Smith and Bybee Wetlands Natural Area Management Committee

Dave Helzer, Chair

METRO
600 NE Grand Ave.
Portland, OR 97232-2736

Smith and **Bybee Wetlands Management Committee Meeting**

5:30 p.m. - 7:00 p.m., Tuesday, March 22, 2011
Metro Regional Center, 600 N E Grand Ave., Room 370
Portland, Oregon 97232

AGENDA

(Amended)

Welcome and introductions	(Dave Helzer)	5:30 – 5:35 pm
Approve February's meeting notes	(Dave Helzer)	5:35 – 5:40 pm
Continue Comprehensive Natural Resources Plan (financial strategy, recreation)	(Dave Helzer, Janet Bebb)	5:40 – 6:45 pm
General updates (Merit Oil, etc.)		6:45– 7:00 pm
Adjourn		7:00 pm

MEETING SUMMARY
Smith and Bybee Wetlands Management Committee
March 22, 2011

In Attendance:

Troy Clark *.............................Audubon, Vice Chair
Larry Devroy *.........................Port of Portland
Patt Opdyke*............................N. Portland Neighborhoods
Dan Kromer* ....Metro Parks & Environmental Services
Dale Svart*...............................Friends of Smith & Bybee Lakes
Pam Arden* ....40 Mile Loop Trust
Sara Henderson* ....St. Johns Neighborhood Association
Eric Tonsager*.........................Oregon Bass and Panfish Club
Dan Moeller ....Metro Sustainability Center
Paul Vandenberg......................Metro Parks & Environmental Services
Phyllis Cole..............................Metro Parks & Environmental Services
Janet Bebb................................Metro Sustainability Center
Jonathan Soll............................Metro Sustainability Center
Brian Kennedy ....Metro Finance
Francie Royce ....North Portland Greenway Trail
Jim Sjulin ....Citizen
Val Humble..............................Citizen

* Denotes voting SBWMC member

The meeting was called to order at 5:35 p.m., and introductions were made.

Approve February Meeting Notes

There was a motion to accept the meeting summary notes by Patt Opdyke and seconded by Dan Kromer. The motion passed without amendment.

Continue Comprehensive Natural Resources Plan (financial strategy)

Janet Bebb introduced Brian Kennedy, the Metro Finance Manager for Parks and Environmental Services and Sustainability, and handed out

Janet stated that costs are greater than what is being spent today, and how this might impact the Smith Bybee Wetlands Fund. The Fund interest only has essentially been touched to date; a different approach is being entertained for the next 10 years, since it is currently generating only one half of 1% interest. Janet handed out a copy of a proforma, "Potential Use of the Wetlands Fund" (attached). It is projected to cost $1.5 million to accomplish in 10 years the restoration work detailed in the CNRP. Some of the work ($500,000 to $600,000) can be funded by landfill closure funds, and a comparable amount would need to come from other sources.

The Fund had $2.6 million when Metro took it over, and was at $3.8 million at beginning of the fiscal year in July, 2010. It is anticipated that the Fund will be at $3.6 million on July 1, 2011.

Proposed budgetary information for 3 scenarios was presented in the proforma:

1. For every dollar we spend we get one dollar from grant revenue
2. For every dollar we spend we get fifty cents from grant revenue.
3. No grant revenue is generated.

In Brian's opinion the second option appears to be most realistic.

Troy questioned why there is a starting assumption in the proforma that there will be a drop to $2.6 million after 10 years. Jonathan shared that varying amounts of interest earned have not covered the

cost of maintaining programs. The new plan includes some moderately aggressive scenarios; the question is whether the Committee chooses to support spending the funds to reach these goals.
When it was mentioned that a total of $250,000 was taken from the Fund's principle this past year Troy was concerned that the Committee was not apprised of this expenditure. Jonathan responded that the Committee had made a decision to fund the NCMP, and use of Fund monies for staff positions was decided at the highest level. James Davis, natural resource technician, received 50% of his salary from the Fund, and Elaine Stewart received a smaller percentage. Without this use of monies from the Fund the positions would have been cut.
Patt recalled that a provision was inserted in the new policies that the Committee would be informed each year of the annual fund budget, annual work plan and annual work plan budget.
Patt commented on the value of exploring about different funding strategies.
Brian reiterated that there is not enough money to pay for projects with interest earnings and grant revenue, and that a lot hinges on the success of raising grant monies.
There are also capital projects and maintenance projects; and a partial match will be sought for these.
Jonathan Soll stated that with Metro's economic situation we are losing ground; some Committee members are already unhappy with the level of maintenance and restoration currently being done, and less funding will exacerbate this situation.
If we want to achieve something big, we will need to take a bold, slightly risky step and invest in what is written in the NRMP.
If we don't move we'll continue to lose ground, and this includes ecological ground. Completing a small amount of work at a time is often not the most cost effective way to get things done. The example was given of front-loading efforts in projects like invasives eradication, and how spending more at the beginning ends up costing less in the long run.
Patt asked if habitat improvements would be included in the $1.5 million. Janet shared that top priorities would be covered by this amount; each habitat type is looked at in terms of cost.
Janet reported that an annual budget report would be shared with the Committee each year.
An interest projection of 4.5% at the end of 10 years is factored into the proforma, Brian said.
Jim Sjulin brought up Metro's stability. He asked what would happen down the line after the economy improves. Would Metro be able to pick up funding again from other sources? Brian thought not, partly because a significant portion of Metro's revenue comes from excise taxes from solid waste, and this number is shrinking. He anticipates five years of austerity, and a moderate improvement after that.
Janet shared that the Port and City of Portland may well see the amount of money in the Fund and feel they are not needed for fiscal assistance. Jonathan Soll added that although Smith Bybee is an important natural resource, when foundations see an urban natural area with a healthy fund they are less likely to feel that their assistance is need.
The Oregon Watershed Enhancement Board is a potential source of funding over the next 10-years; several $150,000 grants might be available, especially if matching funds are part of the scenario.
It is proposed that Metro leverage funds through grant writing, and each year review the Fund to assess its health, with the intention to stay above a $2.6 million balance. Janet asked for different ideas if the Committee as a group is uncomfortable with this balance amount.
Patt asked if the Port and City of Portland would consider increasing collaborative efforts with Metro. Larry said that from the Port's perspective, funding for projects of less than $100,000 is possible, but grants will need to be well crafted and very specific in scope.
Mid course corrections could be made.

Patt asked that if we address Tier 1 priorities and successfully achieve them, is it anticipated that the situations in Tier 2 will be sufficiently drastic enough in 10 years to require another expensive fix.
Jonathan responded that Tier 1 projects are the big cost drivers, and he felt that after 10 years it wouldn't be that drastic.
Troy said that with $100,000 in annual costs and with no improvements at all, the costs would be a million dollar in 10 years and nothing would have been achieved.
Jonathan said that if the current level of staff involvement at Smith-Bybee can be maintained, and opportunities are taken to leverage dollars, techs will be able to spend their time holding the line, or moving the line forward.
Brian said direction from Metro that this year is a hold-the-line budget, and that staff positions paid from the fund would be cut were this arrangement no longer available.
Patt asked that since there is a certain pot of money, do we make calculated risks or hold status quo.
Janet Bebb reminded the Committee of their indication of support for a grant writing function.
Dale asked if there were a middle ground somewhere, where we keep positions, hold the line and take grants if they come up. This could generate more serious annual decisions.
Jonathan said that fixed costs (bathrooms, etc) are drawing down principle. So not spending more than interest income is not enough; there would be painful cuts. The Metro Council will ultimately make the decision.
Troy asked about direct management cost from Metro to manage the Fund. Jonathan said he would look into it before next meeting. Jim said that it was an issue for several years.
Janet asked each Committee member to weigh in with their thoughts.
Pam Arden: She understands leaving something in the fund, and doesn't find $2.6 million unreasonable. Grant writing expertise will be needed.
Sara Henderson: She agrees with Pam, that this plan would be beneficial to the health of Smith-Bybee, and that it would be wise to move forward.
Dale Svart: He would like to find a middle place. He has been in Friends of Smith Bybee for nine years. If the financial situation hasn't improved in 10 years what would happen then? Grants are important, but he is not comfortable with giving a specific amount that the Fund could be drawn down to.
Dan Kromer: He likes Option 2. Metro has done a good job with the fund; what are we waiting for? We spent $70,000 to generate a new plan; let's use this resource.
Patt Opdyke: She agrees with Dan. Grants require matches, she supports investing in the future. There are no assurances of what will happen, but if we invest wisely, and build in the concept of effective, strong management that provides oversight and pushback when needed, we'll be as well prepared as possible.
Larry Devroy: He likes Option #2, but wants to be more in touch with what is planned, especially knowing the cost of specific projects before they occur. Front end loading a good idea; deal aggressively with an issue in the beginning and cost will go down over time. There will be a big initial dip in the principle, but we have the Fund.
Troy Clark: He is really uncomfortable taking the Fund down to $2.6 million; fixed expenses would take it down a million each year until all is gone. He read that the initial fund amount was $3.1 million, not $2.6 million. The term "in perpetuity" was brought up. Regardless of how high interest goes it won't match the fixed costs. Brian and Troy discussed this.
Jonathan Soll: Troy is right; if we assume a certain level of fixed costs and do not raise money, there will be a drop in the Fund. The Fund grew because Metro paid for staff costs, plus there were high returns during some years. It is Metro's intention to implement goals with the

awareness that the Fund will decrease at first. Let's try and meet the goals by spending some of this money.
Pam asked about bond measures. Metro has bought properties; is it fair for Metro to make Smith Bybee pay for operations when the other properties don't have funds?
Brian answered that admission from parks goes to programs, that home and agricultural leases bring in money, and that the funding picture for parks and natural areas is complicated.
The Committee was reminded that the Port, the City of Portland and Metro are co-owners of the 2000 acres in the Smith Bybee Wetlands area.
Dale reminded the Committee that the Fund exists because of inequity put on North Portland by the landfill.
Eric Tonsager: As a businessman he favors a conservative approach, but acknowles the need to spend money to make money. Certain fund managers could see the Fund as showing no effort to do things on our own. Spend the money to hit the issues hard at the start.
Janet then asked for comments from the non-Committee member present.
Jim Sjulin: The Fund has done great job for the parks system. When he was on the Committee it wasn't imagined that the Fund would be the only source of monies going forward. Strategically it's not smart to have the Fund balance get too big; it is better to say that we're making an investment and ask other entities to join us. It is prudent to make an investment; it makes sense.
Francie Royce: Spend some of the fund to make the impact. Larger impact at beginning lowers cost down the road. This document is a pro forma, not a budget. More will be spent the first few years.
Janet will catch up with Lynn Barlow, Susan Barnes and Dave Helzer.
She asked how to the Committee would like to craft this conversation into a 10-year perspective.

The question was raised on how to proceed with the agenda. It was decided that a 2-hour meeting in April could address the recreational aspects of the plan as well as the monitoring segment.

General updates

Merit Oil Update
Recology – Dale and Sara attended the public hearing, and shared that DEQ gave a more thorough presentation than they did at the Committee meetings.
DEQ reported they were planning to remove less hot spot material than was stated at the Metro Smith Bybee Management Committee meeting.
JB Hunt leases land adjacent to the west as a lot for truck parking, and attorneys and consultant are not happy with DEQ; they were not informed of the problem. There is an oil plume under their site, and Dale felt a different process will need to take place or there might be litigation.
Burlington Northern was there, part of the removal is on their property and they were not notified either. Mark Pugh is going to keep Dale informed about next steps.
Patt asked about the Tree Ordinance hearing letter, of March 9. Janet said the Tree Ordinance has become somewhat fractured, but the CNRP has been approved and should be effective July 2012or July 2013.
Eric spoke to Boaters Regulations says Smith Bybee is cleared for electric motors.
Troy said that this was called out in the update.

The meeting was adjourned at 7:04.

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Attachments

Potential Use of the Wetlands Fund

March 22, 2011

Restoration costs to meet the conservation targets are estimated at $1.5 million over 10 years. Staff has developed three scenarios. All of the scenarios have a base objective of not letting the fund go below $2.5 million. All of the scenarios also include $650,000 from the landfill fund over ten years for restoration work.

Scenario 1

This scenario assumes that Metro and the committee will be very successful in obtaining grants for restoration work and for every dollar spent from the fund, Metro will receive a dollar in grant funds. This scenario is very optimistic, and may be a good aspiration but will be difficult to realize.

Scenario 2

This scenario assumes that for every dollar spent from the Smith Bybee Wetlands Fund, we will receive .5 cents in grant funds. Staff considers this to be a very realistic scenario and it keeps the fund above the target of $2.5 million over the year period.

Scenario 3

This scenario assumes that Smith Bybee Wetlands receives no grant funds. This is not considered to be realistic, but it highlights that with current revenues, the Wetlands Fund could only fund approximately $1,000,000 in restoration and capital works over 10 years. In this scenario, the only resources available for restoration work are interest earnings and contributions from the landfill fund. The low interest earnings mean that in this scenario, the restoration work identified in the NRMP cannot be completed in ten years.

Scenario 1: 1:1 Grant Leverage

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Beginning Fund Balance	3,817,257	3,677,611	3,531,455	3,396,124	3,270,013	3,151,633	3,104,579	3,064,454	3,030,660	3,002,659
Grants	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000
Landfill Closure Contribution	32,500	32,500	32,500	32,500	32,500	97,500	97,500	97,500	97,500	97,500
Interest	19,086	18,388	35,315	50,942	65,400	78,791	93,137	107,256	121,226	135,120
Total Resources	3,943,843	3,803,499	3,674,270	3,554,566	3,442,913	3,402,923	3,370,216	3,344,210	3,324,386	3,310,278
NRMP Implementation	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Metro Direct Costs	116,232	122,044	128,146	134,553	141,281	148,345	155,762	163,550	171,728	180,314
Total Expenditures	266,232	272,044	278,146	284,553	291,281	298,345	305,762	313,550	321,728	330,314
Ending Fund Balance	3,677,611	3,531,455	3,396,124	3,270,013	3,151,633	3,104,579	3,064,454	3,030,660	3,002,659	2,979,964

Scenario 2: Most Likely

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Beginning Fund Balance	3,817,257	3,640,111	3,456,268	3,282,685	3,117,372	2,958,439	2,869,055	2,784,365	2,703,267	2,624,670
Grants	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500
Landfill Closure Contribution	32,500	32,500	32,500	32,500	32,500	97,500	97,500	97,500	97,500	97,500
Interest	19,086	18,201	34,563	49,240	62,347	73,961	86,072	97,453	108,131	118,110
Total Resources	3,906,343	3,728,312	3,560,831	3,401,925	3,249,719	3,167,400	3,090,127	3,016,817	2,946,398	2,877,781
NRMP Implementation	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Metro Direct Costs	116,232	122,044	128,146	134,553	141,281	148,345	155,762	163,550	171,728	180,314
Total Expenditures	266,232	272,044	278,146	284,553	291,281	298,345	305,762	313,550	321,728	330,314
Ending Fund Balance	3,640,111	3,456,268	3,282,685	3,117,372	2,958,439	2,869,055	2,784,365	2,703,267	2,624,670	2,547,467

Scenario 3: No Grant Revenue

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Beginning Fund Balance	3,817,257	3,652,611	3,481,330	3,320,498	3,168,252	3,022,837	2,947,563	2,877,728	2,812,398	2,750,666
Grants	-	-	-	-	-	-	-	-	-	-
Landfill Closure Contribution	32,500	32,500	32,500	32,500	32,500	97,500	97,500	97,500	97,500	97,500
Interest	19,086	18,263	34,813	49,807	63,365	75,571	88,427	100,720	112,496	123,780
Total Resources	3,868,843	3,703,374	3,548,644	3,402,805	3,264,117	3,195,908	3,133,490	3,075,948	3,022,394	2,971,946
NRMP Implementation	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Metro Direct Costs	116,232	122,044	128,146	134,553	141,281	148,345	155,762	163,550	171,728	180,314
Total Expenditures	216,232	222,044	228,146	234,553	241,281	248,345	255,762	263,550	271,728	280,314
Ending Fund Balance	3,652,611	3,481,330	3,320,498	3,168,252	3,022,837	2,947,563	2,877,728	2,812,398	2,750,666	2,691,632

Proforma to illustrate sample 10-year fund strategies

The numbers on this spreadsheet are examples and do not represent any proposed budgets.

Each year an annual budget will be developed that includes staff, restoration and capital expenditures.

The purpose of this spreadsheet is to illustrate the potential of the Wetlands Fund to leverage grants and to illustrate Fund balance at the end of 10 years.

prepared by Brian Kennedy
March 22, 2011

Definition of Terms

Beginning Fund Balance	This is the principal balance of the Smith Bybee Fund estimated to be available at the beginning of the fiscal year.
Grants	These are estimates for payments from other government agencies or non-profits. They are typically designated for specific projects.
Landfill Closure Contribution	It is anticipated that the Landfill Closure Account for the St. Johns Landfill will be able to be used to pay for some of the restoration activites at Smith Bybee. This is an estimate of those amounts.
Interest	Interest earnings are applied to the fund based on the principal balance of the fund. Funds are invested according to Metro's Investment Policy and overseen by the Metro Investment Advisory Board.
Ending Fund Balance	This is the principal balance of the Smith Bybee Fund estimated to be available at the end of the fiscal year.
NRMP Implementation	This is a placeholder for expenses relating to the implementation of the Natural Resource Management Plan.
Metro Directo Costs	These are costs for Metro staff that support Smith Bybee. It includes portions of salary and benefits for a staff scientist, park ranger, and operations staff.