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Metro | Agenda

Meeting: Metro Council
Date: Thursday, April 19, 2012
Time: 2 p.m.
Place: Metro, Council Chamber

CALL TO ORDER AND ROLL CALL

1. **INTRODUCTIONS**

2. **CITIZEN COMMUNICATIONS**

3. **CONSENT AGENDA**

3.1 Consideration of the Minutes for April 12, 2012

3.2 **Resolution No. 12-4335**, For the Purpose of Certifying that the Portland Metropolitan Area is in Compliance with the Federal Transportation Planning Requirements and Adopting the Fiscal Year 2012-13 Unified Planning Work Program.

3.3 **Resolution No. 12-4342**, For the Purpose of Confirming the Appointment of Steven Joiner, Shawn Decarlo and Anisha Scanlon and the Reappointment of Jeff Bissonnette to the North Portland Rehabilitation and Enhancement Committee (NPREC).

4. **ORDINANCES – FIRST READING**

4.1 Metro Chief Operating Officer Acting a Budget Officer Presents the Proposed Fiscal Year 2012-2013 Budget and Budget Message to the Metro Council Acting as the Budget Committee. **Bennett**

4.1.1 **Ordinance No. 12-1274**, For the Purpose of Adopting the Annual Budget for Fiscal Year FY 2012-13, Making Appropriations, Levying Ad Valorem Taxes, and Authorizing an Interfund Loan.

4.1.2 Public Hearing on Ordinance No. 12-1274.

4.2 **Ordinance No. 12-1277**, For the Purpose of Amending Metro Code Chapter 5.02 to Establish Solid Waste Disposal Charges, Recoverable Solid Waste Charges, and System fees for FY 2012-13; To Modify the Structure and to Standardize the Administration of the Recoverable Solid Waste Charge; and to Establish the Effective Date for the FY 2012-13 Solid Waste Excise Tax Rate.

5. **CHIEF OPERATING OFFICER COMMUNICATION**

6. **COUNCILOR COMMUNICATION**

ADJOURN

Television schedule for April 19, 2012 Metro Council meeting

Clackamas, Multnomah and Washington counties, and Vancouver, WA Channel 30 – Community Access Network *Web site*: www.tvctv.org *Ph*: 503-629-8534 *Date*: Thursday, April 19	**Portland** Channel 30 – Portland Community Media *Web site*: www.pcmtv.org *Ph*: 503-288-1515 *Date:* Sunday, April 22, 7:30 p.m. *Date*: Monday, April 23, 9 a.m.
Gresham Channel 30 - MCTV *Web site*: www.metroeast.org *Ph*: 503-491-7636 *Date*: Monday, April 23, 2 p.m.	**Washington County** Channel 30– TVC TV *Web site*: www.tvctv.org *Ph*: 503-629-8534 *Date*: Saturday, April 21, 11 p.m. *Date*: Sunday, April 22, 11 p.m. *Date*: Tuesday, April 24, 6 a.m. *Date*: Wednesday, April 25, 4 p.m.
Oregon City, Gladstone Channel 28 – Willamette Falls Television *Web site*: http://www.wftvmedia.org/ *Ph*: 503-650-0275 Call or visit web site for program times.	**West Linn** Channel 30 – Willamette Falls Television *Web site*: http://www.wftvmedia.org/ *Ph*: 503-650-0275 Call or visit web site for program times.

PLEASE NOTE: Show times are tentative and in some cases the entire meeting may not be shown due to length. Call or check your community access station web site to confirm program times.

Agenda items may not be considered in the exact order. For questions about the agenda, call the Metro Council Office at 503-797-1540. Public hearings are held on all ordinances second read. Documents for the record must be submitted to the Regional Engagement Coordinator to be included in the decision record. Documents can be submitted by e-mail, fax or mail or in person to the Regional Engagement Coordinator. For additional information about testifying before the Metro Council please go to the Metro web site www.oregonmetro.gov and click on public comment opportunities. For assistance per the American Disabilities Act (ADA), dial TDD 503-797-1804 or 503-797-1540 (Council Office).

Agenda Item No. 3.1

Consideration of the Minutes for April 12, 2012

Consent Agenda

Metro Council Meeting
Thursday, April 19, 2012
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Agenda Item No. 3.2

Resolution No. 12-4335, For the Purpose of Certifying that the Portland Metropolitan Area is in Compliance with the Federal Transportation Planning Requirements and Adopting the Fiscal Year 2012-13 Unified Planning Work Program.

Consent Agenda

Metro Council Meeting
Thursday, April 19, 2012
Metro, Council Chamber

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF CERTIFYING THAT THE PORTLAND METROPOLITAN AREA IS IN COMPLIANCE WITH THE FEDERAL TRANSPORTATION PLANNING REQUIREMENTS AND ADOPTING THE FISCAL YEAR 2012-13 UNIFIED PLANNING WORK PROGRAM	))))	RESOLUTION NO. 12-4335 Introduced by Chief Operating Officer Martha Bennett with the concurrence of Council President Tom Hughes

WHEREAS, the Unified Planning Work Program (UPWP) as shown in Exhibit A attached hereto, describes all Federally-funded transportation planning activities for the Portland-Vancouver metropolitan area to be conducted in FY 2012-13; and

WHEREAS, the FY 2012-13 UPWP indicates Federal funding sources for transportation planning activities carried out by Metro, Southwest Washington Regional Transportation Council, Clackamas County and its cities, Multnomah County and its cities, Washington County and its cities, TriMet, and the Oregon Department of Transportation; and

WHEREAS, approval of the FY 2012-13 UPWP is required to receive Federal transportation planning funds; and

WHEREAS, the federal self-certification findings in Exhibit B demonstrate Metro's compliance with Federal planning regulations as required to receive Federal transportation planning funds; and

WHEREAS, the FY 2012-13 UPWP is consistent with the proposed Metro Budget submitted to the Metro Council; now therefore

BE IT RESOLVED by the Metro Council:

1. That the FY 2012-13 UPWP attached hereto as Exhibit A is hereby adopted.
2. That the FY 2012-13 UPWP is consistent with the continuing, cooperative, and comprehensive planning process and is given positive Intergovernmental Project Review action.
3. That Metro's Chief Operating Officer is authorized to apply for, accept, and execute grants and agreements specified in the UPWP.
4. That staff shall update the UPWP budget figures, as necessary, to reflect the final Metro budget.
5. That staff shall submit the final UPWP and self-certification findings to the Federal Highway Administration and Federal Transit Administration.

ADOPTED by the Metro Council this ______ day of April 2012.

____

Tom Hughes, Council President

Approved as to Form:

____

Alison Kean-Campbell, Metro Attorney

Exhibit A

Click here for full report

FY 2012-13
Unified Planning Work Program

Transportation Planning in the Portland/Vancouver Metropolitan Area

March 22, 2012

Metro Self-Certification

1. **Metropolitan Planning Organization Designation**

Metro is the Metropolitan Planning Organization (MPO) designated by the Governor for the urbanized areas of Clackamas, Multnomah and Washington Counties, and operates in accordance with 23 U.S.C. 134 and 49 U.S.C. 5303.

Metro is a regional government with six directly elected district councilors and a regionally elected Council President. Local elected officials of general purpose governments are directly involved in the transportation planning/decision process through the Joint Policy Advisory Committee on Transportation (JPACT). JPACT provides the "forum for cooperative decision-making by principal elected officials of general purpose governments" as required by USDOT and takes action on the Regional Transportation Plan (RTP), the Metropolitan Transportation Improvement Program (MTIP) and the Unified Planning Work Program (UPWP). The Metro Policy Advisory Committee (MPAC) deals with non-transportation-related matters and with the adoption and amendment to the Regional Transportation Plan (RTP). Specific roles and responsibilities of the committees are described on page 2.

2. **Geographic Scope**

Transportation planning in the Metro region includes the entire area within the Federal-Aid Urban Boundary (FAUB). Metro updated the FAUB and Federal functional classification in January 2005 as recommended in Metro's 2004 Federal Review. Additionally, as part of the 2035 RTP adopted in June 2010, the Metropolitan planning area boundaries were expanded to reflect the urbanized area defined by the 2000 Census to address a corrective action from the 2008 federal certification review.

3. **Agreements**

   a. A Memorandum of Agreement between Metro and the Southwest Washington Regional Transportation Council (RTC) delineates areas of responsibility and coordination. Executed in April 2009, the Agreement will be updated in April 2012.

   b. In accordance with 23 CFR 450.314, an intergovernmental agreement (IGA) between TriMet, Oregon Department of Transportation (ODOT), and Metro was executed in July 2008, to be updated in June 2018.

   c. Yearly agreements are executed between Metro and ODOT defining the terms and use of FHWA planning funds.

   d. Bi-State Coordination Committee Charter – Metro and eleven state and local agencies adopted resolutions approving a Bi-State Coordination Committee Charter in 2004. Some were adopted in late 2003 and the balance in 2004, which triggered the transition from the Bi-State Transportation Committee to the Bi-State Coordination Committee.

   e. A Memorandum of Understanding between Metro and the Department of Environmental Quality (DEQ) describing each agency's responsibilities and roles for air quality planning. Executed in August 2010, it will not need to be updated until August 2013.

   f. A Memorandum of Understanding between Metro and South Metro Area Regional Transit (SMART) outlining roles and responsibilities for implementing the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) was updated in 2011 and is effective July 1, 2011, and will be updated in June 2014.

4. **Responsibilities, Cooperation and Coordination**

Metro uses a decision-making structure that provides state, regional, and local governments the opportunity to participate in the transportation and land use decisions of the organization. The two key committees are JPACT and MPAC. These committees receive recommendations from the

Transportation Policy Alternatives Committee (TPAC) and the Metro Technical Advisory Committee (MTAC).

JPACT

This committee is comprised of three Metro Councilors; seven locally elected officials representing cities and counties, and appointed officials from ODOT, TriMet, the Port of Portland, and DEQ. The State of Washington is also represented with three seats that are traditionally filled by two locally elected officials and an appointed official from the Washington Department of Transportation (WSDOT). All transportation-related actions (including Federal MPO actions) are recommended by JPACT to the Metro Council. The Metro Council can approve the recommendations or refer them back to JPACT with a specific concern for reconsideration. Final approval of each item, therefore, requires the concurrence of both bodies. As recommended by Metro's 2004 Federal Review, JPACT has designated a Finance Subcommittee to explore transportation funding and finance issues in detail, and make recommendations to the full committee. In FY 2007-08, JPACT completed the bylaw review recommended in Metro's 2004 Federal Review and clarified representation of South Metro Area Regional Transit representation on the committee.

Bi-State Coordination Committee

Based on a recommendation from the I-5 Transportation & Trade Partnership Strategic Plan, the Bi-State Transportation Committee became the Bi-State Coordination Committee in early 2004. The Bi-State Coordination Committee was chartered through resolutions approved by Metro, Multnomah County, the cities of Portland and Gresham, TriMet, ODOT, the Port of Portland, RTC, Clark County, C-Tran, WSDOT and the Port of Vancouver. The Committee is charged with reviewing all issues of bi-state significance for transportation and land use. A 2003 Memorandum of Understanding (MOU) states that JPACT and the RTC Board "shall take no action on an issue of bi-state significance without first referring the issue to the Bi-State Coordination Committee for their consideration and recommendation."

MPAC

This committee was established by the Metro Charter to provide a vehicle for local government involvement in Metro's planning activities. It includes eleven local elected officials, three appointed officials representing special districts, TriMet, a representative of school districts, three citizens, two non-voting Metro Councilors, two Clark County, Washington representatives and a non-voting appointed official from the State of Oregon. Under the Metro Charter, this committee has responsibility for recommending to the Metro Council adoption of or amendment to any element of the Charter-required RTP.

The Regional Framework Plan was adopted on December 11, 1997 and updated December 2005 and most recently in December 2010 and addresses the following topics:

- Transportation
- Land use (including the Metro Urban Growth Boundary (UGB))
- Nature in Neighborhoods
- Water supply and watershed management
- Natural hazards
- Coordination with Clark County, Washington
- Management and implementation

As part of the 2035 RTP adoptions there were specific changes made to the Regional Transportation Functional Plan. In accordance with this requirement, the transportation component of the Regional Framework Plan developed to meet Federal transportation planning regulations, the Oregon Transportation Planning Rule and Metro Charter requirements that require a recommendation from both MPAC and JPACT. This ensures integration of transportation with land use and environmental concerns.

5. Metropolitan Transportation Planning Products

a. Unified Planning Work Program

JPACT, the Metro Council, and the Southwest Washington RTC adopt the UPWP annually. It fully describes work projects planned for the Transportation Department during the fiscal year and is the basis for grant and funding applications. The UPWP also includes federally funded major projects being planned by member jurisdictions. These projects will be administered by Metro through intergovernmental agreements with ODOT and the sponsoring jurisdiction. As required by Metro's 2004 Federal Review, Congestion Management Process (CMP) and RTP update tasks were expanded in the UPWP narratives. The CMP was adopted as part of the 2035 RTP and can be found in Appendix 4.4. Also, Metro identified environmental justice tasks in the UPWP in the Environmental Justice and Title VI narrative and individual program narratives; elderly and disabled planning tasks have been identified in the Regional Transportation Plan program narrative.

b. Regional Transportation Plan

JPACT and the Metro Council approved the 2035 RTP in June 2010. The 2035 RTP includes a new policy for the purpose of transportation planning and project funding to address SAFETEA-LU provisions and key issues facing the region. The 2035 RTP establishes a new outcomes-based framework and new policies and tools to guide future planning and investment decisions. The plan includes a broad set of ambitious performance targets that are tied to the outcomes that the RTP is trying achieve. The targets and other performance measures included in the plan continue the region's shift away from reliance upon level-of-service as the primary measure for determining transportation needs and success of the plan's strategies. To successfully implement this new approach and make progress toward the six desired outcomes identified through the *Making the Greatest Place* effort, new actions, tools and collaboration are needed.

Finally, the 2035 RTP has three new system component plans: a Regional Transportation System Management and Operations Plan, a Regional Freight Plan and a Regional High Capacity Transit System Plan. These plans more fully articulate the integrated multi-modal regional transportation system and prioritize investments to improve the operations and efficiency of the existing transportation, improve freight reliability and strategically expand the HCT system to support 2040 Growth Concept implementation and meet other goals of the RTP. In addition, the Regional Transportation Functional Plan (RTFP) component of the RTP directs how local governments will implement the RTP.

As required by Metro's 2008 Federal Review, the 2035 update included documentation of the process for both full and administrative RTP amendments. A Regional Safety Workgroup was also formed in October 2009 to better address safety as part of Metro's planning process. Currently, the Safety Workgroup is working on a safety plan that is expected to be completed by December 2011. The safety work is included in the Transportation System Management and Operations (TSMO): Regional Mobility Narrative.

Additionally, a new map was added to Chapter 1 of the RTP that identifies the MPO Planning Boundary and the Air Quality Maintenance Area Boundary. This boundary defines the area that the RTP applies to for Federal planning purposes. The boundary includes the area inside Metro's jurisdictional boundary, the 2008 UGB and the 2000 census defined urbanized area boundary for the Portland metropolitan region. FHWA and FTA approved the 2035 RTP and the associated air quality conformity determination on February 29, 2008 and again in September 2010. Documentation of compliance with specific Federal planning requirements is summarized in subsequent sections of this document.

Work will begin in fiscal year 2012-13 to start the 2014 RTP update.

c. Metropolitan Transportation Improvement Program

The MTIP update was adopted in March 2012 and incorporated into the 2012-15 State Transportation Improvement Program (STIP). The update included the allocation of $71 million of Surface Transportation Program (STP) and Congestion Mitigation/Air Quality Program

(CMAQ) funding, programming of projects for the ODOT Modernization, Bridge, Safety, Preservation, Operations, OTIA III, Enhancements, and Immediate Opportunity Fund projects and programming of transit funding. The first year of programming is considered the priority project funding for the region. Should any of these projects be delayed, projects of equivalent dollar value may be advanced from the second, third or fourth years of the program without processing formal Transportation Improvement Program (TIP) amendments. As recommended in Metro's 2004 Federal Review, the MTIP webpage was linked to ODOT's STIP page.

6. Planning Factors

Currently, Metro's planning process addresses the SAFETEA-LU planning factors in all projects and policies. Table 1 below describes the relationship of the planning factors to Metro's activities and Table 2 outlines Metro's response to how the factors have been incorporated into the planning process. The SAFETEA-LU planning factors are:

1. Support the economic vitality of the metropolitan area, especially by enabling global competitiveness, productivity and efficiency;
2. Increase the safety of the transportation system for motorized and non-motorized users;
3. Increase the security of the transportation system for motorized and non-motorized users;
4. Increase the accessibility and mobility options available to people and for freight;
5. Protect and enhance the environment, promote energy conservation and improve quality of life;
6. Enhance the integration and connectivity of the transportation system, across and between modes, for people and freight;
7. Promote efficient management and operations; and
8. Emphasize the preservation of the existing transportation system.

As noted in Tables 1 and 2, Metro has reviewed and updated both the RTP and MTIP, and revised both documents to be compliant with SAFETEA-LU planning requirements.

Table 1: SAFETEA-LU Planning Factors

Factor	System Planning (RTP)	Funding Strategy (MTIP)	High Capacity Transit (HCT)
1. Support Economic Vitality	• RTP policies linked to land use strategies that promote economic development. • Industrial areas and intermodal facilities identified in policies as "primary" areas of focus for planned improvements. • Comprehensive, multimodal freight improvements that link intermodal facilities to industry are detailed for the plan period. • Highway Level of Service (LOS) policy tailored to protect key freight corridors. • RTP recognizes need for freight linkages to destinations beyond the region by all modes.	• All projects subject to consistency with RTP policies on economic development and promotion of "primary" land use element of 2040 development such as centers, industrial areas and intermodal facilities. • Special category for freight improvements calls out the unique importance for these projects. • All freight projects subject to funding criteria that promote industrial jobs and businesses in the "traded sector."	• HCT plans designed to support continued development of regional centers and central city by increasing transit accessibility to these locations. • HCT improvements in major commute corridors lessen need for major capacity improvements in these locations, allowing for freight improvements in other corridors.

Table 1: SAFETEA-LU Planning Factors

Factor	System Planning (RTP)	Funding Strategy (MTIP)	High Capacity Transit (HCT)
2. Increase Safety	• The RTP policies call out safety as a primary focus for improvements to the system. • Safety is identified as one of three implementation priorities for all modal systems (along with preservation of the system and implementation of the region's 2040-growth management strategy). • Work is currently underway by the Regional Safety Workgroup to develop a safety plan for the Portland Metropolitan region. The work will be completed in June 2012. Implementation will continue into 2012-13. • The RTP includes a number of investments and actions aimed at further improving safety in the region, including: ◦ Investments targeted to address known safety deficiencies and high-crash locations. ◦ Completing gaps in regional bicycle and pedestrian systems. ◦ Retrofits of existing streets in downtowns and along main streets to include on-street parking, street trees marked street crossings and other designs to slow traffic speeds to follow posted speed limits. ◦ Intersection changes and ITS strategies, including signal timing and real-time traveler information on road conditions and hazards. ◦ Expanding safety education, awareness and multi-modal data collection efforts at all levels of government. ◦ Expand safety data collection efforts and create a better system for centralized crash data for all modes of travel.	• All projects ranked according to specific safety criteria. • Road modernization and reconstruction projects are scored according to relative accident incidence. • All projects must be consistent with regional street design guidelines that provide safe designs for all modes of travel.	• Station area planning for proposed HCT improvements is primarily driven by pedestrian access and safety considerations.

Table 1: SAFETEA-LU Planning Factors

Factor	System Planning (RTP)	Funding Strategy (MTIP)	High Capacity Transit (HCT)
3. Increase Security	• System security was incorporated into the 2035 RTP. • Security and emergency management activities are summarized in Section 1.6 of the 2035 RTP (Pages 1-38 – 1-40). • Policy framework in Section 2.3 of the 2035 RTP includes, “Goal 5: Enhance Safety and Security,” and specific security objectives and potential actions to increase security of the transportation system for all users. • Includes investments that increase system monitoring for operations, management and security of the regional mobility corridor system. • Actions direct Metro to work with local, state and regional agencies to identify critical infrastructure in the region, assess security vulnerabilities and develop coordinated emergency response and evacuation plans. • Actions direct transportation providers to monitor the regional transportation and minimize security risks at airports, transit facilities, marine terminals and other critical infrastructure.		• System security has been a routine element of the HCT program, and does not represent a substantial change to current practice.

Table 1: SAFETEA-LU Planning Factors

Factor	System Planning (RTP)	Funding Strategy (MTIP)	High Capacity Transit (HCT)
4. Increase Accessibility	• The RTP policies are organized on the principle of providing accessibility to centers and employment areas with a balanced, multi-modal transportation system. • The policies also identify the need for freight mobility in key freight corridors and to provide freight access to industrial areas and intermodal facilities. • The plan emphasizes accessibility and reliability of the system, particularly for commuting and freight, and includes a new, more customized approach to managing and evaluating performance of mobility corridors. This new approach builds on using new, cost-effective technologies to improve safety, optimize the existing system, and ensure freight transporters and commuters have a broad range of travel options in each corridor.	• Measurable increases in accessibility to priority land use elements of the 2040-growth concept is a criterion for all projects. • The MTIP program places a heavy emphasis on non-auto modes in an effort to improve multi-modal accessibility in the region.	• The planned HCT improvements in the region will provide increased accessibility to the most congested corridors and centers. • Planned HCT improvements provide mobility options to persons traditionally underserved by the transportation system.

Table 1: SAFETEA-LU Planning Factors (continued)

Factor	System Planning (RTP)	Funding Strategy (MTIP)	High Capacity Transit (HCT)
5. Protect Environment and Quality of Life	• The RTP is constructed as a transportation strategy for implementing the region's 2040-growth concept. The growth concept is a long-term vision for retaining the region's livability through managed growth. • The RTP system has been "sized" to minimize the impact on the built and natural environment. • The region has developed an environmental street design guidebook to facilitate environmentally sound transportation improvements in sensitive areas, and to coordinate transportation project development with regional strategies to protect endangered species. • The RTP conforms to the Clean Air Act. • Many new transit, bicycle, pedestrian and Transportation Demand Management (TDM) projects have been added to the plan to provide a more balanced multi-modal system that maintains livability. • RTP transit, bicycle, pedestrian and TDM projects will complement the compact urban form envisioned in the 2040 growth concept by promoting an energy-efficient transportation system. • Metro coordinates its system level planning with resource agencies to identify and resolve key issues. • The region's parking policies (Title 4 of the Regional Transportation Functional Plan) are also designed to encourage the use of alternative modes, and reduce reliance on the automobile, thus promoting energy conservation and reducing air quality impacts.	• The MTIP conforms to the Clean Air Act and continues to comply with the air quality maintenance plan in accordance with sections 174 and 176 (c) and (d) of the Clean Air Act, as amended (42 U.S.C. 7504, 7605 (c) and (d)) and 40 CFR part 93. • The MTIP focuses on allocating funds for clean air (CMAQ), livability (Transportation Enhancement) and multi- and alternative modes (STIP). • Bridge projects in lieu of culverts have been funded through the MTIP to enhance endangered salmon and steelhead passage. • "Green Street" demonstration projects funded to employ new practices for mitigating the effects of storm water runoff.	• HCT improvements provide emission-free transportation alternatives to the automobile in some of the region's most congested corridors and centers. • HCT transportation alternatives enhance quality of life for residents by providing an alternative to auto travel in congested corridors and centers.

Table 1: SAFETEA-LU Planning Factors (continued)

Factor	System Planning (RTP)	Funding Strategy (MTIP)	High Capacity Transit (HCT)
6. System Integration/ Connectivity	• The RTP includes a functional classification system for all modes that establishes an integrated modal hierarchy. • The RTP policies and Functional Plan include a street design element that integrates transportation modes in relation to land use for regional facilities. • The RTP policies and Functional Plan include connectivity provisions that will increase local and major street connectivity. • The RTP freight policies and projects address the intermodal connectivity needs at major freight terminals in the region. • The intermodal management system identifies key intermodal links in the region.	• Projects funded through the MTIP must be consistent with regional street design guidelines. • Freight improvements are evaluated according to potential conflicts with other modes.	• Planned HCT improvements are closely integrated with other modes, including pedestrian and bicycle access plans for station areas and park-and-ride and passenger drop-off facilities at major stations.
7. Efficient Management & Operations	• The policy component of the 2035 RTP includes specific provisions for efficient system management and operation (2035 RTP Goal 4), with an emphasis on TSM, ATMS and the use of non-auto modal targets (Table 2.5) to optimize the existing and planned transportation system. • The 2035 RTP included adoption of the Regional Transportation System Management and Operations (TSMO) Plan. The TSMO Plan includes project and corridor prioritization. • Proposed RTP projects include many system management improvements along regional corridors. • The plan also calls for consideration of value pricing in the region to better manage capacity and peak use of the throughway system. However, more work is needed to gain public acceptance of this tool.	• Projects are scored according to relative cost effectiveness (measured as a factor of total project cost compared to measurable project benefits). • TDM projects are solicited in a special category to promote improvements or programs that reduce single occupancy vehicle (SOV) pressure on congested corridors. • TSM/ITS projects are funded through the MTIP.	• Proposed HCT improvements include redesigned feeder bus systems that take advantage of new HCT capacity and reduce the number of redundant transit lines.

7. Public Involvement

Metro maintains a proactive public involvement process that provides complete information, timely public notice, and full public access to key decisions. Metro supports early and continuing involvement of the public in developing its policies, plans and programs. Public Involvement Plans are designed to both support the technical scope and objectives of Metro studies and programs while simultaneously providing for innovative, effective and inclusive opportunities for engagement. Every effort is made to employ broad and diverse methods, tools and activities to reach potentially impacted communities and other neighborhoods and to encourage the participation of low-income and minority citizens and organizations.

All Metro UPWP studies and projects that have a public involvement component require a Public Involvement Plan (PIP) that meets or exceeds adopted public involvement procedures. Metro consults with the Metro Committee for Citizen Involvement (MCCI) in the development of individual PIPs. Included in individualized PIPs are strategies and methods to best involve a diverse citizenry. Some of these may include special public opinion survey mechanisms, translation of materials for non-English speaking members of the community, citizen working committees or advisory committee structures, special task forces, web instruments and a broad array of public information materials. Hearings, workshops, open houses, charrettes and other activities are also held as needed.

The work program and PIP for the 2035 RTP update was developed with input from Metro's Advisory Committees, including Metro's Committee for Citizen Involvement. The 2035 RTP update included workshops, informal and formal input opportunities as well as a 30-day+ comment period for the community, affected public agencies, representatives of transportation agency employees, freight shippers, providers of freight transportation services, private providers of transportation, representatives of users of public transit, and other interested persons. Public involvement opportunities and key decision points were published in the *Oregonian* and other community newspapers, posted on Metro's web site, e-mailed via the Planning Department E-News to more than 4,500 individuals, and advertised through Metro's transportation hotline. All plan documents were simultaneously published (and regularly updated) on the Metro web site, including draft plan amendments, the update schedule, other explanatory materials and summaries of public comments received. Appendix 4.3 of the 2035 RTP describes the public engagement process in more detail.

The MTIP relies on early program kick-off notification, inviting input on the development of criteria, project solicitation, project ranking and the recommended program. Workshops, informal and formal opportunities for input as well as a 30-day+ comment period are repetitive aspects of the MTIP process. By assessing census information, block analysis is conducted on areas surrounding each project being considered for funding to ensure that environmental justice principles are met and to identify where additional outreach might be beneficial.

TPAC includes six citizen positions that are geographically and interest area diverse and filled through an open, advertised application and interview process. TPAC makes recommendations to JPACT and the Metro Council. Metro Council adopted an update to Metro's Transportation Public Involvement Policy in October 2009.

Title VI – In April 2007, Metro completed and submitted its Title VI Plan to the FTA. This plan is now being implemented through updates to Metro's RTP and MTIP, and through corridor planning activities in the region. It includes both a non-discrimination policy and complaint procedure. On Aug. 30, 2011, Metro submitted a Title VI Compliance Report to ODOT, covering a 15 month period from April 1, 2010, through June 30, 2011. With approval from ODOT's office of civil rights granted on June 6, 2011, Metro is transitioning to a July 1 to June 30 reporting period, with Title VI Compliance Reports due to ODOT on Aug. 30 after the end of each annual reporting period. The next annual report will be due Aug. 30, 2013, covering July 1, 2012 to June 30, 2013. As of March 2012, Metro was revising its Limited English Proficiency Plan as part of an update to its Title VI Program for FTA.

Environmental Justice – The intent of environmental justice (EJ) practices is to ensure the needs of minority and disadvantaged populations are considered and the relative benefits/impacts of individual projects on local communities are thoroughly assessed and vetted. Metro continues to expand and explore environmental justice efforts that provide early access to and consideration of planning and project development activities. Metro's EJ program is organized to communicate and seek input on project proposals and to carry those efforts into the analysis, community review and decision-making processes. In addition, Metro established an agency diversity action team. The team is responsible for identifying opportunities to collaboratively develop and implement sustainable diversity initiatives across and throughout the agency. Metro's diversity efforts are most evident in three areas: Contracts and Purchasing, Community Outreach, and Recruitment and Retention. Additionally, as part of Metro's Regional Flexible Fund Allocation (RFFA), a process Metro conducts every two years to distribute federal funding to regional programs and local projects, equity analysis and outreach was conducted. Over the years, Metro has worked to integrate equity considerations to a greater degree every cycle, with the 2014-15 allocation process being the strongest effort so far in ensuring that underserved populations are not only considered in the decision-making process, but that projects are developed around better meeting the needs of communities that have been traditionally underserved.

Efforts to develop an "equity lens" through which decisions are made in the region are ongoing, as are the challenges of applying this lens to everyday planning activities and analysis. This cycle of RFFA attempted to address equity by increasing our knowledge about underserved community transportation needs and access and where concentrations of communities in need are located. Local project applicants were provided this information to propose projects in areas that face the greatest transportation barriers in meeting daily needs of residents with the desired outcome of additional investment in areas of most need. Metro's increased focus on equity in this RFFA cycle reflects national and regional shifts in regulations and policies that emphasize the importance of increasing equity in our practices to better meet the needs of communities in the region and respond to shifting demographics.

In order to reach out to additional stakeholders in the 2014-15 process, Metro staff initiated the development of an Environmental Justice (EJ) and underserved communities working group. This group was key in providing information about the transportation needs of EJ and underserved communities. The group was formed by developing a list of contacts representing non-profits, government agencies, advocacy groups and others working with these communities of concern to invite to participate in the working group.

For the first time in the program's history, a joint task force was charged with developing the criteria for project scoping and prioritization. Metro staff invited community members and professionals involved with active transportation and freight related systems to attend five meetings. In addition, two individuals participating on the EJ/underserved working group served on the task force and reported on the findings of the working group. Their participation and perspective was influential in integrating equity into the highest level criteria and thus shaping where the projects are located and how they address the needs of underserved communities.

A more detailed description of the equity analysis methodology and outreach process is available on Metro's website.

8. <u>Disadvantaged Business Enterprise</u>

A revised Disadvantaged Business Enterprise (DBE) program was adopted by the Metro Council in June 1997 (Ordinance No. 97-692A).

Metro's DBE program was reviewed and submitted to FTA in August 1999. Metro currently piggybacks on ODOT's DBE program.

9. <u>Americans with Disabilities Act</u>

The Americans with Disabilities Act (ADA) Joint Complementary Paratransit Plan was adopted by the TriMet Board in December 1991 and was certified as compatible with the RTP by Metro Council in January 1992. The plan was phased in over five years and TriMet has been in compliance since January 1997. Metro approved the 1997 plan as in conformance with the RTP. FTA audited and approved the plan in summer 1999. The Special Transportation Funding Advisory Committee, staffed by TriMet, coordinated with Metro as the MPO in updating the Coordinated Human Services Transportation Plan adopted in June 2009 (http://trimet.org/pdfs/publications/Coordinated_Human_Services_Transportation_Plan.pdf)

10. Affirmative Action

In accordance with 49 U.S.C. 5331, 42 U.S.C. 6101, Section 324 of title 23 U.S.C. and Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) and 49 CFR part 27, Metro states as its policy a commitment to provide equal employment opportunities without regard to race, color, religion, national origin, sex, age, disability, sexual orientation, or marital or familial status, except where a bona fide occupational qualification exists. Compliance with this policy is administered by Metro's Human Resources Department.

11. Construction Contracts

Provisions of 23 CFR part 230 do not apply to Metro as Metro does not administer Federal and Federal-aid highway construction contracts.

12. Lobbying

Annually Metro certifies compliance with 49 CFR 20 through the FTA TEAM system.

Table 2: Metro's Response to SAFTETEA-LU Provisions

SAFTETEA-LU Provision for all MPOs	**Metro Response**
Consult/Coordinate with planning officials responsible for planned growth, economic development, environmental protection, airport operations, and freight movement.	Metro's transportation planning and land-use planning functions are within the same department and coordinate internally. • Metro facilitates this consultation, coordination and decision-making through four advisory committee bodies –the Joint Policy Advisory Committee on Transportation (JPACT), the Metro Policy Advisory Committee (MPAC), the Transportation Policy Alternatives Committee (TPAC) and the Metro Technical Advisory Committee (MTAC). Metro consults MPAC on land-use activities. • Metro is a member of Regional Partners for Economic Development and endorsed the Consolidated Economic Development Strategy (CEDS). • Metro has implemented a fish and wildlife habit protection program through regulations, property acquisition, education and incentives. • Metro has a standing committee to coordinate with public agencies with environmental protection responsibility. • The Port of Portland manages the airport and marine terminal, and is represented on both TPAC and JPACT. • Metro also coordinated with freight, rail, airport operations and business interests through the Regional Freight and Goods Movement Task Force and Regional Freight and Goods Movement Technical Advisory Committee in developing a Regional Freight Plan. The Regional Freight Plan was adopted as part of the 2035 RTP in June 2010.
Promote consistency between transportation improvements and State and local planned growth and economic development.	Metro transportation and land-use planning is subject to approval by the Oregon Department of Land Conservation and Development.
Give safety and security due emphasis as separate planning factors.	Metro addressed security and safety as individual factors in the update to the RTP in 2010. • Separate background research papers were developed during Phase 2 of the update to document current safety issues and planning efforts, and current security planning efforts in the region. This research is included Appendix 7.0 was considered during the formulation of the 2035 RTP goals, objectives, projects and potential actions included in Chapter 2 and investment priorities in Chapter 3 of the 2035 RTP. Additionally, Metro staffs the Regional Emergency Management Group (REMG), which has expanded its scope to include anti-terrorism preparedness, TriMet's responsibility for transit security plans, ODOT's responsibility for coordination of state security plans, Port of Portland's responsibility for air, marine and other Port facilities security plans and implementation of system management strategies to improve security of the transportation system (e.g., security cameras on MAX and at transit stations). The group brings together local emergency managers to plan responses to security concerns and natural hazards.

	Metro has convened a Regional Safety Workgroup to better address safety in the MPO planning process. The Safety Workgroup is developing a safety plan for the Portland Metropolitan region that will be completed in June 2012. Implementation will begin in fiscal year 2012-13.

Table 2: Metro's Response to SAFTETEA-LU Provisions (continued)

SAFTETEA-LU Provision for all MPOs	**Metro Response**
Discuss in the transportation plan potential environmental mitigation activities to be developed in consultation with Federal, State, and tribal wildlife, land management, and regulatory agencies.	SAFETEA-LU provisions for additional consultation with state and Federal resource agencies, and tribal groups that were not already part of Metro's existing committee structure were met through a consultation meeting held on October 16, 2007 with the Collaborative Environmental Transportation Agreement for Streamlining (CETAS) work group, consisting of the Oregon Department of Transportation and ten state and Federal transportation, natural resource, cultural resource and land-use planning agencies. A background research paper was also developed during Phase 2 of the update to document current environmental trends, issues and current mitigation strategies in the region. This research was considered during the formulation of the 2035 RTP goals, objectives, projects and potential actions included in Chapter 2 and investment priorities in Chapter 3 of the 2035 RTP. In addition, staff conducted an analysis of the potential environmental effects of transportation investments. The background research report and environmental considerations analysis is included in Appendix 7.0.
Consult with State and local agencies responsible for land use management, natural resources, environmental protection, conservation, and historic preservation in development of the transportation plan.	SAFETEA-LU provisions for additional consultation with state and Federal resource agencies, and tribal groups that were not already part of Metro's existing committee structure were met through a consultation meeting held on October 16, 2007 with the Collaborative Environmental Transportation Agreement for Streamlining (CETAS) work group, consisting of the Oregon Department of Transportation and ten state and Federal transportation, natural resource, historic, cultural resource and land-use planning agencies. A background research paper was also developed during Phase 2 of the update to document current environmental trends, issues and mitigation strategies in the region. This research was considered during the formulation of the 2035 RTP goals, objectives, projects and potential actions included in Chapter 2 and investment priorities in Chapter 3 of the 2035 RTP. In addition, staff conducted an analysis of the potential environmental effects of transportation investments – this analysis included a comparison of the RTP investments with available State Conservation maps and inventories of historic resources. The background research report and environmental considerations analysis is included in Appendix 7.0.

Table 2: Metro's Response to SAFTETEA-LU Provisions (continued)

SAFTETEA-LU Provision for all MPOs	**Metro Response**
Include operation and management strategies to address congestion, safety, and mobility in the transportation plan.	• System management policies in the RTP (2035 RTP Section 3.4.4) and resulting projects and programs are intended to maximize the use of existing facilities to address congestion, safety and mobility. • The Transportation System Management and Operations (TSMO) Plan was adopted as part of the 2035 RTP in June 2010. The TSMO Plan guides the region's continued investment in operation, management and data collection to invest efficiently in transportation. • The regional CMP also requires local jurisdictions to explore system management solutions before adding roadway capacity to the regional system. The key framework for the CMP was the Mobility Corridors identified as part of the 2035 RTP development. Chapter 4 of the 2035 RTP lays out specific strategies for each mobility corridor for addressing the goals and policies of the RTP. The CMP can be found in Appendix 4.4 of the 2035 RTP. • The plan also calls for consideration of value pricing in the region to better manage capacity and peak use of the throughway system. • RTP projects in Chapter 3 include many system management improvements along regional mobility corridors and the supporting arterial system. • Metro has established a Regional Transportation Options Committee as a subcommittee of TPAC to address demand management. The TransPort Committee is a subcommittee of TPAC to address ITS and operations. • Metro has convened a Regional Safety Workgroup to better address safety in the MPO planning process. The Safety Workgroup is developing a safety plan for the Portland Metropolitan region that will be completed in June 2012. Implementation will begin in fiscal year 2012-13.

Table 2: Metro's Response to SAFTETEA-LU Provisions (continued)

SAFTETEA-LU Provision for all MPOs	**Metro Response**
Develop a participation plan in consultation with interested parties that provides reasonable opportunities for all parties to comment on transportation plan.	Metro has public involvement policy for regional transportation planning and funding activities to support and encourage board-based public participation in development and review of Metro's transportation plans. The Transportation Planning Public Involvement Policy was last updated in June 2009. The work program and public participation plan (PPP) for the 2035 RTP update was developed with input from Metro's Advisory Committees, including Metro's Committee for Citizen Involvement. Approval of the 2035 RTP, Ordinance No. 10-1241B, followed JPACT and Metro Council consideration of approximately 300 comments received during the public comment period. The comments were summarized into a comment log and Public Comment Summary Report. Refinements were recommended to respond to the comments received. The comment period for the Air Quality Conformity Determination provided an opportunity for public review and comment on the air quality conformity methodology and results. *Appendix 4.3 in the 2035 RTP describes the public process in more detail.*
Employ visualization techniques to describe plan and make information available (including transportation plans) to the public in electronically accessible format such as on the Web.	On a regular basis, Metro employs visualization techniques. Examples include: • RTP document is available on Metro's website • RTP newsletters and maps • MTIP document is available on Metro's website • GIS maps to illustrate planning activities • Participation in FHWA GIS Web Training Video simulation of light rail on the Portland Mall and I-205 Corridor.
Update the plan at least every 4 years in non-attainment and maintenance areas, 5 years in attainment areas.	2035 RTP update was completed on June 10, 2010.
Update the TIP at least every 4 years, include 4 years of projects and strategies in the TIP.	Initiated MTIP and STIP update for spring 2012.
SAFETEA-LU includes a new requirement for a "locally developed, coordinated public transit/human services transportation plan" to be eligible for formula funding under three FTA grant programs (5310,5316,5317) It is not clear yet who will be responsible for these plans.	Metro participates on the Special Transportation Fund Advisory Committee and Regional Transportation Coordinating Council of the Elderly and Disabled Transportation Plan. A coordinated human services and public transportation plan is under development by those committees and has been integrated into the 2010 RTP update.

STAFF REPORT

IN CONSIDERATION OF RESOLUTION NO. 12-4335, FOR THE PURPOSE OF CERTIFYING THAT THE PORTLAND METROPOLITAN AREA IS IN COMPLIANCE WITH FEDERAL TRANSPORTATION PLANNING REQUIREMENTS AND ADOPTING THE FISCAL YEAR 2012-13 UNIFIED PLANNING WORK PROGRAM

Date: March 22, 2012

Prepared by: Josh Naramore
(503) 797-1825

BACKGROUND

Federal transportation agencies (Federal Transit Administration [FTA] and Federal Highway Administration [FHWA]) require a self-certification that Metro's planning process is in compliance with certain Federal requirements as a prerequisite to receiving Federal funds. The self-certification documents that we have met those requirements and is considered yearly at the time of Unified Planning Work Program (UPWP) approval. Required self-certification areas include:

- Metropolitan Planning Organization (MPO) designation
- Geographic scope
- Agreements
- Responsibilities, cooperation and coordination
- Metropolitan Transportation Planning products
- Planning factors
- Public Involvement
- Title VI
- Environmental Justice
- Disadvantaged Business Enterprise (DBE)
- Americans with Disabilities Act (ADA)
- Affirmative Action
- Construction Contracts
- Lobbying

Each of these areas is discussed in Exhibit A to Resolution No. 12-4335.

ANALYSIS/INFORMATION

1. **Known Opposition** – No known opposition
2. **Legal Antecedents** – this resolution certifies that the Portland metropolitan area is in compliance with Federal transportation planning requirements as defined in Title 23 of the Code of Federal Regulations, Parts 450 and 500, and title 49, of the Code of Federal Regulations, Part 613.
3. **Anticipated Effects** – Approval will mean that grants can be submitted and contracts executed so work can commence on July 1, 2012, in accordance with established Metro priorities.
4. **Budget Impacts** – Approval of this resolution is a companion to the UPWP. It is a prerequisite to receipt of Federal planning funds and is, therefore, critical to the Metro budget. The UPWP matches projects and studies reflected in the proposed Metro budget submitted by the Metro Chief Operating Officer to the Metro Council. The UPWP is subject to revision in the final adopted Metro budget.

RECOMMENDED ACTION

Approve Resolution No. 12-4335 certifying that the Portland metropolitan area is in compliance with Federal transportation planning requirements.

Agenda Item No. 3.3

Resolution No. 12-4342, For the Purpose of Confirming the Appointment of Steven Joiner, Shawn Decarlo and Anisha Scanlon and the Reappointment of Jeff Bissonnette to the North Portland Rehabilitation and Enhancement Committee (NPREC).

Consent Agenda

Metro Council Meeting
Thursday, April 19, 2012
Metro, Council Chamber

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF CONFIRMING THE APPOINTMENT OF STEVEN JOINER, SHAWN DECARLO AND ANISHA SCANLON AND THE REAPPOINTMENT OF JEFF BISSONNETTE TO THE NORTH PORTLAND REHABILITATION AND ENHANCEMENT COMMITTEE (NPREC)	)))))))	RESOLUTION NO. 12-4342 Introduced by Chief Operating Officer Martha Bennett, with the concurrence of Council President Tom Hughes

WHEREAS, Metro Code Chapter 2.19.140 provides for a North Portland Rehabilitation and Enhancement Committee (NPREC); and,

WHEREAS, Metro Code 2.19.140(b) authorizes seven citizen representatives for NPREC membership; and,

WHEREAS, vacancies have occurred in the NPREC membership; and,

WHEREAS, the Council President has appointed Steven Joiner to the position of Kenton neighborhood representative, Shawn DeCarlo to the position of St. Johns neighborhood representative and Anisha Scanlon to the position of University Park neighborhood representative, subject to confirmation by the Metro Council; and,

WHEREAS, Metro Code Chapter 2.19.030 states that advisory committee members and alternate members are limited to two consecutive two-year terms; and,

WHEREAS, Jeff Bissonnette's initial term has expired and he has expressed interested in serving another term; and,

WHEREAS, Jeff Bissonnette is a member in good standing and his reappointment is supported by the Committee and Committee Chair; and,

WHEREAS, the Council President has reappointed Jeff Bissonnette, subject to confirmation by the Metro Council; now, therefore,

BE IT RESOLVED, that the Metro Council confirms the appointment of Steven Joiner, Shawn DeCarlo and Anisha Scanlon and the reappointment of Jeff Bissonnette to serve on the North Portland Rehabilitation and Enhancement Committee.

ADOPTED by the Metro Council this 19th day of April, 2012.

____

Tom Hughes, Council President

Approved as to Form:

____

Alison Kean Campbell, Metro Attorney

STAFF REPORT

IN CONSIDERATION OF RESOLUTION NO. 12-4342, FOR THE PURPOSE OF CONFIRMING THE APPOINTMENT OF STEVEN JOINER, SHAWN DECARLO AND ANISHA SCANLON AND THE REAPPOINTMENT OF JEFF BISSONNETTE TO THE NORTH PORTLAND REHABILITATION AND ENHANCEMENT COMMITTEE (NPREC)

Date: April 19, 2012 Prepared by: Karen Blauer, 503-797-1506

BACKGROUND

The eight-member North Portland Rehabilitation and Enhancement Committee (NPREC) is charged with making recommendations to the Metro Council regarding policies and the administration of the rehabilitation and enhancement program for the North Portland area, including recommending projects for funding.

Metro Code 2.19.140(b) authorizes membership on the Committee, including seven citizen neighborhood representatives. Metro Code 2.19.030, concerning membership of advisory committees, limits these representatives to two consecutive two-year terms. The term of one member, Jeff Bissonnette, representing the Cathedral Park neighborhood, has expired. Mr. Bissonnette is a member in good standing and Councilor Rex Burkholder, chair of the NPREC, supports his reappointment. Furthermore, Mr. Bissonnette has expressed interest in serving a second term on the NPREC.

Three vacancies have occurred in the North Portland Rehabilitation and Enhancement Committee membership. Metro Code Chapter 2.19.140, "North Portland Rehabilitation and Enhancement Committee (NPREC)," provides for the NPREC and subsection 2.19.140(b) authorizes representatives for Committee membership and representation criteria. The vacancies in the NPREC membership exist due to term limits for members representing the Arbor Lodge, Kenton, St. Johns and University Park neighborhoods.

A recruitment effort to fill the remaining positions was launched in March 2012 with a letter sent from Rex Burkholder, Metro Councilor and North Portland Enhancement Committee chair, to approximately 350 community leaders (including representatives of North Portland neighborhood and business associations, local schools, nonprofit and advocacy organizations, cultural groups and government officials and staff), as well as to local residents. In addition, an advertisement was placed in the local newspaper, the St. Johns Review. The announcement directed those interested in applying to Metro's website where more details and an Applicant Interest Form were posted. The advertisement and a copy of Councilor Burkholder's letter appear here as Attachments 1 and 2.

A panel comprised of past Metro grant selection committee members and community organizers reviewed and evaluated applicants and provided a recommendation for nominations to the Metro Council. A copy of the panel's recommendation appears as Attachment 3. The panel included Mike Salvo (resident of University Park, vice president of the North Portland Business Association and former member of the North Portland Enhancement Committee), Robin Plance (former chair of Friends of Cathedral Park Neighborhood Association and former member of the North Portland Enhancement Committee), Doretta Schrock (vice chair of Kenton Neighborhood Association and former member of the North Portland Enhancement Committee) and Tom Griffin-Valade (District Director of the North Portland Neighborhood Services office).

Two candidates applied for the Kenton and St. Johns positions; one for University Park. The panel recommends the appointment of Steven Joiner (Kenton), Shawn DeCarlo (St. Johns) and Anisha Scanlon (University Park). All are active in and knowledgeable about their neighborhoods, have professional expertise and credentials that will be an asset to Metro's committee and decision-making process, and received "high" ratings from the review panel. Copies of the candidates' applications and the review panel's recommendations are included here as Attachments 4, 5 and 6.

ANALYSIS/INFORMATION

1. **Known Opposition**
   There is no known opposition to the appointment of Steven Joiner, Shawn DeCarlo and Anisha Scanlon and the reappointment of Jeff Bissonnette to the NPREC.

2. **Legal Antecedents**
   Chapter 2.19 of the Metro Code Relating to Advisory Committees, Section 2.19.140, provides for a North Portland Rehabilitation and Enhancement Committee (NPREC) and sets forth guidelines for representation.

3. **Anticipated Effects**
   Adoption of this resolution would confirm the appointment of Steven Joiner, Shawn DeCarlo and Anisha Scanlon and the reappointment of Jeff Bissonnette to the NPREC.

4. **Budget Impacts**
   There are no known costs associated with implementation of this legislation.

RECOMMENDED ACTION

Tom Hughes, Council President, and Councilor Rex Burkholder, chair of the North Portland Rehabilitation and Enhancement Committee, recommend adoption of this resolution to confirm the appointment of Steven Joiner, Shawn DeCarlo and Anisha Scanlon and the reappointment of Jeff Bissonnette to serve on the North Portland Rehabilitation and Enhancement Committee.

solve
fix
restore
connect

apply now

Do you want a say in awarding grants to projects and programs that benefit and promote community in North Portland neighborhoods? Metro is now recruiting community activists to serve on the North Portland enhancement grant selection committee. Applications are being accepted from residents of the following neighborhoods:

- Arbor Lodge
- Kenton
- St. Johns
- University Park

Application deadline
5 p.m. Monday, March 26, 2012

To get more details and download an application form, visit
www.oregonmetro.gov/grants

or contact community grants coordinator Karen Blauer at karen.blauer@oregonmetro.gov or 503-797-1506.

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Portland, OR 97232-2736
www.oregonmetro.gov

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March 5, 2012

Dear Friend:

Metro is recruiting for representatives from the community to serve a two-year term on Metro's North Portland Enhancement Committee. There are four open positions to be filled. Applications are being accepted from residents of the following neighborhoods:

Arbor Lodge
Kenton
St. Johns
University Park

Please consider people who you believe would be good prospects to help select local grant projects to fund and encourage them to apply now. **The application deadline is 5 p.m. Monday, March 26, 2012.**

As Metro Councilor representing the district, I chair the committee. Seven citizen members round out the group, all of whom represent neighborhoods within the grant target area. Committee members help develop a plan for administering grant funds, solicit and review grant applications, and select projects to fund that will benefit the area affected by the now-closed St. Johns landfill. The desirable characteristics of candidates include the following:

- respected community leader
- knowledgeable about the interests and needs of the neighborhood and the larger community
- strategic thinker and effective communicator
- able to collaborate with others

Committee members must live within the grant target area and are expected to attend two to three meetings per grant cycle - usually in the spring. Current and past committee members have commented that their work, though limited in scope and time commitment, is challenging and very rewarding. More details about the committee and the grant program are on Metro's website (www.oregonmetro/grants).

Candidates need to complete the attached "appointment interest form" and submit it to Metro by 5 p.m. Monday, March 26 by US mail (at 600 NE Grand Ave., Portland, OR 97232) or by email (to karen.blauer@oregonmetro.gov). A panel of past committee members from North Portland will review applications and forward a nomination to me. The appointment will be confirmed by the Metro Council in early April.

The 2012–13 grant cycle marks the 25th year Metro has invested funds in the community through the North Portland enhancement program. In that time, more than $2.2 million has been awarded to help fund 460 neighborhood improvement projects. Thank you again for your help with Metro's recruitment for this important committee.

Sincerely,

Rex Burkholder, Metro Councilor (District 5)
Chair, North Portland Enhancement Committee

Attachment: appointment interest form

Metro

NORTH PORTLAND ENHANCEMENT COMMITTEE
APPOINTMENT INTEREST FORM

COMMENTS: (this section to be filled out by review panel)

INFORMATION

NAME: NEIGHBORHOOD:

HOME ADDRESS:
STREET CITY STATE ZIP

BUSINESS ADDRESS:
STREET CITY STATE ZIP

HOME PHONE: BUSINESS PHONE:

CELL PHONE:

E-MAIL:

Metro strives for membership on its committee that reflects the diversity of the North Portland community. THE FOLLOWING INFORMATION IS VOLUNTARY:

GENDER: **ETHNIC ORIGIN:**

EDUCATION:

SCHOOL (include high school) LOCATION MAJOR OR DEGREE

1. **Please describe your leadership style and strengths (e.g., visionary, organizer, analyzer, connector, other) and related qualifications you would contribute to this public service appointment (e.g., project management, accounting, mediation, public relations, other). Why would others describe you as a respected community leader?**

2. **Please list relevant experience serving North Portland that demonstrates your knowledge of the interests, assets and needs of the neighborhood and the larger community. Give an example of creative or critical ideas you contributed to a project or program.**

3. **Please explain how you keep informed and aware of the community's diverse needs and priorities. Give an example of tactics you use to communicate effectively with others.**

4. **Please summarize relevant experience working with people of varied backgrounds and under-represented groups. Provide an example of project or program that required you to engage with others collaboratively.**

Applications are due at 5 p.m. Monday, March 26, 2012. Send or deliver to Karen Blauer at Metro by US mail (600 NE Grand Ave., Portland, OR 97232), by fax (503-797-1849), or by email (karen.blauer@oregonmetro.gov).

NORTH PORTLAND NEIGHBORHOOD SERVICES

2209 N. Schofield Street Portland Oregon 97217 info@npnscommunity.org

TO: Councilor Rex Burkholder

THROUGH: Karen Blauer, Grants Coordinator

DATE: April 10, 2012

RE: Metro's North Portland Rehabilitation and Enhancement Committee

Robin Plance, Mike Salvo, and Doretta Schrock were appointed to review the applications of candidates interested in serving on Metro's North Portland Rehabilitation and Enhancement Committee. Five qualified candidates applied for positions in the Kenton, St Johns, and University Park neighborhoods.

Two candidates applied for the St Johns neighborhood position. Both were very well qualified and scored highly. Shawn DeCarlo received high ratings (41 of 45 points) from the appointment committee just edging out the competing candidate. His active involvement in the local and regional social safety network along with his knowledge of North Portland and Metro make him the strongest of the candidates.

Two candidates applied for the Kenton neighborhood position. Again, both were very well qualified and scored within 2 points of each other. Steve Joiner achieved the higher of the two scores. He has extensive experience with Multnomah County community involvement programs and has developed ageing and cultural diversity programs.

One candidate, Anisha Scanlon, applied for the University Park neighborhood position and received acceptable scores from the review committee.

The review panel recommends Shawn DeCarlo, Steve Joiner, and Anisha Scanlon for the three open positions on the Metro's North Portland Rehabilitation and Enhancement Committee.

Tom Griffin-Valade
Director
North Portland Neighborhood Services

Metro

NORTH PORTLAND ENHANCEMENT COMMITTEE
APPOINTMENT INTEREST FORM

COMMENTS: (this section to be filled out by review panel)

INFORMATION

NAME: **STEVEN JOINER** NEIGHBORHOOD: **KENTON**

HOME ADDRESS:
8722 N TYNDALL AVE **PORTLAND** **OR** **97217**

BUSINESS ADDRESS:
SAME

HOME PHONE: **503-962-0957** BUSINESS PHONE: **SAME**

CELL PHONE: **SAME**

E-MAIL: **STVNJOINER@ME.COM**

Metro strives for membership on its committee that reflects the diversity of the North Portland community. THE FOLLOWING INFORMATION IS VOLUNTARY:

GENDER: MALE **ETHNIC ORIGIN: CAUCASIAN/SCANDINAVIAN**

EDUCATION:

SCHOOL (include high school) LOCATION MAJOR OR DEGREE

WG ENLOE HIGH SCHOOL **RALEIGH, NC**
NORTH CAROLINA STATE UNIVERSITY **RALEIGH, NC**
BA, SECONDARY ENGLISH EDUCATION, FILM, HONORS
SAN FRANCISCO STATE UNIVERSITY **SAN FRANCISCO, CA**
MA, ADULT EDUCATION

1. **Please describe your leadership style and strengths (e.g., visionary, organizer, analyzer, connector, other) and related qualifications you would contribute to this public service appointment (e.g., project management, accounting, mediation, public relations, other). Why would others describe you as a respected community leader?**

My leadership style focuses on consensus, collaboration, and connections. I work well in the "nebulous idea" phase and feel equally comfortable when it comes to "minutia management". I've worked with nonprofits, funders, and citizen-engagement groups as a program designer, facilitator, convener, and a champion in the fight against redundancy. Others would describe me as a respected community leader because I work to collaborate rather than drive an agenda. My interest is in participation in the decision-making process over some predetermined outcome. My most recent example of this approach is as the Chair of the Citizen Involvement Committee for Multnomah County.

2. **Please list relevant experience serving North Portland that demonstrates your knowledge of the interests, assets and needs of the neighborhood and the larger community. Give an example of creative or critical ideas you contributed to a project or program.**

I'm active as a community member and, thus far, have focused my attention on understanding the work of the city and county with regards to citizen involvement (The Office of Neighborhood Involvement and the Office of Citizen Involvement respectively). In my capacity as the Chair of the CIC, I've met with all the county commissioners and I am familiar with Commissioner Smith's work as well as her office's agenda for north Portland.

I attended a Kenton Neighborhood Association meeting last year but had a scheduling conflict (service with the Friends of the Library Board) that precluded me from further participation. Fortunately, that has now changed and I look forward to being more involved with neighborhood issues.

In 2007, I served on the county "Vital Taskforce on Aging" commissioned by then-county Chair Ted Wheeler. We were tasked with creating an "aging-community readiness" report for the community. That report came out in 2007 and is titled "Everyone Matters". I've done similar work in Kansas City, Missouri.

I've also worked with Oregon Community Foundation to design their "Boomers and Babies" grant initiative. That program is now in its fourth year.

3. **Please explain how you keep informed and aware of the community's diverse needs and priorities. Give an example of tactics you use to communicate effectively with others.**

Before assuming the Chair of the Citizen Involvement Committee, I started the Outreach and Diversity Subcommittee with the goal of identifying and then working with community leaders who represent the varied constituents in Multnomah County. I am of the belief that there is no better resource for knowing the needs and priorities of a given community than community-identified leaders. Since Multnomah County provides resources for the most vulnerable populations in our area, I feel it is all the more important to connect with these leaders to reduce redundancy, create networks of support, and design meaningful in-roads for citizen participation in decision making processes.

4. **Please summarize relevant experience working with people of varied backgrounds and under-represented groups. Provide an example of project or program that required you to engage with others collaboratively.**

My worklife is a study in collaboration. As a teacher, I worked with diverse audiences. In particular, my work in special education in the San Francisco Bay Area put me in regular contact with at-risk youth and the under-represented communities from which they came. As a nonprofit professional, I interact with organizations that work with constituents across the socio-economic spectrum. As a concerned and active citizen, I strive to give voice to the underrepresented and to provide access to the resources that citizens need to make a positive difference in their own lives and communities.

Applications are due at 5 p.m. Monday, March 26, 2012. Send or deliver to Karen Blauer at Metro by US mail (600 NE Grand Ave., Portland, OR 97232), by fax (503-797-1849), or by email (karen.blauer@oregonmetro.gov).

Metro

NORTH PORTLAND ENHANCEMENT COMMITTEE
APPOINTMENT INTEREST FORM

COMMENTS: (this section to be filled out by review panel)

INFORMATION

NAME: SHAWN DECARLO

NEIGHBORHOOD: ST. JOHNS

HOME ADDRESS:
STREET 8092 N BURLINGTON AVE | CITY PORTLAND | STATE OR | ZIP 97203

BUSINESS ADDRESS:
STREET | CITY | STATE | ZIP

HOME PHONE: 503 679 3401

BUSINESS PHONE:

CELL PHONE: SAME

E-MAIL: SHAWNDECARLO@YAHOO.COM

Metro strives for membership on its committee that reflects the diversity of the North Portland community. THE FOLLOWING INFORMATION IS VOLUNTARY:

GENDER: MALE

ETHNIC ORIGIN: WHITE

EDUCATION:

SCHOOL (include high school)	LOCATION	MAJOR OR DEGREE
ARCHBISHOP WOOD HS	WARMINSTER, PA	
PENN STATE UNIVERSITY	STATE COLLEGE, PA	SECONDARY EDUCATION

Please describe your leadership style and strengths (e.g., visionary, organizer, analyzer, connector, other) and related qualifications you would contribute to this public service appointment (e.g., project management, accounting, mediation, public relations, other). Why would others describe you as a respected community leader?

I consider myself to be an architect of ideas. Some of my core strengths are an ability to analyze a situation quickly and determine a course of action. One of my key assets is the ability to truly see all sides of a complicated situation. In my experience internationally and domestically, I have worked in a variety of diverse settings to help improve low-income communities self-sufficiency. Growing up barely middle class in the suburbs, I experienced the fracturing of community that can come with distance and car culture. My goals since college have been to work building community for the benefit of all.

Specific to this appointment, I am very familiar with a breadth of social service organizations throughout Portland. Living in North Portland, my familiarity extends even further. I have been Metro Service Manager at Oregon Food Bank for the last 5 years (at OFB for 9 years). In this capacity I have disbursed directly, or overseen the administration of, over 4 million dollars in direct grants to programs in Portland, many of them in North Portland. These grants have come directly from Oregon Food Bank or the local, state and national levels, including federal funded programs such as the Emergency Food Assistance Program.

Those that know me know my passion for equality of voice and representation. I am a detailed oriented person who knows what questions to ask. I admire sustainability and direct action and would seek to support programs demonstrating these qualities and others.

1. **Please list relevant experience serving North Portland that demonstrates your knowledge of the interests, assets and needs of the neighborhood and the larger community. Give an example of creative or critical ideas you contributed to a project or program.**

I have served in a capacity in my Home Owner's Association in North Portland. I also applied for the Main Street St. John's coordinator position last year. Most of my direct board experience and other committee experience is broader to the Portland area or 3 county regional area or Statewide. However, I have worked directly with dozens of programs in the North Portland area, most specifically related to the provision of emergency food. Over the years I have worked with my staff to open hot meals sites and emergency food box sites in North Portland. We partnered with Red Sea Church to offer hot meals to families in St. Johns. I also worked extensively with St. Andrew's Episcopal Food Pantry on Lombard to continue providing services in North Portland when William Temple House was no longer able to fund the program. Currently I am working to create a free Farmers' Market style distribution called Harvest Share in North Portland to replace a program that is no longer functioning.

2. **Please explain how you keep informed and aware of the community's diverse needs and priorities. Give an example of tactics you use to communicate effectively with others.**

I am out on the ground talking to volunteers and staff of social service agencies every day. I talk to clients regularly about their struggles and how agencies can better assist them. I am also a member of the Portland / Multnomah Food Policy Council and in this capacity have been holding city wide listening sessions on the concept of Food Justice. Last week we met at the North Portland library with over 25 community members. I facilitated the discussion with the end goal of increasing input to the City and County on policy related to food. In the role I am in at the food bank I can generally see the economic situation of low-income communities 12 – 18 months before the data starts to reflect the situations of more affluent community members. My ear is constantly to the pavement. So much so

that I have to remember to look up and take some encouragement wherever I can find it once in a while.

3. **Please summarize relevant experience working with people of varied backgrounds and under-represented groups. Provide an example of project or program that required you to engage with others collaboratively.**

My current employment requires working with a wide variety of stakeholders and communities within Multnomah, Clackamas, Washington and Clark County, Washington. I was a Peace Corps volunteer in Mongolia for 2 years and I lived and worked in Madrid, Spain for 2 years. The sum of my experience has been in working with diverse groups of people. My focus has usually been on low-income communities primarily but not exclusively. I have also been an AmeriCorps* VISTA leader, which required me to work with young people from all over the country coming to Oregon for the first time to work with social service agencies. I am a natural speaker and meeting facilitator.

An example of a collaborative project I am currently working on is working with a social venture to get 1 million children's books into low-income households. Nothing is too big or too small to make a difference!

Thank you for the opportunity to offer my skills and experience to help my community.

Shawn DeCarlo

Applications are due at 5 p.m. Monday, March 26, 2012. Send or deliver to Karen Blauer at Metro by US mail (600 NE Grand Ave., Portland, OR 97232), by fax (503-797-1849), or by email (karen.blauer@oregonmetro.gov).

Metro

NORTH PORTLAND ENHANCEMENT COMMITTEE
APPOINTMENT INTEREST FORM

COMMENTS: (this section to be filled out by review panel)

INFORMATION

NAME: ANISHA D. SCANLON

NEIGHBORHOOD: UNIVERSITY PARK

HOME ADDRESS:
STREET 7311 N. FISKE AVE. CITY PORTLAND STATE OR ZIP 97203

BUSINESS ADDRESS: SEE ABOVE
STREET CITY STATE ZIP

HOME PHONE: N/A

BUSINESS PHONE:

CELL PHONE: (503) 964-3428

E-MAIL: PORTLANDORGANICPRO@GMAIL.COM

Metro strives for membership on its committee that reflects the diversity of the North Portland community. THE FOLLOWING INFORMATION IS VOLUNTARY:

GENDER: FEMALE

ETHNIC ORIGIN:

EDUCATION:

SCHOOL (include high school)	LOCATION	MAJOR OR DEGREE
VISTA HIGH SCHOOL	VISTA, CA	GENERAL ED.
MT. HOOD COMMUNITY COLLEGE	PORTLAND, OR	CHILD DEVELOPMENT

1. **Please describe your leadership style and strengths (e.g., visionary, organizer, analyzer, connector, other) and related qualifications you would contribute to this public service appointment (e.g., project management, accounting, mediation, public relations, other). Why would others describe you as a respected community leader?**

As a community leader and activist I am driven by my desire to help others. I am striving to make a long lasting large impact on as many people as possible so I may one day make a positive impact on the child I chose to give up for adoption. I am very passionate about the preservation and restoration of our communities. My community leadership and activism is a huge part of how I define myself. I have been told I am inspiring, empowering, a true visionary, unique and what this community needs, time and time again by the members of the St. Johns community.

I am a great public speaker, very organized, reliable, flexible, hardworking and determined. I keep myself well informed on events, news and other non-profits around all of Portland. I am an outside of the box thinker and a fast learner.

I have experience in project management, volunteer management and recruitment, business planning, grant writing, working with a large diverse demographic of people, working with the City of Portland educating the public, filling out reports and applications with various organizations and with the City of Portland, finding corporate funding, and community preservation and restoration.

People describe me as a very well respected community leader because of how much time, energy and good will I give to the community. I am among the most active volunteers in the St. Johns community. I spend much of my time in meetings with other local leaders trying to find ways to help one another. More than anything, people are very impressed with my work with the non-profit I founded here in North Portland.

2. **Please list relevant experience serving North Portland that demonstrates your knowledge of the interests, assets and needs of the neighborhood and the larger community. Give an example of creative or critical ideas you contributed to a project or program.**

**I am founder and director of a small North Portland non-profit in St. Johns called Portland Organic Productions or PDX Organic. PDX Organics mission is To Achieve Sustainable Community Growth through Revitalization and Preservation of our Natural and Rural Areas.
I founded Portland Organic Productions to keep the public and private waterways and surrounding areas clean through cleanup activities and litter control.**

"I used to spend hours walking along the river bank in Cathedral Park picking up trash with a baby (Thor Foss). As a nanny and a mother I found it very rewarding, however, daunting. I had been longing to make this World a better place and create a positive global shift. My hope is that my son, whom I gave up adoption because of my young age, would be impacted by all my love and dedication to the good of humanity. I knew I could not do this alone...."

PDXOP went about this mission by creating the Cathedral Park Clean UP (CPCU) events. These events have occurred consecutively every other month since inception. In the last two years PDXOP's events have removed over ten thousand pounds of trash, including tires, syringes, and glass off the bank of the Willamette River in Cathedral Park. PDXOP has made a direct impact upon the beauty, health, safety, vitality, and preservation of St. Johns.

During the last year PDXOP has secured a small grant with the City of Portland to do graffiti abatement. With this grant we have removed graffiti from the Cathedral Park Neighborhood though out 2011 and will be doing so in 2012 as well.

Now in our third year I am focusing on expanding our project. We will be doing Clean UP and Community Growth Events throughout St. Johns and further down the Willamette in 2012.

3. **Please explain how you keep informed and aware of the community's diverse needs and priorities. Give an example of tactics you use to communicate effectively with others.**

The biggest key for me has been spending time with members of the community listening. Meetings, friendships and sharing are three things that carry me though this community. I also get information from being very active in the social media, mailing lists from many local organizations and companies, reading the St. Johns Review, The Oregonian and many other local papers.

4. **Please summarize relevant experience working with people of varied backgrounds and under-represented groups. Provide an example of project or program that required you to engage with others collaboratively.**

Majority of my Clean UP events attract a very diverse backgrounds and under-represented groups. The elderly, college students, grade school children, teachers, and people who have court mandated community service all work together to clean UP the Willamette River for us to enjoy. These clean up events require me not only to engage with others collaboratively but to manage the volunteers by keeping them in the scope of the project, educating them on why we do the clean UP events , keep all the volunteers safe, manage supplies, work with team leaders and teachers to keep volunteers informed and upbeat. During our events we like provide free food, live music and paint and toys for children to play with. These extras helps people come together and enjoy one another's company.

Applications are due at 5 p.m. Monday, March 26, 2012. Send or deliver to Karen Blauer at Metro by US mail (600 NE Grand Ave., Portland, OR 97232), by fax (503-797-1849), or by email (karen.blauer@oregonmetro.gov).

Agenda Item No. 4.1

Metro Chief Operating Officer Acting a Budget Officer Presents the Proposed Fiscal Year 2012-2013 Budget and Budget Message to the Metro Council Acting as the Budget Committee.

Metro Council Meeting
Thursday, April 19, 2012
Metro, Council Chamber

Agenda Item No. 4.1.1

Ordinance No. 12-1274, For the Purpose of Adopting the Annual Budget for Fiscal Year FY 2012-13, Making Appropriations, Levying Ad Valorem Taxes, and Authorizing an Interfund Loan.

Ordinances – First Read

Metro Council Meeting
Thursday, April 19, 2012
Metro, Council Chamber

BEFORE THE METRO COUNCIL

ADOPTING THE ANNUAL BUDGET FOR FISCAL YEAR FY 2012-13, MAKING APPROPRIATIONS, LEVYING AD VALOREM TAXES, AND AUTHORIZING AN INTERFUND LOAN	)))))	ORDINANCE NO. 12-1274 Introduced by Martha Bennett, Chief Operating Officer, with the concurrence of Council President Tom Hughes

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, 2012, and ending June 30, 2013; 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 2012-13 Metro Budget,” in the total amount of FIVE HUNDRED TWENTY MILLION SIXTY FIVE THOUSAND SEVEN HUNDRED NINETY ONE ($520,065,791), 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 ONE THOUSAND DOLLARS ($1,000) of assessed value for operations and in the amount of FIFTY FOUR MILLION ONE HUNDRED SEVENTY ONE THOUSAND EIGHT HUNDRED FORTY FOUR ($54,171,844) for general obligation bond debt, said taxes to be levied upon taxable properties within the Metro District for the fiscal year 2011-12. 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
Operating Tax Rate Levy	$0.0966/$1,000	
General Obligation Bond Levy		$54,171,844

3. 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, 2012, from the funds and for the purposes listed in the Schedule of Appropriations, Exhibit C.

4. An interfund loan from the General Fund to the MERC Fund in an amount not to exceed $2.2 million is hereby authorized. The loan will be made to provide financing of the Eastside Streetcar Local Improvement District assessment on the Oregon Convention Center. The loan, including interest at a rate equal to the average yield on Metro's pooled investments, will be repaid from Oregon Convention Center revenues and/or reserves. Repayment will be over a ten year period beginning FY 2012-13 and provide for a minimum of $220,000 annual principal payments due no later than June 30th of each fiscal year.

5. The Chief Operating Officer shall make the filings as required by ORS 294.458 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, 2012, 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 21st day of June 2012.

____
Tom Hughes, Council President

ATTEST: Approved as to Form:

______________________________ ______________________________
Kelsey Newell, Recording Secretary Alison Kean Campbell, Metro Attorney

STAFF REPORT

CONSIDERATION OF ORDINANCE NO. 12-1274 ADOPTING THE ANNUAL BUDGET FOR FISCAL YEAR 2012-13, MAKING APPROPRIATIONS, LEVYING AD VALOREM TAXES, AND AUTHORIZING AN INTERFUND LOAN

Date: March 30, 2012

Presented by: Martha Bennett
Chief Operating Officer

BACKGROUND

I am forwarding to the Metro Council for consideration and approval my proposed budget for fiscal year 2012-13.

Metro Council action, through Ordinance No. 12-1274 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 Metro Council to adopt this plan must be completed by June 30, 2012.

Once the budget plan for fiscal year 2012-13 is approved by the Metro Council on April 26, 2012, the number of funds and the maximum tax levy cannot be amended without review and certification by the Tax Supervising and Conservation Commission. Adjustments, if any, by the Metro 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 expenditures in the period between Metro Council approval at the end of April 2012 and adoption in June 2012.

Exhibit A to this Ordinance will be available subsequent to the Tax Supervising and Conservation Commission hearing June 7, 2012. Exhibits B and C of the Ordinance will be available at the public hearing on April 19, 2012.

ANALYSIS/INFORMATION

1. **Known Opposition** – Metro Council hearings will be held on the Proposed Budget on April 19, 2012 and April 26, 2012. 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, 201. The Commission will conduct a hearing on June 7, 2012 for the purpose of receiving information from the public regarding the Metro Council's approved budget. Following the hearing, the Commission will certify the budget to the Metro Council for adoption and may provide recommendations to the Metro Council regarding any aspect of the budget.

3. **Anticipated Effects** – Adoption of this ordinance will put into effect the annual FY 2012-13 budget, effective July 1, 2012.

4. **Budget Impacts** – The total amount of the proposed FY 2012-13 annual budget is $520,065,791 and 740.00 FTE.

RECOMMENDED ACTION

The Chief Operating Officer recommends adoption of Ordinance No. 12-1274.

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Agenda Item No. 4.2

Ordinance No. 12-1277, For the Purpose of Amending Metro Code Chapter 5.02 to Establish Solid Waste Disposal Charges, Recoverable Solid Waste Charges, and System fees for FY 2012-13; To Modify the Structure and to Standardize the Administration of the Recoverable Solid Waste Charge; and to Establish the Effective Date for the FY 2012-13 Solid Waste Excise Tax Rate.

Ordinances – First Read

Metro Council Meeting
Thursday, April 19, 2012
Metro, Council Chamber

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF AMENDING METRO CODE CHAPTER 5.02 TO ESTABLISH SOLID WASTE DISPOSAL CHARGES, RECOVERABLE SOLID WASTE CHARGES, AND SYSTEM FEES FOR FY 2012-13; TO MODIFY THE STRUCTURE AND TO STANDARDIZE THE ADMIN-ISTRATION OF THE RECOVERABLE SOLID WASTE CHARGE; AND TO ESTABLISH THE EFFECTIVE DATE FOR THE FY 2012-13 SOLID WASTE EXCISE TAX RATE.	))))))))	ORDINANCE NO. 12-1277 Introduced by Chief Operating Officer Martha Bennett with the concurrence of Council President Tom Hughes

WHEREAS, Metro Code Chapter 5.02 establishes charges for disposal of solid waste at Metro South and Metro Central transfer stations; and,

WHEREAS, Metro Code Chapter 5.02 establishes charges for acceptance of recoverable solid waste at Metro South and Metro Central transfer stations; and,

WHEREAS, Metro Code Chapter 5.02 establishes fees charged on solid waste generated within the District and delivered to solid waste facilities regulated by or contracting with Metro; and,

WHEREAS, The Metro Code sections that govern the structure and administration of charges for recoverable solid waste and compostable organic waste are in need of revision and updating; and,

WHEREAS, Metro's costs for solid waste services and programs have changed; now therefore,

THE METRO COUNCIL ORDAINS AS FOLLOWS:

Section 1. Metro Code Amendment. Metro Code Section 5.02.025 is amended in the form attached hereto as Exhibit "A."

Section 2. Metro Code Amendment. Metro Code Section 5.02.045 is amended in the form attached hereto as Exhibit "B."

Section 3. Metro Code Amendment. Metro Code Section 5.02.047 is amended in the form attached hereto as Exhibit "C."

Section 4. Metro Code Amendment. Metro Code subsection 5.02.015(y) is amended in the form attached hereto as Exhibit "D" and all other subsections of Metro Code Section 5.02.015 shall remain unchanged.

Section 5. Metro Code Amendment. Metro Code Section 5.02.029 is repealed and the language attached hereto as Exhibit "E" is adopted in its place.

Section 6. Metro Code Amendment. Metro Code Section 5.02.037, "Disposal Charge for Compostable Organic Waste," is repealed.

Section 7. Metro Code Amendment. The language attached hereto as Exhibit "F" is added to and made a part of Metro Code Section 7.01.010 and all subsequent subsections of Metro Code Section 7.01.010 shall be renumbered accordingly.

Section 8. Metro Code Amendment. The term "recoverable solid waste" shall replace the term "compostable organic waste" in Metro Code subsection 7.01.020(c) and in

Metro Code subsection 7.01.020(e)(1), and all other subsections of Metro Code Section 7.01.020 shall remain unchanged.

Section 9. Effective Date for Metro Code Amendments. Sections 1 through 8, inclusive, of this ordinance shall become effective on August 1, 2012, or the first day of the first full month following 90 days after adoption by the Metro Council, whichever is later.

Section 10. Effective Date for the Excise Tax Rate. Pursuant to Metro Code subsection 7.01.020(e)(1), the solid waste excise tax rate authorized by Metro Code subsection 7.01.020(c) shall become effective on August 1, 2012, or the first day of the first full month following 90 days after adoption by the Metro Council, whichever is later.

Section 11. Effective Date for Recoverable Solid Waste Tonnage Charges. The schedule of Recoverable Solid Waste tonnage charges attached hereto as Exhibit "G" shall become effective at Metro Central Station and Metro South Station on August 1, 2012, or the first day of the first full month following 90 days after adoption by the Metro Council, whichever is later.

ADOPTED by the Metro Council this 26th day of April, 2012.

Tom Hughes, Council President

Attest:

Approved as to Form:

Kelsey Newell, Recording Secretary

Alison Kean Campbell, Metro Attorney

Exhibit "A" to Ordinance No. 12-1277

METRO CODE - TITLE V SOLID WASTE
CHAPTER 5.02. DISPOSAL CHARGES AND USER FEES

5.02.025 Disposal Charges at Metro South & Metro Central Station

(a) The fee for disposal of solid waste at the Metro South Station and at the Metro Central Station shall consist of:

(1) The following charges for each ton of solid waste delivered for disposal:

(A) A tonnage charge of $~~58.35~~61.35 per ton,

(B) The Regional System Fee as provided in Section 5.02.045,

(C) An enhancement fee of $.50 per ton, and

(D) DEQ fees totaling $1.24 per ton;

(2) All applicable solid waste taxes as established in Metro Code Chapter 7.01, which excise taxes shall be stated separately; and

(3) The following Transaction Charge for each Solid Waste Disposal Transaction:

(A) For each Solid Waste Disposal Transaction completed at staffed scales, the Transaction Charge shall be $12.00.

(B) For each Solid Waste Disposal Transaction that is completed at the automated scales, the Transaction Charge shall be $3.00.

(C) Notwithstanding the provisions of subsection (A), the Solid Waste Disposal Transaction Charge shall be $3.00 in the event that a transaction that is otherwise capable of being completed at the automated scales must be completed at the staffed scales due to a physical site limitation, a limit or restriction of the computer operating system for the automated scales, or due to a malfunction of the automated scales.

(b) Notwithstanding subsection (a) of this section,

(1) There shall be a minimum solid waste disposal charge at the Metro South Station and at the Metro Central Station for loads of solid waste weighing ~~360~~ 340 pounds or less of $28, which shall consist of a minimum Tonnage Charge of $16.00 plus a Transaction Charge of $12.00 per Transaction.

(2) The Chief Operating Officer may waive collection of the Regional System Fee on solid waste that is generated outside the District, and collected by a hauler that is regulated by a local government unit, and accepted at Metro South Station or Metro Central Station.

(c) Total fees assessed in cash at the Metro South Station and at the Metro Central Station shall be rounded to the nearest whole dollar amount, with any $0.50 charge rounded down.

(d) The Director of Parks and Environmental Services may waive disposal fees created in this section for Non-commercial Customers of the Metro Central Station and of the Metro South Station under extraordinary, emergency conditions or circumstances.

METRO CODE - TITLE V SOLID WASTE
CHAPTER 5.02. DISPOSAL CHARGES AND USER FEES

5.02.045 Regional System Fees

(a) The Regional System Fee shall be $~~17.64~~18.56 per ton of solid waste, prorated based on the actual weight of solid waste at issue rounded to the nearest one-hundredth of a ton.

(b) Any waste hauler or other person transporting solid waste generated, originating, or collected from inside the Metro region shall pay Regional System Fees to Metro for the disposal of such solid waste. Payment of applicable system fees to the operator of a Designated Facility shall satisfy the obligation to pay system fees, provided that, if such solid waste is transported to a Designated Facility outside of the Metro region, then such waste hauler or other person must have informed the operator of the Designated Facility that the solid waste was generated, originated or collected inside the Metro region. In any dispute regarding whether such waste hauler or other person informed such operator that the solid waste was generated, originated, or collected inside the Metro region, such waste hauler or other person shall have the burden of proving that such information was communicated.

(c) Designated Facility operators shall collect and pay to Metro the Regional System Fee for the disposal of solid waste generated, originating, collected, or disposed of within Metro boundaries, in accordance with Metro Code Section 5.01.150.

(d) When solid waste generated from within the Metro boundary is mixed in the same vehicle or container with solid waste generated from outside the Metro boundary, the load in its entirety shall be reported at the disposal site by the generator or hauler as having been generated within the Metro boundary, and the Regional System Fee shall be paid on the entire load unless the generator or hauler provides the disposal site operator with documentation regarding the total weight of the solid waste in the vehicle or container that was generated within the Metro boundary and the disposal site operator forwards such documentation to Metro, or unless Metro has agreed in writing to another method of reporting.

(e) System fees described in this Section 5.02.045 shall not apply to exemptions listed in Section 5.01.150(b) of this Code.

Exhibit "C" to Ordinance No. 12-1277

METRO CODE - TITLE V SOLID WASTE
CHAPTER 5.02. DISPOSAL CHARGES AND USER FEES

5.02.047 Regional System Fee Credits

Any person delivering Cleanup Material Contaminated by Hazardous Substances that is derived from an environmental cleanup of a nonrecurring event, and delivered to any Solid Waste System Facility authorized to accept such substances shall be allowed a credit in the amount of $~~15.14~~16.06 against the Regional System Fee otherwise due under Section 5.02.045(a) of this Chapter.

Exhibit "D" to Ordinance No. 12-1277

METRO CODE - TITLE V SOLID WASTE
CHAPTER 5.02. DISPOSAL CHARGES AND USER FEES
Section 5.02.015. Definitions

(y) "Recoverable Solid Waste" means source-separated or homogeneous material accepted~~wood waste, yard debris, or tires, whether Source-Separated or commingled, and delivered~~ in a single transaction at Metro Central Station or at Metro South Station in a form that is usable by existing recycling technologies~~suitable for mechanical extraction of useful materials~~, notwithstanding the presence of incidental amounts or types of ~~other~~ contaminants. For purposes of this definition "recycling" also includes reuse, controlled biological decomposition of organic material including composting and digestion, and the preparation of fuels that meet an engineering, industrial, or market specification; but excludes mass burning, incineration in refuse derived fuel facilities, and similar methods of extracting energy from mixed solid wastes.

METRO CODE - TITLE V SOLID WASTE
CHAPTER 5.02. DISPOSAL CHARGES AND USER FEES

5.02.029 Charges for Recoverable Solid Waste

(a) There are hereby established Recoverable Solid Waste Charges that shall be collected on different classes of Recoverable Solid Wastes accepted at Metro Central Station or Metro South Station.

(b) The amount of each Recoverable Solid Waste Charge shall consist of a Transaction Charge as set forth in Section 5.02.025 and a tonnage charge as adopted by the Metro Council or as specified in this section.

(c) For purposes of this section 5.02.029, "managing" and "management of" Recoverable Solid Waste shall mean any of the following activities: acceptance, onsite handling and logistics, quality assurance, mixing of wastes to meet an engineering or market specification, processing such as grinding and shredding that may alter the form but does not substantially alter the content of the waste, residuals management, reloading, transport and delivery to a recycling site, and similar activities directly related to the handling and disposition of Recoverable Solid Waste.

(d) For purposes of this section 5.02.029, a "class" of Recoverable Solid Waste is distinguished from other classes of wastes by a material difference in the cost of management or by physical characteristics that require different practices to manage the waste.

(e) The Chief Operating Officer is authorized to specify new classes of Recoverable Solid Wastes, to set tonnage charges for new classes of Recoverable Solid Wastes, and to change tonnage charges for existing classes of Recoverable Solid Wastes. The Chief Operating Officer shall set the tonnage charge for each class of Recoverable Solid Waste equal to the sum of:

(1) Metro's contractual costs, if any, paid by Metro to any contract operator of Metro Central or Metro South Station for managing said class of Recoverable Solid Waste, expressed on a per-ton basis;

(2) Metro's direct costs, if any, for personnel, materials, services and capital incurred directly by Metro for managing said class of Recoverable Solid Waste, expressed on a per-ton basis;

(3) An allocation of Metro's administrative, overhead, capital, and fixed contractual costs that is reasonably related to managing said class of Recoverable Solid Waste, expressed on a per-ton basis; and

(4) The enhancement fee set forth in Metro Code section 5.06.010(a).

Nothing in this subsection modifies or is intended to modify the Metro Council's authority to set Recoverable Solid Waste Charges by ordinance at any time.

(f) The Chief Operating Office shall provide 10 days notice to the Metro Council prior to implementing any proposed change to a Recoverable Solid Waste tonnage charge, and when proposing a tonnage charge for a new class of Recoverable Solid Waste. An accounting of the components of each Recoverable Solid Waste tonnage charge shall be kept on file with the Finance and Regulatory Services department or its successor at Metro.

(g) All Recoverable Solid Waste Charges shall be clearly posted by material class on Metro's website and at Metro Central and Metro South stations.

(h) Notwithstanding subsections (b) and (e) of this section:

(1) The Chief Operating Officer shall establish charges for Recoverable Solid Wastes that are typically accepted and managed on a unit or count basis rather than by scale weight. These charges shall be based on Metro's actual costs for managing said wastes.

(2) The Chief Operating Officer shall establish minimum charges for loads of Recoverable Solid Waste.

(3) The charge for accepting up to three Christmas trees in one transaction shall be the Transaction Charge as set forth in Metro Code Section 5.02.025.

(i) The provisions of this section shall not apply to any source-separated recyclable material that the Chief Operating Officer has designated as exempt from charges pursuant to Metro Code Section 5.02.026.

Exhibit "F" to Ordinance No. 12-1277

METRO CODE - TITLE VII FINANCE
CHAPTER 7.01 EXCISE TAXES
Section 7.01.010. Definitions

"Recoverable solid waste" shall have the meaning assigned thereto in Metro Code Section 5.02.015.

Exhibit "G" to Ordinance No. 12-1277

RECOVERABLE SOLID WASTE
SCHEDULE OF TONNAGE CHARGES
AT METRO CENTRAL STATION AND METRO SOUTH STATION

Recoverable Waste Class	Either Station
Wood waste/yard debris*	$45.28
Mixed yard debris & food scraps	54.33

Recoverable Waste Class	Metro Central Only
Commercially generated organic waste	$51.81
Asphaltic roofing	91.07
Clean drywall	67.30
Rubble	26.97

* The stated rate applies to wood waste and yard debris whether delivered in separate loads or commingled in a single load.

STAFF REPORT

IN CONSIDERATION OF ORDINANCE NO. 12-1277 FOR THE PURPOSE OF AMENDING METRO CODE CHAPTER 5.02 TO ESTABLISH SOLID WASTE DISPOSAL CHARGES, RECOVERABLE SOLID WASTE CHARGES, AND SYSTEM FEES FOR FY 2012-13; TO MODIFY THE STRUCTURE AND TO STANDARDIZE THE ADMINISTRATION OF RECOVERABLE SOLID WASTE CHARGES; AND TO ESTABLISH THE EFFECTIVE DATE FOR THE FY 2012-13 SOLID WASTE EXCISE TAX RATE.

Date: April 19, 2012

Presented by: Douglas Anderson, FRS
Paul Ehinger, PES

Executive Summary

Each year, the Chief Operating Officer proposes new solid waste rates as part of the budget process. The changes are needed to keep current with costs and tonnage flows.

The council considers at least four rates each year:

1. **Transaction Fee**, a fixed fee for each load of waste at Metro transfer stations. It recovers the cost of operating the scalehouses and billing of solid waste accounts.
2. **Tonnage Charge**, the fee for each ton in the load. It recovers the cost of station operations, transport, disposal, and related costs.
3. **Minimum Load Charge** for loads below a scale weight threshold at Metro transfer stations.
4. **Regional System Fee**, a surcharge on all disposal at landfills, the burner, and Forest Grove and Metro transfer stations. It recovers the cost of solid waste programs such as waste reduction.

The ***tip fee*** is the sum of five components: the Tonnage Charge and Regional System Fee above, as well as the excise tax, rehabilitation and enhancement ("host") fee, and a suite of DEQ fees. The council does not typically review the excise tax rate or the host fee each year. DEQ fees are set by the state.

Adoption of this year's rate ordinance would implement the following charges for mixed solid waste at Metro transfer stations:

Table 1. Proposed Solid Waste Charges at Metro Transfer Stations
Rates Effective August 1, 2012

Rates	Current	Proposed	Change
Fees per transaction			
Users of staffed scales	$12.00	**$12.00**	– 0 –
Users of automated scales	3.00	**3.00**	– 0 –
Fee per ton (Tip Fee)	$89.53	**$93.84**	$4.31
Minimum load charge	$28	**$28**	– 0 –
Minimum pounds per load	*360*	*340*	*(20)*

The tip fee has risen by an average of $4.60 per year during the last four years, so this year's increase is a bit under the average – although higher than last year's increase of $3.68. In addition, the staffed transaction fee has risen by $3.50 during the same four years, so the fact that Metro is able to hold the line for FY 2012-13 means, for some ratepayers, that the total increase is less than in recent years.

The effect of these changes on the typical residential ratepayer using Metro stations is less than a penny per day. For ratepayers using private facilities, the increase is about 8 cents per month.

Recoverable Solid Waste. In addition to the rates for mixed solid waste, this year the Chief Operating Officer is proposing changes to the tip fees for "recoverable solid waste" accepted at Metro transfer stations. These changes are driven mainly by the need to begin recovering the full cost of managing recoverable solid waste.

Recoverable wastes are high-grade or homogeneous materials suitable for recycling as-delivered. Examples include wood, yard debris, and source-separated food waste. Metro's tip fees for recoverable waste have been set below cost since their inception. The policy purpose was to create an incentive to deliver high-grade materials to the transfer stations where they would be recovered.

However, the rates have had limited success as incentives. But these rates are so low that private facilities can't compete with them, which has discouraged private investment in recycling infrastructure – a matter of current concern in the case of regional food waste processing capacity. The proposed changes are also needed because Metro has seen major increases in the cost and amount of compostable waste it receives. If recoverable wastes do not begin to cover their own costs, these costs would have to be covered by significantly higher increases in the rates for mixed solid waste.

As a result, the Chief Operating Officer is proposing the new tip fees for recoverable waste shown in Table 2. The proposed rates are designed to recover Metro's costs of managing recoverable wastes.

Table 2. Proposed Tip Fees for Recoverable Solid Waste
Rates Effective August 1, 2012

Recoverable Waste Type	Current	**Proposed**	Change
Yard debris/clean wood	$48.83	**$45.78**	($3.55)
Residential food waste	51.14	**54.83**	3.19
Commercial food waste	51.14	**52.30**	0.66

Tip fees for roofing, drywall and rubble are also proposed for the first time in FY 2012-13. These rates are described in the main staff report. The reduction in the yard debris/clean wood rate reflects a change in the quantity of yard debris delivered to Metro since the last time the rate was set.

Residential ratepayers in the City of Portland are most affected by tip fees for residential food waste. However, the city had assumed a higher rate than shown in Table 2 in its preliminary collection cost formula for FY 2012-13. So the proposed residential food waste rate – even with the increase – actually reduces some of the upward pressure on collection costs for residential service in Portland.

Readers interested in more detail are invited to read the balance of this staff report.

DETAILED ANALYSIS

This staff report is organized into four sections:

I. The Annual Rate Process – a brief overview.
II. Recoverable Solid Wastes – background, proposed changes, reasons for the change.
III. Rates for Mixed Solid Waste – background, detail, and analysis.
IV. Information/Analysis – a summary of impacts in standard staff report form.

SECTION I. THE ANNUAL RATE PROCESS

Under Metro code, the Chief Operating Officer must transmit her proposed solid waste rates to the council at the same time that she transmits her proposed budget. Afterward, the council holds public hearings and deliberates on the budget and the rates on the same schedule. The council usually adopts the rates about the same time that it approves the budget for transmittal to the Tax Supervising and Conservation Commission. This allows for the mandatory 90 day referral period between the adoption of an ordinance and the date it becomes effective. (Emergency clauses are not allowed on rate ordinances.) Administratively it is best – for Metro, local governments and ratepayers – to implement rates on the first day of the month. If the council adopts the rates on April 26 as scheduled, the rates can take effect on the target date of August 1. If adoption slips into May, the rates would take effect on September 1, with some loss of revenue (or additional rate adjustments) resulting from the additional month at the old rates.

SECTION II. RECOVERABLE SOLID WASTE RATES AND CODE AMENDMENT

The Chief Operating Officer is proposing changes to the rates for "recoverable solid waste" at the transfer stations, and to the Metro code that governs these rates. Background and the reasons for the changes are summarized in this section.

Recoverable solid waste is homogeneous or high-graded material that can be used by recycling markets as-delivered. The recoverable wastes currently recognized at Metro transfer stations (by code or contract) are wood, yard debris, source-separated food waste, roofing, clean drywall, rubble, and tires.

Historically, Metro has set its recoverable waste rates below the cost of providing the service. The policy purpose was to create a price incentive to deliver high-grade wastes to the transfer stations where they can be recovered, rather than disposed in a landfill. Recoverable waste tip fees currently exclude general, administrative and capital costs, and most direct outlays.[1] In addition, food waste is exempt from the transaction fee, meaning it pays nothing toward the cost of the scalehouses. The costs foregone on recoverable wastes are borne by the tip and transaction fees on mixed solid waste.

Proposed Rates. The COO's proposed recoverable waste rates (Table 3) include an allocation of administrative, fixed, and capital costs, as well as the 50 cent-per-ton Rehabilitation and Enhancement ("Host") Fee. The latter follows the example set by the council when it included a host fee among its franchise requirements for the Columbia Biogas facility. The COO also proposes to eliminate the exemption from the transaction fee so food waste generators will pay their fair share of scalehouse costs.

Table 3. Proposed Tip Fees for Recoverable Solid Waste
Rates Effective August 1, 2012

Recoverable Waste Type	Current	Proposed	Change
Yard debris/clean wood	$48.83	**$45.78**	($3.55)
Residential food waste	51.14	**54.83**	3.19
Commercial food waste	51.14	**52.30**	0.66
Roofing*	89.53*	**91.57**	2.04 *
Clean drywall*	89.53*	**67.80**	(21.73)*
Rubble*	89.53*	**27.47**	(62.06)*

** These wastes are not currently distinguished from mixed solid waste, so would be charged the mixed waste tip fee of $89.53. However, all three rates are below the **proposed** FY 2012-13 mixed waste tip fee of $93.84.*

[1] The rates also exclude the Metro excise tax and (with one exception) the Regional System Fee. These exclusions are consistent with Metro's policy to support recycling and recovery by levying the system fee and excise on disposal only. The exception is the yard debris rate, which currently includes about 20 percent of the Regional System Fee.

The reasons for these changes are both policy-driven and practical:

- o As a matter of policy, Metro's below-cost rates have shown limited success as incentives, diverting only about 20,000 tons per year over their 20-year history. But these rates are so low that private facilities can't compete with them, which has discouraged private sector investment in recycling infrastructure – a matter of current concern in the case of regional food waste processing capacity.
- o As a matter of practicality, the new residential organics program at the City of Portland has increased Metro's share of recoverable waste six-fold. If recoverable wastes do not cover more of their costs, the FY 2012-12 tip and transaction fees for mixed solid waste would have to increase by significantly more than the rates proposed by the COO and shown in Table 1.

Roofing, drywall and rubble are specified as recoverable wastes in Metro's operating contract for Metro Central Station. Tip fees for these materials are being established for the first time for FY 2012-13. The reduction in the yard debris/clean wood rate reflects a change in the quantity of yard debris delivered to Metro since the last time the rate was set.

Residential generators in the City of Portland are the ratepayers most affected by the change in the residential food waste rate. However, the city had assumed a $58 tip fee in its preliminary collection rates for FY 2012-13. The fact that Metro's rate comes in below the city's number reduces some of the upward pressure on collection costs for residential service in Portland.

Code Amendments. This ordinance also amends Metro Code sections 5.02.027 and 5.02.039 governing recoverable solid waste rates. The main purpose of the amendments is to establish that recoverable solid waste charges will reflect the full cost of service in the future. Specifically, the amendments (1) repeal the exemption on the transaction fee, (2) revise the formula for the recoverable solid waste tip fee to include all relevant costs, (3) update definitions and terminology to reflect current policy and practices, and (4) clarify the wording of other subsections that have been prone to misinterpretation in the past.

SECTION III. THE RATES FOR MIXED SOLID WASTE

Metro's own customers face a two-part charge at the transfer stations: (1) a flat fee per transaction, which covers the fixed costs of the scalehouses, billing costs, and a portion of station management; and (2) a variable charge – the tip fee – based on the number of tons in the transaction.

The tip fee is actually the sum of several fees and taxes. The basic fee is the tonnage charge, which is the amount needed to recover the costs of Metro's disposal activities – transfer station management and operations, transport, and disposal.

Four separate charges are added to the basic fee:

- **Regional System Fee**. A surcharge that Metro levies on all waste that is generated inside the district and ultimately disposed, regardless of the location of the disposal site. The system fee pays for regional solid waste programs and services – hazardous waste collection, waste reduction, latex paint recovery, illegal dumpsite cleanup, private facility regulation, and landfill closure and monitoring. None of the direct costs of operating the transfer stations are paid from Regional System Fee revenue.
- **Metro Excise Tax**. The solid waste excise tax is Metro's main source of discretionary revenue for general fund expenditures. No excise tax money is used for solid waste programs and services.
- **DEQ fees**. A number of disposal fees totaling $1.24 per ton that Metro collects and remits to DEQ.

- **Host fee**, currently 50 cents per ton that is used for rehabilitation and enhancement projects by the community in which the transfer stations are located.

The sum of these charges is the "tip fee." Table 4 provides detail.

Table 4. Breakdown of the Proposed Tip Fee at Metro Transfer Stations
Rates Effective August 1, 2012

Component	Current	**Proposed**	Change
Tonnage Charge	$58.35	**$61.35**	$3.00
Recovers the costs of Metro's disposal operations.			
Pass-Throughs			
Government fees and taxes levied at disposal sites including Metro transfer stations.			
Regional System Fee	$17.64	**$18.56**	$0.92
Excise tax	11.80	12.19	0.39
DEQ fees	1.24	1.24	– 0 –
Host fee	0.50	0.50	– 0 –
Metro Tip Fee	$89.53	**$93.84**	$4.31

This ordinance would amend the tonnage charge and the system fee by the indicated amounts. The other charges are set (or limited) by the state or in Metro code.

Readers wishing to review the derivation of these rates are referred to *Rate Report: A Methodological Statement*, issued under separate cover (and available on Metro's website by April 19).

All disposal sites that serve the Metro region[2] have price structures similar to the one shown in Table 4. Each disposal site will have a tonnage charge that is specific to its own operation. The same system fee, excise tax and DEQ rates are levied at all sites. The host fee is a local option, but other local fees and taxes may also apply. The "tip fee" at any given site is the sum of these charges.

Effects on Ratepayers

Whenever Metro changes its solid waste rates, most ratepayers do not feel those effects directly, but through the collection rates set by local governments. Put another way, Metro's fees are but one of many "wholesale" prices that make up the "retail" collection rates billed to the customer. (Other factors include drivers' salaries, the customer's choice of service level, and other factors considered in local government rate making for collection services.) Customers who make use of the Metro stations ("self haulers") see the changes directly, but self-haulers account for a small fraction of the total waste disposed in the region.

The effect of Metro's changes on ratepayers is further determined by their hauler's choice of disposal site. The reason is simple: a hauler using a private transfer station pays that facility's own tonnage charge. But the only *Metro* charges are the system fee and excise tax. The $1.31 increase in these two charges ($0.92 plus $0.39, Table 4) translates to about 8 cents per month for a typical residential ratepayer. The private transfer station will very likely have other costs that increase the impact on the ratepayer – such as profit, payrolls, and operational choices. But Metro does not control these other costs. The tip fees at private transfer stations may change by more or less than at Metro, but the only portion that is a direct result of Metro's rate actions are the changes to the system fee and excise tax. [3]

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[2] These are the eight landfills, one burner, and one private regional transfer station that serve the Metro area.

[3] Private facility owners will argue that Metro *affects* some of their costs. For example, a tonnage cap reduces the amount of tonnage over which fixed costs can be spread. Or, Metro's material recovery standards might require processing costs above the amount they would otherwise incur. But these are impacts of regulatory requirements, separate from Metro's actions on the system fee and excise tax.

Ratepayers whose haulers use the Metro stations will pay Metro's tonnage charge, plus the system fee and excise tax – a total of $4.31 per ton this year (Tables 1 and 4). The increase in Metro's tip fee translates to about 27 cents per month for the typical residential ratepayer.

Table 5 displays the effect of *Metro's rate changes only*. The effects are shown for several types of ratepayers. The table also shows the effects on these ratepayers when their haulers use privately-owned facilities where Metro's rate actions affect *only* the system fee and excise tax.

Table 5. Effect of Metro's Rate Changes

	Ratepayers whose Hauler Uses			
	Metro Transfer Stations		Privately-Owned Stations*	
Generator Type	Cost Change per Month	% Change in Total Collection Bill	Cost Change per Month	% Change in Total Collection Bill
Residential	27¢	~ 1%	8¢	0.3%
Mid-sized office	$1.60	1.2%	50¢	0.4%
Food (low-mid size)	$18.00	2.6%	$5.50	0.8%
Food (mid-sized)	$21.60	2.9%	$6.60	0.9%

**The figures for privately-owned stations show the effect of Regional System Fee and excise tax changes only, as these are the only Metro components of private tip fees. Privately-owned transfer stations will have other costs that Metro does not control (e.g., salaries, profit, operational decisions) which will be included in the private tip fees, and therefore in ratepayers' bills.*

The calculations in this table are Metro's estimates for representative residential, office, and two sizes of food-rich generators disposing of 0.75, 4.5, 50, and 60 tons per year, respectively; and collection arrangements in which disposal comprises 22½%, 25%, 55%, and 60% of their total collection cost, respectively.

Drivers of the FY 2012-13 Changes

Tonnage. Tonnage is a mild driver of solid waste fees in this cycle. While Metro's econometric models point to a small increase over the *actual* tonnage received this year, the actual tonnage is trending more than 5 percent below the tonnage on which the current rates were based. The tonnage assumption for FY 2012-13 is down 20,000 tons at Metro stations (4.3 percent) and 8,800 tons region wide (0.8 percent) from the FY 2011-12 rate assumptions. Although this means that rates must rise to compensate[4], the tonnage drop at the regional level is small enough that the effect on the Regional System Fee is quite minor.

Costs. The proposed changes are driven mainly by costs:

- ***Inflation.*** With 58 percent of the solid waste revenue requirements determined by the four major operating contracts and their inflation clauses, even relatively modest inflation will have important effects on costs. During the last two years, the inflation rate affecting the contracts averaged only 0.4 percent per year. This year, the inflation index was up 2.8%, translating into a $1.30 increase in the tonnage charge.
- ***Reduction of underspend allowance.*** The proposed FY 2012-13 rates are designed to recover a larger proportion of next year's budget than in recent years. This change in practice accounts for $0.78 of the increase in the Regional System Fee. <u>*Explanation*</u>. In conventional metropolitan utility rate making, the dollars to be raised by rates ("revenue requirement") is typically equal to the net cash flow needed for the budget. However, in recent years, Metro's solid waste rates have been set to *expected expenditures* rather than the budget. The reason? Actual expenditures by some centers and services have historically been materially less than their adopted budgets. Therefore, rates would have been higher – and unplanned over collection greater – if the rates had been set to recover the budget. The difference between budget costs and the revenue requirement is termed an "underspend allowance." This year, the underspend allowances were reduced, consistent with this year's tighter budgeting practices. However, even though the FY 2012-13 budget requests from some solid waste

[4] This is because each rate is *net cost* divided by *tonnage* (or transactions). So the math dictates that rates rise when tonnage drops, even when costs remain the same.

centers and services are down from their adopted FY 2011-12 budgets, the actual revenue requirement is up from the underspend-adjusted requirement of previous years. [5]

- ***Transport cost***. Under last year's amendment to the trucking contract, Metro receives a rebate if tonnage to Columbia Ridge Landfill exceeds 500,000 tons during the year, and pays a bonus to the contractor if tonnage falls below 475,000 tons. Because staff expects to ship about 409,000 tons next year, Metro will pay a bonus of $263,000, which accounts for $0.64 of the tip fee increase.
- ***Fuel***. Under Metro's waste transport arrangements, every 25 cent per gallon increase in the price of fuel bumps the tip fee by 50 cents per ton. The FY 2012-13 fuel price assumption is $3.50 per gallon, up 25 cents from FY 2011-12[6], so fuel accounts for $0.50 of the increase in the tip fee. If fuel prices turn out higher than the budget assumption, the solid waste operating contingency is positioned to cover fuel prices as high as $5.50 per gallon.
- ***General & Administrative.*** Overall, interfund service transfers would be down from FY 2011-12 but for a new $332,500 charge for the Metro website ("Web Conversion Project"). As a result, transfers are up by a net $238,000 from FY 2011-12, translating to a $0.24 increase in the Regional System Fee. (These figures exclude a $1.376 million transfer to the General Fund for centralized education functions. This cost remains allocated directly to Resource Conservation & Recycling where the education functions were formerly budgeted directly.)
- ***Metro excise tax***. The excise tax component of the tip fee will rise from $11.80 per ton to $12.19, accounting for $0.39 of the increase in the tip fee. The excise tax rate is established automatically through a mechanism set forth in Metro code chapter 7.01 unrelated to solid waste costs or this ordinance.
- ***Mitigating effects***. As explained earlier in this staff report, the COO proposes to begin recovering a portion of fixed costs from recoverable solid wastes, and to begin charging transaction fees on compostable waste. Without these measures, the Tonnage Charge component of the tip fee would be 56 cents higher ($3.56 vs. the proposed $3.00), the staffed-scale Transaction Fee would be $1.50 to $2.00 higher ($13.50 to $14.00 vs. the proposed $12), and the automated-scale Transaction Fee would be $1 higher ($4 vs. the proposed $3).

Tonnage effects and a variety of other, smaller cost changes combine to round out the net increase to the tip fee. These factors are summarized in Table 6.

Table 6. Factors Contributing to the Tip Fee Increase

Factor	Effect
Inflation in the major contracts*	$1.30
Reduction of the underspend allowance	0.78
Effect of the transport contract amendment	0.64
Fuel price (transport to the landfill)	0.50
General & administrative costs (mainly website)	0.24
Metro excise tax	0.39
Tonnage reduction and misc. cost changes	0.46
Net increase	**$4.31**

* For transfer station operation, transport and disposal.

[5] Underspend allowances have ranged from zero to 15 percent, depending on the program. Last year the allowances totaled $1.24 million – meaning the FY 2011-12 rates were designed to recover $1.24 million less than net budget expenditures. This year a 5 percent allowance is set against only one center, amounting to $369,000.
[6] The FY 2011-12 budget assumption was $3.25 per gallon. The year-to-date average is $3.23. Metro pays wholesale prices for diesel fuel, and is exempt from paying the Federal excise tax (the latter saving about 24½ cents per gallon).

Section IV. Information/Analysis

1. **Known Opposition**. There is no known opposition. Rather, the solid waste stakeholders contacted by staff are supportive of Metro's move away from subsidized recoverable solid waste rates, and agree that the rates should reflect the cost of service as a matter of policy.

   However, changes to Metro's solid waste rates trigger reviews of collection rates in most local governments. In recent years, and last year in particular, questions over Metro's excise tax arose at some of these review hearings, and with no one present to represent the facts, the discussions often took uncontrolled turns. The rate hearing before the City of Tualatin, as reported in the Portland Tribune, is illustrative: www.portlandtribune.com/news/story.php?story_id=130516081419936400. If this ordinance is approved, Metro should use the next three months to work actively with local jurisdictions to ensure they understand the reasons and effects of Metro's rates on the solid waste system, and on their local collection costs in particular. This effort is especially useful for local jurisdictions that have no solid waste experts on staff to advise elected officials and other decision makers.

2. **Legal Antecedents**. Metro's solid waste rates are set forth in Metro Code Chapter 5.02. Any change in these rates, or the provision governing those rates, requires an ordinance amending Chapter 5.02. Metro reviews solid waste rates annually, and has amended Chapter 5.02 when changes are warranted. The proposed FY 2012-13 rates comply with the restriction set forth in Chapter III, Section 15 of the Metro Charter limiting user charges to the amount needed to recover the costs of providing goods and services.

   The excise tax rate is established automatically by a passive mechanism set forth in Metro Code sections 7.01.020 and 7.01.022 and does not require annual council action. Metro Code subsection 7.01.020(e)(1) requires council action to set an effective date for the tax rate if different from September 1.

3. **Anticipated Effects**: If adopted, this ordinance would raise the tip fee and the staffed transaction fee, and reduce the size of load subject to the minimum charge at Metro transfer stations. The ordinance would also raise the Regional System Fee, which is levied on all disposal including waste delivered to Metro transfer stations, mass burners and privately-owned landfills, regardless of where these disposal sites are located. Ratepayer effects were addressed in a previous section of this report.

   If adopted, this ordinance would also establish tip fees for recoverable solid waste that recover the cost of service, after several years of subsidized rates with a mixed record of policy successes. This change will reduce upward cost pressure on Metro's rates for mixed solid waste, and should improve the economic environment for private investment in recycling infrastructure including organics processing capacity.

4. **Budget Impacts.** The rates established by this ordinance are designed to raise $50.8 million in enterprise revenue from solid waste as required by the proposed FY 2012-13 budget. The expected FY 2012-13 revenue from these rates is reflected in the proposed budget.

RECOMMENDATION

The Chief Operating Officer recommends adoption of Ordinance No. 12-1277.

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Materials following this page were distributed at the meeting.

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METRO COUNCIL MEETING
Meeting Summary
April 12, 2012
Metro, Council Chamber

Councilors Present: Council President Tom Hughes and Councilors Rex Burkholder, Barbara Roberts, Carl Hosticka, Kathryn Harrington, Carlotta Collette and Shirley Craddick

Councilors Excused: None

Council President Tom Hughes convened the regular council meeting at 2:02 p.m.

1. INTRODUCTIONS

There were none.

2. CITIZEN COMMUNICATIONS

Sharon Nassett, 1113 N. Baldwin St., Portland: Ms. Nassett addressed the Metro Council on public transportation. She emphasized that many people use public transit as their primary source of transportation. She addressed the differences and disparities in transit service and amenities between communities across the region. She provided the example of Columbia Boulevard, the state's #1 employer, is not served by rail or bus service. Additional examples included the transit stop at the Expo Center. (Handout included as part of the meeting record.)

Council recommended she forward her comments to TriMet, the region's transit agency and provider.

3. CONSENT AGENDA

Motion:	Councilor Carlotta Collette moved to approve the April 12, 2012 consent agenda which included: • Consideration of the Minutes for April 5, 2012 • **Resolution No. 12-4341**, For the Purpose of Confirming the Reappointment of Pre-Existing Members to the Natural Areas Program Performance Oversight Committee.

Vote:	Council President Hughes, and Councilors Burkholder, Roberts, Hosticka, Craddick, Collette and Harrington voted in support of the motion. The vote was 7 ayes, the motion passed.

4. HEARING ON ENFORCEMENT OF TITLE 13 OF THE METRO URBAN GROWTH MANAGEMENT FUNCTIONAL PLAN – CITY OF TROUTDALE

Council President Hughes opened the enforcement hearing and called on Ms. Martha Bennett, Metro's Chief Operating Officer, for staff's report.

Ms. Bennett stated that Metro and the City of Troutdale have held a series of discussions about the City and its noncompliance with Title 13, *Nature in Neighborhoods*. Several months ago, the Metro Council passed a motion to initiate the first part of the enforcement process. Since that action, Metro and the City have worked together to draft a set of provisions, that if adopted by the Troutdale City Council, would bring the City into compliance with Title 13. She indicated that the City filed notice with the Department of Land Conservation and Development (DLCD) on April 5th. Following the conclusion of DLCD's notice period, the City is anticipated to hold a first and second reading, and vote to adopt the provisions on June 12th. She recommended the Metro Council continue its enforcement hearing to a date certain of June 14th.

Councilors asked clarifying questions regarding staff's proposed timeline for the enforcement hearing. Councilors recommended that the hearing be continued to June 21st.

Motion:	Councilor Shirley Craddick moved to continue the April 12, 2012 hearing on compliance to June 21, 2012.
Second:	Councilor Kathryn Harrington seconded the motion.

Councilor Craddick provided a brief background on Title 13. She thanked the Metro Council and the Troutdale City Council for their work. Councilor Craddick believed the enforcement process brought both parties together and helped facilitate the discussion. She emphasized that Troutdale city councilors' care about the environment, and Troutdale's local community and businesses.

Council welcomed Troutdale Council President Doug Daoust**,** Councilors Norm Thomas and Glenn White, and City Manager Craig Ward.

Council President Hughes opened the hearing to the public. No citizens expressed interest in testifying.

Vote:	Council President Hughes, and Councilors Burkholder, Roberts, Hosticka, Craddick, Collette and Harrington voted in support of the motion. The vote was 7 ayes, the motion passed.

The enforcement hearing was continued to June 21, 2012.

5. ORDINANCES – SECOND READING

5.1 **Ordinance No. 12- 1276**, For the Purpose of Amending Metro Code Chapter 3.09, Local Government Boundary Changes, to Conform to New Legislation and to Improve the Boundary Change Process.

Motion:	Councilor Barbara Roberts moved to approve Ordinance No. 12-1276.
Second:	Councilor Harrington seconded the motion.

Councilor Roberts introduced Ordinance No. 12-1276 which, if approved, would:

- Conform to Senate Bill 48, passed by the Oregon Legislature in 2011, which reduced the types of service districts Metro must regulate; and
- Set forth the steps Metro and other agencies would take to ensure changes to city and service district boundaries are effectuated and properly recorded.

Councilor Roberts stated that the Legislature passed SB 48 at the request of Metro. The bill, effective Jan. 2012, reduced the types of local government service district boundaries Metro was required to regulate and track. Prior to SB 48 many of the districts did not relate to Metro's activities or mission, for example vector control and highway lighting districts. Approval of SB 48 by the Legislature narrowed the list of special districts to those that have some relation to Metro's mission.

Council President Hughes opened a public hearing. Seeing no members of the public who wished to testify, the public hearing was closed.

Council asked clarifying questions about the proposed changes in Exhibit A, *Amendments to Metro Code Chapter 3.09 Local Government Boundary Changes* – specifically highlighting that the proposed changes would enumerate the districts. Currently, the districts are generally defined in Metro's boundary code. Council also asked clarifying questions about water districts and transit districts.

Vote:	Council President Hughes, and Councilors Burkholder, Roberts, Hosticka, Craddick, Collette and Harrington voted in support of the motion. The vote was 7 ayes, the motion passed.

6. RESOLUTIONS

6.1 **Resolution No. 12-4340**, For the Purpose of Revising the 2011 Land Use Final Order for the Expo Center/Hayden Island Segment of the South/North Light Rail Project on Remand for LUBA and the Oregon Supreme Court.

Council President Hughes stated that on August 11, 2011, the Metro Council adopted Resolution No. 11- 4280, which approved the Land Use Final Order (LUFO) for the Columbia River Crossing segment of the South/North MAX Light Rail Project. The Land Use Board of Appeals (LUBA) and the Supreme Court affirmed that decision in all but one regard, specifically, that the Metro Council lacked jurisdiction to approve the portion of the project located outside Metro's urban growth boundary (UGB). Consequently, on remand and at TriMet's request, Metro was asked to revise the 2011 LUFO to remove the portion of the project in Oregon that lies outside the UGB. Council

President Hughes referred to revised LUFO material. (All materials included as part of the meeting record.)

Council President Hughes emphasized that conforming the LUFO to the remand was the only issue before the Council and asked Metro Attorney Ms. Alison Kean Campbell to overview the procedural requirements for House Bill 3478. (*Decisions on LUFOs are governed by special procedures contained in HB 3478.*)

Council President Hughes explained the process for the April 12 hearing.

Motion:	Councilor Rex Burkholder moved to approve Resolution No. 12-4340.
Second:	Councilor Harrington seconded the motion.

Councilor Burkholder introduced Resolution No. 12-4340, which if approved, would adopt revisions to the 2011 LUFO to respond to the remand from LUBA and the Supreme Court, and the adoption of the land use findings of fact in support of the LUFO revisions.

Mr. Andy Cotugno and Mr. Dick Benner of Metro provided a staff report. Mr. Cotugno quickly overviewed the legislation's components and stated that the resolution and exhibits revise the past 2011 LUFO. He stated that five petitioners appealed, to LUBA, the LUFO decision in late Aug. 2011. LUBA found that 10 of the eleven objections the petitioners raised were adopted correctly – LUBA did <u>not</u> find that portion of the LUFO outside the Metro's UGB was adopted correctly. Two of the five petitioners then chose to appeal the Supreme Court. On Feb. 16, 2012 the Supreme Court issued its final decision in support of LUBA's decision. In doing so, the Court denied all of the issues presented by the petitioners and affirmed that the LUFO could not be applied outside the UGB. Pending the Metro Council's approval of the revised LUFO, the LUFO will be filed with the Supreme Court for its review and final judgment. (Complete list of objections included in staff report.)

Mr. Cotugno reiterated that statute provides Metro the authority to adopt LUFOs but only within Metro's UGB, and stated therefore the area north of Hayden Island must be excluded. He also confirmed that all other land use issues deliberated and approved through the 2011 LUFO process, south of the north shore of Hayden Island and inside the UGB, have been settle and confirmed by the Court.

Council asked legal counsel to clarify the process should the Metro Council choose to not adopt the LUFO amendment, and if – and if so what – land use procedures apply to the area between the Metro UGB and the Oregon state line.

Council President Hughes opened a public hearing on Resolution No. 12-4340 and asked TriMet, the applicant, to present its application. Mr. Mark Greenfield, with assistance from Mr. Steve Witter, presented TriMet's application. Mr. Greenfield restated that the Supreme Court approved all but one of the challenges presented – the Court remanded the LUFO between Metro's UGB and the Oregon state line. He reconfirmed that the full CRC project within the UGB, from the Expo Center to the north shore of Hayden Island, was affirmed by the Court and is final. He reiterated that the April 12th proceeding should focus on the project area between the Metro boundary and state line. TriMet requested Metro revise 2011 LUFO to conform it to the LUBA and Court remand.

Council asked clarifying questions regarding the various levels, roles, and responsibilities of government.

Council President Hughes then opened the hearing to the public:

- Michael Lilly, Attorney for Plaid Pantry, Inc.: Mr. Lilly distributed written testimony for the record. (Testimony included as part of the meeting record.)

- Sharon Nassett, 1113 N. Baldwin St., Portland: Ms. Nassett did not believe the UGB needed to be extended. She addressed concerns with expanding the UGB while transit service is being cut, and potential land use impacts to local residents, businesses and the port's facilities. Ms. Nassett stated that the current CRC Bridge is on the historical registry, and that ODOT officials have determined that the bridge has over 60 years of functionality left and currently has no federal requirements for bridge updates or additions. She also stated that the CRC's initial purpose and need statement focused on the port facilities and transcontinental rail line, but that the current project does not address either.

- Debbie Peterson, 1105 704 Ave., Vancouver, WA: Ms. Peterson was opposed to the project and recommended the Council delay action on the LUFO. She highlighted some of the project's challenges over the past couple years including changes in bridge design, delayed Record of Decision, and reduced revenue stream. She was also concerned that the City of Vancouver, WA City Council is not informed and not prepared to make decisions on this project.

Seeing no additional citizens who wished to testify, Council President Hughes closed the hearing to written testimony and opened the floor for TriMet's rebuttal.

Mr. Greenfield stated that Mr. Lilly's testimony required a rebuttal. He referred to Page 2, paragraph one of Mr. Lilly's testimony that stated:

> "…Plaid representatives told you [Metro Council] that you [Metro Council] should not adopt the 2011 LUFO because Metro lacked jurisdiction to adopt a LUFO outside the Urban Growth Boundary. TriMet's Counsel scoffed at the objection, and led you [Metro Council] to believe that the new bridges needed to be in the LUFO because the Project was integrated, indivisible whole…"

Mr. Greenfield stated that he did not refer to the project is *indivisible*, but rather the statement was made by Plaid Pantry. He indicated that the statement was also used by Plaid Pantry in its appeal to LUBA. Mr. Greenfield also addressed Plaid Pantry's objections outlined in their testimony; highlights included clarifications to the Regional Transportation process, land use decisions, and Metro's authority. He stated that the testimony did not point out any incorrectness with the LUFO or the findings of fact before the Metro Council for its consideration.

Mr. Benner also stated that Plaid Pantry, Inc. also objected, following the hearing's notice, to the limited scope of the hearing. Ms. Kean Campbell ruled that the Metro Council should have limited the scope of the hearing, but also noted that the Council President did not limit the scope of citizens' testimony. Ms. Kean Campbell stated that the Metro Council acted appropriately on this matter.

Council President Hughes officially closed the public hearing and opened the resolution to Council discussion. Councilors expressed that the project needed to move forward to the next phase, discussions on project finance. Some members expressed that too much staff and legal resources were used during the project's planning process. Councilors expressed the need to take clear action on the issue, similar to LUBA and the Court.

Vote:	Council President Hughes, and Councilors Burkholder, Roberts, Hosticka, Craddick, Collette and Harrington voted in support of the motion. The vote was 7 ayes, the motion passed.

7. CHIEF OPERATING OFFICER COMMUNICATION

Ms. Bennett provided a status update on four local initiatives in the cities of King City, Sherwood, Tualatin and Tigard that opposed rail transit.

Ms. Bennett also confirmed Council's support for distributing a letter to Mr. Neil McFarlane of TriMet regarding the transit agency's current budget challenges. Mr. McFarlane and TriMet staff presented at a recent Council work session.

8. COUNCILOR COMMUNICATION

Councilor updates on recent meetings or events included the Metro Policy Advisory Committee (MPAC), Joint Policy Advisory Committee on Transportation (JPACT), and East Metro Economic Alliance. Upcoming events or trips highlighted included Packy's 50th birthday celebration on April 14th and President Hughes trip with Business Oregon to Japan April 16th – 23rd.

Councilor Burkholder asked Council for its support to submit a letter to President Mr. Barack Obama commending him for convening the first White House Summit on Environmental Education and encouraging the President to create a Council on Environmental Literacy and an advisory panel of stakeholders to support and make recommendations to the Council. The Metro Council supported the letter and approved Council President Hughes to sign on behalf of the full Council.

9. ADJOURN

There being no further business, Council President Hughes adjourned the regular meeting at 3:30 p.m. The Council will reconvene the next regular council meeting on Thursday, April 19 at 2 p.m. at the Metro Council Chamber.

K. Newell

Kelsey Newell, Regional Engagement Coordinator

ATTACHMENTS TO THE PUBLIC RECORD FOR THE MEETING OF APRIL 12, 2012

Item	Topic	Doc. Date	Document Description	Doc. Number
2.	Testimony	N/A	Written testimony from Sharon Nassett	41212c-01
3.1	Minutes	4/5/12	Council minutes for April 5, 2012	41212c-02
3.2	Legislation	N/A	Revised Resolution No. 12-4341.	41212c-03
5.1	Legislation	N/A	Revised Ordinance No. 12-1276	41212c-04
6.1	Legislation	N/A	Revised Resolution No. 12-4340	41212c-05
6.1	Testimony	4/12/12	Written testimony from Michael Lilly on behalf of Plaid Pantry, Inc.	41212c-06
6.1	Testimony	4/12/12	Written testimony from Debbie Peterson	41212c-07

www.oregon**metro**.gov

600 NE Grand Ave.
Portland, Oregon
97232-2736

2012-13

PROPOSED BUDGET

Budget Presentation

April 19, 2012

Overview

• Budget ordinance	First Reading
• Budget message	Martha Bennett, Chief Operating Officer
• Budget by the numbers	Margo Norton, Finance and Regulatory Services Director
• Office of Metro Auditor	Suzanne Flynn, CIA, Metro Auditor
• MERC	Chris Erikson, MERC Commissioner Budget Committee Chairperson
• Proposed Solid Waste Rates	Douglas Anderson, Solid Waste Policy and Compliance
• Moving the budget forward	Martha Bennett, Chief Operating Officer
• Public Hearing	required when budget is introduced

Budget message

- Budget Focus

Maintain excellent core services

Seek stability for next 3–5 years

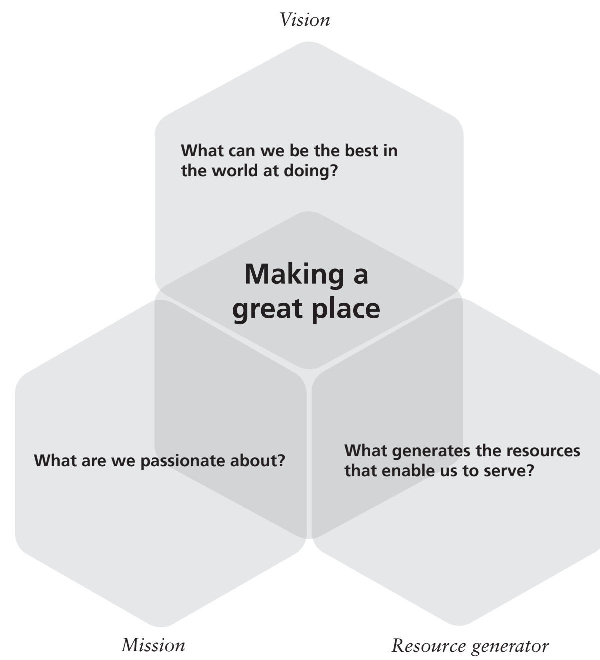
Implement Council's key initiatives

Stay efficient and effective

Decision-making tools

- 6 desired regional outcomes

- Metro Compass



- Guidance from Council work sessions

What the budget looks like

	FY 2011-12 Amended Budget	FY 2012-13 Proposed Budget	% Change
Operating Funds			
General Fund	109,567,000	109,615,000	0%
MERC Fund	68,865,000	69,799,000	1%
Solid Waste Revenue Fund	95,065,000	100,790,000	6%
Total Operating	$273,497,000	$280,204,000	2%
Bond/Capital Funds			
General Asset Management Fund	9,855,000	9,875,000	
Natural Areas Fund	37,778,000	84,800,000	
Open Spaces Fund	337,000	739,000	
Oregon Zoo Infrastructure and Animal Welfare Fund	9,678,000	68,180,000	
Total Bond/Capital	$57,648,000	$163,594,000	184%
Debt Service Funds			
General Obligation Bond Debt Service Fund	40,617,000	62,084,000	
General Revenue Bond Fund	3,316,000	3,095,000	
Total Debt Service	$43,933,000	$65,179,000	48%
Other Funds			
Pioneer Cemetery Perpetual Care Fund	377,000	470,000	
Rehabilitation and Enhancement Fund	2,256,000	2,325,000	
Risk Management Fund	4,836,000	4,531,000	
Smith and Bybee Wetlands Fund	3,836,000	3,762,000	
Total Other	$11,305,000	$11,088,000	2%
Total All Funds	**$386,383,000**	**$520,065,000**	**35%**
FTE	**755.49**	**740.00**	**(2%)**

What the budget delivers

- Delivers excellent service
- Delivers on bond promises
- Meets mandates, Maintains core services, Protects Assets
- Moves Council initiatives forward

What the budget delivers

- **Delivers excellent service**

  What we do every day

  5 million citizens and customers every year

  $200 Million of the operating budget



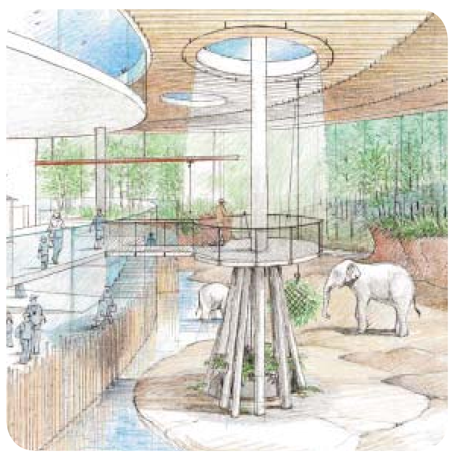
What the budget delivers

- **Delivers on bond promises**

  Uptick in Natural Areas acquisitions

  Start of on-site Elephants Habitat - largest zoo project

  Bond sale in May 2012

What the budget delivers

- **Meets mandates**
  - Planning and Development shaped by Council guidance

    Strengthen assistance to community-directed development

    Scale back transportation work to match available funding

What the budget delivers

- **Meets mandates**
  - Corridor work shaped by grant funding

    Continue integrated approach

    Size project work to available federal funding and capacity of local partners

What the budget delivers

- **Maintains core services**
  - Operating Programs

    Staffing for better animal care

    Expanding food choices for zoo guests

    Pursuing solutions for abandoned cemetery plots

    Meeting challenge of residential organics diversion

    Bringing conservation and environmental education together

What the budget delivers

- **Maintains core services**
  - Support Services

    Revamping website for customers

    Improving engagement with local governments and citizens

    Finding better business solutions through automation

2012-13 Proposed Budget

What the budget delivers

- **Cares for public assets**

  Renewal and replacement a priority in all operating funds

Catch up for Glendoveer	$331,000
Future look at Oxbow	$100,000
Structural study of Expo Halls A, B, C	$ 75,000

  Project Management Office for efficient construction

What the budget delivers

- **Moves Council initiatives forward with strategy**
  - Community Investment Strategy – shift to targeting investments to stimulate development
  - Community Investment Initiative – partnerships for the future

2012-13 Proposed Budget

What the budget delivers

- **Moves Council initiatives forward with funding**

Fund Development Opportunity in base	$200,000
Metro Export Initiative	$ 25,000
Nature in Neighborhoods small grants	$200,000
First cemetery cremation product	$ 50,000
Support for enhanced marketing/more attractive room block	$518,000

2012-13 Proposed Budget

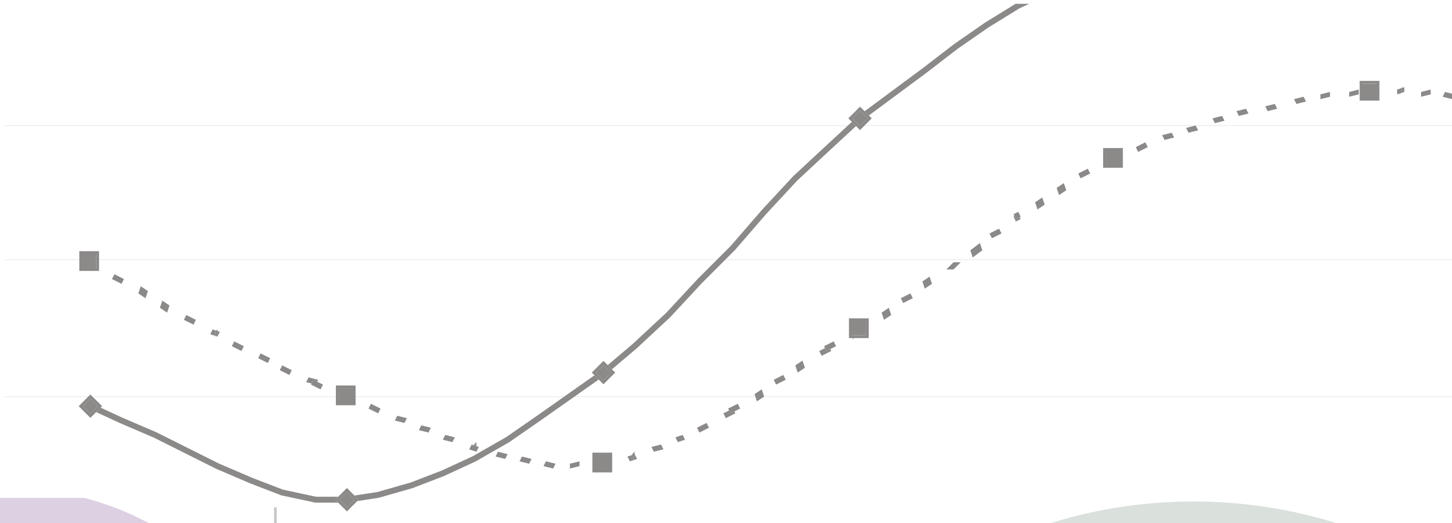
What the budget delivers

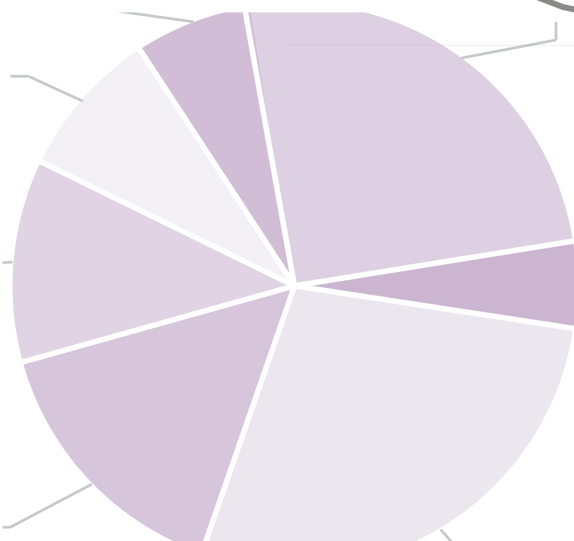
- **Moves Council initiatives forward with vision**

  Future funding for Parks

  Willamette Falls

Budget by the numbers





Margo Norton, Director

Finance and Regulatory Services

2012-13 Proposed Budget

The "Legal" Budget

	FY 11-12 Amended Budget	FY 12-13 Proposed Budget	Budget % Change
Total Budget *(all resources and requirements)*	$386 million	$520 million	35%
Current Revenues	197 million	229 million	15
Current Expenditures	270 million	316 million	17
Wages and benefits	80.2 million	79.9 million	(.32)
Full-time positions	755.5 positions	740 positions	(15.5 positions)

Budget by Fund

	FY 2011-12 Amended Budget	FY 2012-13 Proposed Budget	% Change
Operating Funds			
General Fund	109,567,000	109,615,000	0%
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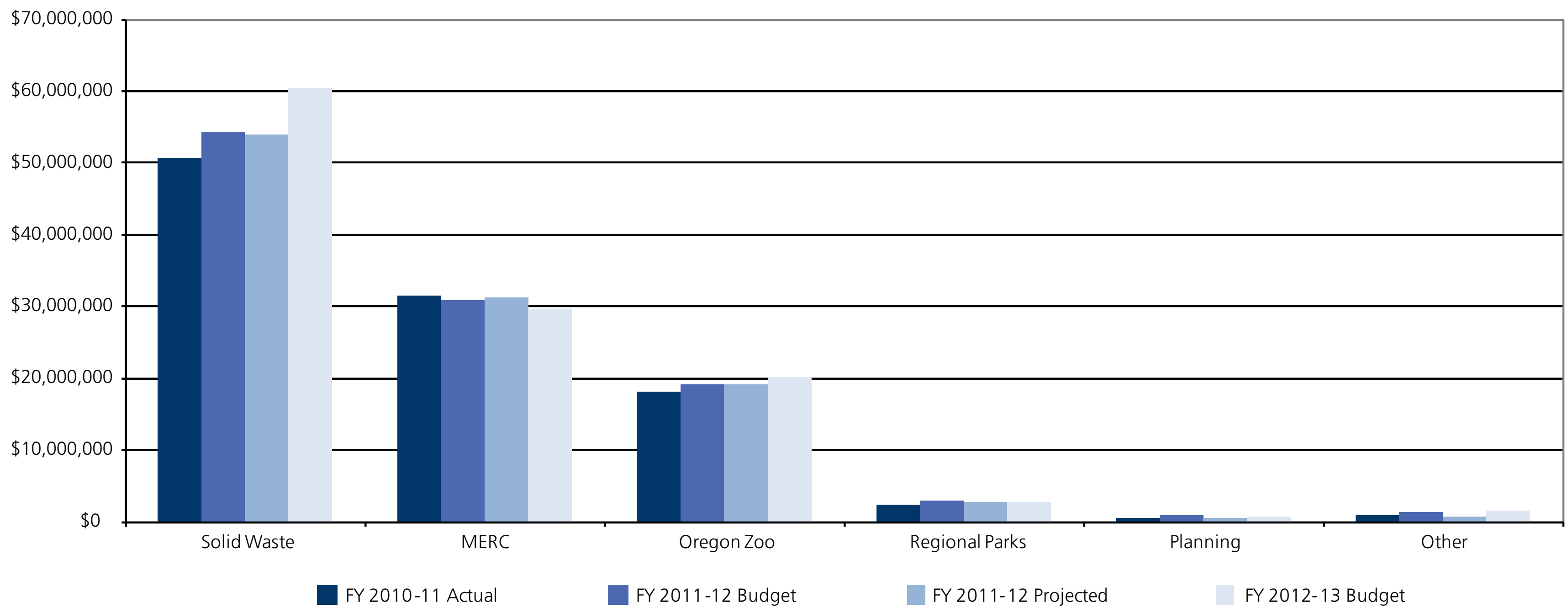
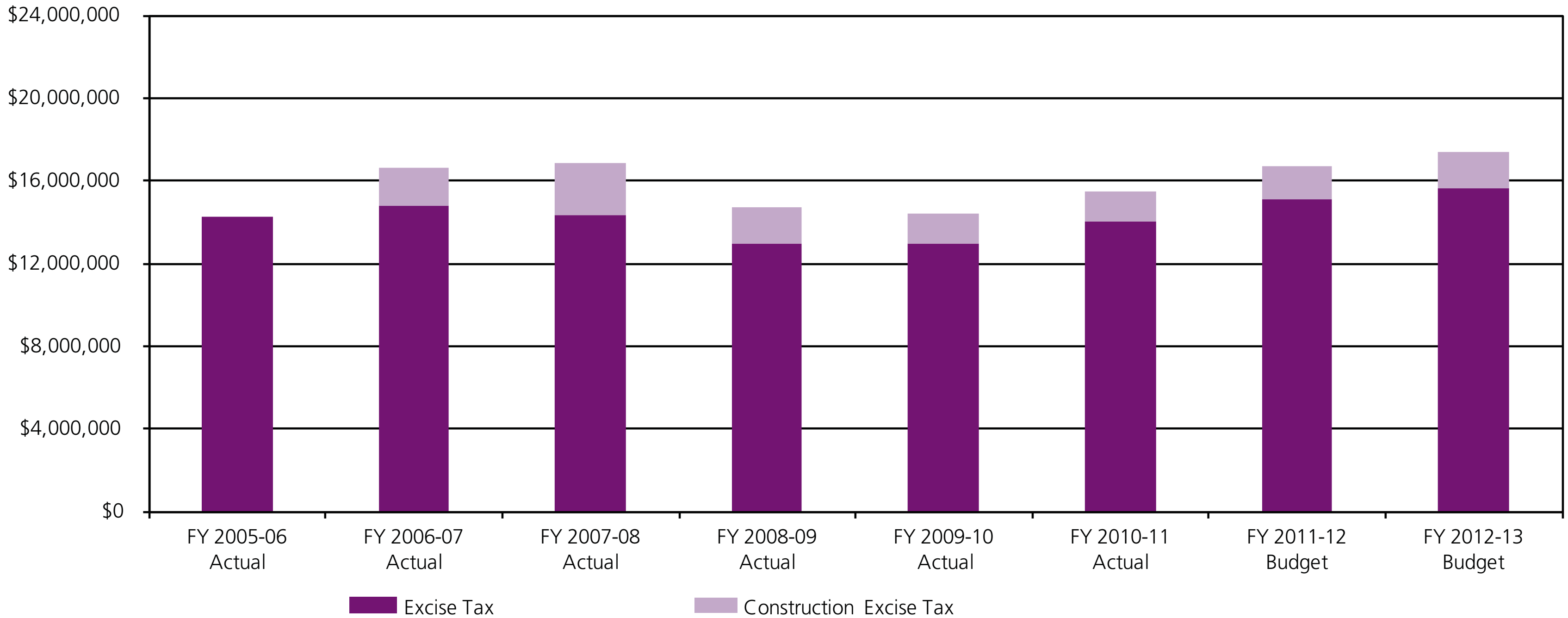
Enterprise revenue

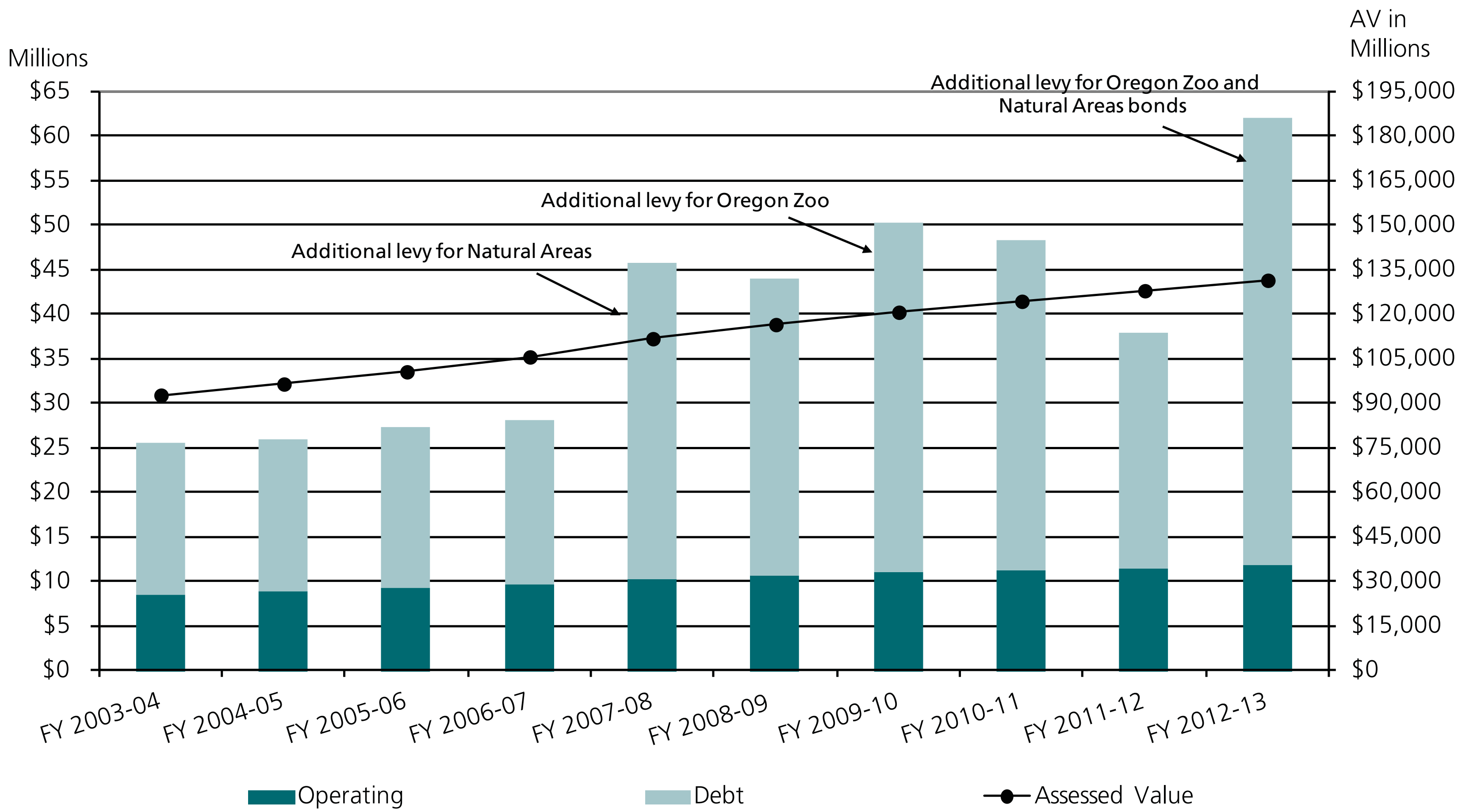


Excise tax

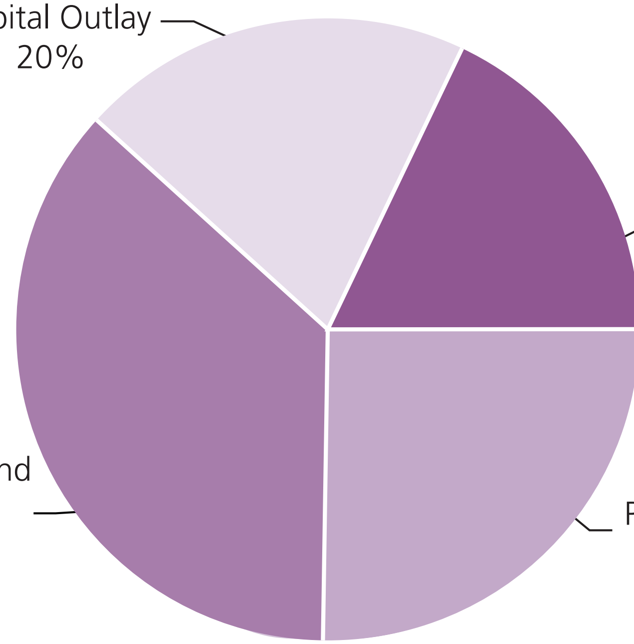

$24,000,000
$20,000,000
$16,000,000
$12,000,000
$8,000,000
$4,000,000
$0
FY 2005-06 Actual
FY 2006-07 Actual
FY 2007-08 Actual
FY 2008-09 Actual
FY 2009-10 Actual
FY 2010-11 Actual
FY 2011-12 Budget
FY 2012-13 Budget
Excise Tax
Construction Excise Tax

2012-13 Proposed Budget

Property tax

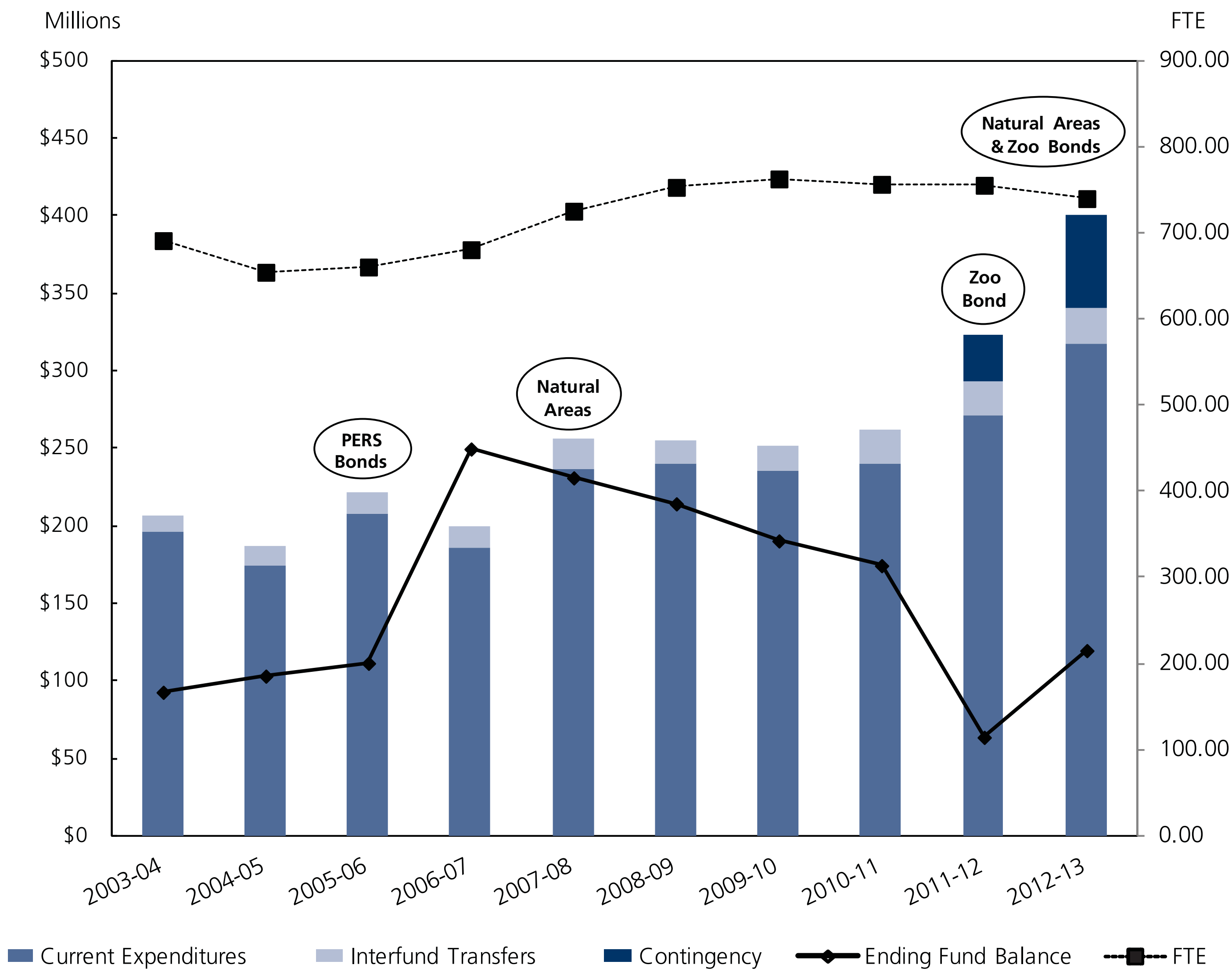


Category of Expense



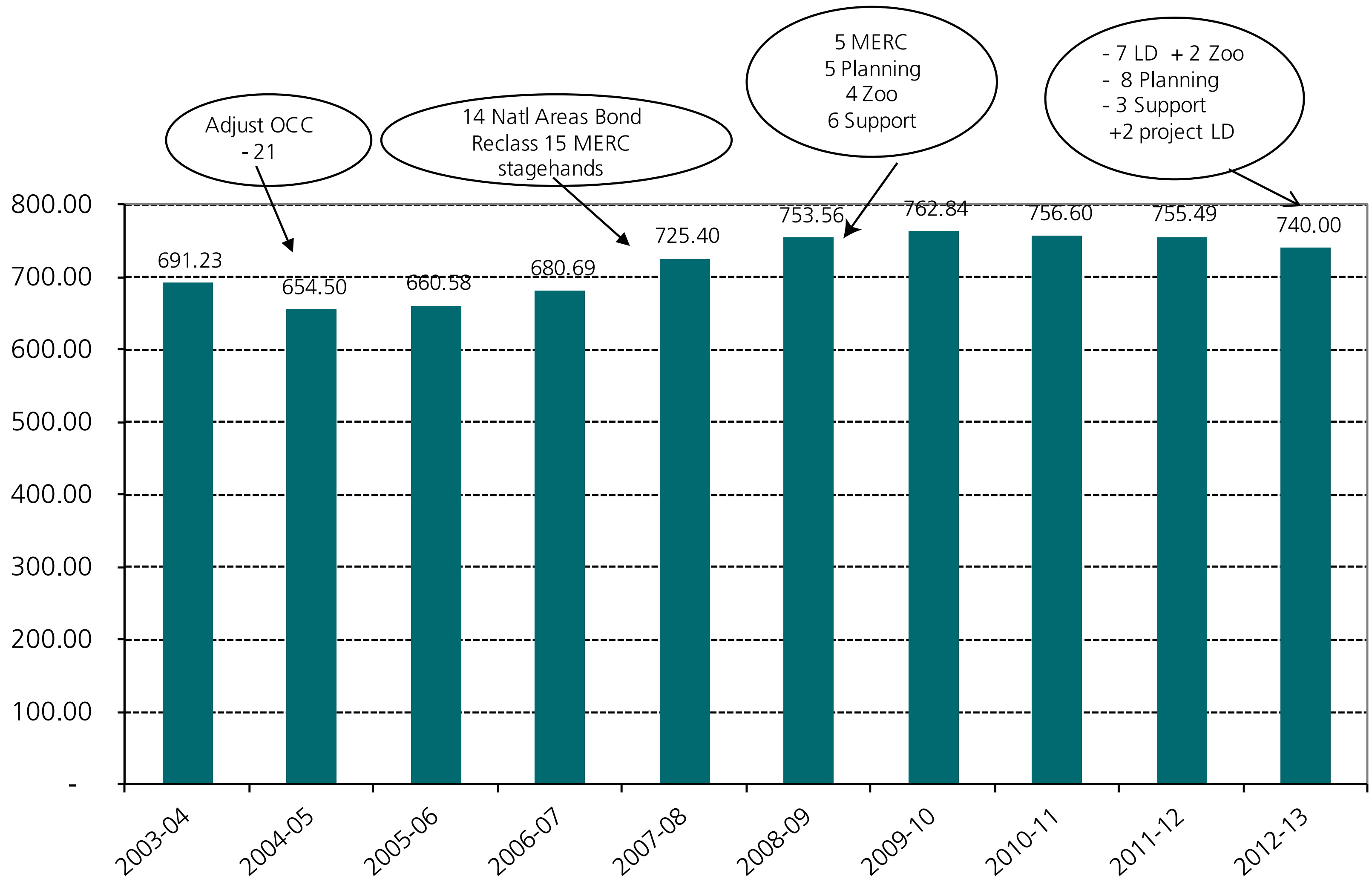
Total current expenditures: $316,612,623

10-year expenditure history

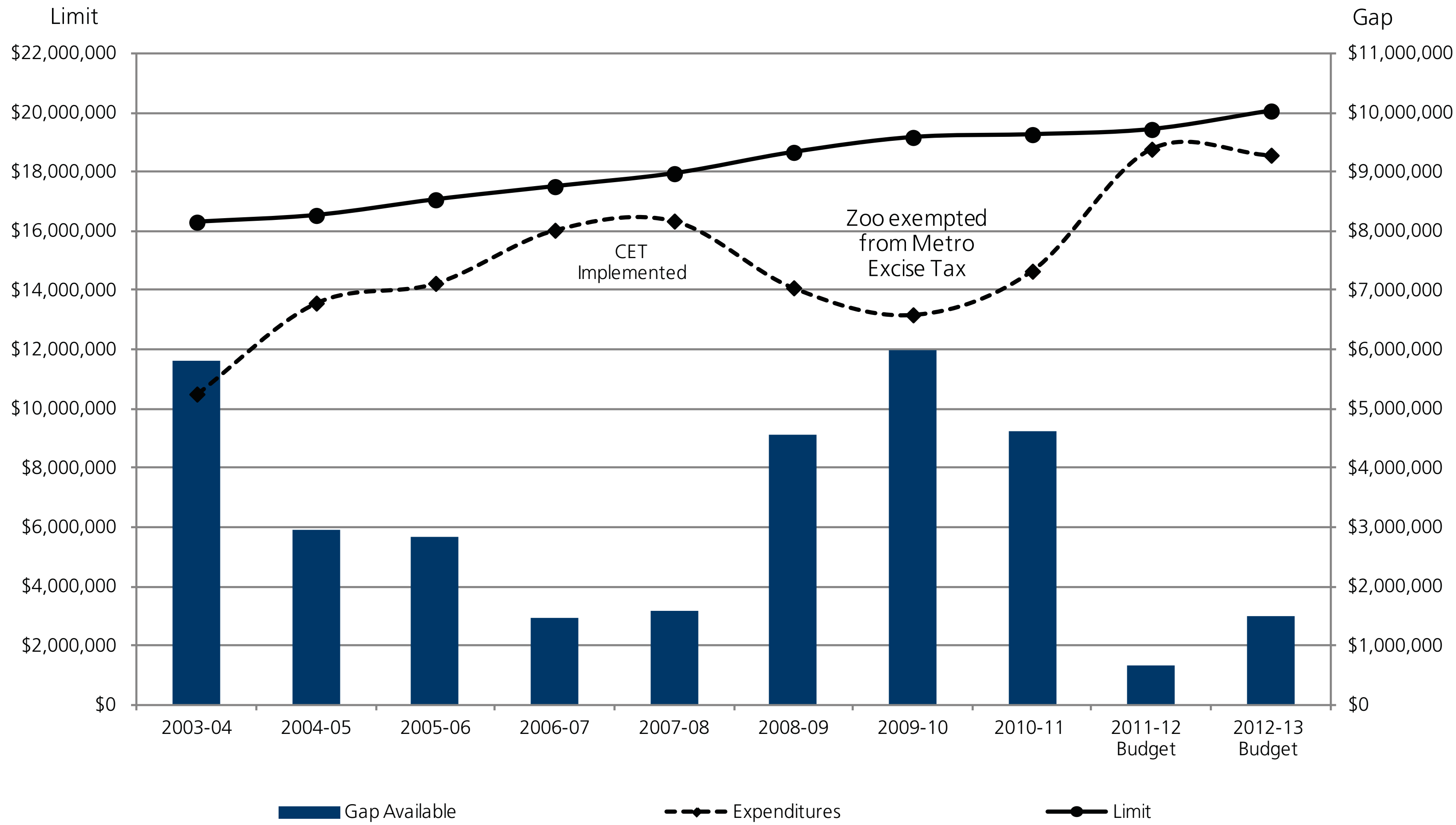


2012-13 Proposed Budget

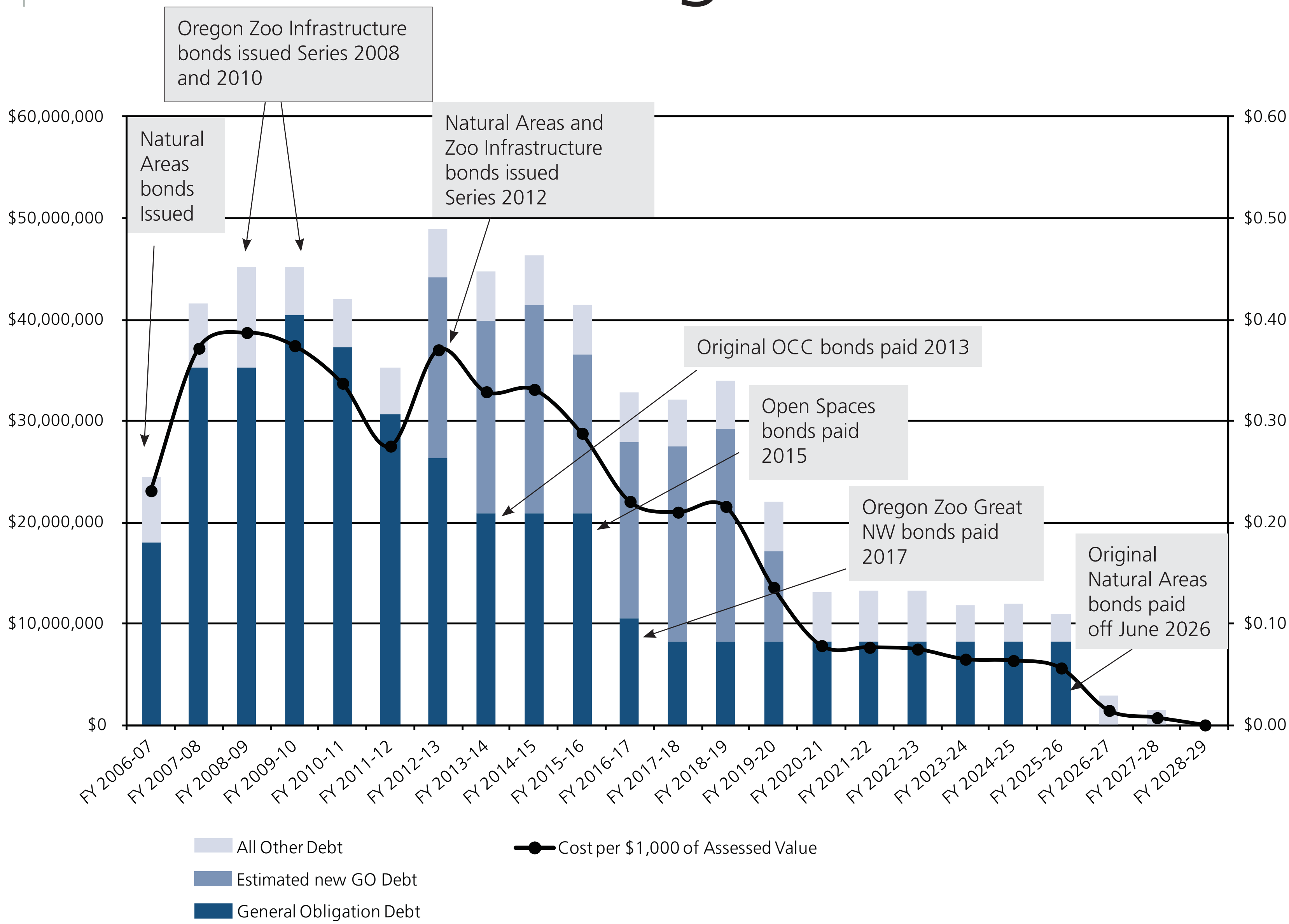
10-year total agency FTE history



Charter Limitation on expenditures



Debt service obligations



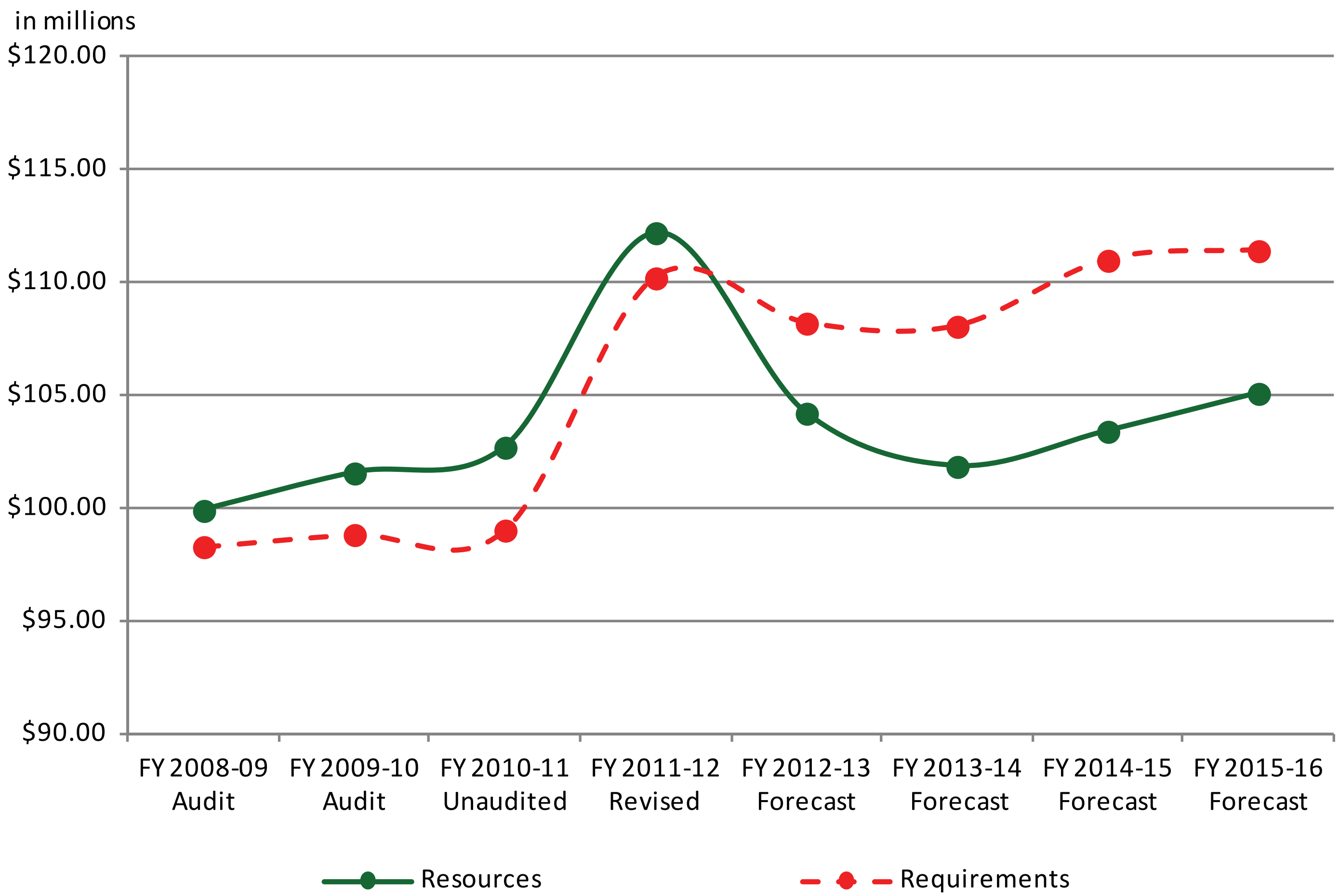
Property tax levy

	Principal	Interest	Fiscal Year Debt Service
General Obligation Refunding Bonds			
Oregon Convention Center, 2001 Series A	$5,290,000	$264,500	$5,554,500
Open Spaces, Parks, and Streams, 2002 Series	8,690,000	1,735,813	10,425,813
Metro Washington Park Zoo Oregon Project, 2005 Series	1,795,000	477,150	2,272,150
General Obligation Bonds			
Natural Areas, Series 2007	4,230,000	3,908,950	8,138,950
Natural Areas, Series 2012 (estimate only)	8,670,000	5,780,000	14,450,000
Zoo Infrastructure, Series 2012 (estimate only)	7,470,500	3,679,500	11,150,000
Full Faith & Credit Refunding Bonds			
2003 Series	1,340,000	562,905	1,902,905
2006 Series	675,000	512,131	1,187,131
Limited Tax Pension Obligation Bonds, Series 2005	525,000	1,129,289	1,654,289
TOTAL FY 2012-13 DEBT SERVICE PAYMENTS	**$38,685,500**	**$18,050,238**	**$56,735,738**

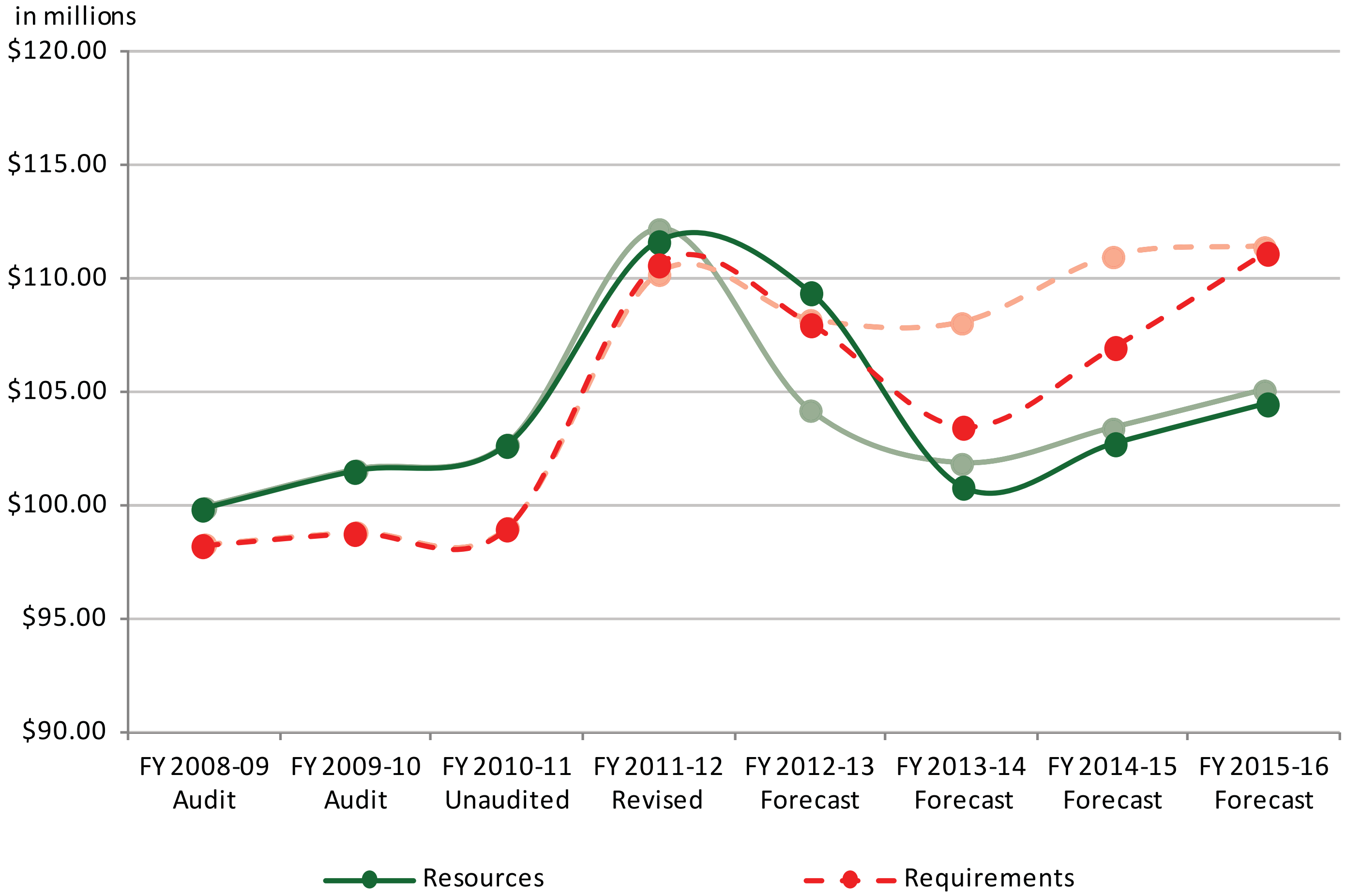
Property Taxes	FY 2011-12 Estimated Budget	FY 2012-13 Proposed Budget	% Δ
Permanent Operating Rate *(per thousand)*	9.66¢	9.66¢	
Debt service *(per thousand)*	22¢	41¢	85%
Average homeowner ($200,000 assessed value) ($250,000 market value)	$64	$102	25%

2012-13 Proposed Budget

General Fund
Five-year forecast Oct 2011



General Fund five-year forecast Proposed Budget



2012-13 Proposed Budget

Metro

Office of Metro Auditor

Suzanne Flynn, CIA
Metro Auditor

Office of the Metro Auditor

FY12-13 Proposed Budget

Mission

- Ensure that Metro is accountable to the public
- Ensure that Metro activities are transparent
- Improve the efficiency, effectiveness, and quality of Metro services and activities

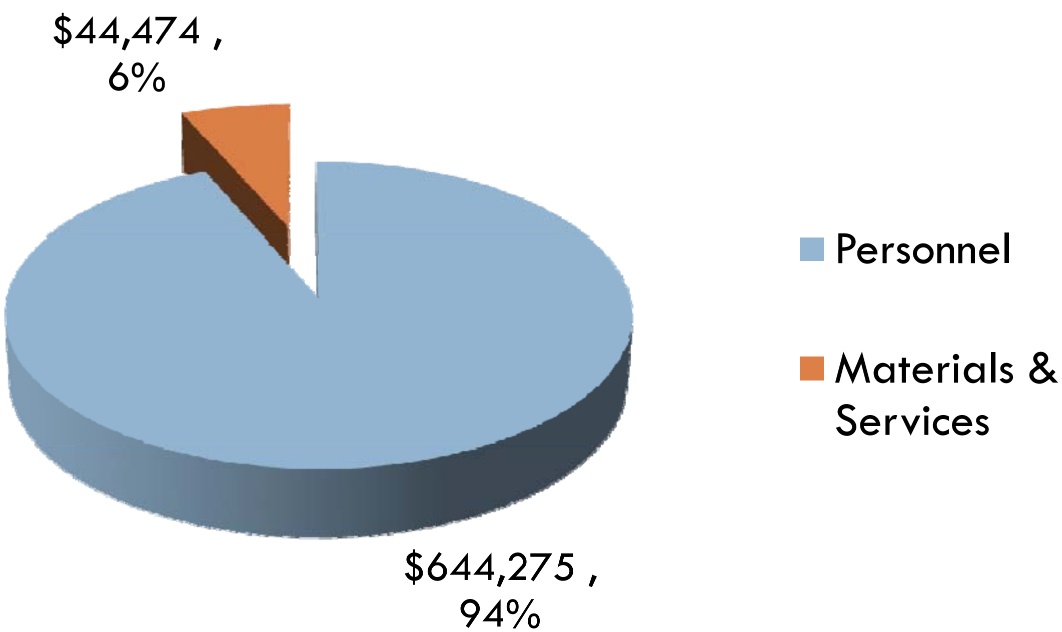
Accomplishments FY2011-12

- Audits completed
  - Administration of Large Contracts
  - Oregon Zoo Follow-up Audit
  - Recruitment and Selection Process
  - Maintenance of Natural Areas
  - Sustainability Management Follow-up Audit
  - Financial Condition FY2001-2002 to FY2010-2011

Accomplishments FY2011-12

- Received award for best audit from a small audit shop (Assoc. of Local Government Auditors)
- Received and investigated 10 reports on the Ethics Line
  - Recruitment & Selection Process audit was based upon an Ethics Line report
- Administered contract with external auditor Moss Adams

Proposed Budget FY2012-13



Comparison to Previous Years

	FY11 Actual	FY12 Adopted	FY13 Proposed
Personnel	$584,191	$644,908	$664,275
Materials & Services	$28,405	$41,544	$44,474
TOTAL	$612,596	$686,452	$708,749

Notes:

•In FY 2011-2012 primary driver of personnel increase is benefits.

Current and Upcoming Audits:

- Risk Management
- Transportation Outcomes – Case Studies
- Span of Control

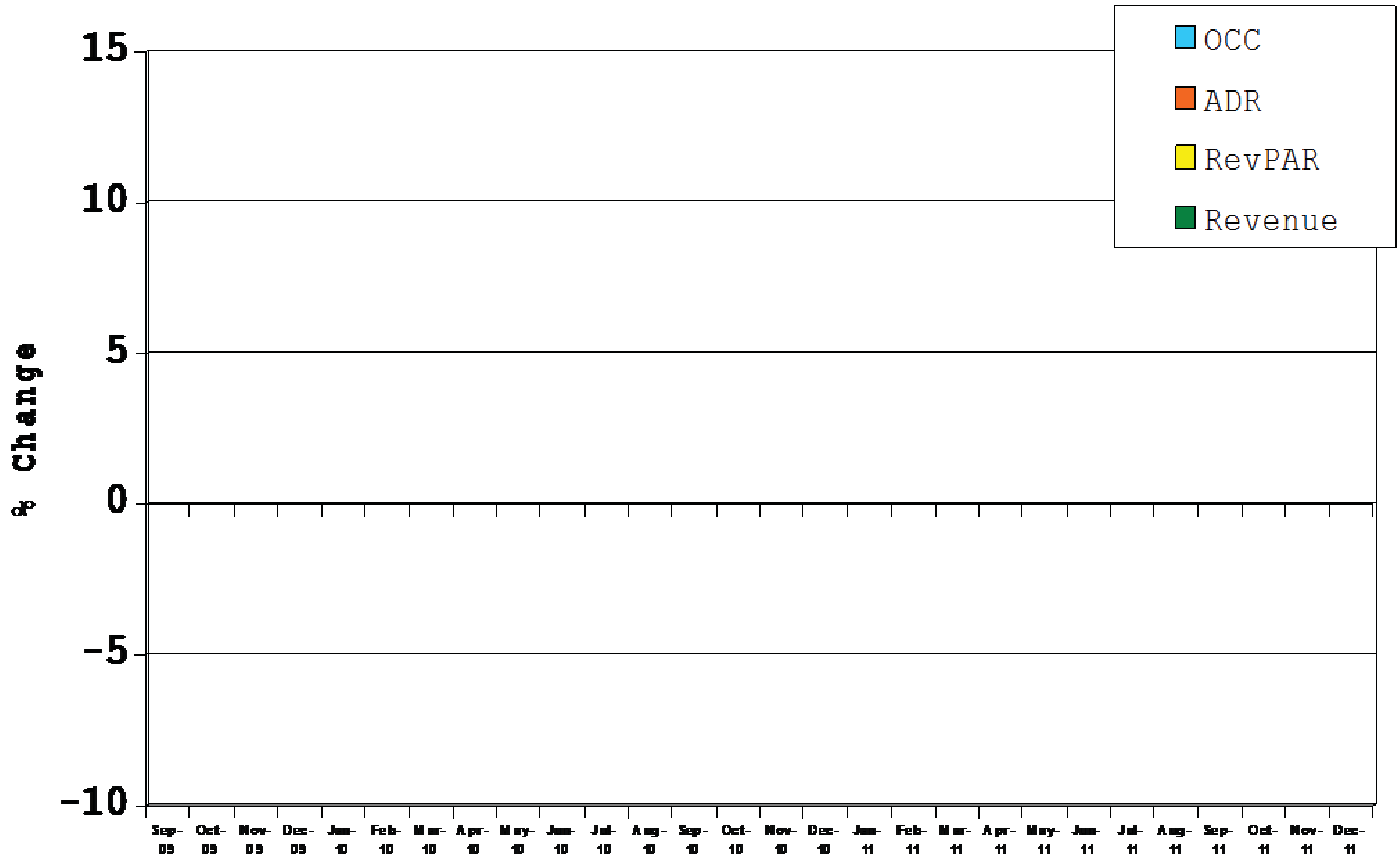
Questions?

MERC

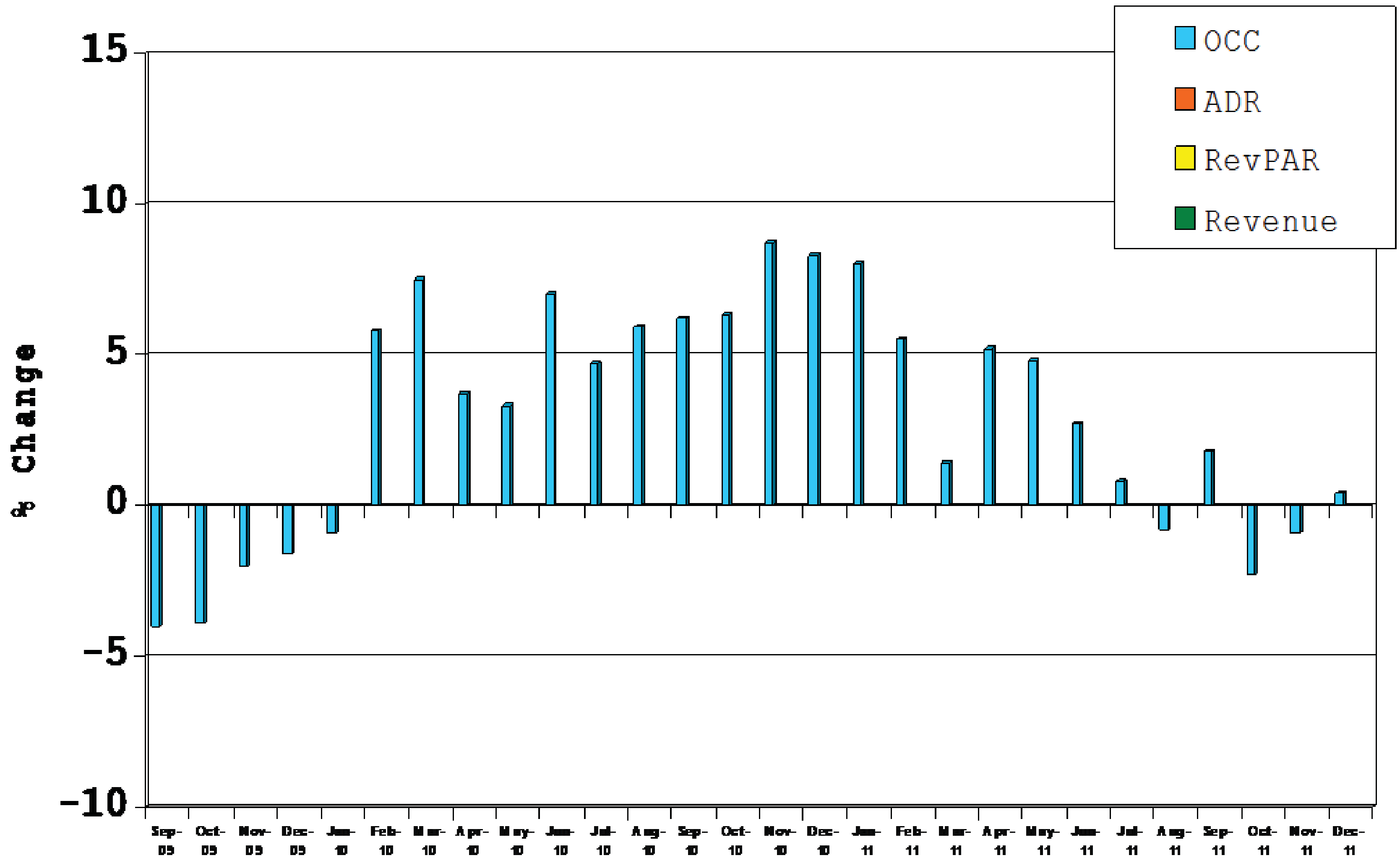
Chris Erickson

MERC Commission Budget Chair

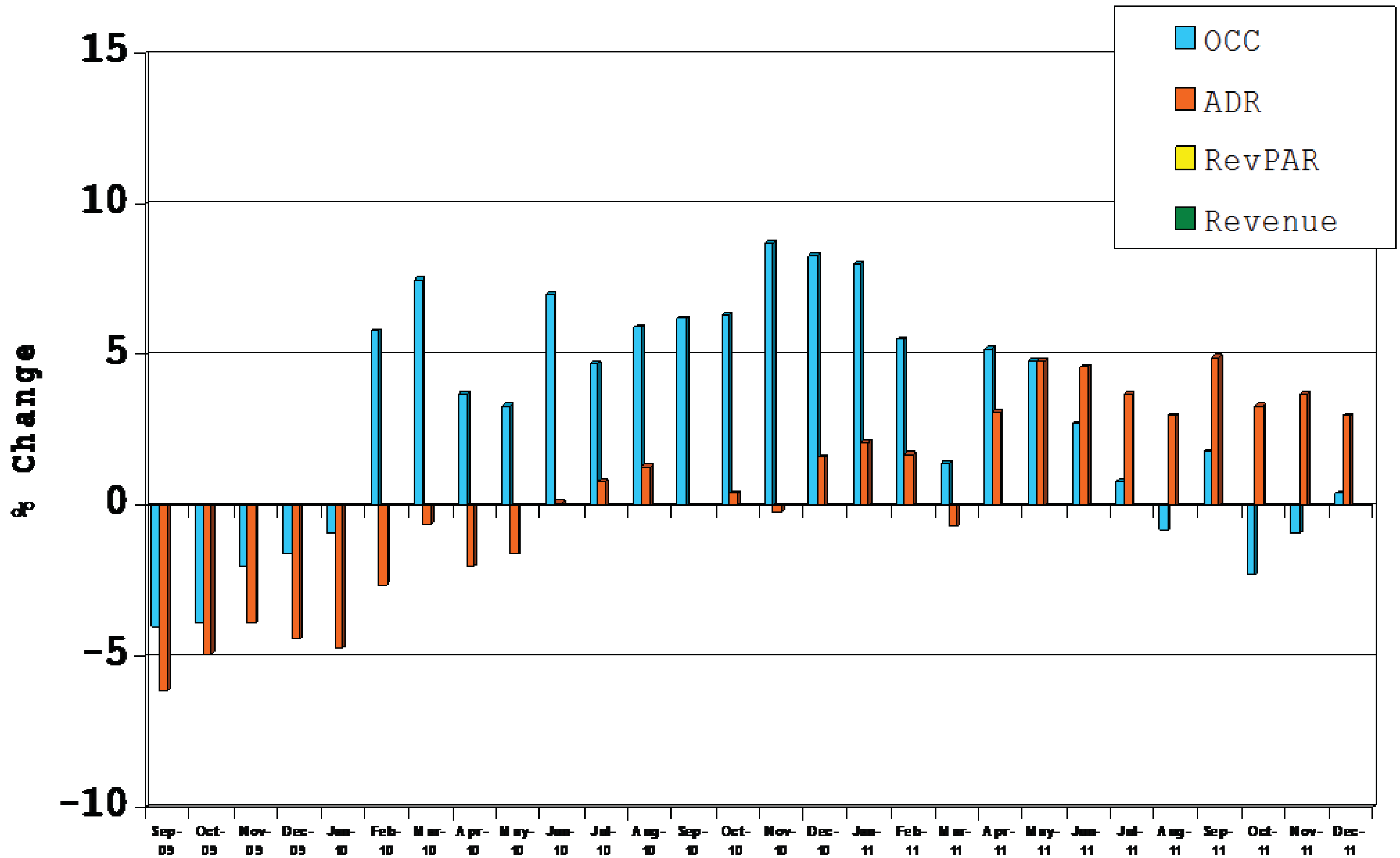
Oregon Lodging Statistics
9/09 – 12/11



Oregon Lodging Statistics
9/09 – 12/11



Oregon Lodging Statistics
9/09 – 12/11



Oregon Lodging Statistics
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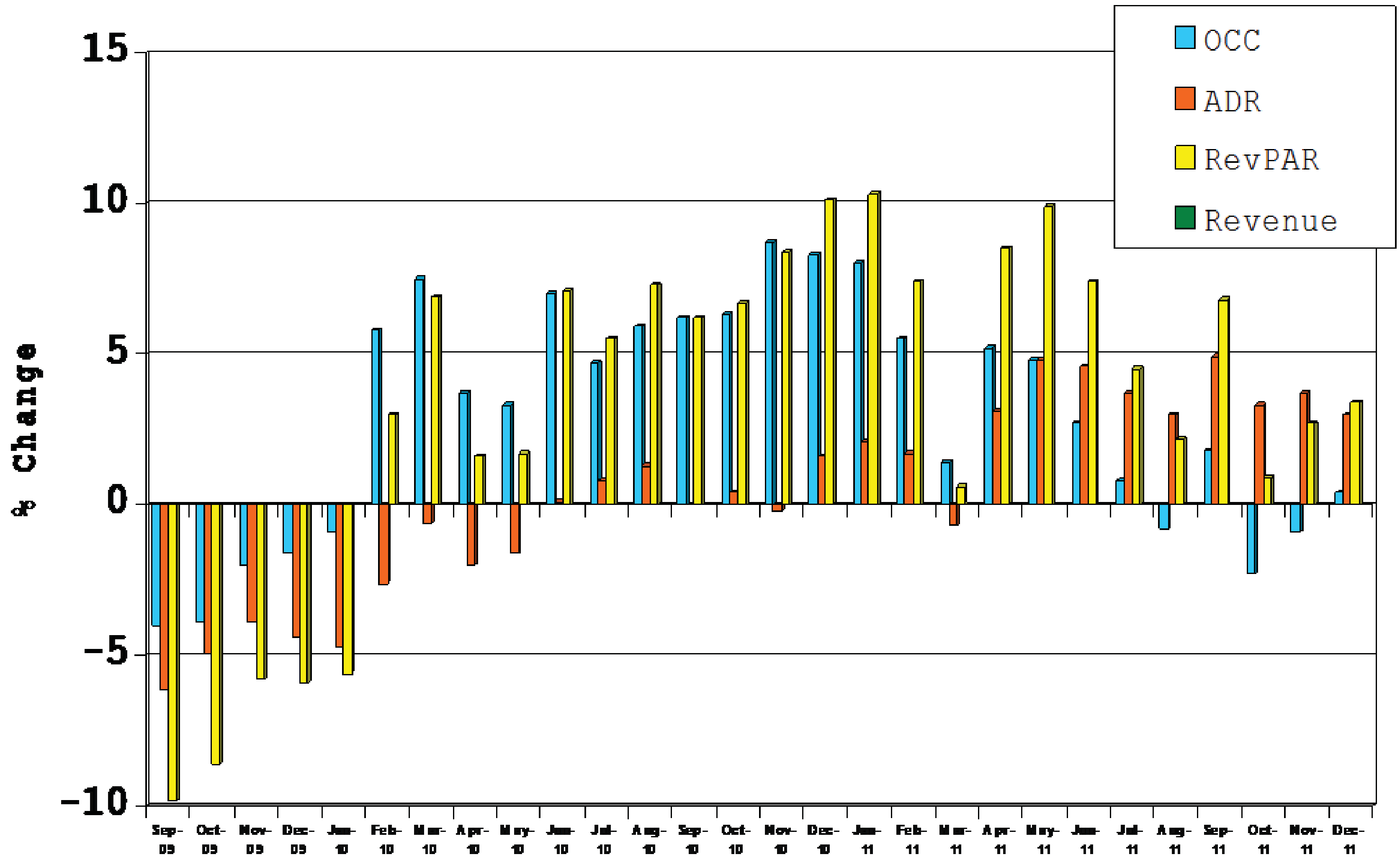
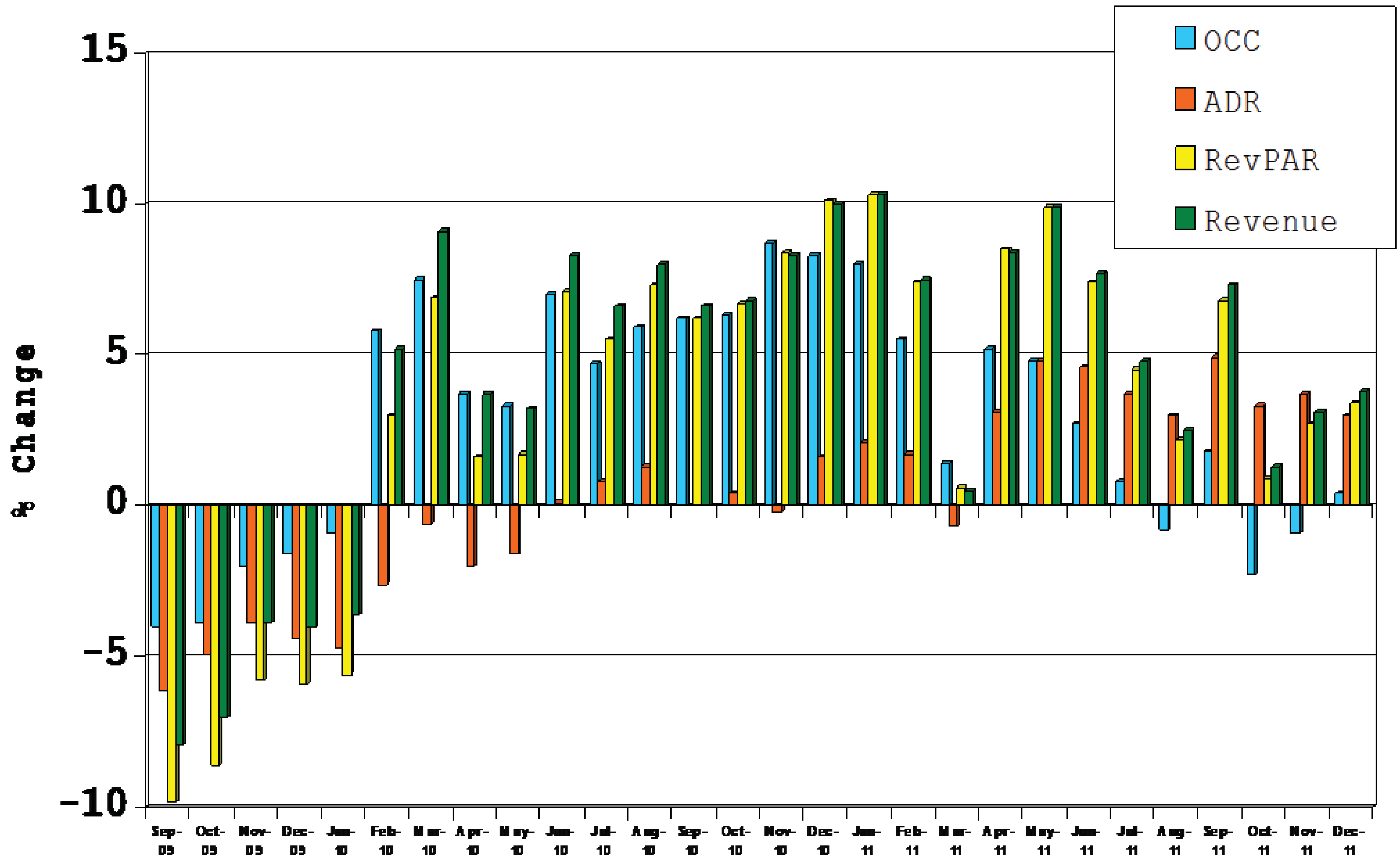
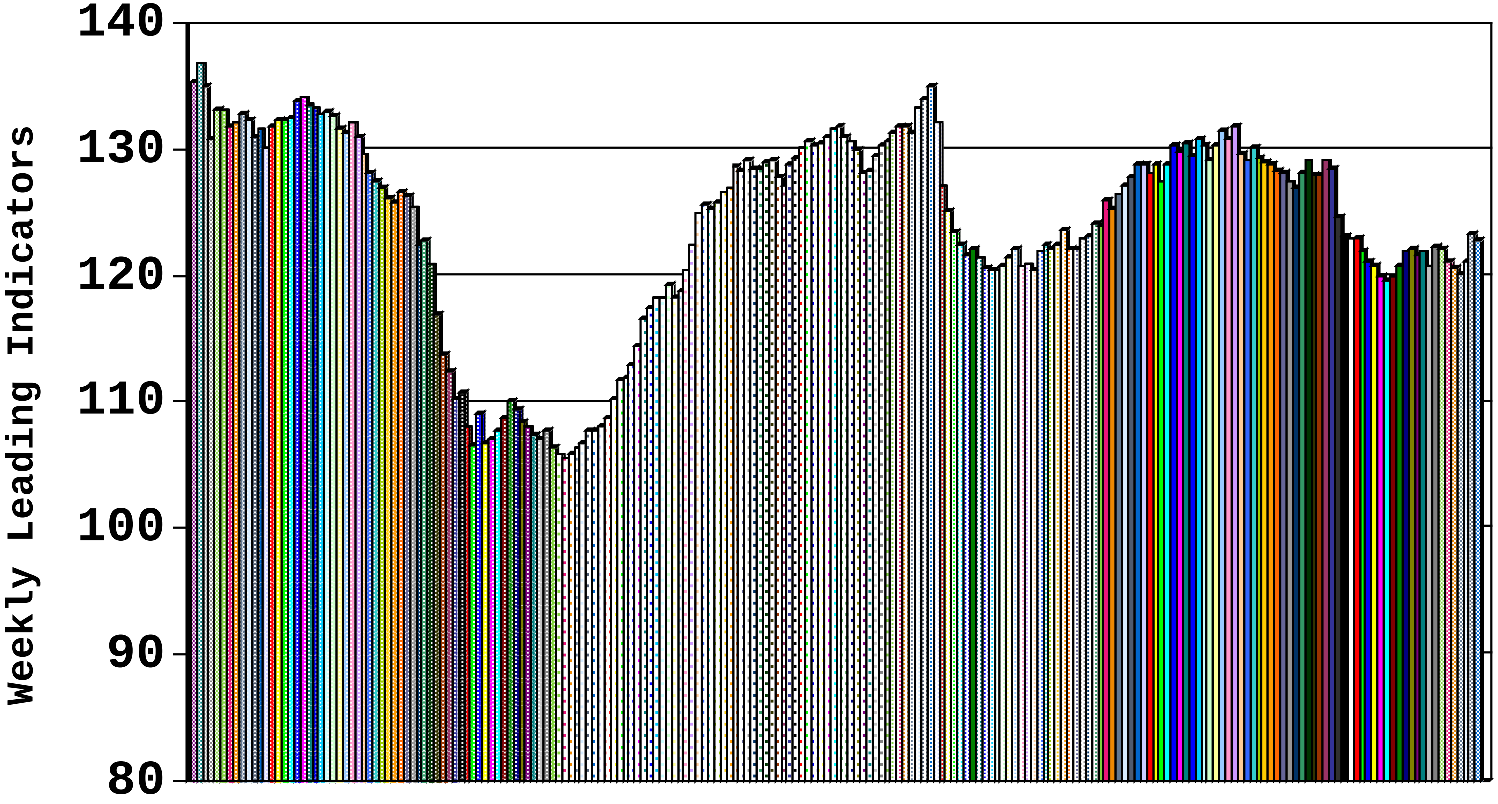


Oregon Lodging Statistics
9/09 – 12/11



Weekly Leading Indicators 2008-2011



Economic & Business Climate

The slow economic recovery continues to pose challenges

Corporate, nonprofit and general public customers maintain reduced spending levels implemented in recent years

Signs of growth are emerging

Attendance and size of events increasing overall

Conventions booked a direct result of the 2008 recession

The number of national conventions booked at the Oregon Convention Center is significantly lower than average

Economic & Business Climate

The Expo Center is taking an aggressive approach to generating new streams of revenue

- Staff reorganization and increased investment in sales and marketing

The Portland Center for the Performing Arts will benefit from a new ticketing contract

- Strong 10-week run of Broadway booked in FY 13

Significant Budget Impacts

MERC Business Practice Study outcomes continue into the new fiscal year.

Three administrative positions formerly dedicated 100% to MERC transitioning into central service positions serving all Metro departments. Direct cost savings $274,000 with slight increase to indirect costs.

The midyear reduction of a construction manager resulted in a savings of $61,076.

Funding for the OCC enhanced marketing initiative funded out of Metro's Tourism Opportunity and Competiveness Account

Focus on solving the lack of a dedicated block of hotel rooms located across the street from the center.

Significant Budget Impacts

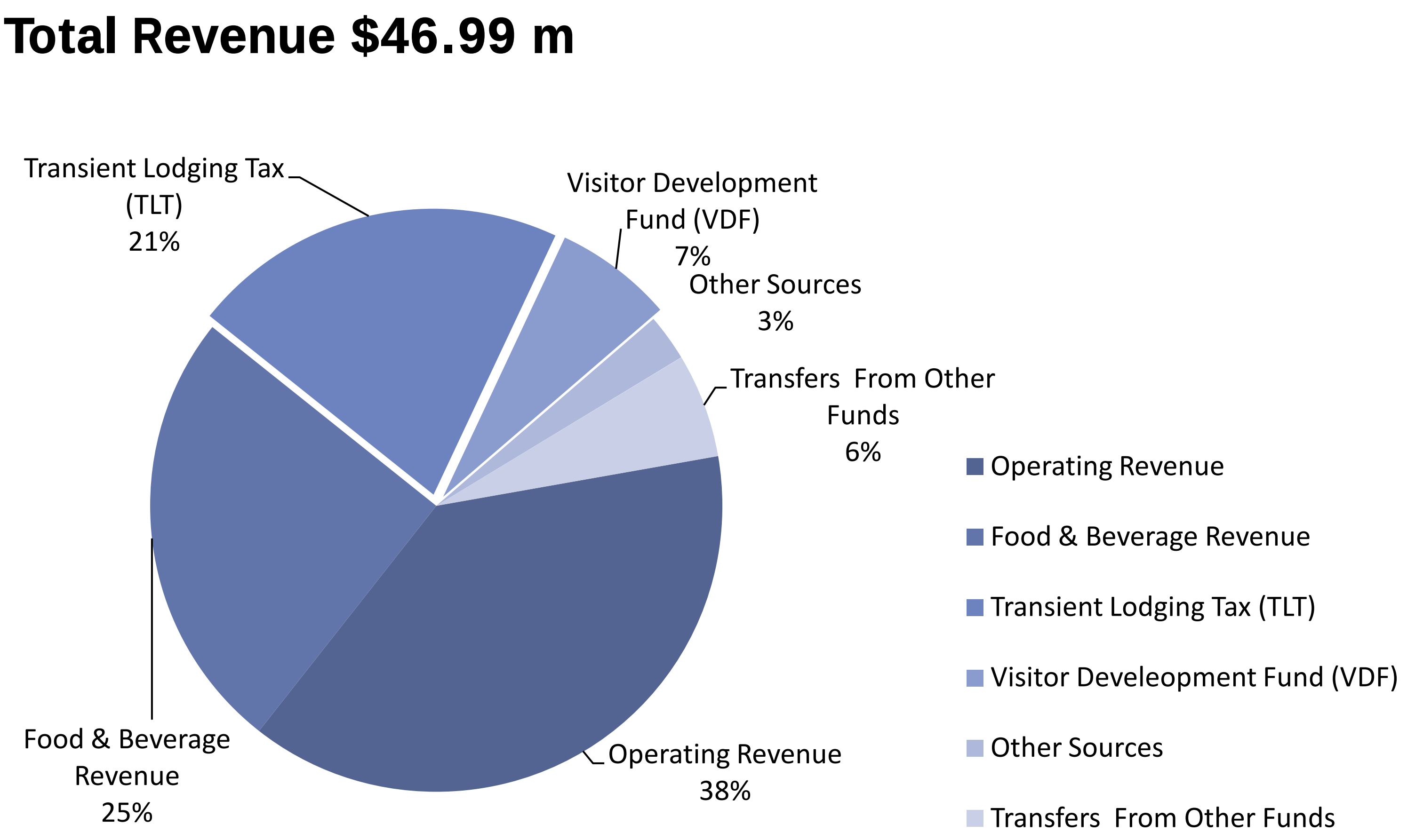
Eastside Streetcar LID

The Oregon Convention Center has budgeted $231 thousand to cover the first Eastside streetcar LID payment. A $2.2 million interagency lending arrangement is in place to facilitate these reduced payments annually over 10 years.

Revenues generated by the refinancing of City held bonds for construction of the Oregon Convention Center

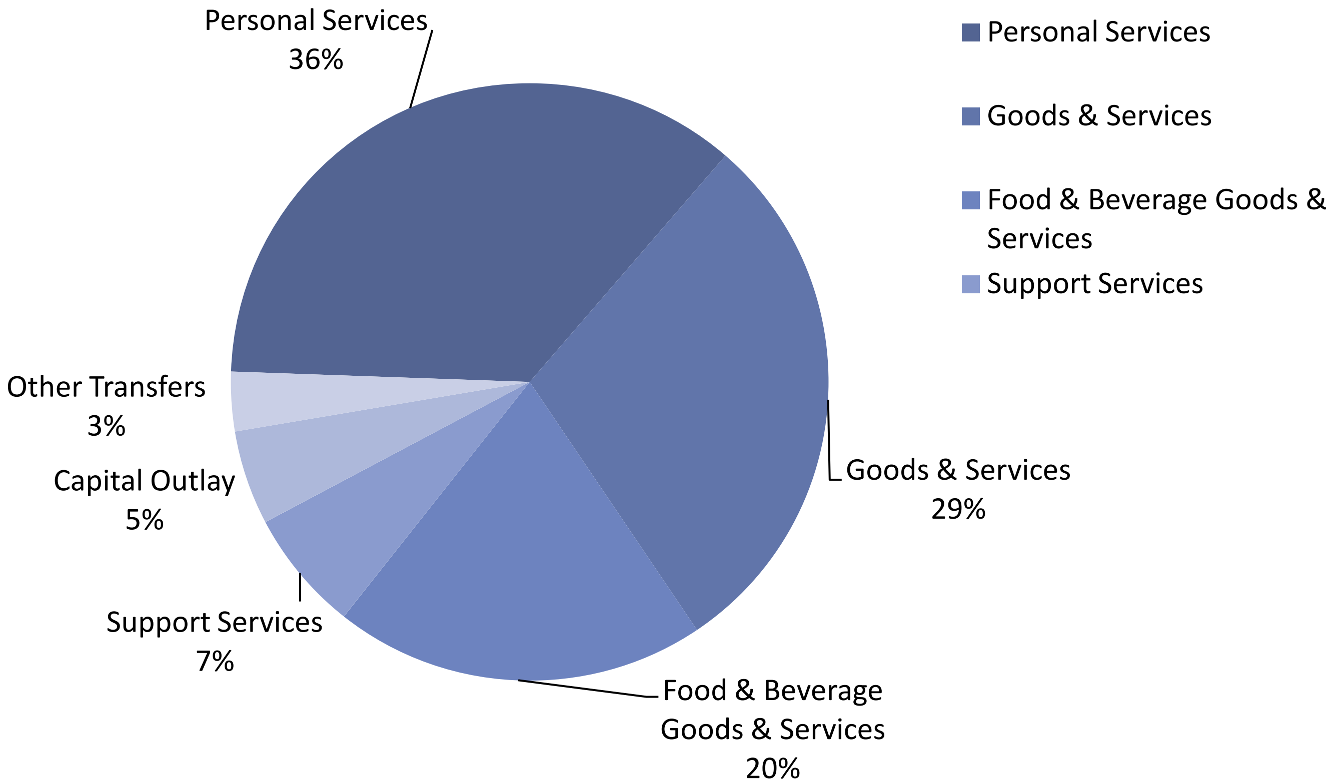
An additional $875 thousand is being requested as part of the OCC annual VDF Bucket #4 request. A draft MOU is currently being written for review and ultimate signature by the VDF Board and the MERC Commission to define how those funds will be used.

Total Revenue for FY 2012-13



Total Expenditures for FY 2012-13

Total Expenditures $49.09 m



Major Capital Projects

Project	Amount
Expo Hall D Roof Repair	$150,000
OCC Roof Replacement Design Original Building	100,000
OCC Security Camera System Replacement	275,000
OCC Replace Chrome Entry Doors	125,000
OCC Lighting Projects Energy Savings	500,000
Hatfield Hall Cooling Tower	150,000
Hatfield Hall Exterior Insulation	150,000
Total Projects greater than $100,000	$1,400,000

Use of Reserves

Description	Amount
Renewal & Replacement Reserve	($1,292,000)
Transient Lodging Tax Designated for Capital	(580,000)
New Capital /Business Strategy Reserve:	
Expo Center Operations	(201,420)
Expo Halls A, B and C Structural Analysis	(75,000)
OCC Operations	(21,520)
PCPA increase Fund Balance	76,062
Total Change to Reserves	($2,093,878)

Proposed solid waste rates

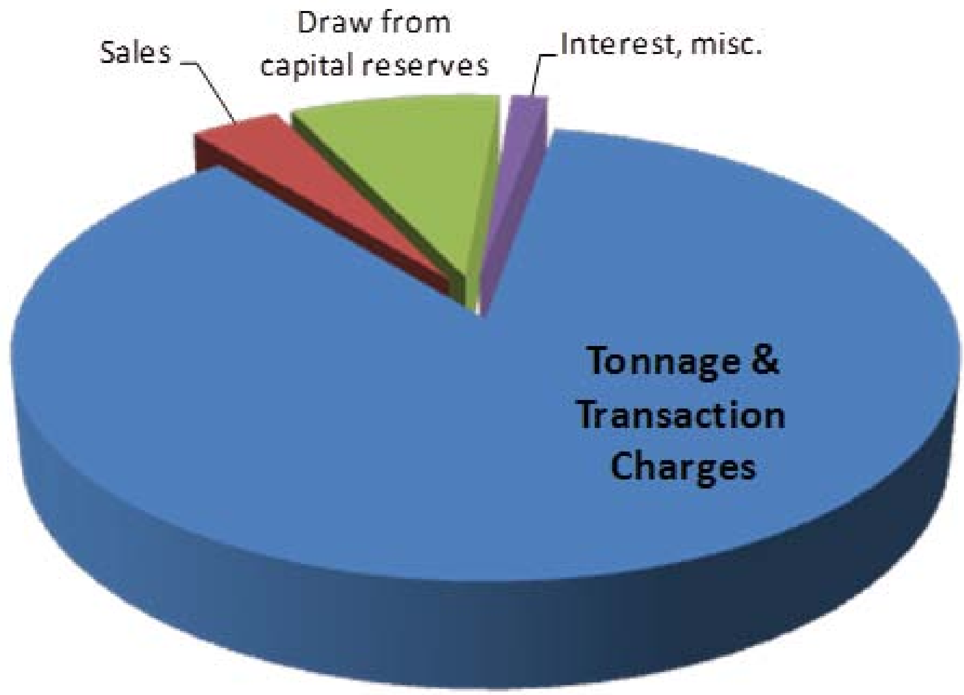
Douglas Anderson
Solid Waste Policy and Compliance

2012-13 Proposed Budget

How many dollars in FY 12-13

Solid waste revenue requirements: $66.6 million

$57.5 million (86 percent) will come from rates



What rates? And for what?

Regional System Fee – Metro's universal disposal charge

Charged on all disposal at Metro and private facilities

Pays for solid waste programs: hazardous waste, waste reduction, landfill closure, etc.

Tip and transaction fees at Metro transfer stations

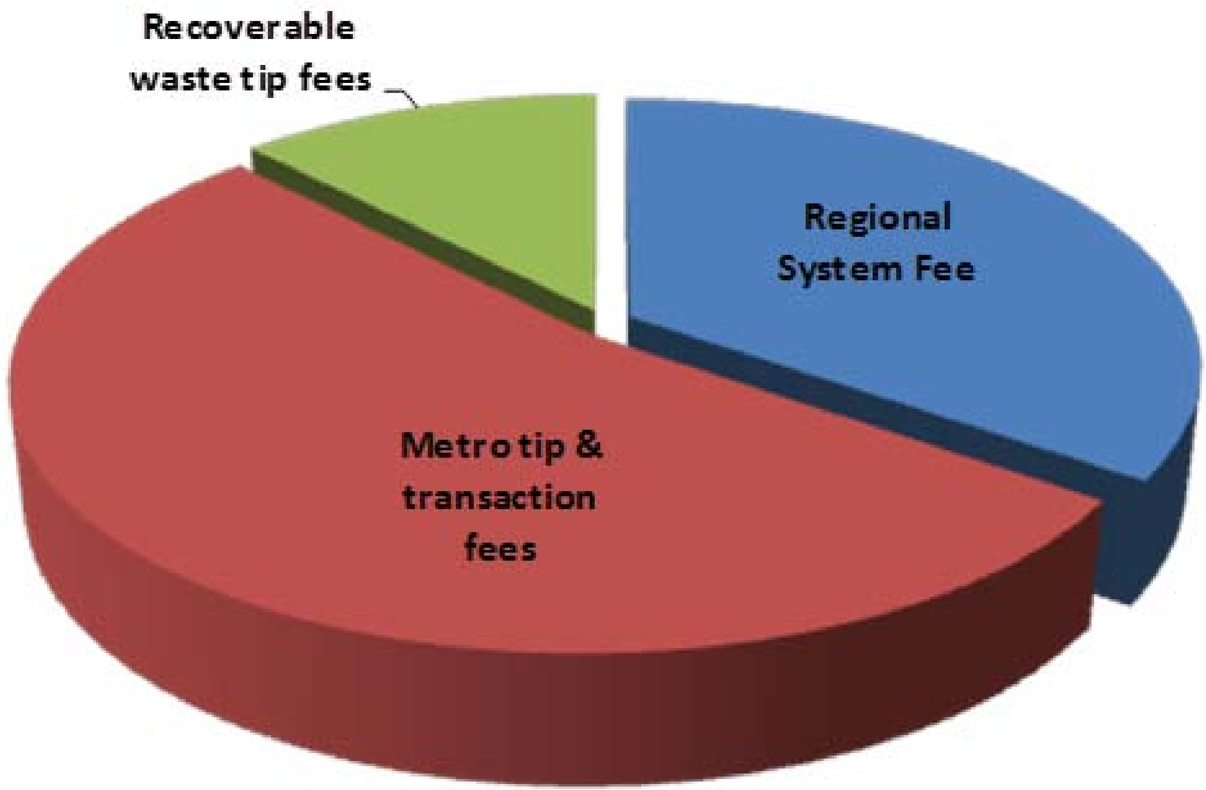
Pay for Metro's disposal operations.

"Recoverable waste" tip fees at Metro stations

Pay for the management of recoverable waste.

2012-13 Proposed Budget

Dollars raised from rates

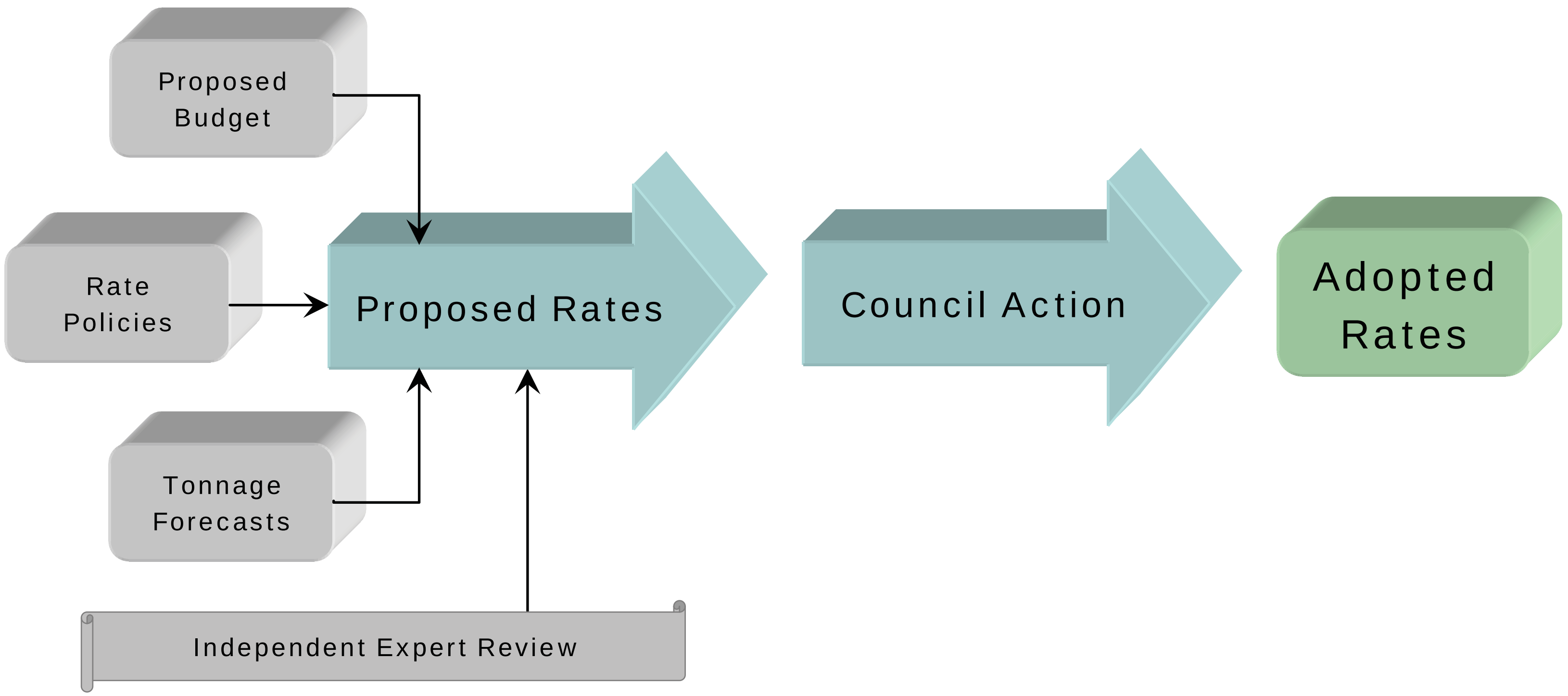


Total: $57.5 Million

Notes on the solid waste excise tax

- Raises discretionary revenue for the General Fund
- Charged on all disposal at Metro and private facilities
- $13.4 million from solid waste in FY 2012-13
- The tax rate resets automatically each year
- New rate is $12.19 per ton, up 39 cents from $11.80
- Only the effective date is set each year.

How rates are set



The proposed rates
Regional System Fee

The Regional System Fee	Current	Proposed	Change
Rate per ton	$17.64	**$18.56**	$0.92

The Regional System Fee is included all tip fees at Metro and private facilities.

The proposed rates
Recoverable waste tip fees

Recoverable Waste Type	Current	Proposed	Change
Clean wood / yard debris	$48.83	**$45.78**	($3.05)
Residential food waste	51.14	**54.83**	3.69
Commercial food waste	51.14	**52.30**	1.16
Asphaltic roofing*	89.53	**91.57**	2.04
Clean drywall*	89.53	**67.80**	(21.73)
Rubble*	89.53	**24.47**	(62.06)

* New rate in FY 2012-13

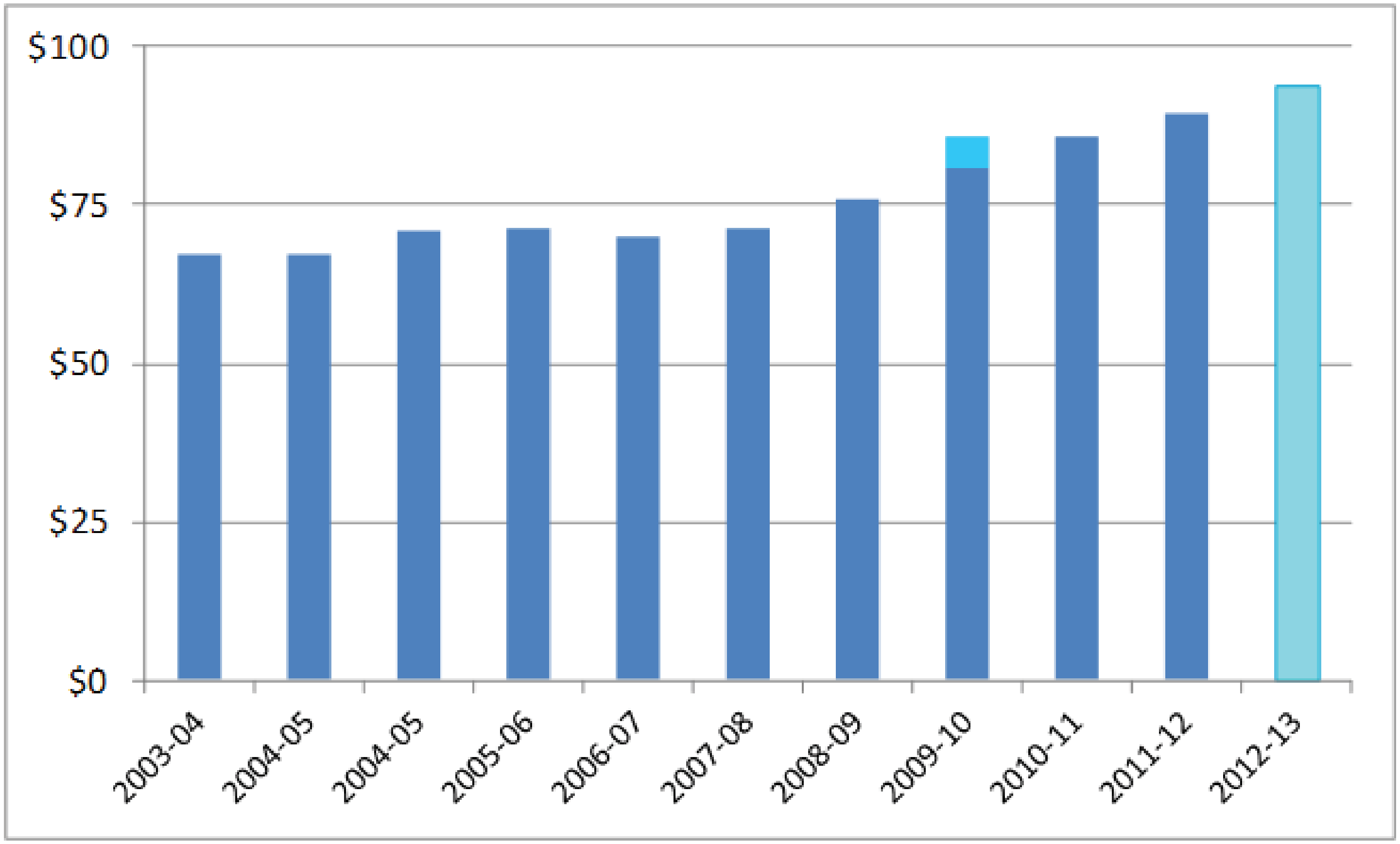
The proposed rates:
Garbage rates at Metro

Tip and Transaction Fees at Metro

Rate	Current	Proposed	Change
Transaction Fees *(fixed fee per load)*			
Staffed scales	$12.00	**$12.00**	– 0 –
Automated scales	3.00	**3.00**	– 0 –
Tip Fee *(rate for each ton in the load)*			
	$89.53	**$93.84**	$4.31

2012-13 Proposed Budget

The Metro tip fee: history



Average increase per year

- Last 4 years: $4.60
- Last 10 years $2.48

The Metro tip fee: Rate payer effects

Residential – Less than a penny a day

Medium-Sized Office – About $1.60 per month
1.2 percent increase in total service cost

Retail Food – $18 to $22 per month
About 2.75 percent increase in total service cost

Disposal at private facilities – $1.13 per ton
Regional System Fee and excise tax only (92¢+39¢)

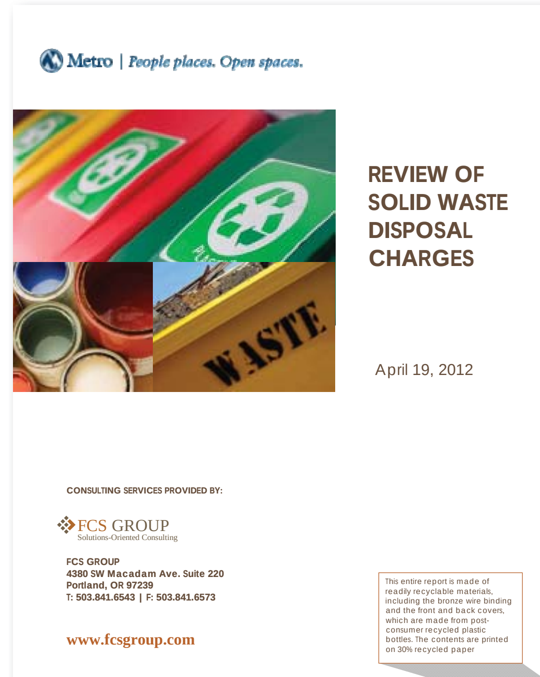
Effect: 8¢ per month for the residential rate payer

Each private facility may change its own rates

What's driving the changes

Effect on the Tip Fee	Change
Inflation in major contracts	$1.30
Percent of budget raised	.78
Transport contract amendment	.64
Fuel price	.50
Excise tax	.39
Web conversion project	.34
General and administrative costs	(.10)
Tonnage effects and miscellaneous costs	.46
Total change	$4.31

For more resources



available at www.oregonmetro.gov
search “rate setting”

2012-13 Proposed Budget

Moving the budget forward

Martha Bennett
Chief Operating Officer

Metro

Moving the budget forward

- Proposing a balanced budget is always challenging
  - Adjusting to reality of less transportation funding
  - Maintaining staff talent for the future
  - Avoiding disruptive service shifts that damage public trust
  - Staying with financial policies that work
  - Using the budget as a course correction to the future

Moving the budget forward

- Approving, and ultimately adopting a balanced budget now becomes the Council's challenge

  Does the budget move Metro and the region in the right direction?

  Does the budget reflect your guidance?

2012-13 Proposed Budget

Next important dates

			Public Hearing
April	April 19	Budget introduced Solid waste rates introduced	*
	April 26	Public Hearing FY 2012-13 Proposed Budget Solid Waste Rates *(last day to meet Aug. 1 effective date)*	*
May	May 1	Council worksession on proposed budget	
	May 3	Public Hearing Resolution to approve budget, set tax levy, forward budget to TSCC Budget ordinance continued to June	*
	May 15	Budget documents to TSCC	

2012-13 Proposed Budget

Next important dates

			Public Hearing
June	June 7	TSCC review and hearing	*
	June 12	Council worksession	
	June 14	Final amendments	*
	June 21	Budget adoption	*
July	July 1	New budget begins	
	July 15	Tax levy submitted to counties	
August	August 1	New Solid Waste rates effective	

Acknowledgements

Thanks to:

Senior Management Team
Finance Team
Program Managers and Analysts
Production Team
Sarah Grover
Cover Design
Creative Services

Thank you











To view Metro's budget and the budget message in its entirety please visit:

www.oregonmetro.gov/budget

www.oregonmetro.gov

600 NE Grand Ave.
Portland, Oregon
97232-2736

2012-13
BUDGET IN BRIEF

Metro | *Making a great place*

FY 2012-13 Proposed Budget - Budget in brief

Chief Operating Officer's Budget Message

April 19, 2012

To the Metro Council, citizens and regional partners and valued employees:

I am pleased to present Metro's Fiscal Year 2012-13 proposed budget, the first budget I have prepared as your Chief Operating Officer and Budget Officer. My goal in proposing this budget has been to ensure that Metro provides excellent services to the region well into the future, despite the slow economic recovery. The proposed budget reflects an agency that has been strategic and prudent in managing through the down turn. The budget reflects a focus on maintaining excellent core services over the next three-to-five years while implementing the Metro Council's key initiatives.

Economic environment shapes budget planning

Since 2008 Metro has relied on its financial policies and discipline to weather the national recession. Operating revenues have been generally slow-growing or flat while costs have continued to increase. Decision-making has centered on focus and financial sustainability for the future. With strategic foresight and the help of our labor organizations, Metro has blunted the rise in labor costs. Basic principles of protecting our assets, committing one-time money to one-time purposes and requiring enterprise operations to perform to a hard bottom line have served us well. Metro has been making careful choices and has been able to avoid disruptive service cutbacks or service eliminations that other agencies have had to face. We have continued to deliver the significant objectives that are the essence of the Metro charter – the important policy framework for the 2040 Growth Concept which will guide growth and development over 50 years.

While careful decisions have prevented significant reductions in programs and activities, Metro still faces significant fiscal challenges. The regional economy is clawing its way back to the 2008 pre-recession levels. In limited areas it is starting to move forward, but the region will not see a quick or fast-paced return. In addition, for several reasons, federal transportation funding is declining, affecting both general transportation system planning and specific project planning.

With this as the backdrop for the upcoming year and beyond, with Metro's operating revenues remaining generally flat and its costs continuing to grow, this budget focuses on financial and operational stability for the future.

How the budget proposal was developed

Before we began preparation of the budget, the Metro Council held a series of intensive budget work sessions to review the forecasts, assess progress on the current work programs and solidify its key initiatives. As budget officer I instructed programs to prepare initial budget requests balanced to the current year's General Fund allocations or to available enterprise and grant revenues.

As the budget took shape I used the Council's guidance and applied some special tools to frame a budget proposal that would be sustainable for the next three to five years. Metro's budget is anchored by the region's six desired outcomes. Developed by the region and adopted by the Metro Council in 2010 as part of the region's growth management policies, the six outcomes help all leaders and their communities focus on what makes this region a great place. The Metro Council has directed Metro to use the outcomes to guide its strategic decision-making.

Region's six desired outcomes

Metro also uses its compass to assess how our efforts and limited resources align with and support the regional outcomes. As Budget Officer I tested each proposal with the compass and Metro's values firmly in mind.

Metro Compass

What the budget looks like

By law Metro must present a balanced budget. The FY 2012-13 proposed budget is distinctly the largest budget proposed in our history. The legal budget, which accounts for all resources and all requirements, tops $520 million. This reflects the $140 million sale of bonds authorized by the voters for the Natural Areas and the Oregon Zoo, as well as the accompanying debt service, and overshadows what is occurring in the operating funds. Looking at the operational needs, the available discretionary resources have decreased. The operating funds, and in particular the General Fund, show little growth.

All funds summary comparison

	FY 2011-12 Amended Budget	FY 2012-13 Proposed Budget	Increase / (Decrease)
Operating Funds			
General Fund	109,567,194	109,614,934	47,740
MERC Fund	68,864,607	69,799,229	934,622
Solid Waste Revenue Fund	95,064,513	100,789,558	5,725,045
Total Operating	**$273,496,314**	**$280,203,721**	**$6,707,407**
Bond/Capital Funds			
General Asset Management Fund	9,855,001	9,874,585	19,584
Natural Areas Fund	37,777,751	84,800,445	47,022,694
Open Spaces Fund	336,876	738,934	402,058
Oregon Zoo Infrastructure & Animal Welfare Fund	9,677,622	68,179,866	58,502,244
Total Bond/Capital	**$57,647,250**	**$163,593,830**	**$105,946,580**
Debt Service Funds			
General Obligation Bond Debt Service Fund	40,616,881	62,084,394	21,467,513
General Revenue Bond Fund	3,316,057	3,095,398	(220,659)
Total Debt Service	**$43,932,938**	**$65,179,792**	**$21,246,854**
Other Funds			
Pioneer Cemetery Perpetual Care Fund	377,450	470,187	92,737
Rehabilitation & Enhancement Fund	2,255,986	2,325,399	69,413
Risk Management Fund	4,836,240	4,531,135	(305,105)
Smith & Bybee Wetlands Fund	3,836,343	3,761,727	(74,616)
Total Other	**$11,306,019**	**$11,088,448**	**($217,571)**
Total All Funds	**$386,382,521**	**$520,065,791**	**$133,683,270**

What the budget delivers

The focus of every Metro budget, in any economic environment, must be to:

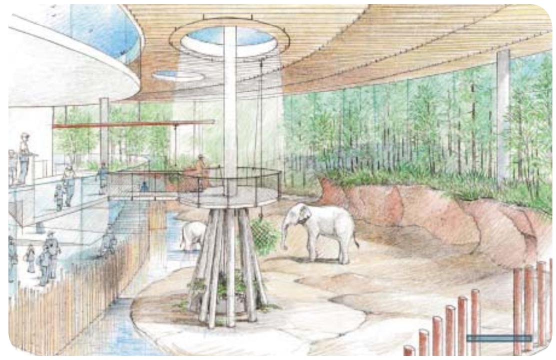
- Deliver excellent public and customer service

The majority of Metro's financial resources and employees are dispatched to welcome 5 million citizens and customers to its parks, its zoo, its concert halls and its convention and event centers. What the region is unable to reuse, recover or recycle is disposed of properly to keep the public and the environment safe. Citizens can find information on Metro's website about events, policies and programs during regular business hours or whenever they choose. Qualified applicants and vendors can find opportunities to do business with Metro.

In FY 2012-13 Metro will commit nearly $200 million in meeting this daily, operational requirement.

- Deliver on the bond promises

Voters have authorized Metro to invest in the region's future by approving general obligation bonds to construct facilities and to preserve natural areas and streams. Some construction projects like the Oregon Convention Center and the



Great Northwest exhibits at the zoo were completed years ago. Thousands of acres of regionally significant open spaces have been acquired and local parks and trails projects supported under the 1995 authorization. Today Metro is continuing acquisition of natural areas under a second voter authorization in 2006. A new veterinary medical center has been completed, and design and construction planning is underway to create a new elephant habitat, four times the current size, under the 2008 Zoo Infrastructure and Animal Welfare bond authorization.

- Maintain core services, meet mandates and care for public assets

Metro must comply with federal, state and charter requirements. This includes its primary role in planning for and designating lands for urban growth and rural serves and serving as the federal Metropolitan Planning Organization (MPO) to guide transportation planning and investment for the region. And it includes Metro's role as the regulator of solid waste in the region and a steward of public lands and pioneer cemeteries. Metro also has an obligation to be a responsible employer, a fair agency to do business with, an open and transparent public agency and a conservator of public funds.

Caring for our public assets is a challenge. Like most public entities, Metro relies on debt financing to acquire or build and renovate entire facilities. Once acquired, Metro protects the public's investments by setting aside renewal and replacement funding to ensure that facilities and major equipment reach their full useful life. Visitor venues such as the Oregon Convention Center must meet an even higher standard to remain competitive for a highly selective market. The proposed budget includes ongoing renewal and replacement funding, catch-up investments at Glendoveer Golf Course, and new revenue-generating products for the pioneer cemeteries. In total, over the next five years the Capital Improvement Plan proposes to spend $186 million to acquire, improve and care for Metro's assets.

- Move forward with the Council's key initiatives

The Metro Council positions the agency for the future by directing specific policies, programs and projects. These may include specific enhancements to current programs or strategic investments to assess and understand emerging needs. The proposed budget includes the third year of a multi-year commitment to the Community Investment Initiative ($639,000), maintains $200,000 in Development Opportunity funding, reinstates $200,000 for Nature In Neighborhoods small grants and commits staff and financial resources ($519,000) to finding a solution to the persistently identified need for a large hotel room block to boost convention bookings.

The Council has also identified key initiatives that will continue to engage Metro in the coming years, although no specific budget resources have been allocated at this time. These include the ongoing study of the Willamette Falls property at Oregon City and consideration of a parks funding measure to secure the future for the parks and natural areas that the voters have asked us to acquire and manage. If these projects begin to mature in the coming year, the Council might consider its $500,000 Opportunity Fund to advance them.

Significant changes in the budget

Oregon budget law directs the Budget Officer to highlight significant changes in the proposed budget. Using the regional outcomes, the Metro compass and the Council's guidance, I have reduced some programs, activities and staffing to meet the available resources and to avoid more severe reductions in the future. I have applied one-time money to urgent capital investments, especially investments with the potential to increase future revenues. And I have proposed the use of limited duration positions, new or continued, for projects and activities with clear endpoints.

A smaller workforce

The FY 2012-13 proposed budget reduces the number of authorized position by a net 15.5 FTE. This includes the expiration of 7.4 limited duration positions as scheduled. The budget also eliminates 12.5 positions, a mix of management and represented positions, the majority of which have been managed by attrition. Some of these reductions reflect successfully completed projects; some reflect program efficiencies brought about by consolidation or increased automation. But the most difficult reductions reflect flat or slow growing general revenues, and declining grant revenues and activity-based revenues.

At the same time labor costs continue to rise. Major collective bargaining agreements are in place and include escalators tied to a consumer price index that is seeing its first significant increase in three years. Without the collaboration of our collective bargaining units in the current year, the cost increases would have been more significant. Agreements reached in FY 2011-12 for lump sum salary adjustments instead of base salary adjustments, defined cost-sharing of health insurance premiums and more new employees paying their share of PERS participation, helped Metro contain the rise in personnel costs.

Planning and Development sees greatest change

The most significant policy and programmatic changes appear in Planning and Development. The major policy work supporting the 2040 Growth Concept has been completed successfully, changing the focus from planning to implementation. Federal transportation funding and specific project grant funding, the major funding sources for Planning and Development, are in short supply. Reorganizing to meet the program changes and resizing to fit the available funding will be difficult. The proposed budget eliminates positions associated with completed special project or grant work, but it also eliminates positions that have been part of continuous transportation grant funding for many years, a total of more than nine positions. These changes also impact the transportation modeling services of the Research Center.

Summary of changes by department

The proposed budget includes the following service level changes:

Metro Council

The Metro Council budget includes the Council, the Office of the Chief Operating Officer and Government Affairs and Policy Development. It also includes the Diversity Program and the Community Investment Initiative, two signature initiatives of the agency, as well as the continuation of a limited duration policy advisor to assist the Oregon Convention Center in its enhanced marketing project.

The Metro Council is leading the agency's economic development actions through the FY 2012-13 proposed budget. The proposal maintains special appropriations for membership in Greater Portland, the Portland-Vancouver regional economic development partnership collaboratively driving quality economic expansion and job creation. In addition, the budget adds resources for the Council to participate in the Metro Export Initiative, a Greater Portland project to create and retain the jobs to double exports in the next five years. Construction excise tax funds Community Planning and Development grants, and the budget includes development opportunity resources for brownfields and the next phases of the industrial lands inventory. The Leadership Council of the Community Investment Initiative will be making its recommendations this year.

In other changes, a policy advisor, transferred in FY 2011-12 from the Office of Metro Attorney, will serve as a special advisor until November. The proposed budget eliminates one position in the Council office and adds a limited duration position for the Community Investment Initiative in place of temporary staffing. In an effort to increase transparency, the Community Investment Initiative program budget includes only its direct costs. Expenditures related to the earlier Community Investment Strategy work, including significant Communications work, have been reduced and moved to reflect where the work is being performed. The proposed budget also includes resources for increasing outreach and public involvement opportunities for both local government officials and for underserved groups, especially communities of color.

Office of Metro Auditor

Metro's elected Auditor operates independently and is a link between the public and Metro. The Office of the Auditor conducts performance auditing and oversees the financial auditing of the agency. The Auditor objectively assesses how well Metro services and activities are performing, ensuring accountability and transparency. There are no service level changes for FY 2012-13.

Parks and Environmental Services

Parks and Environmental Services operates Metro's parks facilities, including pioneer cemeteries, the Metro Regional Center building and solid waste facilities.

In FY 2011-12 the pioneer cemeteries program developed a formal business plan, restructured fees and identified new services with revenue generating potential. The fee plan was implemented in November 2011, increasing prices for both sales and services and increasing revenue for perpetual care for long term maintenance. The proposed budget includes $50,000 to establish the first cremation product at Lone Fir Cemetery to respond to market demand and generate additional revenue. The estimated payback period is two-to-three years with little additional operating cost.

A new $1 million grant will allow the parking lot reconstruction phase at the M. James Gleason boat ramp. Two general fund capital projects meet the criteria for allocation of one-time funds: Glendoveer Golf Course and Oxbow Park. The operations contract for Glendoveer expires in December 2012. In completing the site plan and planning the request for proposal for an operator, it is increasingly imperative to address the long deferred maintenance of the property. The proposed budget includes $331,000 for urgent capital projects, including an assessment and strategy for addressing the leaking water tower. We also anticipate that the operating agreement in a new contract may alter the revenue sharing terms of the site, reducing General Fund revenues in part in FY 2012-13 and potentially more significantly in the following year.

For a second year winter rains and flood conditions caused substantial damage at Oxbow Park, requiring the temporary shutdown of some campground areas. Emergency appropriations in 2012 addressed the immediate life-safety issues and the unavoidable removal of a restroom/shower facility, roadway and campfire assembly area. Efforts are underway to reopen as much of the campground areas as can be done safely. The FY 2012-13 proposed budget includes $100,000 to perform geotechnical analysis to determine how to respond to the continuing erosion at the park and to update the 1997 master plan and plan for the park's future.

At the Metro Regional Center the Metro Store's functions will move to the building's main reception desk which will be staffed to make sales and receive payments during all business hours. This will be more convenient for Metro's customers and reduce the expense of operating both a store and a front desk.

PES also operates Metro two public transfer stations. In late 2012 the City of Portland implemented its residential composting program, mixing yard debris and food waste. The mixed waste can no longer be processed at yard debris facilities and is now being processed and reloaded at the transfer stations. Metro has developed new fees to recover its direct costs and is proposing to recover a portion of the fixed costs in FY 2012-13. This increases both revenues and expenses by $4.5 million.

Planning and Development

Planning and Development includes three newly organized program areas that reflect the Council's Community Investment Strategy: Community Development (formerly Land Use Planning and Development); Project Development (formerly Corridor Planning and Development); and Transportation System Planning. The organization reflects the Metro Council's desire that we work with communities throughout the region to target investments that boost economic vitality, provide transportation choices and prepare for population growth consistent with shared local and regional aspirations.

The proposed budget reflects significant change for Planning and Development. Limitations in federal transportation funding, both discretionary funds for general system planning and project specific funds, have required organizational streamlining and a focus on the fundamentals. This results in a net reduction of more than nine full-time equivalent staff positions including positions long funded by grants.

The proposed budget eliminates limited duration resources related to the completion of urban and rural reserves decisions and the adoption of the capacity ordinance. The HB 2001 state-funded greenhouse gas scenarios work, a primary funding source for Metro's Climate Smart Communities work for the past two years, is also winding down. The state-supported work had eased the shortage in federal funding for the past two budget cycles. While some state funding remains for FY 2012-13, Climate Smart Communities work will be recalibrated.

Discretionary federal dollars for transportation modeling, forecasting and planning have not increased in six years, although our obligation as the Metropolitan Planning Organization is unchanged. The proposed budget scales back expenditures to the mandated functions and reduces technical assistance for regional partners and the public. Corridor work remains funded, although more modestly, and the departmental reorganization has reduced costs on these projects. A change in the Regional Transportation Options program delivery strategy results in the elimination of one RTO staff position.

Consistent with the Council's direction, General Fund resources have been prioritized to maintain the Development Opportunity fund ($200,000). This resource complements and fills in where Transit Oriented Development funding is not eligible. Together these on-the-ground programs provide assistance to a variety of local projects that meet both community goals and regional policy priorities.

Federal resources, while limited, will fund initial analysis for the next corridor plan. However, the level of future project funding awaits federal decision-making. The proposed budget reflects only funds that have been committed. Planning and Development continues to pursue aggressively other grant and funding opportunities, a strategy which is equally helpful and difficult for program stability.

Research Center

The Research Center provides data, information, mapping and technical services to support public policy and regulatory compliance for Metro programs and for the region. The center coordinates data and research with local government partners, academic institutions and the private sector.

The Research Center has provided the primary modeling work for the HB 2001 greenhouse gas scenarios for the past two years. Data collection, spatial analysis, mapping and visualization, requirements of the HB 2001 scenario planning, are completed. Limited duration positions assigned to this work have been eliminated.

Greater Portland Pulse, the regional indicators project, has been transitioned to Portland State University although Metro remains a significant program and financial partner. The Forecasting and Modeling Services group is impacted by the reduction in work performed for Planning and Development, previously its major client. Completion of the urban and rural reserves and capacity ordinance work reduces the immediate need for forecasting. On the transportation side, federal funds for general transportation research and modeling are limited. As a result Forecasting and Modeling Services are taking on outside public and private clients to retain highly skilled and talented staff. Including additional local government and private revenues presents some budgetary risk and will be monitored closely.

Sustainability Center

The Sustainability Center contributes directly to the region's livability and focuses on providing accessible regional natural areas, parks and trails and maintaining and enhancing environmental quality. It also promotes sustainable resource management through waste reduction initiatives ranging from residential recycling assistance to required recovery of dry waste at materials recovery facilities.

In the General Fund a limited duration planner position will also conclude as scheduled. The Sustainability Center will transfer 6.3 staff positions and accompanying program expense to the Oregon Zoo on July 1 as part of a two-year planning and consolidation effort begun in 2011, as noted in the zoo discussion. The General Fund and the Smith and Bybee Wetlands Fund will continue to pay for the naturalist educators; the Solid Waste Fund will pay for the environmental educators.

The Sustainability Center's Resource Conservation and Recycling program recognizes the successful completions of the two-year diesel retrofit program and the four-year Business Recycling Requirement technical assistance program. The limited duration Climate Initiatives Coordinator position will end as scheduled with the delivery of a climate preparedness assessment. RCR will contract with the Oregon Department of Environmental Quality for research related to the environmental impacts of different end-of-life management alternatives, including new conversion technologies, as part of the Solid Waste Road map work. Additionally DEQ will conduct research on consumer product life-cycle metrics and building material selection, providing Metro with greenhouse gas and other environmental impact data that complements our regional greenhouse gas emissions inventory. The Sustainability Center will also gather data needed to assess local governments' requests of alternatives for complying with the residential services standards for recyclables prescribed in the Regional Solid Waste Management Plan.

Visitor Venues

Visitor Venues include the Oregon Convention Center, the Portland Center for Performing Arts, the Portland Expo Center (MERC venues) and the Oregon Zoo. The Metropolitan Exposition Recreation Commission (MERC) oversees the three MERC venues and recommends the budget for the MERC Fund, an enterprise fund. The Oregon Zoo's operations are found in the General Fund. A General Manager of Visitor Venues manages all four venues and reports to Metro's Chief Operating Officer. Organizationally the Visitor Venues represent 29 percent of the annual revenues and 46 percent of the agency's payroll.

National convention bookings for FY 2012-13 and the following year are down 25 percent, illustrating the downstream effect of the recession, with bookings rebounding beginning in 2014. Resident companies using the Portland Center for the Performing Arts' facilities have shortened their performance runs or moved into smaller performance halls, which provides some additional opportunity for other commercial bookings. The FY 2012-13 Broadway season outlook has improved to 10 strong selections. In April 2012 Expo hosted its first *Cirque du Soleil* season, anticipating every-other-year return engagements. The Oregon Zoo continues its outstanding attendance and has seen a slow return of per capita spending to prerecession levels. Concern about on-site construction is mitigated, in part, by the anticipated arrival of a new baby elephant in December 2012.

A longstanding intergovernmental partnership provides for the sharing of transient lodging tax and car rental tax for convention and visitor activity. The Oregon Convention Center relies on transient lodging tax for 25 percent to 35 percent of its operations, depending on the year. Portland Center for Performing Arts receives a smaller share of transient lodging tax as well as support from the City of Portland, owner of the facilities. Tax collections have regained strength after a significant downturn and are slowly moving forward.

As part of the continuing consolidation of Metro and MERC business functions, three MERC positions will be transferred to Finance and Regulatory Services with MERC venues paying a proportionate cost through the general cost allocation plan.

The **Oregon Convention Center** will make a one-time payment of $2.2 million for its street car assessment. In order to make this payment OCC will receive a loan from the General Fund, payable over 10 years, and will include the debt repayment as part of its annual request to the Visitor Development Trust Fund. The VDF proposal will also include a request for the newly available funds ($875,000) from the refinancing of the facility debt to be used to secure more attractive room block packages. The Metro Tourism Opportunity Competitiveness Account request of $518,633 from the

General Fund will be used to research options for satisfying the need for a 500 hotel room block, a persistently identified reason for rejecting Portland as a convention site by national convention meeting planners. A limited duration policy advisor in the Chief Operating Officer's budget will be assigned to this project. Capital spending will be at somewhat lower levels in the coming year as the convention center completes its planning for sequencing major venue renovations in the next five years.

The **Portland Center for Performing Arts** will eliminate one administrative assistant position and reduce electrician hours (the equivalent of a half-time position) to increase operational efficiency. PCPA's mission to support local resident arts groups by providing discounted rental rates of performance spaces remains challenging.

The **Expo Center** does not receive transient lodging tax support for operations and must meet its debt service obligations for Hall D through annual operating revenues. The MERC Commission has recommended the use of strategic reserves to conduct a structural and geotechnical assessment of the older Expo Halls A, B and C and has directed a portion of the MERC pooled capital account, accumulated with transient lodging tax, to Expo renewal and replacement projects. In addition the Commission recommended using $197,000 in strategic reserves to support the leadership transition while sales and marketing efforts are retooled.

The **Oregon Zoo** generates the majority of its operating costs through gate admissions, memberships, and sales related to concerts, train rides, food and other concessions. The Oregon Zoo Foundation provides operational support as well as major capital fund raising. The General Fund provides about 73 percent of the zoo's annual operating costs. The zoo will be proposing a modest fee increase in January 2013.

The budget proposes two new animal keeper positions, offset by a reducing temporary service employees, to provide continuous, safer and better care for the animals. A number of part-time positions will be either increased or decreased, based on creating program efficiencies and reflecting how operations are conducted. The zoo has made continuous improvements in its use – and past overuse – of temporary staff.

The largest change in the zoo's budget is the consolidation of Conservation and Environmental Education programs which began in 2011. A new manager position was established to plan the program, and staff co-location begins in April 2012. The FY 2012-13 budget reflects the completed consolidation, transferring 6.3 positions and program expenses from the Sustainability Center to the zoo. The General Fund will continue to fund positions transferring from parks programs; some limited funding from the Smith and Bybee Wetlands Fund also continues to fund a portion of the naturalist staff. The Solid Waste Fund will pay for its environmental education programs, including the outdoor school payments. A management position will be eliminated in December 2012 as part of the program consolidation, indicated as a .5 FTE reduction for the initial year and a full time reduction thereafter.

In the Zoo Infrastructure and Animal Welfare bond program staff and expenses associated with the comprehensive capital master plan are eliminated, reflecting the successful completion of those activities. The next stages of construction including the 6-acre reconstruction of the Elephant Habitat will have an impact on zoo operations. Train revenue will decline during the six-month period that train service will be disrupted, but staff is considering ways to incorporate "construction watching" into the visitor experience. The anticipated birth of a new baby elephant is expected to mitigate attendance concerns. Other significant non-bond capital projects include the continuation of the new aviary projects funded by The Oregon Zoo Foundation.

Operational Support

Communications

Metro's Communications department supports the Metro Council and departments in providing public information and supporting public involvement in key agency decisions. Audiences include other government partners, specific advocacy groups, media outlets and the general public. The proposed budget represents a broad range of information and engagement activities. A limited duration position dedicated to the zoo bond program will complete successfully the public engagement work related to land use applications. A limited duration public affairs specialist currently in Planning and Development will be transferred to Communications.

In an effort to improve transparency, the Communications budget as proposed includes directly the resources to support the Community Investment Strategy, resources previously budgeted in the Council Office as part of the Community Investment Initiative. For FY 2012-13 project work such as Opt In, the innovative online opinion panel, will be distinct. The technical platform and the panel will be funded by the General Fund while specific surveys will be funded by its users: Metro programs or other partners. Communications will continue to support the Community Investment Initiative and the Leadership Council in preparing its recommendations for public discussion. The Communications budget also includes funds to increase involvement of politically and culturally diverse constituencies.

Finance and Regulatory Services

In addition to its portfolio of financial services, risk management and procurement, FRS is responsible for solid waste regulation, rate setting and financial analysis and modeling for solid waste operations. The proposed budget includes the transfer of three positions from the MERC Fund into agency-wide financial services, a continuing step in the consolidation of MERC and Metro business services. This allows FRS to eliminate two positions mid-year, one in accounting and one in procurement, following the retirement of long-serving staff.

The Solid Waste Information System (SWIS), the data base application supporting solid waste fee and tax collection and reporting, will be operational on July 1. A new budget module application will become operational in October 2012, and a Phase 1 study of Metro's financial systems application is proposed for FY 2012-13.

Human Resources

Human Resources supports both the operating units and the individuals of the Metro organization, providing strategic leadership, building collaborative relationships, promoting diversity and instilling best human resources management practices.

The new Diversity Coordinator position has been moved to the Office of the Chief Operating Officer to signal its importance to Metro's stakeholders and citizens. Human Resources will continue to support the coordinator and the Diversity Action Team, particularly in employee communications and training which reflects Metro's values and support.

A limited duration position authorized for FY 2011-12 to review, update and refresh personnel policies will conclude successfully. The proposed budget includes a 0.75 FTE limited duration position with a new focus including a limited classification review of administrative positions common to Metro and visitor venue programs. The position will also support diversity activities including targeted employment materials.

Information Services

Keeping pace with technology remains a challenge for Metro. IS supports Metro's goals and business processes through the development, implementation, support and management of its information systems.

A limited duration Records Management Analyst position is extended at a reduced level (0.5 FTE) to continue management of Planning and Development records. In addition the proposed budget includes resources to conduct security and intrusion testing on network, web and application systems. In order to continue to accept credit cards for payment, an essential business service for the visitor venues and transfer stations, Metro must establish comprehensive security and testing protocols. The budget also includes a significant increase in maintenance and support costs for business applications (financial systems, human resources and timekeeping systems and electronic records storage and retrieval). Information Services will be participating in the Phase 1 study of Metro's financial systems application with an eye toward reducing future maintenance costs.

Office of Metro Attorney

The Office of Metro Attorney provides legal services for the Metro Council, the Metro Auditor, the Chief Operating Officer, all Metro's operating units and commissions. OMA provides review and advice to the Metro Council to support its land use and transportation decisions. Attorneys are assigned to direct due diligence responsibilities for the Natural Areas acquisitions and to advise the Oregon Zoo for the master planning, land use and development approvals for the new bond measure. In 2012 the Council appointed a new Metro Attorney; the Deputy Metro Attorney position has been eliminated and the position authority transferred to the Office of the Chief Operating Office where the former Metro Attorney is serving as a special advisor through November 2012.

General Expense

The General Expense category includes non-program revenues such as property tax, excise tax and interest earnings as resources. On the expenditure side, it includes non-operating expenses such as general obligation debt, transfers, and, in the General Fund, special appropriations that are not tied to an individual program, service or center. The greatest interest centers on the General Fund which is discussed in detail below.

Revenues

The General Fund includes three important discretionary revenues: property tax, excise tax and interest earnings. These are the resources that the Council can direct by choice to any general purpose. Since 2008 interest earnings have remained at an unprecedented low, effectively removing them from being considered a primary resource. The excise tax on Solid Waste disposal is established in Metro Code to generate a defined yield and may increase annually based on a specific consumer price index. The rate is calculated based on tonnage of the prior two years. For FY 2012-13 the proposed rate will increase by 39 cents per ton; Excise tax on other Metro facilities and services remains at 7.5 percent. Discretionary excise tax is expected to generate $15 million, a slight increase over the current year. Construction excise tax has been recovering to pre-recession levels and is expected to increase in FY 2011-13. CET is a dedicated tax and is used to support Community Planning and Development grants.

Property taxes are levied for both operations (discretionary) and general obligation debt service (dedicated). The operating levy has a permanent rate of .0966, about ten cents, and raises $12 million for discretionary purposes. The levy for general obligation debt will increase from $28 million to $54 million, based on debt schedules and cash flow requirements for existing debt and an estimated schedule for new bonds that will be sold in May for the Natural Areas ($75 million) and Zoo Infrastructure and Animal Welfare ($65 million). The estimated schedule is based on a not-to-exceed maximum for each issue, consistent with promises made to Metro taxpayers. Despite economic conditions, collections have remained strong and are estimated to be 94.5 percent. Combined, the estimated tax rate for an urban Metro resident is 51 cents, or about $102 for owners of property assessed at $200,000.

Expenditures

The General expense spending includes general agency payments for elections, the outside annual audit, and, in accordance with the financial policies, the appropriated contingency for the General Fund and the annual contribution to renewal and replacement. A $500,000 Opportunity fund provides the Council with a modest resource to take advantage of new opportunities that arise which require a partnership match or otherwise leverage existing budgeted funds.

The General Expense category also includes special appropriations. These include payments for previously awarded grants for Nature in Neighborhoods small projects and Community Planning and Development grants; and payments for specific organizational dues and sponsorships such as Rail~Volution, the Regional Arts and Culture Council, Regional Water Consortium and the Lloyd Business Improvement District. The proposed FY 2012-13 budget maintains $25,000 for regional economic development membership; $75,000 for Intertwine organizational support, a diminishing second year allocation as part of a three year schedule to reach $50,000 as a sustaining member; and $60,000 to support Greater Portland Pulse, the regional indicators project housed at Portland State University. The annual Metro Tourism Opportunity Competitiveness Account transfer to MERC is increased to $518,663 and designated for the enhanced marketing/room block project.

New special appropriations for FY 2012-13 include $25,000 for the Metropolitan Export Initiative, subject to final Council approval; a $200,000 appropriation to resume Nature In Neighborhoods small grants for one year; and a one-time $500,000 payment for the Street Car assessment for the Metro Regional Center. The General Fund is also loaning the MERC Fund $2.2 million, payable over ten years, for the Convention Center's streetcar assessment.

A new agency-wide project, a major conversion of the agency's primary website, is budgeted in General Expense and funded by assessments to all funds on a one-time basis. The total project cost is $592,000 over 18 months and includes a limited duration position. Solid Waste will provide $333,000 over two years, reflecting the greatest number of user inquiries, particularly for recycling information. The General Fund will provide $225,000; the remainder includes very small assessments to the MERC, Natural Areas and zoo bond funds.

Finally, for FY 2012-13, the General Expense appropriations include a $331,000 allocation to the capital fund to support critical capital improvements at Glendoveer; $50,000 for pioneer cemetery cremation options; and $200,000 for new capital projects including sustainability improvements for General Fund assets. These, and the $200,000 Nature in Neighborhoods small grant program allocation, are funded from one-time revenues collected in FY 2011-12.

CAPITAL IMPROVEMENT PLAN

The five-year Capital Improvement Plan identifies all capital projects which exceed $100,000 and meet the State of Oregon's definition for public improvements. The $186 million CIP spending plan includes 106 projects, about one quarter new capital projects and three quarters scheduled renewal and replacement projects. On a funding basis, it is the reverse – about 80 percent of the spending is related to new capital, led by the Natural Areas and zoo bond projects.

New Capital projects

The General Fund does not have a reserve for new capital projects, relying on the accumulation of one-time resources from unanticipated revenues or underspending in a prior year to fund the most critical new capital needs. For FY 2012-13 this includes the much needed improvements for Glendoveer Golf Course and a resource to leverage sustainability upgrades and other projects that are not eligible for renewal and replacement funding. A fourth phase of improvements at the M. James Gleason boat ramp uses General Fund resources as match for sizeable grant funds. The pace of Natural Areas acquisitions has been increasing, and the zoo is ready to begin the Elephant habitat project, the largest of the bond projects.

Renewal and replacement

Renewal and replacement projects are scheduled according to the expected useful life of the asset and its condition. All operating funds make annual contributions for renewal and replacement. This accumulating strategy is intended to smooth out the funding in years when higher cost projects are scheduled. The General Fund contribution in FY 2012-13 will be $1.5 million. The MERC Fund is currently in a lower spending period but has several expensive projects, including the Convention Center roof, scheduled to begin in FY 2013-14. An inventory and asset condition project undertaken in FY 2011-12 for all three operating funds may result in the need for increased contributions beginning in FY 2013-14 or the need to advance or delay projects on the current schedule. Significant renewal and replacement projects for FY 2012-13 include a $500,000 lighting update (Phase 2) at the Oregon Convention Center; $600,000 to replace the slow speed shredder at Metro Central; and $335,000 to replace the transfer station roof at Metro South. The roof design project at the Oregon Convention Center will lead the way to the largest renewal and replacement project in FY 2013-14, estimated to be $2 million.

SOLID WASTE RATES

As a companion to the budget, we are also presenting the proposed solid waste rate ordinance and its accompanying rate report. The Council will receive a review of the rates prepared by an independent consultant. Interested parties may testify or comment on the rates under either the budget ordinance or the rate ordinance.

Based on the proposed budget, the anticipated tip fee, including all fees and taxes, will be $93.84 on August 1, an increase of $4.31 over current rates. The tip fee has risen by an average of $4.60 per year during the last four years, making this increase a bit less than the average but higher than last year's increase. Tonnage is flat and influences the disposal rate in a modest way. In addition to the excise tax increase, the primary cost drivers of the rate increase are inflationary escalators in major contracts after a period of no to very low inflation; increasing fuel costs and transportation premiums related to tonnage; diminishing underspending because of tighter budgeting practices; and one-time costs related to agency projects such as the website overhaul, a primary information tool for the recycling information center. A proposal to capture a portion of the fixed costs from recoverable solid waste, particularly organics processing, avoids the fee increase from being even higher.

CHARTER LIMITATION ON EXPENDITURES

Metro's charter includes a limitation on expenditures of certain tax revenues imposed and collected by Metro, specifically the general excise tax and the construction excise tax. The general excise tax is a yield-base tax which may increase annually only by the consumer price index. The majority of the excise tax is collected on solid waste activities and is calculated as a per-ton tax. The proposed rate for FY 2012-13 is $12.19 per ton, an increase of 39 cents. The excise tax on services and product sales provided by Metro facilities remains 7.5 percent. Activities at the Oregon Zoo are specifically exempted by Metro Code; activities at the Portland Center for Performing Arts are excluded by intergovernmental agreement with the City of Portland, owner of the facilities. Metro assesses an excise tax on construction permits throughout the region to fund land use planning to make land ready for development. Collections are beginning to improve after declining sharply when building activity fell off during the recession. The expenditure limit for FY 2012-13 is $20 million; budgeted expenditures are $18.6 million. The proposed budget does not exceed this limitation.

How today's decisions shape our future

Each year the budget gives us an opportunity both to respond to short-term needs and to prepare for the longer term. Metro recognized early on that the 2008 economic plunge could be long lasting and could require permanent, rather than temporary changes. Strong financial policies were already in place, and Metro has remained disciplined in following them. The proposed budget maintains this discipline.

As Metro has looked toward the future, we remain organized around four principles:

Footprint

How big is Metro and are we organized in the best possible way?

Our available resources require that Metro be smaller next year. The FY 2012-13 proposed budget continues the "rightsizing" of the organization, balancing the economic realities with the need to maintain the talent we have developed and plan for sound succession. We need to assess carefully whether one-time projects have clear one-time objectives that will reach a planned and successful conclusion. We remain concerned about future federal funding for our general transportation planning work and for planning specific projects in major corridors.

Focus

Are we focusing on our priorities, applying our expertise in a way that Metro can make the most significant contribution?

The six desired regional outcomes provide the focus for Metro's decision-making. The Council has spent the past four years engaging its partners in significant policy work that has created a blueprint for regional development. The recent adoption of urban and rural reserves, the basis for future growth management and urban growth boundary decision-making, and the adoption of the Regional Transportation Plan form the foundation. The Community Investment Strategy, a signature initiative begun two years ago, has been integrated throughout the agency and is most visible in the new organization of the Planning and Development department. At the Council's direction, Planning and Development is transforming, placing more emphasis on job creation, downtown revitalization and using corridor planning to foster communities, not just build transit. Folding in the Council's development initiatives, from sustainable design and construction practices to facilitation of brownfield cleanup to downtown revitalization toolkits, promotes meaningful public and private partnerships, leverages resources and targets infrastructure to help communities build their downtowns, main streets and employment areas.

Employee Compact

What is Metro's strategy as an employer?

Metro's largest collective bargaining agreements are in place through 2014, although some smaller agreements are in current discussion. We are fortunate that both our non-represented staff and our labor organizations are well informed about Metro's financial condition and have been willing to work collaboratively and creatively to contain costs and preserve jobs. The proposed budget implements the increases in the collective bargaining agreements and continues the premium sharing for health

METRO VALUES:
Public Service
Excellence
Innovation
Respect
Teamwork
Sustainability

benefits. Non-represented staff has taken the lead in these cost containments, and new employees represented by the AFSCME 3580 group will begin paying the employee portion of PERS in July.

Resources

Is Metro moving the resource dial?

The proposed budget continues to use public resources to support and leverage development efforts and awaits additional recommendations from the Community Investment Initiative's Leadership Council. The Council will also consider how to provide for and fund the long term care and maintenance of the parks and lands the voters have entrusted to us.

The proposed budget makes some calculated capital investments that offer the potential for future revenues. These include reinvestment at Glendoveer Golf Course, implementation of the cemetery business plan with a new cremation inurnment site and a look at the long term future of the Oxbow site. The budget proposes staff time and resources to confirm the structural status of the older Expo buildings and to assess alternatives strategies for securing a large hotel room block to boost convention bookings.

And finally, the proposed budget includes resources to engage our citizens, and particularly our more underserved citizens, in new ways. At Metro making a great place means making a great place for everyone.

Public trust is the greatest resource

One of our greatest resources is public trust. As Budget Officer I am required to propose a balanced budget for your consideration. The FY 2012-13 budget is shaped for the future. The Council's guidance was vital to its development, and I am grateful to the Senior Leadership Team and the staff for making the tough decisions needed. These are difficult choices, and we propose them as responsible stewards of public resources not only for next year, but for the region's future.

I look forward to your deliberations.

Sincerely,

Martha J. Bennett

Chief Operating Officer

Property Tax Levy

Tax Rate Levy

FY 2011-12 Assessed Value	$127,913,281,573
Assessed Value Increase:	
Within 3% Statutory allowable (2.75% estima	3,517,615,243
Estimate for new construction @ 0.0%	0
ESTIMATED FY 2012-13 ASSESSED VALUE	**$131,430,896,816**
Tax Rate=	$0.0966 /$1000
FY 2012-13 TAX RATE LEVY	$12,696,224
(estimated assessed value x tax rate)	
Less: Loss due to Measure 5 compression	($240,000)
Estimated uncollectable @ 5.5%	($685,092)
Comcast appeal	($42,000)
ESTIMATED TAXES TO BE RECEIVED	**$11,729,132**

(based on 94.5% collectable rate)

General Obligation Bond Debt Service

FY 2012-13 REQUIREMENTS		
07/01/12	Oregon Convention Center	$132,250
07/15/12	Oregon Zoo-Oregon Project	$238,575
09/01/12	Open Spaces	$9,666,531
12/01/12	Natural Areas	$1,954,475
TBD	New Natural Areas Bond Issue	$15,450,000
01/01/13	Oregon Convention Center	$5,422,250
01/15/13	Oregon Zoo-Oregon Project	$2,033,575
03/01/13	Open Spaces	$759,281
06/01/13	Natural Areas	$6,184,475
TBD	New Zoo Infrastructure Bond Issue	$11,150,000
07/15/13	Oregon Zoo-cash flow	$193,700
09/01/13	Open Spaces-cash flow	$9,899,281
TOTAL REQUIREMENTS		**$63,084,393**

Sources available for cash flow:	
Fund balance	$11,067,000
Prior years taxes to be rec'd in FY 2012-13	750,000
Interest earned, FY 2012-13	75,000
Total non-tax sources available in FY 2012-'	$11,892,000
Tax resources required to balance	$51,192,393
Levy (assume 94.5% collectable rate)	$54,171,844
Estimated FY 2012-13 Assessed Value	$131,430,896,816
Levy rate per $1,000 of assessed value	$0.4122
On $100,000 of assessed property value	$41.22
FY 2012-13 GO DEBT TAX LEVY AMOUNT	**$54,171,844**

Schedule of Appropriations

	Proposed Budget
GENERAL FUND	
Communications	2,586,585
Council Office	3,924,829
Finance & Regulatory Services	4,218,275
Human Resources	2,167,032
Information Services	3,640,353
Metro Auditor	708,748
Office of Metro Attorney	1,927,172
Oregon Zoo	30,862,025
Parks & Environmental Services	6,681,825
Planning and Development	14,477,196
Research Center	3,834,691
Sustainability Center	4,036,112
Special Appropriations	4,896,187
Non-Departmental	
Debt Service	1,654,290
Interfund Transfers	7,521,525
Contingency	3,831,000
Total Appropriations	96,967,845
Unappropriated Balance	12,647,089
Total Fund Requirements	**$109,614,934**
GENERAL ASSET MANAGEMENT FUND	
Asset Management Program	5,475,007
Non-Departmental	
Interfund Transfers	19,681
Contingency	4,379,897
Total Appropriations	9,874,585
Total Fund Requirements	**$9,874,585**
GENERAL OBLIGATION BOND DEBT SERVICE FUND	
Debt Service	51,991,413
Unappropriated Balance	10,092,981
Total Fund Requirements	**$62,084,394**
GENERAL REVENUE BOND FUND	
Debt Service Account	
Debt Service - Metro Regional Center	1,499,585
Debt Service - Expo Center Hall D	1,187,132
Debt Service - Washington Park Parking Lot	403,320
Total Appropriations	3,090,037
Unappropriated Balance	5,361
Total Fund Requirements	**$5,361**
MERC FUND	
MERC	44,281,504
Non-Departmental	
Interfund Transfers	4,806,913
Contingency	7,613,240
Total Appropriations	56,701,657
Unappropriated Balance	13,097,572
Total Fund Requirements	**$13,097,572**
NATURAL AREAS FUND	
Sustainability Center	45,179,080
Non-Departmental	
Interfund Transfers	1,783,226
Contingency	25,000,000
Total Appropriations	71,962,306
Unappropriated Balance	12,838,139
Total Fund Requirements	**$12,838,139**
OPEN SPACES FUND	
Sustainability Center	738,934
Total Fund Requirements	**$738,934**

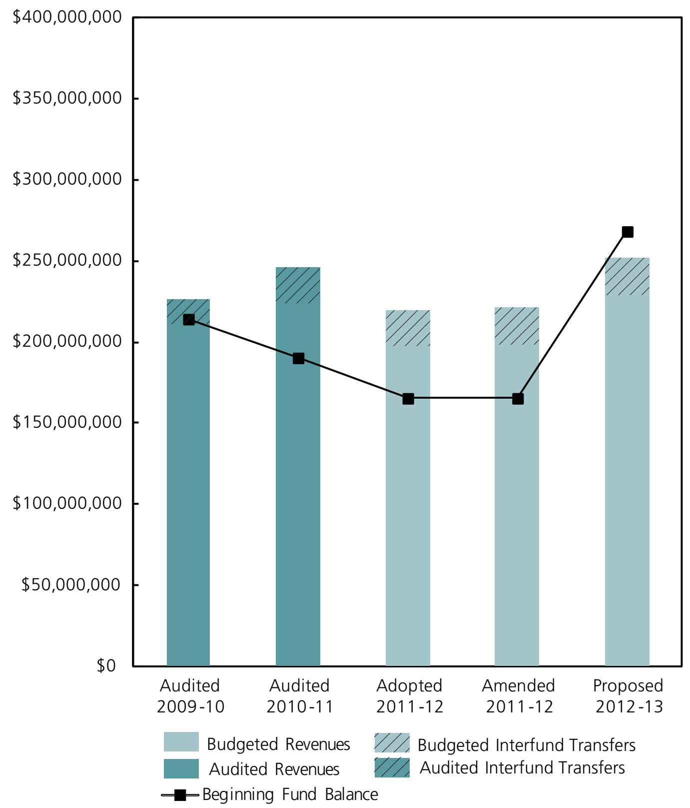
OREGON ZOO INFRASTRUCTURE AND ANIMAL WELFARE FUND	
Oregon Zoo	19,526,002
Non-Departmental	
Interfund Transfers	292,677
Contingency	3,963,195
Total Appropriations	23,781,874
Unappropriated Balance	44,397,992
Total Fund Requirements	**$44,397,992**
PIONEER CEMETERY PERPETUAL CARE FUND	
Unappropriated Balance	470,187
Total Fund Requirements	**$470,187**
REHABILITATION & ENHANCEMENT FUND	
Sustainability Center	358,641
Non-Departmental	
Interfund Transfers	33,465
Contingency	280,000
Total Appropriations	672,106
Unappropriated Balance	1,653,293
Total Fund Requirements	**$1,653,293**
RISK MANAGEMENT FUND	
Finance & Regulatory Services	2,641,276
Non-Departmental	
Interfund Transfers	295,207
Contingency	500,000
Total Appropriations	3,436,483
Unappropriated Balance	1,094,652
Total Fund Requirements	**$1,094,652**
SMITH AND BYBEE LAKES FUND	
Parks & Environmental Services	65,000
Non-Departmental	
Interfund Transfers	104,841
Contingency	200,000
Total Appropriations	369,841
Unappropriated Balance	3,391,886
Total Fund Requirements	**$3,391,886**
SOLID WASTE REVENUE FUND	
Operating Account	
Finance & Regulatory Services	2,145,570
Sustainability Center	6,002,794
Parks & Environmental Services	44,101,764
Subtotal Account	52,250,128
Landfill Closure Account	
Parks & Environmental Services	1,201,500
Subtotal Account	1,201,500
Renewal and Replacement Account	
Parks & Environmental Services	2,230,000
Subtotal Account	2,230,000
General Account	
Parks & Environmental Services	1,968,781
Subtotal Account	1,968,781
General Expenses	
Interfund Transfers	8,157,903
Contingency	15,105,279
Subtotal Account	23,263,182
Total Appropriations	80,913,591
Unappropriated Balance	19,875,967
Total Fund Requirements	**$100,789,558**
Total Appropriations	$400,500,672
Total Unappropriated Balance	$119,565,119
TOTAL BUDGET	**$520,065,791**

Budget summary by year

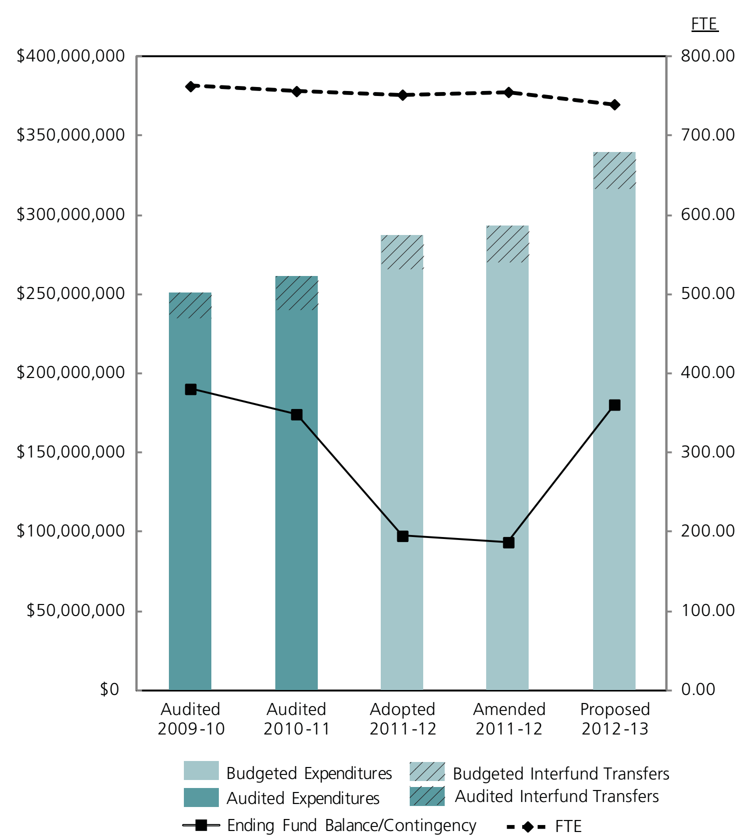
	Audited FY 2009-10	Audited FY 2010-11	Adopted FY 2011-12	Amended FY 2011-12	Proposed FY 2012-13	Approved FY 2012-13	Adopted FY 2012-13	Change from FY 2011-12 Amended
RESOURCES								
Beginning Fund Balance	*$214,223,351*	*$190,317,945*	*$165,390,447*	*$165,390,447*	*$268,273,458*			*62.21%*
Current Revenues								
Real Property Taxes	51,457,063	49,747,025	39,039,151	39,039,151	63,023,526			61.44%
Excise Tax	14,392,093	15,508,750	16,705,765	16,705,765	17,399,971			4.16%
Other Derived Tax Revenue	25,497	26,861	25,000	25,000	75,000			200.00%
Grants	13,115,905	10,267,397	12,558,425	12,649,865	12,042,483			(4.80%)
Local Gov't Shared Revenues	10,406,511	11,983,681	11,708,979	11,708,979	13,671,720			16.76%
Contributions from other Gov'ts	2,271,100	832,524	3,827,419	3,897,419	3,723,036			(4.47%)
Enterprise Revenue	109,754,507	113,192,834	109,488,784	110,092,650	115,772,391			5.16%
Interest Earnings	2,131,823	1,297,723	825,959	825,959	1,152,900			39.58%
Donations	5,235,274	2,661,868	3,141,100	3,382,280	1,581,927			(53.23%)
Other Misc. Revenue	2,469,556	3,307,412	302,779	302,779	333,941			10.29%
Bond and Loan Proceeds	0	15,000,000	0	0	0			0.00%
Subtotal Current Revenues	211,259,329	223,826,075	197,623,361	198,629,847	228,776,895			15.18%
Interfund Transfers:								
Interfund Reimbursements	7,680,866	8,396,573	9,397,205	9,397,205	10,118,777			7.68%
Internal Service Transfers	2,723,052	2,887,871	3,000,237	3,055,777	4,143,190			35.59%
Interfund Loan	0	0	0	0	2,431,000			0.00%
Fund Equity Transfers	5,175,785	10,708,853	9,724,485	9,909,245	6,322,471			(36.20%)
Subtotal Interfund Transfers	15,579,703	21,993,297	22,121,927	22,362,227	23,015,438			2.92%
TOTAL RESOURCES	**$441,062,383**	**$436,137,317**	**$385,135,735**	**$386,382,521**	**$520,065,791**			**34.60%**
REQUIREMENTS								
Current Expenditures								
Personnel Services	$71,819,988	$73,984,490	$79,791,040	$80,173,499	$79,917,873			(0.32%)
Materials and Services	95,771,568	99,375,744	111,406,975	115,613,058	115,528,684			(0.07%)
Capital Outlay	22,391,158	24,478,087	38,965,830	39,394,925	64,430,326			63.55%
Debt Service	45,182,021	41,950,078	35,261,700	35,261,700	56,735,740			60.90%
Subtotal Current Expenditures	235,164,735	239,788,399	265,425,545	270,443,182	316,612,623			17.07%
Interfund Transfers:								
Interfund Reimbursements	7,680,866	8,396,573	9,397,205	9,397,205	10,118,777			7.68%
Internal Service Transfers	2,723,052	2,887,871	3,000,237	3,055,777	4,143,190			35.59%
Interfund Loan	0	0	0	0	2,431,000			0.00%
Fund Equity Transfers	5,175,785	10,708,854	9,724,485	9,909,245	6,322,471			(36.20%)
Subtotal Interfund Transfers	15,579,703	21,993,298	22,121,927	22,362,227	23,015,438			2.92%
Contingency	0	0	34,656,569	29,972,823	60,872,611			103.09%
Ending Fund Balance	*190,317,945*	*174,355,620*	*62,931,694*	*63,604,289*	*119,565,119*			*87.98%*
TOTAL REQUIREMENTS	**$441,062,383**	**$436,137,317**	**$385,135,735**	**$386,382,521**	**$520,065,791**			**34.60%**
FULL-TIME EQUIVALENTS	762.84	756.60	752.09	755.49	740.00			(2.05%)
FTE CHANGE FROM FY 2011-12 AMENDED BUDGET								(15.49)

Budget summary by year

Current revenues and fund balance



Current expenditures and full-time equivalents



Where the money comes from

Resources to meet Metro's obligations and needs are derived from three primary sources: beginning fund balance, current revenues and interfund transfers. Beginning fund balance consists of resources carried forward from previous fiscal years, including proceeds from voter-approved bonds (e.g., Natural Areas and Oregon Zoo Infrastructure and Animal Welfare), reserves for specific purposes (e.g., self insurance, debt reserves) and monies used for cash flow. Current revenues are those earned from Metro operations or taxes levied during the fiscal year. The principal sources of current revenues are user fees and charges from individuals and organizations that pay to use Metro facilities or buy its services. Interfund transfers are payments from one fund to another fund usually for services rendered.

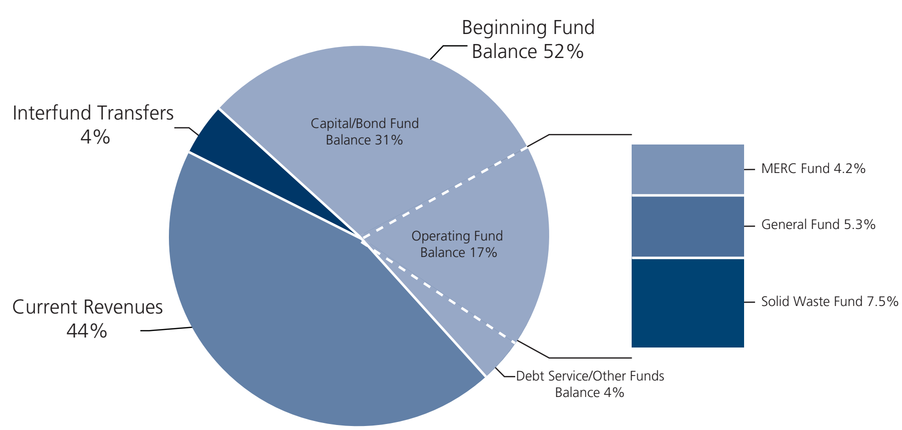
BEGINNING FUND BALANCE

Metro's beginning fund balance constitutes 52 percent of its total resources.

The beginning fund balance for each fund consists of unspent resources carried forward from the previous fiscal year. Primary among these are unspent bond proceeds, and fees collected in prior years in the Solid Waste Revenue Fund for operations, capital projects and other dedicated accounts. Another element of the beginning fund balance includes reserves for specific purposes (e.g., self-insurance, future capital reserves, debt reserves and trust reserves), which are generally required by law, policy or operating agreements. The beginning fund balance also provides cash flow for specific operations until current year revenues are received.

The General Fund's $27.3 million beginning fund balance accounts for 10.2 percent of the total beginning balances and is a combination of designated and undesignated reserves. Designated reserves include grant funds, construction excise tax for local development grants, Public Employees Retirement System (PERS) reserves and debt service reserves. The Council also designated reserve funds for multi-year Nature in Neighborhoods grants, and participation in a Development Opportunity fund. The FY 2012-13 budget sets aside $1.03 million for completion of the Community Investment Initiative. Finally, as part of its financial policies, the Council also directed that undesignated reserves be maintained for contingency and stabilization reserves, available for any lawful purpose in the event of sudden and unforeseen revenue drops or unplanned expenditures. For FY 2012-13 about $6.3 million of the General Fund's beginning fund balance is funding these financial reserves.

FY 2012-13 Total resources



Total resources $520,065,791

CURRENT REVENUES

Current revenues account for 44 percent of Metro's total resources. The major elements of current revenues and the percentage of total current revenues they represent include the following:

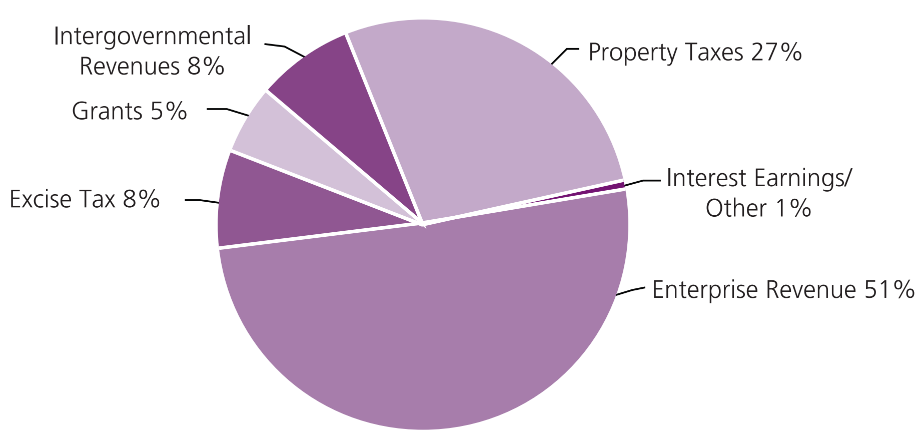
Enterprise revenues– 51 percent

Enterprise activities account for the largest piece of current revenues at $115.7 million. Metro's largest enterprise activity is solid waste disposal, generating $60.5 million, which comes from fees charged on solid waste deposited at Metro's transfer stations or several other designated solid waste facilities. This is about a 5.2 percent increase over the FY 2011-12 budget. While actual tonnage is forecasted to be down about 5 percent from the basis used to prepare the FY 2011-12 budget, disposal and other related operating costs are expected to rise. The last two years have seen historically low inflation rates. The inflation rate is expected to be approximately 2.8 percent next year, which drives the costs of all major operating and transport contracts. The increase in the operating contracts, rising fuel costs and the addition of the City of Portland's residential organics program have all contributed to higher disposal fees or additional revenue to the solid waste system.

The Visitor Venues (Oregon Zoo, Oregon Convention Center, Portland Center for the Performing Arts and Portland Metropolitan Exposition Center) produce $49.8 million, about 0.5 percent below the current year. The Oregon Zoo is showing revenue growth of about 5 percent. The zoo has experienced record-breaking attendance the last several years; the budget projects a slight increase in annual attendance from 1.6 million to 1.61 million. It is also projecting the addition of four special evening events at the zoo as well as a $1.00 increase in the adult admission price in January 2013 and similar increases in other admission categories. Budgeted per capita spending remains mostly flat, with modest increases in catering and beer/ wine sales due mostly to the addition of four special events. The Oregon Convention Center relies on convention bookings made years in advance. Although the economy is recovering it will be another two years before bookings return to pre-recession levels. Revenue is expected to remain relatively flat compared to last year but is about 25 percent below pre-recession levels. The Expo Center is reflecting a 12 percent decline from the current year. About half of this reduction is due to the recognition that FY 2011-12 revenues, particularly in food and beverage, were overstated. The other half is due to the elimination of a major event that was added mid-year

FY 2012-13 Current revenues

RESOURCES	
Beginning Fund Balance	*$268,273,458*
Current Revenues	
Real Property Taxes	63,023,526
Excise Tax	17,399,971
Other Derived Tax Revenue	75,000
Grants	12,042,483
Local Gov't Shared Revenues	13,671,720
Contributions from other Gov'ts	3,723,036
Enterprise Revenue	115,772,391
Interest Earnings	1,152,900
Donations	1,581,927
Other Misc. Revenue	333,941
Bond and Loan Proceeds	0
Subtotal Current Revenues	228,776,895
Interfund Transfers:	
Interfund Reimbursements	10,118,777
Internal Service Transfers	4,143,190
Interfund Loan	2,431,000
Fund Equity Transfers	6,322,471
Subtotal Interfund Transfers	23,015,438
TOTAL RESOURCES	**$520,065,791**



Total current revenues $228,776,895

FY 2011-12. Additionally, the new *Cirque Du Soleil* event in FY 2011-12 is expected to be an every-other-year event. While it is hoped this event will return again during FY 2012-13 the budget does not yet reflect the possibility. Revenues generated at the Portland Center for the Performing Arts are down about six percent reflecting a reduction in the number of weeks of Broadway performances anticipated next year.

Regional parks facilities generate another $2.8 million in fees and services. Most enterprise revenues at Metro's regional parks are expected to remain fairly stable with respect to FY 2011-12 with the exception of increasing cemetery revenues and decreasing Glendoveer Golf Course fees. With the completion of the business plan, revenues at the pioneer cemeteries, budgeted 45 percent higher than the prior year, reflect both a fee increase in sales and services as well as a revised marketing plan enhancing the services provided. The operating contract for the Glendoveer Golf Course will be sent out for bid for the first time in 20 years. The new contract will take effect during the last half of FY 2012-13. While Metro will strive for the best terms under the new contract it is doubtful it will be as generous as the former contract. It is expected that revenues from the golf course will decline about 50 percent during the first year or two of the new contract. Metro will be looking for other revenue sharing opportunities that compliment the golf course facility. Parking fees, business license fees and Data Resource Center revenues account for the remainder of enterprise revenues.

Property taxes– 27 percent

Metro expects to receive $63.0 million in property tax revenues in FY 2012-13. This includes current year tax receipts to the General Fund directed toward operations ($11.7 million) and debt service levies for outstanding general obligation bond issues for the Open Spaces Acquisition program, the original Oregon Convention Center construction, the zoo's Great Northwest project, the Natural Areas program and the Oregon Zoo Infrastructure and Animal Welfare bond projects ($50.2 million). The remainder, approximately $1.1 million, will be received in the form of delinquent property taxes, levied in prior years but received in the current year, and interest and penalties on those late payments. The levy for general obligation debt has increased about 87 percent over FY 2011-12. In May 2012 Metro will issue an additional $140 million in debt authorized under the Natural Areas program and the Oregon Zoo Infrastructure and Animal Welfare program. The first year of debt service on the new bonds will begin during FY 2012-13.

Excise Taxes– 8 percent

The Metro excise tax is paid by users of Metro facilities and services in accordance with the Metro Charter and Metro Code. The tax is recorded as revenue in the General Fund. It supports the costs of general government activities, such as the Council Office and elections expense. The tax also supports various planning, parks and venue activities.

The Metro excise tax is levied as a flat rate per-ton tax on solid waste disposal and as a percentage of all other authorized sales and services. The Metro excise tax is estimated to raise $15.6 million in FY 2012-13. By Metro Code, the amount of the per-ton tax may be increased annually based on the Consumer Price Index. The flat-rate per-ton tax was consolidated into a single yield-based tax in FY 2010-11, folding in a number of individual per-ton rates which had been imposed at different times. The single rate approach increases predictability and moderates revenue swings in times of either increasing or decreasing tonnage. The consolidation did not change the charter limitation on expenditures. The consolidated rate for FY 2012-13 will be $12.19 per ton, an increase of 39 cents, effective August 1. The rate for all other authorized revenues, currently 7.5 percent, will not change unless amended by the Metro Council. The Council has exempted the Oregon Zoo from excise tax; the intergovernmental agreement between Metro and the City of Portland exempts the Portland Center for the Performing Arts from the tax.

In 2006 Metro also enacted a construction excise tax to fund land use planning to make land ready for development throughout the region. A 0.12 percent tax is assessed on construction permits issued by local cities and counties in the Metro region. In 2009 the tax was extended for an additional five years, through September 2014, to provide funding for planning of future expansion areas, future urban reserves and planning that enables redevelopment of centers, corridors and employment areas within the existing Urban Growth Boundary. Proceeds from the tax fell sharply during the recession and began rebounding in 2011. The tax is expected to generate $1.76 million in FY 2012-13.

Intergovernmental Revenues– 8 percent

Metro receives revenue from both state and local agencies. Among these are transient lodging tax receipts from Multnomah County, funds from the City of Portland to support the Portland Center for the Performing Arts, state marine fuel tax revenues and a portion of the recreational vehicle registration fees passed through Multnomah County from the State of Oregon to support the regional parks. It also receives an allocation from the Visitor Development Fund created as a cooperative agreement between Metro, Multnomah County, the City of Portland and the hotel and car rental industries to cooperatively support and market various visitor facilities and amenities in the region. Transient Lodging Tax receipts are projected to increase nine percent reflecting a recovery in room bookings. The request to the Visitor Development Fund has increased by 50 percent based on projected need.

Grants– 5 percent

Grants are anticipated to provide $12.0 million to the revenue mix. The primary planning functions of the agency — Planning and Development and the Research Center — receive approximately $9.5 million in grant funds, 79 percent of all grants. These functions rely on federal, state and local grants to fund most of the transportation planning and modeling programs. The delay in the federal reauthorization of transportation funding has placed a portion of these grants funds at risk. These functions have relied on other specific dedicated grants funds to bridge them through the last couple of years, however, even that is no longer feasible. Planning and Development in particular is seeing an estimated $440,000 reduction in federal discretionary allocations for next year. Metro also receives grants for projects planned at regional parks and natural areas, Oregon Zoo and solid waste facilities.

Other miscellaneous revenues/Interest Earnings– 1 percent

In FY 2012-13 other revenues include $1.6 million in donations; $1.2 million in projected interest earnings and about $334,000 in a variety of other miscellaneous revenue categories.

INTERFUND TRANSFERS

Metro budgets its resources in separate and distinct funds. Transfers between funds pay for internal services provided directly by one center or service to another or indirectly on a cost-share basis as determined through the indirect cost allocation plan. Interfund reimbursements (indirect services) and internal service transfers (direct services) total $14.2 million in FY 2012-13. The transfer classification also includes $6.3 million in Fund Equity Transfers (revenue sharing between funds) such as the transfer of discretionary revenues from the General Fund to assist in capital development and renewal and replacement of General Fund assets. Also included in FY 2012-13 is a one-time interfund loan from the General Fund to the MERC Fund to pay the Oregon Convention Center's $2.2 million local improvement district assessment for the Eastside Streetcar. The budget also includes the first of ten annual installments from the MERC Fund to repay the loan.

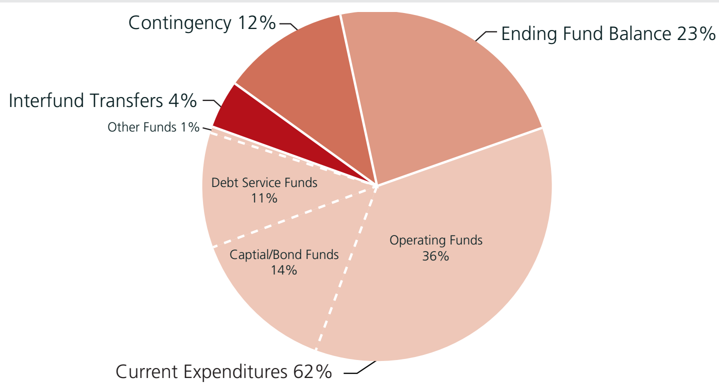
Where the money goes

Metro uses its resources for a variety of purposes prescribed by state law and Metro Charter. Ending fund balances are resources that are not spent during the year but carried over to subsequent year(s). They include reserves, monies for cash flow purposes and bond proceeds that will be spent in ensuing years for capital projects. Resources to be spent during the year can be categorized in one of several current expenditure categories.

Metro's total current expenditures are allocated for the specific programs and functions described in the Organizational Summary section contained in the body of this budget document. Fifty-nine percent of current expenditures support the operations of Metro facilities such as the Oregon Zoo, the Oregon Convention Center, the Portland Expo Center, Portland Center for the Performing Arts, regional park facilities and solid waste disposal facilities, as well as programs such as waste reduction, recycling information and regional transportation and growth management planning. Another 17 percent is dedicated to debt service on outstanding general obligation and full faith and credit bonds, and 23 percent is allocated for capital outlay and improvements to various facilities and acquisition of new natural areas. The final one percent is allocated for specific requirements such as the cemetery perpetual care, risk management, rehabilitation and enhancement, and the Smith and Bybee wetlands.

Interfund transfers between funds and contingencies for unforeseen needs, such as unexpected increases in costs or drops in revenue, make up the balance of Metro expenditure requirements.

FY 2012-13 Total requirements

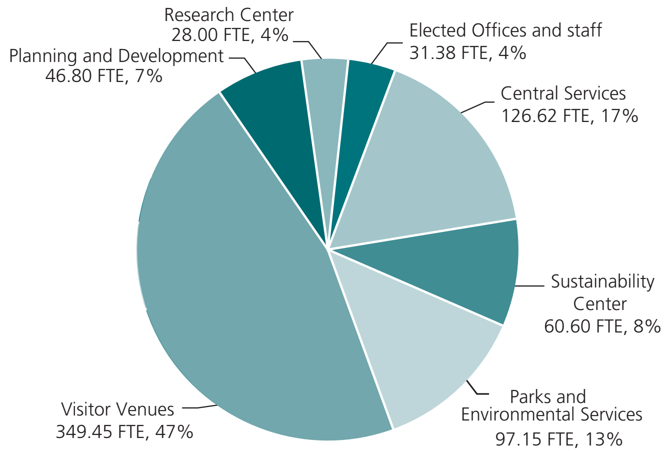


Total requirements $520,065,791

CURRENT EXPENDITURES

Current expenditures consist of amounts to be paid out in the current fiscal year by categories defined in budget law. This includes payments for operations, debt service, capital improvements and acquisitions. The major elements of current expenditures and the percentage of total current expenditures they represent include the following:

FY 2012-13 FTE positions by function



Total FTE 740.00

Personnel services– 25 percent

Metro plans to spend about $79.9 million for salaries and wages and related expenditures for its employees in FY 2012-13. Personnel services includes employee related benefit costs such as health and welfare and pension contributions. Fringe benefits are about 40 percent of salaries and wages, and 29 percent of total personnel services costs. For a more detailed discussion of fringe benefits refer to the appendix "Fringe benefit rate calculation." A ten-year comparison of salaries, wages and benefits is provided later in this section.

The FY 2012-13 budget includes 740.0 full-time equivalent positions, a reduction of 15.49 FTE. "FTE" means regular, benefit-eligible full or part-time positions. While temporary, seasonal and event-related labor costs are reflected in the total personnel services expenditures, these employees are not considered as FTE. A discussion of staff levels is provided later in this section.

Materials and Services– 37 percent

Metro plans to spend about $115.5 million on materials and services in FY 2012-13. Large expenditures in this area include solid waste transfer station operations and the transport of solid waste to the Columbia Ridge Landfill in Gilliam County (about $31.4 million). Materials and services at the visitor venues (Oregon Convention Center, the Oregon Zoo and the Portland Center for the Performing Arts, the Portland Expo Center) also include $36.5 million for contracted operations.

Capital outlay– 20 percent

Approximately $64.4 million is provided for capital expenditures. These funds provide for land acquisitions and major capital improvement projects at various facilities. The largest uses of capital funds are $30 million for land acquisition and capital expenditures related to the Natural Areas program, $19 million for capital improvements at the Oregon Zoo under the Oregon Zoo Infrastructure and Animal Welfare bond measure, $5.2 million for solid waste facility capital projects, and $2.5 million for capital improvements at MERC facilities. Another $3.2 million is provided for various renewal and replacement projects at the Oregon Zoo, regional parks or Metro Regional Center including information technology infrastructure. Capital expenditures include purchases of land and equipment, improvements to facilities and other capital related expenditures. Projects costing $100,000 or more are included in Metro's capital improvement plan, updated and adopted annually.

Debt service– 18 percent

Debt service provides for payments on general obligation and full faith and credit bonds sold for the Oregon Convention Center, Metro Regional Center, the Open Spaces Acquisition program, the Natural Areas program, the Expo Center and the Oregon Zoo. Debt service payments increase by 61 percent in FY 2012-13. In May 2012 Metro will issue $140 million in additional general obligation debt under the Natural Areas and Oregon Zoo Infrastructure and Animal Welfare authorizations. Debt service on these new obligations will begin during FY 2012-13.

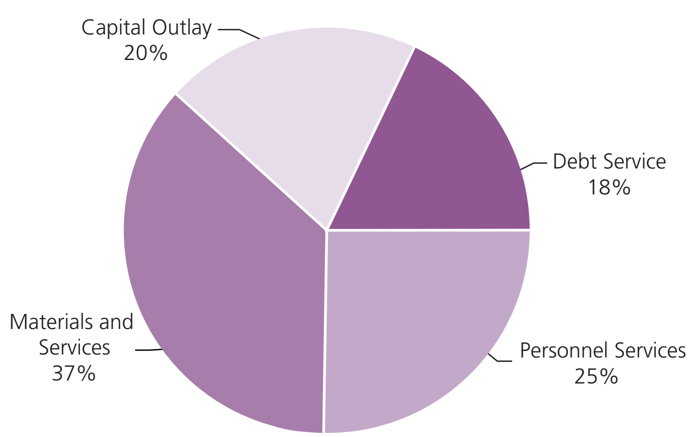
INTERFUND TRANSFERS

Metro budgets its resources in separate and distinct funds. Transfers between funds are made to pay for the cost of services provided in one fund for the benefit of another (e.g., payroll, fleet, etc.) or to share resources between funds. Interfund transfers in FY 2012-13 total about $23.0 million. Interfund transfers appear as both a resource to the receiving fund and a requirement for the transferring fund in the budget. An explanation of all transfers is provided in the appendices of the detail budget volume.

CONTINGENCY

Contingencies in each fund are created to provide for unforeseen requirements such as unexpected increases in costs or drops in revenue. These funds may be spent only after an action of the Metro Council authorizes transferring appropriations from contingency to an expenditure line item.

FY 2012-13 Current expenditures by budget category



REQUIREMENTS	
Current Expenditures	
Personnel Services	$79,917,873
Materials and Services	$115,528,684
Capital Outlay	$64,430,326
Debt Service	$56,735,740
Subtotal Current Expenditures	$316,612,623
Interfund Transfers:	
Interfund Reimbursements	$10,118,777
Internal Service Transfers	$4,143,190
Interfund Loan	$2,431,000
Fund Equity Transfers	$6,322,471
Subtotal Interfund Transfers	$23,015,438
Contingency	$60,872,611
Ending Fund Balance	$119,565,119
TOTAL REQUIREMENTS	**$520,065,791**

Total current expenditures $316,612,623

FY 2012-13 Fund Summary by Category

	Operating Funds	Capital / Bond Funds	Debt Service Funds	Other Funds	Total
Resources					
Beginning Fund Balance	*$89,991,220*	*$158,797,279*	*$11,072,334*	*$8,412,625*	*$268,273,458*
Current Revenues					
Real Property Taxes	12,081,132	0	50,942,394	0	63,023,526
Excise Tax	17,399,971	0	0	0	17,399,971
Other Derived Tax Revenue	0	0	0	75,000	75,000
Grants	10,958,583	1,033,900	0	50,000	12,042,483
Local Government Shared Revenues	13,671,720	0	0	0	13,671,720
Contributions from other Governments	3,723,036	0	0	0	3,723,036
Enterprise Revenue	114,858,502	0	0	913,889	115,772,391
Interest Earnings	364,161	673,370	75,027	40,342	1,152,900
Donations	685,927	896,000	0	0	1,581,927
Other Misc. Revenue	328,941	0	0	5,000	333,941
Subtotal Current Revenues	174,071,973	2,603,270	51,017,421	1,084,231	228,776,895
Interfund Transfers:					
Interfund Reimbursements	8,591,807	0	0	1,526,970	10,118,777
Internal Service Transfers	4,078,568	0	0	64,622	4,143,190
Interfund Loan	2,431,000	0	0	0	2,431,000
Fund Equity Transfers	1,039,153	2,193,281	3,090,037	0	6,322,471
Subtotal Interfund Transfers	16,140,528	2,193,281	3,090,037	1,591,592	23,015,438
Total Resources	**$280,203,721**	**$163,593,830**	**$65,179,792**	**$11,088,448**	**$520,065,791**
Requirements					
Current Expenditures					
Personnel Services	77,778,466	2,139,407	0	0	79,917,873
Materials and Services	100,161,371	12,302,396	0	3,064,917	115,528,684
Capital Outlay	7,953,106	56,477,220	0	0	64,430,326
Debt Service	1,654,290	0	55,081,450	0	56,735,740
Subtotal Current Expenditures	187,547,233	70,919,023	55,081,450	3,064,917	316,612,623
Interfund Transfers:					
Interfund Reimbursements	8,537,457	1,581,320	0	0	10,118,777
Internal Service Transfers	3,510,301	494,583	0	138,306	4,143,190
Interfund Loan	2,431,000	0	0	0	2,431,000
Fund Equity Transfers	6,007,583	19,681	0	295,207	6,322,471
Subtotal Interfund Transfers	20,486,341	2,095,584	0	433,513	23,015,438
Contingency	26,549,519	33,343,092	0	980,000	60,872,611
Ending Fund Balance	45,620,628	57,236,131	10,098,342	6,610,018	119,565,119
Total Requirements	**$280,203,721**	**$163,593,830**	**$65,179,792**	**$11,088,448**	**$520,065,791**
Full-Time Equivalents (FTE)	720.80	19.20	0.00	0.00	740.00

Operating Funds

The operating funds include the General Fund, the Metropolitan Exposition Recreation Commission Fund and the Solid Waste Revenue Fund. A more detailed presentation of the operating funds follows this section.

- Property taxes reflect Metro's permanent operating rate of $0.0966/$1,000 of assessed value assuming a 2.75 percent increase in assessed value and a 94.5 percent collectible rate.
- Local Government Shared Revenues includes a 9 percent increase in transient lodging tax and 58 percent increase in the Visitor Development Fund allocation. Both sources provide funding for MERC facilities and operations.
- The reduction in grants recognizes the delay in the federal reauthorization of discretionary transportation allocations as well as the completion or near completion of specific grant funds such as HB 2001 Green House Gas funding from ODOT.
- Enterprise revenues include an 11 percent increase in solid waste revenues; 5 percent increase in revenues generated at the Oregon Zoo; 4 percent decrease at MERC primarily in Expo Center revenues; and a 2 percent decrease in regional parks fees primarily from a reduction in Glendoveer Golf Course contract revenue.
- A $2.2 million interfund loan from the General Fund to the MERC Fund to pay for the Eastside Streetcar local improvement district assessment on the Oregon Convention Center is included in the budget. Also included is the first of ten annual installment payments from MERC to repay the loan. These are reflected as both an interfund revenue as well as an interfund expense.
- Personnel services reflect the reduction of 14.40 FTE as well as salary adjustment increases for COLA, merit and step for the remaining staff as specified in collective bargaining agreements. Health and welfare contribution costs are budgeted to increase by 10 percent.
- Contingencies are replenished following Council approved financial policies.

Capital/Bond Funds

The capital/bond funds include the General Asset Management Fund, the Natural Areas Fund, the Open Spaces Fund and the Oregon Zoo Infrastructure and Animal Welfare Fund.

- The Open Spaces Fund, Natural Areas Fund, and Oregon Zoo Infrastructure and Animal Welfare Fund are funded through the sale of general obligation bonds following voter authorization in 1995, 2006 and 2008, respectively.
- In May 2012 Metro will be issuing an additional $75 million in bonds for the Natural Areas program and $65 million for Zoo Infrastructure projects. This results in a tripling in the amount available for beginning fund balance.
- Significant project expenditures in FY 2012-13 include:
    - $15 million for the elephant habitat and related infrastructure at the Oregon Zoo.
    - $2 million for the onsite condor facility at the Oregon Zoo.
    - $30 million for land acquisition under the Natural Areas program.
    - $10 million for local share payments under the Natural Areas program.
    - $3.4 million in renewal and replacement projects at the Oregon Zoo, regional parks and Metro Regional Center.

Fund Summary Highlights

Debt Service Funds

The debt service funds include the General Revenue Bond Fund and the General Obligation Bond Debt Service Fund.

- Property taxes provide for the first year of debt service on the $140 million of new bonds to be issued in May 2012. The levy for the new issues is currently set at the maximum amount allowed under the promises to the voters of the region – $0.19/$1,000 of assessed value for the Natural Areas program and $0.09/$1,000 of assessed value for Oregon Zoo Infrastructure and Animal Welfare.

Other Funds

The other funds include the Pioneer Cemetery Perpetual Care Fund, the Rehabilitation and Enhancement Fund, the Risk Management Fund and the Smith and Bybee Wetlands Fund.

Capital Improvement Plan SUmmary

A capital project is defined in Metro's CIP as any physical asset acquired or constructed by Metro with a total capital cost of $100,000 or more and a useful life of at least five years. The CIP for the next five years, FY 2012-13 through FY 2016-17, includes 106 projects with anticipated new spending of $186 million.

Current Project Status

During FY 2011-12 several major projects will be completed. Significant among the completed projects is the zoo's new veterinary medical center, the penguin filtration system and the 20-year Comprehensive Capital Master Plan paid for by the zoo bond. An inventory and asset condition project undertaken in FY 2011-12 for all three operating funds – the General Fund, MERC Fund and Solid Waste Revenue Fund – may result in the need for increased contributions beginning in FY 2013-14 or the need to advance or delay projects on the current schedule. The Oregon Convention Center completed the demolition of an old abandoned restaurant and created a marketable plaza adjacent to the convention center while also upgrading the area around the convention center. Details of the 28 projects expected to be completed can be found in the Detail volume.

Five-year CIP Proposal: FY 2012-13 through FY 2016-17

The proposed five-year CIP includes the previously identified projects of the current CIP, both multi-year projects that are scheduled to continue in the new five-year period or projects which will be beginning in this new five-year period. In addition, the CIP also includes new projects in FY 2012-13 that have become critical and for which one-time funding has been identified. These include overdue improvements at Glendoveer Golf Course, a master plan and geotechnical study for Oxbow Park to address the worsening erosion that threatens the campground area, and a two-year project to update Metro's primary website whose current platform has become obsolete. These three General Fund projects illustrate the continuing difficulty in developing a consistent, stable mechanism for funding new projects within the General Fund.

The summary table below presents the capital costs of projects by fiscal year, by operating unit. The "Total" column represents the overall project costs, including expenditures in all prior years. This year's CIP remains dominated by bond projects.

Total projects costs by organization unit

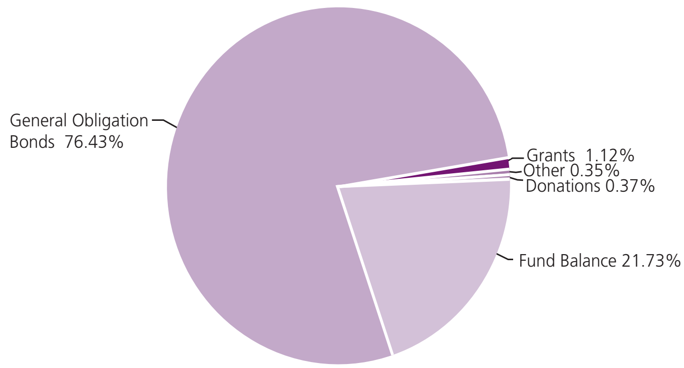
	Total Projects	Prior Years	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	TOTAL
Finance	3	861,219	263,781	30,000	30,000	30,000	30,000	1,245,000
Information Services	3	643,079	936,737	354,519	423,982	385,913	308,862	3,053,092
Visitor Venues-MERC	41	260,000	1,650,000	3,670,000	4,975,000	4,020,000	3,710,000	18,285,000
Visitor Venues-Oregon Zoo	21	4,965,981	20,996,349	26,427,776	19,097,596	14,727,585	11,258,778	97,474,065
Parks and Environmental Services	32	2,343,129	7,204,017	3,506,091	2,758,284	1,454,014	1,785,715	19,051,250
Research Center	2	981,192	91,200	57,000	44,000	63,000	57,000	1,293,392
Sustainability Center	4	61,692,319	31,557,110	10,000,000	5,000,000	5,000,000	4,000,000	117,249,429
TOTAL	**106**	**71,746,919**	**62,699,194**	**44,045,386**	**32,328,862**	**25,680,512**	**21,150,355**	**257,651,228**

FIVE YEAR TOTAL, FY 2012-13 through FY 2016-17	**185,904,309**

The Sustainability Center includes funding for land purchases and trail construction at Blue Lake. Parks and Environmental Services includes the solid waste operations, parks renewal projects and projects for the Metro Regional Center. The Oregon Zoo projects reflect expenditures on elephant-related projects and the condor exhibit. MERC includes capital projects for the Oregon Convention Center, Portland

Center for the Performing Arts and the Expo Center. Information Services includes a project to update Metro's web. This project, to be completed in coordination with Communications, will improve the user's experience when using Metro's website.

Major funding sources



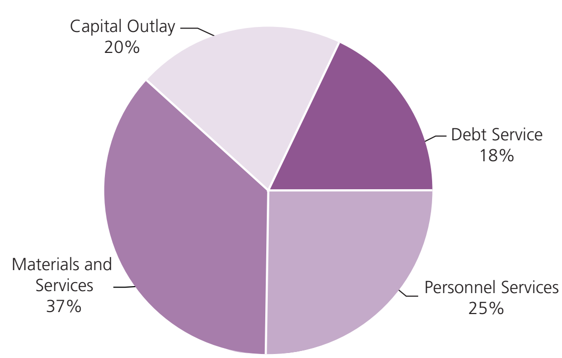
FY 2012-13 Proposed Budget

by the numbers

	FY 2011-12 Amended Budget	FY 2012-13 Proposed Budget	% Change
Operating Funds			
General Fund	109,567,000	109,615,000	0%
MERC Fund	68,865,000	69,799,000	1%
Solid Waste Revenue Fund	95,065,000	100,790,000	6%
Total Operating	$273,497,000	$280,204,000	2%
Bond/Capital Funds			
General Asset Management Fund	9,855,000	9,875,000	
Natural Areas Fund	37,778,000	84,800,000	
Open Spaces Fund	337,000	739,000	
Oregon Zoo Infrastructure and Animal Welfare Fund	9,678,000	68,180,000	
Total Bond/Capital	$57,648,000	$163,594,000	184%
Debt Service Funds			
General Obligation Bond Debt Service Fund	40,617,000	62,084,000	
General Revenue Bond Fund	3,316,000	3,095,000	
Total Debt Service	$43,933,000	$65,179,000	48%
Other Funds			
Pioneer Cemetery Perpetual Care Fund	377,000	470,000	
Rehabilitation and Enhancement Fund	2,256,000	2,325,000	
Risk Management Fund	4,836,000	4,531,000	
Smith and Bybee Wetlands Fund	3,836,000	3,762,000	
Total Other	$11,305,000	$11,088,000	2%
Total All Funds	**$386,383,000**	**$520,065,000**	**35%**
FTE	**755.49**	**740.00**	**(2%)**

	FY 2011-12 Estimated Budget	FY 2012-13 Proposed Budget	% Δ
Enterprise revenues			
Enterprise revenues	$109 million	$115 million	6.5%
Solid Waste	56 million	60.5 million	
Venues			
Oregon Zoo	19 million	20 million	
MERC	31 million	30 million	
Property Taxes			
Permanent Operating Rate *(per thousand)*	9.66¢	9.66¢	
Debt service *(per thousand)*	22¢	41¢	85%
Average homeowner ($200,000 assessed value) ($250,000 market value)	$64	$102	25%

Current Expenditures



Total $316,612,623

Metro

April 17, 2012

600 NE Grand Ave.
Portland, OR 97232-2736

Metro | *Memo*

Date:	April 19, 2012
To:	President Hughes and members of the Council
From:	Martha Bennett, Chief Operating Officer
Subject:	Transmittal of FY 2012-13 solid waste rate documents

Under the solid waste rate-setting process you adopted in November 2009, each year I am required to forward two reports to you: staff's Rate Report, which documents the development of the rates; and a report from the independent expert who reviews the rates each year.

I am pleased to transmit both of these reports to you. These reports document the FY 2012-13 solid waste rates that I have proposed in conjunction with my FY 2012-13 proposed budget. In addition, both reports are available to the public on our website (search "Rate Setting").

If you have questions or need other information, please do not hesitate to contact my staff: Douglas Anderson, Policy and Compliance Manager (1788); or Margo Norton, (1934), Finance and Regulatory Services Director.

Attachments

cc: Scott Robinson, Deputy Chief Operating Officer
Margo Norton, Finance and Regulatory Services Director.
Douglas Anderson, Policy and Compliance Manager

RATE REPORT

The FY 2012-13 Solid Waste Rates

A Methodological Statement

Metro

600 NE Grand Ave., Portland, OR 97232 • www.oregonmetro.gov

Metro's Solid Waste Rates
A Methodological Statement
April 19, 2012

Douglas Anderson, Policy and Compliance Manager
Finance and Regulatory Services, Metro

The Chief Operating Officer has proposed that the Metro Council adopt the solid waste disposal charges and system fees shown in boldface type in the table below for Fiscal Year 2012-13.

Proposed Solid Waste Disposal Charges
Effective August 1, 2012 through June 30, 2013

Solid Waste Rates	Current	**Proposed**	Change
Transaction Fees (fixed charge per load)			
Users of staffed scales	$12.00	**$12.00**	– 0 –
Users of automated scales	3.00	**3.00**	– 0 –
Tip Fees (rate for each ton in the load)			
Mixed solid waste	$89.53	**$93.84**	$4.31
Recoverable solid wastes			
Yard debris or clean wood	$48.83	**$45.78**	($3.05)
Residential organics	51.14	**54.83**	3.69
Commercial organics	51.14	**52.30**	1.16
Asphaltic roofing	89.53*	**91.57**	2.04
Clean drywall	89.53*	**67.80**	(21.73)
Mixed inerts/rubble	89.53*	**27.47**	(62.06)
Minimum load charge	$28	**$28**	– 0 –
Minimum pounds per load	*400*	***340***	*(20)*

This Methodological Statement describes the assumptions, methodology, data, and policies on which these rates are based. The recoverable solid waste rates are new for FY 2012-13; methodology is addressed in Appendix C

This document assumes some knowledge of Metro's solid waste rates on the part of the reader. If you need more information please contact the author.

For More Information

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Section I

The Framework:
Metro Solid Waste Functions and Their Finance

The context for the rate making process is outlined in this section. Topics covered: the functions funded by the rates, the legal environment, and financial principles and policies that govern Metro's design and implementation of the rates.

This section is not intended to be comprehensive but to provide an overview for new readers and a refresher for experienced readers. Interested parties may contact the author for more information.

Functions

Metro performs three conceptually different types of solid waste functions. Metro's finance follows these functions:

Disposal services. Metro owns two transfer stations that provide disposal services to commercial haulers, businesses and the public. Metro staffs the scalehouses, but the operation of the stations, transport and disposal are all performed by private operators under long-term contracts with Metro. Metro finances and manages this function as a municipal utility.

Regional Programs. Metro provides or participates in solid waste services and programs with region-wide impact. Some of these stem from state mandates. Others are driven by Metro's own goals and policies for the solid waste system. These programs and services are closer in form to public goods rather than utility functions. The programs are:

Household hazardous waste reduction
Latex paint recovery
Resource conservation and recycling
Landfill closure and stewardship
Illegal dumpsite monitoring and clean-up

Regulation. Metro regulates privately-owned disposal facilities and manages its own flow control authority through a system of licensing, franchising, inspection and enforcement.

Finance: Rate Form follows Function

Over 85 percent of Metro's solid waste functions are funded by fees on disposal. There are three main fees: two types of disposal charges at Metro transfers stations – a fixed transaction fee and a tip fee – and the Regional System Fee, which is a per-ton surcharge levied on all disposal that is generated in the region regardless of the disposal site. Metro sets only a single rate for the mixed waste tip fee, but there are two-tiered schedules for the transaction and system fees.

Disposal Services are funded by user fees paid by customers of Metro's transfer stations. Consistent with the "user pays" principle, these charges are designed simply to recover operating, maintenance and capital costs. The fee is structured as a two-part tariff, with a fixed charge ("Transaction Fee") per waste load delivered, and a variable charge ("Tip Fee") per ton of waste in the load. Metro further distinguishes two customer classes:

- Users of the staffed scales. This class is dominated by residential and business self-haulers using light vehicles, usually without tipping capability. This class pays a "staffed transaction fee" plus the tip fee per ton.
- Users of the automated scales. This class is dominated by commercial haulers. It pays an "automated transaction fee" plus the same tip fee as users of the staffed scales.

The Regional System Fee funds Metro's regional programs and regulatory activities only. It is structured as a public goods charge[1] levied on all waste that is generated in the region and ultimately disposed, regardless of the disposal site. In generic terms, the Regional System Fee is a surcharge on landfill disposal. There is a rate for mixed waste, and a reduced rate for contaminated materials stemming from the cleanup of an accidental release into the environment.

Miscellaneous Charges. There are a variety of special disposal fees at Metro transfer stations that are based on material type – *e.g.*, wood waste, tires, compostable waste. Formulas for these rates are specified in Metro code. Within the rate design for mixed waste, revenue from these charges is employed as an offset to the costs of the transfer stations. Similarly, there are a number of prices for the sale of goods and services – compost bins, latex paint, landfill gas. Within the rate design, revenue from these sales offsets the cost of the program that generated the revenue.

Controlling Law

Authority. Metro's authority to charge fees for goods and services is derived from the Oregon Constitution, from the Metro Charter and from the provisions of Oregon law, including Oregon Revised Statutes Chapter 268. ORS 268 also enumerates Metro's authorities over solid waste.

Allowable expenditures are set in state law. Under state law, Metro is limited to using the revenue derived from disposal fees only on activities related to solid waste. Specifically:

> [T]he metropolitan service district shall use moneys collected by the district as service or user fees for solid waste disposal for (1) activities of the metropolitan service district related to solid waste, including activities of regional concern that are directly related to reducing the environmental impact from the generation, collection, transportation, processing and disposal of solid waste; and (2) planning, administrative and overhead costs for activities of the district related to solid waste. *[Oregon Revised Statutes section 459.335 as amended by HB 2671 in 2009]*

User charges limited to the cost of service. The Metro Charter restricts the types of costs that may be recovered from user charges:

> … charges for the provision of goods or services by Metro may not exceed the costs of providing the goods or services. These costs include, but are not limited to, costs of personal services, materials,

[1] A public goods charge is a fee applied to a utility bill to fund public-interest programs related to that utility service.

capital outlay, debt service, operating expenses, overhead expenses, and capital and operational reserves attributable to the good or service. *[Metro Charter, Chapter III. Finance, Section 15]*

Metro code section 5.01.150 and Chapter 5.02 govern solid waste rates. (Chapter 7.01 governs the Metro excise tax generally, and various subsections address the solid waste excise tax in particular.) Metro code is available online at www.oregonmetro.gov.

Rate Policies

The policies that govern Metro's solid waste rates are summarized below. Application of these policies in various forms will be evident throughout Sections III and IV below.

Adopted Policies. In 1993[2] Metro adopted policies to guide choices during rate making:

Financial Criteria
- Revenue adequacy, reliability and predictability
- Authority to implement
- Implementation and administrative cost and effort
- Impact on credit rating

Economic Effects
- Rate payer equity and affordability
- Impacts on the costs of living and of doing business in the region

Environmental and Management
- Consistency with agency-wide planning policies and the Solid Waste Management Plan
- The rate structure should encourage waste reduction, reuse, and recycling

Bond Covenants. Metro continues to employ a number of the business practices that implemented its bond covenants even though the bonds were retired in December 2008:

Pay as you go: means that ongoing costs are to be paid with ongoing revenue.

Coverage to ensure revenue adequacy. One of Metro's practices for meeting the debt service coverage was to base the revenue requirement on the budget rather than expected expenditures.[3] Metro generally continues to follow this practice. Exceptions are explicitly noted.[4]

Operating surpluses. The priority for the use of operating surpluses is: restore contingencies, fund the new capital reserve, and hold any remaining surplus as undesignated fund balance.

Implicit Policies. From time to time the council has considered other rate policies without formally adopting them. We label these as implicit as long as the council has approved rates knowingly based on these policies. Two principal implicit policies are (1) neutrality toward self-haul (that is, neither encouraging or discouraging) by pricing it at cost; and (2) loading half of general and administrative costs onto programs and activities (100 percent loading is more typical in municipal utility cost-of-service pricing). The policy background for the latter is described in Appendix B.

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[2] Resolution No. 93-1824A

[3] For example, Metro budgets full personal services costs without an allowance for frictional vacancy.

[4] For example, the "underspend allowance" discussion in Section III (page 10).

Section II

Rate Design

Solid waste rate making at Metro follows three standard steps:

1. Calculate the revenue that must be raised from each rate ("revenue requirement");
2. Forecast the number of units (tons, transactions) from which revenue will be raised;
3. Divide the units into the requirement. This yields the average cost per unit ("unit cost").

If the Metro Council approves these unit costs (with or without adjustment), they become the *adopted rates* for the following fiscal year. Thus, the rate design can be summarized simply:

$$\frac{\text{Revenue Requirement}}{\text{Number of Units}} = \text{Unit Cost} \xrightarrow[adopt]{} \text{Rate}$$

The main focus of this paper is documentation of each of these components for each of Metro's solid waste rates.[5] The organization of this paper follows the same order as the three standard steps, from revenue requirements through unit costs and quality control.

The appendices contain detail from the FY 2012-13 Rate Model from which all of the calculations in this report are derived.

[5] These are: tonnage charges and transaction fees at Metro transfer stations, and the Regional System Fee which is levied on all disposal. There are two rates for the transaction fee corresponding to two customer classes: users of staffed scales and users of automated scales. There are seven tonnage charges – one for garbage and one each for six classes of "recoverable solid waste" accepted at the Metro stations.

Section III

Developing the Revenue Requirements

The revenue requirement for each rate is developed in three steps:

Step 1 Estimate direct and indirect operating costs and revenues for each cost center
This step is done in conjunction with the budget cycle.

Step 2 Determine the total revenue requirement for each cost center
This involves allocating indirect costs and non-rate revenue among cost centers.

Step 3 Determine the revenue requirement for each rate
This involves allocating the requirements of all cost centers across all rates.

Separate sections describing each of these three steps follow a brief overview of Metro's design of revenue requirements.

Solid Waste Revenue Requirements at Metro

While there are several ways to define the revenue requirement, most municipal utilities adopt a "cash needs" approach. Metro follows this approach, and defines "revenue requirement" as *the cash needed to fund operating costs and scheduled transfers to reserves, net of direct and indirect operating ("non-rate") revenue*. Metro's basic cash flow equation for revenue requirements is:

Revenue Requirement = Uses of Funds – Non-Rate Revenue

This basic equation underlies each of Metro's solid waste rates. The following table shows the detail underlying this equation illustrated with the totals for the proposed FY 2012-13 Solid Waste Fund budget as of April 7, 2011.

Table III

"Cash Needs" Accounting for Revenue Requirements

FY 2012-13 Totals for the Solid Waste Fund

Uses of Funds	
Direct operating expenses (operations and maintenance)	$53,180,178
+ Indirect operating expenses (general and administrative)	7,405,496
+ Current-year capital outlays	5,315,562
+ Deposits to reserves	
Capital allowance	694,700
Contingency funding	– 0 –
Total Uses*	$**66,595,936**

"Cash Needs" Accounting for Revenue Requirements *(continued)*
Illustrated with FY 2012-13 Rate Amounts

minus: **Non-Rate Revenue**[6]	
Program revenue (sales of goods & services and dedicated grants)	$9,487,430
+ Indirect revenue (investment earnings, *etc.*)	757,119
+ Interfund and intergovernmental service transfers	208,778
+ Draws from reserves	5,676,062
Current capital expenditure	
Landfill (portion of operating costs)	
Total Sources* (excluding rate revenue)	**$16,129,388**
equals: **Revenue Requirement**	$**50,466,548**

* Quantities in this and subsequent tables may not sum exactly to totals due to rounding.

This same accounting framework underlies the development of the revenue requirements for Metro's solid waste programs and functions (Steps 1 and 2 on the following pages), and holds for each of the rates (Step 3).

[6] For FY 2012-13 only this figure includes revenue from recoverable solid waste tonnage charges. For the FY 2013-14 round of rate making, these rates will be fully integrated in the rate model.

Revenue Requirements – Step 1
Estimate Direct Requirements and Resources

Direct requirements are based on costs and revenues that are associated with the delivery of a single program, product or service. Metro managers establish direct costs during the budget cycle each year. At the same time, managers estimate non-rate sources of funds including program revenue (*e.g.*, sales of latex paint), interfund transfers, and grants they expect to receive in direct support of the program, product or service. Direct requirements for each cost center are established by the cash needs equation of Table III, absent the allocation of general and administrative costs, which is done in Step 2. Table III.1 provides a summary of direct requirements by major cost center. Table 1 of the Rate Model, which is included as Appendix A, provides more detail.

Table III.1
Direct FY 2012-13 Revenue Requirements
(Based on Proposed Budget, April 19, 2012)

Center	Uses of Funds	Resources	Direct Requirements
Parks & Environmental Services	$50,029,205	$15,382,457	$34,646,748
Disposal Operations	40,833,118	11,531,878	29,301,240
Parks/Environmental SW Programs	9,196,087	3,850,579	5,345,508
Sustainability Ctr. & System Plan.	$7,388,723	$538,809	$6,849,914
Finance & Regulatory Services	$1,658,731	$60,877	$1,597,854
Total Direct Costs and Resources	**$59,076,659**	**$15,982,142**	**$43,094,517**
General & Administrative Costs	$7,519,277	$147,246	$7,372,031
Total Solid Waste Fund	**$66,595,936**	**$16,129,388**	**$50,466,548**

Documentation of Detail

Certain details of these calculations are not readily apparent from examination of the tables. These details are described below.

Indirect revenue is allocated among programs and functions in this step. Indirect revenue consists of investment earnings on the fund balance, revenue received on environmental clean-up waste (which incurs a reduced, fixed-rate Regional System Fee of $2.50 per ton), regulatory fines and forfeitures, and miscellaneous revenue such as sales of documents and copies. This revenue is allocated in proportion to each program's share of operating costs (that is, costs excluding capital and deposits to reserves).

Underspend allowance. An underspending allowance is provided against the revenue requirement of programs with contingent or "entrepreneurial" initiatives in their budgets. The purpose is to reduce operating surpluses if initiatives do not come to fruition. The default allowance is set at half of the underspending rate during the previous five years. For FY 2012-13 this affects the Resource Conservation & Recycling program only with a five percent underspend allowance that equates to $368,952 (details in Table 1 of Appendix A). The Solid Waste Fund balance backfills the expenditure appropriation for these initiatives. If in fact the full budget is spent, the fund balance would be repaid from future rates. This practice does not violate the pay-as-you-go policy, as the FY 2012-13 rates are still set to recover *expected* expenditures.

Recycling credits. Non-commercial haulers who bring source-separated recyclable materials to the Metro transfer stations in conjunction with a waste load are allowed a credit against their disposal charge. The credit is $3 for less than 100 pounds of recyclables and $6 for 100 pounds or more.

Metro does not budget explicitly for such point-of-sale credits so the rate equation must ensure that sufficient revenue is raised from other rate payers to cover the cost. The steps are as follows. The number of credits is estimated from the historical claims rate and the forecast of transactions. The dollar value of the credits is a direct function of those numbers. The estimate of credits granted to minimum loads is charged against Scalehouse program revenue. The estimate associated with scaled loads is charged against program revenue for the major disposal contracts ("Major Contracts"). By thus reducing the revenue offsets, the revenue requirement is raised by the amount needed to cover the credits. For details see Table 1 of Appendix A.

Minimum load overage. Metro levies a flat disposal charge at its own stations for waste loads below a specified weight threshold (currently 360 pounds, proposed to drop to 340 pounds for FY 2012-13). The threshold is partly based on the limits of Metro's state scale certification, partly on a policy to provide incentives to reduce the number of small loads.

The minimum load charge itself is comprised of the staffed transaction fee plus the tip fee on the threshold weight. However, most minimum loads are much smaller than the threshold, averaging 235 pounds. Thus, Metro obtains revenue on the full amount of the threshold, but pays costs only on the actual tonnage received. The revenue (without corresponding cost) on the difference between the average and the threshold (105 pounds in FY 2012-13) constitutes the "minimum load overage." The estimated total overage for FY 2012-13 is $250,595.

For rate making the minimum load overage is treated like another program revenue to offset the program cost. Because the overage is derived only from the tip fee portion of the minimum load charge, it is used to reduce the revenue requirements of tip fee components – specifically, the Tonnage Charge and the Regional System Fee. However, because the requirements for these rates have not been established at this stage of the analysis, the Rate Model takes a proxy approach: it assigns the overage to functions and programs that will later be allocated 100% to the appropriate rate. Specifically, the Tonnage Charge overage is added to program revenue for the major disposal contracts (for station operations, transport and disposal), and the Regional System Fee overage is allocated among regional program revenues.

Revenue Requirements – Step 2
Determine Total Requirements by Program
(Allocation of General & Administrative Costs)

Every enterprise has certain functions that support multiple activities. Examples include human resources, legal services, information technology, and management – collectively, “general and administrative” functions. These costs are termed indirect because they are required by the enterprise as a whole but are not generated by any one program, product or service. Such costs are often (but not always) allocated across functional areas or customer classes in municipal utility pricing. Metro implements a hybrid system: half of the costs are allocated, half are unallocated.

Metro’s method starts with a conventional allocation algorithm: a share of general and administrative costs are determined for each function and program using allocation factors that have a strong theoretical and historical correlation with cost causation. The factors for 16 types of indirect costs are documented in Table 2 of the Rate Model, which is reproduced in Appendix A.

However, Metro allocates only half of this general and administrative cost load among the direct cost centers. The other half remains unallocated and is ultimately recovered from the Regional System Fee. There is a long policy history underlying this approach which is summarized in Appendix B. In its review of Metro’s rates this year, the independent expert noted that given the policy purpose set forth in Appendix B, “the current Metro approach to allocating costs is within industry standard approaches.”

Table III.2 summarizes total revenue requirements for the major cost centers. Consistent with the discussion above, the reader will note that half ($3,686,016) of the general and administrative costs is loaded into programs, and the remaining half remains unallocated.

Table III.2
Total Revenue Requirements

Cost Centers	**Revenue Requirements**		
Program or Function	Direct Requirements	G&A Loads	Total Requirements
Parks & Environmental Services	$34,646,748	$1,905,032	$35,551,781
Disposal Operations	29,301,240	764,764	30,066,004
Parks/Environmental Programs	5,345,508	1,140,269	6,485,777
Sustainability Ctr. & System Plan	$6,849,914	$1,349,913	$8,199,827
Finance & Regulatory Services	$1,597,854	$431,070	$2,028,925
Totals	**$43,094,517**	**$3,686,016**	**$46,780,532**
General & Administrative Costs	$7,372,031	($3,686,016)	$5,686,016
Total Solid Waste Fund	**$50,466,548**	**$0**	**$50,466,548**

Revenue Requirements – Step 3
Determine Revenue Requirements by Rate Type
Allocate Total Program Requirements to Rate Categories

Up to this point, the revenue requirements have been calculated for programs and functions. In this step the requirement for each ***rate*** is established by allocating the requirements by program and function among the four rate categories.

For all but three functions, the allocation is one-to-one; that is, 100 percent of the requirement is assigned to one and only one rate. This approach is possible because most activities are **either** disposal functions **or** regional programs, not both. Thus, for example, the major contracts for station operations, transport and disposal are assigned completely to the Tonnage Charge, while hazardous waste reduction and landfill closure are assigned completely to the Regional System Fee.

The detail is documented in Table 3 of the Rate Model, which is included in Appendix A. Table III.3 shows a summary by major cost center.

Table III.3
Allocation of Revenue Requirements Among Fee Categories

Cost Centers	**Fee Categories**				**Total Revenue Req.**
Program or Function	Transaction Fees: Staffed	Transaction Fees: Automated	Tonnage Charge	Regional System Fee	
Parks & Environmental	$2,592,834	$286,190	$27,615,294	$6,057,462	$36,551,781
Disposal Operations	2,592,834	286,190	27,186,979		30,066,004
Parks/Environ. Programs			428,315	6,057,462	6,485,777
Sust.Ctr. & System Plan.				$8,199,827	$8,199,827
Finance & Reg. Svcs.				$2,028,925	$2,028,925
Totals	**$2,592,834**	**$286,190**	**$27,615,294**	**$16,286,214**	**$46,780,532**
General & Admin. Costs				$3,686,016	$3,686,016
Total Solid Waste Fund	**$2,592,834**	**$286,190**	**$27,615,294**	**$19,972,229**	**$50,466,548**

Documentation of Details

As mentioned above, only three functions are allocated across multiple rates. These are: scalehouses, transfer station management, and facility and asset management. The reasons for the split allocations, together with the bases for the allocation, are described on the next page.

Scalehouse costs are allocated between the staffed and automated transaction fees, partly on the basis of direct costs (*e.g.* credit card service charges are solely a cost of the staffed scalehouses; toll arm maintenance, of the automated scales), and partly on correlation factors (*e.g.*, labor).

Facility and asset management is by legacy a "program" in Metro's budget, but in fact serves to manage the solid waste physical plant, capital and capital plans. Therefore, the Rate Model treats it as a support service and allocates the revenue requirements between the tonnage charge and the regional system fee on the basis of staff time spent on the transfer stations and the facilities associated with regional programs – the hazardous waste facilities, the latex paint facility and the landfill – respectively.

Transfer station management costs. All disposal functions require some level of station management. Therefore, the costs of station management are spread across all disposal subactivities – scalehouses, operations contracts, pass-throughs and operations oversight. The allocation factors are based on the costs of personal services and materials and service in each of these subcatgegories, excluding the cost of the major contracts for transfer, transport and disposal as these would overwhelm all other factors combined and dramatically bias the results away from cost causation.

Section IV

The FY 2012-13 Unit Costs

Once the revenue requirements are established for each of the rates, the estimation of unit costs is quite straightforward. It involves four steps:

Step 1	Forecast expected number of units,
Step 2	Account for the time lag in implementation of the rates,
Step 3	Calculate the unit costs,
Step 4	Test the results for adequacy and sufficiency.

Each step is described in this section.

Unit Costs – Step 1
Forecast Expected Number of Units

At least once each year, Metro produces a 5-year forecast of tonnage and transactions. Particularly close attention is paid to the first 21 months of each forecast because approximately $30 million (over 55 percent) of each year's solid waste revenue requirements will be based on these numbers, as well as almost 90 percent of the operating revenue for the solid waste fund. The forecast performance is monitored monthly and revised quarterly as needed.

Because the effective date of the rates lags the start of the fiscal year, the forecasts must be subdivided into two segments: before the effective date and after the effective date. This information is used explicitly in Steps 2 through 4 below.

The FY 2012-13 rates are scheduled to take effect on August 1, 2012. The corresponding forecast segments are shown in Table IV.1 below.

Table IV.1
Forecasts for the Fiscal Year 2012-13 Budget and Rates

Units	July 1 to July 31	August 1 to June 30	Full Year
Metro Stations			
Transactions			
Staffed	18,904	195,413	214,317
Automated	7,311	89,527	96,838
Tonnage	38,816	413,203	452,019
Regional Tonnage			
Full-Fee	92,309	988,609	1,080,918
Clean-up	13,295	137,423	150,718

Unit Costs – Step 2
Account for the Time Lag in Implementation of the Rates

Because the FY 2012-13 rates are scheduled to take effect on August 1, the generation of revenue will be governed by the prevailing FY 2011-12 rates during July 2012[7]. The July revenue is estimated by multiplying those rates by the July forecast of tonnage and transactions from Table IV.1. The results are shown in the middle column below.

Table IV.2
Revenue Requirements Adjusted for 1-Month Implementation Lag

Rate	**Annual Revenue Requirement**	***minus:* Expected July 2012 Revenue**	***equals:* Revenue Requirement *Aug'12 – Jun'13***
Staffed transaction fee	$2,592,834	$226,847	$2,365,987
Automated transaction fee	286,190	21,933	264,257
Tonnage Charge	27,615,294	2,264,887	25,350,408
Regional System Fee	19,972,229	1,628,333	18,343,896
Total	**$50,466,548**	**$4,142,000**	**$46,324,548**

Subtracting the July revenue from the annual revenue requirement leaves the amount of revenue that must be raised by the rates during the 11 months from August 1, 2012 through the end of the fiscal year on June 30, 2013. The total, $46.3 million, is shown on the bottom line of the table above.

[7] These rates may be found in the table on the opening page of this report.

Unit Costs – Step 3
Calculate the Unit Costs

The calculation of the unit costs is now quite straightforward. The 11-month revenue requirement for each rate is divided by the number of units forecasted for the same period. The math is shown in Table IV.3.

Table IV.3
FY 2012-13 Unit Costs
(Effective August 1, 2012 through June 30, 2013)

Rate	Revenue Requirement	÷ Expected Units		= Unit Cost*
Staffed transaction fee	$2,365,987	195,413	transactions	**$12.00**
Automated transaction fee	264,257	89,527	transactions	**$3.00**
Tonnage Charge	25,350,408	413,203	Metro tons	**$61.35**
Regional System Fee	18,343,896	988,609	regional tons	**$18.56**
Total	**$46,324,548**			

* Rounded to the nearest dollar in the case of transaction fees and to the nearest cent in the case of the Tonnage Charge and Regional System Fee.

The reader will note that the unit costs shown above are exactly the components of the tip fee shown on the opening page of this report. In most years the Chief Operating Officer proposes that the Metro Council adopt the unit costs thus calculated as the next year's rates[8].

[8] The only recent exception was FY 2009-10. Facing a potential $10 increase in the tip fee during the severe economic downturn, the COO proposed, and the council adopted, a one-time departure from the pay-as-you-go policy and covered approximately $2.4 million of revenue requirements with uncommitted solid waste fund balance. The proposed rates since FY 2009-10 have followed the pay-as-you-go policy.

Unit Costs – Step 4
Test Adequacy and Sufficiency of the Rates

Two final quality control steps are performed: an *adequacy test* to ensure that the rates recover the required revenue, and a *sufficiency test* to confirm that a rate increase is warranted. Both tests are subject to the budget and the forecast assumptions. The proposed rates pass both tests.

Adequacy

Because the rates are rounded, the resulting revenue will rarely match the revenue requirement exactly. The adequacy of the rates is confirmed within rounding error using a simple cash flow test. The math is shown in Table IV.4.

Table IV.4
Cash Flow Test: FY 2012-13 Rates

Rate	Unit Cost	x Number of Units	= Aug – Jun Revenue	+ July 2012 Revenue	= Expected Revenue
Staffed transaction fee	$12.00	195,413	$2,344,956	$226,847	2,571,803
Automated transaction fee	$3.00	89,527	268,581	21,933	290,514
Tonnage Charge	$61.35	413,203	23,350,004	2,264,887	27,614,891
Regional System Fee	$18.56	988,609	18,348,583	1,628,333	19,976,916
Total	-----	-----	46,312,124	$4,142,000	$50,454,124
				vs. Revenue Requirement	$50,466,548
				Revenue over / (under) requirement	($12,424)

To balance the budget, a portion of the uncommitted fund balance is appropriated to backfill any difference between the expected revenue and the revenue requirement. For FY 2012-13 that amount is the $12,421 shortfall shown above.

Sufficiency

To test whether a rate change is warranted, the difference between the FY 2012-13 revenue requirement is compared with the theoretical revenue without a rate change. If there is a shortfall, and the shortfall exceeds the amount of uncommitted fund balance, a rate increase would be warranted. The math is shown in Table IV.5 below.

Table IV.5
Sufficiency Test: FY 2012-13 Revenue Without a Rate Change

Test Factor	Dollars
Revenue with no rate change (using FY 2010-11 rates)	$48,304,997
less: FY 2012-13 revenue requirement	$50,466,548
equals: Rate revenue over / (under) requirement	($2,161,550)
test: Available uncommitted fund balance	$416,943
Finding	*Rate increase warranted*

Section V

Summary

This report has described

- The programmatic, legal, and policy framework in which Metro's solid waste rates are set
- The methodology by which the rates are calculated

This report has documented

- The three steps by which revenue requirements are developed
- The four steps by which the rates themselves are calculated and tested
- The numbers and assumptions behind the proposed FY 2012-13 rates

For further information

- The FY 2012-13 Rate Ordinance and staff report are available on Metro's website
- The independent review of the FY 2012-13 rates is also available on the website
- Search "Rate Setting" on www.oregonmetro.gov

Schedule

- The Metro Council will first read the rate ordinance on April 19.
- Persons wishing to testify in public may request to do so on this date
- A public hearing and final action is scheduled for April 26
- Under this schedule the rates are to take effect August 1, 2012

Appendices

Appendix A — Rate Model Table 1
Summary of the FY 2012-13 Solid Waste Fund Budget

Rate Model Table 2
Allocation of General & Administrative Costs

Rate Model Table 3
Revenue Requirements and Allocation to Rate Components

Appendix B — Policy Background for Allocating 50 Percent of General and Administrative Costs

Appendix C — Summary of new Recoverable Solid Waste Tonnage Charges proposed for FY 2012-13

Solid Waste Fund Rate Model

Table 1. Summary of the FY 2012-13 Solid Waste Fund Budget

Based on the COO's Proposed Budget and Solid Waste Forecast Released March 2012

Line	Cost Centers	Uses of Funds						*less:* Sources of Funds (excluding rate revenue)					Direct Revenue Requirements
Line	Center / Program or Function	Expenses	Less: Underspend Allowance		Capital	Deposit to Reserves	Total	Program Revenue	Allocated Revenue	Draw from Reserves	Interfund Transfers	Total	*(uses - sources)*
	Parks & Environmental Services												
	Disposal Operations												
1	*Scalehouses*	*$1,415,414*	*0%*				*$1,415,414*	*98,485*	*$23,507*			*$121,992*	$1,293,422
2	*Major Contracts*	*33,051,507*	*0%*				*33,051,507*	*6,034,096*	*548,916*			*6,583,011*	26,468,496
3	*Pass-Throughs*	*855,022*	*0%*				*855,022*	*904,100*				*904,100*	(49,077)
4	*Station Management*	*1,023,288*	*0%*		*3,915,781*	*572,106*	*5,511,175*		*16,995*	*3,905,781*		*3,922,776*	1,588,399
5	Disposal Operations *(total)*	$36,345,231	-----	$0	$3,915,781	$572,106	$40,833,118	$7,036,680	$589,417	$3,905,781	$0	$11,531,878	$29,301,240
6	Hazardous Waste Reduction	4,077,625	0%		253,000	122,594	4,453,219	308,000	39,748	253,000		$600,748	3,852,471
7	Latex Paint Recovery	1,923,479	0%				1,923,479	2,011,875	18,750			2,030,625	(107,146)
8	Landfill Stewardship	1,143,447	0%		1,003,000		2,146,447	28,000	11,146	1,173,500		1,212,646	933,801
9	Facility & Asset Mgmt.	672,942	0%				672,942		6,560			6,560	666,382
10	***Subtotal***	$44,162,724	-----	$0	$5,171,781	$694,700	$50,029,205	$9,384,555	$665,621	$5,332,281	$0	$15,382,457	$34,646,748
	Sustainability Center & Planning												
11	Resource Cons. & Recycling	$7,379,040	5%	*($368,952)*			$7,010,088	$87,875	$71,930		$175,313	$335,118	$6,674,970
12	System Planning	378,635	0%				378,635		3,691	200,000		203,691	174,945
13	***Subtotal***	$7,757,675	-----	($368,952)	$0	$0	$7,388,723	$87,875	$75,621	$200,000	$175,313	$538,809	$6,849,914
	Finance & Regulatory Services												
14	Private Facility Regulation	$1,073,903	0%		$30,000		$1,103,903	$15,000	$10,468	$30,000		$55,468	$1,048,435
15	Illegal Dumping	554,828	0%				554,828		5,408			5,408	549,420
16	***Subtotal***	$1,628,731	-----	$0	$30,000	$0	$1,658,731	$15,000	$15,877	$30,000	$0	$60,877	$1,597,854
17	**Total Programs and Functions**	$53,549,130	-----	($368,952)	$5,201,781	$694,700	**$59,076,659**	$9,487,430	$757,119	$5,562,281	$175,313	**$15,982,142**	**$43,094,517**
	General & Administrative												
18	Parks & Environmental Services	$361,915	0%				$361,915		---			$0	$361,915
19	Sustainability Center	317,543	0%				317,543		---			0	317,543
20	Budget & Finance	390,198	0%				390,198		---			0	390,198
21	Auditor, COO, CFO, Fin. Planning	797,067	0%				797,067		---			0	797,067
22	Accounting	478,628	0%				478,628		---			0	478,628
23	Building & Office Services	358,233	0%				358,233		---			0	358,233
24	Contract Services	130,786	0%				130,786		---			0	130,786
25	Human Resources	315,376	0%				315,376		---			0	315,376
26	Information Technology	889,770	0%				889,770		---			0	889,770
27	Media Relations & Creative Services	1,049,775	0%				1,049,775		---		33,465	33,465	1,016,310
28	Metro Attorney	453,850	0%				453,850		---			0	453,850
29	Policy & Compliance	516,839	0%		113,781		630,620		---	113,781		113,781	516,839
30	Risk Management & Insurance	247,061	0%				247,061		---			0	247,061
31	Safety	171,622	0%				171,622		---			0	171,622
32	Support Services	485,384	0%				485,384		---			0	485,384
33	Planning, GIS, Data Services	441,449	0%				441,449		---			0	441,449
34	**Total General & Administrative**	$7,405,496	-----	$0	$113,781	$0	**$7,519,277**	$0	$0	$113,781	$33,465	**$147,246**	**$7,372,031**
35	**Total Solid Waste Fund**	**$60,954,626**	**----**	**($368,952)**	**$5,315,562**	**$694,700**	**$66,595,936**	**$9,487,430**	**$757,119**	**$5,676,062**	**$208,778**	**$16,129,388**	**$50,466,548**

FY 2012-13 Rates under the COO's Proposed Budget (run date: March 21, 2012)

Solid Waste Fund Rate Model

Table 2. Allocation of General and Administrative Costs among Programs and Disposal Operations

Based on 50% Loading of General & Administrative Costs (Mixed Public-Private Pricing Model)

General and Administrative Cost Loads by Program and Function *("Total G&A Costs" at left are the "Direct Revenue Requirements" for G&A from Table 1)*

General & Administrative Cost Centers	Programs									Disposal Operations					Totals		
	Resource Cons. & Recycling	Hazardous Waste Reduction	Latex Paint Recovery	Private Facility Regulation	Illegal Dumping	Landfill Stewardship	Facility & Asset Mgmt.	System Planning	Subtotal *(allocated to programs)*	Scalehouses	Major Contracts	Pass-Throughs	Station Management	Subtotal *(allocated to disposal)*	Allocated	Unallocated	Total G&A Costs
Parks & Environmental Services	-	$83,035	$16,116	-	-	$18,418	$12,279	$3,070	$132,917	$35,762	-	-	$12,279	$48,040	$180,958	$180,958	$361,915
Sustainability Center	$158,772	-	-	-	-	-	-	-	$158,772	-	-	-	-	-	158,772	158,772	317,543
Budget & Finance	$71,931	$41,195	$17,801	$11,085	$2,436	$5,869	$8,634	$4,858	$163,808	$18,161	-	-	$13,130	$31,291	195,099	195,099	390,198
Auditor, COO, CFO, Fin. Planning	$146,935	$84,149	$36,363	$22,643	$4,975	$11,988	$17,638	$9,924	$334,615	$37,098	-	-	$26,820	$63,919	398,534	398,534	797,067
Accounting	$71,556	$11,518	$19,368	$1,221	$1,385	$11,238	$4,018	$5,324	$125,628	$102,754	-	-	$10,931	$113,686	239,314	239,314	478,628
Building & Office Services	$103,255	$3,161	$1,054	$28,448	$5,268	$4,215	$16,858	$4,215	$166,473	-	-	-	$12,644	$12,644	179,117	179,117	358,233
Contract Services	$28,026	$4,671	$2,123	$11,465	$2,123	$3,397	$6,794	-	$58,599	$1,699	-	-	$5,096	$6,794	65,393	65,393	130,786
Human Resources	$40,882	$47,974	$8,760	$11,263	$2,086	$10,012	$6,675	$1,669	$129,321	$21,693	-	-	$6,675	$28,367	157,688	157,688	315,376
Information Technology	$186,319	$20,913	$17,111	$51,333	$9,506	$22,815	$30,419	$7,605	$346,022	$76,049	-	-	$22,815	$98,863	444,885	444,885	889,770
Media Relations & Creative Services	$187,351	$107,295	$46,364	$28,871	$6,344	$15,285	$22,489	$12,654	$426,655	$47,302	-	-	$34,198	$81,500	508,155	508,155	1,016,310
Metro Attorney	$53,489	$8,915	$4,052	$123,998	$4,052	$6,484	$12,967	-	$213,958	$3,242	-	-	$9,725	$12,967	226,925	226,925	453,850
Policy & Compliance	$36,139	$19,970	$9,420	$5,259	$2,717	$5,600	$3,296	$1,854	$84,257	$6,932	$159,626	$2,593	$5,012	$174,163	258,420	258,420	516,839
Risk Management & Insurance	$52,942	$8,824	$4,011	$21,658	$4,011	$6,417	$12,834	-	$110,696	$3,209	-	-	$9,626	$12,834	123,531	123,531	247,061
Safety	-	$36,391	$6,514	-	-	$28,604	-	-	$71,509	$14,302	-	-	-	$14,302	85,811	85,811	171,622
Support Services	$61,046	$73,391	$14,244	$18,314	$3,391	$16,279	$10,853	$2,713	$200,231	$31,608	-	-	$10,853	$42,461	242,692	242,692	485,384
Planning, GIS, Data Services	$97,384	$16,231	$7,378	$39,839	$7,378	$5,975	$23,608	-	$197,792	$5,733	-	-	$17,199	$22,932	220,725	220,725	441,449
Allocated Loads	**$1,296,027**	**$567,632**	**$210,679**	**$375,398**	**$55,673**	**$172,595**	**$189,362**	**$53,885**	**$2,921,252**	**$405,543**	**$159,626**	**$2,593**	**$197,001**	**$764,764**	**$3,686,016**	**$3,686,016**	**$7,372,031**
Percentage load by program/function	*14.9%*	*12.2%*	*9.9%*	*25.9%*	*9.1%*	*13.1%*	*22.0%*	*12.5%*	*14.5%*	*22.3%*	*0.5%*	*0.3%*	*16.1%*	*2.1%*			

Table 2-Appendix. Allocation Factors for General & Administrative Costs

General & Administrative Cost Centers		Resource Cons. & Recycling	Hazardous Waste Reduction	Latex Paint Recovery	Private Facility Regulation	Illegal Dumping	Landfill Stewardship	Facility & Asset Mgmt.	System Planning	Subtotal *(% allocated to programs)*	Scalehouses	Major Contracts	Pass-Throughs	Station Management	Subtotal *(% allocated to disposal)*	Allocated	Unallocated	Total G&A Costs
Parks & Environmental Services	x	-	22.9%	4.5%	-	-	5.1%	3.4%	0.8%	36.7%	9.9%	-	-	3.4%	13.3%	50.0%	50.0%	100%
Sustainability Center	x	50.0%	-	-	-	-	-	-	-	50.0%	-	-	-	-	-	50.0%	50.0%	100%
Budget & Finance	x	18.4%	10.6%	4.6%	2.8%	0.6%	1.5%	2.2%	1.2%	42.0%	4.7%	-	-	3.4%	8.0%	50.0%	50.0%	100%
Auditor, COO, CFO, Fin. Planning	x	18.4%	10.6%	4.6%	2.8%	0.6%	1.5%	2.2%	1.2%	42.0%	4.7%	-	-	3.4%	8.0%	50.0%	50.0%	100%
Accounting	x	15.0%	2.4%	4.0%	0.3%	0.3%	2.3%	0.8%	1.1%	26.2%	21.5%	-	-	2.3%	23.8%	50.0%	50.0%	100%
Building & Office Services	x	28.8%	0.9%	0.3%	7.9%	1.5%	1.2%	4.7%	1.2%	46.5%	-	-	-	3.5%	3.5%	50.0%	50.0%	100%
Contract Services	x	21.4%	3.6%	1.6%	8.8%	1.6%	2.6%	5.2%	-	44.8%	1.3%	-	-	3.9%	5.2%	50.0%	50.0%	100%
Human Resources	x	13.0%	15.2%	2.8%	3.6%	0.7%	3.2%	2.1%	0.5%	41.0%	6.9%	-	-	2.1%	9.0%	50.0%	50.0%	100%
Information Technology	x	20.9%	2.4%	1.9%	5.8%	1.1%	2.6%	3.4%	0.9%	38.9%	8.5%	-	-	2.6%	11.1%	50.0%	50.0%	100%
Media Relations & Creative Services	x	18.4%	10.6%	4.6%	2.8%	0.6%	1.5%	2.2%	1.2%	42.0%	4.7%	-	-	3.4%	8.0%	50.0%	50.0%	100%
Metro Attorney	x	11.8%	2.0%	0.9%	27.3%	0.9%	1.4%	2.9%	-	47.1%	0.7%	-	-	2.1%	2.9%	50.0%	50.0%	100%
Policy & Compliance	x	7.0%	3.9%	1.8%	1.0%	0.5%	1.1%	0.6%	0.4%	16.3%	1.3%	30.9%	0.5%	1.0%	33.7%	50.0%	50.0%	100%
Risk Management & Insurance	x	21.4%	3.6%	1.6%	8.8%	1.6%	2.6%	5.2%	-	44.8%	1.3%	-	-	3.9%	5.2%	50.0%	50.0%	100%
Safety	x	-	21.2%	3.8%	-	-	16.7%	-	-	41.7%	8.3%	-	-	-	8.3%	50.0%	50.0%	100%
Support Services	x	12.6%	15.1%	2.9%	3.8%	0.7%	3.4%	2.2%	0.6%	41.3%	6.5%	-	-	2.2%	8.7%	50.0%	50.0%	100%
Planning, GIS, Data Services	x	22.1%	3.7%	1.7%	9.0%	1.7%	1.4%	5.3%	-	44.8%	1.3%	-	-	3.9%	5.2%	50.0%	50.0%	100%

NOTES

FY 2012-13 Rates under the COO's Proposed Budget (run date: March 21, 2012)

o The figures in Table 2-Appendix are used to distribute G&A costs among programs and disposal operations. For example, 18.4% of the cost of Media Relations & Creative Services is allocated to the Resource Cons. & Recycling program; 10.6% to the Hazardous Waste Reduction program; and so forth.
o Tha data underlying the allocation factors in Table-2 Appendix have historically proven to correlate well with programs or functions and their use of G&A services. The following list identifies the specfic measures that are converted to percentages and shown in the appendix table above. A "+" indicates a

G&A Category	Allocation based on
Parks & Environmental Services	SW FTE in Parks/Enviro Services
Sustainability Center	SW FTE in the Sustainability Ctr.
Budget & Finance/Auditor, COO, CFO, Fin. Planning	Operating Budget less Major Contracts
Accounting	Usage (Scale Hs.) + M&S Budget (balance)
Building & Office Services	Employee head count at Metro Center
Contract Services	Total Exempt FTE
Human Resources	Employees (head count)
Information Technology	Usage (Scalehouses) + PC count (balance)
Media Relations & Creative Services	Operating Budget less Major Contracts
Metro Attorney	Usage (Reg.Affairs) + Exempt FTE (balance)
Policy & Compliance	Operating Budget
Risk Management & Insurance	Total Exempt FTE
Safety	Safety officer's time allocation
Support Services	All Full-Time Equivalents (FTE)
Planning, GIS, Data Services	Usage (SUS) +Total Exempt FTE (balance)

Solid Waste Fund Rate Model

Table 3. Calculation of Revenue Requirements and Assignment to Rate Components

Based on 50% Loading of General & Administrative Costs (Mixed Public-Private Pricing Model) and the Solid Waste Forecast Released March 2012

Line	Cost Centers: Department / Program or Function	Revenue Requirements: Direct (From Table 1)	G&A Loads (From Table 2)	Final Requirements	Assignment of Requirements to Fee Categories: Transaction Fees – Staffed	Transaction Fees – Automated	Tonnage Charge	Regional System Fee	Confirm Sum to Final Requirements
	Parks & Environmental Services								
	Disposal Operations								
1	*Scalehouses*	*$1,293,422*	*$405,543*	*$1,698,966*	$1,483,680	$215,286			$1,698,966
2	*Major Contracts*	*$26,468,496*	*159,626*	*26,628,122*			26,628,122		26,628,122
3	*Pass-Throughs*	*($49,077)*	*2,593*	*(46,484)*			(46,484)		(46,484)
4	*Station Management*	*$1,588,399*	*197,001*	*1,785,400*	1,109,154	70,905	605,342		1,785,400
5	Disposal Operations *(total)*	$29,301,240	$764,764	$30,066,004	$2,592,834	$286,190	$27,186,979	$0	$30,066,004
6	Hazardous Waste Reduction	3,852,471	567,632	4,420,103				4,420,103	4,420,103
7	Latex Paint Recovery	(107,146)	210,679	103,533				103,533	103,533
8	Landfill Stewardship	933,801	172,595	1,106,396				1,106,396	1,106,396
9	Facility & Asset Mgmt.	666,382	189,362	855,745			428,315	427,430	855,745
10	***Subtotal***	$34,646,748	$1,905,032	$36,551,781	$2,592,834	$286,190	$27,615,294	$6,057,462	$36,551,781
	Sustainability Center & Planning								
11	Resource Cons. & Recycling	$6,674,970	$1,296,027	$7,970,997				$7,970,997	$7,970,997
12	System Planning	174,945	53,885	228,830				228,830	228,830
13	***Subtotal***	$6,849,914	$1,349,913	$8,199,827	$0	$0	$0	$8,199,827	$8,199,827
	Finance & Regulatory Services								
14	Private Facility Regulation	$1,048,435	$375,398	$1,423,832				$1,423,832	$1,423,832
15	Illegal Dumping	549,420	55,673	605,092				605,092	605,092
16	***Subtotal***	$1,597,854	$431,070	$2,028,925	$0	$0	$0	$2,028,925	$2,028,925
17	**Total Programs and Functions**	**$43,094,517**	**$3,686,016**	**$46,780,532**	**$2,592,834**	**$286,190**	**$27,615,294**	**$16,286,214**	**$46,780,532**
	General & Administrative								
18	Parks & Environmental Services	$361,915	($180,958)	$180,958				$180,958	$180,958
19	Sustainability Center	317,543	($158,772)	158,772				158,772	158,772
20	Budget & Finance	390,198	($195,099)	195,099				195,099	195,099
21	Auditor, COO, CFO, Fin. Planning	797,067	($398,534)	398,534				398,534	398,534
22	Accounting	478,628	($239,314)	239,314				239,314	239,314
23	Building & Office Services	358,233	($179,117)	179,117				179,117	179,117
24	Contract Services	130,786	($65,393)	65,393				65,393	65,393
25	Human Resources	315,376	($157,688)	157,688				157,688	157,688
26	Information Technology	889,770	($444,885)	444,885				444,885	444,885
27	Media Relations & Creative Services	1,016,310	($508,155)	508,155				508,155	508,155
28	Metro Attorney	453,850	($226,925)	226,925				226,925	226,925
29	Policy & Compliance	516,839	($258,420)	258,420				258,420	258,420
30	Risk Management & Insurance	247,061	($123,531)	123,531				123,531	123,531
31	Safety	171,622	($85,811)	85,811				85,811	85,811
32	Support Services	485,384	($242,692)	242,692				242,692	
33	Planning, GIS, Data Services	441,449	($220,725)	220,725				220,725	220,725
34	***Subtotal***	**$7,372,031**	**($3,686,016)**	**$3,686,016**	**$0**	**$0**	**$0**	**$3,686,016**	**$3,686,016**
35	**Total Solid Waste Fund**	**$50,466,548**	**$0**	**$50,466,548**	**$2,592,834**	**$286,190**	**$27,615,294**	**$19,972,229**	**$50,466,548**

FY 2012-13 Rates under the COO's Proposed Budget (run date: March 21, 2012)

----- Final revenue requirements by rate component. -----

Appendix B

Policy Background:
Loading 50 Percent of General and Administrative Costs

General and administrative costs ("G&A") are allocated to each of the cost centers using factors consistent with a cost-of-service approach. These factors were established with advice and review from the Rate Review Committee in 2003 and 2004. Allocation factors are based on usage or strong correlation with usage, and are updated each year. Metro departs from most cost-of-service approaches on a key point: Metro loads only half of the G&A allocation on each cost center. (Under a standard approach, all of the G&A would be loaded.) The remaining half is allocated directly to the Regional System Fee.

This policy stems from a 1998 decision by the Metro Council to allow privately-owned transfer stations to handle a significant portion of the region's putrescible waste. This decision was driven by the council's interest in reducing the economic cost and environmental impact of waste truck transport. The council was able to achieve these objectives by authorizing more transfer stations around the region and thereby improving access to disposal sites. In conjunction with this decision, the council also adopted a financial arrangement designed to protect Metro's fiscal position and minimize the risk of stranding public investment. The financial arrangement was implemented through the rate system – specifically, through a cost allocation approach in which all of Metro's major fixed costs that were undertaken on behalf of the regional disposal system – debt service on the transfer stations, the fixed cost of the transport and disposal contracts, and certain general and administrative costs – were allocated to the Regional System Fee and paid by all regional ratepayers, not just users of the transfer stations. Under this mechanism, the condition of Metro's Solid Waste Fund is far less sensitive to tonnage flows than would be the case under a standard municipal utility cost-of-service approach. In the years after 1998, the fixed contract costs were negotiated out of the contracts and debt service was later retired, leaving only G&A among the costs to be broadly shared. In this environment, and in recognition of the significantly reduced risk to the stranding of public investment, in 2005 Metro began loading half of the G&A onto cost centers using a standard cost-of-service approach, and left half in the surcharge paid by all ratepayers, the Regional System Fee.

In the next few years the Solid Waste Roadmap project, launched in 2010 to plan for the future of the regional solid waste system, will be examining options for the financing of programs and disposal. This project will either confirm, modify or rewrite the current rate approach consistent with the relationship between public and private investment in the system of the future.

Appendix C

Tonnage Charges for Recoverable Solid Waste

For FY 2012-13 the Chief Operating Officer is proposing to modify the definition and the rate structure for “recoverable solid waste (“RSW”) accepted at Metro’s transfer stations.

RSW is defined as high-grade or homogeneous materials received in a single transaction that can be recycled, composed or recovered, as-delivered. Examples include clean wood and compostable food waste. Historically, to encourage high-grading, Metro has not charged the cost of service for managing these wastes. The COO proposes to implement cost-of-service rates beginning in FY 2012-13. If the Metro Council approves these changes, RSW rate making will be integrated with the development of other solid waste rates. Until that time, this appendix serves as documentation.

All RSW is managed by contract. Hence, Metro’s contract prices are its direct costs, and these are included in the proposed RSW charges. The focus of this appendix is the allocation of general and administrative, capital, and fixed costs to the RSW tonnage charges.

General, administrative and capital. For FY 2012-13, these costs are allocated at the same per-ton rate as to the tonnage charge for mixed solid waste, and the revenue requirement for mixed solid waste is reduced by the amount of expected revenue from RSW charges. These amounts are shown in the table below.

Fixed cost. The fixed costs of the operating contracts are allocated using a double-factor allocation method based on the proportion of tonnage represented by each RSW and the proportion of operating cost represented by each RSW. Metro’s fixed operating loads are a function of both throughput and cost; therefore, an allocation based on both factors is appropriate. The double factor is simply tonnage_share X cost_share, and renormalized. As with general, administrative and capital costs, the revenue requirement for mixed solid waste is reduced by the amount of expected revenue from the fixed-cost component of RSW charges..

More detail on the RSW methodology may be obtained by contacting the author.

Metro | People places. Open spaces.



REVIEW OF SOLID WASTE DISPOSAL CHARGES

Final Report

April 19, 2012

CONSULTING SERVICES PROVIDED BY:

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Solutions-Oriented Consulting

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April 19, 2012

Metro
600 NE Grand Avenue
Portland, OR 97232-2736

Subject: Review of FY 2012-13 Solid Waste Disposal Charges

Dear Council President Tom Hughes, Members of the Metro Council, and Chief Operating Officer Martha Bennett:

FCS GROUP is pleased to submit the result of our Solid Waste Disposal Charges Review for FY 2012-13. This completes the third year that Metro has commissioned an independent, expert, technical review of the rate setting process. The current study involved reviewing the status of the initial recommendations of April 2010, consistency of the rate-setting methodology established during the last rate review, and confirmation that the proposed FY 2012-13 rates are calculated properly.

In general the major findings are as follows:

- More than half of the recommendations in the 2010 study have been fully or partially implemented. Most of the remaining recommendations relate to policy and are to be addressed in the “fee and tax policy” element of the Solid Waste Roadmap.
- Rate process/methodology utilized is consistent with that deemed acceptable in the initial 2010 review and generally follows industry standard approaches.
- All annual operating and capital financial obligations are being captured.
- Fund balances are meeting (or exceeding) target balances.
- The process used to calculate solid waste disposal rates and charges follows standard practices.
- The proposed rates for recoverable solid waste both increase the level of cost recovery from recoverable waste types thereby reducing pressure on the transaction fee and mixed solid waste fee.
- The proposed FY 2012-13 rates developed by Metro are technically sound and supported by the cost information provided to us for our review.

We appreciate the opportunity to work with Metro on this project. Please do not hesitate to contact me if you have any questions regarding this report or if additional information is needed.

Sincerely,
FCS GROUP

Angie Sanchez

Angie Sanchez Virnoche
Project Manager/Principal

cc: Councilors Craddick, Collette, Hosticka, Harrington, Burkholder, and Roberts; Scott Robinson, Deputy Chief Operating Officer; Margo Norton, Finance and Administration Director; and Douglas Anderson, Policy and Compliance Manager

TABLE OF CONTENTS

A. INTRODUCTION

In 1991, Metro established a Rate Review Committee to advise the Metro Council on rate-setting procedures and proposed solid waste disposal rates. In November of 2009, a white paper was written titled *Setting Metro's Solid Waste Rates: An Assessment of Processes and Practices*, which provided recommendations to better meet Metro's needs in relation to the changing regional solid waste system and evolving best practices for setting municipal utility rates. One of the recommendations of the white paper is to separate the periodic review of rate policies from the annual rate-making cycle. The white paper further recommended that a truly independent review of the proposed rates be included in the annual rate cycle. This option replaces the Rate Review Committee and instead has Metro retain an independent consultant to review the proposed rates in conjunction with the budget.

The year 2010 marks the date when Metro first engaged FCS GROUP to complete a review of the solid waste disposal rate-setting process. The study was undertaken to provide an expert, independent, technical review of the framework and methodology used for setting solid waste disposal fees and charges. The 2011 report focused on the extent to which Metro had implemented the recommendations noted in the 2010 review along with reviewing the adequacy of the proposed rates for FY 2011-2012 in meeting the financial obligations of the Solid Waste Fund and the fiscal policies of the agency. This 2012 report has a similar focus.

B. SCOPE OF WORK

The comprehensive review of the solid waste disposal charges is intended to provide an objective review of the-rate setting process and offer recommendations to Metro for sustaining an open, transparent, and credible rate setting process. The 2012 study identified the following key areas for review:

- Status of Implementing the FY 2010-11 recommendations
- Review approach for establishing proposed recoverable solid waste fees
- Review of proposed FY 2012-13 solid waste charges

Each of the key review areas identified above was completed as part of the study for Metro. Each key area's findings and recommendations will be addressed in this report.

C. RATE-SETTING METHODOLOGY

A rate-setting methodology must first account for any legal or contractual constraints on the process or outcome. Then, within certain economic and policy guidelines, a rate-setting methodology can be tailored to the service being provided.

Oregon Revised Statutes (ORS) 268.317 grants Metro, as a metropolitan service district, broad authority to manage and regulate solid waste. This includes, *inter alia*, the authority to "build, construct, acquire, lease, improve, operate and maintain landfills, transfer facilities and other improvements, facilities or equipment necessary or desirable for the solid and liquid waste disposal system of the district." ORS 459.335 restricts the expenditure of user fees generated by exercise of this authority to solid waste activities and associated overhead. In addition, Chapter III, Section 15, of the Metro Charter requires that "charges for the provision of goods or services by Metro may not exceed the costs of providing the goods or services. These costs include, but are not limited to, costs of personal services, materials, capital outlays, debt service, operating expenses, overhead expenses and capital and operational reserves attributable to the good or service."

Beyond the legal context, the mission, policies, objectives and the role of the agency as a regional service provider are also important to the rate-setting process. These factors will inform the process along the way and highlight the tradeoffs that may be required.

A rate-setting process generally follows three steps:

- **Step 1: Identify revenue requirements.** This step identifies the total annual financial obligations of the system. This includes operations, debt service, capital improvements and replacements and fiscal policy achievement. Ideally, the ongoing rate revenue of the system should support the annual ongoing expenses of the solid waste system. Many agencies including Metro refer to this as a "pay-as-you-go" policy.
- **Step 2: Allocate Costs.** This step establishes rate equity through cost causation or the cause and effect relationship between different costs and the activities that cause those costs to be incurred.
- **Step 3: Establish Fees/Charges.** This step achieves required revenue levels by establishing rates and charges that accurately reflect the cost to provide a particular service.

D. INITIAL 2010 RATE REVIEW RECOMMENDATIONS – STATUS OF IMPLEMENTATION

The results of the initial methodology review in 2010 indicated that the rate process and methodology used to calculate rates are technically sound and generally follow standard industry practice. There were some areas identified as having opportunities for improvement. The review offered 16 recommendations for enhancing rate-making transparency, consistency and equity.

One year later, during our 2011 review, we found that five of these recommendations had been fully or partially implemented.

During our current review, we found that five additional recommendations have been implemented.

1. Metro has developed a long-range planning model that projects volume, costs, pricing, and revenues through FY 2018-19. We have reviewed this model and find it to be perhaps the most rigorous long-range model for solid waste that we have seen.
2. Staff has established a default practice for setting an under-spend allowance.
3. Metro has added a worksheet ("FBal") to its rate model that tracks the components of fund balance, including reserves, for the Solid Waste Fund.
4. Metro has identified and allocated the fixed costs in its contracts for station operation. Metro has also documented the method by which these costs are allocated to waste classes.
5. The position whose allocation was the subject of recommendation #15 has been eliminated.

Most of the recommendations that are still pending involve financial or budgetary policies. They are not merely technical, rate-setting issues, although their resolution will be implemented through rates. **Table 1** summarizes the implementation status of all 16 recommendations.

Table 1. Status of 2010 Recommendations

		2011			2012			
	Recommendation	Completed	In Process	Pending	**Completed**	**In Process**	**Pending**	**Implementation Status**
1	Incorporate a systematic practice of evaluating the sufficiency of long-term rates .			X	X			Rigorous model has been developed, but a disciplined review and update process must be maintained.
2	Develop policy regarding establishment of under-spend allowance .			X	X			Default allowance is set at half of the underspending rate during the previous five years.
3	Develop a policy regarding the revenue generated from special programs.			X			X	Will be Addressed during Policy Review
4	Reconsider and update the capital financing policy for new capital to accompany the capital plan.	X		X	X		X	Repair/Replacements funded through rates. Funding new major capital addressed during policy review.
5	Develop policy regarding prioritizing use of end of year balances.			X			X	Will be Addressed during Policy Review
6	Add a reserve fund sheet to rate model		X		X			See "FBal" worksheet in rate model.
7	Confirm policy regarding replenishment of reserves.			X			X	Will be Addressed during Policy Review
8	Separate the four major contract costs into their own cost center line item for clarity and transparency of cost allocation.			X			X	Will be Addressed during Policy Review. Rate recovery objective policy or cost based.
9	Review the station management and station operation costs to identify fixed costs.			X	X			Fixed costs are identified in rate model, and the method of their allocation is documented.
10	Review the 50% allocation of overhead costs to the regional fee approach.			X			X	Will be Addressed with Solid Waste Roadmap project. Rate Recovery objective policy or industry standard.
11	Allocate attorney cost based on actual time spent, not on prospective time.	X			X			Recommendation noted. Current Allocation meets Requirements of Federal Circular A87 related to Cost Allocation Plans.
12	Consider more appropriate allocation basis for IT cost center (workstations, IT time charges) or clarify existing basis.	X			X			Recommendation noted. Current Allocation meets Requirements of Federal Circular A87 related to Cost Allocation Plans.
13	Consider using FTE rather than payroll for overhead costs (admin/budget/finance).	X			X			Recommendation noted. Current Allocation meets Requirements of Federal Circular A87 related to Cost Allocation Plans.
14	Conduct a time estimate study for direct transfer costs (may require more than one to normalize results).			X			X	Based on effort and staff time estimates from employee and/or manager. Work survey scheduled for this year.
15	Strengthen cost allocation documentation or develop alternative basis for direct transfer of Senior Planner costs .			X	X			This limited-duration position has been eliminated.
16	Continue true-up of G&A costs at year-end.	X		X	X		X	a) Indirect costs are trued up budget to actual at year end for Circular A87. Changing to fixed carry forward method. b) Direct inter-fund transfers trued-up budget to actual. The cost allocations are not trued up. Should be updated once work survey completed.

E. RECOVERABLE SOLID WASTE FEES

This year the Chief Operating Officer is proposing changes to the recoverable solid waste fees accepted at Metro transfer stations. The intent is to begin recovering the full cost of managing these materials more completely than in previous years, thereby reducing pressure on the transaction fee and mixed solid waste fee. The proposed rates not only adjust rates for current recoverable waste types (yard debris, clean wood, residential food waste, and commercial food waste), but they also introduce rates for new recoverable waste types (roofing, clean drywall, and rubble).

Costs recovered by the proposed tonnage charges include fixed contract costs, the host fee, and an allocation for G&A and capital costs. They do not reflect direct costs incurred by Metro, because these costs have not yet been identified. Metro staff reviewed three options for allocating the fixed contract costs to recoverable solid waste; 1) based on tonnage, 2) based on variable costs, and 3) double factor considering both tonnage and variable costs. Metro staff proposed using option 3, the double factor that tends to more accurately represent that fixed costs are a function of both throughput and costs. Selection of option 3 as the most reasonable option to move forward with is confirmed by the analysis which showed high volume and costly waste having the highest allocation of fixed costs and the low volume and low cost waste having the lowest allocations.

We concur with the Metro staff proposal to select option 3 to allocate fixed contract costs. For future rate consideration we recommend including direct recoverable solid waste costs once they are identified and known. It will be important to balance the cost of service for this waste type with broader Metro policy objectives. We further recommend minimizing the portion of capital costs that are allocated as an indirect cost. Capital costs should be assigned to specific waste types whenever possible.

F. PROPOSED FY 2012-13 SOLID WASTE CHARGES

The review of FY 2012-13 solid waste disposal fees and charges is intended to verify that the proposed rates will meet the solid waste fund's annual revenue requirements (expense minus non-rate revenue) and target fiscal policies. Metro provided the rate model with the solid waste fund budget updated for the FY 2012-13 rate-setting time period. Establishing the total solid waste revenue requirements includes accounting for disposal operating costs, other program operating costs, program revenue, general income and capital.

- Disposal operations include: scalehouses, major contracts, pass-throughs, station management and facility and asset management.
- Other program operating costs include: resource conservation and recycling, system planning, private facility regulation, illegal dump site cleanup, hazardous waste reduction, latex paint recovery, landfill stewardship and general and administrative. The general and administrative costs are accounted for as direct charges and indirect and direct inter-fund transfers.
- Capital costs are from Metro's five year capital plan and include new capital, renewal and replacements, and landfill closure projects over $5,000 in value. The renewal and replacement contribution is established every three years by an independent study and are rate funded. The Renewal and Replacement Account and the St. Johns Landfill Closure Account were last updated in 2009 and 2010, respectively.
- Debt service obligations would include the annual debt service (principal and interest) associated with outstanding bond/loan obligations. There is currently no outstanding debt obligation associated with the solid waste fund.

Once revenue requirements are established, a portion of general and administrative costs are allocated to each cost center and the loaded costs of each center are assigned to the fee categories of staffed transaction fee, automated transaction fee, tonnage charge or regional system fee. The fee category assignment by cost center is summarized in **Table 2**.

Table 2. Allocation of Cost Centers to Fee Categories

Cost Center	Transaction Fee		Tonnage Charge	Regional System Fee	Basis of Assignment/Allocation
	Staffed	Automated			
Disposal Operations					
Scalehouses	87%	13%			Based on combination of FTE, Transaction usage and Accounts Receivable time split.
Major Contracts			100%		100% Tonnage
Pass-Throughs			100%		100% Tonnage
Station Management	62%	4%	34%		Based on the share of personal services and materials & services costs within each function covered by station management and split by FTEs.
Hazardous Waste Reduction				100%	100% Regional System Fee
Latex Paint Recovery				100%	100% Regional System Fee
Landfill Stewardship				100%	100% Regional System Fee
Facility & Asset Mgmt.			50%	50%	Based on the professional time spent on facilities
Sustainability Center & Planning					
Resource Cons. & Recycling				100%	100% Regional System Fee
System Planning				100%	100% Regional System Fee
Finance & Regulatory Services					
Private Facility Regulation				100%	100% Regional System Fee
Illegal Dumping				100%	100% Regional System Fee
General & Administrative					
50% of Total G&A				50%	50% based on policy to RSF. Remaining 50% loaded on to each of the cost centers using algorithms and factors developed with advice and review of the Rate Committee in 2003/04 and are consistent with cost-of-service approaches. Allocation factors based on usage or strong correlation with usage and are updated each year.

Metro departs from cost-of-service allocation/assignment only in that it loads half (vs. all in a more standard utility environment) of the G&A into each cost center; the remaining half is allocated directly to the regional system fee. This policy stems from the Metro Council's 1998 decision to allow privately-owned transfer stations to handle a significant portion of the region's wet waste—but only under a financial arrangement that minimizes the risk of stranding public investment. This policy was implemented by allocating all of Metro's major fixed costs that were undertaken on behalf of the regional disposal system (including debt service on the transfer stations, the fixed cost of the transport and disposal contracts, and general and administrative costs) to the regional system fee. This fee is paid by all regional ratepayers, not just users of the transfer stations. Public investment would not be stranded financially under this arrangement. In the years after 1998, the fixed contract costs were negotiated out of the contracts and debt service was later retired, leaving only G&A among the costs to be broadly shared. In this environment, and in recognition of the significantly reduced risk to the stranding of public investment, in 2005 Metro began loading half of the G&A onto cost centers using a standard cost-of-service approach, and left half to be paid by all ratepayers via the regional system fee.

In the next few years the Solid Waste Roadmap project will be looking broadly at the future of the disposal system, including its financing. This project will confirm, modify, or rewrite the current rate approach consistent with the relationship between public and private investment in the disposal system of the future.

As stated in the two previous annual reviews of solid waste disposal charges—and within the policy context described above—Metro's current approach to allocating costs is within industry standard approaches. The technical mechanics of the cost allocation are accurate with all costs allocated to the transaction fees, tonnage charge, regional system fee or a combination.

The final step in the rate model development is calculating the required unit cost for each of the fee categories. The revenue requirements by fee category are divided by one of the following four unit bases to calculate the fee/charge per unit: number of Metro staffed transactions, number of Metro automated transactions, Metro transfer station tonnage, or regional tonnage.

Based on the proposed unit cost results for FY 2012-13, adjustments to some of the current rates and charges appear warranted. Trends identified during the rate review include:

- While tonnage-related costs are up slightly, total revenue tonnage is expected to decrease slightly. The result of these two forces is a proposed fee per ton ($93.84) that is 4.8 percent higher than the current fee per ton ($89.53). **Table 3** summarizes forecasted transactions and tonnage for the current and previous rate models.

Table 3. Demand Forecast Comparison

Measure of Demand	2011 Forecast	2012 Forecast	Change
Tonnage	472,241	452,019	-4.3%
Transactions	308,284	311,155	0.9%
Tons per transaction	1.53	1.45	-5.2%

- Overall, costs are expected to increase by 1.3 percent. However, there is considerable variation among line items. **Table 4** shows detailed revenue requirements (costs less program revenue) for the current and previous rate model.

Table 4. Cost Forecast Comparison

Cost	2011 Forecast	2012 Forecast	Change
Parks & Environmental Services			
Disposal Operations	$ 29,315,427	$ 29,301,283	0.0%
Hazardous Waste Reduction	3,823,332	3,852,471	0.8%
Latex Paint Recovery	(127,759)	(107,146)	-16.1%
Landfill Stewardship	950,219	933,801	-1.7%
Facility & Asset Mgmt.	665,838	666,382	0.1%
Total Parks & Environmental Services	34,627,056	34,646,791	0.1%
Sustainability Center & Planning			
Resource Cons. & Recycling	6,182,121	6,674,970	8.0%
System Planning	365,722	174,945	-52.2%
Total Sustainability Center & Planning	6,547,843	6,849,914	4.6%
Finance & Regulatory Services			
Private Facility Regulation	960,843	1,048,435	9.1%
Illegal Dumping	565,876	549,420	-2.9%
Total Finance & Regulatory Services	1,526,720	1,597,854	4.7%
General & Administrative			
Parks/Enviro Svcs. Administration	487,581	361,915	-25.8%
Sustainability Center Administration	310,560	317,543	2.2%
Budget & Finance	426,706	390,198	-8.6%
Auditor, COO, CFO, Fin. Planning	867,443	797,067	-8.1%
Accounting	373,119	478,628	28.3%
Building & Office Services	506,981	358,233	-29.3%
Contract Services	219,255	130,786	-40.3%
Human Resources	326,923	315,376	-3.5%
Information Technology	858,022	889,770	3.7%
Media Relations & Creative Services	608,036	1,016,310	67.1%
Metro Attorney	432,513	453,850	4.9%
Policy & Compliance	511,356	516,839	1.1%
Risk Management & Insurance	295,693	247,061	-16.4%
Safety	190,986	171,622	-10.1%
Support Services	305,710	485,384	58.8%
Planning, GIS, Data Services	413,358	441,449	6.8%
Total General & Administrative	7,134,242	7,372,031	3.3%
Grand total	$ 49,835,860	$ 50,466,591	1.3%

- Program revenue from recoverable waste tip fees (net of recycling credits) is assigned to (and therefore reduces) the "Major Contracts" line item within disposal operations. In cost-of-service rate-setting, this technique is typically used for revenue streams whose price is not being determined by the rate model (i.e., non-rate revenue). Since recoverable waste tip fees are an output of the Metro model, we recommend expansion of the "Requirements" worksheet to include assignment and allocation of costs to all waste types being priced.

G. SUMMARY

The proposed FY 2012-13 solid waste charges and recoverable solid waste fees developed by Metro staff and reviewed by FCS GROUP are technically sound and supported by the cost information provided for review.

It should be noted that FCS GROUP was not asked to review the accuracy of the specific amounts provided in the budget for direct costs, capital requirements, and fund balances; nor review of contracts with transfer station operators, transport and fuel providers, or landfill/disposal operators. Rather the intent is to establish if all costs provided have been captured appropriately and if all cost allocations are technically sound and generally using industry standard approaches.

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF AMENDING METRO CODE CHAPTER 5.02 TO ESTABLISH SOLID WASTE DISPOSAL CHARGES, RECOVERABLE SOLID WASTE CHARGES, AND SYSTEM FEES FOR FY 2012-13; TO MODIFY THE STRUCTURE AND TO STANDARDIZE THE ADMIN-ISTRATION OF THE RECOVERABLE SOLID WASTE CHARGE; AND TO ESTABLISH THE EFFECTIVE DATE FOR THE FY 2012-13 SOLID WASTE EXCISE TAX RATE.	)	ORDINANCE NO. 12-1277 Introduced by Chief Operating Officer Martha Bennett with the concurrence of Council President Tom Hughes

WHEREAS, Metro Code Chapter 5.02 establishes charges for disposal of solid waste at Metro South and Metro Central transfer stations; and,

WHEREAS, Metro Code Chapter 5.02 establishes charges for acceptance of recoverable solid waste at Metro South and Metro Central transfer stations; and,

WHEREAS, Metro Code Chapter 5.02 establishes fees charged on solid waste generated within the District and delivered to solid waste facilities regulated by or contracting with Metro; and,

WHEREAS, The Metro Code sections that govern the structure and administration of charges for recoverable solid waste and compostable organic waste are in need of revision and updating; and,

WHEREAS, Metro's costs for solid waste services and programs have changed; now therefore,

THE METRO COUNCIL ORDAINS AS FOLLOWS:

Section 1. Metro Code Amendment. Metro Code Section 5.02.025 is amended in the form attached hereto as Exhibit "A."

Section 2. Metro Code Amendment. Metro Code Section 5.02.045 is amended in the form attached hereto as Exhibit "B."

Section 3. Metro Code Amendment. Metro Code Section 5.02.047 is amended in the form attached hereto as Exhibit "C."

Section 4. Metro Code Amendment. Metro Code subsection 5.02.015(y) is amended in the form attached hereto as Exhibit "D" and all other subsections of Metro Code Section 5.02.015 shall remain unchanged.

Section 5. Metro Code Amendment. Metro Code Section 5.02.029 is repealed and the language attached hereto as Exhibit "E" is adopted in its place.

Section 6. Metro Code Amendment. Metro Code Section 5.02.037, "Disposal Charge for Compostable Organic Waste," is repealed.

Section 7. Metro Code Amendment. The language attached hereto as Exhibit "F" is added to and made a part of Metro Code Section 7.01.010 and all subsequent subsections of Metro Code Section 7.01.010 shall be renumbered accordingly.

Section 8. Metro Code Amendment. The term "recoverable solid waste" shall replace the term "compostable organic waste" in Metro Code subsection 7.01.020(c) and in

Metro Code subsection 7.01.020(e)(1), and all other subsections of Metro Code Section 7.01.020 shall remain unchanged.

Section 9. Effective Date for Metro Code Amendments. Sections 1 through 8, inclusive, of this ordinance shall become effective on August 1, 2012, or the first day of the first full month following 90 days after adoption by the Metro Council, whichever is later.

Section 10. Effective Date for the Excise Tax Rate. Pursuant to Metro Code subsection 7.01.020(e)(1), the solid waste excise tax rate authorized by Metro Code subsection 7.01.020(c) shall become effective on August 1, 2012, or the first day of the first full month following 90 days after adoption by the Metro Council, whichever is later.

Section 11. Effective Date for Recoverable Solid Waste Tonnage Charges. The schedule of Recoverable Solid Waste tonnage charges attached hereto as Exhibit "G" shall become effective at Metro Central Station and Metro South Station on August 1, 2012, or the first day of the first full month following 90 days after adoption by the Metro Council, whichever is later.

ADOPTED by the Metro Council this 26th day of April, 2012.

Tom Hughes, Council President

Attest:

Kelsey Newell, Recording Secretary

Approved as to Form:

Alison Kean Campbell, Metro Attorney

Exhibit "A" to Ordinance No. 12-1277

METRO CODE - TITLE V SOLID WASTE
CHAPTER 5.02. DISPOSAL CHARGES AND USER FEES

5.02.025 Disposal Charges at Metro South & Metro Central Station

(a) The fee for disposal of solid waste at the Metro South Station and at the Metro Central Station shall consist of:

(1) The following charges for each ton of solid waste delivered for disposal:

(A) A tonnage charge of $~~58.35~~61.35 per ton,

(B) The Regional System Fee as provided in Section 5.02.045,

(C) An enhancement fee of $.50 per ton, and

(D) DEQ fees totaling $1.24 per ton;

(2) All applicable solid waste taxes as established in Metro Code Chapter 7.01, which excise taxes shall be stated separately; and

(3) The following Transaction Charge for each Solid Waste Disposal Transaction:

(A) For each Solid Waste Disposal Transaction completed at staffed scales, the Transaction Charge shall be $12.00.

(B) For each Solid Waste Disposal Transaction that is completed at the automated scales, the Transaction Charge shall be $3.00.

(C) Notwithstanding the provisions of subsection (A), the Solid Waste Disposal Transaction Charge shall be $3.00 in the event that a transaction that is otherwise capable of being completed at the automated scales must be completed at the staffed scales due to a physical site limitation, a limit or restriction of the computer operating system for the automated scales, or due to a malfunction of the automated scales.

(b) Notwithstanding subsection (a) of this section,

(1) There shall be a minimum solid waste disposal charge at the Metro South Station and at the Metro Central Station for loads of solid waste weighing ~~360~~ 340 pounds or less of $28, which shall consist of a minimum Tonnage Charge of $16.00 plus a Transaction Charge of $12.00 per Transaction.

(2) The Chief Operating Officer may waive collection of the Regional System Fee on solid waste that is generated outside the District, and collected by a hauler that is regulated by a local government unit, and accepted at Metro South Station or Metro Central Station.

(c) Total fees assessed in cash at the Metro South Station and at the Metro Central Station shall be rounded to the nearest whole dollar amount, with any $0.50 charge rounded down.

(d) The Director of Parks and Environmental Services may waive disposal fees created in this section for Non-commercial Customers of the Metro Central Station and of the Metro South Station under extraordinary, emergency conditions or circumstances.

METRO CODE - TITLE V SOLID WASTE
CHAPTER 5.02. DISPOSAL CHARGES AND USER FEES

5.02.045 Regional System Fees

(a) The Regional System Fee shall be $~~17.64~~18.56 per ton of solid waste, prorated based on the actual weight of solid waste at issue rounded to the nearest one-hundredth of a ton.

(b) Any waste hauler or other person transporting solid waste generated, originating, or collected from inside the Metro region shall pay Regional System Fees to Metro for the disposal of such solid waste. Payment of applicable system fees to the operator of a Designated Facility shall satisfy the obligation to pay system fees, provided that, if such solid waste is transported to a Designated Facility outside of the Metro region, then such waste hauler or other person must have informed the operator of the Designated Facility that the solid waste was generated, originated or collected inside the Metro region. In any dispute regarding whether such waste hauler or other person informed such operator that the solid waste was generated, originated, or collected inside the Metro region, such waste hauler or other person shall have the burden of proving that such information was communicated.

(c) Designated Facility operators shall collect and pay to Metro the Regional System Fee for the disposal of solid waste generated, originating, collected, or disposed of within Metro boundaries, in accordance with Metro Code Section 5.01.150.

(d) When solid waste generated from within the Metro boundary is mixed in the same vehicle or container with solid waste generated from outside the Metro boundary, the load in its entirety shall be reported at the disposal site by the generator or hauler as having been generated within the Metro boundary, and the Regional System Fee shall be paid on the entire load unless the generator or hauler provides the disposal site operator with documentation regarding the total weight of the solid waste in the vehicle or container that was generated within the Metro boundary and the disposal site operator forwards such documentation to Metro, or unless Metro has agreed in writing to another method of reporting.

(e) System fees described in this Section 5.02.045 shall not apply to exemptions listed in Section 5.01.150(b) of this Code.

METRO CODE - TITLE V SOLID WASTE
CHAPTER 5.02. DISPOSAL CHARGES AND USER FEES

5.02.047 Regional System Fee Credits

Any person delivering Cleanup Material Contaminated by Hazardous Substances that is derived from an environmental cleanup of a nonrecurring event, and delivered to any Solid Waste System Facility authorized to accept such substances shall be allowed a credit in the amount of $~~15.14~~16.06 against the Regional System Fee otherwise due under Section 5.02.045(a) of this Chapter.

METRO CODE - TITLE V SOLID WASTE
CHAPTER 5.02. DISPOSAL CHARGES AND USER FEES
Section 5.02.015. Definitions

(y) "Recoverable Solid Waste" means source-separated or homogeneous material accepted~~wood waste, yard debris, or tires, whether Source-Separated or commingled, and delivered~~ in a single transaction at Metro Central Station or at Metro South Station in a form that is usable by existing technologies, ~~suitable for mechanical extraction of useful materials~~, notwithstanding the presence of incidental amounts or types of ~~other~~ contaminants, for reuse, recycling, controlled biological decomposition of organic material including composting and digestion, and the preparation of fuels that meet an engineering, industrial, or market specification; but excludes mass burning, incineration in refuse derived fuel facilities, and similar methods of extracting energy from mixed solid wastes.

METRO CODE - TITLE V SOLID WASTE
CHAPTER 5.02. DISPOSAL CHARGES AND USER FEES

5.02.029 Charges for Recoverable Solid Waste

(a) There are hereby established Recoverable Solid Waste Charges that shall be collected on different classes of Recoverable Solid Wastes accepted at Metro Central Station or Metro South Station.

(b) The amount of each Recoverable Solid Waste Charge shall consist of a Transaction Charge as set forth in Section 5.02.025 and a tonnage charge as adopted by the Metro Council or as specified in this section.

(c) For purposes of this section 5.02.029, "managing" and "management of" Recoverable Solid Waste shall mean any of the following activities: acceptance, onsite handling and logistics, quality assurance, mixing of wastes to meet an engineering or market specification, processing such as grinding and shredding that may alter the form but does not substantially alter the content of the waste, residuals management, reloading, transport and delivery to a recycling site, and similar activities directly related to the handling and disposition of Recoverable Solid Waste.

(d) For purposes of this section 5.02.029, a "class" of Recoverable Solid Waste is distinguished from other classes of wastes by a material difference in the cost of management or by physical characteristics that require different practices to manage the waste.

(e) The Chief Operating Officer is authorized to specify new classes of Recoverable Solid Wastes, to set tonnage charges for new classes of Recoverable Solid Wastes, and to change tonnage charges for existing classes of Recoverable Solid Wastes. The Chief Operating Officer shall set the tonnage charge for each class of Recoverable Solid Waste equal to the sum of:

(1) Metro's contractual costs, if any, paid by Metro to any contract operator of Metro Central or Metro South Station for managing said class of Recoverable Solid Waste, expressed on a per-ton basis;

(2) Metro's direct costs, if any, for personnel, materials, services and capital incurred directly by Metro for managing said class of Recoverable Solid Waste, expressed on a per-ton basis;

(3) An allocation of Metro's administrative, overhead, capital, and fixed contractual costs that is reasonably related to managing said class of Recoverable Solid Waste, expressed on a per-ton basis; and

(4) The enhancement fee set forth in Metro Code section 5.06.010(a).

Nothing in this subsection modifies or is intended to modify the Metro Council's authority to set Recoverable Solid Waste Charges by ordinance at any time.

(f) The Chief Operating Office shall provide 10 days notice to the Metro Council prior to implementing any proposed change to a Recoverable Solid Waste tonnage charge, and when proposing a tonnage charge for a new class of Recoverable Solid Waste. An accounting of the components of each Recoverable Solid Waste tonnage charge shall be kept on file with the Finance and Regulatory Services department or its successor at Metro.

(g) All Recoverable Solid Waste Charges shall be clearly posted by material class on Metro's website and at Metro Central and Metro South stations.

(h) Notwithstanding subsections (b) and (e) of this section:

(1) The Chief Operating Officer shall establish charges for Recoverable Solid Wastes that are typically accepted and managed on a unit or count basis rather than by scale weight. These charges shall be based on Metro's actual costs for managing said wastes.

(2) The Chief Operating Officer shall establish minimum charges for loads of Recoverable Solid Waste.

(3) The charge for accepting up to three Christmas trees in one transaction shall be the Transaction Charge as set forth in Metro Code Section 5.02.025.

(i) The provisions of this section shall not apply to any source-separated recyclable material that the Chief Operating Officer has designated as exempt from charges pursuant to Metro Code Section 5.02.026.

Exhibit "F" to Ordinance No. 12-1277

METRO CODE - TITLE VII FINANCE
CHAPTER 7.01 EXCISE TAXES
Section 7.01.010. Definitions

"Recoverable solid waste" shall have the meaning assigned thereto in Metro Code Section 5.02.015.

Exhibit "G" to Ordinance No. 12-1277

RECOVERABLE SOLID WASTE

SCHEDULE OF TONNAGE CHARGES
AT METRO CENTRAL STATION AND METRO SOUTH STATION

Recoverable Waste Class	Either Station
Wood waste/yard debris*	$45.78
Mixed yard debris & food scraps	54.83

Recoverable Waste Class	Metro Central Only
Commercially generated organic waste	$52.30
Asphaltic roofing	91.57
Clean drywall	67.80
Rubble	27.47

* The stated rate applies to wood waste and yard debris whether delivered in separate loads or commingled in a single load.

STAFF REPORT

IN CONSIDERATION OF ORDINANCE NO. 12-1277 FOR THE PURPOSE OF AMENDING METRO CODE CHAPTER 5.02 TO ESTABLISH SOLID WASTE DISPOSAL CHARGES, RECOVERABLE SOLID WASTE CHARGES, AND SYSTEM FEES FOR FY 2012-13; TO MODIFY THE STRUCTURE AND TO STANDARDIZE THE ADMINISTRATION OF RECOVERABLE SOLID WASTE CHARGES; AND TO ESTABLISH THE EFFECTIVE DATE FOR THE FY 2012-13 SOLID WASTE EXCISE TAX RATE.

Date: April 19, 2012

Presented by: Douglas Anderson, FRS
Paul Ehinger, PES

Executive Summary

Each year, the Chief Operating Officer proposes new solid waste rates as part of the budget process. The changes are needed to keep current with costs and tonnage flows.

The council considers at least four rates each year:

1. **Transaction Fee**, a fixed fee for each load of waste at Metro transfer stations. It recovers the cost of operating the scalehouses and billing of solid waste accounts.
2. **Tonnage Charge**, the fee for each ton in the load. It recovers the cost of station operations, transport, disposal, and related costs.
3. **Minimum Load Charge** for loads below a scale weight threshold at Metro transfer stations.
4. **Regional System Fee**, a surcharge on all disposal at landfills, the burner, and Forest Grove and Metro transfer stations. It recovers the cost of solid waste programs such as waste reduction.

The ***tip fee*** is the sum of five components: the Tonnage Charge and Regional System Fee above, as well as the excise tax, rehabilitation and enhancement ("host") fee, and a suite of DEQ fees. The council does not typically review the excise tax rate or the host fee each year. DEQ fees are set by the state.

Adoption of this year's rate ordinance would implement the following charges for mixed solid waste at Metro transfer stations:

Table 1. Proposed Solid Waste Charges at Metro Transfer Stations
Rates Effective August 1, 2012

Rates	Current	Proposed	Change
Fees per transaction			
Users of staffed scales	$12.00	**$12.00**	– 0 –
Users of automated scales	3.00	**3.00**	– 0 –
Fee per ton (Tip Fee)	$89.53	**$93.84**	$4.31
Minimum load charge	$28	**$28**	– 0 –
Minimum pounds per load	*360*	*340*	*(20)*

The tip fee has risen by an average of $4.60 per year during the last four years, so this year's increase is a bit under the average – although higher than last year's increase of $3.68. In addition, the staffed transaction fee has risen by $3.50 during the same four years, so the fact that Metro is able to hold the line for FY 2012-13 means, for some ratepayers, that the total increase is less than in recent years.

The effect of these changes on the typical residential ratepayer using Metro stations is less than a penny per day. For ratepayers using private facilities, the increase is about 8 cents per month.

Recoverable Solid Waste. In addition to the rates for mixed solid waste, this year the Chief Operating Officer is proposing changes to the tip fees for "recoverable solid waste" accepted at Metro transfer stations. These changes are driven mainly by the need to begin recovering the full cost of managing recoverable solid waste.

Recoverable wastes are high-grade or homogeneous materials suitable for recycling as-delivered. Examples include wood, yard debris, and source-separated food waste. Metro's tip fees for recoverable waste have been set below cost since their inception. The policy purpose was to create an incentive to deliver high-grade materials to the transfer stations where they would be recovered.

However, the rates have had limited success as incentives. But these rates are so low that private facilities can't compete with them, which has discouraged private investment in recycling infrastructure – a matter of current concern in the case of regional food waste processing capacity. The proposed changes are also needed because Metro has seen major increases in the cost and amount of compostable waste it receives. If recoverable wastes do not begin to cover their own costs, these costs would have to be covered by significantly higher increases in the rates for mixed solid waste.

As a result, the Chief Operating Officer is proposing the new tip fees for recoverable waste shown in Table 2. The proposed rates are designed to recover Metro's costs of managing recoverable wastes.

Table 2. Proposed Tip Fees for Recoverable Solid Waste
Rates Effective August 1, 2012

Recoverable Waste Type	Current	**Proposed**	Change
Yard debris/clean wood	$48.83	**$45.78**	($3.05)
Residential food waste	51.14	**54.83**	3.69
Commercial food waste	51.14	**52.30**	1.16

Tip fees for roofing, drywall and rubble are also proposed for the first time in FY 2012-13. These rates are described in the main staff report. The reduction in the yard debris/clean wood rate reflects a change in the quantity of yard debris delivered to Metro since the last time the rate was set.

Residential ratepayers in the City of Portland are most affected by tip fees for residential food waste. However, the city had assumed a higher rate than shown in Table 2 in its preliminary collection cost formula for FY 2012-13. So the proposed residential food waste rate – even with the increase – actually reduces some of the upward pressure on collection costs for residential service in Portland.

Readers interested in more detail are invited to read the balance of this staff report.

DETAILED ANALYSIS

This staff report is organized into four sections:

I. The Annual Rate Process – a brief overview.
II. Recoverable Solid Wastes – background, proposed changes, reasons for the change.
III. Rates for Mixed Solid Waste – background, detail, and analysis.
IV. Information/Analysis – a summary of impacts in standard staff report form.

SECTION I. THE ANNUAL RATE PROCESS

Under Metro code, the Chief Operating Officer must transmit her proposed solid waste rates to the council at the same time that she transmits her proposed budget. Afterward, the council holds public hearings and deliberates on the budget and the rates on the same schedule. The council usually adopts the rates about the same time that it approves the budget for transmittal to the Tax Supervising and Conservation Commission. This allows for the mandatory 90 day referral period between the adoption of an ordinance and the date it becomes effective. (Emergency clauses are not allowed on rate ordinances.) Administratively it is best – for Metro, local governments and ratepayers – to implement rates on the first day of the month. If the council adopts the rates on April 26 as scheduled, the rates can take effect on the target date of August 1. If adoption slips into May, the rates would take effect on September 1, with some loss of revenue (or additional rate adjustments) resulting from the additional month at the old rates.

SECTION II. RECOVERABLE SOLID WASTE RATES AND CODE AMENDMENT

The Chief Operating Officer is proposing changes to the rates for "recoverable solid waste" at the transfer stations, and to the Metro code that governs these rates. Background and the reasons for the changes are summarized in this section.

Recoverable solid waste is homogeneous or high-graded material that can be used by recycling markets as-delivered. The recoverable wastes currently recognized at Metro transfer stations (by code or contract) are wood, yard debris, source-separated food waste, roofing, clean drywall, rubble, and tires.

Historically, Metro has set its recoverable waste rates below the cost of providing the service. The policy purpose was to create a price incentive to deliver high-grade wastes to the transfer stations where they can be recovered, rather than disposed in a landfill. Recoverable waste tip fees currently exclude general, administrative and capital costs, and most direct outlays.[1] In addition, food waste is exempt from the transaction fee, meaning it pays nothing toward the cost of the scalehouses. The costs foregone on recoverable wastes are borne by the tip and transaction fees on mixed solid waste.

Proposed Rates. The COO's proposed recoverable waste rates (Table 3) include an allocation of administrative, fixed, and capital costs, as well as the 50 cent-per-ton Rehabilitation and Enhancement ("Host") Fee. The latter follows the example set by the council when it included a host fee among its franchise requirements for the Columbia Biogas facility. The COO also proposes to eliminate the exemption from the transaction fee so food waste generators will pay their fair share of scalehouse costs.

Table 3. Proposed Tip Fees for Recoverable Solid Waste
Rates Effective August 1, 2012

Recoverable Waste Type	Current	**Proposed**	Change
Yard debris/clean wood	$48.83	**$45.78**	($3.05)
Residential food waste	51.14	**54.83**	3.69
Commercial food waste	51.14	**52.30**	1.16
Roofing*	89.53*	**91.57**	2.04 *
Clean drywall*	89.53*	**67.80**	(21.73)*
Rubble*	89.53*	**27.47**	(62.06)*

** These wastes are not currently distinguished from mixed solid waste, so would be charged the mixed waste tip fee of $89.53. However, all three rates are below the **proposed** FY 2012-13 mixed waste tip fee of $93.84.*

[1] The rates also exclude the Metro excise tax and (with one exception) the Regional System Fee. These exclusions are consistent with Metro's policy to support recycling and recovery by levying the system fee and excise on disposal only. The exception is the yard debris rate, which currently includes about 20 percent of the Regional System Fee.

The reasons for these changes are both policy-driven and practical:

- As a matter of policy, Metro's below-cost rates have shown limited success as incentives, diverting only about 20,000 tons per year over their 20-year history. But these rates are so low that private facilities can't compete with them, which has discouraged private sector investment in recycling infrastructure – a matter of current concern in the case of regional food waste processing capacity.
- As a matter of practicality, the new residential organics program at the City of Portland has increased Metro's share of recoverable waste six-fold. If recoverable wastes do not cover more of their costs, the FY 2012-12 tip and transaction fees for mixed solid waste would have to increase by significantly more than the rates proposed by the COO and shown in Table 1.

Roofing, drywall and rubble are specified as recoverable wastes in Metro's operating contract for Metro Central Station. Tip fees for these materials are being established for the first time for FY 2012-13. The reduction in the yard debris/clean wood rate reflects a change in the quantity of yard debris delivered to Metro since the last time the rate was set.

Residential generators in the City of Portland are the ratepayers most affected by the change in the residential food waste rate. However, the city had assumed a $58 tip fee in its preliminary collection rates for FY 2012-13. The fact that Metro's rate comes in below the city's number reduces some of the upward pressure on collection costs for residential service in Portland.

Code Amendments. This ordinance also amends Metro Code sections 5.02.027 and 5.02.039 governing recoverable solid waste rates. The main purpose of the amendments is to establish that recoverable solid waste charges will reflect the full cost of service in the future. Specifically, the amendments (1) repeal the exemption on the transaction fee, (2) revise the formula for the recoverable solid waste tip fee to include all relevant costs, (3) update definitions and terminology to reflect current policy and practices, and (4) clarify the wording of other subsections that have been prone to misinterpretation in the past.

SECTION III. THE RATES FOR MIXED SOLID WASTE

Metro's own customers face a two-part charge at the transfer stations: (1) a flat fee per transaction, which covers the fixed costs of the scalehouses, billing costs, and a portion of station management; and (2) a variable charge – the tip fee – based on the number of tons in the transaction.

The tip fee is actually the sum of several fees and taxes. The basic fee is the tonnage charge, which is the amount needed to recover the costs of Metro's disposal activities – transfer station management and operations, transport, and disposal.

Four separate charges are added to the basic fee:

- **Regional System Fee**. A surcharge that Metro levies on all waste that is generated inside the district and ultimately disposed, regardless of the location of the disposal site. The system fee pays for regional solid waste programs and services – hazardous waste collection, waste reduction, latex paint recovery, illegal dumpsite cleanup, private facility regulation, and landfill closure and monitoring. None of the direct costs of operating the transfer stations are paid from Regional System Fee revenue.
- **Metro Excise Tax**. The solid waste excise tax is Metro's main source of discretionary revenue for general fund expenditures. No excise tax money is used for solid waste programs and services.
- **DEQ fees**. A number of disposal fees totaling $1.24 per ton that Metro collects and remits to DEQ.

- **Host fee**, currently 50 cents per ton that is used for rehabilitation and enhancement projects by the community in which the transfer stations are located.

The sum of these charges is the "tip fee." Table 4 provides detail.

Table 4. Breakdown of the Proposed Tip Fee at Metro Transfer Stations
Rates Effective August 1, 2012

Component	Current	**Proposed**	Change
Tonnage Charge	$58.35	**$61.35**	$3.00
Recovers the costs of Metro's disposal operations.			
Pass-Throughs			
Government fees and taxes levied at disposal sites including Metro transfer stations.			
Regional System Fee	$17.64	**$18.56**	$0.92
Excise tax	11.80	12.19	0.39
DEQ fees	1.24	1.24	– 0 –
Host fee	0.50	0.50	– 0 –
Metro Tip Fee	$89.53	**$93.84**	$4.31

This ordinance would amend the tonnage charge and the system fee by the indicated amounts. The other charges are set (or limited) by the state or in Metro code.

Readers wishing to review the derivation of these rates are referred to *Rate Report: A Methodological Statement*, issued under separate cover (and available on Metro's website by April 19).

All disposal sites that serve the Metro region[2] have price structures similar to the one shown in Table 4. Each disposal site will have a tonnage charge that is specific to its own operation. The same system fee, excise tax and DEQ rates are levied at all sites. The host fee is a local option, but other local fees and taxes may also apply. The "tip fee" at any given site is the sum of these charges.

Effects on Ratepayers

Whenever Metro changes its solid waste rates, most ratepayers do not feel those effects directly, but through the collection rates set by local governments. Put another way, Metro's fees are but one of many "wholesale" prices that make up the "retail" collection rates billed to the customer. (Other factors include drivers' salaries, the customer's choice of service level, and other factors considered in local government rate making for collection services.) Customers who make use of the Metro stations ("self haulers") see the changes directly, but self-haulers account for a small fraction of the total waste disposed in the region.

The effect of Metro's changes on ratepayers is further determined by their hauler's choice of disposal site. The reason is simple: a hauler using a private transfer station pays that facility's own tonnage charge. But the only *Metro* charges are the system fee and excise tax. The $1.31 increase in these two charges ($0.92 plus $0.39, Table 4) translates to about 8 cents per month for a typical residential ratepayer. The private transfer station will very likely have other costs that increase the impact on the ratepayer – such as profit, payrolls, and operational choices. But Metro does not control these other costs. The tip fees at private transfer stations may change by more or less than at Metro, but the only portion that is a direct result of Metro's rate actions are the changes to the system fee and excise tax.[3]

[2] These are the eight landfills, one burner, and one private regional transfer station that serve the Metro area.
[3] Private facility owners will argue that Metro *affects* some of their costs. For example, a tonnage cap reduces the amount of tonnage over which fixed costs can be spread. Or, Metro's material recovery standards might require processing costs above the amount they would otherwise incur. But these are impacts of regulatory requirements, separate from Metro's actions on the system fee and excise tax.

Ratepayers whose haulers use the Metro stations will pay Metro's tonnage charge, plus the system fee and excise tax – a total of $4.31 per ton this year (Tables 1 and 4). The increase in Metro's tip fee translates to about 27 cents per month for the typical residential ratepayer.

Table 5 displays the effect of *Metro's rate changes only*. The effects are shown for several types of ratepayers. The table also shows the effects on these ratepayers when their haulers use privately-owned facilities where Metro's rate actions affect *only* the system fee and excise tax.

Table 5. Effect of Metro's Rate Changes

	Ratepayers whose Hauler Uses			
	Metro Transfer Stations		Privately-Owned Stations*	
Generator Type	Cost Change per Month	% Change in Total Collection Bill	Cost Change per Month	% Change in Total Collection Bill
Residential	27¢	~ 1%	8¢	0.3%
Mid-sized office	$1.60	1.2%	50¢	0.4%
Food (low-mid size)	$18.00	2.6%	$5.50	0.8%
Food (mid-sized)	$21.60	2.9%	$6.60	0.9%

**The figures for privately-owned stations show the effect of Regional System Fee and excise tax changes only, as these are the only Metro components of private tip fees. Privately-owned transfer stations will have other costs that Metro does not control (e.g., salaries, profit, operational decisions) which will be included in the private tip fees, and therefore in ratepayers' bills.*

All calculations in this table are Metro's estimates for representative residential, office, and two sizes of food-rich generators disposing of 0.75, 4.5, 50, and 60 tons per year, respectively; and collection arrangements in which disposal comprises 22½%, 25%, 55%, and 60% of their total collection cost, respectively.

Drivers of the FY 2012-13 Changes

Tonnage. Tonnage is a mild driver of solid waste fees in this cycle. While Metro's econometric models point to a small increase over the *actual* tonnage received this year, the actual tonnage is trending more than 5 percent below the tonnage on which the current rates were based. The tonnage assumption for FY 2012-13 is down 20,000 tons at Metro stations (4.3 percent) and 8,800 tons region wide (0.8 percent) from the FY 2011-12 rate assumptions. Although this means that rates must rise to compensate[4], the tonnage drop at the regional level is small enough that the effect on the Regional System Fee is quite minor.

Costs. The proposed changes are driven mainly by costs:

- ***Inflation.*** With 58 percent of the solid waste revenue requirements determined by the four major operating contracts and their inflation clauses, even relatively modest inflation will have important effects on costs. During the last two years, the inflation rate affecting the contracts averaged only 0.4 percent per year. This year, the inflation index was up 2.8%, translating into a $1.30 increase in the tonnage charge.
- ***Reduction of underspend allowance.*** The proposed FY 2012-13 rates are designed to recover a larger proportion of next year's budget than in recent years. This change in practice accounts for $0.78 of the increase in the Regional System Fee. Explanation. In conventional metropolitan utility rate making, the dollars to be raised by rates ("revenue requirement") is typically equal to the net cash flow needed for the budget. However, in recent years, Metro's solid waste rates have been set to *expected expenditures* rather than the budget. The reason? Actual expenditures by some centers and services have historically been materially less than their adopted budgets. Therefore, rates would have been higher – and unplanned over collection greater – if the rates had been set to recover the budget. The difference between budget costs and the revenue requirement is termed an "underspend allowance." This year, the underspend allowances were reduced, consistent with this year's tighter budgeting practices. However, even though the FY 2012-13 budget requests from some solid waste

[4] This is because each rate is *net cost* divided by *tonnage* (or transactions). So the math dictates that rates rise when tonnage drops, even when costs remain the same.

centers and services are down from their adopted FY 2011-12 budgets, the actual revenue requirement is up from the underspend-adjusted requirement of previous years.[5]

- ***Transport cost***. Under last year's amendment to the trucking contract, Metro receives a rebate if tonnage to Columbia Ridge Landfill exceeds 500,000 tons during the year, and pays a bonus to the contractor if tonnage falls below 475,000 tons. Because staff expects to ship about 409,000 tons next year, Metro will pay a bonus of $263,000, which accounts for $0.64 of the tip fee increase.
- ***Fuel***. Under Metro's waste transport arrangements, every 25 cent per gallon increase in the price of fuel bumps the tip fee by 50 cents per ton. The FY 2012-13 fuel price assumption is $3.50 per gallon, up 25 cents from FY 2011-12[6], so fuel accounts for $0.50 of the increase in the tip fee. If fuel prices turn out higher than the budget assumption, the solid waste operating contingency is positioned to cover fuel prices as high as $5.50 per gallon.
- ***General & Administrative.*** Overall, interfund service transfers would be down from FY 2011-12 but for a new $332,500 charge for the Metro website ("Web Conversion Project"). As a result, transfers are up by a net $238,000 from FY 2011-12, translating to a $0.24 increase in the Regional System Fee. (These figures exclude a $1.376 million transfer to the General Fund for centralized education functions. This cost remains allocated directly to Resource Conservation & Recycling where the education functions were formerly budgeted directly.)
- ***Metro excise tax***. The excise tax component of the tip fee will rise from $11.80 per ton to $12.19, accounting for $0.39 of the increase in the tip fee. The excise tax rate is established automatically through a mechanism set forth in Metro code chapter 7.01 unrelated to solid waste costs or this ordinance.
- ***Mitigating effects***. As explained earlier in this staff report, the COO proposes to begin recovering a portion of fixed costs from recoverable solid wastes, and to begin charging transaction fees on compostable waste. Without these measures, the Tonnage Charge component of the tip fee would be 56 cents higher ($3.56 vs. the proposed $3.00), the staffed-scale Transaction Fee would be $1.50 to $2.00 higher ($13.50 to $14.00 vs. the proposed $12), and the automated-scale Transaction Fee would be $1 higher ($4 vs. the proposed $3).

Tonnage effects and a variety of other, smaller cost changes combine to round out the net increase to the tip fee. These factors are summarized in Table 6.

Table 6. Factors Contributing to the Tip Fee Increase

Factor	Effect
Inflation in the major contracts*	$1.30
Reduction of the underspend allowance	0.78
Effect of the transport contract amendment	0.64
Fuel price (transport to the landfill)	0.50
General & administrative costs (mainly website)	0.24
Metro excise tax	0.39
Tonnage reduction and misc. cost changes	0.46
Net increase	**$4.31**

* For transfer station operation, transport and disposal.

[5] Underspend allowances have ranged from zero to 15 percent, depending on the program. Last year the allowances totaled $1.24 million – meaning the FY 2011-12 rates were designed to recover $1.24 million less than net budget expenditures. This year a 5 percent allowance is set against only one center, amounting to $369,000.

[6] The FY 2011-12 budget assumption was $3.25 per gallon. The year-to-date average is $3.23. Metro pays wholesale prices for diesel fuel, and is exempt from paying the Federal excise tax (the latter saving about 24½ cents per gallon).

SECTION IV. INFORMATION/ANALYSIS

1. **Known Opposition**. There is no known opposition. Rather, the solid waste stakeholders contacted by staff are supportive of Metro's move away from subsidized recoverable solid waste rates, and agree that the rates should reflect the cost of service as a matter of policy.

   However, changes to Metro's solid waste rates trigger reviews of collection rates in most local governments. In recent years, and last year in particular, questions over Metro's excise tax arose at some of these review hearings, and with no one present to represent the facts, the discussions often took uncontrolled turns. The rate hearing before the City of Tualatin, as reported in the Portland Tribune, is illustrative: www.portlandtribune.com/news/story.php?story_id=130516081419936400. If this ordinance is approved, Metro should use the next three months to work actively with local jurisdictions to ensure they understand the reasons and effects of Metro's rates on the solid waste system, and on their local collection costs in particular. This effort is especially useful for local jurisdictions that have no solid waste experts on staff to advise elected officials and other decision makers.

2. **Legal Antecedents**. Metro's solid waste rates are set forth in Metro Code Chapter 5.02. Any change in these rates, or the provision governing those rates, requires an ordinance amending Chapter 5.02. Metro reviews solid waste rates annually, and has amended Chapter 5.02 when changes are warranted. The proposed FY 2012-13 rates comply with the restriction set forth in Chapter III, Section 15 of the Metro Charter limiting user charges to the amount needed to recover the costs of providing goods and services.

   The excise tax rate is established automatically by a passive mechanism set forth in Metro Code sections 7.01.020 and 7.01.022 and does not require annual council action. Metro Code subsection 7.01.020(e)(1) requires council action to set an effective date for the tax rate if different from September 1.

3. **Anticipated Effects**: If adopted, this ordinance would raise the tip fee and reduce the size of load subject to the minimum charge at Metro transfer stations. The ordinance would also raise the Regional System Fee, which is levied on all disposal including waste delivered to Metro transfer stations, mass burners and privately-owned landfills, regardless of where these disposal sites are located. Ratepayer effects were addressed in a previous section of this report.

   If adopted, this ordinance would also establish tip fees for recoverable solid waste that recover the cost of service, after several years of subsidized rates with a mixed record of policy successes. This change will reduce upward cost pressure on Metro's rates for mixed solid waste, and should improve the economic environment for private investment in recycling infrastructure including organics processing capacity.

4. **Budget Impacts.** The rates established by this ordinance are designed to raise $50.8 million in enterprise revenue from solid waste as required by the proposed FY 2012-13 budget. The expected FY 2012-13 revenue from these rates is reflected in the proposed budget.

RECOMMENDATION

The Chief Operating Officer recommends adoption of Ordinance No. 12-1277.

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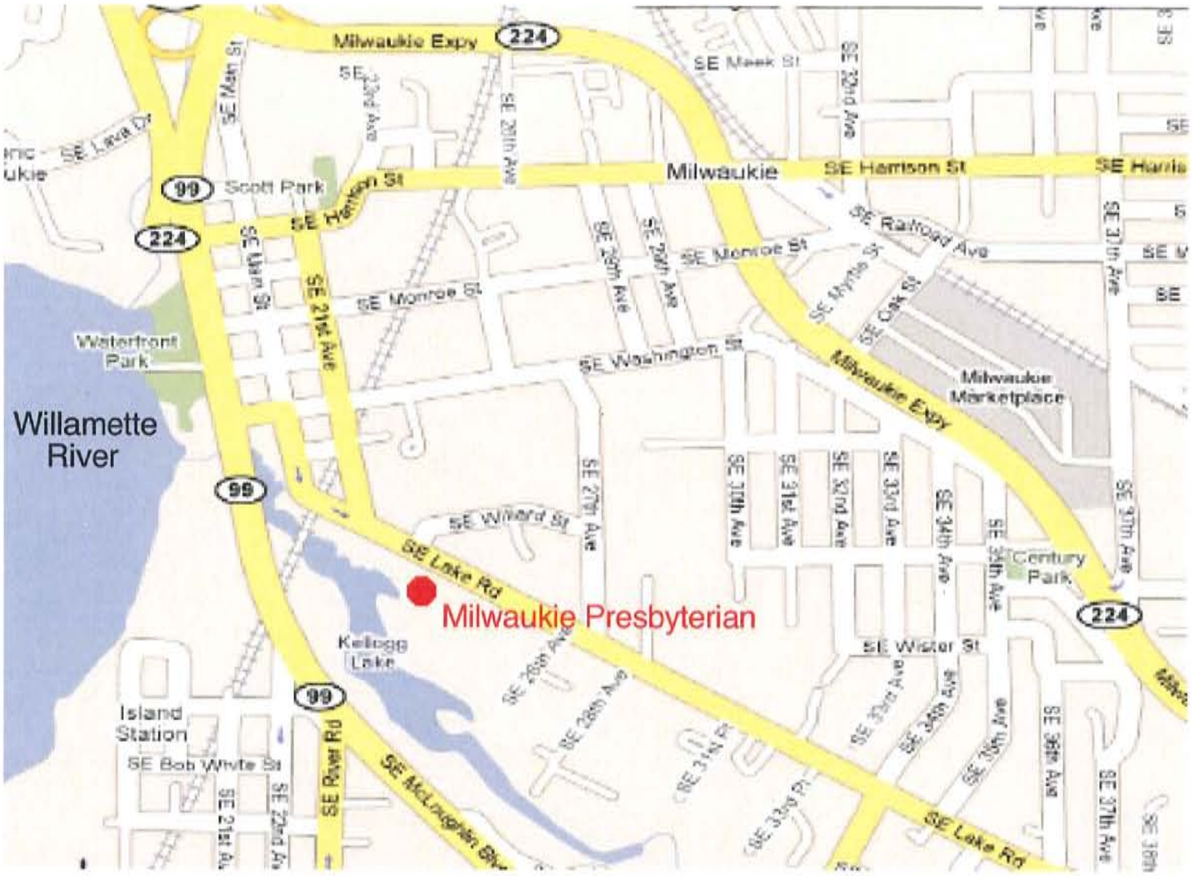

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