

 **Metro** | *Agenda*

Meeting: Natural Areas Program Performance Oversight Committee
Date: October 15, 2009
Time: 7:30 to 10 a.m.
Location: Metro Regional Center, Council Chambers

7:30 to 7:35	Welcome	Peter Krainock
7:35 to 8:45	Financial overview	Margo Norton Tim Collier
8:45 to 8:55	Break	
8:55 to 10:00	Regional acquisition update	Kathleen Brennan-Hunter Acquisition team
10:00	Adjourn	

Coffee, pastries and fruit will be provided

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Natural Areas Program Performance Oversight Committee

October 15, 2009

Committee members in attendance: Dean Alterman, Linda Craig, Christine Dupres, Dave Evans, Kay Hutchinson, Peter Krainock, Committee Chair, Sindy Maher, Tricia Martin, Jacquenette McIntire, Segeni Mungai, Norman Penner, David Pollock, Dietra Stivahtis, Steve Yarosh

Committee members excused: Bridget Cooke, Rocky Dixon, John Esler, Helena Huang, Don Jones, Anil Krishnamurthy

Metro management: Council President David Bragdon, Kathleen Brennan-Hunter, Jim Desmond, Scott Robinson

Metro staff: Leif Anderson, Tim Collier, Barbara Edwardson, Paul Garrahan, Marybeth Haliski, Fritz Paulus, Kathy Rutkowski, Craig Stroud, Hillary Wilton

Welcome

Peter welcomed the committee members and thanked them for attending the meeting.

Best Practices tour

Jim Desmond briefly discussed the Best Practices tour that he and Council President David Bragdon participated in recently. The tour was held in Minneapolis-St. Paul, which has a model regional parks and trails system similar to what Metro and its regional partners are beginning to create in the Portland area with The Intertwine. More than 50 delegates from the Portland area attended. One of the presentations was on a land conservation sales tax measure that recently passed in the area, and the committee that had been created to oversee it. President Bragdon and Jim shared the Natural Areas Program's oversight committee's purpose and goals. President Bragdon noted that the system utilizes user surveys, gathered in conjunction with a local university, to evaluate the value of the program and determine how the state funding process is working. Facilities that meet a certain threshold of use are tied to a certain level of budgetary funding. Jim noted that there is an extensive collaborative relationship between the Minneapolis-St. Paul philanthropic community and the system.

Financial overview

Tim Collier discussed Metro's cost allocation plan (see *Metro Cost Allocation Plan Introduction*, attached). Peter Krainock asked how administrative cost limits are determined and if they have been compared to similar programs, such as the Minneapolis-St. Paul program discussed above. Jim replied that Metro's goal is no more than 10 percent in administrative overhead. Peter noted that the average seems to be around 5 percent, which is substantially less than the 10 percent goal and inquired if Jim felt the program is staffed appropriately. Jim replied that he and Kathleen have discussed this matter and agree the program is staffed appropriately. Kathy Rutkowski explained the basis of allocation costs in some detail. Dave Evans asked if staff felt the basis numbers were appropriate. Both Kathleen and Jim indicated they were. Peter asked committee members if they felt 10 percent was an appropriate goal. Dietra Stivahtis felt it is difficult to set a specific percentage during this uncertain market. Jacquenette McIntire noted that staff is doing a good job and the program seems to be run very efficiently and she does not feel any changes need to be made to staffing levels. Scott Robinson noted that there are many pressures on the agency to ensure it is cost competitive, which create an absolute

discipline in the area. Jim noted that staff is busy but not overwhelmed. Dean Alterman asked about program expenses; Kathleen will follow up with him.

Linda Craig asked about the higher number of acreage acquired during 2008 compared to 2009. Paul Garrahan noted that some properties cost more than others and the same number of purchases each year could amount to dramatically different acreage totals. Linda asked about grant and partnership leverage; Tim will follow up with Linda after the meeting.

Regional acquisition update

Kathleen discussed two recent acquisitions, including the first in the Rock Creek target area. The second is a 90-acre purchase in the Clackamas River Greenway target area. She also distributed a pie chart showing costs by program requirement and the recent financial statement with staff names and positions listed on the reverse (see attached). Both documents were requested at the last committee meeting.

Kathleen introduced the real estate negotiators: Barbara Edwardson, Leif Anderson, Fritz Paulus and Hillary Wilton. Peter asked the negotiators to discuss the current market and the opportunities and challenges they face. Barb noted that in the spring the market was uncertain and unstable, but she has seen more certainty and stability recently. Sellers are calling to say they are ready now to discuss their property. She noted that once Measure 49 and urban reserve legislation stabilizes property disposition options will become clearer. Fritz agreed that he is seeing an increase in seller interest. He noted that there are five transactions anticipated to close in the next few months, including two in new target areas. The others are in 1995 bond target areas and the owners are finally realizing that Metro is offering a good deal. Hillary agreed that quite a few of the recently closed transactions have been pending for many months. Leif noted that he has had some success with trails, and has noted high interest among the people he is speaking to about trail easements. Kathleen briefly discussed the trail easement and acquisition process and noted that she is happy to discuss the topic further at a future meeting.

Peter asked if "sticker shock" is an issue as appraised values have declined. Barbara agreed it was an issue. She noted that agricultural land is the most stable. Sub-dividable land has relatively no current market, and is a bargain. Hillary noted that often it takes some time for the seller to come to terms with the reduced appraisal value and she has had multiple conversations with sellers about current appraised value compared to that of years past.

Segeni Mungai asked how Measure 49 is delaying acquisitions. Fritz replied that property owners are waiting to see how Measure 49 will play out and if their claims to divide their properties are approved. Barbara noted that according to the Measure 49 ombudsmen they will attempt to resolve most claims by June 30, 2010. She expects an increase in calls from potential sellers at that time.

David Pollock asked if there is a coordinated database for pending acquisitions. Fritz noted that each of the negotiators keep their own database and "tickler" file. Most of them use Outlook Tasks to remind them when to follow up with a potential seller. There is also a list of active acquisitions that the negotiators and legal staff follow. Dean Alterman inquired how the team would follow up with those potential sales if one of them left Metro. Hillary noted that the negotiators work very closely and discuss pending cases amongst themselves and did not feel anything would fall through the cracks. Kathleen noted there are other internal systems, such as the weekly negotiator meetings, and agreed that the negotiators worked closely and often consult with each other on various transactions. The legal staff also keeps a list of active deals for the entire acquisition team. Each negotiator maintains good data and Kathleen has been able in the past to reassign as necessary.

Sindy Maher asked if the negotiators would be more likely to pursue a property with similar scientific value as another with a Measure 49 claim. Hillary replied it would be difficult to choose and other parameters would have to be measured. Fritz noted that the refinement plan goals and science staff input are key for determining which properties to pursue. If a Measure 49 property is more threatened it maybe prioritized, but it depends on the facts.

Peter asked for reasons why transactions may not be successful. The negotiators replied that unacceptable soil quality, family members who disagree with terms of the sale, sellers who are unhappy with “government” and the inability to agree on a resolution to environmental issues are all reasons a transaction may be unsuccessful. Hillary noted that most unsuccessful deals are revisited at a future time.

Kay Hutchinson asked how the acquisition process related to the high-medium-low performance measurement ratings. Kathleen explained that the negotiators and science team meet early in the acquisition process to determine how the property relates to the science and habitat criteria defined in the bond. Fritz noted that informal discussions with the science team are common.

Peter asked which target areas have proved the most challenging. Barbara indicated that Rock Creek has been her most challenging target area, partly because Washington County does not have the same land conservation rules as Multnomah and Clackamas Counties, and restricts subdivision of the seller’s property. She also noted that there is not much land available in that area. She believes the target area has a lot of potential and is confident sellers will begin to show more interest since an initial purchase was recently made in the area. Fritz indicated that the Wapato Lake target area has been most difficult for him. Leif noted there are currently several sellers unwilling to provide trail easements, which will make the trail connection process difficult in some areas.

Tricia Martin asked what strategies the negotiators have applied to combat some of the challenges they have encountered. The negotiators replied that they attempt to engage the seller and their neighbors to champion the potential acquisition and ensure they all have the same expectations. They also keep following up with potential sellers to remind them of Metro’s interest. Kathleen noted that conservation partners are often contacted to collaborate with Metro on a potential sale and that assigning the property to a different negotiator is also an option. Hillary noted that the legal team works with the negotiators to craft creative offers.

Paul Garrahan briefly discussed the trails easement and acquisition appraisal process and federal and state rules that contribute to slowing the acquisition process.

Segeni Mungai asked about the disparity in sales between the east and west sides of the region. Jim indicated that long term he believes the sales will balance, with more acquisitions occurring in Washington County in the coming months. He noted that the very large Persimmon acquisition early in the program also contributed to skewing the results towards the east side.

Jacquenette McIntire asked that anticipated stabilization costs be shown on the performance measure chart. Kathleen noted that the *long-term land management* rating is the measurement for that.

Linda Craig asked if staff believe the program has the appropriate criteria for conservation easements. Kathleen said she believes the criteria is appropriate and acknowledged that conservation easements come with their own set of issues. She is currently evaluating where they can be used and also if a partnership with a land trust will enable Metro to pursue more conservation easements.

Annual report

David Pollock and Linda Craig have volunteered to work with Peter on the committee’s annual report. He asked if any new members were interested in joining them. He indicated the same writer will be asked to write the report. Kay Hutchinson and Steve Yarosh volunteered to assist.

Next meeting

The next meeting of the Natural Areas Program Performance Oversight Committee will be **7:30 to 10:30 a.m. on Tuesday, December 8 in the Council Chambers**. Capital Grants performance measures and the annual report will be the main topics of discussion.

Adjournment

The meeting adjourned at 10 a.m.

Metro Cost Allocation Plan

Introduction

October 2009

Overview of Cost Allocation Plan (CAP)

Metro is the recipient of significant federal money, both formula grants and specific project grants. The majority of the grants are received by Planning and Development, although other federal monies are received by the Oregon Zoo, Parks and Environmental Services and the Sustainability Center. The federal government allows agencies to charge a portion of agency overhead to federal grant programs only when the agency has an approved Cost Allocation Plan (CAP). Metro has a very sophisticated CAP which takes into consideration both the availability of business services as well as the utilization of these services.

As a recipient of multiple federal grants, it is a requirement that our cost allocation plan be applied to all programs equitably and we cannot treat one program differently than another. Federal guidelines require that the cost allocation plan be audited on a periodic basis. Audit responsibility is assigned to a federal agency, which in turn may delegate the responsibility to a state agency. The state agency responsible for Metro is the Oregon Department of Transportation (ODOT) because most of our grants are federal highway funds. In addition, Metro's financial auditors review the cost allocation plan each year as part of the annual audit. These audits test the methodology to make sure it applies equitably to all departments and that indirect costs are appropriately allocated.

The cost allocation plan is developed using a balanced approach focusing on accessibility, availability and utilization of services. The plan is designed to encourage the use of the expertise and business infrastructure that helps all programs be transparent and accountable. The major services in the basis data are:

- Property Services (fleet, telephones)
- Office Services (mail services, print shop)
- Building management (occupancy, utilities, security)
- Metro Attorney
- Financial Services (accounting, cash management, budget, financial planning)
- Risk Management (purchased insurance, self insurance, safety)
- Human Resources
- Auditor's Office
- Independent Audit
- Records Management
- Accounting Records Manager
- COO's Office
- Information Services (technology services)
- Communications/Creative Services
- Sustainability Program

Basis of Allocation

The data used to allocate central business costs to the operating services measure the usage or benefit received by each of the operations from the central services. The measure used to determine use or benefit is called the basis of allocation. Metro's plan utilizes many allocation bases, including data such as the number of copies, building square footage and the number of accounting transactions.

The total activity or volume is determined for each allocation basis as well as the amount attributable to each operating fund. Indirect costs are allocated on the same proportion represented by the allocation basis. For example, if Solid Waste operations occupy 20% of the square footage of the Metro Regional Center they will be allocated 20% of the building's costs.

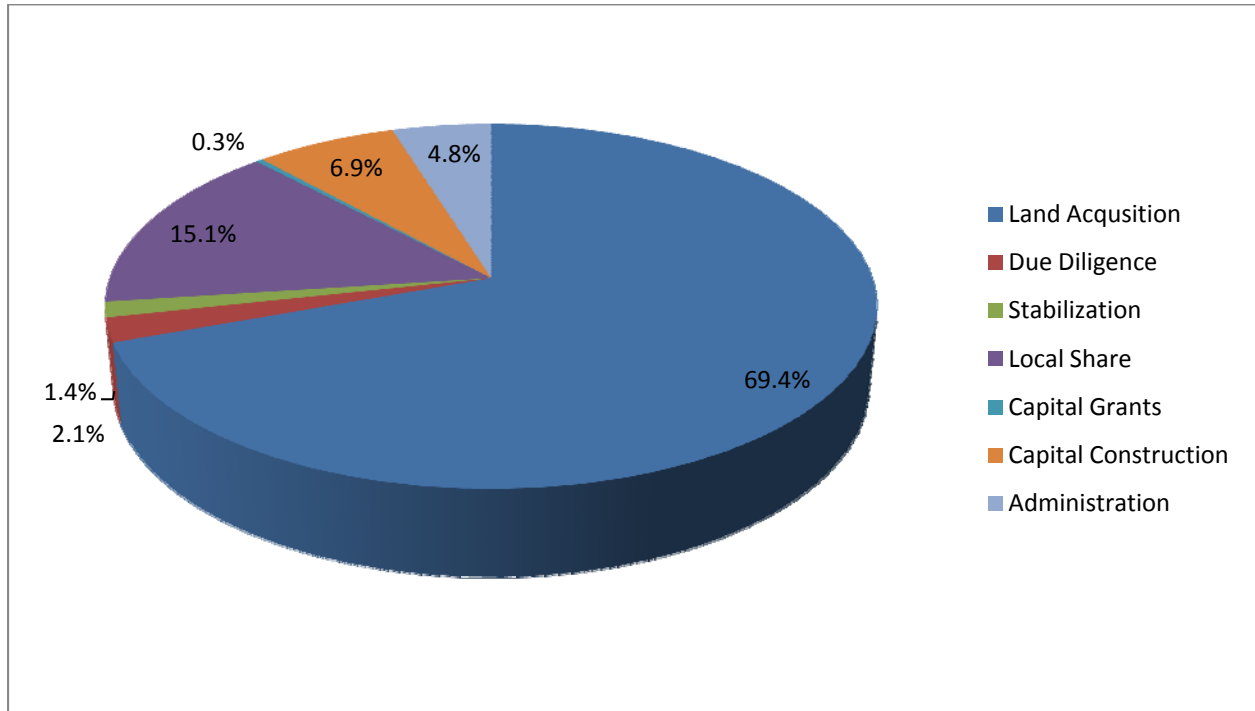
From year to year, the amount of central business costs allocated to an operating fund is subject to two variables. The first is the total cost of central business services. If the total cost goes up, an operating fund will experience an increase in the amount allocated. The second variable involves the allocation basis. If the utilization proportion used by an operating fund increases, it will receive a greater proportion of the central business costs. As a result, the amount allocated to an operating fund is dependent not only on its use but also on the use of that same service by direct services in all other operating funds service areas.

Summary

Metro's cost allocation plan conforms to federal guidelines and is used to determine interfund transfers from operating funds (Natural Areas Bond, Solid Waste, Zoo, MERC, Regional Parks, Planning, etc.) to funds accounting for Central Services. In addition, its approved methodology allows Metro to recover a portion of Central Services from federal grants.

	Basis data	07-08 CAP (final)		08-09 CAP (final)		09-10 CAP (Budget)	
		Basis %	\$	Basis %	\$	Basis %	\$
Property Services			8,345		3,812		4,380
Auto Use	Auto miles	0		2.51		6.07	
Number of Phones	# of phones	3.41		3.4		3.5	
MRC Square Footage	Square footage	5.7		1.89		1.89	
Office Services			-		10,583		6,766
Postage Usage	# of pieces	0		15		2.04	
Satellite Copier Copies	# of copies	0		3.33		2.59	
Print Shop Copies	# of copies	0		0		1.11	
Building Mgt.	Square footage	5.7	125,709	1.89	41,722	1.89	43,036
Metro Attorney	Use (projected forward)	18	318,338	30.9	592,142	25	509,835
Finance							
Financial Planning	Budget minus land, conting, unapp	0.97	2,996	1.85	7,216	2.31	7,989
Accounting	PS/M&S/DS	1.37	14,065	1.92	21,740	2.4	31,210
Finance Director	Budget minus land, conting, unapp	0.97	3,980	1.85	6,133	2.31	9,609
Procurement	incl contracts, RFPs,\$ of new contracts	0	-	9.23	42,048	2.47	12,544
Risk Management			8,847		1,258		2,108
Workers Comp	based on payroll and 3-yrs losses	2.28		1.94		1.97	
Losses (Risk Mgt)	for liability/property	0		0		0	
Property Values (bldgs)	\$ values of insured buildings	0.18		0.11		0.11	
Bonded Employees	FTE of latest budget	1.94		2.08		1.99	
HR Weighted Average	recruitments, grievances, employees	0.47	7,169	1.7	27,951	1.22	27,210
Auditor's Office	PS/M&S/DS	1.37	6,341	1.92	11,246	2.4	16,051
Outside Audit	PS/M&S/DS	1.37	1,945	1.92	2,384	2.4	2,568
Archivist	Actions before Council	0		11.03	12,557	0	-
Accounting Records Mgr	PS/M&S/DS	NA		NA	NA	2.4	2,053
COO's Office	Budget minus land, conting, unapp	0.97	2,494	1.85	8,932	2.6	16,830
IT weighted average	# ports, server use, payroll, budget	1.43	33,057	1.47	34,301	1.71	46,334
Creative Services	Use (looks back)	2	11,414	0	-	1	6,234
Sustainability Program	PS/M&S/DS	NA	NA	1.92	971	2.4	2,137
Revenue Offsets			(6,358)		(15,018)		
"Pooled Costs"	based on % overall use of Central Svcs		91,583		159,336		123,862
Total		4.6	629,925	6.78	969,314	5.42	870,756
			Plus 121,527 in direct		Plus 97,843 in direct		

**NATURAL AREAS BOND PROGRAM
FY2007 through 09/30/2009
By Requirement**



Requirements	Total Bond Project	Percentage
Land Acquisition	49,162,015	69.4%
Due Diligence	1,511,473	2.1%
Stabilization	968,346	1.4%
Local Share	10,656,317	15.1%
Capital Grants	234,942	0.3%
Capital Construction	4,861,797	6.9%
Administration	3,408,587	4.8%
Total	70,803,477	100%

2006 Natural Areas Bond Fund

Summary of Resources, Requirements and Changes in Fund Balance
(Unaudited)

	FY07		FY08		FY09		FY10 YTD as 09/30/2009		Program Total
	Amount	FTE	Amount	FTE	Amount	FTE	Amount	Amount	
Beginning Fund Balance	0		122,299,467		93,975,794		77,109,207	0	
Resources									
Bond Proceeds	130,678,369		0		0		0	130,678,369	
Interest Earnings	1,301,230		5,600,503		2,538,906		(35,111)	9,405,529	
Other Resources	10,000		27,380		5,322,056		19,253	5,378,688	
Subtotal Resources	131,989,599		5,627,883		7,860,962		(15,858)	145,462,586	
Requirements									
Land Acquisition									
Staff Costs	117,956	4.50	206,692	5.50	425,072	4.80	91,847	841,582	
Materials & Services	6,786		2,599		334,980		551	344,916	
Land Costs	7,596,372		25,224,753		14,517,159		637,232	47,975,516	
Due Diligence									
Staff Costs	0	5.00	412,029	5.00	492,589	5.00	97,124	1,001,756	
Materials & Services	96,539		199,756		183,474		29,947	509,716	
Stabilization									
Staff Costs	19,578	3.40	116,534	3.40	190,606	3.40	65,004	391,731	
Materials & Services	667		181,088		349,130		45,730	576,615	
Local Share									
Staff Costs	0	0.63	36,269	0.63	43,872	0.5	10,295	90,438	
Materials & Services	0		25		188		34	246	
Payments to Jurisdictions	400,000		4,798,366		4,316,165		1,051,103	10,565,633	
Capital Grants									
Staff Costs	0	0.87	63,831	0.87	89,352	1	9,343	162,529	
Materials & Services	0		1,400		1,363		0	2,763	
Grant Payments	0		0		49,750		19,900	69,650	
Capital Construction									
Staff Costs	0	0.80	84,071	0.80	113,921	0.80	21,391	219,386	
Capital	455,072		1,513,347		2,503,147		170,846	4,642,412	
Administration									
Bond Issuance Costs	295,889		0		0		0	295,889	
Refinement									
Staff Costs	1,477		5,426		0		0	6,903	
Materials & Services	382,030		85,882		0		0	467,912	
Direct Admin Costs									
Staff Costs	230,815	4.83	527,644	4.83	490,721	3.7	34,665	1,283,858	
Materials & Services	25,980		152,422		51,490		7,624	237,516	
Indirect Admin Costs*	60,971		339,422		574,569		141,545	1,116,507	
Other Requirements	0		0		0		0	0	
Subtotal Requirements	9,690,132	20.03	33,951,556	21.03	24,727,548	19.2	2,434,179	70,803,475	
Ending Fund Balance	122,299,467		93,975,794		77,109,208		74,659,169	74,659,169	
Administration as % of Total Expenditures									
	FY07		FY08		FY09		FY10 YTD	Total	
	10.29%		3.27%		4.52%		7.55%	4.81%	

* Indirect Administrative Expenses are those charged through internal allocation, and include services such as Human Resources, risk management, payroll, building rents, etc.

Note: Due Diligence staff costs have been removed from "Indirect Admin Costs" and the FTE for these positions is shown as a direct expense.

Natural Areas Program (19.2 FTE)

Land Acquisition (4.8 FTE)

Albo, Tommy – GIS Coordinator
Anderson, Leif – Real Estate Negotiator
Edwardson, Barbara – Real Estate Negotiator
Paulus, Fritz – Real Estate Negotiator
Spurlock, Robert – Trails Planner
Wilton, Hillary – Real Estate Negotiator

Due Diligence (5.0 FTE)

Garrahan, Paul – Senior Attorney
Hrenko, Lisa – Legal Secretary
Kirchem, Kaylene – Paralegal
McCarron, Ashley – Assistant Attorney
Starin, Karen – Paralegal

Stabilization (3.4 FTE)

Hixson, Ryan – Property Management Technician
Holleran, Kate – Natural Resource Scientist
Merrill, Jeffrey – Natural Resource Technician
Soll, Jonathan – Science and Stewardship Manager
Wulf, Laurie – Property Management Specialist

Local Share (.5 FTE)

Navarro, Mary Rose – Grants Program Coordinator

Capital Grants (1.0 FTE)

Kent, Heather – Nature in Neighborhoods Program Supervisor
Navarro, Mary Rose – Grants Program Coordinator

Capital Construction (.8 FTE)

Wojtanik, Rod – Senior Regional Planner

Administration (3.7 FTE)

Belding, Carrie – Natural Areas Program Assistant
Bergstrom, Melissa – Assistant Finance Analyst
Brennan-Hunter, Kathleen – Natural Areas Program Director
Collier, Tim – Finance Manager
Desmond, Jim – Sustainability Center Director
Haliski, Marybeth – Administrative Services Coordinator
Oppenheimer Odom, Laura – Natural Areas Communications Coordinator