, safety or welfare of the Metro area in order to meet obligations and comply with Oregon Budget Law, an emergency is declared to exist, and this Ordinance takes effect upon passage.

ADOPTED by the Metro Council this _______ day of _______________, 1999.

____
Rod Monroe, Presiding Officer

ATTEST:

____
Recording Secretary

Approved as to Form:

____
Daniel B. Cooper, General Counsel

Exhibit A
Ordinance No. 99-802

Planning Fund

ACCT	DESCRIPTION	Current Budget FTE	Current Budget Amount	Revision FTE	Revision Amount	Revised Budget FTE	Revised Budget Amount
Transportation							
	Total Personal Services	56.05	$3,914,573	0.00	$0	56.05	$3,914,573
	Materials & Services						
GOODS	*Goods*						
5201	Office Supplies		168,127		0		168,127
5205	Operating Supplies		16,800		0		16,800
5210	Subscriptions and Dues		36,547		0		36,547
SVCS	*Services*						
5240	Contracted Professional Svcs		2,373,200		0		2,373,200
5251	Utility Services		11,474		0		11,474
5260	Maintenance & Repair Services		37,100		0		37,100
5265	Rentals		26,800		0		26,800
5280	Other Purchased Services		582,625		0		582,625
IGEXP	*Intergov't Expenditures*						
5300	Payments to Other Agencies		6,106,209		0		6,106,209
OTHEXP	*Other Expenditures*						
5440	Program Expenditures		0		3,861,000		3,861,000
5450	Travel		62,338		0		62,338
5455	Training and Conference Fees		28,920		0		28,920
5490	Miscellaneous Expenditures		0		0		0
	Total Materials & Services		$9,450,140		$3,861,000		$13,311,140
	Total Debt Service		$2,123,500		$0		$2,123,500
	Capital Outlay						
CAPNON	*Capital Outlay (Non-CIP Projects)*						
5750	Office Furn & Equip (non-CIP)		69,775		0		69,775
CAPCIP	*Capital Outlay (CIP Projects)*						
5705	Land (CIP)		3,861,000		(3,861,000)		0
	Total Capital Outlay		$3,930,775		($3,861,000)		$69,775
TOTAL REQUIREMENTS		56.05	$19,418,988	0.00	$0	56.05	$19,418,988

Exhibit B
Ordinance 99-802
FY 1998-99 SCHEDULE OF APPROPRIATIONS

	Current Budget	Revision	Revised Budget
PLANNING FUND			
Transportation Planning			
Personal Services	$3,914,573	$0	$3,914,573
Materials & Services	9,450,140	3,861,000	13,311,140
Debt Service	2,123,500	0	2,123,500
Capital Outlay	3,930,775	(3,861,000)	69,775
Subtotal	19,418,988	0	19,418,988
Growth Management Services			
Personal Services	2,515,946	0	2,515,946
Materials & Services	1,770,099	0	1,770,099
Debt Service	96,007	0	96,007
Capital Outlay	54,164	0	54,164
Subtotal	4,436,216	0	4,436,216
General Expenses			
Interfund Transfers	2,282,136	0	2,282,136
Contingency	368,122	0	368,122
Subtotal	2,650,258	0	2,650,258
Total Fund Requirements	**$26,505,462**	**$0**	**$26,505,462**

STAFF REPORT

CONSIDERATION OF ORDINANCE 99-802 AMENDING THE FY 1998-99 BUDGET AND APPROPRIATIONS SCHEDULE IN THE PLANNING FUND TRANSFERRING APPROPRIATIONS FROM CAPITAL OUTLAY TO MATERIALS AND SERVICES FOR THE TRANSIT ORIENTED DEVELOPMENT PROGRAM; AND DECLARING AN EMERGENCY.

Date: March 31, 1999 Presented by: Kathy Rutkowski

FACTUAL BACKGROUND AND ANALYSIS

The Transit Oriented Development Program encourages private sector construction of high-density housing and mixed-use projects that support increased transit use. The program provides for the purchase of lands near light rail stations to be re-sold through development agreements with private partners. The FY 1998-99 budget includes approximately $3.8 million in land purchases under capital outlay.

During the FY 1997-98 year end financial audit, the independent auditors determined that the lands purchased under the TOD program should be considered a materials and services expense rather than a capital expense. Under the TOD program, lands purchased are to be re-sold in a relatively short time period and are never intended to be used or developed for Metro functions. The lands, therefore, are considered to be inventory and not a capital asset of the agency. The auditors required the re-coding of the land purchases from capital outlay to materials and services.

The auditor's opinion rendered at the end of FY 1997-98 applies to the current fiscal year and all subsequent fiscal years. Because expenditures are compared to appropriation authority to ensure that an over-expenditure under Oregon Budget Law does not occur, it is necessary to move the appropriation authority currently budgeted under capital outlay to materials and services. This action requests the transfer of $3,861,000 from capital outlay in the Transportation Department to materials and services.

The FY 1999-00 budget currently being reviewed by the Council reflects the proper budgeting of these expenditures under the auditor's opinion.

EXECUTIVE OFFICER RECOMMENDATION

The Executive Officer recommends approval of Ordinance No. 99-802

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Agenda Item Number 9.1

Ordinance No. 99-793, For the Purpose of Adopting the Annual Budget for Fiscal Year 1999-00, Making Appropriations, and Levying Ad Valorem Taxes; and Declaring an Emergency.

Consideration of Amendments and Public Hearing

Metro Council Meeting
Thursday, April 15, 1999
Council Chamber

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF ADOPTING THE ANNUAL BUDGET FOR FISCAL YEAR 1999-00, MAKING APPROPRIATIONS, AND LEVYING AD VALOREM TAXES, AND DECLARING AN EMERGENCY	)))))	ORDINANCE NO. 99-793 Introduced by Mike Burton, Executive Officer

WHEREAS, the Multnomah County Tax Supervising and Conservation Commission held its public hearing on the annual Metro budget for the fiscal year beginning July 1, 1999, and ending June 30, 2000; and

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

THE METRO COUNCIL ORDAINS AS FOLLOWS:

1. The "Fiscal Year 1999-00 Metro Budget," in the total amount of THREE HUNDRED SIXTY-SEVEN MILLION, TWO HUNDRED EIGHTY-SEVEN THOUSAND, SIX HUNDRED SEVENTY-FOUR ($367,287,674) DOLLARS, attached hereto as Exhibit B, and the Schedule of Appropriations, attached hereto as Exhibit C, are hereby adopted.

2. The Metro Council does hereby levy ad valorem taxes, as provided in the budget adopted by Section 1 of this Ordinance, at the rate of $0.0966 per thousand dollars of assessed value for Zoo operations and in the amount of SEVENTEEN MILLION THREE HUNDRED FIFTY-TWO THOUSAND TWO HUNDRED TWENTY-FOUR ($17,352,224) DOLLARS for general obligation bond debt, said taxes to be levied upon taxable properties within the Metro District for the fiscal year 1999-00. The following allocation and categorization subject to the limits of Section 11b, Article XI of the Oregon Constitution constitute the above aggregate levy.

SUMMARY OF AD VALOREM TAX LEVY

	Subject to the General Government Limitation	Excluded from the Limitation
Zoo Tax Base	$0.0966/$1,000	
General Obligation Bond Levy		$17,352,224

3. The Washington Park Parking Lot Fund is hereby eliminated. The balance of the fund is zero.

4. The Convention Center Project Capital Fund is hereby eliminated. The balance of the fund is zero.

5. In accordance with Section 2.02.125 of the Metro Code, the Metro Council hereby authorizes positions and expenditures in accordance with the Annual Budget adopted by Section 1 of this Ordinance, and hereby appropriates funds for the fiscal year beginning July 1, 1999, from the funds and for the purposes listed in the Schedule of Appropriations, Exhibit C.

6. Pursuant to Metro Code 2.04.026(b) the Council designated the contracts which have significant impact on Metro for FY 1998-99 and their designations as shown in Exhibit D, attached hereto.

7. The Executive Officer shall make the filings as required by ORS 294.555 and ORS 310.060, or as requested by the Assessor's Office of Clackamas, Multnomah, and Washington Counties.

8. This Ordinance being necessary for the health, safety, or welfare of the Metro area, for the reason that the new fiscal year begins July 1, 1999, and Oregon Budget Law requires the adoption of a budget prior to the beginning of the fiscal year, an emergency is declared to exist and the Ordinance takes effect upon passage.

ADOPTED by the Metro Council on this _____ day of June, 1999.

____
Rod Monroe, Presiding Officer

ATTEST:

Approved as to Form:

____
Recording Secretary

____
Daniel B. Cooper, General Counsel

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STAFF REPORT

CONSIDERATION OF ORDINANCE NO. 99-793 ADOPTING THE ANNUAL BUDGET FOR FISCAL YEAR 1999-00, MAKING APPROPRIATIONS AND LEVYING AD VALOREM TAXES, AND DECLARING AN EMERGENCY

Date: January 28, 1999 | Presented by: Mike Burton, Executive Officer

FACTUAL BACKGROUND AND ANALYSIS

I am forwarding to the Council for consideration and approval my proposed budget for Fiscal Year 1999-00.

Council action, through Ordinance No. 99-793, is the final step in the process for the adoption of Metro's operating financial plan for the forthcoming fiscal year. Final action by the Council to adopt this plan must be completed by June 30, 1999.

Oregon Revised Statutes 294.635, Oregon Budget Law, requires that Metro prepare and submit Metro's approved budget to the Tax Supervising and Conservation Commission by May 15, 1999. The Commission will conduct a hearing during June 1999 for the purpose of receiving information from the public regarding the Council's approved budget. Following the hearing, the Commission will certify the budget to the Council for adoption and may provide recommendations to the Council regarding any aspect of the budget.

Once the budget plan for Fiscal Year 1999-00 is adopted by the Council, the number of funds and their total dollar amount and the maximum tax levy cannot be amended without review and certification by the Tax Supervising and Conservation Commission. Adjustments, if any, by the Council to increase the level of expenditures in a fund are limited to no more than 10 percent of the total value of any fund's appropriations in the period between Council approval and adoption.

Exhibits B and C of the Ordinance will be available at the public hearing on February 11, 1999.

EXECUTIVE OFFICER'S RECOMMENDATION

The Executive Officer recommends adoption of Ordinance No. 99-793.

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Agenda Item Number 9.2

Ordinance No. 99-799, Confirming the Readoption of Metro Code 2.06 (Investment Policy); and Declaring an Emergency.

Second Reading

Metro Council Meeting
Thursday, April 15, 1999
Council Chamber

BEFORE THE METRO COUNCIL

AN ORDINANCE CONFIRMING THE ANNUAL READOPTION OF METRO CODE 2.06 (INVESTMENT POLICY); AND DECLARING AN EMERGENCY	))))	ORDINANCE NO. 99-799 Introduced by Mike Burton, Executive Officer

WHEREAS, The Metro Code, Section 2.06, contains the investment policy which applies to all cash-related assets held directly by Metro; and

WHEREAS, The Investment Advisory Board reviews and approves for adherence to Investment Policy the quarterly Investment Report for submission to Metro Council; and

WHEREAS, Neither the Investment Advisory Board nor the Investment Manager proposes any amendment to the policy at this time; now, therefore,

THE METRO COUNCIL HEREBY ORDAINS:

1. That Metro Code Chapter 2.06 is readopted as written in Exhibit A.

2. This Ordinance being necessary for the immediate preservation of the public health, safety and welfare, in order to meet obligations and comply with Oregon Revised Statutes, an emergency is declared to exist, and this Ordinance takes effect upon passage.

READOPTED by the Metro Council this _______ day of _____________________, 1999.

____
Rod Monroe, Presiding Officer

ATTEST:

____
Recording Secretary

Approved as to Form:

____
Daniel B. Cooper, General Counsel

CHAPTER 2.06

INVESTMENT POLICY

Exhibit A
Ordinance 99-799

SECTIONS	TITLE
2.06.010	Scope
2.06.020	Objectives
2.06.030	Responsibility
2.06.040	Prudence
2.06.050	Investment Diversification
2.06.060	Competitive Selection of Investment Instruments
2.06.065	Monitoring the Portfolio
2.06.070	Qualifying Institutions
2.06.090	Safekeeping and Collateralization
2.06.100	Indemnity Clause
2.06.110	Controls
2.06.120	Accounting Method
2.06.130	Reporting Requirements
2.06.140	Performance Evaluation
2.06.150	Policy Adoption
2.06.160	Policy Readoption

2.06.010 Scope

These investment policies apply to all cash-related assets included within the scope of Metro's audited financial statements and held directly by Metro. Other than bond proceeds or other segregated revenues, the total of funds pooled for investments ranges from $60 million to $100 million with an average of $80 million. Funds held and invested by trustees or fiscal agents are excluded from these policies; however, such funds are subject to the regulations established by the State of Oregon.

Funds of Metro will be invested in compliance with the provisions of ORS 294.035 through 294.048; ORS 294.125 through 294.155; ORS 294.810; and other applicable statutes. Investments will be in accordance with these policies and written administrative procedures. Investment of any tax exempt borrowing proceeds and of any debt service funds will comply with the 1986 Tax Reform Act provisions and any subsequent amendments thereto.

2.06.020 Objectives

(a) Safety. Investments shall be undertaken in a manner that seeks to ensure the preservation of principal in the overall portfolio and security of funds and investments. For securities not backed by the full faith and credit of the federal government, diversification is required in order that potential losses on individual securities would not exceed the income generated from the remainder of the portfolio.

(b) Liquidity. The investment officer shall assure that funds are constantly available to meet immediate payment requirements including payroll, accounts payable and debt service.

(c) Yield. The investment portfolio shall be designed with the objective of regularly exceeding the average return on 90-day U.S. Treasury Bills. The investment program shall seek to augment returns above this level, consistent with risk limitations described in this policy and prudent investment principles.

Due to Metro's fiduciary responsibility, safety of capital and availability of funds to meet payment requirements are the overriding objectives of the investment program. Investment yield targets are secondary.

(d) Legality. Funds will be deposited and invested in accordance with statutes, ordinances and policies governing Metro.

2.06.030 Responsibility

(a) Investment Officer. The executive officer is the investment officer of the district. The authority for investing Metro funds is vested with the investment officer, who, in turn, designates the investment manager to manage the day-to-day operations of Metro's investment portfolio, place purchase orders and sell orders with dealers and financial institutions, and prepare reports as required.

(b) Investment Advisory Board (IAB). There shall be an investment advisory board composed of five members.

(1) Terms of Service. The term of service for citizens appointed to the IAB shall be three calendar years. The term of appointment shall be staggered so that not more than two members' terms expire in any calendar year.

(2) Appointment. The investment officer shall recommend to the council for confirmation, the names of persons for appointment to the IAB.

(3) Duties. The IAB shall meet at least quarterly. The IAB will serve as a forum for discussion and act in an advisory capacity for investment strategies, banking relationships, the legality and probity of investment activities and the establishment of written procedures for the investment operations.

(c) Quarterly Reports. At each quarterly meeting, a report reflecting the status of the portfolio will be submitted for review and comment by at least 3 members of the IAB. Discussion and comment on the report will be noted in minutes of the meeting. If concurrence is not obtained, notification will be given to the investment officer including comments by the IAB.

2.06.040 Prudence

The standard of prudence to be applied by the investment officer shall be the "prudent investor" rule: "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived." The prudent investor rule shall be applied in the context of managing the overall portfolio.

2.06.050 Investment Diversification

(Definitions of terms and applicable authorizing statutes are listed in the "Summary of Investments Available to Municipalities" provided by the state treasurer.) The investment officer will diversify the portfolio to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities.

(a) Diversification by Investment

	Percent of Portfolio (Maximum)
(1) U.S. Treasury Bills, Notes, Bonds, Strips and/or State and Local Government Series (SLGS)	100%
(2) Securities of U.S. Government Agencies	100%

and U.S. Government Sponsored Enterprises

(3)	Certificates of Deposit (CD) Commercial Banks in Oregon insured by FDIC	100%
(4)	Repurchase Agreements (Repo's) Maximum 90-day maturity	50%
(5)	Banker's Acceptances (BA)	100%
(6)	Commercial Paper (CP) Issued by a financial institution, commercial, industrial or utility business enterprise. For a corporation headquartered in Oregon; A-1 and P-1 only, maximum 90-day maturity; A-2 and P-2, A-1/P-2, or A-2/P-1 only, maximum 60-day maturity. For a corporation headquartered outside Oregon; A-1 and P-1 only; maximum 90-day maturity	35%
(7)	State of Oregon and Local Government Securities with A ratings or better	25%
(8)	State of Oregon Investment Pool	100%
(9)	Market Interest Accounts and Checking Accounts Minimum necessary for daily cash management efficiency	

(b) Diversification by Financial Institution

(1) Qualified Institutions. The investment officer shall maintain a listing of financial institutions and securities dealers recommended by the IAB. Any financial institution and/or securities dealer is eligible to make an application to the investment officer and upon due consideration and approval hold available funds.

A listing of the eligible institutions shall be held by the investment officer and provided any fiduciary agent or trustee.

(2) <u>Diversification Requirements</u>. The combination of investments in Certificates of Deposit and Banker's Acceptances as outlined individually at 2.06.050(b)(2)(A) and (C) invested with any one institution shall not exceed 25 percent of the total available funds or 15 percent of the equity of the institution.

(A) Certificates of Deposit - Commercial Banks

No more than the lesser of 25 percent of the total available funds or 15 percent of the equity of the financial institution may be invested with any one institution.

(B) Repurchase Agreements

May be purchased from any qualified institution provided the master repurchase agreement is effective and the safekeeping requirements are met. All repurchase agreements will be fully collateralized by general obligations of the U.S. Government, the agencies and instrumentalities of the United States or enterprises sponsored by the United States government, marked to market.

The investment officer shall not enter into any reverse repurchase agreements.

(C) Banker's Acceptances

Must be guaranteed by, and carried on the books of, a qualified financial institution whose short-term letter of credit rating is rated in the highest category by one or more nationally recognized statistical rating organizations.

Qualified institution means:

(i) A financial institution that is located and licensed to do banking business in the State of Oregon; or

(ii) A financial institution located in the States of California, Idaho, or Washington that is wholly owned by a bank holding company that owns a financial institution that is located and licensed to do banking business in the State of Oregon.

No more than the lesser of 25 percent of the total available funds or 15 percent of the equity of the financial institution may be invested with any one institution.

(D) Commercial Paper

No more than 5 percent of the total portfolio with any one corporate entity.

(E) State and Local Government Securities

No more than 15 percent of the total portfolio in any one local entity.

(F) State of Oregon Investment Pool

Not to exceed the maximum amount established in accordance with ORS 294.810, with the exception of pass-through funds (in and out within 10 days).

(G) U.S. Government Agencies

Securities of U.S. Government Agencies and U.S. Government Sponsored Enterprises as defined under ORS 294.035 and/or 294.040. No more than 40 percent of the total portfolio in any one agency.

(H) U.S. Government Treasuries

No limitations

(c) Diversification by Maturity. Only investments which can be held to maturity shall be purchased. Investments shall not be planned or made predicated upon selling the security prior to maturity. This restriction does not prohibit the use of repurchase agreements under ORS 294.135(2). This policy shall not preclude the sale of securities prior to their maturity in order to improve the quality, net yield, or maturity characteristic of the portfolio.

Maturity limitations shall depend upon whether the funds being invested are considered short-term or long-term funds. All funds shall be considered short-term except those reserved for capital projects (e.g., bond sale proceeds).

(1) Short-Term Funds

(A) Investment maturities for operating funds and bond reserves shall be scheduled to meet projected cash flow needs. Funds considered short-term will be invested to coincide with projected cash needs or with the following serial maturity:
25% minimum to mature under three months
75% minimum to mature under 18 months
100% minimum to mature under five years

(B) Investments may not exceed five years. Investment maturities beyond 18 months may be made when supported by cash flow projections which reasonably demonstrate that liquidity requirements will be met. Maturities beyond 18 months will be limited to direct U.S. Treasury obligations.

(2) Long-Term Funds

(A) Maturity scheduling shall be timed according to anticipated need. ORS 294.135 permits investment beyond 18 months for any bond proceeds or funds accumulated for any purpose which the district is permitted by state law to accumulate and hold funds for a period exceeding one year. The maturities should be made to coincide as nearly as practicable with the expected use of the funds.

(B) Investment of capital project funds shall be timed to meet projected contractor payments. The drawdown schedule used to guide the investment of the funds shall evidence the approval of the investment officer and review of the Chief Financial Officer.

(d) Total Prohibitions. The investment officer may not make a commitment to invest funds or sell securities more than 14 business days prior to the anticipated date of settlement of the purchase or sale transaction, and may not agree to invest funds or sell securities for a fee other than interest. Purchase of standby or forward commitments of any sort are specifically prohibited.

(e) Adherence to Investment Diversification. Diversification requirements must be met on the day an investment transaction is executed. If due to unanticipated cash needs, investment maturities or marking the portfolio to market, the investment in any security type, financial issuer or maturity spectrum later exceeds the limitations in the policy, the Investment Officer is responsible for bringing the investment portfolio back into compliance as soon as is practical.

2.06.060 Competitive Selection of Investment Instruments

Before the investment officer invests any surplus funds, a competitive offering solicitation shall be conducted orally. Offerings will be requested from financial institutions for various options with regards to term and instrument. The investment officer will accept the offering which provides the highest rate of return within the maturity required and within the prudent investor rule. Records will be kept of offerings and the basis for making the investment decision.

2.06.065 Monitoring the Portfolio

The investment manager will routinely monitor the contents of the portfolio comparing the holdings to the markets, relative values of competing instruments, changes in credit quality, and benchmarks. If there are advantageous transactions, the portfolio may be adjusted accordingly.

2.06.070 Qualifying Institutions

The investment officer shall maintain a listing of all authorized dealers and financial institutions which are approved for investment purposes. Written procedures and criteria for selection of financial institutions will be established by the investment officer. Financial institutions must have a branch in Oregon. Any firm is eligible to apply to provide investment services to Metro and will be added to the list if the selection criteria are met. Additions or deletions to the list will be made by the investment officer and reviewed by the IAB. At the request of the investment officer, the firms performing investment services for Metro shall provide their most recent financial statements or Consolidated Report of Condition (call report) for review. Further, there should be in place, proof as to all the necessary credentials and licenses held by employees of the broker/dealers who will have contact with Metro as specified by but not necessarily limited to the National Association of Securities Dealers (NASD), Securities and Exchange Commission (SEC), etc. At minimum, the investment officer and the IAB shall conduct an annual evaluation of each firm's qualifications to determine whether it should be on the authorized list.

Securities dealers not affiliated with a Qualified Financial Institution, as defined in ORS.035, will be required to have headquarters located in the State of Oregon, Washington or Idaho and, if not headquartered in the State of Oregon, to have an office located in Oregon. Not withstanding the above, seccurities dealers who are classified as primary dealers with the New York Federal Reserve Bank are also eligible.

2.06.090 Safekeeping and Collateralization

All securities purchased pursuant to this investment policy will be delivered by either book entry or physical delivery to a third party for safekeeping by a bank designated as custodian. Purchase and sale of all securities will be on a payment versus delivery basis. The trust department of the bank designated as custodian will be considered to be a third party for the purposes of safekeeping of securities purchased from that bank. The custodian shall issue a safekeeping receipt to Metro listing the specific instrument, rate, maturity and other pertinent information.

Delivery versus payment will also be required for all repurchase transactions and with the collateral priced and limited in maturity in compliance with ORS 294.035(11).

Deposit-type securities (i.e., Certificates of Deposit) shall be collateralized through the state collateral pool as required by ORS 295.015 and ORS 295.018 for any amount exceeding FDIC coverage, recognizing that ORS 295.015 requires only 25 percent collateralization and ORS 295.018 requires 110 percent collateralization when the institution is notified by the state treasurer.

2.06.100 Indemnity Clause

(a) Metro shall indemnify the investment officer, chief financial officer, investment manager, staff and the IAB members from personal liability for losses that might occur pursuant to administering this investment policy.

(b) The investment officer, acting in accordance with written procedures and exercising due diligence, shall not be held personally responsible for a specific security's credit risk or market price changes, provided that these deviations are reported to the council as soon as practicable.

2.06.110 Controls

The investment officer shall maintain a system of written internal controls, which shall be reviewed annually by the IAB and the independent auditor. The controls shall be designed to prevent loss of public funds due to fraud, error, misrepresentation or imprudent actions.

Metro's independent auditor at least annually shall audit investments according to generally accepted auditing standards and this ordinance.

2.06.120 Accounting Method

Metro shall comply with all required legal provisions and Generally Accepted Accounting Principles (GAAP). The accounting principles are those contained in the pronouncements of authoritative bodies, including but not necessarily limited to, the American Institute of Certified Public Accountants (AICPA); the Financial Accounting Standards Board (FASB); and the Government Accounting Standards Board (GASB).

2.06.130 Reporting Requirements

(a) A transaction report shall be prepared by the investment manager not later than one business day after the transaction, unless a trustee, operating under a trust agreement, has executed the transaction. The trustee agreement shall provide for a report of transactions to be submitted by the trustee on a monthly basis.

(b) Quarterly reports shall be prepared for each regular meeting of the IAB to present historical investment information for the past 12-month period. Copies shall be provided to the executive officer and the Metro council.

2.06.140 Performance Evaluation

The overall performance of Metro's investment program is evaluated quarterly by the IAB using the objectives outlined in this policy. The quarterly report which confirms adherence to this policy shall be provided to the Metro council as soon as practicable.

The performance of Metro's portfolio shall be measured by comparing the average yield of the portfolio at month-end against the performance of the 90-day U.S. Treasury Bill issue maturing closest to 90 days from month-end and the Local Government Investment Pool's monthly average yield.

2.06.150 Policy Adoption

This investment policy must be reviewed by the IAB and the Oregon Short-Term Fund Board prior to adoption by the Metro council. Adoption of this policy supersedes any other previous council action or policy regarding Metro's investment management practices.

2.06.160 Policy Readoption

This policy shall be subject to review and readoption annually by the Metro council in accordance with ORS 294.135.

STAFF REPORT

CONSIDERATION OF ORDINANCE NO. 99-799 CONFIRMING THE ANNUAL READOPTION OF METRO CODE 2.06 (INVESTMENT POLICY); AND DECLARING AN EMERGENCY

Date: . March 9, 1999 Presented by: Howard Hansen

FACTUAL BACKGROUND AND ANALYSIS

Metro Code, Chapter 2.06, contains the investment policy, which applies to all cash-related assets held directly by Metro. The major objectives of the policy are safety, liquidity, and yield, with safety of capital and availability of funds as the overriding objectives.

Section 2.06.160 provides that the policy is subject to annual review and readoption in accordance with ORS 294.135. The last readoption by Metro Council took place April 9, 1998.

Metro's investment portfolio, which is subject to the referenced policy, is reviewed quarterly for adherence to policy by the Investment Advisory Board, a citizens oversight committee composed of investment professionals. Following their review and approval, the quarterly Investment Report is forwarded to Metro Council.

Neither the Investment Advisory Board nor the Investment Manager proposes any amendment to the policy at this time.

The full Chapter 2.06 is attached to the ordinance as Exhibit A.

EXECUTIVE OFFICER'S RECOMMENDATION

The Executive Officer recommends readoption of Metro Code Chapter 2.06 by Ordinance No. 99-799.

Agenda Item Number 9.3

Ordinance No. 99-800, For the Purpose of Amending a Solid Waste Franchise Granted to USA Waste of Oregon, Inc., Doing Business as Metropolitan Disposal and Recycling Corporation, to Operate the Forest Grove Transfer Station; and Declaring an Emergency.

Second Reading

Metro Council Meeting
Thursday, April 15, 1999
Council Chamber

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF AMENDING A SOLID WASTE FRANCHISE GRANTED TO USA WASTE OF OREGON, INC. DBA METROPOLITAN DISPOSAL AND RECYCLING CORPORATION TO OPERATE THE FOREST GROVE TRANSFER STATION; AND DECLARING AN EMERGENCY	))))))))	ORDINANCE NO 99-800 Introduced by Executive Officer Mike Burton, Councilor Ed Washington, and Councilor Susan McLain

WHEREAS, in Ordinance No. 97-718, the Metro Council authorized the Executive Officer to enter into a franchise agreement with USA Waste of Oregon, Inc., dba Metropolitan Disposal and Recycling Corporation; and

WHEREAS, as described in the accompanying staff report, Metro and the franchisee wish to modify certain provisions of the franchise; and

WHEREAS, Metro has determined that such modifications are acceptable and are in the public interest because they will allow solid waste to be transported to the nearest transfer station, thereby reducing regional traffic congestion and pollution; and

WHEREAS, this Ordinance was submitted to the Executive Officer for consideration and is now forwarded to the Council for approval; and

WHEREAS, allowing this Ordinance to take effect immediately is necessary for the public health, safety and welfare of the Metro area, because the franchise for the operation of the Forest Grove Transfer Station constitutes an integral and important part of the regional solid waste disposal system, and no benefit would be derived by delaying the effective date of this ordinance, and such delay may cause disruption; and

WHEREAS, the Executive Officer recommends that the Council amend the franchise to USA Waste, dba Metropolitan Disposal and Recycling Corporation; now, therefore,

THE METRO COUNCIL ORDAINS AS FOLLOWS:

1. That the franchise issued to USA Waste, dba Metropolitan Disposal and Recycling Corporation, shall be modified as described in the attached Exhibit "A" to this Ordinance; and

2. This Ordinance being necessary for the public health, safety and welfare of the Metro area, an emergency is hereby declared to exist; because the franchise for the operation of the Forest Grove Transfer Station constitutes an integral and important part of the regional solid waste system, no benefit would be derived by delaying the effective date of this Ordinance., This Ordinance shall take effect upon its passage.

ADOPTED by the Metro Council this _____ day of _______________ 1999.

____
Rod Monroe, Presiding Officer

ATTEST:

____
Recording Secretary

Approved as to Form:

____
Daniel B. Cooper, General Counsel

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3/16/99

Exhibit A
to Ordinance 99-800

The following amendments shall be included in the solid waste franchise issued to USA Waste of Oregon, Inc., dba Metropolitan Disposal and Recycling Corporation.

- Delete the heading and text of Section 6.1 and the heading of Section 6.2, "Further Limitations," and delete Sections 6.2.1, 6.2.2 and 6.2.3.

- Renumber Section 6.2.4 as Section 6.1.

- Delete Sections 15.1 through 15.4 and renumber Section 15.5 as Section 15.1.

STAFF REPORT

IN CONSIDERATION OF ORDINANCE NO. 99-800 FOR THE PURPOSE OF AMENDING A SOLID WASTE FRANCHISE GRANTED TO USA WASTE OF OREGON, INC., DOING BUSINESS AS METROPOLITAN DISPOSAL AND RECYCLING CORPORATION, TO OPERATE THE FOREST GROVE TRANSFER STATION; AND DECLARING AN EMERGENCY.

Date: March 11, 1999 Presented by: Bruce Warner

PROPOSED ACTION

Adopt Ordinance No. 99-800.

FACTUAL BACKGROUND AND ANALYSIS

The Forest Grove Transfer Station (FGTS) is a privately owned transfer station, operated by USA Waste of Oregon, Inc., under a franchise granted by Metro. The first franchise for this transfer station was issued by Metro in 1985. It was subsequently renewed in 1988 and 1994, and is scheduled to expire in early 1999. This transfer station is one of three regional transfer stations identified in the Regional Solid Waste Management Plan.

The Forest Grove Transfer Station currently handles about ten percent of the municipal solid waste generated within the Region. The waste from the transfer station is currently disposed of at the Riverbend Landfill near McMinnville, Oregon. The waste from this transfer station has historically been disposed of at the Riverbend Landfill, except for a short period between June 1994 and May 1995, when the Columbia Ridge Landfill was used.

Metro was notified in late 1996 that the franchise holder had entered into negotiations for the sale of the facility to USA Waste. Metro negotiated a new franchise with USA Waste of Oregon, doing business as Metropolitan Disposal and Recycling that took effect on December 31, 1997. In July of 1998, USA Waste merged with Waste Management.

The franchise that Metro granted to USA Waste of Oregon to operate the Forest Grove Transfer Station has two unique elements. While the franchise doesn't limit the amount of solid waste that can be handled, the amount of waste disposed of at a general-purpose landfill can not exceed ten percent of the Metro Region's waste. This limitation was placed in the franchise to enable Metro to meet the flow guarantee included in its disposal contract.

A new fee, the "Differential Fee," was established in the Forest Grove Transfer Station franchise. This fee was designed to substitute for periodic rate review. The level of the fee was set to reflect the difference in operating cost between Metro facilities and the Forest Grove Transfer Station. With this fee, the operator could charge a tip fee equal to the Metro tip fee and receive a fair and reasonable fee for the operation of the transfer station. This fee also compensated

Metro's ratepayers for an increase in disposal costs due to a reduction in tonnage delivered under Metro's disposal contract.

After the merger of Waste Management and USA Waste, changes have occurred that eliminate the need for these two franchise provisions. As a result of negotiations with Metro, changes have been proposed to the Disposal Contract that modify the guarantees in the contract so that Metro will no longer be in violation of the contract if the Forest Grove Transfer Station sends more than ten percent of the Region's waste to the Riverbend Landfill.

The proposed changes in Metro's Disposal Contract also eliminate the need for the Differential Fee. The proposed contract modifications change the method of determining Metro's rate so that the Region's ratepayers' cost will not vary with the amount of waste sent to the Riverbend Landfill. The rate reductions proposed in the disposal contract modifications are in excess of the differential fee. If Metro elects to pass on these savings in its tip fee, the operator of the Forest Grove Transfer Station will receive a lower rate for transfer and transportation of the waste than with the differential fee.

This ordinance eliminates the sections of the franchise that require payment of the Differential Fee and the limitations on where waste can be disposed of.

BUDGET IMPACT

There is no budget impact of these changes during the current fiscal year. In the 1999-2000 fiscal year, the budget impact will be a revenue loss of approximately $350,000.

EXECUTIVE OFFICER RECOMMENDATION

The Executive Officer recommends approval of Ordinance No. 99-800.

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Agenda Item Number 10.1

Resolution No. 99-2766, For the Purpose of approving Change Order No. 8 to the Waste Disposal Services Contract.

Contract Review Board

Metro Council Meeting
Thursday, April 15, 1999
Council Chamber

BEFORE THE METRO CONTRACT REVIEW BOARD

FOR THE PURPOSE OF APPROVING CHANGE ORDER NO. 8 TO THE WASTE DISPOSAL SERVICES CONTRACT	)))))	RESOLUTION NO 99-2766 Introduced by Mike Burton, Executive Officer; Rod Monroe, Presiding Officer; and Councilor Ed Washington

WHEREAS, As described in the accompanying staff report, Metro and the Contractor wish to amend certain terms and payment provisions, and to resolve other differences concerning the current Waste Disposal Services Contract; and

WHEREAS, Metro will incur substantial financial savings over the life of the Contract, should Change Order No. 8 be executed; and

WHEREAS, The resolution was submitted to the Executive Officer for consideration and was forwarded to the Council for approval; now, therefore,

BE IT RESOLVED:

That the Metro Council authorizes the Executive Officer to execute Contract Change Order No. 8 to the Waste Disposal Services Contract in a form substantially similar to attached Exhibit "A."

ADOPTED by the Metro Council this _____ day of __________ 1999.

____
Rod Monroe, Presiding Officer

APPROVED AS TO FORM:

____
Daniel B. Cooper, General Counsel

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3/23/99

MODIFICATION TO THE CONTRACT BETWEEN
METRO AND WASTE MANAGEMENT DISPOSAL SERVICES OF OREGON, INC.
(dba OREGON WASTE SYSTEMS, INC.)
ENTITLED
"WASTE DISPOSAL SERVICES"

This Contract Change Order No. 8, dated as of the last signature date below, hereby amends Metro Contract No. 900607, entitled "Waste Disposal Services," dated April 11, 1988, including all prior amendments (which contract and amendments are collectively referred to herein as "the Waste Disposal Services Agreement").

Recitals

1. In 1998, Waste Management Inc. entered into a merger agreement with USA Waste Services, Inc. Prior to the merger, Contractor, Waste Management Disposal Services of Oregon, Inc., dba Oregon Waste Systems ("OWS"), was a wholly owned subsidiary of Waste Management of North America ("WMNA") and WMNA was a wholly owned subsidiary of Waste Management Inc. Pursuant to the merger agreement, Waste Management Inc. was merged with a wholly owned subsidiary of USA Waste, Inc. The surviving corporation is known as Waste Management Holdings, Inc. ("WMHI"). Thereafter, USA Waste Services changed its name to Waste Management, Inc., and WMHI became a wholly owned subsidiary of Waste Management Inc. Following the merger OWS is a wholly owned subsidiary of WMNA and WMNA is a wholly owned subsidiary of WMHI.

2. A dispute has arisen between Metro and the Contractor ("the Dispute") as to whether the above-described 1998 transactions constitute either or both a change of control and a transfer of a controlling interest in the beneficial ownership of the Contractor under Article 29 of the Waste Disposal Services Agreement. In exchange for the promises and other consideration set forth in the Waste Disposal Services Agreement and in this Contract Change Order, and in order to resolve and compromise the Dispute between the parties without admission or concession by any party as to any statement of fact or law concerning the Dispute, and fully reserving all other rights which the parties may have under the Waste Disposal Services Agreement, the parties hereby agree as follows:

A. Purpose

The purpose of this Contract Change Order is to amend certain term and payment provisions of the Waste Disposal Services Agreement and to incorporate therein other mutually agreed provisions.

B. Provisions of Contract Change Order

1. Extension of Contract Term.

The provisions of the Contract Forms document entitled "Contract," made and entered into by and between Metro and Oregon Waste Systems, Inc., dated April 11, 1988, are amended to delete the date "December 31, 2009" and to replace such date with "December 31, 2014." In addition, the provisions contained in the Proposal of Oregon Waste System, Inc., dated December 21, 1987, under the heading "Start of Disposal Operation and Contract Completion Time" (the provisions of which having been incorporated into the Waste Disposal Services Agreement under Article 1B.(4) of the General Conditions of the Contract Documents), are deleted and superceded by this Contract Change Order. In addition, the provisions contained in the second paragraph, beginning at the fourth sentence and following to the end of the paragraph in the Contract Document entitled "Invitation to Bid" are deleted and superceded by this Contract Change Order.

2. Amendment of Payment Provisions.

The provisions of Article 19.A of the General Conditions of the Solid Waste Disposal Agreement are amended to provide as follows:

For all work required under this Contract, Metro will make monthly payments to Contractor based upon the rates set forth in this Contract Change Order.

a. Effective July 1, 1999, and continuing through December 31, 1999, Metro shall pay Contractor at the rate of $28.18 per ton for the initial 275,000 tons of waste delivered to Contractor from July 1, 1999 to December 31, 1999. For each ton of Metro Solid Waste Tonnage delivered to Contractor from July 1, 1999 to December 31, 1999 in excess of 275,000 tons, Metro shall pay Contractor a declining incremental price in accordance with the following schedule:

If Metro Solid Waste Tonnage In Excess of 275,000 Tons Is:	The Price Per Ton For Such Metro Solid Waste Tonnage In Excess of 275,000 Shall Be:
275,001 to 296,250 tons	$10.34 per ton
296,251 to 317,500 tons	$9.82 per ton
317,501 to 338,750 tons	$9.31 per ton
338,751 to 360,000 tons	$8.79 per ton
360,001 to 381,250 tons	$8.28 per ton
Above 381,251 tons	$7.76 per ton

b. Effective January 1, 2000, the basis for Metro monthly payments for work shall change from the annual rate schedule of Change Order No. 7 (and the semi-annual schedule of the Paragraph 2.a above) to a quarterly rate schedule. Effective January 1, 2000, for each ton of Metro Solid Waste Tonnage which Metro delivers, or authorizes to be delivered directly quarterly to Contractor, Metro shall pay Contractor an amount equivalent to the per ton price produced by applying the following declining incremental price schedule to the total quarterly Regional Solid Waste Tonnage:

If Quarterly Regional Solid Waste Tonnage Is:	The Price Per Ton For the Metro Solid Waste Tonnage Included in Such Tonnage Shall Be:
0 to 137,500 tons	$22.31 per ton
137,501 to 148,125 tons	$10.34 per ton
148,126 to 158,750 tons	$9.82 per ton
158,751 to 169,375 tons	$9.31 per ton
169,376 to 180,000 tons	$8.79 per ton
180,001 to 190,625 tons	$8.28 per ton
Above 190,625 tons	$7.76 per ton

c. For purposes of determining the rates and sums to be paid under this Article, the following definitions shall apply:

(1) "Metro Solid Waste Tonnage" shall mean solid waste which Metro delivers or which Metro authorizes to be delivered directly to Contractor.

(2) "Regional Solid Waste Tonnage" shall mean the total of the following:

i. Metro Solid Waste Tonnage; and

ii. All solid waste, exclusive of special or hazardous waste, from within the Metro region, disposed of at any general purpose landfill that is owned or operated now or at any future time by the Contractor, Waste Management Holdings, Inc., Waste Management Inc., Waste Management of North America, Inc. or any of their respective corporate parents, or corporate subsidiaries whether in existence at the time of this Contract Change Order or later created; and

iii. All solid waste, exclusive of special or hazardous waste or unprocessed construction and demolition waste, which is disposed of at any landfill, whether within or outside the Metro region, and which is generated within the Metro region from facilities owned or operated now or in the future by Contractor, Waste Management

Holdings, Inc., Waste Management Inc., Waste Management of North America, Inc. or any of their respective corporate parents, or corporate subsidiaries whether in existence at the time of this Contract Change Order or later created; and

iv. Any solid waste described in Paragraphs ii or iii above shall continue to be calculated as Regional Solid Waste Tonnage under this Contract Change Order notwithstanding any subsequent transfer or sale of any facility or solid waste collection route owned or operated by Contractor, Waste Management Holdings, Inc., Waste Management Inc., Waste Management of North America, Inc. or any of their respective corporate parents, or corporate subsidiaries whether in existence at the time of this Contract Change Order or later created.

(3) For purposes of Paragraph 2.c, any residual from recycling or material recovery facilities located with the Metro region shall be considered generated within the Metro region.

d. On or about the eighth day of each month, Contractor will submit to Metro a billing which indicates the quantity and the amounts of Regional Solid Waste Tonnage and specifies the amounts of disposed Metro Solid Waste Tonnage for which payment is due. Contractor shall furnish to Metro such detailed information as set forth in the Contract Documents (including records from disposal sites and records relating to Regional Solid Waste Tonnage) as Metro may request to aid in the preparation of its monthly payments. After approval by Metro, Metro will pay sums due to the Contractor by the 25th day of the following month.

e. In addition to any submission required under Paragraph 2.d. above, on January, 8, 2000, Contractor shall also submit to Metro a special billing which indicates the quantity and amounts of Metro Solid Waste Tonnage for the six-month period ending December 31, 1999, together with the volumes of solid waste tonnage from the Forest Grove Transfer Station during the twelve-month period ending December 31, 1999 which were disposed at a general purpose landfill other than the Columbia Ridge Landfill and which were in excess of ten percent (10%) of the total tons of Solid Waste that Metro has delivered to or has directed to any General Purpose landfill during that same twelve-month period (the "Excess Forest Grove Tonnage"). For the purposes of this paragraph, the sum of Metro Solid Waste Tonnage for the six-month period ending December 31, 1999, plus the Excess Forest Grove Tonnage shall be referred to as the "Adjusted Metro Solid Waste Tonnage." After review and approval by Metro, Metro will pay to the Contractor an amount determined by applying the effective per ton price that is derived from the schedule in Paragraph 2.a and using the Adjusted Metro Solid Waste Tonnage, to the Metro Solid Waste tonnage for the six-month time period ending December 31, 1999, less any other payments already made for that same six-month time period.

3. Inflation Adjustment.

a. Notwithstanding the provisions of Article 19.B of the original Agreement, no inflation adjustment shall be made under this Agreement during the period commencing upon the effective date of this Contract Change Order Amendment and terminating on June 30, 2000.

b. For the Contract Price Adjustments occurring on July 1, 2000, and continuing through the Contract Price Adjustments occurring on July 1, 2009, for all rates shown in paragraph 2.b. of this Contract Amendment, the "percentage price adjustment (AI)" calculated under Article 19.B shall be 70% of the Consumer Price Index ("CPI") for the previous calendar year minus one-half of one percentage point of such CPI. The formula set forth in Article 19.B to calculate the price adjustment is amended to read as follows:

> "$AI = (((CI_X - CI_B) \times 0.7) - 0.005)$, with the terms of the formula modified so that CI_X represents the amount of the Consumer Price Index for the calendar year ending each December 31, and CI_B represents the Consumer Price Index for the calendar year which precedes the year used to calculate CI_X."

c. For the Contract Price Adjustments occurring after July 1, 2009, the formula set forth in Article 19.B to calculate the price adjustment is amended to read as follows:

> "$AI = (((CI_X - CI_B) \times 0.9) - 0.005)$, with the terms of the formula modified so that CI_X represents the amount of the Consumer Price Index for the calendar year ending each December 31, and CI_B represents the Consumer Price Index for the calendar year which precedes the year used to calculate CI_X."

4. Solid Waste Rate Limitation Provisions.

a. Definitions.

For purposes of this Contract Change Order Paragraph 4, the following definitions shall apply:

i. The term "Metro Rate" shall mean the per ton rate for disposal of solid waste derived from the rate schedule in Paragraph 2.b using the total tonnage delivered by Metro to the Contractor during the twelve-month time period ending December 31.

ii. The term "Market Rate" shall mean the lowest per ton solid waste disposal rate, exclusive of any applicable regulatory fees, charged to any public body, including but not limited to any state, county, city, district, solid waste authority or other similar unit of government, contracting for the annual disposal of at least 200,000 tons of solid waste for a term of at least 10 years in any landfill in Oregon, Washington or Idaho that is owned or controlled by Contractor, Waste Management Holdings Incorporated, Waste Management Incorporated, Waste Management of North America, Inc. or any of their respective corporate parents or corporate subsidiaries, whether in existence at the time of this Contract Change Order or later created. In the event that any such public body has entered into an agreement for landfill disposal which combines the costs of such disposal with any cost not related to such disposal, including but not limited to the collection, transfer or transportation of such solid waste, the Contractor shall demonstrate the amount of the public body's actual per ton costs for disposal of solid waste.

For the purposes of this Paragraph 4.a.ii only, the term of any solid waste disposal contract shall be determined by reference to the total maximum length of time that such contract is contemplated by its parties to be effective including any permissible contract extensions, but without regard to any provision in such contract allowing any party to opt out or otherwise terminate its obligations under such contract before the expiration of the total maximum length of time of such contract.

Additionally, and also for purposes of this Paragraph 4.a.ii only, "controlled" means either of the following:

(1) Holding 50 percent or more of the outstanding voting securities of any landfill business entity or in the case of a landfill business entity that has no outstanding voting securities, having the right to 50 percent or more of the profits from the operation of the entity, or having the right in the event of dissolution to 50 percent or more of the assets of the entity; or

(2) Having the contractual power to designate 50 percent or more of the directors of a corporation, or in the case of unincorporated entities, of individuals exercising similar functions.

iii. The term "Base Rate" shall mean the per ton price applicable to the first 550,000 tons of Regional Solid Waste Tonnage pursuant to Paragraph 2.b as modified from time to time based upon rate comparison.

b. Initial Rate Comparison.

On or about January 10, 2005 Metro shall undertake to perform a comparison of the Metro Rate in effect as of December 31, 2004 with the Market Rate in effect as of that same date.

i. In the event that the Market Rate effective as of December 31, 2004 exceeds the Metro Rate effective as of that same date, or in the event that the Metro Rate effective as of December 31, 2004 exceeds the Market Rate effective as of that same date by an amount less than five percent of the Metro Rate in effect as of December 31, 2004, no adjustment shall be made to the Base Rate then in effect under Paragraph 2.b of this Contract Change Order.

ii. In the event that the Metro Rate effective as of December 31, 2004 exceeds the Market Rate effective as of that same date by an amount equal to or in excess of five percent but less than ten percent of the Metro Rate effective on that date, the Base Rate then in effect under Paragraph 2.b of this Contract Change Order shall be reduced effective July 1, 2005 to a revised Base Rate that yields an effective per ton price that is the equivalent of the Market Rate in effect on December 31, 2004, using Regional Solid Waste Tonnage and Metro Solid Waste Tonnage for calendar year 2004.

iii. In the event that the Metro Rate effective as of December 31, 2004 exceeds the Market Rate effective as of that same date by an amount equal to or greater than 10 per cent of Metro Rate, the Base Rate then in effect under Paragraph 2.b of this Contract Change Order shall be reduced effective July 1, 2005 to a revised Base Rate that yields an effective per ton price that is the equivalent of 90% of the Metro Rate in effect as of December 31, 2004, using Regional Solid Waste Tonnage and Metro Solid Waste Tonnage for calendar year 2004, and the term of the Contract shall be extended to December 31, 2019.

c. Subsequent Rate Comparison.

On or about January 10, 2010 Metro shall undertake to perform a second comparison of the Metro Rate in effect as of December 31, 2009 with the Market Rate in effect as of December 31, 2009.

i. In the event that the Market Rate effective as of December 31, 2009 exceeds the Metro Rate effective as of that same date, or in the event that the Metro Rate effective as of December 31, 2009 exceeds the Market Rate effective as of that same date by an amount less than five percent of the Metro Rate effective December 31, 2009, no adjustment shall be made to the Base Rate then in effect under Paragraph 2.b of this Contract Change Order.

ii. In the event that the Metro Rate effective as of December 31, 2009 exceeds the Market Rate effective as of that same date by an amount equal to or in excess of five percent but less than ten percent of the Metro Rate effective on that same date, the Base Rate then in effect under Paragraph 2.b of this Contract Change Order shall be reduced effective July 1, 2010 to a revised Base Rate that yields an effective per ton price that is the equivalent of the Market Rate in effect as of December 31, 2009, using Regional Solid Waste Tonnage and Metro Solid Waste Tonnage for calendar year 2009.

iii. In the event that the Metro Rate effective as of December 31, 2009 exceeds the Market rate effective as of that same date by an amount equal to or greater than 10 per cent of Metro Rate effective as of December 31, 2009, the Base Rate then in effect under Paragraph 2.b of this Contract Change Order shall be reduced effective July 1, 2010 to a revised Base Rate that yields an effective per ton price that is the equivalent of 90% of the Metro Rate in effect as of December 31, 2009, using Regional Solid Waste Tonnage and Metro Solid Waste Tonnage for calendar year 2009, and the term of the Contract shall be extended to December 31, 2019, unless an extension to the Contract has been previously made, in which case no additional extension shall be granted.

d. Alternative Means of Contract Extension Following Rate Comparisons.

i. In the event that both of the respective 2004 and 2009 Rate comparisons result in reductions to the Base Rates then in effect under Paragraph 2.b of this Contract Change Order, the term of this Agreement shall be extended to December 31, 2019.

ii. In the event that as a result of the respective 2004 and 2009 Rate comparisons, the sum of any reductions made to the effective per ton prices then in effect under Paragraph 2.b of this Contract Change Order were less than ten percent of the Metro Rates in effect when such rate reduction is made, Contractor nevertheless may obtain an extension of the term of this Agreement to December 31, 2019 by providing effective July 1, 2010 a reduction in the per ton disposal price charged under this Agreement equal to the percentage amount which, when combined with the percentage amount of any previous reduction, totals ten percent of the Metro Rate effective on December 31, 2009.

iii. In the event that neither of the respective 2004 and 2009 Rate comparisons result in reductions to the per ton prices then in effect under Paragraph 2.b of this Contract Change Order, Contractor nevertheless may obtain an extension of the term of this Agreement to December 31, 2019 by a providing, effective July 1, 2010, a reduction in the Base Rate that yields an effective per ton price reduction equal to five percent of the Metro rate effective on December 31, 2009.

e. Final Rate Comparison.

In the event that, as a result of the rate comparisons made by Metro under this Contract Change Order, the term of this Waste Disposal Services Agreement is extended to December 31, 2019, then on or about January 10, 2015 Metro shall undertake to perform a final comparison of the Metro Rate in effect as of December 31, 2014 with the Market Rate in effect as of that same date.

i. In the event that the Market Rate effective as of December 31, 2014 exceeds the Metro Rate effective as of that same date, or in the event that the Metro Rate effective as of December 31, 2014 exceeds the Market Rate that same date by an amount less than five percent of the Metro Rate in effect as of December 31, 2014, no adjustment shall be made to the Base Rate then in effect under Paragraph 2.b of this Contract Change Order.

ii. In the event that the Metro Rate effective as of December 31, 2014 exceeds the Market Rate effective as of that same date by an amount equal to or in excess of five percent the Base Rate then in effect under Paragraph 2.b of this Contract Change Order shall be reduced effective July 1, 2015, to yield an effective per ton price equal to the greater of either ninety percent of the Metro Rate effective on December 31, 2014 or the Market Rate effective on December 31, 2014.

f. Resolution of Disputes Relating to Rate Comparisons and Rate Adjustments.

Any controversy or claim arising out of or relating in any way to the Rate Comparisons or the rate adjustments for which provision is made in this Contract Change Order shall be subject to the arbitration provisions contained in Article 26 of the Waste Disposal Services Agreement, and the following additional provisions:

i. Discovery methods permitted by AAA Commercial Arbitration Rule 23 shall be permitted concerning any controversy or claim arising out of or relating in any way to the Rate Comparisons or the rate adjustments for which provision is made in this Contract Change Order.

ii. Notwithstanding any contrary provision of Article 26 of the Waste Disposal Services Agreement, no controversy or claim arising out of or relating in any way to the Rate Comparisons or the rate adjustments for which provision is made in this Contract Change Order shall be consolidated with any other arbitration.

iii. Contractor may identify any written information regarding transport or disposal costs with respect to customers other than Metro as confidential or proprietary in nature or otherwise exempt from disclosure under the Oregon Public Records Law. Metro shall maintain as confidential and shall not disclose, such information. Upon receipt by Metro of any requests for disclosure of information identified by the Contractor as confidential or proprietary in nature or otherwise exempt from disclosure under the Oregon Public Records Law, Metro shall notify the Contractor of the request after consideration of the public interest in disclosure of the requested information. Contractor shall respond in writing within seven (7) days of Metro's notice whether the requested information should be released or defended. If Contractor elects to defend the exemption of the requested information from public disclosure, Contractor shall assume all responsibilities for such defense. Contractor shall indemnify and hold Metro harmless for all costs and expense incurred in the defense of the request, including court and appeal costs and attorney fees and expenses. Nothing in this paragraph is intended to require Metro to refuse to disclose information after being so ordered by a competent judicial authority.

iv. Any arbitrator's decision concerning the Rate Comparisons or the rate adjustments for which provision is made in this Contract Change Order that is rendered after the effective date of such rate adjustment as set forth in this Change Order shall be retroactive to the effective date provided for the rate adjustment under this Contract Change Order.

5. <u>Waste Flow Guarantees.</u>

The provisions of Section 1 of the Specifications to the original Agreement, page VI-1, under the heading "Annual Waste Delivery Guarantees By Metro" (hereinafter "flow guarantee") and the provisions of Change Order No. 7, paragraph 10 are hereby amended as follows:

Metro makes the following guarantee for Contractor:

a. Each calendar year, Metro agrees to deliver to Contractor's disposal site or to landfills owned or operated by Contractor, Waste Management Holdings, Incorporated, Waste Management Incorporated, Waste Management of North America, Inc. or any of their respective corporate parents or corporate subsidiaries, whether in existence at the time of this Change Order or later created, a minimum of 90 percent of the total tons of acceptable waste that Metro delivers to any general purpose landfill during the calendar year.

b. Metro shall at all times make good faith efforts to ensure that putrescible waste (other than special waste) generated or disposed of within Metro boundaries and destined for a general purpose landfill (other than incidental quantities) shall be subject to Metro's authority to deliver waste to the Columbia Ridge Landfill or landfills owned and operated by Contractor and its affiliates. For the purposes of this provision, Metro's good faith efforts shall be considered to have been met as long as Metro continues to comply with the covenants benefiting bond holders contained in Metro's solid waste revenue bonds and as long as Metro continues to exercise the same general level of effort now used to enforce Metro's flow control and illegal waste disposal ordinances and regulations. This commitment shall not be admissible in any proceeding for purposes of interpreting the intent of the parties under the original flow guarantee.

6. Alternative Transportation.

The parties acknowledge that during the remainder of this Agreement, Contractor may make proposals for the use of alternative modes of transportation of Metro solid waste to Contractor's facilities. Metro agrees that it shall not unreasonably withhold its consent to any requested assignment by Contractor of the transportation contract, provided that in such requested assignment, Contractor (1) proposes the use of an alternate mode of transportation, including but not limited to rail transportation, barge transportation, or other means of transport; (2) assures the use of an alternate transportation mode that results in no adverse impacts to the operation of any Metro transfer station; and (3) provides, as of the date that such alternative transportation proposal is made, for transport and disposal at a price no greater than the combined cost of such transport and disposal, expressed on a tonnage basis, under this Solid Waste Disposal Services Agreement and any Metro Waste Transport Services agreement for transportation to Contractor's facility in effect at the time of such alternative transportation proposal. In the event that Metro consents to a requested assignment, Metro shall make, and the bear the expense of, all reasonable modifications to any Metro transfer station to accommodate the Contractor's proposed alternative means of solid waste transportation.

7. Amendment to Assignment Provision.

The provisions of Article 28 of the General Conditions are amended to add a new Section C, as follows:

C. An intra-company assignment or delegation between different subsidiaries or branches of the parent corporation of Contractor shall not be construed as an assignment or delegation that requires the prior written consent of Metro. For the purposes of Article 28 and the third sentence of Article 29 only, "parent corporation" means Waste Management, Inc. as it is constituted as of the date of the execution of this Change Order No. 8.

8. <u>No Other Modifications.</u>

Except as modified herein, all other terms and conditions of the original Contract and all other previous amendments or change orders shall remain in full force and effect. Any material conflict between the provisions of the original Agreement, and other previous amendments or change orders, on the one hand, and this Contract Amendment No. 8 on the other hand, shall be resolved by reference to and reliance upon this Contract Amendment.

OREGON WASTE SYSTEMS, INC.	METRO
By____________________	By____________________
Title____________________	Title____________________
Date____________________	Date____________________

kaj
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3/11/99

STAFF REPORT

IN CONSIDERATION OF RESOLUTION NO. 99-2766 FOR THE PURPOSE OF APPROVING CHANGE ORDER NO. 8 TO THE WASTE DISPOSAL SERVICES CONTRACT

Date: March 11, 1999 Presented by: Bruce Warner

PROPOSED ACTION

Adopt Resolution No. 99-2766 authorizing the Executive Officer to execute Change Order No. 8 to the Waste Disposal Services Contract.

SUMMARY

The proposed Change Order contains nine key modifications. These modifications alter the financial terms as set forth in the Waste Disposal Services Contract, as amended. The effects of the Change Order result in substantial savings of approximately $60 million over the original contract (to December 31, 2009).

The proposed Change Order No. 8 will:

- Reduce the disposal price on the first 550,000 tons from $28.18 per ton to $22.31 per ton on January 1, 2000, thereby reducing the average disposal rate to $17.37 per ton from $23.94.
- Freeze Metro's contract disposal rates until January 1, 2000.
- Reduce the inflation adjustment in the contract from July 1, 2000 through July 1, 2009.
- Establish a procedure for comparing Metro's rate to "market rates," every five years, and requires a reduction in the average rate charged Metro if that rate exceeds the "market rate" by more than five percent.
- Include all solid waste disposed of by Waste Management, Inc. or affiliated companies in the tonnage used to determine Metro's rate.
- Extend the term of the contract five years until December 31, 2014.
- Provide the contractor with an additional five-year contract extension if the disposal rate is reduced voluntarily or as a result of the comparison to market rates.
- Modify the waste delivery guarantees in the existing contract so that up to ten percent of the region's waste can be delivered to general purpose landfills that are not owned or affiliated with the disposal contractor.
- Establish criteria for the contractor to provide transportation services, using an alternative transport mode at no increase in Metro's cost.

FACTUAL BACKGROUND

Effective April 11, 1988, Metro entered into a solid waste disposal services contract with Oregon Waste Services, Inc. (Since that time, the corporate name of the entity has been changed to Waste Management Disposal Services of Oregon.) Article 29 of the general contract conditions states in part that: *"Any change of control, or the transfer of a controlling interest in the beneficial ownership of Contractor shall constitute a default under the terms of this contract unless Metro consents to such a transfer."*

On July 16, 1998, without requesting or receiving the prior consent of Metro, Waste Management was merged with Dome Merger Subsidiary, Inc., a wholly-owned subsidiary of USA Waste, Inc., which had been formed solely for the purpose of accomplishing the merger. Waste Management was the surviving corporation following the merger with Dome, but became a wholly owned subsidiary of USA Waste through an exchange of shares, which occurred at the time of the merger. Following the merger, USA changed its name to "Waste Management, Inc." and Waste Management became known as "Waste Management Holdings, Inc."

On September 3, 1998, Metro Executive Officer Mike Burton informed representatives of new Waste Management that the consummation of the merger without requesting or receiving the consent of Metro violated Article 29 of the solid waste disposal services contract. The Executive Officer declared the contract in default, and provided the Contractor with the contractually required period to cure the default or provide Metro reasonable assurances that the default would be promptly cured.

Thereafter, Waste Management also requested that Metro meet with them to discuss resolution of the dispute that had arisen due to the merger described above. This change order is the result of those negotiations. Changes have also been proposed to the terms of the franchise for Waste Management's Forest Grove Transfer Station. The proposed franchise changes are an integral part of the settlement offer and will be presented to the Metro Council in the form of an ordinance.

ANALYSIS

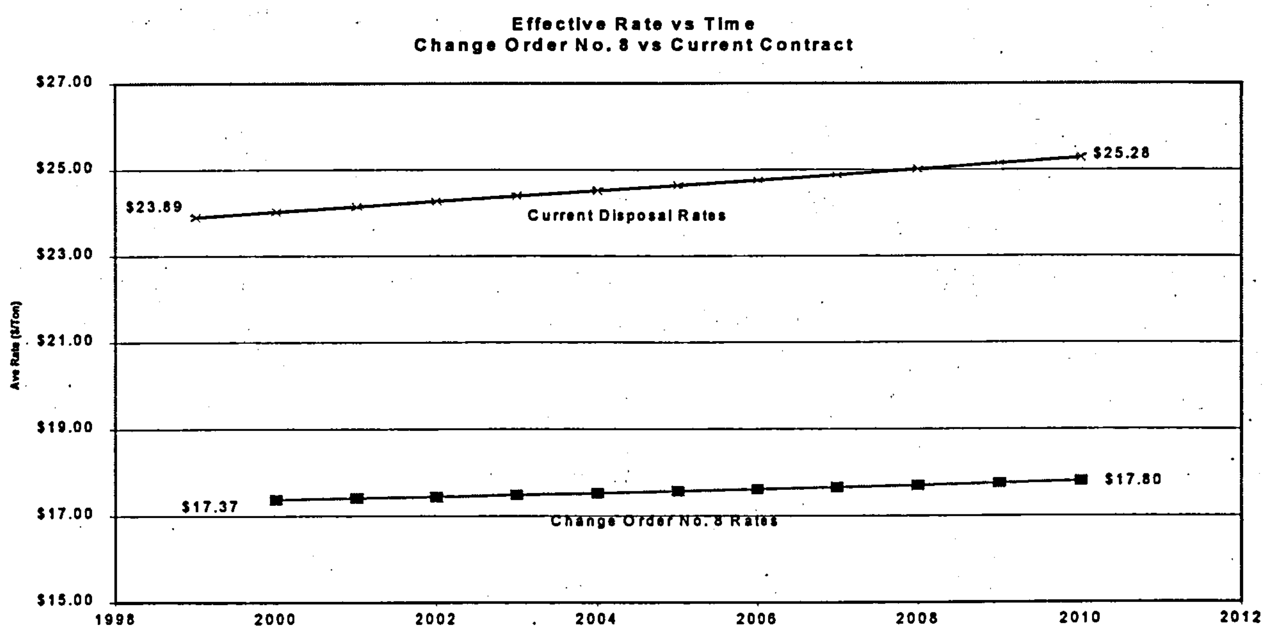
The marketplace for disposal services has changed dramatically since Metro entered into its disposal contract in 1988. Construction of two additional regional landfills has created a competitive market that has reduced disposal costs in the northwest. This change, combined with the inflation adjustments in the contract, has caused Metro's disposal cost to rise above market rates, even with the rate reductions obtained in previous amendments to the disposal services contract. This change order brings Metro's disposal costs down to market levels and establishes procedures that provide Metro with a means to keep its rates near market rates in the region.

Savings and Disposal Rate - One of Metro's primary objectives in these negotiations was to obtain a rate that was comparable with the market for disposal services in the Northwest. A consultant was retained to determine disposal prices paid by other jurisdictions. It was determined that the lowest contract price in the Northwest was the Snohomish County contract, with a current rate of $17.38 per ton. Most of the remaining contracts in the Northwest range between $18.00 and $21.00 per ton.

A number of tonnage scenarios were used to evaluate the financial impacts of the proposed Change Order. The financial information provided in this document is based on the estimates of tonnage used during negotiations with new Waste Management. These tonnage figures are slightly lower than current tonnage and grow at two percent per year. All estimates assume an average increase in the consumer price index of 2.6% over the life of the contract.

The total cash savings compared to current contract terms are estimated to be approximately $60 million over the life of the existing contract. These savings remain relatively constant over a wide range of tonnage. Due to the structure of the payment schedule in the existing contract and in this change order, Metro's average disposal cost per ton varies significantly with tonnage. The rates agreed to in this change order were designed to produce an average disposal cost of $17.37 per ton based on an estimated Metro tonnage of 729,000 tons for the 1999-2000 fiscal year. This compares with an average disposal rate of $23.94 per ton at current contract rates. Using the higher tonnage in Metro's budget estimates for the 1999-00 fiscal year, the projected disposal rate would be $17.04 per ton versus $23.30 per ton under the current contract.

Because of the tiered rate structure and proposed changes in the contract's inflation adjustment, Metro's rate should remain relatively constant over the remaining life of the existing disposal contract. The average rate will increase from $17.37 per ton in the 1999-2000 fiscal year to approximately $17.80 per ton in the 2009-10 fiscal year (see graph, below). This rate of increase is about 10% of the estimated inflation rate per year. Most other contracts in the northwest increase at between 65% and 85% of the inflation rate each year. If tonnage growth exceeds the 2% growth rate assumed in these estimates, Metro's rate could actually decline.



Waste Flow - Another key element of the negotiations was to eliminate the possibility of an increase in Metro's disposal rate due to diversion of waste by firms owned or operated by Metro's disposal contractor. Waste Management has a large vertically integrated solid waste operation in the Metro area and controls enough waste to materially effect the disposal rate based on how it directs the waste for disposal. Provisions were included in this change order so that Metro's rate is not impacted by Waste Management's business decisions regarding where to deliver waste. These terms will also provide a modest incentive for Waste Management to recover materials from the waste since a reduction in tonnage due to waste recovery could increase its average rate per ton for disposal services.

Flow Guarantee - The merger of Waste Management and USA Waste created a situation where virtually all of the waste in the Metro region is disposed of at landfills owned by the merged firm. Under the delivery guarantee in the existing disposal contract, Metro was contractually obligated to take actions that would essentially perpetuate this situation and limit the possibility of competition in the region. The waste flow guarantee in the proposed change order will permit up to 10% of the region's solid waste to go to other landfills owned by firms other than Waste Management as long as existing requirements of the Metro Code are met. While this is not the most competitive market condition, it does introduce the possibility of more competition than would have existed under the current contract terms.

Transportation Mode - There is continued interest in alternatives to transporting solid waste in trucks through the Columbia Gorge National Scenic Area. Terms were included in this change order to allow assignment of Metro's transportation services contract to the disposal contractor if an alternate mode of transportation is provided at no additional cost to Metro. Any buy-out of the transportation contract will be the responsibility of the disposal contractor.

SECTION-BY-SECTION REVIEW

The specific items contained in the Change Order are more fully addressed below on an item by item basis.

Item 1. Contract Term. This item extends the term of the contract from December 31, 2009 to December 31, 2014. Tonnage limits in the contract that could conflict with the change in contract term were also eliminated.

Item 2. Payment Provisions. This item modifies the payment terms in the contract. A payment schedule is provided that eliminates the contract price increase scheduled for July 1, 1999. A new price schedule is established that takes effect on January 1, 2000 that will lower the rate on the first 550,000 tons of waste from $28.18 to $22.31 per ton. This section also modifies the tonnage used to calculate the rate that Metro pays for disposal. All tonnage originating within the Metro boundaries that is disposed of by Waste Management or at a general-purpose landfill owned by Waste Management will be included in the calculation of Metro's disposal rate.

Item 3. Inflation Adjustment. This item changes the formula for calculating the annual price adjustments due to inflation to 70% of the increase in the consumer price index less one half of one percent for the term of the existing contract from 90 percent of the increase in the consumer price index less one half of one percent. The current contract methodology will apply for price adjustments after December 31, 2009.

Item 4. Market Comparison. This item establishes a methodology for comparing Metro's average disposal cost to "Market Rates" every five years for the remainder of the contract. The market price will be the lowest disposal price charged under a comparable municipal contract at any landfill owned by Waste Management in Oregon, Washington or Idaho. If the Market Rate is more than 5% lower than Metro's average rate, Metro's rates must be reduced to the Market Rate or by 10%, whichever is less. If the cumulative rate reductions in the first two reviews result in a cumulative rate reduction of 10% or more, the contract will be extended another five years. If no rate reductions are required, the contract can be extended if Waste Management makes a voluntary 5% rate reduction. Only one additional five-year contract extension can be obtained under these provisions, even if multiple rate reductions are required. These provisions also strengthen the access to record provisions and establish an expedited dispute resolution process for resolving disputes involving determination of the Market Rate.

Item 5. Waste Flow Guarantee. This item alters the terms of the flow guarantee in the existing contract. Under the new guarantee, Metro agrees to deliver 90% of the acceptable waste to Columbia Ridge Landfill or other landfills owned or operated by Waste Management. Metro currently agrees to deliver 90% of the acceptable waste that it delivers to any general-purpose landfill to the Columbia Ridge Landfill.

Item 6. Alternative Transportation. This item provides criteria under which the Contractor may assume the responsibility for transportation of Metro's solid waste. Metro agrees to approve assignment of the transportation contract if the Contractor proposes to utilize an alternate means of transportation (such as rail or barge) at cost equal to or less than the combined cost of transportation and disposal at the time the proposal is made.

BUDGET IMPACT

Under the most probable tonnage scenarios, Metro would save approximately $60 million over the current contract. There is no budget impact due to this change order in the current fiscal year. The net savings due to this change order, during the 1999-2000 fiscal year, will be approximately $2.4 million. The cost reduction in succeeding years will be about twice the 99-00 impact.

EXECUTIVE OFFICER RECOMMENDATION

The Executive Officer recommends approval of Resolution No. 99-2766.

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041599c-01

FY 1999-00 General Fund
Summary of Fund - Revised 3/19/99
(Excise Tax Based on Revised SW Tonnage Forecast of March 17, 1999)

	FY 1999-00		
	Proposed Budget	Revised 3/17/99	Difference from Proposed
Resources			
Beginning Fund Balance	*$823,000*	*$503,000*	*($320,000)*
Excise Tax	8,115,237	7,828,572	(286,665)
Interest	60,000	60,000	0
Transfer from Support Services	1,299,190	1,299,190	0
Other	500	500	0
Total Resources	**$10,297,927**	**$9,691,262**	**($606,665)**
Expenditures			
Council Office			
Council Office Staff	955,488	955,488	0
Council Office of Public Outreach	173,930	173,930	0
Executive Office			
Executive Office Staff	536,528	536,528	0
Executive Public & Government Relations	485,583	485,583	0
Creative Services	511,967	511,967	0
Special Appropriations	150,000	150,000	0
General Expenses			
Interfund Transfers:			
Internal Service Charges			
* to Support Services	595,889	595,889	0
* to Building Mgmt	341,346	341,346	0
* to Risk Mgmt	6,229	6,229	0
Fund Equity Transfers			
* to Planning Fund	3,974,830	3,974,830	0
* to Regional Parks (general allocation)	642,618	642,618	0
* to Regional Parks (landbanking)	224,965	224,965	0
* to Regional Parks (earned on facilities)	155,534	155,534	0
* to Regional Parks (1% on SW)	725,609	691,884	(33,725)
* to Support Services	100,000	100,000	0
Total Expenditures	**$9,580,516**	**$9,546,791**	**($33,725)**
Contingency/Ending Fund Balance	***717,411***	***144,472***	***(572,939)***

Notes:

(1) Excise tax foreacast based on Financial Planning's projections prepared 3/19/99, using REM's revised tonnage forecast of 3/17/99.

FY 1998-99 General Fund
Estimate of Ending Fund Balance - Revised 3/19/99
(Based on Revised SW Tonnage Forecast of March 17, 1999)

	FY 1998-99			
	Adopted Budget	Estimate Used In Proposed	Revised Est. 3/19/99	Difference in Estimates
Resources				
Beginning Fund Balance	*$1,697,000*	*$1,635,000*	*$1,635,000*	*$0*
Excise Tax	7,877,226	7,964,966	7,507,023	(457,943)
Interest	60,000	75,000	75,000	0
Transfer from Support Services	438,794	435,650	432,994	(2,656)
Other	500	500	500	0
Total Resources	**$10,073,520**	**$10,111,116**	**$9,650,517**	**($460,599)**
Expenditures				
Council Office				
Council Office Staff	950,316	857,931	865,638	7,707
Council Office of Public Outreach	153,608	150,464	147,808	(2,656)
Executive Office				
Executive Office Staff	404,580	382,153	382,153	0
Executive Public & Government Relations	299,186	299,186	299,186	0
Special Appropriations	255,000	255,000	146,768	(108,232)
General Expenses				
Interfund Transfers:				
Internal Service Charges				
* to Support Services	590,809	590,809	590,809	0
* to Building Mgmt	313,955	313,955	313,955	0
* to Risk Mgmt	8,284	8,284	8,284	0
Fund Equity Transfers				
* to Planning Fund	4,454,820	4,454,820	4,454,820	0
* to Regional Parks (general allocation)	678,619	678,619	678,619	0
* to Regional Parks (landbanking)	247,170	247,170	247,170	0
* to Regional Parks (earned on facilities)	137,022	136,811	140,792	3,981
* to Regional Parks (1% on SW)	713,250	712,750	670,882	(41,868)
* to Support Services	200,000	200,000	200,000	0
* to MERC (excess over budget)	0	0	0	0
Total Expenditures	**$9,406,619**	**$9,287,952**	**$9,146,884**	**($141,068)**
Unappropriated Ending Fund Balance	***666,901***	***823,164***	***503,633***	***(319,531)***

Notes:

(1) Excise tax based on revised projections by Financial Planning, prepared 3/19/99, for the period as of February 28, 19 using REM's 3/17/99 tonnage forecast.

041599c-02

Metro Council Meeting

Resolution 99-2766

Ordinance 99-800

April 15, 1999

Process

• April 7	REM	• Waste Management Contract • Forest Grove Franchise
• April 15	Council	• Contract • Franchise
• Spring-Summer	SWAC Council REM Com RR Com	• Use of savings • Tipping fee

Waste Management Contract

- Resolution 99-2766 (Change Order 8)
- Terms of settlement for Council consideration

Disposal Contract History

- April 1988: Metro signs 20-year contract with Waste Management
- 1989-1999: New landfills in region create more competitive market
- July 1998: Waste Management merged with USA Waste, Inc.
- Metro deems merger a "change of control," triggering default of contract

Disposal contract history continued

- September 1998: Metro Executive Officer notified WMI of a default in contract
- October 1998-March 1999: Waste Management and Metro negotiate
- March 12, 1999: Metro and Waste Management announce renegotiated contract
- April 7, 1999: REM Committee considers contract and settlement terms

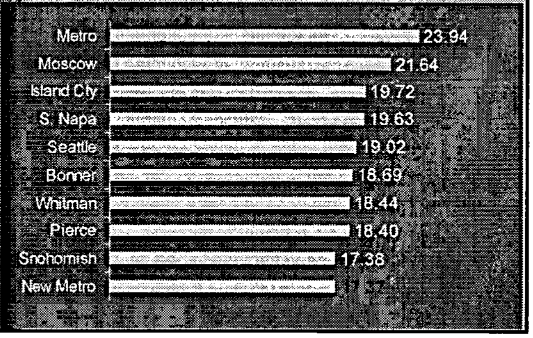
Metro's Objectives in Negotiations

1. Bring disposal prices to within market
2. Keep future prices within market
3. Opportunity for alternative transportation modes
4. Protect disposal price no matter where waste is delivered
5. Introduce some market competition

Objective 1: Bring disposal prices to within market

- Negotiation results:
  - –Reduces average rate from $23.94 to $17.37 per ton, effective January 1, 2000
  - –Freezes Metro's current rate until January 1, 2000

How does new price compare with market?



Objective 2: Keep prices within market

- Negotiation results:
  - –Market checks every five years
  - –Requires reduction if Metro price exceeds market by 5%
  - –Reduces the inflation adjustment

Objective 3: Opportunity for alternative transportation

- Negotiation results:
  - –WMI can propose alternate transportation
  - –Cost must be no higher than trucking price

Objective 4: Protect price no matter where waste delivered

- Negotiation results:
  - –Metro price based on:
    - Tonnage from Metro transfer stations
    - Tonnage delivered to <u>any</u> WMI general-purpose landfill
    - Residual from material recovery facilities owned by WMI

Objective 5: Introduce some market competition

- Negotiation results:
  - –Allows up to 10% of region's waste to go to landfills not owned by Waste Management

Contract Length

- Extends term of contract five years, until December 2014
- Allows an additional five years if WMI reduces Metro's rate

Change Order 8 Highlights

- ✔ Reduces disposal price to lowest in the Northwest
- ✔ Keeps prices within market
- ✔ Contract savings of $60 million over 10 years

Forest Grove TS Franchise Amendment

- Ordinance 99-800 amends Forest Grove Transfer Station franchise
- Why? New contract terms in Change Order 8

Franchise with OLD Waste Management Contract

- Current contract requires 90% of region's waste to go to Arlington
- Therefore, Metro was required to include this restriction in Forest Grove TS franchise
- Not a limit on the amount of tonnage coming into FG TS

Franchise with NEW Waste Management Contract

- 90% goes to any/all WMI landfills
- No need for 10% restriction
- Results in more efficient transportation
- WMI does not anticipate significant tonnage increases at Forest Grove

Metro Regional Environmental Management

041599c-03

DATE: April 15, 1999

TO: Members of the Metro Council

FROM: Bill Atherton

RE: Budget note on Metro response to the ESA.

I am proposing the following budget note that, if implemented, could result in this agency establishing itself as the lead agency for our regional response to the Endangered Species Act listing of anadromous fish in the region:

"Request that the Executive Officer report to the Council before April 29 on the feasibiliity of establishing Metro as the "lead agency" to coordinate an effective and rapid regional response to the ESA listing of anadromous fish. If this "lead agency" concept appears feasible, to include his recommendations for implementing this concept and whether this concept could be accomplished with resources available in the currently proposed budget."

Without pre-judging what strategy the Executive Officer might recommend, the lead agency concept I have in mind might be accomplished by reassigning at least six existing staff to work, even part time, as "Watershed Managers" for each of the major watersheds in the region - The Tualatin, The Clackamas, The Willamette, Johnson Creek, Tryon Creek, and Fanno Creek. David Moskowitz, Salmon Recovery Coordinator, would be available to each watershed manager as needed.

Each watershed manager would track the fish recovery efforts of each of the many local, state, regional, and federal agencies now involved in the ESA response and function much like a construction manager on a large construction project.

Out of the initial effort and redirection of staff resources, hopefully a stratbgy would emerge for development of a habitat mitigation and restoration action program. The nature and extent of existing and planned resources would become clear on a watershed by watershed basis. Then, perhaps by the end of this calendar year The Council could make an informed assessment of the next steps to be taken.

In the meantime, perhaps this agency would have helped to construct some actual on-the-ground projects... and help trade some paper plans for more fish and fish habitat.

M E M O R A N D U M

041599c-04

METRO

Amend #1

To: All Councilors

From: Councilor Jon Kvistad

Re: Proposed Budget Amendment

Date: April 13, 1999

It will be my intent to offer the following amendment at the April 15 Council meeting:

Delete an executive analyst position from the Executive Office. The savings from the approval of this amendment would total between $70,000-$75,000. It would be my intent that these savings be placed in the general fund contingency.

041599c-05

Draft Budget Note:

The Council recognizes that FY 99-00 will be a year of limited general fund resources and that Metro, including the Council, must budget accordingly. Therefore, the Council has agreed to eliminate a proposed position which would have provided additional support to the Presiding Officer. However, the Council has already begun to address more complex growth, land use, environmental and facility-related issues, and our regional partners may request additional support from Metro in the near future. The Council recognizes that adequate analytical, outreach and support assistance staffing will be critical to the formation and adoption of sound regional policy. The Council reserves its right to revisit staffing needs at any time to insure the public's needs are being met.

[illegible] 4/15/99 Councilor Park

M E M O R A N D U M

041599c-06

METRO

DATE: April 15, 1999

TO: Presiding Officer Monroe, Council Presiding Officer

FROM: Jennifer Sims, Director of Administrative Services

RE: Projected Council Budget Status for FY 1998-99 and General Fund Status For FY 1999-00

At the Council's budget work session on April 14th, a request was made by Deputy Presiding Officer McLain to provide the Council with the most recent expenditure projections for the Council Office. Also, data showing what year-end estimate was used in projecting the Beginning Fund Balance for the proposed budget and what the impact would be on the FY 1999-00 General Fund Ending Fund Balance if all current year Council under expenditures were carried over and retained in the Counci budget in FY 1999-00.

FY 1998-99 Projected Expenditures

The following FY 1998-99 year-end projections were based on the second quarter financial reports and only include the Council Office itself, not the budget for Council Office of Public Outreach. The analysis showed that the majority of savings will occur in personal services resulting from a vacancy in the Council Analyst position. Based on information from Council staff, this projection assumes that this position would remain vacant for the remainder of the fiscal year.

	FY 1998-99 Adopted Budget	Projected Expenditures thru June 30, 1999	Difference
Operating Expenses (combined personal services & M&S)	$945,316	$861,598	$83,718
Capital Outlay	5,000	4,040	960
Total	**$950,316**	**$865,638**	**$84,678**

Estimate Used in the Proposed Budget

The Beginning Fund Balance for the FY 1999-00 Proposed Budget includes the following projection of anticipated under expenditures or savings in the Council Office.

	FY 1998-99 Adopted Budget	Estimate Used in Proposed Budget	Difference
Council Office	$950,316	$857,931	$92,385
Total	**$950,316**	**$857,931**	**$92,385**

Impact on FY 1999-00 Proposed Budget if Council Savings Were Carried Forward

The following analysis adjusts the Beginning Fund Balance in the Proposed Budget to account for the March, 1999 revised solid waste tonnage estimates, and amendments to the FY 1999-00 Proposed Budget approved on March 18, 1999.

	Impact on FY 1999-00 Ending Fund Balance
Projected Ending Fund Balance	$144,472
Budget Workshop amendments approved on March 18, 1999	(13,746)
Revised Ending Fund Balance as of April 14, 1999	130,726
Budget Workshop amendments being considered on April 15, 1999:	
MERC Contract Adjustment	(17,000)
Water Consortium Dues	(16,500)
Projected Ending Fund Balance	97,226
Less:	
Council Office Carryover of FY 1998-99 Savings	(84,678)
Revised Projected Ending Fund Balance	**$12,548**

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M E M O R A N D U M

600 NORTHEAST GRAND AVENUE | PORTLAND, OREGON 97232 2736
TEL 503 797 1540 | FAX 503 797 1793

041599c-07

METRO

TO: Metro Council

FROM: David Bragdon

DATE: April 12, 1999

SUBJECT: Proposed Note to REM Budget

For our budget work session on April 14, 1999, I am proposing the following amendment as a budget note:

Proposed Note to REM Budget:

1. In the event that a Change Order in the disposal contract with Waste Management Inc. results in the possibility that Metro could lower the tipping fee, staff is directed to report to Council by October 1, regarding: (a) Projection of how reduced tip fee would be likely to influence recycling rates in residential and commercial sectors, (b) Proposed fiscal and/or programmatic efforts to mitigate that influence, and to ensure (through incentives, grants or other means) that recycling will increase despite such a reduced tip fee.

cc: Mike Burton
Bruce Warner
Terry Peterson
John Houser
Marvin Fjordbeck

M E M O R A N D U M

041599c-08

METRO

Date: April 14, 1999

To: Rod Monroe, Council Presiding Officer

From: Jennifer Sims, Chief Financial Officer

Re: ADJUSTMENT TO THE GENERAL OBLIGATION BOND DEBT SERVICE FUND AND PROPERTY TAX LEVY

The General Obligation Bond Debt Service fund pays the debt service payments on Metro's three outstanding voter approved general obligation bonds. The funding comes from an annual property tax levy for debt. The property tax levy is determined by subtracting all non-property tax resources available to fund debt from the total debt requirements assuming a 94 percent collectible tax rate.

The forecast for non-property tax resources available to offset the tax levy was made much earlier in the budget process. The forecast was based on prior year trends and was much more aggressive than in previous years. A recent analysis of tax collections through March 1999, has indicated that the forecast was slightly too aggressive. The new analysis indicates that current year property taxes for the General Obligation Bond debt service fund will be approximately $150,000 lower than previously estimated. In addition, the collection of prior years property taxes is trending lower than in previous years. These two factors contribute to a reduction in the amount of other resources available to offset property taxes resulting in the need for a property tax levy higher than currently budgeted.

Without the adjustment to the property tax levy, Metro runs the risk of insufficient resources to fund its debt service requirements in FY 1999-00. The property tax levies cannot be changed after the Council has Approved the budget. This action requests the following adjustments to the budget:

- Increase the GO Debt Property tax levy from $17,352,224 to $17,677,756

- Adjust the General Obligation Bond Debt Service Fund as follows:

Resources		
3500	Beginning Fund Balance	$(210,000)
4010	Real Property Taxes – Current Year	306,000
4015	Real Property Taxes – Prior Year	(96,000)
Total New Resources		**$ 0**

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041599c-09

TO: Metro Council

FROM: Rod Park

DATE: April 15, 1999

RE: Budgeting Procedures for Carryover of Unexpended Funds

Yesterday's conversation at Budget Committee caused me to think of the implications of the way Metro budgets its carryover funds. Please look over the attached <u>draft</u> budget amendment, for possible consideration.

DRAFT

Budget Note
April 15, 1999
Councilor Park

STATEMENT

The Metro "Proposed Budget" should portray revenues and department budgets in an accurate manner. To that end, unexpended funds from the prior fiscal year shall be built into the "Proposed Budget" and ultimately expended, only with the explicit approval of the Metro Council.

ISSUE

The Metro "Proposed Budget" is presented to the Metro Council by the Metro Executive Officer in the winter of each year. The budget is built using many assumptions, some dictated by budget law, some by Metro policy and practice. One assumption is that unexpended funds at the end of a fiscal year will roll into the beginning fund balance for the next fiscal year, or be redirected by the Executive Officer, unless otherwise explicitly carried across the fiscal year, in a targeted manner, with Council approval.

This creates two difficulties. One is that the Council may not be able to gain an accurate picture of a fund's or department's revenues. That is, the fund or department's "true" revenues and budget from year to year may not be portrayed unless the carryover funds are specifically called out. Second, the Council's abilities to direct these essentially one-time-only funds are limited by their being built into department budgets in the Proposed Budget.

OPTIONS

These options are only directed to unexpended funds not tied to specific projects that are carried across a fiscal year. They typically would result from vacant positions, unexpended supplies and other M&S. In addition, these options assume that the last dollar spent in departments are general fund dollars, unless otherwise required.

1. The proposed budget more clearly identifies department and fund revenues, calling out carryover funds. Total actual carryover funds are also then clearly identified in department budgets, on the resources side of the ledger, with a rationale explaining the specific purpose for their expenditure.

2. As departments submit their budget proposals in the fall and winter of each year, they could request the carryover of unexpended funds and identify the specific purpose for which they would be intended to be spent. This process might lead to unexpended funds remaining with the department in the following fiscal year.

3. Carryover funds are placed in a "pool" in the following year's Proposed Budget to be distributed by the Council. Depending on the type of carryover dollar, e.g. general fund, excise tax, state or federal, departments, and/or the Executive would submit add packages in application for these funds. The Council would review the applications and allocate

from the pool. This option would be clearer where general funds are involved, and more complicated where other funds are involved.

MM
4-15-99

REGIONAL SERVICES

600 NORTHEAST GRAND AVENUE | PORTLAND, OREGON 97232 2736
TEL 503 797 1700 | FAX 503 797 1797

METRO

TO: Jennifer Sims
Administrative Services Director

FROM: Michael Morrissey
Senior Council Analyst

DATE: April 27, 1999

RE: Budget Note Explanation

On April 15, 1999, the Metro Council adopted a budget note relating to the preparation of the 2000-2001 budget. This note was prepared by Counselor Park, and was concerned specifically with how carryover funds are built into the following year's budget. It was in the form of a short issue paper, explaining the issue and laying out several options. In passing the note, the Council directed that it be shortened to reflect the intent, as stated in the "statement" section. I've added a sentence to that section which refers back to the original document and gives us a brief note to attach to the budget. Voila'.

"The Metro 'Proposed Budget' should portray revenues and department-level budgets in an accurate manner. To that end, unexpended funds from the prior fiscal year shall be identified in the 'Proposed Budget', and ultimately expended with the explicit approval of the Metro Council. The preparation of the FY 2000-2001 budget shall be constructed consistent with this budget note, after the Council finalizes direction based on an April 15, 1999 memo drafted by Councilor Rod Park."

M E M O R A N D U M

METRO

041599c-10

To: All Councilors

From: John Houser, Senior Council Analyst
Michael Morrissey, Senior Council Analyst

Re: Budget Status

Date: April 14, 1999

As the Council's budget review process nears completion, we felt that it would be useful to provide each of you with a summary of the budget's current status. This status report includes formal actions previously taken by the Council and those items that are still pending. We have attached two tables that summarize adopted and pending budget notes and adopted and pending amendments that will have a monetary effect on the budget. In addition, we have included a single sheet prepared by the financial planning staff which outlines the series of amendments that would be needed to reflect to tentative support services agreement between ASD and MERC. A separate memo outlining the proposing technical amendments to the budget also is attached.

It is our understanding that final Council action on the known pending budget amendments will occur at the April 15 Council meeting.

	BUDGET NOTES	
DEPARTMENT	NATURE OF THE NOTE	STATUS
EXECUTIVE OFFICE	REQUIRE COUNCIL APPROVAL OF A COMMUNICATIONS PLANS PRIOR TO EXEPENDITURE OF CONTRACTED PROFESSIONAL SERVICES ($75,000) FOR A CENTRALIZED MEDIA/OUTREACH PROGRAM	ADOPTED
ADMINISTRATIVE SERVICES DEPARTMENT	REQUIRES INDEPENDENT ANALYSIS OF DEPARTMENT'S BUSINESS PROCESSES AND A REPORT BACK TO THE COUNCIL PRIOR TO PRESENTATION OF FY 2000-01 BUDGET	ADOPTED
REGIONAL PARKS AND GREENSPACES	DIRECTS DEPARTMENT TO PREPARE AN OUTLINE AND POLICY RECOMMENDATIONS RELATED TO THE OPEN SPACES PROGRAM PRIOR TO THE END OF CALENDAR YEAR 1999 AND A MORE DETAILED PLAN BY THE END OF THE FISCAL YEAR	ADOPTED
REGIONAL PARKS AND GREENSPACES	DIRECTS THAT, IF A TAX STUDY COMMISSION IS CREATED, THE COMMISSION BE CHARGED WITH INVESTIGATION A STABLE FUNDING SOURCE FOR MASTER PLANNING AND DEVELOPMENT OF PARK AND LANDBANKED PROPERTIES	ADOPTED
REGIONAL PARKS AND GREENSPACES	DIRECTS DEVELOPMENT OF A PROCESS AND CRITERIA FOR MASTER PLANNING AND DEVELOPING LANDBANKED PROPERTIES	ADOPTED
REM	DIRECTS DEPARTMENT TO PREPARE ANALYSIS OF THE EFFECT ON RECYCLING RATES OF ANY DISPOSAL RATE REDUCTION RESULTING FROM CHANGE ORDER NO. 8	**PENDING (BRAGDON) 4-14**
REM	WORK PLANS FOR EXPENDITURE OF WASTE REDUCTION OUTREACH, ORGANICS PROCESSING CAPACITY AND BUSINESS RECYCLING GRANT PROGRAM PRIOR TO EXPENDING FUNDS	**PENDING (HOUSER) 4-14**
TRANSPORTATION/HUMAN RESOURCES	DIRECTS HUMAN RESOURCES DEPARTMENT TO ANALYZE USE OF SUPERVISORY AND PROJECT MANAGEMENT POSITIONS WITHIN THE CLASSIFICATION SYSTEM	**PENDING (HOUSER) 4-15**
COUNCIL	CLARIFIES COUNCIL POSITION CONCERNING ELIMINATION OF PROPOSED ASSISTANT TO PO POSITION	**PENDING (PARK) (4-15**

	MONETARY BUDGET AMENDMENTS		
DEPARTMENT	NATURE OF AMENDMENT	EFFECT OF AMENDMENT	STATUS
COUNCIL	ELIMINATION OF PROPOSED ASSISTANT TO PRESIDING OFFICER POSITION	REFLECTS COUNCIL DECISION THAT PROPOSED POSITION IS NOT NEEDED AT THIS TIME	ADOPTED
COUNCIL	COUNCILOR SALARY/PAY ADJUSTMENTS	REFLECTS POTENTIAL OF A 6% SALARY INCREASE FOR METRO ELECTED OFFICIALS	ADOPTED
COUNCIL	ENHANCED PUBLIC OUTREACH	$40,000 OF $42,167 NET SAVINGS FROM ELIMINATION OF ASST. TO PO POSITION AND PAY ADJUSTMENT AMENDMENT PLACED IN COUNCIL OUTREACH OFFICE BUDGET	ADOPTED
COUNCIL	MISCELLANEOUS EXPENDITURES	REMAINING SAVINGS FROM ELIMINATION OF ASST. TO PO POSITION AND PAY ADJUSTMENT $(2,167 IN COUNCIL OFFICE, $2,732 IN OUTREACH OFFICE) PLACED IN MISC. EXPENDITURES LINE ITEM IN EACH BUDGET	ADOPTED
AUDITOR	SALARY ADJUSTMENT	REFLECTS POTENTIAL OF A 6% SALARY INCREASE FOR METRO ELECTED OFFICIALS ($3,619 FROM COST ALLOCATION PLAN)	ADOPTED
AUDITOR	REDUCTION IN CONTRACTED PROFESSIONAL SERVICES	REDUCTION OF $5,000 TO REFLECT HISTORIC FUNDING LEVELS. REDUCTION IN FUNDS NEEDED THROUGH COST ALLOCATION PLAN	ADOPTED
EXECUTIVE OFFICE	SALARY ADJUSTMENT	REFLECTS POTENTIAL OF A 6% SALARY INCREASE FOR METRO ELECTED OFFICIALS ($853 FROM GENERAL FUND)	ADOPTED
ADMINISTRATIVE SERVICES	FUNDING FOR A TAX STUDY COMMISSION	ADDS $50,000 TO THE CONTRACTED PROFESSIONAL SERVICES LINE ITEM IN FINANCIAL PLANNING	ADOPTED
GENERAL FUND SPECIAL APPROPRIATIONS	RACC	ESTABLISHES AN INITIAL APPROPRIATION OF $25,000 WITH GENERAL AGREEMENT TO EXPLORE UP TO AN ADDITIONAL $75,000 IN JANUARY	ADOPTED
GROWTH MANAGMENT	WATER CONSORTIUM DUES	$16,500 FROM GENERAL FUND	PENDING (McLAIN) 4-14
GROWTH MANAGMENT	MEASURE 56 NOTICE COSTS	STAFF HAS IDENTIFIED UP TO $150,000 IN POTENTIAL NOTICE COSTS (FUNDING SOURCE NOT YET IDENTIFIED)	PENDING 4-14
ADMINISTRATIVE SERVICES	IMPLEMENTATION OF SUPPORT SERVICES AGREEMENT WITH MERC	AFFECTS GENERAL FUND, RISK MANAGEMENT FUND , SUPPORT SERVICES FUND, AND MERC OPERATING FUND (SEE ATTACHED OVERVIEW)	PENDING (SIMS) 4-14
VARIOUS DEPARTMENTS	TECHNICAL AMENDMENTS (4-14)	GENERALLY RELATE TO FUNDING FOR PROJECTS, CONTRACTS, ETC THAT WILL NEED TO BE CARRIED OVER TO FY 99-00. MERC CHANGES REFLECT APPROVAL OF HALL D CONSTRUCTION. (SEE ATTACHED)	PENDING (RUTKOWSKI) 4-14
VARIOUS DEPARTMENTS	OTHER AMENDMENTS (4-29)	SECOND SET OF AMENDMENTS. MAY INCLUDE CHANGES RELATED TO OCC EXPANSION AND ADDITIONAL STAFFING AND FUNDING RELATED TO JPACT APPROVAL OF PROCEEDING WITH A COLUMBIA EXTENSION OF LIGHT RAIL AND VARIOUS SOUTH CORRIDOR STUDIES	PENDING (RUTKOWSKI) 4-29

Overview of Changes Needed as a Result of Negotiations between MERC and Metro

Total Value of Services Provided to MERC by Metro Departments: ***$1,560,401***

Within Proposed Budget:

Anticipated Revenue from MERC in Support Services & Risk Funds		1,285,401
General Fund Support (Excise Tax $)		100,000
Risk Management (EIL) Interest Offset		175,000
	Total	1,560,401

After Negotiations:

Negotiated Revenue from MERC		1,132,783
General Fund Support (Excise Tax $)		
Amount included in Proposed Budget	100,000	
Additional General Fund Support	17,000	
Subtotal		117,000
Risk Management (EIL) Interest Offset		
Amount included in Proposed Budget	175,000	
Additional Offset from EIL Interest Earnings	85,000	
Subtotal		260,000
Support Services Fund		
Reduction in Contingency		50,618
Total		1,560,401

Requested Budget Amendments Prior to Adoption:

General Fund	
Increase Transfers Out to Support Services Fund	17,000
Risk Management Fund	
Increase Transfers Out to Support Services Fund	85,000
Support Services Fund	
Increase Transfers In from General Fund & Risk Mgmt Fund	102,000
Reduce Contingency	(50,618)
MERC Operating Fund	
Increase Misc. Charges for Service	60,675
Decrease Unappropriated Ending Fund Balance	(60,675)

M E M O R A N D U M

METRO

Date: April 7, 1999

To: Rod Monroe, Council Presiding Officer

From: Mike Burton, Executive Officer

M Burton

Re: TECHNICAL ADJUSTMENTS TO THE FY 1999-00 PROPOSED BUDGET

Since the preparation of the proposed budget for FY 1999-00, a number of technical adjustments to various funds have been identified. Technical adjustments consist of carryovers of uncompleted projects from FY 1998-99, amendments to grant funded projects already included in the proposed budget, and corrections of technical errors. The technical adjustments are explained by fund along with the fiscal impact of each of the changes.

Planning Fund (Growth Management Services Department)

Since the preparation of the FY 1999-00 budget last fall, the Growth Management Services Department has identified several contracts which will not be completed by the end of the current fiscal year.

1. *Productivity Analysis* – This contract estimates the costs to service Metro's urban reserves. Although some work has been completed, additional work is needed to complete the urban reserves not previously analyzed. In addition, other areas not selected as urban reserves may need to be analyzed based on the recent remand by the Land Use Board of Appeals of Metro's urban reserve decision. This work will not be completed in FY 1998-99 making it necessary to carry $15,000 over into FY 1999-00.

2. *Technical Assistance Grants to Sherwood and Gresham* – Metro recently awarded the cities of Sherwood and Gresham technical assistance planning grants for urban reserve areas adjacent to the city ($50,000 each city). Intergovernmental agreements and work plans agreed upon by Metro and the cities are currently being developed. This work will not be completed by the end of FY 1998-99 and will continue into FY 1999-00. It is necessary to carry the $100,000 grant awards over into next year.

3. *Urban Growth Boundary Amendments* – Metro just received three applications for amendments to the Urban Growth Boundary. Applicants pay a deposit at the time of submitting the amendment; however, much of the costs are incurred later in the process, which will be in FY 1999-00. This action requests the carry over of $7,550 into FY 1999-00.

4. *Title 3 Notice* – Metro is required by Metro Code 3.07.820 (Title 3 of the Urban Growth Management Functional Plan; Water Quality) to prepare and mail a notice to every affected property owner of a hearing by a city or county on an ordinance implementing Title 3. The department allocated funds this fiscal year to pay for this notice; however, to date no jurisdiction has notified Metro of a hearing. The department believes that these notices will be required during FY 1999-00 and requests the budgeted funds of $21,200 to be carried over.

5. *Curriculum Revision* – Last summer the Growth Management Services Department led an effort in cooperation with the Transportation Department to contract with the Business Education Compact (BEC) for a teacher to develop a curriculum for middle school students focusing on an variety of planning issues. The curriculum was tailored to comply with Oregon's new benchmarks for the Oregon 21st Century Schools program. This curriculum is currently being tested by more than 50 teachers throughout the region. This coming summer Metro will again contract with BEC for a teacher to revise the curriculum as necessary given the comments from teachers who used the curriculum during the current school year. This work will continue into FY 1999-00 and requires $3,000 to be carried over.

6. *Natural Hazard Management* – When the department first prepared its budget last fall, it was assumed that the grant funding for the program would terminate at the end of the current fiscal year, that the natural hazards program would end, and that one staff position would be eliminated unless new grant funding was secured. The proposed budget included "unknown" funding for the continuation of the program. Through discussions and negotiations with the Oregon Department of Geology and Mineral Industries (DOGAMI), the agency administering the grant, the department now has sufficient, guaranteed funds for the natural hazards program through FY 1999-00. The new funding will be substituted for the former "unknown" funding. The net result is a slight increase in the program contingency of $16,179.

These requests will require the following adjustments to the Planning Fund:

Resources		
3500	Beginning Fund Balance	$146,750
4100	Federal Grants	(51,081)
4180	Contract & Professional Services	(50,740)
4180	Contract & Professional Services	118,000
Total New Resources		**$162,929**
Requirements		
5201	Office Supplies	$ 18,800
5240	Contracted Professional Services	24,550
5280	Other Purchased Services	3,400
5300	Payments to Other Agencies	100,000
5999	Contingency	16,179

Total New Requirements	**$162,929**

Planning Fund (Transportation Department)

The Transportation Department has two large computer purchases or replacements approved in the FY 1998-99 through 2002-03 Capital Improvement Plan. At the time the FY 1999-00 proposed budget was developed it was anticipated that both of these purchases would be completed by the end of the current fiscal year. However, it appears that both purchases may now be delayed until early next year.

The purchases will be financed through a capital lease. The debt service payments on the capital lease have already been included in the budget for next year; however, with the anticipated delay in the actual purchase of the computer, it is also necessary to reflect the capital purchase as well as the capital lease proceeds.

This request will require the following adjustments to the Planning Fund:

Resources		
4925	Capital Lease Proceeds	$490,000
Total New Resources		**$490,000**
Requirements		
5745	Equipment and Vehicles (CIP Project)	$490,000
Total New Requirements		**$490,000**

Regional Parks Fund (Regional Parks and Greenspaces Department)

1. The Planning and Education Division has identified a number of contracts or grant awards that will require carryover and reappropriation in FY 1999-00. These projects now have completion schedules that require funds to be carried over into next fiscal. A list of the requested carryovers is as follows:

Contract	$ Amount	Funding Source
Grant writing services	$ 14,500	Beginning Fund Balance
Regional System Planning Program	100,000	Beginning Fund Balance
Blue Lake Master Plan completion	30,000	Beginning Fund Balance
EPA Grant Project completion	5,000	Federal Grants
Restoration Grant Project	10,000	Federal Grants
Printing for Restoration Grant Update	8,000	Federal Grants
Fish and Wildlife funds for marketing brochure	8,000	Federal Grants
Regional Trail brochure	4,596	Beginning Fund Balance
Funding for Seasonal Summer Naturalist and program	7,855	Beginning Fund Balance
Department-wide brochure printing	4,600	Beginning Fund Balance

TOTAL CARRY FORWARD $ 192,551

These requests will require the following adjustments to the Planning and Education Division of the Regional Parks Fund and the Planning Fund:

Regional Parks Fund

Resources		
3500	Beginning Fund Balance	$ 161,551
4100	Federal Grants	31,000
Total New Resources		**$ 192,551**
Requirements		
5030	Temporary Employees	$ 7,855
5240	Contracted Professional Services	159,500
5280	Other Purchased Services	25,196
Total New Requirements		**$ 192,551**

2. The Operations and Maintenance Division has identified a number of contracts or projects that will require carryover and re-appropriation in FY 1999-00. It is anticipated that these projects will now be completed by the end of the first quarter of FY 1999-00.

Contract/Project	$ Amount
Wash rack replacement at Blue Lake	$15,000
Asphalt pathways repair at Blue Lake	25,065
Electrical upgrades at Blue Lake	20,000
River bank erosion repairs at Chinook Landing	20,000
TOTAL CARRY FORWARD	$80,065

This request will require the following adjustment to the Regional Parks Fund:

Resources		
3500	Beginning Fund Balance	$ 80,065
Total New Resources		**$ 80,065**
Requirements		
5280	Other Purchased Services	$ 15,000
5710	Improvements Other Than Bldgs. (non-CIP)	65,065
Total New Requirements		**$ 80,065**

3. The Planning & Education Division has identified two capital improvement projects that will require carryover and re-appropriation in FY 1999-00. The projects are funded through a state grant or local share funding from the Open Spaces bond measure.

A list of the requested carryovers is as follows:

Contract	$ Amount	Funding Source
Sauvie Island Boat Ramp Upgrade	$ 132,440	State Grant and transfer from the Open Spaces Fund
Kiosk at Howell Territorial Park	15,000	Local Grant
TOTAL CARRY FORWARD	$ 147,440	

The Sauvie Island Boat Ramp project can be completed once Metro receives permit approval from Multnomah County. It's now anticipated that the project could be completed by the end of October 1999.

The kiosk at Howell Territorial Park will be funded by the Oregon Historical Society and will be installed once the local share improvements have been completed.

This request will require the following adjustment to the Regional Parks Fund:

Resources		
4110	State Grants	$ 88,440
4120	Local Grants	15,000
4980	Transfer from Open Spaces Fund	44,000
Total New Resources		**$147,440**
Requirements		
5710	Improvements Other Than Bldgs. (non-CIP)	$ 15,000
5715	Improvements Other Than Bldgs. (CIP)	132,440
Total New Requirements		**$147,440**

Smith & Bybee Lakes Trust Fund (Regional Parks and Greenspaces Department)

The following contracts or projects have been identified for carry forward and re-appropriation in the FY 1999-00 budget. Preliminary design has been completed this fiscal year for the boat launch and parking lot with final design and construction drawings to be completed in FY 1999-00. The habitat restoration program needs to be carried over due to current high water levels at the site so the program needs to be delayed and completed next fiscal year. The remaining two projects are ongoing and need to be carried over into next fiscal year as well.

Contract/Project	$ Amount
Engineering drawings and construction of a boat launch, parking lot, and vault toilet.	$ 37,000
Continued habitat restoration	10,000
Second year of biological monitoring, including the turtle monitoring plan.	29,000
Sign development at Smith & Bybee Lakes	20,000
TOTAL CARRY FORWARD	$ 96,000

This request will require the following adjustment to the Smith & Bybee Lakes Fund:

Resources		
3500	Beginning Fund Balance	$ 96,000
Total New Resources		**$ 96,000**
Requirements		
5240	Contracted Professional Services	$ 96,000
Total New Requirements		**$ 96,000**

Open Spaces Fund (Regional Parks and Greenspaces Department)

Unexpended local share funds from the Open Spaces bond measure need to be carried over into FY 1999-00 in anticipation that the regional partners will be spending down the funds according to the intergovernmental agreements that are currently in effect.

Resources		
3500	Beginning Fund Balance	$2,576,946
Total New Resources		**$2,576,946**
Requirements		
5300	Payments to Other Agencies	$2,576,946
Total New Requirements		**$2,576,946**

Support Services Fund (Administrative Services Department)

In FY 1998-99, the Administrative Services Department budgeted $34,586 for license fees for implementation in the PeopleSoft system of four modules (Budget, Time & Labor, Asset Management, and Project Costing). These modules will not be implemented during FY 1998-99, and it has not yet been determined if these modules will be implemented during FY 1999-00. If the modules are implemented, Metro will be responsible for paying license fees for both years. Therefore, the department requests that $34,586 be carried forward to pay these fees should the decision be made to implement all four modules. Metro will not be required to pay license fees for any module that is not implemented. This change will not increase Support Services transfers for any department. The budget amendments are outlined below:

Resources		
3500	Beginning Fund Balance	$34,586
Total New Resources		**$34,586**
Requirements		
5260	Maintenance & Repair Services	$34,586
Total New Requirements		**$34,586**

MERC Operating Fund (Expo Center)

The proposed budget anticipated the revenue bonds for the reconstruction of Hall D at the Expo Center would be sold late in FY 1998-99. The anticipated time for the sale of bonds is now the fall of 1999, which adds a full year to the original construction plans. Resources impacted by the delayed timing of the reconstruction of Hall D include beginning fund balance, rent, concessions sales, utility services, parking, interest, miscellaneous, and bond proceeds. Requirements impacted by the delay involve building rental, debt service payments, capital outlay, unappropriated fund balance, and elimination of the transfer to the MERC Pooled Capital Fund. The budget amendments are outlined below:

Resources		
BEGBAL	Beginning Fund Balance	$(15,506,016)
4510-141	Rental – Building	30,095
4550-150	Concession Sales	7,239
4580-200	Utility Sales – Electric	1,162
4620	Parking	235,663
4700	Interest on Investments	220,000
4890	Miscellaneous	(263,000)
4905	Bond Proceeds	15,800,000
Total Resources		**$525,143**
Requirements		
5265-671	Rentals – Building	$(521,631)
5630	Revenue Bond Payments – Principal	512,877
5635	Revenue Bond Payments – Interest	621,584
5715	Capital Improvements – Other (CIP)	50,000
5725	Capital Improvements – Buildings (CIP)	(10,019,000)
5800	Interfund Transfer – MERC Pooled Capital	(1,582,500)
5990	Unappropriated Ending Balance	11,463,813
Total Requirements		**$525,143**

MERC Pooled Capital Fund

This adjustment is the MERC Pooled Capital piece of the adjustment discussed under the MERC Operating Fund. The original Expo plan had been to loan the Expo Center money from the Pooled Capital Fund in FY 1998-99 to pay off the Intel loan and then to pay back the MERC Pooled Capital Fund in FY 1999-00. The Intel loan will now be paid off in FY 1999-00 from Expo revenues and bond proceeds. The FY 1998-99 loan from the MERC Pooled Capital Fund will not be needed. This technical adjustment reverses the pay back of the loan from the MERC Operating Fund to the MERC Pooled Capital Fund. The budget amendments are outlined below:

Resources		
BEGBAL	Beginning Fund Balance	$1,582,500
4970	Transfer of Resources – Expo Center	(1,582,500)
Total Resources		**$0**

cc: Councilor Atherton
Councilor Bragdon
Councilor Kvistad
Councilor McLain
Councilor Park
Councilor Washington
Jennifer Sims, Director of Administrative Services/Chief Financial Officer
Craig Prosser, Financial Planning Manager
Kathy Rutkowski, Budget Coordinator
Tom Imdieke, CIP Coordinator
Cherie Yasami, Financial Planning Analyst
Financial Planning Advisory Team

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