A G E N D A

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METRO

Agenda

MEETING: METRO COUNCIL REGULAR MEETING
DATE: April 9, 2003
DAY: Wednesday
TIME: 1:00 PM
PLACE: Metro Council Chamber

CALL TO ORDER AND ROLL CALL

1. **Ordinance No 03-1001**, For the Purpose of Adopting the Annual Budget for Fiscal Year 2003-04, Making Appropriations, and Levying Ad Valorem Taxes, and Declaring an Emergency.

2. **CITIZEN COMMUNCATIONS**

3. **COUNCILOR COMMUNICATION**

ADJOURN

Agenda Item Number 1.0

Ordinance No 03-1001, For the Purpose of Adopting the Annual Budget for Fiscal Year 2003-04, Making Appropriations, and Levying Ad Valorem Taxes, and Declaring an Emergency.

Second Reading

Metro Council Meeting
Wednesday, April 9, 2003
Metro Council Chamber

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF ADOPTING THE ANNUAL BUDGET FOR FISCAL YEAR 2003-04, MAKING APPROPRIATIONS, AND LEVYING AD VALOREM TAXES, AND DECLARING AN EMERGENCY	)))))	ORDINANCE NO. 03-1001 Introduced by David Bragdon, Council President

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, 2003, and ending June 30, 2004; 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 2003-04 Metro Budget," in the total amount of TWO HUNDRED EIGHT THREE MILLION FIVE HUNDRED TWENTY NINE THOUSAND FOUR HUNDRED TWENTY THREE ($283,529,423) 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 NINE HUNDRED FORTY THOUSAND TWO HUNDRED EIGHTY SEVEN ($17,940,287) DOLLARS for general obligation bond debt, said taxes to be levied upon taxable properties within the Metro District for the fiscal year 2003-04. 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 Rate Levy	$0.0966/$1,000	
General Obligation Bond Levy		$17,940,287

3. The Pioneer Cemetery Perpetual Care Fund is hereby created for the purpose of providing for the long-term maintenance of the cemeteries. Major revenues for the fund shall come from a surcharge on grave sales. In the event of elimination of the fund, any balance remaining in the fund shall revert to any fund designated to care for the maintenance of the cemeteries or, in absence of that, the Regional Parks Operating Fund.

4. In accordance with Section 2.02.040 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, 2003, from the funds and for the purposes listed in the Schedule of Appropriations, Exhibit C.

5. The Chief Financial 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.

6. 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, 2003, 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, 2003.

____
David Bragdon, Council President

ATTEST:

____
Recording Secretary

Approved as to Form:

____
Daniel B. Cooper, General Counsel

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STAFF REPORT

CONSIDERATION OF ORDINANCE NO. 03-1001 ADOPTING THE ANNUAL BUDGET FOR FISCAL YEAR 2003-04, MAKING APPROPRIATIONS AND LEVYING AD VALOREM TAXES, AND DECLARING AN EMERGENCY

Date: March 14, 2003

Presented by: David Bragdon
Council President

BACKGROUND

I am forwarding to the Council for consideration and approval my proposed budget for Fiscal Year 2003-04.

Council action, through Ordinance No. 03-1001 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, 2003.

Once the budget plan for Fiscal Year 2003-04 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 April 3, 2003.

ANALYSIS/INFORMATION

1. **Known Opposition** – Council hearings will be held on the Proposed Budget during the month of April 2003. Several opportunities for public comments will be provided. Opposition to any portion of the budget will be identified during that time.
2. **Legal Antecedents** – The preparation, review and adoption of Metro's annual budget is subject to the requirements of Oregon Budget Law, ORS Chapter 294. Oregon Revised Statutes 294.635 requires that Metro prepare and submit its approved budget to the Tax Supervising and Conservation Commission by May 15, 2003. The Commission will conduct a hearing during June 2003 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.
3. **Anticipated Effects** – Adoption of this ordinance will put into effect the annual FY 2003-04 budget, effective July 1, 2003.
4. **Budget Impacts** – The total amount of the proposed FY 2003-04 annual budget is $283,529,423.

RECOMMENDED ACTION

The Council President recommends adoption of Ordinance No. 03-1001.

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Metro Budget

Proposed Budget

FY 2003-04

METRO

PEOPLE PLACES
OPEN SPACES

Volume 1 of 2

040903-01

Metro Budget

Proposed Budget

FY 2003-04

METRO

PEOPLE PLACES
OPEN SPACES

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Metro Budget

Proposed

Budget Notebook

FY 2003-04

Office of the Council/Chief Operating Officer
Planning
Regional Parks and Greenspaces
Public Affairs
Office of the Auditor
Office of the Metro Attorney
Business Support
Finance

METRO

PEOPLE PLACES
OPEN SPACES

Book 1 of 2

Proposed

Budget Notebook

FY 2003-04

Metro Budget

MERC
Oregon Zoo
Regional Environmental Management
Miscellaneous

METRO

PEOPLE PLACES
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040903c-02

Metro Proposed Budget

Proposed
FY 2003-04 Budget
Presentation Summary

April 3, 2003

METRO

PEOPLE PLACES
OPEN SPACES

Metro Proposed Budget
FY 2003-04

Council Budget Presentation
Department Summaries
April 3, 2003

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METRO

Summary of All Departments

Financial Summary

Additional discussion of all departments can be found in the Proposed Budget, Volume 1, beginning on page 17. Additionally, the Budget Summary section of the Proposed Budget, Volume 1, beginning on page 1, provides a discussion of the overall budget.

Budget by Classification	Audited Actual FY 2001-02	Amended Budget FY 2002-03	Proposed Budget FY 2003-04	Change from FY 2002-03 Amended Budget	
				$	%
Personal Services	$49,885,398	$55,319,701	$57,058,220	$1,738,519	3.14%
Materials and Services	73,306,895	91,625,818	82,168,079	(9,457,739)	(10.32%)
Capital Outlay	67,987,375	85,139,149	15,117,304	(70,021,845)	(82.24%)
Debt Service	73,909,391	28,956,411	24,861,052	(4,095,359)	(14.14%)
Interfund Transfers:					
Interfund Reimbursements	11,591,944	13,040,728	12,860,569	(180,159)	(1.38%)
Internal Service Charges	924,814	1,607,530	1,088,099	(519,431)	(32.31%)
Interfund Loan	403,690	106,100	106,100	0	0.00%
Fund Equity Transfers	11,629,517	12,826,902	11,452,743	(1,374,159)	(10.71%)
Totals	**$289,639,024**	**$288,622,339**	**$204,712,166**	**($83,910,173)**	**(29.07%)**
Budget by Department					
Office of the Auditor	$573,416	$678,792	$607,940	($70,852)	(10.44%)
Office of the Council	1,326,723	1,540,583	1,345,146	(195,437)	(12.69%)
Office of the Executive Officer	1,323,027	1,493,461	0	(1,493,461)	(100.00%)
Office of Metro Attorney	1,690,836	2,032,420	1,475,692	(556,728)	(27.39%)
Business Support	10,580,883	13,543,094	13,047,786	(495,308)	(3.66%)
Finance	2,342,538	2,647,764	2,552,507	(95,257)	(3.60%)
Metro E-R Commission	80,891,480	96,349,725	33,083,277	(63,266,448)	(65.66%)
Oregon Zoo	20,654,007	23,045,594	26,103,298	3,057,704	13.27%
Planning	13,141,679	17,995,121	15,589,955	(2,405,166)	(13.37%)
Public Affairs Department	0	0	1,118,750	1,118,750	n/a
Regional Parks and Greenspaces	15,794,694	19,713,911	11,485,695	(8,228,216)	(41.74%)
Solid Waste & Recycling	47,789,596	61,014,466	51,195,686	(9,818,780)	(16.09%)
Non-Departmental	93,530,145	48,567,408	47,106,434	(1,460,974)	(3.01%)
Totals	**$289,639,024**	**$288,622,339**	**$204,712,166**	**($83,910,173)**	**(29.07%)**
Contingency	*0*	*14,463,552*	*17,147,109*	*2,683,557*	*18.55%*
Ending Fund Balance	*170,103,732*	*61,905,608*	*61,670,148*	*(235,460)*	*(0.38%)*
Total Budget	**$459,742,756**	**$364,991,499**	**$283,529,423**	**($81,462,076)**	**(22.32%)**
Full-Time Equivalents (FTE)	**690.43**	**731.63**	**686.63**	**(45.00)**	**(6.15%)**

The Department Summaries that follow reflect only those costs that are directly related to functions and operations of each Department. All interfund transfers, while they are costs to departments, are considered indirect costs and are reflected in the non-department summary at the end. Also, contingencies and ending balances are requirements to a fund (not a department) and are only shown at the bottom of the All Department Summary.

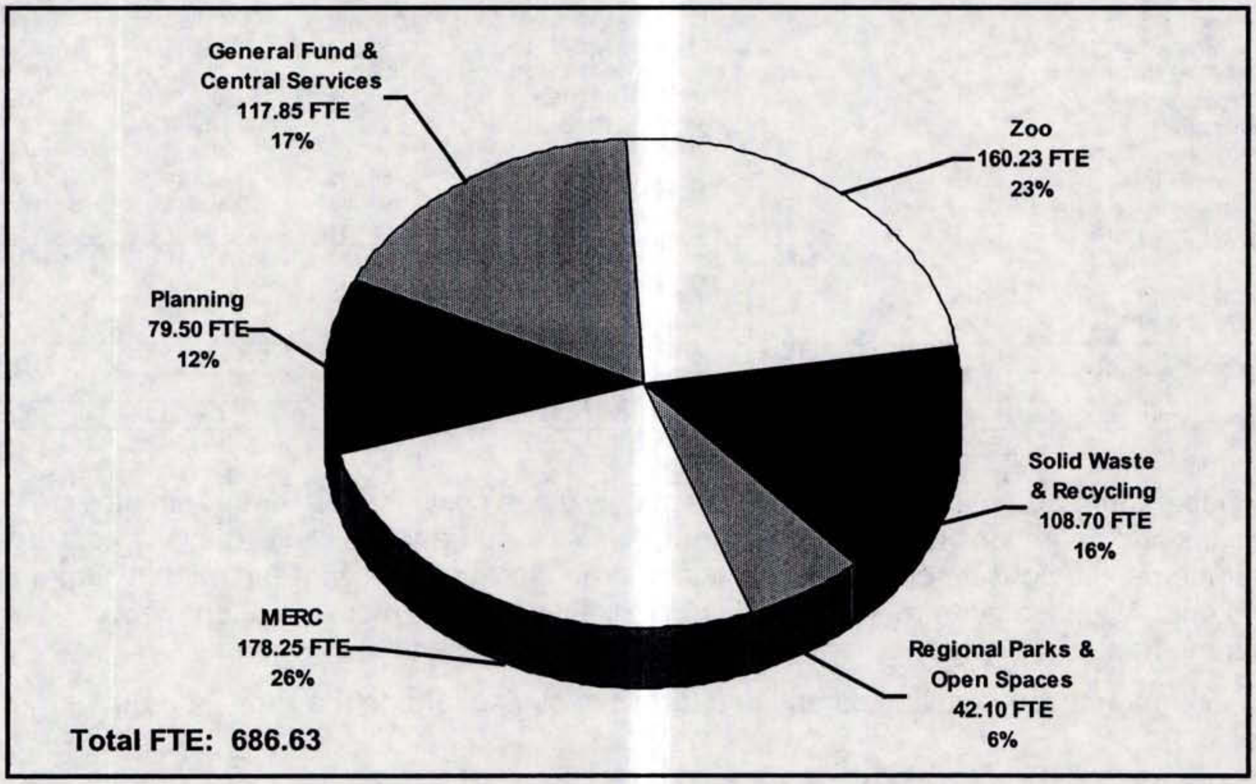
For more information on all funds and departments, please refer to the Proposed Budget, Volume 1:

Non-Departmental Expenditures

Authorized FTE by Department

	FY 2001-02 Adopted	FY 2002-03 Adopted	FY 2003-04 Proposed	Change from FY 2002-03 Adopted	
Office of the Auditor	5.00	5.00	5.00	0.00	0.00%
Office of the Council	20.00	20.00	16.00	(4.00)	(20.00%)
Office of the Executive Officer	16.60	16.10	0.00	(16.10)	(100.00%)
Office of Metro Attorney	13.75	13.50	10.50	(3.00)	(22.22%)
Business Support	47.55	48.55	47.65	(0.90)	(1.85%)
Finance	28.60	29.60	27.70	(1.90)	(6.42%)
Metro E-R Commission	152.00	193.00	178.25	(14.75)	(7.64%)
Oregon Zoo	167.03	169.73	160.23	(9.50)	(5.60%)
Planning	80.25	79.00	79.50	0.50	0.63%
Public Affairs Department	0.00	0.00	11.00	11.00	New
Regional Parks and Greenspaces	49.50	48.00	42.10	(5.90)	(12.29%)
Solid Waste & Recycling	110.15	109.15	108.70	(0.45)	(0.41%)
Total Authorized FTE	**690.43**	**731.63**	**686.63**	**(45.00)**	**(6.15%)**

FY 2003-04 Full-Time Equivalent Positions by Function



Auditor, Office of

Department Financial Summary

A more detailed discussion of the Office of the Auditor can be found in the Proposed Budget, Volume 1, pages 31-35

Budget by Classification	Audited Actual FY 2001-02	Amended Budget FY 2002-03	Proposed Budget FY 2003-04	Change from FY 2002-03 Amended Budget $	%
Personal Services	$466,847	$457,531	$495,979	$38,448	8.40%
Materials and Services	106,569	221,261	111,961	(109,300)	(49.40%)
Totals	**$573,416**	**$678,792**	**$607,940**	**($70,852)**	**(10.44%)**
Budget by Division					
Office of the Auditor	$573,416	$678,792	$607,940	($70,852)	(10.44%)
Totals	**$573,416**	**$678,792**	**$607,940**	**($70,852)**	**(10.44%)**
Budget by Fund					
Support Services Fund	$573,416	$678,792	$607,940	($70,852)	(10.44%)
Totals	**$573,416**	**$678,792**	**$607,940**	**($70,852)**	**(10.44%)**
Full-Time Equivalents (FTE)	**5.00**	**5.00**	**5.00**	**0.00**	**0.00%**

- The Office of the Auditor is budgeted in one fund, the Support Services Fund. (Proposed Budget, Volume 1, pages 195-198)
- The resources for this office are from transfers from other funds as determined by the cost allocation plan.
- The personal services expenses for this office reflect the merit and cost of living increases for the Auditor's staff.
- The 2002-03 budget included $53,000 in funds carried over from the prior year. Adjusting for these non-recurring funds establishes a base budget of $625,792
- The 2003-04 budget of $607,940 represents a 2.85% decrease from the 2002-03 base budget. This is the smallest decrease among the Support Service Fund departments:
  - Auditor .... -2.85%
  - Finance .... -3.60%
  - Business Support.................................. -3.70%
  - Metro Attorney .... -4.46%
  - Public Affairs (Creative Services): .... -6.80%
- The Auditor's staffing is preserved at the 2002-03 level. All other central service departments have reductions in staffing.
- Materials and Services were reduced to comply with the Council President's direction for decreases in the Central Services Departments. The changes include reductions in Contracted Professional Services and travel and training for staff. The budget for Materials & Services maintains funding for the required services of annual audit ($88,000) and bond covenant compliance letter ($3,600), plus some $20,000 for remaining needs.

- The Proposed Budget for the Auditor's Office represents a significant reduction from the Auditor's budget request. That request totaled $822,789, an increase of 31.5% from the 2002-03 base budget.

Ten Questions

1. *Significant changes in departmental resources.*

   The Auditor Office is part of the Support Services Fund. Resources for this Fund are primarily obtained through the overhead cost allocation process. Although budget information was denied despite a public records request, I understand efforts have been made to reduce the amounts allocated through the overhead cost allocation process. It is also my understanding that this reduction is being accomplished primarily by two methods. One is by charging general government costs to the General Fund and the other is by curtailing valid overhead costs subject to allocation. Some general government costs previously had been charged to the Support Services Fund and were then allocated even though such costs are specifically disallowed for federal grant purposes. The reductions in overhead costs allocated throughout Metro will allow any additional Auditor Office related costs to be more easily funded.

2. *Program additions, deletions, or significant modifications.*

   Reinstated in this budget proposal is the 0.5 FTE temporary senior auditor position that was eliminated last year. This position had existed for four previous years and is crucial to ensure an effective Auditor function as envisioned under the Metro Charter.

   An additional 0.5 FTE senior auditor position is proposed in response to the Metro Charter amendment that eliminated the Executive Officer position. This change, in effect, eliminated some of the "checks and balances" that previously existed in the Metro governance structure. The additional audit support is intended to mitigate this loss.

3. *Program changes that may affect other departments or funds.*

   Program changes planned will have a negligible effect, if any, on other departments and funds.

4. *Changes requiring additional current or future excise tax resources.*

   The amount of excise taxes needed to fund proposed changes is nominal.

5. *Changes that have a long-range impact, including changes that will have a greater impact in future years.*

   No changes will have a greater impact in future years. The additional FTE will be ongoing.

6. *Changes that will affect support service needs.*

   The proposed changes will have negligible effect on support service needs.

7. *Changes that affect existing Metro policies or require the Council to set new policy.*

   None.

8. *Extraordinary one-time expenditures.*

   There are three extraordinary one-time *Contracted Professional Services* expenditures:

   $2,500.................... Peer review

   $3,600.................... Bond covenant compliance letter

   $15,000.................. Transition review

   The Auditor's Office is required to have a peer review every three years. This is due in FY 03-04, and is budgeted at $2,500. Metro's bond covenant compliance letter is required every three years. It is due in FY 03-04, and is budgeted at $3,600.

   The transition review is a one-year request for $15,000. It will supplement Auditor Office resources as it undertakes an evaluation of the recent governance structure changes at Metro. Risks are inherently greater whenever change occurs. This is a fact and this transition is a major change for Metro. Also, efficiencies and savings were promised to the area citizens as a benefit of this voter-approved change that became effective on January 6, 2003. It is important that Metro independently report its accomplishment of successful transition and the Auditor is the only independent resource within Metro.

9. *Unresolved factors that may affect the final budget; for example, funding sources that are still pending.*

   The Auditor Office budget I submitted differs from the one incorporated into the budget by the Council President David Bragdon. The Council President reduced funding for the Auditor Office. He did this without my concurrence. Mr. Bragdon's proposal contains insufficient funds to perform legally required activities such as the annual financial statement audit, peer review and keeping my staff qualified to perform government audits. The effect of Mr. Bragdon's proposed reduction diminishes the Metro Auditor's ability to fulfill legal and contractual requirements; it weakens public accountability; and it precludes the Auditor's ability to fulfill the intent of the Metro Charter.

   The Executive Officer proposed cuts to the Auditor budget in recent years. Neither the Metro Council nor the media supported these cuts. The Council wisely chose to protect the public interest by reinstating funds to the Auditor Office. I trust the Council will hold a similar view this year and uphold the Metro Charter and Code by providing the resources necessary to maintain an Auditor Office appropriate for an organization of Metro's size and complexity.

10. *Whether current program levels are sustainable within current or projected resources.*

    Yes, current program levels are sustainable. Metro has continued to grow during the past five years with no corresponding increase in audit level. In fact, last year audit staffing was reduced 14%. The change in governance structure calls for increased auditing effort. The Auditor Office can fulfill its Charter mandate within the Auditor requested level of funding, barring sizable expansion of current Metro operations or the addition of significant new undertakings.

Council Office/Executive Office/Public Affairs Department Combined Summary

Financial Summary

A more detailed discussion of these departments can be found in the Proposed Budget, Volume 1, pages 23-29, and 83-86

Budget by Classification	Audited Actual FY 2001-02	Amended Budget FY 2002-03	Proposed Budget FY 2003-04	Change from FY 2002-03 Amended Budget $	%
Personal Services	$2,320,552	$2,642,639	$2,110,266	($532,373)	(20.15%)
Materials and Services	329,198	391,405	353,630	(37,775)	(9.65%)
Totals	**$2,649,750**	**$3,034,044**	**$2,463,896**	**($570,148)**	**(18.79%)**
Budget by Division					
Council	$1,174,974	$1,336,439	$1,345,146	$8,707	0.65%
Council Public Outreach	148,281	124,822	0	(124,822)	(100.00%)
Office of the Executive	406,763	535,053	0	(535,053)	(100.00%)
Exec. Public Aff. & Gov't. Relations	352,067	380,736	0	(380,736)	(100.00%)
Public Affairs Department	0	0	545,935	545,935	n/a
Office of Citizen Involvement	57,805	79,322	34,440	(44,882)	(56.58%)
Creative Services	509,860	577,672	538,375	(39,297)	(6.80%)
Totals	**$2,649,750**	**$3,034,044**	**$2,463,896**	**($570,148)**	**(18.79%)**
Budget by Fund					
General Fund	$2,591,945	$2,456,372	$1,925,521	($530,851)	(21.61%)
Support Services Fund	57,805	577,672	538,375	(39,297)	n/a
Totals	**$2,649,750**	**$3,034,044**	**$2,463,896**	**($570,148)**	**(18.79%)**
Full-Time Equivalents (FTE)	**36.60**	**36.10**	**27.00**	**(9.10)**	**(25.21%)**

- The Council Office, the new Public Affairs Department, and the former Office of the Executive Officer are budgeted in two funds – the General Fund and the Support Services Fund (see Proposed Budget, Volume 1, Fund Summaries, pages 107-208 for further details).
- With the exception of the salary and fringe for the Chief Operating Officer, all of the Council Office is funded with excise tax revenues.
- The Office of Citizen Involvement and the Public Affairs Division, both in the Public Affairs Department, are in the General Fund and supported entirely with excise tax revenues.
- The Creative Services Division of the Public Affairs Department will remain in the Support Services Fund, and will continue to be funded through the cost allocation plan.

Council Office/Executive Office/Public Affairs Department
Combined Summary

- The budgets include a net reduction of 9.10 FTE. The following position changes have been made:

Department	FTE	Position	Action
Council Office	(1.00)	Councilor – Presiding Officer	Eliminated Position
Council Office	(1.00)	Council Operations Officer	Eliminated Position
Council Office	(1.00)	Legislative Officer	Eliminated Position
Council Office	(2.00)	Council Analyst	Eliminated Position
Council Office	(1.00)	Communications Officer	Eliminated Position
Council Office	(1.00)	Council Clerk	Eliminated Position
Council Office	(7.00)	Council Assistant	Eliminated Position
Executive Office	(0.50)	Executive Officer	Eliminated Position
Executive Office	(2.00)	Executive Analyst	Eliminated Position
Executive Office	(2.00)	Executive Administrative Assistant	Eliminated Position
Executive Office	(0.60)	Senior Public Affairs Specialist	Eliminated Position
Executive Office	(2.00)	Public Relations Specialist	Eliminated Position
Executive Office	(1.00)	Associate Public Affairs Specialist	Eliminated Position
Executive Office	(1.00)	Manager I	Eliminated Position
Executive Office	(1.00)	Assistant Creative Services Specialist	Eliminated Position
Council Office	1.00	Council President	New Position
Council Office	1.00	Assistant to the Council President	New Position
Council Office	1.00	Program Supervisor II	New Position
Council Office	2.00	Confidential Secretary	New Position
Council Office	3.00	Council Support Specialist	New Position
Council Office	1.00	Administrative Assistant II	New Position
Public Affairs	1.00	Director I	New Position
Public Affairs	2.00	Senior Public Relations Coordinator	New Position
Public Affairs	1.00	Associate Public Relations Coordinator	New Position
Public Affairs	1.00	Public Relations Support Specialist	New Position
Public Affairs	1.00	Program Supervisor II	New Position

- Staffing in the Council Office is reduced by 7.5 FTE when compared with the combined Council Office and the Office of the Executive Officer (excluding Public Affairs, Creative Services, Public Outreach, and the Office of Citizen Involvement) in the FY2002-03 adopted budget.
- Staffing for Public Affairs functions, including Creative Services, has been reduced by 1.6 FTE from the FY2002-03 adopted budget.

Council Office

Department Financial Summary

In the following table, the FY 2001-02 Audited Actual, and the FY 2002-03 Amended Budget columns contain data from the Council Office only. For a comparison that includes the former Office of the Executive Officer, refer to the Combined Financial Summary section in this document. A more detailed discussion of the Council Office can be found in the Proposed Budget, Volume 1, pages 23-26

	Audited Actual	Amended Budget	Proposed Budget	Change from FY 2002-03 Amended Budget	
Budget by Classification	**FY 2001-02**	**FY 2002-03**	**FY 2003-04**	**$**	**%**
Personal Services	$1,176,969	$1,308,982	$1,187,821	($121,161)	(9.26%)
Materials and Services	149,754	231,601	157,325	(74,276)	(32.07%)
Totals	**$1,326,723**	**$1,540,583**	**$1,345,146**	**($195,437)**	**(12.69%)**
Budget by Division					
Council General Administration	$0	$0	$1,345,146	$1,345,146	n/a
Council	1,174,974	1,336,439	0	(1,336,439)	(100.00%)
Public Outreach	148,281	124,822	0	(124,822)	(100.00%)
Office of Citizen Involvement	3,468	79,322	0	(79,322)	(100.00%)
Totals	**$1,326,723**	**$1,540,583**	**$1,345,146**	**($195,437)**	**(12.69%)**
Budget by Fund					
General Fund	$1,323,255	$1,540,583	$1,345,146	($195,437)	(12.69%)
Support Services Fund	3,468	0	0	0	n/a
Totals	**$1,326,723**	**$1,540,583**	**$1,345,146**	**($195,437)**	**(12.69%)**
Full-Time Equivalents (FTE)	**20.00**	**20.00**	**16.00**	**(4.00)**	**(20.00%)**

- The Council Office is budgeted in one fund – the General Fund (see Proposed Budget, Volume 1, Fund Summaries, pages 107-208 for further details).
- Public Outreach and the Office of Citizen Involvement, formerly in the Council Office, are now in the newly created Public Affairs Department.
- With the exception of the salary and fringe for the Chief Operating Officer, all of the Council Office is funded with excise tax revenues.
- Salary and fringe for the Chief Operating Officer are funded through the cost allocation plan.
- Staffing in the Council Office is reduced by 4.0 FTE when compared with the FY2002-03 adopted budget. For a comparison reflecting the net reduction in FTE resulting from the transition, see the Combined Summary section of this document.

Ten Questions

1. *Significant changes in departmental resources.*

   The Council Office is funded primarily by the excise tax. In prior years, portions of the Council Office were funded through the cost allocation plan, but in FY 2003-04 only the salary and fringe costs for the Chief Operating Officer are allocated.

2. *Program additions, deletions, or significant modifications.*

   On January 6, 2003, the Council Office commenced a transition resulting from the Charter amendment approved by the voters in 2000. The Council Office absorbed and/or delegated the authorities and functions previously vested in the Executive Officer, a position that was abolished. A new appointed position, Chief Operating Officer, was created to manage the agency under the general supervision of the new, regionally elected position of Council President and Council as a whole. In addition, the Council eliminated the committee structure, and established weekly informal meetings.

3. *Program changes that may affect other departments or funds.*

   Shifting funding for Council from the cost allocation plan to excise taxes will reduce the allocated costs charged to the other departments.

4. *Changes requiring additional current or future excise tax resources.*

   Shifting funding for the Council Office from the cost allocation plan to excise taxes requires more excise tax resources. However, this change reduces the allocated costs charged to departments through the cost allocation plan, including those receiving excise tax resources, thereby reducing the need for additional excise tax resources in those departments.

5. *Changes that have a long-range impact, including changes that will have a greater impact in future years.*

   Shifting funding for the Council Office away from the cost allocation plan reduces allocated costs charged to departments, freeing up department resources for direct program needs.

6. *Changes that will affect support service needs.*

   The elimination of Council Analysts will result in assignment of certain analytical work to the appropriate departmental staff.

7. *Changes that affect existing Metro policies or require the Council to set new policy.*

   None

8. *Extraordinary one-time expenditures.*

   None

9. *Unresolved factors that may affect the final budget; for example, funding sources that are still pending.*

   None

10. *Whether current program levels are sustainable within current or projected resources.*

    The FY 2003-04 program levels are within current and projected excise tax resources.

Public Affairs Department

Department Financial Summary

A more detailed discussion of the Public Affairs Department can be found in the Proposed Budget, Volume 1, pages 83-86

Budget by Classification	Audited Actual FY 2001-02	Amended Budget FY 2002-03	Proposed Budget FY 2003-04	Change from FY 2002-03 Amended Budget $	%
Personal Services	$0	$0	$922,445	$922,445	n/a
Materials and Services	0	0	196,305	196,305	n/a
Totals	**$0**	**$0**	**$1,118,750**	**$1,118,750**	**n/a**
Budget by Division					
Public Affairs	$0	$0	$545,935	$545,935	n/a
Creative Services	0	0	538,375	538,375	n/a
Office of Citizen Involvement	0	0	34,440	34,440	n/a
Totals	**$0**	**$0**	**$1,118,750**	**$1,118,750**	**n/a**
Budget by Fund					
General Fund	$0	$0	$580,375	$580,375	n/a
Support Services Fund	0	0	538,375	538,375	n/a
Totals	**$0**	**$0**	**$1,118,750**	**$1,118,750**	**n/a**
Full-Time Equivalents (FTE)	**0.00**	**0.00**	**11.00**	**11.00**	**n/a**

- Created as part of the transition, Public Affairs is a new department consolidating communications functions formerly performed by both Council Office and former Office of the Executive Officer staffs.
- The Public Affairs Department is budgeted in two funds – the General Fund and the Support Services Fund (see Proposed Budget, Volume 1, Fund Summaries, pages 107-208 for further details).
- The Office of Citizen Involvement and the Public Affairs Division, both in the Public Affairs Department, are in the General Fund and supported entirely with excise tax revenues.
- The Creative Services Division of the Public Affairs Department will remain in the Support Services Fund, and will continue to be funded through the cost allocation plan.
- Staff in the Public Affairs Department report directly to the newly created Director of Public Affairs and Government Relations.
- Staffing for Public Affairs functions, including Creative Services, has been reduced by 1.6 FTE from the FY2002-03 adopted budget.

Ten Questions

1. *Significant changes in departmental resources.*

   In the 2002-03 fiscal year budget, Public Affairs functions in the Council Office and the former Office of the Executive Officer are funded through the cost allocation plan. By consolidating the Public Affairs staff into one department, and eliminating duplication in communications functions, considerable savings were achieved. In this budget, all of

Public Affairs with the exception of Creative Services, is funded with excise tax rather than through the cost allocation plan. Creative Services will remain in the Support Services Fund, and will continue to be funded through the cost allocation plan.

2. *Program additions, deletions, or significant modifications.*

   On January 6, 2003, the Council Office commenced a transition resulting from the Charter amendment approved by the voters in 2000. As part of this transition, communications functions, previously split between the Council Office and the former Office of the Executive Officer were consolidated under the newly created Public Affairs Department. A new position, Director of Public Affairs and Government Relations was created to head this department.

3. *Program changes that may affect other departments or funds.*

   Shifting funding for Public Affairs from the cost allocation plan to excise tax will reduce the allocated costs charged to the departments. The Public Affairs Department provides support to all of the departments within the agency, and should have sufficient staffing to meet these needs.

4. *Changes requiring additional current or future excise tax resources.*

   Shifting funding for Public Affairs from the cost allocation plan to excise tax will require more excise tax resources in the future. However, this change will reduce the allocated costs charged to the departments through the cost allocation plan, including those receiving excise tax resources, thereby reducing the need for additional excise tax resources in those departments.

5. *Changes that have a long-range impact, including changes that will have a greater impact in future years.*

   None

6. *Changes that will affect support service needs.*

   None

7. *Changes that affect existing Metro policies or require the Council to set new policy.*

   None

8. *Extraordinary one-time expenditures.*

   None

9. *Unresolved factors that may affect the final budget; for example, funding sources that are still pending.*

   None

10. *Whether current program levels are sustainable within current or projected resources.*

    The 03-04 program levels are within current and projected excise tax resources.

Business Support Department

Department Financial Summary

A more detailed discussion of the Business Support Department can be found in the Proposed Budget, Volume 1, pages 41-48

Budget by Classification	Audited Actual FY 2001-02	Amended Budget FY 2002-03	Proposed Budget FY 2003-04	Change from FY 2002-03 Amended Budget $	%
Personal Services	$3,131,422	$3,611,998	$3,902,275	$290,277	8.04%
Materials and Services	7,004,628	9,515,886	8,821,891	(693,995)	(7.29%)
Capital Outlay	394,989	377,150	289,000	(88,150)	(23.37%)
Debt Service	49,844	38,060	34,620	(3,440)	(9.04%)
Totals	**$10,580,883**	**$13,543,094**	**$13,047,786**	**($495,308)**	**(3.66%)**
Budget by Division					
Office of the Director	$19,235	$22,903	$134,425	$111,522	486.93%
Contracts & Purchasing	246,419	283,578	366,061	82,483	29.09%
Property Services	1,383,707	1,669,345	1,598,311	(71,034)	(4.26%)
Human Resources	753,200	935,620	918,682	(16,938)	(1.81%)
Risk Management	5,940,389	7,806,575	7,622,358	(184,217)	(2.36%)
Information Technology	2,237,933	2,825,073	2,407,949	(417,124)	(14.77%)
Totals	**$10,580,883**	**$13,543,094**	**$13,047,786**	**($495,308)**	**(3.66%)**
Budget by Fund					
Support Services	$3,787,056	$4,680,764	$4,507,369	($173,395)	(3.70%)
Building Management	834,203	1,032,852	918,059	(114,793)	(11.11%)
Risk Management	5,959,624	7,829,478	7,622,358	(207,120)	(2.65%)
Totals	**$10,580,883**	**$13,543,094**	**$13,047,786**	**($495,308)**	**(3.66%)**
Full-Time Equivalents (FTE)	**47.55**	**48.55**	**47.65**	**(0.90)**	**(1.85%)**

- The Business Support Department is a new department that is composed of the Human Resources and Information Technology Departments, and the Business Services Division of the former Administrative Services Department. The historical information show above includes the same programs/departments/divisions that are included in the new department.
- The Business Support Department is budgeted in three different funds:
  1. Support Services Fund – Revenues to this fund are transfers as determined by the cost allocation plan. The Divisions that are budgeted in this fund include: (Proposed Budget Vol. I, pp 195-198)
     - Contracts and Purchasing
     - Human Resources
     - Information Technology
     - Property Services – office services and parts of building services
  2. Building Management Fund – Revenues for this fund are transfers as determined by the cost allocation plan, parking fees, and space rental. The expenditures are for Metro Regional Center (MRC), building services provided through Property Services, including debt service on MRC bonds. (Proposed Budget Vol. I, pp 113-116)
  3. Risk Management Fund – The Revenue for this fund is transfers as determined through the cost allocation plan as well as fringe benefits paid by departments for benefit eligible

employees. The programs included in this fund include: (Proposed Budget Vol. I, pp 179-182)

- Liability and Property Risk Assessment and Insurance
- Worker's Compensation
- Unemployment Insurance
- Health and Welfare benefits
- Emergency Management

- The department's budget includes changes from past levels.
  - Office of the Director has increased due to the inclusion of 1.0 FTE Director rather than 0.1 FTE for the former ASD Director.
  - Contracts and Purchasing has increased due to absorbing more of the costs of the Program Director I.
  - Property Services has decreased due to the reduction in materials and services expenditures. These reductions are in operating supplies and in maintenance and repair services.
  - Human Resources has reduced contracted services for special studies, etc.
  - Risk Management appears to have been reduced. However, this is due to a change in accounting treatment for employee health insurance costs. Actual continuing expenditures have increased approximately $300,000 due to increases in insurance premiums.
  - Information Technology made significant reductions in its budget. These reductions included materials and services, capital outlay, and elimination of 2.0 FTE.
- The ending fund balances for both the Building Management and Risk Management funds are composed of required reserves.
  - In the Building Management Fund the required reserves are established by covenants on the bonds for the construction of Metro Regional Center.
  - In the Risk Management Fund the reserves are set by the annual actuarial review.

Ten Questions

1. *Significant changes in departmental resources.*

Metro is making a concerted effort to reduce the cost of controllable overhead in its central services budget. With operational revenues flat, overhead costs must be reduced where possible to allow maximum financial resources to programs. The Business Support Department represents a significant piece of central services, encompassing the functions of human resources, information technology, employee benefits, information technology, contracts and purchasing, risk management and the building management for the Metro Regional Center.

In addition, the cost of property/fire and general liability insurance has increased 40 percent. The result of the cost reduction mandate and insurance cost increases has meant the department is working with fewer resources than in past years.

2. *Program additions, deletions, or significant modifications.*

   It is essentially a business-as-usual approach with no major additions or modifications. Our goal is to maintain current levels of service to our customers. There is a reduction of 2.0 FTE in the information technology division that may result in slower response times for desktop computer help. In addition, the purchase of new modules to our PeopleSoft enterprise technology system is being postponed pending review of the current system and to allow for user prioritization of future technology expenditures.

   We will still proceed with the purchase of the upgrade of the PeopleSoft financial system. Failure to purchase the upgrade at this point will result in the loss of support from PeopleSoft with additional charges above and beyond our annual licensing fee.

   Human resources will continue to provide existing recruiting and support services. Implementation of a set of recommended comprehensive changes in our compensation and performance management systems has been recommended. If fully adopted, these will need to be implemented within the scope of the existing budget.

   Cost of employee benefits will increase significantly as medical benefit premiums continue to skyrocket. We are budgeting at our capped per employee amount of $562; however, it is anticipated that the out-of-pocket cost to some employees will increase significantly to cover the amount between our cap and the renewed premium amount. These issues continue to be addressed on an on-going basis by the Joint Labor Management Committee on Health and Welfare.

3. *Program changes that may affect other departments or funds.*

   The only budgeted change that will significantly affect another department is the upgrade of the PeopleSoft Financial system. This will require staff time from the Finance Department.

4. *Changes requiring additional current or future excise tax resources.*

   None

5. *Changes that have a long-range impact, including changes that will have a greater impact in future years.*

   None

6. *Changes that will affect support service needs.*

   None

7. *Changes that affect existing Metro policies or require the Council to set new policy.*

   None budgeted. However, if the compensation and performance management system changes that have been recommended are adopted, Council policy changes will be required.

8. *Extraordinary one-time expenditures.*

   None

9. *Unresolved factors that may affect the final budget; for example, funding sources that are still pending.*

   Our year-to-date self-funded, risk management costs are low. If in the final months of the year, workplace injuries or liability claims increase dramatically, it could impact our risk management fund balance and result in a requirement to allocate additional amounts to maintain our risk management fund at the required level.

10. *Whether current program levels are sustainable within current or projected resources.*

    Current program levels are sustainable within current and projected resources.

Finance Department

Department Financial Summary

A more detailed discussion of the Finance Department can be found in the Proposed Budget, Volume 1, pages 49-53

Budget by Classification	Audited Actual FY 2001-02	Amended Budget FY 2002-03	Proposed Budget FY 2003-04	Change from FY 2002-03 Amended Budget $	%
Personal Services	$1,857,005	$2,174,004	$2,070,876	($103,128)	(4.74%)
Materials and Services	485,533	473,760	481,631	7,871	1.66%
Totals	**$2,342,538**	**$2,647,764**	**$2,552,507**	**($95,257)**	**(3.60%)**
Budget by Division					
Office of the Director/CFO	$289,830	$319,777	$221,432	($98,345)	(30.75%)
Accounting Services	1,619,768	1,821,860	1,868,901	47,041	2.58%
Financial Planning	432,940	506,127	462,174	(43,953)	(8.68%)
Totals	**$2,342,538**	**$2,647,764**	**$2,552,507**	**($95,257)**	**(3.60%)**
Budget by Fund					
Support Services	$2,342,538	$2,647,764	$2,552,507	($95,257)	(3.60%)
Totals	**$2,342,538**	**$2,647,764**	**$2,552,507**	**($95,257)**	**(3.60%)**
Full-Time Equivalents (FTE)	**28.60**	**29.60**	**27.70**	**(1.90)**	**(6.42%)**

- The Finance Department is a new department created from parts of the former Administrative Services Department. The historical amounts shown above are for the same divisions in previous years.
- The Finance Department is budgeted in one fund, the Support Services Fund.
- The resources for the department are primarily from transfers from other funds as determined by the cost allocation plan.
- The Contractor's Business License Program, which is the exception to the other programs, is self-sufficient. License fees are collected and disbursed to participating government organizations.
- Total FTE was reduced by two positions, a Program Analyst III in Financial Planning and an Administrative Assistant in the Office of the Director/CFO.

Ten Questions

1. *Significant changes in departmental resources.*

   The Finance Department's resources consist almost exclusively of transfers from Metro departments through the cost allocation plan, so its resources are driven by its budget. The department's budget is reduced in FY 2003-04, so its allocated costs are reduced commensurately. Transfers from departments are down $80,005 (3.54%) from the FY 2002-2003 Adopted Budget.

2. *Program additions, deletions, or significant modifications.*

   - Adds: None

- Deletions: Staffing Reductions
  - Reduction of Program Analyst III in Financial Planning (1.0 FTE)
  - Reduction of Administrative Assistant III in the Office of the CFO (0.8 FTE)

Significant modifications: None

3. *Program changes that may affect other departments or funds.*

   The planned upgrade of the PeopleSoft financial applications will affect the entire agency; however, the impact to the departments will be at a more programmatic level than a budget level.

   As a result of the reduction of the FTE in this department, it is anticipated that the Business Support Department will absorb some additional assignments (Wellness Committee support, transportation demand management program, etc.).

   The Financial Planning Division will be reorganizing departmental assignments in the coming weeks to reduce any potential service impact.

4. *Changes requiring additional current or future excise tax resources.*

   None

5. *Changes that have a long-range impact, including changes that will have a greater impact in future years.*

   None

6. *Changes that will affect support service needs.*

   None

7. *Changes that affect existing Metro policies or require the Council to set new policy.*

   None

8. *Extraordinary one-time expenditures.*

   None

9. *Unresolved factors that may affect the final budget; for example, funding sources that are still pending.*

   None

10. *Whether current program levels are sustainable within current or projected resources.*

    Current levels are sustainable.

Metro Attorney, Office of

Department Financial Summary

A more detailed discussion of the Office of the Metro Attorney can be found in the Proposed Budget, Volume 1, pages. 37-40

Budget by Classification	Audited Actual FY 2001-02	Amended Budget FY 2002-03	Proposed Budget FY 2003-04	Change from FY 2002-03 Amended Budget	
				$	%
Personal Services	$1,241,111	$1,304,846	$1,135,465	($169,381)	(12.98%)
Materials and Services	449,725	727,574	340,227	($387,347)	(53.24%)
Totals	**$1,690,836**	**$2,032,420**	**$1,475,692**	**($556,728)**	**(27.39%)**
Budget by Division					
Office of Metro Attorney	$1,063,842	$1,228,910	$1,174,044	($54,866)	(4.46%)
Open Spaces Due Diligence Program	626,994	803,510	301,648	($501,862)	(62.46%)
Totals	**$1,690,836**	**$2,032,420**	**$1,475,692**	**($556,728)**	**(27.39%)**
Budget by Fund					
Support Services	$1,063,842	$1,228,910	$1,174,044	($54,866)	(4.46%)
Open Spaces	626,994	803,510	301,648	($501,862)	(62.46%)
Totals	**$1,690,836**	**$2,032,420**	**$1,475,692**	**($556,728)**	**(27.39%)**
Full-Time Equivalents (FTE)	**13.75**	**13.50**	**10.50**	**(3.00)**	**(22.22%)**

- The Office of the Metro Attorney is budgeted in two funds:
  - Support Services Fund – the programs included in this fund are the Metro Attorney's Office and the materials and services portion of the Archives Program. The funding for these two programs comes from transfers from other funds as determined through the cost allocation plan. A transfer from the General Fund will be made to cover the cost of the Lobbyist contract. (Proposed Budget, Vol I, pp 195-198)
  - Open Spaces Fund – the program in this fund is the Open Spaces Due Diligence Program. The funding for this program is from the bond proceeds of the Open Spaces Bond Measure. (Proposed Budget, Vol I, pp 151-154)
- The personal services has been reduced due to the elimination of 3.0 FTE.
  - The Due Diligence Program was reduced by 1.0 Senior Attorney and 1.0 Paralegal II. This is due to the reduction in the workload in this area.
  - The Archivist position was eliminated, and the major duties have been transferred to the Council staff.
- Materials and Services were reduced as a result of the reduction in the workload in Open Spaces and the elimination of the Archivist position. The position of Archivist was eliminated, but the costs for record storage, etc., remains in the Office of the Metro Attorney.

Ten Questions

1. *Significant changes in departmental resources.*
   - Funding for the Open Spaces Acquisition Due Diligence Program has been significantly reduced reflecting the near completion of the Acquisition Program.
   - Funding resources from the Support Services Fund have been constrained because support services fund expenses have been increasing faster than overall agency revenues. The Office of Metro Attorney budget reflects an attempt to reduce overall support service expenses.
2. *Program additions, deletions, or significant modifications.*
   - The Open Spaces Acquisition Due Diligence Program has been modified by eliminating 2.0 FTE, reducing the program from 3.5 FTE to 1.5 FTE. Materials and service expenses have also been decreased to reflect fewer expected acquisitions in FY 2003-04.
   - The Records Archive Program is proposed to be eliminated.
3. *Program changes that may affect other departments or funds.*
   - The elimination of 1.0 FTE attorney in the Open Spaces Acquisition Due Diligence Program will affect other departments because the due diligence attorneys have provided legal services to other departments and funds in the past. Without this position, the remaining attorney positions will need to cover more territory. The Office of Metro Attorney will need to re-prioritize work assignments.
   - The elimination of the Archivist Program will impact primarily the Council Department but also other Departments. The Council Department will be responsible for electronic and hard copy storage and retrieval of records related to Council actions, ordinances and resolutions. Other departments will take a primary responsibility for long-term retention and destruction of records pursuant to the agency's approved record retention schedule. The Office of Metro Attorney will serve as legal advisor to the agency regarding the record retention and destruction schedule's requirements.
4. *Changes requiring additional current or future excise tax resources.*

   Not applicable.
5. *Changes that have a long-range impact, including changes that will have a greater impact in future years.*

   Not applicable.
6. *Changes that will affect support service needs.*

   Not applicable.
7. *Changes that affect existing Metro policies or require the Council to set new policy.*

   Not applicable.
8. *Extraordinary one-time expenditures.*

   Not applicable.

9. *Unresolved factors that may affect the final budget; for example, funding sources that are still pending.*

   Not applicable.

10. *Whether current program levels are sustainable within current or projected resources.*

   Yes.

Metro Exposition-Recreation Commission (MERC)

Department Financial Summary

A more detailed discussion of the Metro Exposition-Recreation Commission (MERC) Department can be found in the Proposed Budget, Volume 1, pages 55-65

Budget by Classification	Audited Actual FY 2001-02	Amended Budget FY 2002-03	Proposed Budget FY 2003-04	Change from FY 2002-03 Amended Budget $	%
Personal Services	$11,628,702	$13,625,674	$14,828,858	$1,203,184	8.83%
Materials and Services	13,148,887	15,639,588	16,267,888	628,300	4.02%
Capital Outlay	55,105,266	65,694,904	834,980	(64,859,924)	(98.73%)
Debt Service	1,008,625	1,389,559	1,151,551	(238,008)	(17.13%)
Totals	**$80,891,480**	**$96,349,725**	**$33,083,277**	**($63,266,448)**	**(65.66%)**
Budget by Division					
MERC Administration	$1,011,749	$1,194,340	$1,134,664	($59,676)	(5.00%)
Oregon Convention Center	67,966,311	76,363,727	18,665,928	(57,697,799)	(75.56%)
Portland Center for the Performing Arts	6,276,951	6,084,566	6,828,639	744,073	12.23%
Exposition Center	4,994,717	5,393,934	5,367,418	(26,516)	(0.49%)
Pooled Capital	641,752	7,313,158	1,086,628	(6,226,530)	(85.14%)
Totals	**$80,891,480**	**$96,349,725**	**$33,083,277**	**($63,266,448)**	**(65.66%)**
Budget by Fund					
MERC Operating Fund	$24,311,776	$28,554,907	$30,542,907	$1,988,000	6.96%
Oregon Convention Center Project Capital Fund	54,570,961	59,402,795	325,000	(59,077,795)	(99.45%)
MERC Pooled Capital Fund	641,752	7,313,158	1,086,628	(6,226,530)	(85.14%)
General Revenue Bond Fund (Hall D Expansion)	1,366,991	1,078,865	1,128,742	49,877	4.62%
Totals	**$80,891,480**	**$96,349,725**	**$33,083,277**	**($63,266,448)**	**(65.66%)**
Full-Time Equivalents (FTE)	**152.00**	**193.00**	**178.25**	**(14.75)**	**(7.64%)**

- The Metro Exposition-Recreation Commission is budgeted in three funds – MERC Operating Fund, MERC Pooled Capital Fund (see Proposed Budget, Volume 1, Fund Summaries, pages 139-148 for further detail on each fund), and the Convention Center Project Capital Fund (see Proposed Budget, Volume 1, Fund Summaries, pages 117-120 for further detail).
- The expanded Oregon Convention Center (OCC) opened on time, April 15, 2003.
- MERC will be receiving $173,939 in General Fund Excise Tax to stay in compliance with the IGA with partners participating in the funding of the expansion to the Oregon Convention Center.
- Enterprise revenues are increasing from:
  - Operation of the expanded Oregon Convention Center
  - PCPA second year of user fee phase-in
  - Expo user fee implementation
  - Increased Expo parking revenue from rate increase
  - New OCC Booth Cleaning services
  - Ongoing push to increase Food and Beverage revenues
- MERC's budget is balanced with no draw down of its $10,000,000 fund balance.

- The MERC Operating Fund and the MERC Pooled Capital Fund include the following funding by facility for maintenance:

Facility	Personal Services	Materials and Services
Expo	423,000	77,550
OCC	4,250,000	518,995
PCPA	343,476	480,616

The MERC Pooled Capital Fund includes the following funding by facility for renewal and replacement:

Facility	Personal Services	Materials and Services and Capital
Expo	18,190	45,000
OCC	48,320	153,580
PCPA	391,826	69,000

A detailed explanation of the department's compliance with the Council's adopted Capital Asset Management Policies can be found in the MERC Budget Notebook materials (three-ring binder of budget documentation) volume 2. (see the Expenditure Analysis directly following the Expenditure Detail).

- The budget includes a net reduction of 14.75 FTE. The following full-time position changes have been made (portions of FTE changes are not displayed here):

Fund	FTE	Position	Action
MERC Operating Fund	-	Assistant Ops Mgr. Housekeeping	Reclassified to Ops Manager Housekeeping/Setup
MERC Operating Fund	-	Events Services Manager	Reclassified to Event Service Director
MERC Operating Fund	-1.00	Event Service Manager	Eliminate position
MERC Operating Fund	-	Operations Manager I	Reclassified to Ops Manager Technical Services
MERC Operating Fund	-	Senior Event Coordinator	Reclassified to Senior Event Manager
MERC Operating Fund	-	Ticket Services Manager I	Reclassified to Ticketing and Parking Services Manager
MERC Operating Fund	-	3 Administrative Secretary	Reclassified to Administrative Technician
MERC Operating Fund	1.00	Administrative Assistant	New
MERC Operating Fund	1.00	Door and Locksmith	New
MERC Operating Fund	1.00	Electrician	New
MERC Operating Fund	-	5 Facility Security Agent	Reclassified to Lead Facility Security Agent
MERC Operating Fund	-3.00	Facility Security Agent	Eliminated
MERC Operating Fund	-2.00	Secretary	Eliminated
MERC Operating Fund	-2.00	Utility Lead	Eliminated
MERC Operating Fund	-1.00	Utility Maintenance	Eliminated
MERC Operating Fund	-1.00	Utility Technician	Eliminated
MERC Operating Fund	-3.00	Utility Worker I	Eliminated
MERC Operating Fund	-1.00	Utility Worker II	Eliminated
MERC Operating Fund	-	Booking Coordinator	Reclassified from hourly to salary

MERC Operating Fund	1.00	Ticket Services Coordinator	New
MERC Operating Fund	-	Administrative Secretary	Reclassified to Administrative Assistant
MERC Operating Fund	-1.00	Booking Coordinator	Eliminated
MERC Operating Fund	-1.00	Receptionist	Eliminated

Full detail of all FTE changes are included in the MERC Budget Notebook materials (three-ring binders, Volume 2, in each facility's *Expenditure Analysis* section).

- Capital Projects have been budgeted in accordance with the adopted Capital Improvement Plan.

Ten Questions

1. *Significant changes in departmental resources.*

MERC-wide budgeted earned revenues are expected to increase 20% to $25.7 in FY 03-04 million compared to $21.6 million in FY 2002-03.

Oregon Convention Center's (OCC) earned revenues are expected to increase $2.5 million, a 23% increase over the FY 02-03 budget, reflecting anticipated improvements in earned revenues as result of the expansion of the center. Facility rental, concessions/ catering sales, utilities and parking fees are anticipated be higher than FY 02-03 levels. In addition, this increase includes revenues from planned increases in ATM fees as well as the implementation of a new booth cleaning service.

Expo Center's (Expo) earned revenues are expected to increase $775,000, a 14% increase over FY 02-03 budget. This increase is primarily due to the implementation of a user fee (6% of ticket sales/$.50 minimum per ticket) for ticketed events and an increase in parking fees. Revenues from the user fee at Expo will be dedicated to Expo's master plan for redevelopment. As result of an intergovernmental agreement between Metro and Tri-Met, Expo will receive approximately $2.3 million for purchase of property at Expo to facilitate light rail extension. These proceeds are committed to Phase III of Expo's master plan for redevelopment.

Portland Center for the Performing Arts' (PCPA) earned revenues are expected to increase $830,000, a 15% increase over FY 02-03 budget. The proposed budget reflects anticipated increases in commission revenues due to the resumption of box office operations and growth in user fee revenues from an increase in the user fee on tickets to resident company performances.

MERC-wide revenue includes an increase of approximately $1 million in reimbursed labor revenue, which reflects a change in the accounting treatment of 'pass thru costs', costs that are collected by facilities on behalf of a third party. Prior to FY 03-04, these costs were shown on a net basis. Lodging tax receipts are budgeted to be flat compared to FY 02-03, due to the continued weakness in the travel and hospitality industry in general and concerns about the impact the war on Iraq will have on future travel.

2. *Program additions, deletions, or significant modifications.*

   The convention center expansion project will substantially be complete in April 2003, bringing on an additional 400,000 square feet of space. The first full year of operating the newly expanded center should provide opportunities to host larger and concurrent major events, which is expected to increase revenues. However, the continued weakness in the economy, uncertainty surrounding the war in Iraq and the absence of a headquarters hotel continue to dampen our expectations.

   OCC will begin performing booth cleaning services, which is now done by other providers. This service is expected to generate new revenue with limited investment and ongoing cost, as available shift labor can perform much of these services.

   Additionally, as a result of the expansion, approximately 4,000 sq. ft. will be available to retailers, which should provide an additional revenue source.

   Expo will implement its 6% user fee and PCPA will implement its scheduled increase in user fee for resident companies in FY03-04.

   MERC will continue its focus to increase food and beverage sales at all three of its facilities. Whereas historically, the marketing approach was a centralized effort to market each facility, we now have marketing support at each facility, and additionally each facility has its own chef. While this approach is more costly, we anticipate that increases in revenues will more than make up for the increase in costs.

3. *Program changes that may affect other departments or funds.*

   Completion of the convention center expansion project will substantially reduce/ eliminate central services administrative support effort expended for the Convention Center Project Capital Fund.

4. *Changes requiring additional current or future excise tax resources.*

   The FY 03-04 OCC budget includes a $173,000 transfer from the Metro General Fund to offset increases in budgeted Metro support services costs for OCC. This transfer was affected by Metro in order to stay within the overhead costs projected in the Visitor Development Initiative Agreement, under which the financing for the OCC expansion was determined.

5. *Changes that have a long-range impact, including changes that will have a greater impact in future years.*

   The pressing issue for OCC in the future is operational subsidy/support for the expanded facility. Convention centers are traditionally operated as "loss leaders" for community economic development and tax generation, and OCC is no exception. Operating subsidies, usually from lodging tax, are provided to cover the full cost of bringing in economic-generating conventions and trade shows to a region. The larger the convention center, the larger the operating cost and greater the need for subsidy/support. The VDI provides a mechanism for Metro to request continued operating support for OCC after 2006, but such support is not guaranteed. Additionally, it is subject to both political discussion and dispute resolution processes. The community's support for long-term, ongoing operating subsidy for OCC beyond 2006 will be a significant factor in its continuing success.

Additionally, the lack of sufficient hotel inventory near the convention center puts OCC at a competitive disadvantage. Even with the expanded convention center, Portland still finds itself at a distinct competitive disadvantage when battling for citywide conventions because of a lack of a headquarters hotel on the eastside near the convention center. In this era of expansions, other communities are adding hotel rooms near their expanded or completed convention facilities. Hotel inventory will be an essential factor to stay competitive in the future.

PCPA continues to face its quest for funding major capital needs in the future. PCPA has re-engineered its operations and is generating positive cash flow. In addition, the funding provided by the VDI and the City provides limited resources to pay for renewal and replacement. However, additional resources need to be identified to revitalize its aging facilities and to address the need for enhanced technology infrastructure and services.

Expo must focus on identifying resources to complete the final phase of its multi-phase plan to complete replacement of the remaining older buildings with modern facilities. Hall D was replaced in FY 2001-02. The estimated cost to replace Halls A, B, and C is more than $20 million.

One proposal to assist with the challenges listed in this item is the Sponsorship and Naming Program proposed by MERC for all three facilities. Implementation of this program will depend on obtaining certain Metro Code changes which should come before the Council in the next month or so.

6. *Changes that will affect support service needs.*

   MERC expects its need for central support services to go down. While the additional business from the expansion will result in a moderate increase in central administration, the majority of the impact on administration and business support services will be absorbed and provided by MERC Administration.

   The moderate increase in central administration support due to the additional business will be more than offset by the discontinuance of administering and business support services associated with the convention center expansion project. In addition, MERC is changing its accounting for food and beverage operations. This will significantly reduce the number of PeopleSoft transactions.

7. *Changes that affect existing Metro policies or require the Council to set new policy.*

   MERC has proposed a Sponsorship and Naming Program aimed at identifying new resources to support future operating and capital needs of its nearly $1 billion in facilities, equipment, and furnishings. MERC staff has briefed the Councilors on this proposed program and expects that an opportunity for action will come to the Council in the next month or so.

8. *Extraordinary one-time expenditures.*

   FY 03-04 proposed budget includes a one-time expenditure of $600,000 associated with constructing covered walkways between the new TriMet Light Rail Station and Expo, pursuant to an intergovernmental agreement between TriMet and Metro. TriMet will reimburse Expo for this construction.

9. *Unresolved factors that may affect the final budget; for example, funding sources that are still pending.*

   MERC developed a realistic, but reasonably aggressive budget for FY 03-04 based on prevailing and projected economics and social circumstances. Since over 70% of MERC funding comes from earned revenues, continuation of the weak economy and downturn in travel and tourism, or other changes in the economy could have a significant impact on MERC's ability to achieve its target. We monitor our budget closely throughout the year.

   In addition, we believe there is significant value in our proposed Sponsorship and Naming Program. The FY 03-04 budget as proposed however, does not include revenue from naming and sponsorship opportunities, as the requisite changes to the Metro Code have not yet been approved.

10. *Whether current program levels are sustainable within current or projected resources.*

    The Visitor Development Initiative (VDI), which enabled the expansion project to go forward, will provide a total of $8.74 million of operational support to OCC, for fiscal years 2001 through 2006. This funding recognized the impact of the expansion project, including down time during construction, ramping up to full occupancy and the necessary operational support for a much larger facility. However, it is important to recognize that the VDI provides no *guaranteed* enhanced operational support after FY 05-06. Furthermore, the subsidy is significantly reduced in FY 04-05. The subsidy drops from $1 million in FY 03-04 to $250,000 in FY 04-05.

Oregon Zoo

Department Financial Summary

A more detailed discussion of the Oregon Zoo can be found in the Proposed Budget, Volume 1, pages 67-71

Budget by Classification	Audited Actual FY 2001-02	Amended Budget FY 2002-03	Proposed Budget FY 2003-04	Change from FY 2002-03 Amended Budget $	%
Personal Services	$12,066,748	$12,837,648	$13,094,466	$256,818	2.00%
Materials and Services	7,468,211	7,559,649	7,351,770	(207,879)	(2.75%)
Capital Outlay	686,815	2,219,338	5,221,743	3,002,405	135.28%
Debt Service\Capital Leases	432,233	428,959	435,319	6,360	1.48%
Totals	**$20,654,007**	**$23,045,594**	**$26,103,298**	**$3,057,704**	**13.27%**
Budget by Division					
Administration	$856,279	$1,161,241	$997,405	($163,836)	(14.11%)
Construction/Maint.	2,606,519	5,598,821	8,655,053	3,056,232	54.59%
Design Services	656,035	611,786	586,161	(25,625)	(4.19%)
Education Services	1,295,768	1,436,332	1,435,234	(1,098)	(0.08%)
Guest Services	9,122,230	7,854,517	7,844,297	(10,220)	(0.13%)
Living Collections	4,356,787	4,630,247	4,915,673	285,426	6.16%
Marketing	1,760,389	1,752,650	1,669,475	(83,175)	(4.75%)
Totals	**$20,654,007**	**$23,045,594**	**$26,103,298**	**$3,057,704**	**13.27%**
Budget by Fund					
Zoo Operating Fund	$19,682,634	$21,021,497	$20,653,017	($368,480)	(1.75%)
Zoo Capital Fund	539,140	1,407,000	4,839,681	3,432,681	243.97%
General Revenue Bond Fund	432,233	617,097	610,600	(6,497)	(1.05%)
Totals	**$20,654,007**	**$23,045,594**	**$26,103,298**	**$3,057,704**	**13.27%**
Full-Time Equivalents (FTE)	**167.03**	**169.73**	**160.23**	**(9.50)**	**(5.60%)**

- The Oregon Zoo is budgeted in three different funds:
  - √ Zoo Operating Fund – where all of the operating revenues and costs for the Oregon Zoo are budgeted and tracked. (Proposed Budget, Vol. 1 pp 203-207)
  - √ Zoo Capital Fund – where all of the revenues and expenditures associated with capital projects are budgeted. This includes the Great Northwest Project, and the Condor Rehabilitation Facility which are the two major projects planned in FY 03-04 (Proposed Budget, Vol. 1 pp 199-202)
  - √ General Revenue Bond Fund – the expenditures in this fund are the debt service payments on an OECDD loan for the construction of the parking lot at the Zoo. (Proposed Budget, Vol. 1 pp 133-137)

Oregon Zoo

- The Zoo's proposed budget for the Operating Fund represents a balanced budget where current revenues equal current expenditures. This required changes in both resources and requirements for each of the funds
  - ❖ Resources – The resources for the Zoo have been developed with the following assumptions:
    - √ Attendance estimate of 1.275 million visitors up from 1.25 million
    - √ Admissions fee increase effective January 1, 2004
    - √ Changes to the Retail Operations that will result in additional revenue
    - √ Introduction of a new 'simulator' ride to provide educational opportunities
  - ❖ Requirements – Changes were made in areas that will not affect the care of Zoo animals
    - √ Personal Services – Reduction of 10.50 FTE
      - 1.0 FTE reduction of a current employee in Zoo Administration
      - .50 FTE voluntary reduction by an employee
      - 8.0 FTE reductions in positions that are currently vacant
      - 1.0 FTE transfer to Zoo Capital Fund
    - √ Materials and Services
      - Reductions in staff development
      - Reductions in marketing
      - Elimination of Animal Waste Contract
      - Increases in the purchases of food and retail items for sale, due to the increase in attendance
- Zoo Capital Fund includes increases in planned expenditures including the Great Northwest Project ($2.7 million) and the Condor Rehabilitation Facility ($2 million). The transfer of 1.0 FTE from the Zoo Operating Fund is also reflected here.

Ten Questions

1. *Significant changes in departmental resources.*

   Charges for Services are budgeted for a 6% increase over the 2002-03 budget. Part of this increase is due to an increase in projected attendance from 1,250,000 in 2002-03 to 1,275,000 in 2003-04. Our proposed January 2004 admission price increase of $1.00 for adults, senior and youth adds $238,000 to admission revenue. Retail revenue is projected to increase by 33% over 2002-03 with the conversion to an outside concessionaire. Food Service revenues were budgeted in the current fiscal year to exceed fiscal year 2001-02 by 13%. However, due to the economic downturn, we are not meeting those goals. Therefore, the 2003-04 budget projects a 10% decrease in Food Service revenue over the 2002-03 budget.

   Although property tax resources increased 7% from 2000-01 to 2001-02 and are budgeted to increase 5% in 2002-03, we are budgeting only a 4% increase in 2003-04 because of lower than expected increases in assessed property value in Multnomah County.

The budget for donation revenues for the operating and capital funds combined shows an 81% increase over 2002-03. The 2003-04 capital fund donation budget of $2,000,000 is earmarked for construction of the Condor Breeding Facility.

A new revenue-generating program will be introduced in May 2003 and is projected to increase 2003-04 operating revenues by $88,000. The ZooWerks Thrill Ride is an 18-seat mobile simulator, or "ridefilm."™ The opening film called ***Deep Sea*** takes visitors "aboard a submersible in search of the two great monsters of the deep ocean: the Giant Squid and the Sperm Whale."

The 2003-04 budget for current revenues for the Zoo Operating Fund shows a 4% increase over the 2002-03 budget. Factoring in the beginning fund balance, however, results in flat resource growth between the two years.

2. *Program additions, deletions, or significant modifications.*

   Program additions of significance include the construction of Phase IV of the Great Northwest exhibit and construction of the first phase of the off-site location for the California Condor Recovery project. Other significant modifications to programs include a reduction of 9.50 FTE and a reduction of $207,879 in materials and services zoo-wide. The affect of these reductions spans all existing programs.

3. *Program changes that may affect other departments or funds.*

   There are no program changes that affect other departments or funds.

4. *Changes requiring additional current or future excise tax resources.*

   There are no changes requiring excise tax resources.

5. *Changes that have a long-range impact, including changes that will have a greater impact in future years.*

   Completion of Phase IV of the Great Northwest exhibit will have a positive impact on visitor attendance, future revenue generation and our potential to reach a larger community with conservation and education messages. In addition, these new exhibits will enhance the Oregon Zoo Foundation's ability to fundraise.

6. *Changes that will affect support service needs.*

   The new exhibit construction projects slated to begin early in the fiscal year will have an impact on various support services. Primarily our contracts consultant at the zoo will handle contracts and contract administration, but there will be an impact on MRC staff who support these functions and consult with us on the details of contracts. Increased purchasing of materials and services will increase the burden on accounting. Construction of new high-tech exhibitry will in part rely on the expertise of the IT department to assist and advise.

7. *Changes that affect existing Metro policies or require the Council to set new policy.*

   There are no changes that affect existing policies or require new policy.

8. *Extraordinary one-time expenditures.*

   Capital Fund expenditures to complete Phase IV of the Great Northwest exhibit, and construction of the first phase of the off-site location for the California Condor Recovery project.

9. *Unresolved factors that may affect the final budget; for example, funding sources that are still pending.*

   There are no unresolved factors.

10. *Whether current program levels are sustainable within current or projected resources.*

    The Zoo has prepared a balanced budget that provides for existing programs. Increased fundraising efforts on the part of the Oregon Zoo Foundation will provide additional resources for future phases and ongoing operation of the new exhibit construction that is currently underway.

Department Financial Summary

A more detailed discussion of the Planning Department can be found in the Proposed Budget, Volume 1, pages 73-82

Budget by Classification	Audited Actual FY 2001-02	Amended Budget FY 2002-03	Proposed Budget FY 2003-04	Change from FY 2002-03 Amended Budget $	%
Personal Services	$6,165,458	$6,677,575	$7,184,288	$506,713	7.59%
Materials and Services	6,705,608	11,204,773	8,361,455	($2,843,318)	(25.38%)
Capital Outlay	223,161	72,000	0	($72,000)	(100.00%)
Debt Service	47,452	40,773	44,212	$3,439	8.43%
Totals	**$13,141,679**	**$17,995,121**	**$15,589,955**	**($2,405,166)**	**(13.37%)**
Budget by Division					
Planning	$13,141,679	$17,995,121	$15,589,955	($2,405,166)	(13.37%)
Totals	**$13,141,679**	**$17,995,121**	**$15,589,955**	**($2,405,166)**	**(13.37%)**
Budget by Fund					
Planning Fund	$13,141,679	$17,995,121	$15,589,955	($2,405,166)	(13.37%)
Totals	**$13,141,679**	**$17,995,121**	**$15,589,955**	**($2,405,166)**	**(13.37%)**
Full-Time Equivalents (FTE)	**80.25**	**79.00**	**79.50**	**0.50**	**0.63%**

- The Planning Department is budgeted in one fund – the Planning Fund (see Proposed Budget, Volume 1, Fund Summaries, pages 107-208 for further details)
- Grants are declining almost $2 million from the current year with the largest decrease in the corridor planning section.
- Several grant prospects are not included in the budget such as applications for the Robert Woods Johnson foundation for Centers implementation and personal travel behavior survey; TGM grants for highway 217 and Creating Livable Corridors; MTIP allocations for freight survey, centers/TOD funding and Tualatin Sherwood corridor; and several other miscellaneous applications for Metroscope enhancements and growth management data base development.
- Excise tax allocations are reduced to the Planning Department in an amount equal to the reduction of the non-grant eligible General Fund costs that were previously allocated through the cost allocation plan. These General Fund costs are now borne directly by the General Fund instead of by allocations to the departments.
- The budget includes a net increase of 0.50 FTE. The following changes are proposed:

FTE	Position	Funding/Comments
(1.00)	Assistant Transportation Planner	Grants – Funding never received.
1.00	Associate Transportation Planner	Grants
(1.00)	Administrative Secretary	DRC revenues
0.50	Office Assistant	DRC revenues
0.50	Assistant Regional Planner	DRC revenues
0.50	Associate Public Affairs Specialist	Grants – Reclass position from Assistant and increase to full-time

Planning Department

A contribution of $90,000 has been made to a computer replacement reserve in accordance with the Council's adopted Capital Asset Management Policies.

- Capital purchases of $60,000 for the DRC computer system planned in the adopted Capital Improvement Plan have been deferred due to funding constraints.
- Central Service transfers paid by the Planning Department have been reduced almost 11 percent from FY 2002-03.
- Debt service is budgeted in accordance with the capital lease debt service schedule. FY 2003-04 is the last year of repayment on the one outstanding capital lease.
- FY 2003-04 includes the third of three annual repayments to the Solid Waste Revenue Fund for the interfund loan made to purchase the computer equipment necessary to implement TRANSIMS.

Ten Questions

1. *Significant changes in departmental resources.*

Over the past five years, the Planning excise tax budget has seen the following changes:

	Total Excise Tax	Disallowed	One Time	Available Excise Tax	*Percentage*
FY 98-99	$4,441,420	$242,091	$0	$4,199,329	
FY 99-00	$3,984,883	$347,466	$0	$3,637,417	15% decrease
FY 00-01	$3,688,103	$287,243	$0	$3,400,860	7% decrease
FY 01-02	$3,966,110	$383,767	$0	$3,582,343	5% increase
FY 02-03	$4,287,339	$602,244	$65,000	$3,620,095	1% increase
FY 03-04	$4,054,761	$195,923	$0	$3,858,838	7% increase

Regarding the FY 2003-04 budget $4,054,761, 7 percent increase: In part, this reduction reflects excise tax allocations in the amount equal to the reduction of the non-grant eligible General Fund costs that were previously allocated through the cost allocation plan. Both the expense and the revenues were moved from the Planning budget. In effect, this action was neutral for the Planning Department budget. However, the reduction in overhead from 33 percent to 29.7 percent provided an opportunity to direct more excise tax to program needs.

Over the past five years, the Planning grants/contracts have seen the following changes:

FY 1998-99	$18,295.949
FY 1999-00	$14,368,342
FY 2000-01	$14,406,075
FY 2001-02	$15,699,326
FY 2002-03	$14,987,703

The FY 2003-04 budget includes $13,145,064 for grants, a 14 percent decrease.

The Department is continuing to use its Fund Balance to meet Growth Management expenses. The FY 2002-03 budget is balanced using Fund Balance of $160,000 for Long Range Planning and $237,000 for Community Development. Additionally, the FY 2003-04 budget proposes to use $97,500 of Fund Balance for Long Range Planning and $25,000 for Community Development.

2. *Program additions, deletions, or significant modifications.*

   In relationship to program additions, deletions or significant modifications, the FY 2003-04 proposed budget includes:

   - a major emphasis on Goal 5, Metro's Fish and Wildlife Program
   - an initiation of Task 3 of Metro's Periodic Review of the Urban Growth Boundary
   - a start-up of a new "Centers" program intended to encourage more development in the designated 2040 Centers
   - a start-up of Concept planning for the newly added areas to the Urban Growth Boundary, especially the Damascus/Gresham area
   - the first update to the Regional Transportation Plan since its major revision two years ago
   - a follow-through on implementation of the South Corridor project
   - completion of the Hwy 217 and Powell/Foster Corridor Studies
   - transitioning of TRANSIMS into operational use within the department
   - a minor emphasis on Performance Measures and Affordable Housing due to staff and resource constraints

3. *Program changes that may affect other departments or funds.*

   One of the grant-funded projects proposed in this budget is the Willamette Shoreline, a Metro-led planning effort to evaluate the potential for development of the Willamette Shoreline right-of-way between Portland and Lake Oswego into a regional transportation corridor eligible for federal funding. As this program is anticipated to include a 'trails project', coordination with the Parks Department is being initiated.

   Additionally, Planning proposes to integrate the Goal 5, Fish and Wildlife Program with the Parks Department. The Fish and Wildlife Program is intended to include regulatory, acquisition, incentive and volunteer programs. As such, it is proposed to rely upon the Parks Department expertise and integrate the role of future Metro Parks programs.

4. *Changes requiring additional current or future excise tax resources.*

   See number 5.

5. *Changes that have a long-range impact, including changes that will have a greater impact in future years.*

   The Planning Department continues to be concerned regarding the cost of inflation outstripping general resources over time and an inability to support the Growth Management work efforts at sustainable levels. Some of the factors that have attributed to this include costs associated with PERS and health care insurance that continue to grow significantly. This only exacerbates a situation where costs are growing faster than revenues. The standard annual excise tax increase for the Department is 3 percent. PERS increased approximately 5 percent throughout Metro, while merit and COLA increases amounted to just under 4 percent for the Department. The effect is that the department has limited resources for materials and services expenses such as consultants, printing, and advertising. In addition, it is necessary to balance this budget by shifting general fund resources from transportation planning programs to land use and natural resource planning programs. This makes the transportation group much more reliant on grants from outside Metro, resulting in program priorities that can be funded in this manner.

6. *Changes that will affect support service needs.*

   Goal 5, Fish and Wildlife Program will require significant attention from the Public Affairs Department.

7. *Changes that affect existing Metro policies or require the Council to set new policy.*

   The following programs/projects will lead to policy-oriented decisions by Metro Council:

   RTP Update: Council must adopt by January 2004 to be in compliance with federal regulations

   Goal 5: Metro Council review and decisions about the last two steps – analysis of the economic, social, environmental and energy consequences and the program – is desired in FY03-04. Accordingly, the Metro Council will be considering a draft map showing areas where resources should be protected and determining what programs or mix of programs (regulations, acquisition from willing sellers, incentives, education, etc.) are best suited to protect the public and private interests and should be recommended to, or required of, local governments.

   Affordable Housing: The annual local government affordable housing progress report deadline was January 31, 2003. Metro staff will compile a report based on these submissions, including an analysis, and present it to the Metro Council. This report will help the Metro Council assess local government voluntary efforts to address affordable housing. The third and last local government annual report is due in 2004.

   UGB Periodic Review – Task 3: By the end of FY 2003-04, decisions to amend the UGB to satisfy Task 3 must be completed.

   South Corridor: An amendment to the Supplemental Draft Environmental Impact Statement is anticipated to include the Downtown LRT Study, which is anticipated to be complete by mid 2003.

   Willamette Shoreline: Planning anticipates beginning a combined Rail and Trail Study of this corridor early in FY04. Transportation Improvement Program funds have been identified to begin the study. Planning is currently initiating a grant application, along with a detailed work plan. The work plan will be circulated for comment, coordination with the Parks & Greenspaces Department will occur, and Planning will seek Council concurrence on the process.

   Highway 217 Corridor Plan: The need to add a lane to Highway 217 has been recognized by a number of transportation plans and studies. It was part of the preferred alternative to the Western Bypass. However, the 2000 RTP called for a refinement study to determine the type of lane (general purpose, carpool or peak period priced) and to examine associated improvements such as auxiliary lanes, connections to the regional centers, and additional transit. The study has obtained funding from the FHWA Value Pricing Program. Request for Proposals for Consultant work have been initiated and the following schedule is anticipated:

- June 2003 – Execute Consultant Contracts
- June 2003 - Initial Policy Committee Meeting
- October 2003 – Select Alternatives for study
- March 2004 – Preliminary Evaluation Complete

It is anticipated that the Council will have an opportunity at all key study milestones. Potential Council meetings could take place as follows:

- November 2003 – Review of Alternatives Selected for Study
- March 2004 – Review Preliminary Evaluation Report and provide input on alternatives to be studied in more detail

Powell Boulevard/Foster Road Corridor Transportation Plan:

- June 2003 – Final Report for Phase I and Draft Work Program for Phase II
- Commencement of Phase II is contingent upon receipt of additional grant funding. Some monies are available through on-going PL/STP funds and a small MTIP grant. If additional funding is obtained, work with these monies would commence as follows:
    - Final scope of work/contract with ODOT – December 2003.
    - Periodic Briefings with the Council are anticipated.
    - July 2003 – Review and Approval of conclusions and recommendations for further study.

8. *Extraordinary one-time expenditures.*

   None anticipated at this time.

9. *Unresolved factors that may affect the final budget; for example, funding sources that are still pending.*

   Budgets for the South Corridor are dependent upon the Federal Transit Administration authorization for Metro to move into Final Design.

   Additionally, grant prospects not currently reflected in budget:

   - Robert Woods Johnson – Centers implementation
   - TGM – 217 & Creating Livable Corridors
   - MTIP – Freight survey
   - MTIP – Centers/TOD funding
   - MTIP – Corridors funding for Tualatin-Sherwood Corridor (more likely the following year)
   - EPA/USDOT – Metroscope enhancements
   - US DOT/HUD/Lincoln Land Institute – Growth Management database development
   - US Fish & Wildlife Services – Baseline natural resources inventory in the Damascus area.

10. Whether current program levels are sustainable within current or projected resources.

The current program levels are not sustainable in the Growth Management work programs areas. This is due to the current rate of inflation (COLA/merit), PERS, health costs, and budget policy that allocates not more than 3 percent, annually, of general excise tax to the Planning fund.

Regional Parks and Greenspaces Department

Department Financial Summary

A more detailed discussion of the Regional Parks & Greenspaces Department can be found in the Proposed Budget, Volume 1, pages 87-94

Budget by Classification	Audited Actual FY 2001-02	Amended Budget FY 2002-03	Proposed Budget FY 2003-04	Change from FY 2002-03 Amended Budget $	%
Personal Services	$3,527,683	$3,731,569	$3,555,314	($176,255)	(4.72%)
Materials and Services	2,576,030	6,828,231	3,981,000	(2,847,231)	(41.70%)
Capital Outlay	9,690,981	9,154,111	3,949,381	(5,204,730)	(56.86%)
Totals	**$15,794,694**	**$19,713,911**	**$11,485,695**	**($8,228,216)**	**(41.74%)**
Budget by Division					
Administration	$793,706	$1,539,356	$1,277,183	($262,173)	(17.03%)
Parks & Visitor Services	2,417,012	4,528,860	3,723,744	(805,116)	(17.78%)
Planning & Education	1,242,253	2,110,944	1,722,156	(388,788)	(18.42%)
Open Spaces Acquisition	11,341,723	11,534,751	4,762,612	(6,772,139)	(58.71%)
Totals	**$15,794,694**	**$19,713,911**	**$11,485,695**	**($8,228,216)**	**(41.74%)**
Budget by Fund					
Regional Parks & Expo Fund	$4,326,726	$6,646,143	$5,461,443	($1,184,700)	(17.83%)
Open Spaces Fund	11,341,723	11,534,751	4,762,612	(6,772,139)	(58.71%)
Smith & Bybee Lakes Fund	126,045	1,392,917	1,261,540	(131,377)	(9.43%)
Regional Parks Special Accts Fund	200	140,100	100	(140,000)	(99.93%)
Totals	**$15,794,694**	**$19,713,911**	**$11,485,695**	**($8,228,216)**	**(41.74%)**
Full-Time Equivalents (FTE)	**49.50**	**48.00**	**42.10**	**(5.90)**	**(12.29%)**

- The Regional Parks & Greenspaces Department is budgeted in five funds – the Regional Parks Fund, the Open Spaces Fund, the Smith & Bybee Lakes Fund, the Regional Parks Special Accounts Fund and the Pioneer Cemetery Perpetual Care Fund (see Proposed Budget, Volume 1, Fund Summaries, pages 107-208 for further detail on each fund)
- The Pioneer Cemetery Perpetual Care Fund is proposed to be created in FY 2003-04. The purpose is to provide long term maintenance for the cemeteries once all burial sites are purchased. The revenue for the fund will be provided through a 15% surcharge on grave sales.
- The Willamina Farmer Family trust is being transferred from the Regional Parks Special Accounts Fund to the Pioneer Cemetery Perpetual Care Fund to provide seed funding for the long-term maintenance fund. The transfer is in accordance with the family trust.
- Revenues for the Regional Parks Fund includes increases in the entry fees at Oxbow Park, Blue Lake Park, Gleason Boat Ramp and Chinook Marine Park as well as increases in grave sales, camping fees, annual passes and selected picnic reservation fees.
- Excise tax to the Regional Parks Fund includes the second year of the additional $1.00 per ton levied on solid waste. This levy provides approximately $1.2 million annually and sunsets at the end of FY 2003-04.
- The Regional Parks Fund includes $175,000 in renewal & replacement/deferred maintenance projects as well as a second year contribution of $85,000 to a renewal & replacement reserve. A more detailed explanation of the department's compliance with the Council's adopted Capital Asset Management Policies can be found in the Regional Parks

Budget Notebook materials (three-ring binder of budget documentation) Volume 1. (see the *Expenditure Analysis* under the Parks & Visitor Services Division)

- The budget includes a net reduction of 5.90 FTE. The following position changes have been made:

Fund	FTE	Position	Action
Regional Parks	(1.00)	Regional Parks Supervisor	Eliminated Position
Regional Parks	(1.00)	Gardener I	Eliminated Position
Regional Parks	0.10	Associate Regional Planner	Increased position to .80 FTE
Open Spaces	(1.00)	Manager II	Eliminated Position
Open Spaces	(1.00)	Real Estate Negotiator	Eliminated Position
Open Spaces	(1.00)	Program Assistant II	Eliminated Position
Parks/Open Spaces	(1.00)	Public Affairs Specialist	Eliminated Position
Parks/Open Spaces	------	Senior Regional Planner	Transferred .50 FTE from Open Spaces to Regional Parks Fund

- Capital Projects have been budgeted in accordance with the adopted Capital Improvement Plan except for the Diack Nature Center which has been delayed for at least one year.
- Central Service transfers to the Regional Parks & Greenspaces Department have decreased by 15 percent from FY 2002-03 (about 8% for Regional Parks Fund and 35% for Open Spaces Fund).

Ten Questions

1. *Significant changes in departmental resources.*

   The budget assumes a number of fee increases in the next fiscal year. Council considered and adopted a fee increase for grave sales at the pioneer cemeteries and created a niche sales fee in Ordinance 03-996. The fee increase will generate approximately $14,000 in FY 2003-04.

   The budget also assumes fee increases for entry fees at Oxbow and Blue Lake Parks, boat launch fees at Chinook Landing and Gleason Boat Ramp, annual passes, camping fees, and picnic shelter reservations on selected weekends at Blue Lake Park. These fees, if adopted by Council, have been scheduled to change effective October 1, 2003. These fee increases will generate approximately $58,000 in FY 2003-04, and $148,000 in FY 2004-05, the first full year of the fee increase.

2. *Program additions, deletions, or significant modifications.*

   There are no program additions or deletions proposed in the FY 2003-04 budget.

   This next year is scheduled to be the final year of an active open spaces acquisition program. There are now only 2 negotiators, 0.5 FTE attorneys and 1 paralegal working on acquisitions, a decrease of 5 FTE from FY 2002-03.

   The proposed budget includes a master planning effort for the Cooper Mountain area. This plan will be developed in partnership with the city of Beaverton, Tualatin Hills Parks and Recreation District and others, who are contributing financially to the project.

The Diack Nature Center fundraising campaign has been placed on hold, awaiting a better economic environment for the campaign. The construction timeline for this project has been pushed back one year.

3. *Program changes that may affect other departments or funds.*

   FY 2003-04 is anticipated to be the active last year of the 1995 Open Spaces acquisition bond program. Several FTE will be eliminated on June 30, 2003, including an attorney position and a paralegal position. The elimination of these support positions may have an impact on other departments or funds, but the full extent of that impact is unclear at this time. Additionally, the end of the open spaces program will result in upward pressure on the central service costs paid by other departments when this program is completed and the costs they currently pay are reallocated.

4. *Changes requiring additional current or future excise tax resources.*

   The proposed budget uses annual resources to pay for anticipated annual expenditures, meaning that there is no expected draw down of fund balance for the parks department's operating funds. The budget anticipates the use of all of the excise tax it is scheduled to receive.

   The "$1 per ton" of excise tax on solid waste is scheduled to expire on June 30, 2004. This tax generates approximately $1.2 million and is dedicated to parks operations. If the tax is not continued or replaced, it will be necessary to significantly reduce expenditures. Even with additional fee increases, this amount cannot be absorbed without cuts to both programs and staff.

5. *Changes that have a long-range impact, including changes that will have a greater impact in future years.*

   The fee increases that will be effective October 1, if adopted by Council, will have a greater impact in future years than in the next fiscal year, because of the timing of the increase.

6. *Changes that will affect support service needs.*

   The completion of the open spaces acquisition program at the end of the next fiscal year may have some effect on support service needs, but that effect is unknown at this time.

7. *Changes that affect existing Metro policies or require the Council to set new policy.*

   The fee increase that the budget is based on must be considered and adopted as an ordinance by the Council before it becomes effective.

8. *Extraordinary one-time expenditures.*

   Most extraordinary one-time expenditures are the major capital projects in the department's 5-year Capital Improvement Plan. These include the beginning of Phase 1 construction at the M. James Gleason Boat Ramp and the construction of public facilities at Smith and Bybee Lakes Wildlife Area. The CIP also includes construction of restroom at Blue Lake Park, to replace the restrooms in the Swim Center that was demolished in FY 2002-03.

   Additionally, the department will be procuring and installing a "niche wall" at one of the pioneer cemeteries to provide another alternative for the burial of cremains.

9. *Unresolved factors that may affect the final budget; for example, funding sources that are still pending.*

   The fee increase that the budget is based on must be considered and adopted as an ordinance by the Council before it becomes effective. It is anticipated that the ordinance for this fee increase will not be before Council until after the adoption of the annual budget.

   There are no grant revenues in the budget that have not already been awarded to the department, with the exception of two proposals related to the facility improvements at Smith & Bybee Lakes Wildlife Area. Construction of the facility will not begin until all funding sources have been secured.

   If the department receives additional grant awards that are not included in the proposed budget, the department will bring those awards and the related expenditure budget to the Council for consideration as a supplemental budget request.

10. *Whether current program levels are sustainable within current or projected resources.*

   Current program levels are sustainable within current resources. It is anticipated that annual resources will be sufficient to pay for expected expenditures for FY 2003-04.

   This budget and the decision not to spend any fund balance is based in large part on the combination of the work teams at Oxbow and Blue Lake Parks and the elimination of one supervisor (a savings of approximately $100,000).

   The current levels of service and programs is not sustainable into the future if the "$1 per ton" excise tax on solid waste is not continued or replaced when it expires on June 30, 2004.

Solid Waste and Recycling Department

Department Financial Summary

A more detailed discussion of the Solid Waste and Recycling Department can be found in the Proposed Budget, Volume 1, pages 95-102

Budget by Classification	Audited Actual FY 2001-02	Amended Budget FY 2002-03	Proposed Budget FY 2003-04	Change from FY 2002-03 Amended Budget	
				$	%
Personal Services	$7,479,870	$8,256,217	$8,680,433	$424,216	5.14%
Materials and Services	34,757,937	38,650,691	35,831,626	(2,819,065)	(7.29%)
Capital Outlay	1,760,949	7,593,607	4,822,200	(2,771,407)	(36.50%)
Debt Service	3,790,840	6,513,951	1,861,427	(4,652,524)	(71.42%)
Totals	**$47,789,596**	**$61,014,466**	**$51,195,686**	**($9,818,780)**	**(16.09%)**
Budget by Division					
Office of the Director	$481,951	$434,596	$1,291,391	$856,795	197.15%
Business & Regulatory Affairs	4,110,771	0	0	0	n/a
Environmental & Engineering Services	38,771,611	49,016,981	40,644,577	(8,372,404)	(17.08%)
Waste Reduction, Planning & Outreach	4,425,263	6,327,883	5,268,693	(1,059,190)	(16.74%)
Community & Administrative Services	0	1,536,974	533,952	(1,003,022)	(65.26%)
Financial Management & Analysis Division	0	2,854,360	2,542,559	(311,801)	(10.92%)
Regulatory Affairs	0	843,672	914,514	70,842	8.40%
Totals	**$47,789,596**	**$61,014,466**	**$51,195,686**	**($9,818,780)**	**(16.09%)**
Budget by Fund					
Solid Waste Revenue	$47,268,176	$60,447,714	$50,661,734	($9,785,980)	(16.19%)
Rehabilitation & Enhancement	521,420	566,752	533,952	(32,800)	(5.79%)
Totals	**$47,789,596**	**$61,014,466**	**$51,195,686**	**($9,818,780)**	**(16.09%)**
Full-Time Equivalents (FTE)	**110.15**	**109.15**	**108.70**	**(0.45)**	**(0.41%)**

- The Solid Waste and Recycling Department is budgeted in two funds – Solid Waste Revenue Fund and the Rehab and Enhancement Fund (see Proposed Budget, Volume 1, Fund Summaries, pages 189-194 and pages 175-178 for further detail on each fund).
- The department reorganized to implement efficiencies during fiscal year 2002-03. Community and Administrative Services Division was eliminated and the duties it performed were distributed primarily between the Office of the Director and the Financial Management and Analysis Division.
- Revenues are proposed to increase. An increase to the Regional System Fee is proposed. Tonnage is expected to remain flat. The department will still be using fund balance to cover some operating expenses thereby subsidizing the rate for FY 2003-04.
- The per ton excise tax rate will decline slightly to $6.32 from $6.39. This rate includes the continued "$1.00 per ton" for Regional Parks that sunsets at the end of FY 2003-04.
- The budget includes the funding necessary to defease 1990 bonds equating to an additional half year of the debt serve payments.
- The Solid Waste Revenue Fund includes adequate funds for renewal & replacement and maintenance projects and are in full compliance with the Capital Asset Management Policy. This budget includes $377,810 for maintenance, $2,899,000 for renewal and replacement projects and $1,200,600 for landfill projects. A more detailed explanation of the department's compliance with the Council's adopted Capital Asset Management Policies can be found in the Solid Waste and Recycling Budget Notebook materials (three-ring

binder of budget documentation) Volume 1. (see the *Department Overview* and the *Expenditure Analysis* included in the Department Overview.)

- The budget includes a net reduction of .45 FTE. The following position changes have been made:

Fund	FTE	Position	Action
Solid Waste & Recycling Fund	1.00	Associate Solid Waste Planner	Add a new Regulatory Affairs Position
Solid Waste & Recycling Fund	.55	Hazardous Waste Technician	Increase three part time FTE to full time
Solid Waste & Recycling Fund	-1.00	Senior Management Analyst	Position eliminated with the RBAP Program elimination
Solid Waste & Recycling Fund	-1.00	Administrative Secretary	Position eliminated
Solid Waste & Recycling Fund	-1.00	Associate Engineer	Adjustment to staff to reflect changing operational needs
Solid Waste & Recycling Fund	1.00	Latex Storekeeper	Adjustment to staff to reflect changing operational needs
Solid Waste & Recycling Fund	0	Manager I reclassified to a Program Supervisor I	Adjustment to staff to reflect changing operational needs

- The budget proposes to cut the Regional System Credit Program in half reducing available credits from $900,000 to $450,000.
- Other disposal subsidies are reduced and some program cuts implemented. (See detail below in the department responses to the ten questions Council directed them to answer.)
- Capital Projects have been budgeted in accordance with the adopted Capital Improvement Plan.

Ten Questions

1. *Significant changes in departmental resources.*

   Increase in enterprise revenue:

   - Budget reflects $1 increase in the Regional System Fee, from $15 to $16. *(The tip fee increases by this same $1, because the Regional System Fee is passed through.)*
   - This increase is projected to raise $1.2 million in FY 2003-04.

   After the budget was submitted, the Council President amended this increase as follows:

   - Increase the Regional System Fee $1.57 ($1.88 million revenue increase)
   - Reduce the disposal component of the Metro tip fee 57¢ ($324,000 revenue decrease)

These changes mean:

- Net revenue increase of $1.56 million ($1.88 million *minus* $324,000)
- Metro tip fee of $67.18 ($42.55 disposal charge+$16.57 RSF+$8.06 excise & DEQ & host)

Either of these changes will require approval of an ordinance by the Council. Ordinance 03-1000 reflecting the Council President's recommendation has been filed, and final action is scheduled for April 3, 2003. If the ordinance is approved, the proposed budget would have to be amended to reflect this change in revenue. This point is also noted in #9 below.

2. *Program additions, deletions, or significant modifications.*

Adds: None

Deletions ($1.6 million & 2 FTE total):

a. Efficiencies/Cost Reductions $404,465
   - Reduce travel, supplies, management support contracts, secretary (-1 FTE)
   - Also, reduction in transfers for Central Services

b. Eliminate Disposal Subsidies $427,921
   - Eliminate disposal credits for thrift organizations
   - Halve neighborhood disposal vouchers
   - Phase out Regional System Fee credits (dollar amount in #4 below)

c. Non-Core Programs $82,500
   - Halve ENACT
   - Eliminate end-market studies

d. Underperforming Programs $690,733
   - Eliminate market development loans/grants (-1 FTE)
   - Halve Regional System Fee credits (1st year of 2-year phase-out)
   - Eliminate business prevention/reuse grants & pilots

Significant modifications:

a. Add an inspector (+1 FTE) to address increasing number and distance to private facilities.

b. Move latex paint operation
   - Consolidate production, warehousing, and sales at better location.
   - Eliminate capital expenditures for disposal operations by freeing-up site space at South.
   - Eliminate engineer FTE; convert to paint specialist (no net FTE change).

3. *Program changes that may affect other departments or funds.*

None identified.

4. *Changes requiring additional current or future excise tax resources.*

None – Solid Waste & Recycling is funded entirely through enterprise revenue.

5. *Changes that have a long-range impact, including changes that will have a greater impact in future years.*

Waste Reduction.

Continuation of waste reduction work plans is proposed in the budget, with emphasis on food waste processing and recovery from construction & demolition (C&D) debris in FY 2003-04. These work plans are aimed at the recovery objectives of the Regional Solid Waste Management Plan. If successful, each initiative would divert at least 50,000 tons per year from the waste stream. The loss of tonnage will put upward pressure on Metro's tip fee and Regional System Fee in the future, all else equal. However, this fact is not unique to these initiatives. *Any* diversion of tonnage from the revenue base *for any reason* puts upward pressure on rates—and this trade-off is acknowledged and accepted in the Regional Solid Waste Management Plan. The majority of the food waste is expected to be diverted from Metro transfer stations, and the majority of C&D waste from non-Metro facilities. See also the response under #8 below.

Debt Service.

Different ways of managing the debt service are proposed beginning FY 2003-04:

a. The budget proposes a "rolling defeasance" of the uncallable zero-coupon bonds to take further advantage of the Council's action to pre-pay ("defease") some of these bonds last February. This is a cash management strategy that will allow the agency to manage its rate covenant ("110% coverage ratio") with relative ease and without increasing the scheduled debt service.

b. The division is currently working to refund the callable bonds, capitalizing on low interest rates to reduce annual debt service payments through 2009. See also the response under #9 below.

6. *Changes that will affect support service needs.*

SW&R stands ready to participate in the agency's e-government initiative, especially implementation of web-based billing of solid waste accounts and filing of reports.

7. *Changes that affect existing Metro policies or require the Council to set new policy.*

None identified through the budget.

Certain planning questions will arise in 2003 that will have budgetary implications over time:

- Re-regulation of private transfer stations & licensing of "wet" waste in late 2003.
- Amount of waste flowing to Metro transfer stations.
- Re-bid of transfer station operating contract.
- St. Johns final closure permit and work plan.
- Metro's trucking contract.

8. *Extraordinary one-time expenditures.*

The Waste Reduction division is proposing grant money totaling $800,000 for private food waste processing infrastructure and to expand food waste prevention. See also #5 above.

No other extraordinary expenditures except as identified in the Capital Improvement Plan.

9. *Unresolved factors that may affect the final budget; for example, funding sources that are still pending.*

   The Department is pursuing a refunding of a portion of its revenue bonds. The outcome will not be known until May 2003. Successful refunding would reduce future debt service payments by up to $100,000 per year from the current schedule, beginning in FY 2003-04. See also the response to question #5 above.

   New solid waste fees are pending approval as of this writing. See #1 above.

10. *Whether current program levels are sustainable within current or projected resources.*

    Current levels are sustainable. FY 2003-04 marks the last year of planned draws from reserves. The Department intends to propose full-cost recovery solid waste charges beginning FY 2004-05.

Non-departmental Summary

Financial Summary

Additional discussion of the Non-departmental expenditures can be found in the Proposed Budget, Volume 1, pages 103-105

Budget by Classification	Audited Actual FY 2001-02	Amended Budget FY 2002-03	Proposed Budget FY 2003-04	Change from FY 2002-03 Amended Budget $	%
Materials and Services	$274,569	$413,000	$265,000	($148,000)	(35.84%)
Capital Outlay	125,214	28,039	0	(28,039)	(100.00%)
Debt Service	68,580,397	20,545,109	21,333,923	788,814	3.84%
Interfund Reimbursements	11,591,944	13,040,728	12,860,569	(180,159)	(1.38%)
Internal Service Charges	924,814	1,607,530	1,088,099	(519,431)	(32.31%)
Interfund Loan	403,690	106,100	106,100	0	0.00%
Fund Equity Transfers	11,629,517	12,826,902	11,452,743	(1,374,159)	(10.71%)
Totals	**$93,530,145**	**$48,567,408**	**$47,106,434**	**($1,460,974)**	**(3.01%)**
Budget by Fund					
Building Management Fund	$1,703,435	$1,715,506	$1,755,696	$40,190	2.34%
Convention Center Project Capital Fund	222,993	202,137	0	(202,137)	(100.00%)
General Fund	6,690,422	8,367,020	8,187,056	(179,964)	(2.15%)
General Obligation Bond Debt Service Fund	66,862,261	18,759,603	19,548,227	788,624	4.20%
General Revenue Bond Fund	1,963,649	1,923,545	1,785,696	(137,849)	(7.17%)
MERC Operating Fund	3,556,168	4,793,294	3,695,791	(1,097,503)	(22.90%)
Open Spaces Fund	640,726	1,218,408	747,448	(470,960)	(38.65%)
Planning Fund	2,249,405	2,711,625	2,430,572	(281,053)	(10.36%)
Regional Parks Fund	930,642	1,239,703	1,221,290	(18,413)	(1.49%)
Regional Parks Special Accounts Fund	0	48,911	93,993	45,082	92.17%
Rehabilitation & Enhancement Fund	43,050	35,318	23,923	(11,395)	(32.26%)
Smith & Bybee Lakes Fund	47,847	53,722	52,272	(1,450)	(2.70%)
Solid Waste Revenue Fund	4,098,987	4,210,036	4,208,397	(1,639)	(0.04%)
Support Services Fund	2,058,456	668,900	756,557	87,657	13.10%
Zoo Operating Fund	2,462,104	2,619,680	2,599,516	(20,164)	(0.77%)
Totals	**$93,530,145**	**$48,567,408**	**$47,106,434**	**($1,460,974)**	**(3.01%)**
Full-Time Equivalents (FTE)	**0.00**	**0.00**	**0.00**	**0.00**	**n/a**

- Non-departmental expenditures are budgeted throughout almost all funds. They include such items as general obligation debt service, all interfund transfers, and special appropriations that cannot be easily tied to the program of any single department or office.
- Specials appropriations in the General Fund include $150,000 for elections expense, $75,000 for ballot measure 56 notifications, $25,000 contribution to RACC, and $15,000 for water consortium dues.
- $19.5 million in general obligation bond debt service is included for FY 2003-04 as follows:
  - $5,267,665 for the original Convention Center bonds
  - $11,849,052 for the Open Spaces, Parks and Streams bonds
  - $2,431,510 for the Great Northwest Exhibit at the Zoo

Non-Departmental Expenditures

- Also included is $3.35 million in other debt service payments on the Metro Regional Center General Revenue Bonds and the outstanding OECDD loans for the Zoo Parking Lot and Expo Hall D.
- Fund equity transfers include $7.0 million in excise tax transfers from the General Fund to the following departments:
  - Planning $4,054,761
  - Regional Parks... 2,658,538
  - OCC – VDI Compliance 173,939
  - Metro Attorney – Lobbyist contract...................... 70,000
- Central service transfers for costs allocated through the cost allocation plan are included in non-departmental expenditures. The following is a two-year comparison of allocated costs by fund and department.

	FY 2002-03 Adopted Budget	FY 2003-04 Proposed Budget	Change from FY 2002-03 Budget $	Change from FY 2002-03 Budget %
GENERAL FUND				
Council Office	658,669	224,400	(434,269)	(65.93%)
Office of the Executive Officer	532,425	0	(532,425)	(100.00%)
Subtotal	***$1,191,094***	***$224,400***	***($966,694)***	***(81.16%)***
SUPPORT SERVICES FUND				
Finance	$2,262,828	$2,182,823	(80,005)	(3.54%)
Business Support	$4,064,881	$4,358,299	293,418	7.22%
Office of Metro Attorney	1,199,451	1,104,044	(95,407)	(7.95%)
Office of the Auditor	625,792	607,940	(17,852)	(2.85%)
Public Affairs-Creative Services	577,672	530,078	(47,594)	(8.24%)
Subtotal	***$8,730,624***	***$8,783,184***	***$52,560***	***0.60%***
BUILDING MANAGEMENT FUND	***$2,114,324***	***$2,159,498***	**45,174**	**2.14%**
RISK MANAGEMENT FUND	***$694,017***	***$1,000,000***	**305,983**	**44.09%**
TOTAL TRANSFERS	**$12,730,059**	**$12,167,082**	**($562,977)**	**(4.42%)**

040903c-03

Summary - Council President's Cut Packages
SOLID WASTE & RECYCLING DEPARTMENT
April 9, 2003

Summary of Cut Packages

	President's Direction
Solid Waste Cuts	**$1,284,312**
Plus: reductions in transfers	$321,307
Total Reductions	**$1,605,619**
Potential Rate Effect (reduction per ton)	$1.34
Requested SW Budget after Cuts*	**$15,218,872**
Percent reduction from requested*	***9.5%***

* Based on initial requested program budget of $16,824,491

Cut Package Detail

Division *Name of cut*	**FY 03/04 Program Budget**	**President's Direction 2-18-03**
Office of the Director	**$441,993**	**$7,500**
Contracted Professional Services		*$7,500*
Financial Mgmt. & Analysis	**$1,942,417**	**$450,000**
Reduce RSF Credits (2 stages)		*$450,000*
Regulatory Affairs	**$914,514**	**$0**
No new inspector (FTE+M&S) *		
*Reduce Sheriff's IGA***		
Community & Admin. Services	**$1,616,868**	**$223,158**
Travel (25% reduction)		*$11,250*
Office Supplies (30% reduction)		*$20,000*
Admin/support reorg. (1 FTE) *		*$54,408*
SOLV		
Envirocorps		
"Mgt team" contract		*$20,000*
ENACT		*$42,500*
Green Team		
Neighborhood Cleanups		
Disposal Vouchers		*$75,000*
Environ. & Engineering Services	**$7,089,274**	**$352,921**
Eliminate Thrift Credits		*$352,921*
Eliminate Round-Ups (HHW)		
Waste Reduction	**$4,819,426**	**$250,733**
End-use market capacity		*$10,000*
End-use market research		*$15,000*
Packaging substitution		*$25,000*
Reuse drop-off pilot		*$30,000*
Mower rebate ads		*$15,000*
Business prevention/reuse grants		*$100,000*
E-waste take back (reduction to $35k)		
Model food prevention grants		
Competitive LG grants		
Market research (addition)		($30,000)
Staff (cut added by Council President)		$85,733
Solid Waste Reductions (each tier)	**$16,824,491**	**$1,284,312**
plus: transfer payment savings		*$321,307*
Total Reductions by Tier		**$1,605,619**

* These cuts include reductions in personal services of: **2 FTE**

040903c-04

Solid Waste & Recycling Department
Outline of Proposed FY 2003-04 Budget
April 9, 2003

Budget Reflects Department's Core Mission

Waste Reduction Leader

- Regional infrastructure for food waste composting.
- Processing of all dry waste.
- Develop internet technology for recycling education and information dissemination.
- Maintain service levels at local government level and continue commitment to waste reduction education.

Service Provider

- Relocate latex paint center to improve customer service and increase the amount of paint recycled.
- Commitment to historical levels of service in solid & hazardous waste.

Regulator

- Expand regulatory functions in response to growing complexity of the solid waste system.
- Add inspector in response to growing size of the solid waste system.

Environmental Steward

- Assessment of health and environmental risks at St. Johns, leading to work plan under DEQ permit.
- Maintain commitment to historical service level in illegal dumpsite monitoring and cleanup.

Solid Waste & Recycling Department
Outline of Proposed FY 2003-04 Budget
April 9, 2003

Financial Objectives & Issues

"Belt-tightening" budget

- Maintain service levels and program commitments with fewer resources.
- Requested Program Budget (materials & services) down from FY 2002-03.
- Adjust personnel needs (*example*: eliminate engineer—add latex paint person).

Emphasis on prudent financial management

- Reserves to reach target levels during FY 2003-04.
- Manage debt service.
- Meet bond covenants.
- Continue work on financial reporting, controls and auditing.

Adjust solid waste rates

- Target: pricing that recovers full costs.
- Move <u>gradually</u> to unit cost pricing (next 2 years).
- Eliminate cross subsidization (disposal enterprise *vs*. program funding)

A Note: Additional Decisions with a Long-Run Budget Impact

- Additional decisions this year have little budgetary impact in FY 2003-04;
- But are likely to have significant impacts down the road.
- These longer-run budget issues are discussed at the end of this presentation.

Solid Waste & Recycling Department
Outline of Proposed FY 2003-04 Budget
April 9, 2003

Council President's Direction

1. **The Department was asked to find efficiencies and recommend cut packages as appropriate.**

2. **The Department was asked to consider management of its finances:**
   - Examine the revenue picture.
   - Consider reserve levels and planned draw-down policy.
   - Meet the bond covenants.

Department's Response

1. **Find Efficiencies**
   - The Department responded with $1.6 million of reductions in 4 basic areas.
   - Because the budget reductions are the most involved, we will return to them in detail in a moment.

2. **Manage financial resources**
   - Rate ordinance (approved April 3) raises $1.56 million in revenue; moves toward unit cost & removes cross-subsidy.
   - FY 2003-04 is the last year of <u>planned</u> reserve draw-down.
   - Debt service managed by pre-payment ("defeasance") & refinancing.

With defeasance + revenue increase + expenditure reduction,
The proposed budget now safely exceeds the debt service coverage requirement.

Solid Waste & Recycling Department
Outline of Proposed FY 2003-04 Budget
April 9, 2003

Budget Reductions - Summary

- **Total of reductions $1,605,619**
- **FTE eliminated**
- **Core services and programs will be delivered**

Efficiencies Found in 4 Basic Areas

1. Efficiencies/Cost Reductions ***$404,465***

- Eliminate a secretary (-1 FTE)
- Reduce travel & office supplies 30%
- Reduce surveys and management consultant in Office of Director
- *Also: central service transfers reduced*

2. Eliminate Disposal Subsidies **$427,921**

- Halve disposal vouchers
- Eliminate disposal credits for thrift organizations
- *See also RSF credits under "Underperfoming Programs" below*

3. Eliminate or Reduce Non-Core Programs **$82,500**

- Eliminate end-use market studies
- Eliminate mower rebate ads
- Halve ENACT

4. Eliminate or Reduce Underperforming Programs **$690,733**

- Eliminate market development program (-1 FTE)
- Halve Regional System Fee credits (2-year phase-out)
- Eliminate business prevention/reuse grants & pilots

Solid Waste & Recycling Department
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Overview of FTE Changes

Adds	
Latex Paint Storekeeper *(Environmental & Engineering Services)* *For marketing, sales and related work at the relocated facility.*	**1**
Facility Inspector *(Regulatory Affairs)* *To help cover increasing inspection scope, and number & distance of facilities.*	**1**
Increase 4 part-time Hazardous Waste Technicians to full-time *(EES)* *To help handle the increased volume of hazardous waste.*	**.55**
Total Adds	**2.55**

Cuts	
Administrative Secretary *(Director's Office)* *Support Services Supervisor (currently vacant) remains in budget.*	**1**
Market Development Coordinator *(Waste Reduction & Outreach)* *Reflects elimination of the recycling market development program.*	**1**
Associate Engineer *(Environmental & Engineering Services)* *Reflects shift of Department's work.*	**1**
Total Cuts	**3**

Net change in FTE **- 0.45**

What the Reductions & Changes Mean for Operations

Efficiencies/Cost Reductions

Proposed efficiencies judged to have little effect on operations

Eliminate Disposal Subsidies

Eliminating disposal subsidies may enhance waste reduction mission
Will require management of message to affected constituencies

Non-Core Programs

Few programs are not core to the mission
Proposed cuts will have no effect on operations

Underperforming Programs

Elimination of an underperformer should have little effect on operations
Phasing-out RSF credits to pave the way for higher recovery at less cost

Rate Ordinance

Gradual move in rates to unit cost pricing
Eliminate cross subsidization
Shows fiscal prudence without impacting operations

Prudent financial management

Helps management of bond coverage
Legacy of permanent reduction in future debt service costs
Reserves funded at adequate and sustainable levels

Conclusions

With this Proposed Budget:

- **The Department's core mission remains intact.**
- **Operations are financially secure for FY 2003-04.**
- **Department is on track to even sounder financial footing.**

Near-Term Decisions with Long-Run Budget Impacts

- At the outset, we mentioned key decisions to be made this year
  - These have small presence in the FY 2003-04 budget;
  - But likely to have significant impacts down the road.
- The purpose here is not to resolve these issues, but to remind ourselves of them.

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Program & Planning Issues with Long-Run Budget Impacts

- Decisions on wet ("putrescible") waste

  These decisions will—at a minimum—affect the amount of waste controlled by private facilities, Metro's market share, Metro's disposal price & contract commitments, disposal costs throughout the region, and the value of Metro's transfer stations in the long run.

  - All Local Transfer Station franchises are up for renewal in 2003
  - All wet-waste non-system licenses are up for renewal in 2003
  - Applications for new facilities are known to be in the works

- New transfer station operations contract

  The current contract to operate the transfer stations expires in September 2004. Preparation for procurement process needs to begin in 2003.

- Responses to industry trends
  - Condition of the trucking industry & Metro's transport contractor.
  - Transfer station wastesheds *vs*. continuing consolidation & vertical integration

- Evolution of solid waste programs
  - Growing demand for management of electronic waste ("e-waste")
  - Regulatory Affairs
    - ⇒ Increasing complexity of the industry
    - ⇒ Potential new regulations (e.g., mandatory MRFing)
  - St. Johns work plan

ATTACHMENT 1: Thrift Credits

Considerations that Led the Department to Recommend Elimination

The program was established by Ordinance in 1990 to mitigate the financial impact of "donations" of garbage to Thrifts triggered by the rapid rise in the tip fee to $75. The Department believes this program has outlived its purpose.

Background

- Provided to Thrift organizations (Goodwill, St. Vincent de Paul, Salvation Army).
- Over $350,000 per year in tip fee credits at Metro transfer stations.
  Subsidizes an operating cost—disposal—of these organizations.
- Governed by annual contracts with each organization.

Since the program began, a number of conditions have changed:

- The tip fee has come down in both monetary and real terms
- High tip fees are part of the regional economy; no longer a "shock"
- Thrift donation centers are now staffed to screen unsaleable items.
  This also controls dumping of garbage and other disposal items.
- Metro has developed an active regulatory and illegal dumping program.
- Some Thrifts' retail reuse operations have become profit centers

These facts and conditions, when coupled with the targeting of operating subsidies in the FY 2003-04 budget, leads to the Department's recommendation for elimination.

ATTACHMENT 2: Regional System Fee Credits

Executive Summary
Efficiency and Performance Attributes That Led the Department to Recommend Phase-Out

There were 3 main factors that led the department to recommend phase-out

1. **Not Consistent with Other Recycling Programs/Approaches**
   - This is the only recycling program that requires a permanent, direct public subsidy of monthly operating costs.
   - Reinforces a disposal mentality.
     Other programs target changing generator behavior (e.g., source-separation).

2. **Cost**
   - The public cost is significantly more than other forms of recycling & recovery.
   - This cost is about \$83 per ton, vs. \$12 per ton for source-separated recycling.
   - *Documentation of these figures may be found on the next page.*

3. **Effectiveness**
   - Only half of the dry waste is MRFed in the current system
     - Current facilities handle only about half of the MRF-able dry waste.
     - The other half goes to low-cost landfills, mostly in Washington County.
   - Program is not attracting additional waste
     - Economic subsidies are not sufficient incentive
     - Program cost would more than double to get at the other half of the waste.
   - Better way to get at MRF-able dry waste?
     - Proposed budget includes programs for universal MRFing of dry waste
     - Levels playing field—less need to reduce tip fee to attract waste
     - Operating subsidies unnecessary if tip fees are sufficient to pay for recovery.

Overview of Cost Calculations

The cost numbers are based on: the following considerations.

Regional solid waste and recycling is a "generator-pays" system

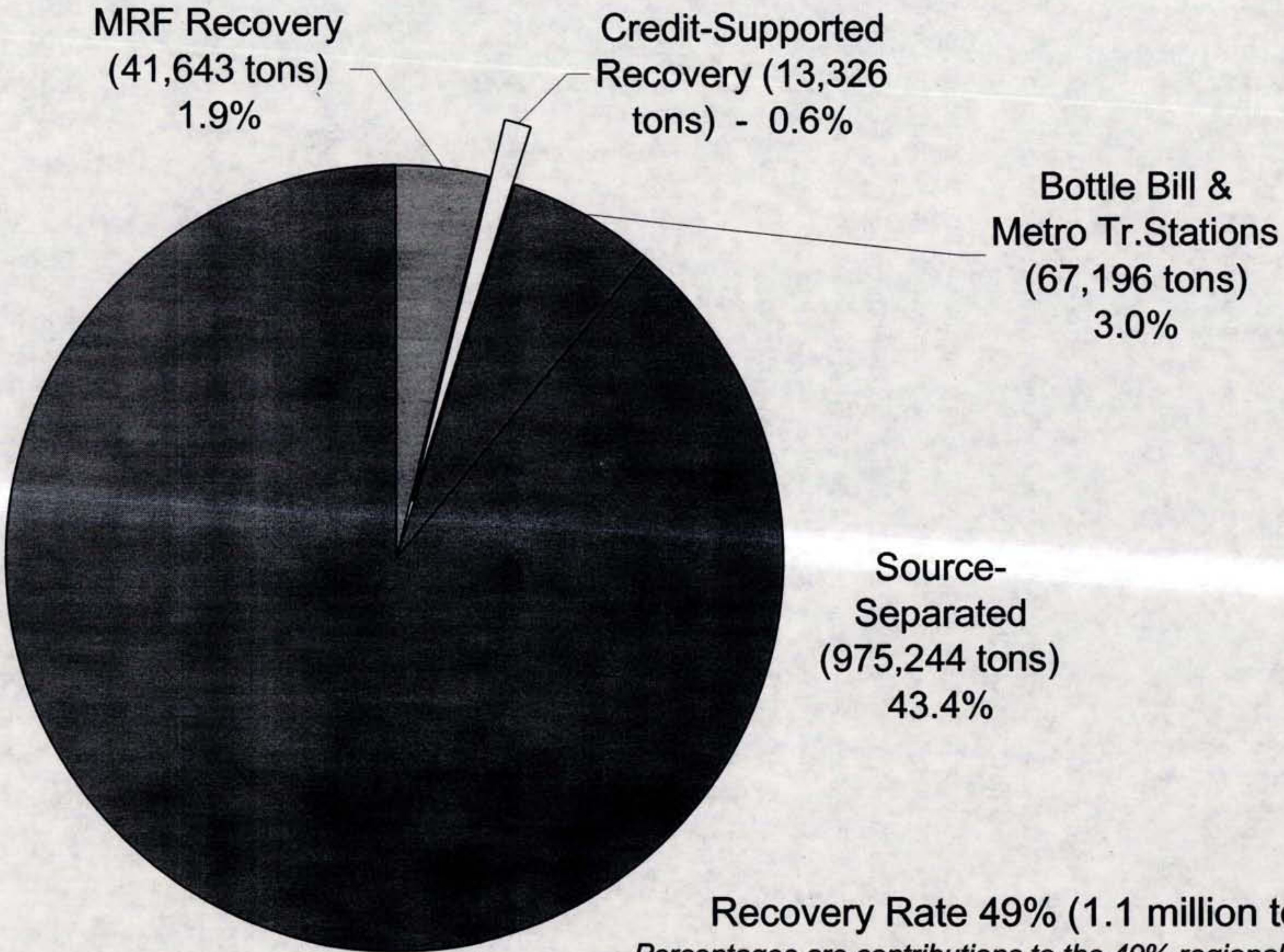
- Generator charges cover the operating costs of other systems (e.g., curbside collection of waste & recyclables, bottle bill)
- Public (Metro and local government) roles are mainly planning, design, promotion, regulation, and enforcement. Not all of these costs are paid directly by the generator.
- The FY 02/03 budget for the public costs above operating cost is $11.8 million:
  - Metro waste reduction budget, $5.3 million
    Includes RIC, school education, grants, compost bin sales, etc.
  - Total solid waste budget for local governments, $6.5 million
    Includes considerably more than recycling; primarily hauler regulation and disposal enforcement.
- When these budgets are divided by the 975,000 tons of source separated recycling (as reported by DEQ for 2001, the most recent figures), this equates to $\boxed{\$12/\text{ton.}}$
  This number is considerably overstated:
  - Includes non-recycling local government costs
  - Ignores the local franchise fees generated from curbside collection of recyclables.

The credit program as a direct public subsidy of operating costs.

- This sets it apart from all other recycling programs
- The Metro budget just for RSF + excise tax credits is $1.101 million per year
- The cost per ton of the program depends on whether the reader believes that all 55,000 tons require a subsidy, or a portion will be MRFed in any case.
  - Regardless of this assumption, the cost ranges above that for source-separated.
  - The calculations and impacts are shown below.

Per Ton	Tons Lost to Disposal*	Recovery Points Lost	Assumptions
$20	55,000	2.4%	***All*** recovery ceases. Unreasonable
$83	13,300	0.6%	MRFs recover 25% of ***lower*** throughput
$120	9,200	0.4%	MRFs recover 25% of ***similar*** throughput

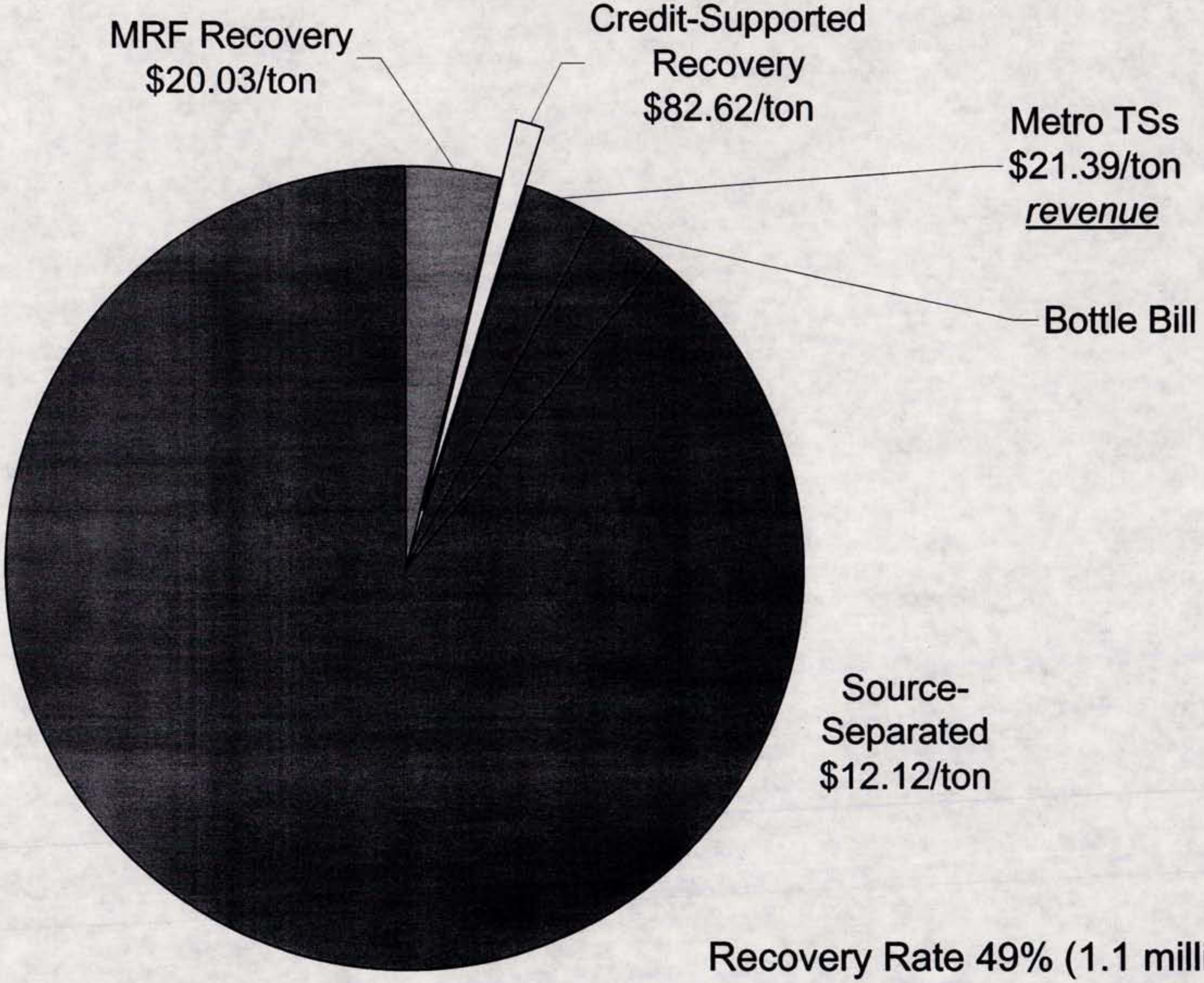
Regional Recovery in 2001



Recovery Rate 49% (1.1 million tons)

Percentages are contributions to the 49% regional rate.

Public Solid Waste Costs



Recovery Rate 49% (1.1 million tons)