



**METRO**

**Agenda**

MEETING: METRO COUNCIL STRATEGIC BUDGET WORK SESSION  
DATE: July 26, 2007  
DAY: Thursday  
TIME: 2:00 PM  
PLACE: Metro Council Chamber

**CALL TO ORDER**

- |                |  |           |
|----------------|--|-----------|
| <b>2:00 pm</b> | <b>I. INSTRUCTIONS TO WORK SESSION</b><br>Purpose and Goals for afternoon  | Stringer  |
| <b>2:05 pm</b> | <b>II. REVIEW OF AVAILABLE RESOURCES</b><br>Summary of General Fund Reserves (see attachment)  | Norton    |
| <b>2:20 pm</b> | <b>III. PERFORMANCE MEASUREMENT AS ROAD MAP FOR STRATEGIC BUDGETING</b><br>“Metro Metrics: An Introduction to the Performance Measurement Project” <ul style="list-style-type: none"><li>o Consultant Jeff Tryens will present a review of performance measurement and its relationship to strategic budget investments at Metro.</li></ul>  | Stringer  |
| <b>3:20 pm</b> | <b>IV. BREAK</b>   |           |
| <b>3:25 pm</b> | <b>V. REVIEW OF CURRENT COUNCIL PROPOSALS</b><br>Summary of Council proposals deferred during FY 2007-08 budget discussions (see attachment)   | Rutkowski |
| <b>3:35 pm</b> | <b>VI. SUGGESTED STEPS TO PLAN FOR DECISION MAKING – DISCUSSION</b> <ul style="list-style-type: none"><li>A. Is the proposal list complete?<ul style="list-style-type: none"><li>1. Zoo Future Vision Plan?</li><li>2. Strategic Plan for Planning Department?</li><li>3. GPAC Summit?</li><li>4. Solid Waste System planning?</li><li>5. Convention Center hotel?</li></ul></li><li>B. Can proposals be framed in performance measurement terms? ( present example)</li></ul> |           |
| <b>4:35 pm</b> | <b>VII. NEXT MEETINGS</b> <ul style="list-style-type: none"><li>A. August/early September: review proposals in performance measurement terms with projected intermediate and high level outcomes, potential measures</li><li>B. End September: Is Council ready to make any funding decisions?</li></ul>   |           |

**ADJOURN**

SUMMARY OF GENERAL FUND RESERVES  
FY 2007-08

		Appropriated		Unappropriated
		"Committed"	"Uncommitted"	Unavailable
		Contingency	Contingency	until 2008-09
GENERAL FUND				
<b>Policy</b>				
FP2,7	Operating Contingency (80% confidence)	3,602,117		
FP2,7	Stabilization (90% confidence)			2,000,000
CA1	Add'l Transf to Renewal &Repl	5,700,000		
	Opportunity Fund	500,000		
	Earmarked Planning funds	300,000		
	From PERS ( 50/50)		2,796,058	2,796,056
	From Recovery Rate Stabilization		2,311,588	
		\$10,102,117	\$5,107,646	\$4,796,056

OPERATING CONTINGENCIES (Contingency and Stabilization)

Policy References

- FP2 Metro shall maintain fund balance reserves that are appropriate to the needs of each fund. Targeted reserve levels shall be established and reviewed annually as part of the budget process.
- FP7 Each operating fund will maintain a contingency account to meet unanticipated requirements during the budget year. The amount shall be appropriate for each fund.

Policy Application: The consolidated operating contingency provides resources to maintain current services in the event of an unforeseen spike in costs or drop in revenues within the adopted General Fund. A 10-year statistical analysis of the fluctuations in Metro's primary General Fund revenues confirmed that the sizing of Metro's General Fund contingency at 4% of expenditures would achieve an 80% confidence level, meaning that the contingency would be sufficient in four years out of five. Metro can extend this to a 90% confidence level, meaning sufficiency in nine years out of ten, by setting aside an additional unappropriated reserve, sometimes referred to as a reserve for

future years. This amount is available to replenish a strained contingency in the succeeding year while the agency manages its way through a short-term fluctuation. One caution: the contingency and stabilization reserve combination will not replace a permanent revenue loss or permanent cost increase, but it will allow the agency thoughtful, deliberative time to adjust without abrupt service disruption.

Unexpended contingency or stabilization reserves are available to be re-budgeted in the following year. Additional resources must be added each year to replenish or return the contingency to its necessary sizing ratio.

The more restrictive use of contingency and the replenishment of the contingency using the “pay yourself first” principal should be incorporated into the general policies.

## RENEWAL and REPLACEMENT

### Policy Reference

CA1 Metro shall budget for the adequate maintenance of capital equipment and facilities and for their orderly replacement, consistent with longer-term planning for the management of capital assets. (General policy also incorporates comprehensive Capital Asset Management Policies –CAMP- by reference.)

Policy Application: A Renewal and Replacement (R&R) Fund protects the agency’s physical assets and, if structured properly, provides for stable and predictable annual contributions, even in years when considerable cash outlays are required by the replacement schedule. Using the General Fund depreciation schedule as the current basis for sizing a well-structured R&R fund, Metro will require at least \$6.0 million as a fund balance to limit its annual contribution for the current \$1.2 million per year. A lower contribution to reserves will require a higher annual payment. Council adopted a \$5.7 million transfer to the R&R fund balance. Metro is undertaking a comprehensive physical inventory, to be followed by an independent condition assessment of its most significant assets, to confirm the depreciation method of sizing the R&R fund.

Each year Metro must budget both operational maintenance costs and an annual payment to future renewal and replacement. As additional assets are acquired, the annual contribution will increase.

## OPPORTUNITY FUND

A commitment of \$500,000 is included in the FY 2007-08 budget to allow Council to seize new, entrepreneurial opportunities not anticipated during budget adoption. This differs from “contingency” which backs up those revenues and expenses already planned in the budget. “Opportunity” is for unplanned uses.

To preserve the ability to capitalize on unexpected opportunities, Metro would need to set aside an amount every year, using a combination of any opportunity funds not expended in the previous year and existing revenues. This would be a new financial policy.

#### EARMARKED PLANNING FUNDS

The current budget sets aside \$300,000 for one-time allocation during FY 2007-08 for those planning activities most likely to advance the Council's objectives. Once earmarked funds are expended, any future activity arising from these choices must be funded from existing resources.

#### PERS RESERVES

The current budget maintains half of the PERS reserves as Unappropriated (unavailable) for general spending while Metro awaits additional evidence that its unfunded actuarial liability has stabilized. The other half, \$2.8 million, is in an available contingency to apply to the Council's highest priorities. Once funds are expended, any future activity arising from these choices must be funded from existing resources.

#### RECOVERY RATE STABILIZATION FUND

The current budget estimates that an accumulated \$2.3 million will be available in the Recovery Rate Stabilization Fund (RRSF). This is also available for spending at the Council's direction. On an annual basis, and after allowing a small reserve to remain as a backstop for an unexpected decline in tonnage, we expect approximately \$500,000 will be available to be applied either to meet ongoing costs of an activity established with the accumulated RRSF or to replenish other reserves (for example, the Opportunity Fund or R&R). As the Council determines how to allocate this money, an additional financial policy statement may be needed.

## Summary of Proposed Councilor Amendments to the FY 2007-08 Budget

*Deferred until discussion on reserves*

### Proposed Funding Source

General Fund Reserves
Opportunity Account
Recovery Rate Stabilization Reserve

Amendment	Sponsor	Title	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
GENERAL 5B	Newman	Nature Friendly Design Competition	\$36,500				
GENERAL 8	Park	Nature in Neighborhood Grants	\$350,000	\$350,000	\$350,000	\$350,000	\$350,000 (a)
GENERAL 9	Newman	Earth Advantage Sponsorship	\$50,000				
GENERAL 10	Newman Burkholder	Sponsorship Account	\$10,000				
PLANNING 2	Liberty	Regional Affordable Housing Revolving fund	\$1,000,000				
PLANNING 3	Burkholder	Analysis of Alternative Transportation Implementation Scenarios	\$200,000				
PLANNING 4	Burkholder	New Look Work Program	\$200,000				
PLANNING 5	Burkholder  Newman Parks	Development of Transportation Finance ballot measure	\$150,000				
PLANNING 6	Harrington	Expand TOD/Centers Investment	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000 (b)
PAGR 3	Harrington	“Great Place-Making” Program	\$85,000				
GENERAL 9	Hosticka	Sets aside funding for concept planning for urban reserves in FY 2009-10	\$1,000,000				
<b>Total Proposed Amendments</b>			<b>\$4,081,500</b>	<b>\$1,350,000</b>	<b>\$1,350,000</b>	<b>\$1,350,000</b>	<b>\$1,350,000</b>

(a) Councilor Park's amendment does not request funding for the future years. However, it states the continuation of the grant program is important in restoring and protecting habitat and watershed health. It implies a continuation of funding for future years.

(b) Councilor Harrington's amendment indicates the contribution should be the first in a 5 year investment. It does not propose a dollar amount for the contribution in the successive years. The amount shown here is for illustrative purposes only.

(c) Councilor Harrington withdrew her amendments from consideration during the budget process. They are placed on this list on the assumption she wishes them to be discussed in the context of the reserves discussion.