



METRO

Agenda

MEETING: METRO COUNCIL WORK SESSION
DATE: July 22, 2008
DAY: Tuesday
TIME: 1:00 PM
PLACE: Metro Council Chamber

CALL TO ORDER AND ROLL CALL

- | | | | |
|----------------|-----------|--|----------|
| 1:00 PM | 1. | DISCUSSION OF AGENDA FOR COUNCIL REGULAR MEETING, JULY 24, 2008/ADMINISTRATIVE/CHIEF OPERATING OFFICER COMMUNICATIONS | |
| 1:15 PM | 2. | LEGISLATIVE AGENDA | Tucker |
| 1:45 PM | 3. | BRIEFING ON STATUS OF COOPER MOUNTAIN AND GRAHAM OAKS | Desmond |
| 2:15 PM | 4. | BREAK | |
| 2:20 PM | 5. | REVIEW 2008-09 BUDGET PROCESS | Stringer |
| 3:20 PM | 6. | COUNCIL BRIEFINGS/COMMUNICATION | |

ADJOURN

LEGISLATIVE AGENDA

Metro Council Work Session
Tuesday, July 22, 2008
Metro Council Chamber

METRO COUNCIL

Work Session Worksheet

Presentation Date: July 22, 2008 Time: _____ Length: 30 minutes

Presentation Title: 2008 Legislative Session (work session #1)

Department: Public Affairs and Government Relations

Presenters: Randy Tucker

ISSUE & BACKGROUND

This work session includes the following discussion items:

- A progress report on development of legislative concepts for the 2007 Legislative Assembly and discussion of certain concepts that have been proposed (attached). More concepts will be presented at a work session on August 12 and one or more additional work sessions that have not yet been scheduled, followed by council adoption of a legislative agenda.
- A brief overview of legislative items being developed for consideration in future work sessions, and discussion of additional items as appropriate.

OPTIONS AVAILABLE

Council may wish to discuss specific legislative concepts or direct staff to develop additional concepts.

IMPLICATIONS AND SUGGESTIONS

QUESTION(S) PRESENTED FOR CONSIDERATION

Staff requests that Councilors provide initial feedback on the legislative concepts presented. No specific Council actions are required at this time, but it is anticipated that the Council will formally adopt a legislative agenda later this year.

LEGISLATION WOULD BE REQUIRED FOR COUNCIL ACTION __ Yes X No
DRAFT IS ATTACHED __ Yes X No

METRO
2009 LEGISLATIVE ISSUE IDENTIFICATION

Department: Planning

Date: July 11, 2008

Person completing form: Randy Tucker / Andy Shaw

Phone: 1512 / 1746

ISSUE: Transportation funding package

BACKGROUND:

An efficient and adequately funded transportation system is critical to ensuring a healthy economy and livable communities throughout our state. The capital investments that have been made possible by Oregon Transportation Investment Acts (OTIA) I, II and III (2001, 2002, and 2003) and by the *ConnectOregon I and II* packages (2005 and 2007) will help Oregon respond to important economic opportunities. However, years of stagnation in transportation funding prior to 2001 mean that a significant backlog of important projects remains unfunded; moreover, the recent packages failed to address in a meaningful way the impacts of growth or the urgent need for funds to maintain and repair city, county and state roads.

This is certainly true in the Portland metropolitan region, where rapid growth has outstripped the capacity of the region to respond. Critical investments are needed in order to support both new and existing industrial and residential areas. Moreover, inadequate funding has limited the ability of the state and local governments statewide to maintain existing roads. Failing to repair roads in a timely manner ends up costing more in the long run.

As the 2005 study, *The Cost of Congestion to the Economy of the Portland Region*, has shown, without substantial additional investment in our transportation system, increasing congestion will cost the region's businesses and motorists hundreds of millions of dollars each year. On the other hand, substantial new investments in roads, transit, and freight facilities will create thousands of jobs.

New state greenhouse gas emissions reduction goals will force new thinking on transportation investments, given that the transportation system creates 40 percent of Oregon's GHG emissions. In addition, rising fuel costs have caused shifts in commuting patterns, increasing transit ridership and creating renewed demand for light rail and bus transit investments as transit system capacity is increasingly pushed to the limit.

Two additional factors complicate the transportation funding picture:

- The end of the county timber payments program has left counties clamoring for funds to replace these lost revenues.
- The state will need to find \$X00 million to fund its share of the Columbia River Crossing project.

In response to this state of affairs, the Governor has appointed several committees to develop a proposal on transportation funding to be considered by the 2009 Oregon Legislature. Several Metro councilors and staffers are participating in these conversations, along with other regional officials.

RECOMMENDATION:

Metro should work with its regional partners, the five other Oregon MPOs, the business community, and other interested parties to secure new state transportation revenues. JPACT and the Metro Council have adopted a set of principles and a list of priorities to guide these efforts. Key elements of an acceptable package would include significant new revenues for roads; an approach to spending those revenues that recognizes the importance of metropolitan mobility; a new, ongoing, institutionalized commitment to transit as a serious and integral part of Oregon's overall transportation system; funding for off-road trails (discussed in a separate issue sheet), and another round of *ConnectOregon* funding for multimodal projects (also discussed in a separate issue sheet).

LEGISLATIVE HISTORY:

After several years of failing to increase transportation funding, the 1999 Legislature passed a funding package that was referred to the voters and overwhelmingly rejected. However, the 2001 and 2003 Legislatures enacted three packages known as OTIA I, II and III, which generated a total of nearly \$3 billion in funding for road modernization, bridge repair and replacement, and some maintenance and preservation. The 2003 Legislature also authorized Tri-Met to increase its payroll tax to fund transit operations.

Prior to the 2005 legislative session, JPACT unanimously agreed to pursue a three-pronged transportation finance legislative package that included funding for roads, non-road projects, and other miscellaneous needs (elderly and disabled transit service, bus replacement, transportation demand management). Ultimately, the Legislature enacted the \$100 million *ConnectOregon* package to fund multimodal projects and appropriated funds for transportation demand management and bus replacement. However, no funding for roads was forthcoming, either for maintenance and preservation or for modernization.

Prior to the 2007 session, JPACT again adopted a set of priorities that was included in the first-ever regional legislative agenda. This agenda addressed road funding, a second round of *ConnectOregon*, and funding for the Portland to Milwaukie light rail line. The Legislature funded both *ConnectOregon* and the light rail project, but once again failed to provide new revenues for roads. The 2007 session also saw the passage of legislation setting aggressive targets for reductions in greenhouse gas emissions.

OTHER INTERESTED PARTIES:

JPACT, other MPOs, local governments within and outside the region, ODOT, LOC, AOC, Associated General Contractors, AFSCME and other unions, Oregon Trucking Association, AAA, Port of Portland, Portland Business Alliance, POVA, other businesses and business associations, Tri-Met, more.

IMPACT IF PROPOSED ACTION OCCURS:

- Increased mobility and accessibility and progress toward building the region's planned transportation system
- Increased resources to address maintenance of existing transportation infrastructure
- Reduced congestion, with associated economic benefits
- Possible increase in political viability of regional ballot measure to raise additional transportation funds
- Funding to match federal funds for large regional projects
- Creation of thousands of construction and other jobs and a positive impact on the economic climate in the region
- Improved livability as a result of more transportation options and related land-use changes
- Possible progress toward meeting environmental goals

METRO
2009 LEGISLATIVE ISSUE IDENTIFICATION

Department: OMA

Date: 3/12/08

Person completing form: Dick Benner

Phone: 1532

ISSUE: Should Metro's current authority to regulate boundary changes (annexations; incorporations; formations, etc.) within the UGB and within old urban reserves be extended to new urban reserves designated pursuant to ORS 195.137-195.145?

BACKGROUND: Metro's statute (ORS chapter 268) says its jurisdiction over boundary changes (annexations, e.g.) extends outside its boundary to cover lands that were designated "urban reserve" prior to June 30, 1997. Metro *did* designate urban reserves prior to that date, but the Oregon Court of Appeals later invalidated them. Metro has no reserves today. However, SB 1011 (2007) authorizes Metro to designate reserves using a new, more flexible process; that process is now under way, and it is expected that urban reserves will be designated by the end of 2009.

RECOMMENDATION: Metro should seek an amendment to extend its authority over boundary changes to any urban reserves, including those designated under the new reserves statutes. This would keep the statute consistent with the intent of the Legislature when it gave Metro responsibility for boundary changes in 1997. Also, it would continue to ensure consideration of the effects of boundary changes on the greater metropolitan region.

LEGISLATIVE HISTORY: See background.

OTHER INTERESTED PARTIES: Cities, counties and special districts will be interested in this legislation. Cities will likely support it because they have the same stake in rational urbanization that Metro has. Counties and special districts share this interest, but may see the legislation as addition of an unnecessary layer of regulation (Metro Code on boundary changes).

IMPACT IF PROPOSED ACTION OCCURS: There is no necessary action by Metro. Given the elimination of the Metro Boundary Appeals Commission, there is no likely additional cost to Metro of its extended jurisdiction over city/county/special district boundary changes in urban reserves. This will ensure consideration of urban issues in annexations and possible district formations in urban reserves and the likelihood of eventual inclusion of the reserves into the UGB. There are benefits to the region from Metro having authority over district annexations and formations and possible city incorporations in urban reserves.

METRO
2009 LEGISLATIVE ISSUE IDENTIFICATION

Department: Transportation

Date: July 11, 2008

Person completing form: Randy Tucker/Andy Shaw

Phone: x1512 / x1746

ISSUE: *ConnectOregon III*: Multi-modal transportation package

BACKGROUND:

In 2005, the Legislature passed SB 71, the so-called "*ConnectOregon*" package, which allocated \$100 million in lottery bonds for competitive grants to fund the construction of non-road, multi-modal transportation projects. This was the first time the Legislature had passed a funding package specifically devoted to non-road transportation projects. The four categories of projects authorized in the bill were air, rail, marine, and public transit. In 2007, the Legislature enacted a second \$100 million *ConnectOregon* package in HB 2278.

Passage of the 2005 bill was difficult, as it became a political football in several ways. Two issues that proved problematic were the inclusion of transit in the bill and regional allocation of the funds.

The issue around transit came down to different viewpoints about whether the bill was a "freight" bill (in which case transit should not be included) or a "multi-modal" bill (in which case it should). Transit ultimately was included in the bill, and remained a part of the 2007 bill as well.

Regional allocation was not included in the 2005 bill as introduced; however, the Legislature ultimately decided to require that 15% of the \$100 million be allocated to each of five regions that roughly correspond to ODOT's regions, leaving only \$25 million for a statewide allocation process. This regional allocation proved problematic as some of the regions failed to put forth a sufficient number of good projects. In 2007, the regional allocation was reduced to a target of 10%, with the caveat that all regional projects must meet minimum project qualifications.

The Governor intends to submit another *ConnectOregon* package to the 2009 Legislature; the bill as introduced will be very similar to the 2007 bill except that the initial request may be \$150 million.

RECOMMENDATION:

Metro and JPACT supported *ConnectOregon I and II* and generally support increased transportation funding. Metro should support *ConnectOregon III* as one element of a more comprehensive transportation agenda that also includes funding to maintain and improve state and local roads and an additional, significant, ongoing new state commitment to public transit. In addition, Metro expects to pursue a significant new state commitment to funding off-road trails (i.e., trails that are not in a highway right-of-way and thus ineligible for highway fund dollars); the *ConnectOregon* program is one possible vehicle for funding these facilities.

LEGISLATIVE HISTORY:

Senate Bill 71 (2005) enacted the *ConnectOregon* program. It was passed unanimously by both houses of the Legislature. The Oregon Transportation Commission distributed the \$100 million on July 20, 2006.

House Bill 2278 (2007), the *ConnectOregon II* package, passed unanimously as well. The OTC distributed the funds on June 20, 2008.

OTHER INTERESTED PARTIES:

SB 71 was the Governor's legislation, but the Port of Portland developed and championed the bill. Interested parties on both packages enacted to date have included local governments, ports, transit agencies, railroads, freight interests and the broader business community, and others. Trails advocates seeking new state funding for off-road trails will be interested in exploring whether *ConnectOregon* can serve as a vehicle for that purpose.

IMPACT IF PROPOSED ACTION OCCURS:

Increased funding for multi-modal transportation can improve the flow of freight and people and support economic development. Grants under *ConnectOregon*, as matching grants, also leverage significant transportation investments from both the public and private sectors.

METRO
2009 LEGISLATIVE ISSUE IDENTIFICATION

Department: OMA

Date: 3/12/08

Person completing form: Dick Benner

Phone: 1532

ISSUE: Should territory be added to Metro's boundary when Metro adds the territory to the UGB?

BACKGROUND: There is no current link between expansion of the UGB and expansion of Metro's jurisdictional boundary. Some 4,600 acres within the UGB lie outside Metro's jurisdictional boundary. This means Metro's functional plans do not apply to these lands. This can frustrate urbanization of the lands and the achievement of the 2040 Growth Concept. Owners and residents of these lands cannot vote in Metro Council elections and, consequently, have no voice in the management of the lands or in Metro programs (greenspaces bond measures, e.g.).

RECOMMENDATION: Metro should seek amendments to ORS chapters 268 and 198 to allow Metro to expand its jurisdictional boundary to include all territory within the UGB.

LEGISLATIVE HISTORY: Oregon statutes treat Metro as a generic special district with respect to changes in its own boundary, with one important exception: Metro's own statute – ORS chapter 268 – authorizes Metro to regulate its own jurisdictional boundary (as a city does). Nonetheless, Metro has only those methods to annex territory that are available to "ordinary" districts: landowner consent and voter approval.

OTHER INTERESTED PARTIES: Cities, counties, special districts and landowners in the territories will be interested in this legislation. Cities and counties will likely support it because they have the same stake in rational urbanization that Metro has. Special districts may feel threatened. Some landowners may oppose the taxes and the regulations that would follow annexation to Metro; others may support the change because it helps to remove a sometimes complicated procedural barrier to being able to develop their property.

IMPACT IF PROPOSED ACTION OCCURS: The costs to Metro of additional territory, if any, should be balanced by the additional tax revenues generated. From a growth management perspective, the legislation would have a positive effect on Metro's ability to manage growth in a manner consistent with the 2040 Growth Concept. Operationally, the legislation would relieve Metro from negotiating with the counties to get their agreement to apply requirements of Metro's functional plan in place of Metro. It may also make it easier for the region to take advantage of development opportunities that arise unexpectedly.

METRO
2009 LEGISLATIVE ISSUE IDENTIFICATION

Department: Auditor's Office

Date: July 15, 2008

Person completing form: Suzanne Flynn

Phone: 503-797-1891

ISSUE: Public Disclosure of Draft Audits Prior to Final Audit Report Release

BACKGROUND:

Auditors follow standards that require them to determine the overall sufficiency and appropriateness of evidence to provide a reasonable basis for the findings and conclusions within an audit. Evidence is not sufficient or not appropriate when using it carries an unacceptably high risk that it could lead to an incorrect or improper conclusion. The quality of the evidence is directly related to the credibility of the auditor's work. There are several ways during the course of audit work that the evidence sufficiency and appropriateness is reviewed. Among these are planning, supervision, and an internal quality control process where independent audit staff review the evidence and the conclusions reached. Once internal quality control procedures are completed a final step in quality control is the review of a draft audit by management. After reviewing the draft management may provide additional information or audit staff may develop additional information based upon a question from management that changes a conclusion. As a result, draft reports may change. Release of a draft report that may contain incorrect or misleading information to a member of the public or media prior to the release of the final audit report could undermine the credibility of the auditors and lead to erroneous decisions.

RECOMMENDATION:

Amend ORS 192.501 (19) by adding a new subparagraph (c) providing that, while "final audit reports" are public, "draft audit reports" (still subject to change) are not releasable until the final audit report is issued.

"192.501. The following public records are exempt from disclosure under ORS 192.410 to 192.505 unless the public interest requires disclosure in the particular instance:

"...(c) Draft audit reports for audits conducted by a city, a county, a metropolitan service district or the executive department, as defined in ORS 174.112. This exemption applies during the internal audit review process and does not apply after release of the final audit report;"

Another modification under consideration would limit the applicability of this provision to auditors operating according to national standards or generally accepted government accounting standards.

LEGISLATIVE HISTORY:

The City of Portland proposed this change (without the reference to metropolitan service districts) late in the 2007 legislative session and it apparently had significant support but was not moved forward due to the politics of the legislative endgame.

OTHER INTERESTED PARTIES:

The primary proponent of this change is the City of Portland (who is perfectly happy to expand its applicability to include Metro). Many other elected or appointed auditors also support this proposal. The Oregon Newspaper Publishers Association is likely to oppose it.

IMPACT IF PROPOSED ACTION OCCURS:

The persuasiveness of audit findings is critical to improving government operations. Providing this clarification to public records law would increase the likelihood that findings will be strong enough to effect the needed change.

METRO
2009 LEGISLATIVE ISSUE IDENTIFICATION

Department: PAGR, Parks

Date: July 16, 2008

Person completing form: Randy Tucker, Janet Bebb

Phone: x1512 / x1876

ISSUE: Funding for regional trails

BACKGROUND: Metro and many partners in the Portland metropolitan region have recently mounted a major initiative known as "Connecting Green" aimed at creating one of the world's greatest systems of parks, natural areas and trails. As part of this effort, Metro has convened a Blue Ribbon Committee to consider strategies that will enable the region to build an ambitious network of off-road bicycle and pedestrian trails.

Active transportation has the potential to carry a significant part of the overall transportation load. With short trips under three miles representing nearly half of all trips (FHWA 2006), walking and biking are poised to bring healthy, clean transportation to communities around the state. Mounting new evidence shows an almost universally positive connection between well-designed open spaces and trails and important economic indicators. Trails and greenways are helping to shape urban growth in ways that support economic development and neighborhood revitalization.

Recent studies have also shown that making communities more bike/pedestrian-friendly can contribute significantly to overall greenhouse gas emissions by driving down VMT. Overall, creating bike/pedestrian-friendly communities can result in between a five to fifteen percent reduction in overall VMT (Litman 2007).

A number of factors are contributing to the American obesity crisis, including diet, longer workdays, and the allure of television, computer and video games. One of the main challenges we face, however, is that we have designed our communities around the automobile, and we have grown dependent on cars for our daily lives. Trails encourage active transportation by providing people of all ages with safe, attractive, accessible places to bike and walk. Trails connect people with places, enabling them to walk or cycle to run errands or commute to work. Trails provide access to natural scenic areas that cause people to actually want to be outside and be physically active. Trails connect neighborhoods and schools so children can cycle or walk to school. The link between healthy people and accessibility to healthy places is strong.

RECOMMENDATION: Metro should work with trails advocates and jurisdictions around the state to ensure that funding for trails is included in any 2009 transportation funding package. While progress has been made in elevating the profile of trails, much more work is needed to ensure that trails are viewed as a serious component of the state's transportation system. In addition, for trails that are not in the road right-of-way, funding sources need to be identified that are not subject to the state's constitutional restriction on the expenditure of revenues related to the operation of motor vehicles. However, the current effort to develop a state package (described below) offers an excellent opportunity for a significant influx of trail money. A particular area of opportunity relates to the Governor's stated commitment to making this transportation package climate-friendly.

LEGISLATIVE HISTORY: The 2009 Oregon Legislature is expected to consider proposals to raise significant new revenues for transportation. During 2008, several committees established by the Governor have been meeting to hash out priorities and possible funding sources. The main substantive work is being done in the "Vision Committee." That committee recently appointed three subcommittees on revenue, environment, and multimodal funding. The work of the subcommittees will come back to the Vision Committee in late July and early August.

The multimodal subcommittee, chaired by Metro Councilor Rex Burkholder, has developed a framework for funding non-road modes of travel. That framework recommends a significant new state commitment to funding transit, as well as a new state investment in trail funding. Freight and commuter rail, air, and marine modes would all receive new funding through a third round of *ConnectOregon* (the very successful lottery-based multimodal funding legislation from 2005 and 2007). The subcommittee envisioned a new addition to *ConnectOregon* specifically aimed at funding trails, using lottery funding or any of a laundry list of new revenues that could be tapped for any alternative mode. A specific target that has been tentatively proposed for state trail funding is \$20 million/year.

The Portland region, through the Joint Policy Advisory Committee on Transportation (JPACT), has adopted principles and priorities to inform the development of this state funding package. Neither of these documents specifically references trails, but the principles, in particular, emphasize the importance of multimodal investments to meet multiple objectives, including public health and safety, community livability, and environmental responsibility.

OTHER INTERESTED PARTIES: Trail development is an interdisciplinary topic that combines people's interests in transportation and environmental protection with health, active lifestyles, and experiencing nature. Interested parties include alternative transportation advocates, the medical profession, and residents and tourists interested in experiencing the diverse landscapes of Oregon. There are local trails advocacy groups in other communities, including the Eugene/Springfield area and the Bend area, with whom we can collaborate.

IMPACT IF PROPOSED ACTION OCCURS: A consistent funding stream for off-street trails would increase both the length and rate of trail construction in the state, building toward an interconnected network. This funding would leverage other current funding sources, including federal, regional, local and private dollars. The presence of trails makes commuting and recreation by biking and walking a compelling option, with the associated reduction in vehicle miles traveled. Air quality and road congestion will be improved, as would access to rivers and natural areas. Concerns that should be addressed in the context of trails development include wildlife impacts, crime and security, and the costs of operating and maintaining trails after they are built.

**BRIEFING ON STATUS OF COOPER MOUNTAIN AND
GRAHAM OAKS**

Metro Council Work Session
Tuesday, July 22, 2008
Metro Council Chamber

METRO COUNCIL

Work Session Worksheet

Presentation Date: 7/22/08 Time: 1:45pm Length: 30 min.

Presentation Title: Cooper Mountain and Graham Oaks Update

Department: Regional Parks and Greenspaces

Presenters: Jim Desmond, Mary Anne Cassin

ISSUE & BACKGROUND: Graham Oaks

On Graham Oaks, design development is in progress, in partnership with the City of Wilsonville and the Wilsonville / West Linn School District. A conceptual design with final location of the trailhead, Tonquin Trail, and restroom is being finalized. Utilities location and zoning implications have been analyzed, and cost estimates are being updated. The City of Wilsonville plans to dedicate some of its portion of Natural Areas bond measure local share toward improvements at the park. Staff is strategizing elements of the project in order to identify an appropriate part of the project to apply for another state park grant in the spring of 2009, in time to be folded into the project's construction (which is scheduled for summer 2009). Staff has requested a 50% CD cost analysis to ensure that if there are gaps between the CIP authorized budget and construction estimates, they can be identified early.

ISSUE & BACKGROUND: Cooper Mountain

Design development for Cooper Mountain was vetted with the public and the design was finalized in the spring of 2007. A \$500,000 state grant from OPRD was secured in September 2007. Staff has been working to secure land use and development permits, finalize construction documents, and select a contractor.

Bids were received on June 26th. Six competitive bids were received. Using the apparent low bid and including owner-supplied materials, soft costs, and construction contingency, the project as designed comes to \$2,402,080. This is \$527,882 higher than the amount authorized in the Capital Improvement Plan. Some design elements could be removed from the construction contract, including limiting the build-out of certain trail segments and several of the building sustainability options, which could decrease the overall project cost by \$264,550.

OPTIONS AVAILABLE

1. Increase project spending authority by \$527,882 and instruct staff to move forward with all add alternates for a total project allocation of \$2,402,080.
2. Increase project spending authority by \$263,332 and instruct staff to move forward with all required add alternates for a total project allocation of \$2,137,530.
3. Re-bid the project and pursue construction in summer 2009.

IMPLICATIONS AND SUGGESTIONS

1. Construction inflation, permit requirements and under-estimated / unforeseen development requirements have driven up the costs required to build this project.
2. Funds are available to pay for the increased costs from the Natural Areas Bond fund; if funds were directed in this manner it would mean forgoing approximately 1 – 5 acres of acquisition at some unspecified location.
3. “Integrating Habitats” design objectives have been incorporated into the design as much as possible. Some of these features require additional funding to implement.
4. A delay in this project would mean the loss of an entire construction season; inflation costs are likely to be over \$250,000 (if construction inflation continues at 15%).

QUESTION(S) PRESENTED FOR CONSIDERATION

1. Is the Council willing to increase the Cooper Mountain project budget to account for increases in construction inflation and additionally required improvements as conditions of our land use approval?
2. Should the Cooper Mountain project be completed according to current design, or should some trail segments and building sustainability options be removed from the construction contract?

**LEGISLATION WOULD BE REQUIRED FOR COUNCIL ACTION X Yes ___ No
DRAFT IS ATTACHED ___ Yes X No**

Agenda Item Number 5.0

REVIEW 2008-09 BUDGET PROCESS

Metro Council Work Session
Tuesday, July 22, 2008
Metro Council Chamber

METRO COUNCIL

Work Session Worksheet

Presentation Date: July 22, 2008 Time: 2:20 pm Length: 60 mins

Presentation Title: Review of 2008-09 Budget Adoption Process

Department: Council Request

Presenters: Chief Operating Officer Mike Jordan and Financial Planning staff

ISSUE & BACKGROUND

The FY 2008-09 budget process began in Fall 2007 with several sessions known collectively as the “Reserves Discussion”. Through this series of discussions Council made significant multi-year decisions that set the strategic direction for the FY 2008-09 budget. The third year of those decisions will continue to shape the FY 2009-10 budget.

The Council reviewed budget assumptions in early November and provided additional direction to the Budget Officer and staff. Work sessions in January, February and March provided status reports on the direction of the budget and any emerging challenges.

The proposed budget was available to the Council in late March and was delivered to the public by the Budget Officer on April 3, 2008. A series of work sessions and public hearings resulted in the approval of the budget and setting of the tax levy on May 1. The Tax Supervising and Conservation Commission held its public hearing on June 5 and certified Metro’s tax levy. The final budget was adopted on June 26.

The purpose of this work session is to consider the budget process, identifying the strengths to be maintained in the coming budget cycle and any areas for modification and improvement.

QUESTION(S) PRESENTED FOR CONSIDERATION

Review Questions

Did preparatory work sessions and budget materials help you prepare for the budget deliberations?

At your request, we did not use individual department “presentations” for the base budget. Instead, individual councilors submitted questions about the base budget, and all councilors received written answers. How did this work for you?

Was there reasonable time for discussion?

Were there any “surprises” that concerned you?

Councilor Amendments - how did it go? How can we improve management response?

Accompanying Documents:

- Budget process discussion from March 2008
- Budget Amendment process March 2008
- Side-by-side for budget amendment process
- Small sample of Councilor Q & A's

Preparing for 2009-10

How will we set the strategic emphasis for FY 2009-10?

- Work session in Fall, prior to budget assumptions
- Fourth quarter financial report (unaudited) to review fund balance position and how assumptions for FY 2008-09 are holding

LEGISLATION WOULD BE REQUIRED FOR COUNCIL ACTION XXNo

PROPOSAL for BUDGET PROCESS

Council Work Session

March 11, 2008

“Pre-release” activities (unchanged except for the preview guide)

- Proposed budget will be released publicly on April 3, 2008.
- “Budget in Brief”, a preview guide to the proposed budget, will be available in early March. This will be a public document.
- Individual councilors may prepare for the proposed budget using the preview guide, sending questions to staff through the Chief Operating Officer, working on proposals for amending the proposed budget.
- Councilors as a group may not discuss or deliberate about the proposed budget prior to its public release.
- The budget message, by law, must identify changes from the current year.

Discussion and Deliberation (new process)

Understanding the Proposed Budget

- First work session following release will focus on Council questions about the proposed budget, rather than presentations from departments.
- Questions about the proposed budget can be asked at any of the scheduled work sessions. Department directors and financial staff will be available for all sessions.

Amendments

- Council proposals/amendments will be made, explained for understanding, and prioritized by Council at an early work session.
- Budget officer will direct a rigorous, objective, cross departmental analysis of top-ranked proposals.

Time Commitment

- Council will be willing to spend TWO Wednesdays afternoons hard at work (April 9, April 23), in addition to Tuesday work sessions, in order to have the proposed budget and proposals fully considered.
- To meet TSCC submission deadlines, we must approve a budget and set the tax levy by May 1.

BUDGET PROCESS
PROPOSAL for REVIEWING AMENDMENTS

Council Work Session

March 11, 2008

Council Proposals

There WILL be proposals. No matter what budget deliberation process is chosen, Councilors will propose amendments.

Current Constraints

- We don't have last year's large undesignated reserves – the proposed budget has allocated them as the Council determined last fall.
- In order to implement new proposals, Council must have a willingness to reduce or redeploy current effort, or to raise new revenue.
- Council and staff can handle well only so many proposals –two or three per councilor would be ideal.
- Council must be willing to prioritize and conduct due diligence on those proposals which have the most interest.
- In order to prioritize, all proposals must be available for consideration at the same time.
- An objective cross-departmental response to the top ranking proposals, directed by the budget officer, would provide critical information for decision making.
- To meet TSCC submission deadlines, we must approve a budget by May 1.

Key Elements we'd like to see in Council Proposals

(to become template following discussion and agreement)

- Short, memorable title that all can use to refer to this proposal.
- Paragraph or two describing the proposal, sufficient in scope that cost and level of effort can be evaluated thoughtfully.
- Clear statement of expectation: What do you want this proposal to accomplish? How will accomplishment be measured?
- How does this proposal relate to or complement existing programs or projects?
- Where do you want the effort to come from? New staff, redeployment of existing staff, outside consultants?

- Cost Estimate -How much are you willing to spend to achieve the desired expectation?
 1. Doesn't have to be line item perfect, but requires a reasonable estimate.
 2. Is the cost one time? For a specific duration? intended to become a permanent, ongoing cost?
 3. If redeployment of existing effort is required to fund the proposal, what area of the budget are you willing to reduce (does not have to be a strict dollar-for-dollar, but identification of a targeted area).
- Revenue: does the proposal generate revenue? Immediately or after a period of time?
- Who are the stakeholders - who will care?

How Budget Officer/COO and management team will respond to proposals?

(to become template following discussion and agreement)

- In addition to what Councilors have identified, do we see any additional
 - legal considerations or restrictions?
 - policy considerations, including financial policies?
 - known or anticipated political sensitivities?
- What effort would it take to produce the stated expectation? How will this proposal get to the desired outcome?
- What are we already doing, if anything, to produce the desired expectation? Compared to the proposal, how effective is the current effort?
- How could we implement the proposal? If we can't do all of it, can we get it started or do some of it?
- Can we refine the cost estimate?
- Where will the funding or effort come from? If existing staff is the identified resource, what will have to be deferred or redeployed? What are the tradeoffs and risks of the redeployment?

	Budget Proposal Rules of Engagement	
Traditional		Alternative
May or may not come in at same time Some in April, some in May	Submission	All due at same time, at start of process
Unobligated reserves identified in 2007-08 (but deferred for decision making until September)	Unobligated Reserves available to fund proposals?	Not available in 2008-09
Rule: Required dollar for dollar balance with funding mechanism identified. Submit only when balanced. Funding mechanism frequently identified as “reserves” or “contingency” in 2007-08 “Planning” proposal generally required “Planning” reduction	“Balanced Amendment”	Dollar for dollar not required. For prioritization, the idea and the estimate of cost are most important, followed by areas or ideas for reduced effort. “Reserves” or “Contingency” not available in 2008-09 Any area may be indicated for reduced effort (eliminated or “redeployed”)
Related to Council goal(s), but outcome not usually specified	Desired Outcome (the KEY element)	Related to Council goal(s) and desired outcome specified The more specific the desired outcome statement, the better the management analysis.
Not specifically required	Relationship to Existing Effort(s)	Specifically evaluated
Voting at end establishes priority by default	Prioritization	Prioritized by Council at beginning
Ad hoc or informal As requested of department by individual Councilor	Management Response	Formal, written analysis Top ranked proposals reviewed by senior management team working as a group
Rule: do not ask staff how to fund	Staff Participation	Staff evaluates how it could be funded or redeployed
Councilor provides balanced amendment Line item requirement	Costing proposals	Best estimate to aid in prioritization Cost vetted through management response
Routed through COO	Requests for information	Routed through COO
Councilor to Councilor Council to staff	Questions about proposals	Councilor to Councilor Council to staff Staff to Council
Voted up or down, or amended at the table	All or None	Analysis considers if not all, then what could be started or accomplished

FY 2008-09 Selected Q/A on base budget

BRAGDON

With regard to enterprise revenues forecast for the DRC: how are the services which are sold to outside parties costed and priced? Are they based on the marginal costs of doing the work or does an element of the price also include some share of overhead? To the extent our services compete with services provided by private sector firms, how do we determine whether or not we are competing fairly?

Response: ORS allows Metro to charge for “GIS” data-up to market rates. When Metro began the program in 1991, Ernst & Young were engaged to develop a marketing study that set the foundation for this part of our operation. The current ‘shop rate’ of \$85/hr recovers our costs, contributes to our computer replacement fund, and helps fund RLIS data set maintenance.

Regarding competition with the private sector, this has never been an issue, and to the contrary, the business community generally sees our services as complementary, offering products and services they find valuable. Our market level pricing does not unfairly compete with them. To date, Metro has not received a complaint of unfair government competition, this includes the pricing of RLIS, which is viewed as a tremendous asset to the region and a bargain for current and high quality data.

In the next fiscal year, we will be updating the DRC business plan and developing an inventory of other GIS resources in the region. This exercise will give us a better understanding of regional GIS business practices so that we can revisit these questions with current information.

BURKHOLDER

Question (B11): 14% contingency in general fund. Is this reasonable?

Response: As indicated by the chart below, the General Fund contingency is made up of several components. The chart demonstrates that we have followed the financial policies for general contingency and stabilization reserves and have followed the multi-year plan put in motion last fall during the reserves discussion.

Contingency		
* Contingency	\$3,277,295	Per approved reserve policy – 4% of total Expenditures
* Opportunity Account	500,000	Per approved reserve policy
* Reserve for Future Planning Needs	351,000	Per Ordinance 07-1160B; amended by Ordinance 08-1173
* Reserve for Furture Election Costs	290,000	Per Ordinance 07-1160B
* Reserve for Reg. Afford. Housing Revolving Fund	1,000,000	Per Ordinance 07-1160B
* Reserve for Metro Regional Center Remodel	413,000	Per Ordinance 07-1160B
* Recovery Rate Stablization Reserve	2,096,867	Per Metro Code
Subtotal	\$7,928,162	

C-22: Issues and Challenges: Forecasting tools for 40-50 year timeframe (is a risk). Another is State LCDC grant funding for the project.

Response: We agree, and are in the process of developing long term methods and tools to identify and measure such changes. We also recognize that this is definitely a challenge that also requires a stable source of funding.

Our efforts in this area will include:

- Engaging a wide range of stakeholders, including representatives of cities, neighboring communities, business groups, developers, farmers, land use advocates, environmental organizations and the public to reach key milestones consistent with the State administrative rules.
- Integrating public involvement processes, data collection and analysis and the development and recommendations and findings among Metro and the three counties.
- Developing a reasonable approach to defining need for urban reserves with appropriate forecasting tools for the 40 – 50 year timeframe.

The Zoo Future Vision Committee consultants' recommendations about more budget autonomy for the Zoo led to a response from management and the counsel to explore ways of creating more management incentives for rewarding success in enterprise activities (other than salary bonuses). In what ways does the proposed budget follow up on this concept at the Zoo?

Response: The zoo proposed budget includes \$100,000 to incent excellent management and enterprise activities. Chief Operating Officer Jordan requested the zoo include the amount in the proposed budget. Metro management is considering a draft policy that outlines the threshold for earning the incentive and the method of allocating the funds. The current draft targets incentives such as staff training and the acquisition of vehicles, equipment, or workspace furnishings that help staff perform their daily responsibilities.