



600 NE Grand Ave.
Portland, OR 97232-2736

Council meeting agenda

Thursday, March 21, 2019

2:00 PM

Metro Regional Center, Council chamber

REVISED 3/20

1. Call to Order and Roll Call

2. Safety Briefing

3. Public Communication

4. Presentations

4.1 Information Security and Technology Audit Presentation [19-5182](#)

Presenter(s): Brian Evans, Metro

Attachments: [Audit Highlights](#)
[Audit Report](#)

5. Consent Agenda

5.1 Resolution No. 19-4970, For the Purpose of Authorizing Metro to Apply for a Local Government Grant from the Oregon Parks and Recreation Department and Delegating Authority to the Parks and Nature Director to Sign the Application

[RES 19-4970](#)

Attachments: [Resolution No. 19-4970](#)
[Staff Report](#)

5.2 Considerations of the Council Meeting Minutes for March 14, 2019

[19-5185](#)

6. Ordinances (Second Reading)

6.1 Ordinance No. 19-1433, For the Purpose of Adopting Solid Waste Charges and User Fees for FY 2019-20

[ORD 19-1433](#)

Presenter(s): Cinnamon Williams, Metro

Attachments: [Ordinance No. 19-1433](#)
[Staff Report](#)
[Attachment 1 to Staff Report](#)

7. Resolutions

- 7.1 Resolution No. 19-4967, For the Purpose of Amending the [RES 19-4967](#)
FY 2018-19 Budget and Appropriations Schedule and FY
2018-19 Through FY 2022-23 Capital Improvement Plan
to Provide for a Change in Operations

Presenter(s): Lisa Houghton, Metro

Attachments: [Resolution No. 19-4967](#)
[Exhibits A & B to Resolution No. 19-4967](#)
[Staff Report](#)
[Attachments 1-5 to Staff Report](#)

- 7.2 Resolution No. 19-4975, For the Purpose of Approving the [RES 19-4975](#)
City of Beaverton's Request for a Phase I Project Concept
Endorsement for the Mary Ann Apartments

Presenter(s): Emily Lieb, Metro

Attachments: [Resolution No. 19-4975](#)
[Exhibit A to Resolution No. 19-4975](#)
[Staff Report](#)

8. Chief Operating Officer Communication

9. Councilor Communication

10. Adjourn

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ការគោរពសិទ្ធិពលរដ្ឋរបស់ ។ សំរាប់ព័ត៌មានអំពីកម្មវិធីសិទ្ធិពលរដ្ឋរបស់ Metro ឬដើម្បីទទួលបានកម្មប្រណាំងរើសអើងសម្រាប់សេវាសេវាសេវា www.oregonmetro.gov/civilrights។ បើលោកអ្នកត្រូវការអ្នកបកប្រែភាសានៅពេលអង្គប្រជុំសាធារណៈ សូមទូរស័ព្ទមកលេខ 503-797-1700 (ម៉ោង 8 ព្រឹកដល់ម៉ោង 5 ល្ងាច ថ្ងៃធ្វើការ) ប្រាំពីរថ្ងៃ មុនថ្ងៃប្រជុំដើម្បីអាចឲ្យគេសម្រួលតាមសំណើរបស់លោកអ្នក ។

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Agenda Item No. 4.1

Information Security Audit Presentation

Presentations

Metro Council Meeting
Thursday, March 21, 2019
Metro Regional Center, Council Chamber

Information Security & Technology: Strengthen governance to protect data and investments

Why this audit is important

Metro uses information technology (IT) to collect, process, and maintain data to support operations and decision-making. IT can make Metro services more efficient and convenient to customers, but can also pose risks to information security. Information security protects information and information systems from unauthorized access, use, disclosure, disruption, modification, or destruction.

The audit objective was to determine if Metro’s governance structure was effective for managing information security risks by examining three areas: surveillance camera usage, payment card data protection, and cloud computing applications.

Effective governance ensures risks and resources are managed efficiently. Authority, processes and planning, and oversight are categories of effective governance.

Surveillance camera



Source: Metro Auditor’s Office photo of surveillance camera at Metro Regional Center.

What we found

Stronger governance would help Metro better manage information technology (IT) investments and information security risks. Some governance best practices were in place. However, they were not designed or carried out to effectively manage IT resources. Metro also had some practices in place to manage information security risks, but there were deficiencies that weakened the agency’s ability to protect the availability, confidentiality, and integrity of data in each of the areas we reviewed. We found:

- Metro lacked governance for surveillance camera usage.
- Governance was ineffective to achieve Metro’s goal of being compliant with Payment Card Industry (PCI) Standards.
- Governance of cloud computing would benefit from more thorough contract language and adherence to Metro’s policy.

Metro had some governance best practices partially in place to manage IT investments and information security risks

Area	Governance best practices in place		
	Authority	Processes and planning	Oversight
IT investments	◐	◐	○
Surveillance cameras	◐	◐	○
Payment security	◐	◐	◐
Cloud computing	◐	◐	◐

● = Fully in place ◐ = Partly in place ○ = Not in place

Source: Metro Auditor’s Office analysis of documentation and interviews related to each area.

What we recommend

We recommended Metro improve IT governance by developing a strategic plan and establishing a governance structure to oversee its implementation. We also made several recommendations to improve information security governance. Metro should develop policies and procedures for surveillance cameras, take actions to comply with PCI standards, and include more detailed language in cloud computing contracts. Metro should also publish a list of cloud storage providers and develop a long-term plan for cloud technology.



Information Security and Technology:

Strengthen governance to protect data and investments

March 2019
A Report by the Office of the Auditor

Brian Evans
Metro Auditor

Simone Rede
Senior Management Auditor

Zane Potter
Senior Management Auditor

Metro Accountability Hotline

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The Hotline is administered by the Metro Auditor's Office. All reports are taken seriously and responded to in a timely manner. The auditor contracts with a hotline vendor, EthicsPoint, to provide and maintain the reporting system. Your report will serve the public interest and assist Metro in meeting high standards of public accountability.

To make a report, choose either of the following methods:

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File an online report at www.metroaccountability.org



Brian Evans

Metro Auditor

600 NE Grand Ave

Portland, OR 97232-2736

TEL 503 797 1892, FAX 503 797 1831

MEMORANDUM

March 13, 2019

To: Lynn Peterson, Council President
Shirley Craddick, Councilor, District 1
Christine Lewis, Councilor, District 2
Craig Dirksen, Councilor, District 3
Juan Carlos Gonzalez, Councilor, District 4
Sam Chase, Councilor, District 5
Bob Stacey, Councilor, District 6

From: Brian Evans, Metro Auditor

BE

Re: Audit of Information Security and Technology

This report covers our audit of information security and technology. Metro uses information technology (IT) to collect, process, and maintain data to support operations and decision-making. IT can make Metro services more efficient and convenient to customers, but can also pose risks to information security. The purpose of this audit was to determine if Metro's governance structure was effective for managing information security risks by examining three areas: surveillance cameras usage, payment card data protection, and cloud computing applications. The audit was included in the FY2017-18 Audit Schedule.

We found that stronger governance was needed to manage IT investments and information security risks. Governance refers to the structures, systems, and practices an organization has in place to determine its strategic direction, oversee implementation of its work, and measure and report on performance. Effective governance ensures risks and resources are managed efficiently.

Some governance best practices were in place. However, they were not designed or carried out to effectively manage IT resources. Metro needed more strategic direction and oversight to govern surveillance camera usage. Despite having some aspects of best practices in place, efforts to address the risk of noncompliance with Payment Card Industry requirements have not been successful. Overall, we found Metro could improve its governance of cloud computing contracts through improved contract language. We also found that Metro needed to follow its information security policy and develop a long-term plan for cloud computing technology.

We have discussed our findings and recommendations with Andrew Scott, Deputy Chief Operating Officer and Rachel Coe, Director of Information Services. A formal follow-up to this audit will be scheduled within five years. I would like to acknowledge and thank all employees who assisted us in completing this audit.

Summary

Metro uses information technology (IT) to collect, process, and maintain data to support operations and decision-making. IT can make Metro services more efficient and convenient to customers, but can also pose risks to information security. Information security protects information from unauthorized access, use, disclosure, modification, or destruction.

We found that stronger governance was needed to manage IT investments and information security risks. Effective governance ensures risks and resources are managed efficiently. Elements of effective governance can be organized into three interrelated categories:

- **Authority** includes the establishment of policies and committees, as well as management of contracts and agreements.
- **Processes and planning** includes strategic plans and operating procedures.
- **Oversight** includes performance measurement and reporting.

Management of Metro's IT environment is dispersed between Information Services (IS) and other departments across Metro. IS generally supports application development and maintenance. Some applications are primarily managed by other departments.

Our review of Metro's management of IT investments found some governance best practices were in place. However, the elements Metro had were not designed or carried out to effectively manage IT resources. This reduced Metro's ability to identify IT projects that would have the biggest impact on agency goals. Shared responsibility for managing IT gave IS less authority. This made it more important for interdepartmental collaboration to get input on IT purchases.

Metro also followed some best practices to manage information security risks. Our review of surveillance camera usage, payment card data protections, and cloud computing showed Metro had some best practices in place. However, there were deficiencies that weakened the agency's ability to protect the availability, confidentiality, and integrity of data.

Metro needed more strategic direction and oversight to govern surveillance camera usage. Despite having some aspects of best practices, efforts to address the risk of noncompliance with Payment Card Industry (PCI) Standards have not been successful. We found Metro could improve its governance of cloud computing through improved contract language and implementation of its information security policy.

We recommended Metro improve IT governance by developing a strategic plan and establishing a governance structure to oversee its implementation. We also made recommendation to improve information security governance.

Background

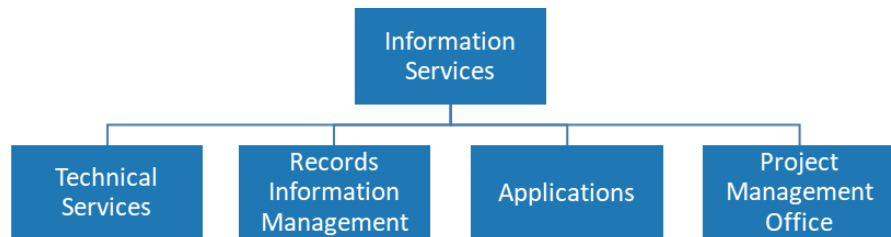
Metro uses information technology (IT) to collect, process, and maintain data to support operations and decision-making. IT refers to assets such as hardware, software, and networks. It includes the people that work with these technologies and the information that is stored, processed or produced by those systems. Technology has become increasingly critical to business and government organizations due to growing expectations from the public. IT has become a part of everyday life as society has shifted to a knowledge-based economy.

The use of IT can make Metro services more efficient and convenient to its customers, but can also pose risks to information security. Information security protects information and information systems from unauthorized access, use, disclosure, disruption, modification, or destruction. Metro departments and authorized users must protect information kept by Metro that relates to its finances and personnel, as well as information provided by Metro customers to access services. Any data that could potentially identify a specific individual, including information associated with a person who has a credit or debit card, are considered confidential. Metro is also required to manage public records in compliance with applicable laws and regulations.

Management of Metro’s IT environment is dispersed between Information Services (IS) and other departments across Metro. IS generally supports application development and maintenance. Some applications are primarily managed by other departments.

IS consists of four units: Technical Services, Records Information Management (RIM) program, Applications, and the Project Management Office (PMO). Technical Services is responsible for all systems infrastructure, operations and Help Desk services, including all hardware and software to maintain Metro’s network. RIM provides training, guidance, and consultation to Metro departments for managing public records. Applications is responsible for managing agency-wide applications.

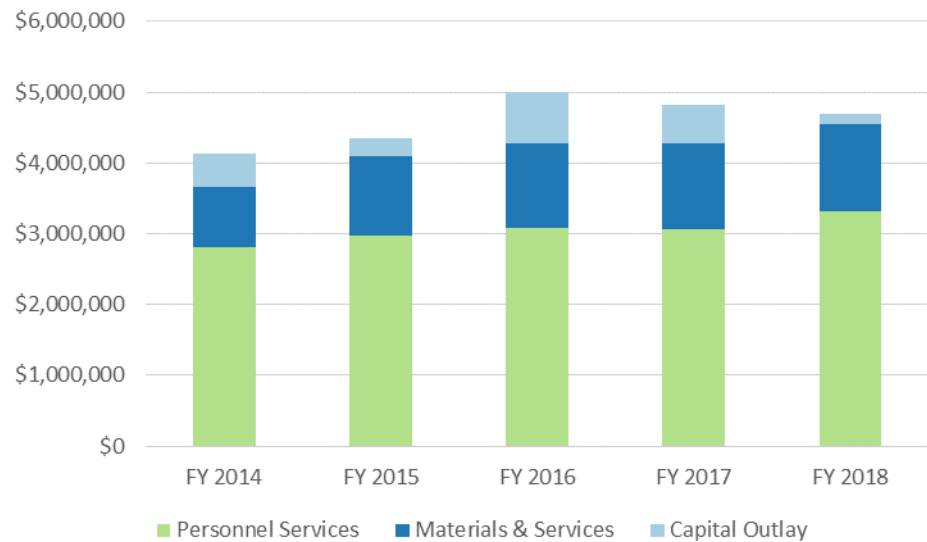
Exhibit 1 Information Services consists of four units



Source: Information Services FY 2017-18 organizational chart.

Expenditures for IS increased by about \$560,000 in the last five years. Spending on Personnel Services, and Materials and Services increased during that time, while spending for Capital Outlay decreased. IS’ Personnel Services budget included 30.5 FTE in FY 2017-18, an increase of 3 FTE compared to five years ago.

Exhibit 2 Expenditures for Information Services increased by 14% from FY 2013-14 to FY 2017-18



Source: Metro Auditor’s Office analysis of PeopleSoft data (adjusted for inflation).

The Metro Auditor’s Office has seen weaknesses in management of Metro’s IT assets and risks over nearly 20 years. In 1999, we identified several areas for improvement, such as developing a comprehensive IT risk management strategy. In 2009, we found Metro was missing some key organizational elements of successful IT management. The IS department’s strategic plan was out of date and had not been fully implemented. Metro also lacked an IT governance body that could prioritize projects and set standards for the agency. We recommended that Metro define the IT process, organization, and relationships. We also recommended creating a strategic plan to gradually improve IT management.

A 2013 follow-up audit found progress was made on recommendations from the 2009 audit. Metro created the IS Project Management Office (PMO) to help plan and prioritize IT projects. The IS department drafted a five-year strategic plan, which provided a description of the values, mission, and goals for the department. The plan also included a detailed list of work activities to implement the plan. The department also used Memorandums of Understanding (MOUs) to outline service level agreements between IS and the departments it served. The agreements described the purpose, background, and goals, as well as time tables and services that were not covered by the agreement. They also described how resources would be allocated and included language to resolve disputes.

However, a recent assessment showed more room for improvement. In 2017, Metro hired a consultant to review critical areas of IT and support for IS and evaluate them against best practices. The assessment found that IS was struggling to provide high-quality service to other departments. It faced obstacles to bringing IT projects to completion and struggled to keep up

with agency demand. Consultants recommended that IS review all outstanding work identified across the agency. This review was expected to be the basis for the IS department's strategic plan. Metro's FY 2018-19 budget included \$150,000 for the completion of the strategic plan.

While the strategic plan may help set IT priorities for Metro, its success will likely depend on the governance structure to implement it. Effective IT governance is important not only for the IS department, but the agency as a whole. We examined three areas of IT to see whether current governance structures were effective for managing information security risks.

Surveillance cameras

Metro used surveillance cameras for both security and operations of facilities. For example, Metro's solid waste transfer stations mostly used the cameras to monitor customer service, safety, contract compliance, and to automate some business activities. At other Metro facilities, surveillance cameras were primarily used for security. For example, both Portland's Centers for the Arts (P'5) and the Metro Regional Center used the cameras to monitor activities outside of the facilities for safety.

In 2016, Metro contracted with a vendor to design and install security improvements at Metro facilities which included surveillance cameras. The aim of the project was to modernize and add surveillance cameras. As of September 2018, the contract had a maximum value of \$2 million. About \$1.3 million in payments was reported to have been spent at that time.

Payment security

Maintaining payment security is required for all entities that store, process or transmit cardholder data. The Payment Card Industry (PCI) Security Standards Council provides guidance for maintaining payment security. The breach or theft of cardholder data can cause customers to lose trust in Metro and subject them to financial loss. Metro and its customers may also pay more for transactions due to fines for noncompliance.

PCI Standards apply to entities that accept or process payment cards. They consist of several requirements. Organizations are either fully compliant or not compliant with all of the requirements. Efforts to address the risk of noncompliance with PCI Standards at Metro began in 2012.

Cloud computing

Cloud computing is the storing and accessing of data and programs over the Internet. Metro uses external service providers for some cloud computing instead of storing data on its own servers or databases. Cloud technology presents opportunities as well as risks. For example, cloud computing can reduce the amount of resources an organization puts towards IT infrastructure and maintenance, but it can also present security concerns for data that is not directly controlled by Metro. When using cloud computing vendors, governments need to protect sensitive data, maintain access to it, and ensure compliance with public records laws.

Results

We found that stronger governance was needed to manage IT investments and information security risks. Governance refers to the structures, systems, and practices an organization has in place to determine its strategic direction, oversee implementation of its work, and measure and report on performance. Effective governance ensures risks and resources are managed efficiently.

Our review of surveillance camera usage, payment card data protections, and cloud computing showed Metro had some practices partially in place to manage information security risks. However, there were deficiencies that weakened the agency’s ability to protect the availability, confidentiality, and integrity of data in each of these areas. We found:

- Metro lacked governance for surveillance camera usage.
- Governance was ineffective to achieve Metro’s goal of being compliant with Payment Card Industry Standards.
- Governance of cloud computing would benefit from more thorough contract language and adherence to Metro’s policy.

Exhibit 3 Metro had some governance best practices partially in place to manage IT investments and information security risks

Area	Governance best practices in place		
	Authority	Processes and planning	Oversight
IT investments			
Surveillance cameras			
Payment security			
Cloud computing			

= Fully in place = Partially in place = Not in place

Source: Metro Auditor’s Office analysis of documentation and interviews related to each area

Stronger governance was needed to manage information technology and security risks

Stronger governance would help Metro better manage information technology investments and information security risks. Elements of effective governance can be organized into three interrelated categories:

- **Authority** includes the establishment of policies and committees, as well as management of contracts and agreements.
- **Processes and planning** includes strategic plans and operating procedures.
- **Oversight** includes performance measurement and reporting.

Our review of Metro’s management of IT investments found some

governance best practices were in place. In 2012, Metro created a committee to review and approve certain IT projects. It included directors from several Metro departments. We were told the committee used a formal process for evaluating and planning projects. The Information Services (IS) department documented its five-year mission-critical efforts. The document identified goals to ensure Metro was investing in and maximizing the use of IT. Metro's organizational structure assigned responsibility for managing IT to IS as well as other Metro departments. This set an expectation for departments to work together to procure and manage IT resources.

However, the elements of governance Metro had in place were not designed or carried out to effectively manage IT resources. In 2015, the prioritization committee was disbanded. We were told the projects it prioritized were not initiated. This reduced Metro's ability to identify IT projects that would have the biggest impact on agency goals.

The mission-critical efforts IS documented were not prioritized. This made them more difficult to deliver. The department engaged in additional strategic planning activities during our audit. This made it hard to tell which goals the department was pursuing to achieve its mission. Shared responsibility for managing IT gave IS less authority. This made it more important for interdepartmental collaboration to get input on IT purchases and reach agreement about who would be responsible for ongoing support of IT systems. For these reasons, governance of IT resources was ineffective.

Metro also followed some best practices to manage information security risks. However, there were deficiencies that weakened Metro's ability to protect information in the three areas we reviewed in this audit.

We found that Metro followed some aspects of best practices for governing security camera usage, such as the development of policies for the retention of surveillance recordings. Retention policies help Metro comply with public records laws and ensure public access to records. The policies document how long each type of recording should be maintained.

Metro followed some aspects of best practices to address the risk of noncompliance with PCI Standards. These include having structures in place to more effectively govern. Policies are one way to provide direction for an organization's activities. We found Metro's information security policy provided direction for protecting cardholder data. It defined cardholder data as confidential and assigned responsibility for securing cardholder data and systems to departments and users. The policy also referenced PCI Standards. These elements helped set clear expectations for protecting cardholder data at Metro.

Committees are another way to provide direction. Metro established an advisory committee to implement and maintain compliance with PCI

Standards in 2015. Committee members represented several areas of Metro. They included Metro’s internal service departments, such as Finance and Regulatory Services and IS, as well as customer-facing departments, like Oregon Convention Center and Oregon Zoo. Including both types of departments helped ensure the need for compliance was considered from diverse perspectives. This approach had the potential to help Metro identify high-risk areas and allocate its resources to address them first.

We found Metro had some policies and guidance to govern cloud computing technology. Policies and guidance can help ensure effective governance by setting clear expectations for employees. Metro’s information security policy required IS to approve use of cloud computing technology in writing. Requiring IS involvement in cloud computing decisions increased the chances that security concerns would be considered before finalizing agreements with outside vendors. It also had the potential to reduce duplication of efforts by creating a list of already approved vendors and relying on IS expertise to evaluate risks.

Additionally, in July 2018 Metro developed guidance for the storage of public records and data in the cloud. This guidance described regulatory compliance considerations, and a process to engage Metro’s subject matter experts when developing requirements for cloud service providers. Using the guidance could limit Metro’s exposure to information security risks. It included a questionnaire to help employees evaluate the vendor’s ability to meet Metro’s security and compliance needs. Best practices state that an organization should have a good understanding of the quality of the service provider before committing to cloud technology.

Metro lacked governance for surveillance camera usage

Metro needed more strategic direction and oversight to govern surveillance camera usage. There were no committees to make decisions about the cameras, or groups to address problems. Metro had not established any performance measures to monitor the effectiveness of the cameras, such as the number of incidents identified or responded to through their use. Processes and plans for camera usage were also underdeveloped.

Metro’s decentralized approach to deploy the cameras contributed to a lack of governance. Departments acquired them independently, which made it difficult to anticipate challenges. They did not work with IS to establish policies and procedures to guide their use. Policies that were in place were site-specific, so they only applied to certain workplaces. This might be appropriate due to operational differences. However, if departments do not share information across departments, they miss opportunities to learn from one another.





















Fair Information Practice Principles (FIPPs) are an approach record-keeping agencies can take to maintain fairness, privacy, and security. Local, federal, and global organizations use them to develop policies and procedures governing the use of personal information. FIPPs are considered key




principles for privacy protection in the U.S. They include:

- Specifying and documenting the purpose(s) for using cameras;
- Providing notice where cameras are used;
- Protecting cameras against unauthorized access; and
- Minimizing storage of footage.

We compared Metro policies and procedures to these principles. Our review focused on sites that invested most in Metro’s recent security improvements. We found policies and procedures were not established to maintain security, privacy, and fairness. Developing policies and procedures that are consistent with these principles could help Metro protect the cameras and the information they collect from unauthorized use.

Exhibit 4 Policies and procedures for surveillance cameras at Metro sites did not fully address key practices

Criteria	Site (estimated number of cameras)			
	A (140)	B (70)	C (39)	D (20)
Specification 				
Notification 				
Protection 				
Minimization 				

 = fully addressed  = partially addressed  = not addressed

Source: Metro Auditor’s Office comparison of Metro policies and procedures to Fair Information Practice Principles (FIPPs).

Some sites did not specify or fully document purposes for which the cameras should be used. This created the opportunity for abuse. It also made holding users accountable more difficult. If users do not know how the cameras ought to be used, they could use them improperly. For example, without clear instruction, cameras intended to secure a building could be used to inappropriately monitor employees.

Some sites did not provide notice that cameras were in use. This could give an advantage to those with access to footage, should there be an investigation or dispute. Employees and the public may not know they are on camera at sites where notice is not provided. This has the potential to limit their ability to access footage, which can be used as evidence during accident or incident investigations, or to resolve disputes. If employees or members of the public

that are under investigation or involved in disputes are unaware that footage exists, they may be less prepared to defend themselves.

Documenting access to footage can help protect the cameras from unintended use. None of the sites we reviewed documented a process for granting access, and only one documented which positions had access. Not documenting processes for granting access can also lead to abuse. This may present reputational or legal risks to Metro, if users take unauthorized action, or action based on unauthorized access to footage. At Metro, security and facilities personnel primarily had access, but there were cases where footage was shared with other positions. Some employees could access footage from home, or other sites. In some cases, footage could be viewed by passers-by because it was not in a secure part of the building.

Documented processes for sharing footage can also protect the cameras from unintended use. Only one site had one. This helped ensure footage was only shared for specified purposes, and with those who had authorized access.

In one case, footage was stored longer than Metro's retention schedule. Storing footage longer than necessary increases the risk of unintended use, which may result in reputational damage and customer retention issues for Metro.

Governance was ineffective to comply with Payment Card Industry Standards

Despite having some aspects of best practices in place, efforts to address the risk of noncompliance with PCI Standards have not been successful. The committee Metro established did not have the required information or plans it needed to fulfill its purpose. The committee's design also made it less effective. As a result, compliance with PCI Standards has not been achieved. This elevates the risk that cardholder data breach or theft may occur and could cause Metro and its customers to lose money.

Information was not available to effectively govern. Inconsistent reporting and changing plans made it difficult for the committee to reach a shared understanding of Metro's compliance status. This limited the committee's capacity to advise Metro leadership on what needed to be done. Information about Metro's compliance with PCI Standards was lacking because systems were not in place to provide it. Information to effectively govern the risk of noncompliance with PCI Standards includes performance indicators, assessments, and reports. We found that Metro could:

- **Establish performance indicators to measure compliance with PCI Standards.** National guidance states that information security performance measures should include measures to demonstrate progress in implementing specific security controls, such as PCI Standards. They require data that can be obtained from assessments reports.
- **Conduct assessments against the requirements to comply with PCI Standards.** According to guidance for maintaining payment

security, entities must use official documents from the PCI Security Standards Council to verify their compliance. They are the only acceptable documentation to illustrate compliance with PCI Standards. Forms include templates for outside firms to report compliance based on their assessments, and questionnaires for entities to conduct self-assessments.

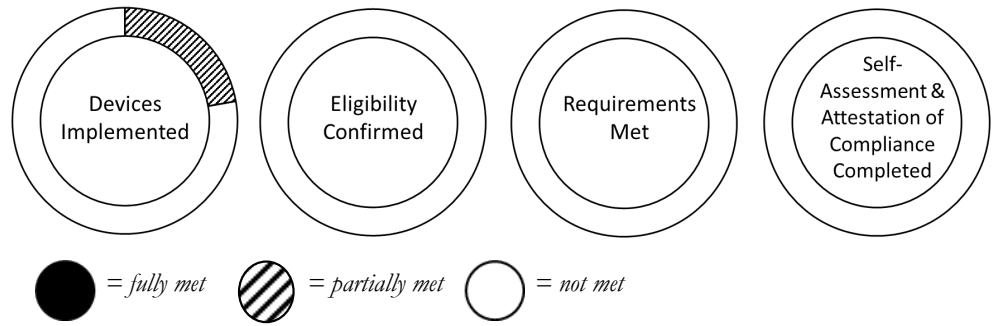
- **Report progress on meeting compliance with PCI Standards.** Compliance with PCI Standards was not reported consistently. Best practices for creating meaningful security metrics show that achievement of requirements to comply with PCI Standards should be reported annually. This allows entities that are not fully compliant to identify steps to remedy their status and targets for compliance. It also helps entities that are fully compliant to maintain compliance.

Metro's initial plan to achieve compliance with PCI Standards was underdeveloped. Plans can help an organization determine its strategic direction. Not including associated costs, clearly designated responsibilities, or timeframes in the plan for compliance reduced Metro's ability to achieve it.

In July 2017, a different approach was announced: implement devices that use a PCI-listed point-to-point encryption solution. This technology makes cardholder data unreadable to an unauthorized party. Putting the devices into use can help Metro reduce the value of stolen cardholder data. It can also make compliance easier for Metro by reducing the scope of data it needs to protect. However, these devices do not remove the need for compliance with PCI Standards entirely.

Under the new approach, there was still significant progress to be made. As of June 2018, the technology had not reached most of Metro. The devices were implemented in four areas. At least 14 areas remained. Metro may qualify to meet fewer requirements for compliance where the devices are used. To qualify, Metro must confirm its eligibility. Once Metro's eligibility has been confirmed, a self-assessment and attestation of compliance must be completed. Additional requirements may apply where the encryption devices are not used.

Exhibit 5 Substantial work remains before Metro meets security standards for payment card data



Source: Metro Auditor's Office analysis based on PCI Standards and June 2018 IS Director's memo to Metro's PCI Advisory Committee.

The design of the committee also contributed to its ineffectiveness. It was created to serve in an advisory capacity, so it lacked authority for decision-making. The committee was required to meet as frequently as needed to complete initial compliance requirements. This provided too much flexibility to achieve its mission. These factors reduced Metro's ability to achieve compliance. A stronger governance structure could overcome these challenges.





















Governance of cloud computing would benefit from more thorough contract language




Contracts and agreements are an important component of governing cloud computing technology. This is because they document how services are provided and how information security risks are managed. We reviewed a selection of four cloud computing contracts that were used for ticketing services, event registration, and recruitment. Overall, we found Metro could improve its governance of cloud computing contracts through improved contract language. Doing so would ensure information security risks are addressed and clear performance expectations are included in contracts.

Part of the reason why Metro may have not addressed these risks was because it had yet to develop standard contract language for cloud computing contracts. Another reason was that guidance was only recently created, so there has not been much time to put it into use. We also found that Metro needed to follow its information security policy and develop a long-term plan for cloud computing technology.

The United States Government Accountability Office developed 10 key practices for cloud computing contracts to help ensure services were performed effectively, efficiently, and securely. The key practices were organized into four management areas – roles and responsibilities, performance measures, security, and consequences. We found that Metro adequately addressed roles and responsibilities in the contracts we reviewed, though improvements were needed related to performance measures, security, and consequences.

Exhibit 6 Metro’s cloud computing contracts partially met key practices

Criteria	Contract			
	A	B	C	D
Roles & Responsibilities 				
Performance Measures 				
Security 				
Consequences 				

 = fully met
  = partially met
  = not met

Source: Metro Auditor’s Office analysis of Metro’s cloud computing contracts against key practices.

- **More detail was needed for contract performance measures.** For example, most of the agreements we reviewed ensured Metro had access to its data once the agreement was signed. But, not all of the agreements clearly defined how the data would be transferred back to Metro if the vendor went out of business or the agreement ended. This could present an information security risk because Metro may not have the ability to fully recover its information if the agreement is terminated. It will be important for Metro to include language in future agreements that address this risk.
- **Additional clarity was needed regarding security.** Most of the agreements we reviewed defined who had access to the data stored in the cloud application and what was in place to protect Metro’s data. However, not all of the agreements clearly defined how and when Metro would be notified if a data breach occurred. In the absence of language that clearly defines how Metro would be notified, Metro’s ability to respond could be limited.
- **Contracts reviewed did not specify enforceable actions for lack of performance.** Key practices indicated that contracts should have language that includes consequences that are specifically linked to contract performance measures. Although Metro had a standard term in its contract that allowed it to withhold payments based on the contractor’s performance, it was not specific to any performance measure. For example, if the contract included a performance measure related to the service level for the application, the contract should also include consequences if that service level is not met. Greater specificity could reduce the time it takes to settle disputes related to contractor performance.

In addition, we found that Metro needed to follow its policy related to cloud storage providers. Metro's information security policy stated that the IS department would publish a list of approved cloud storage providers on its webpage. However, the department had not published one. Its webpage stated that the use of cloud storage services was not allowed to save Metro documents and files, but that an approved business cloud storage service would be offered. We were told an approved list was being developed. Doing so could help save time by allowing employees to quickly find vendors that were already vetted. It may also reduce the impact on IS staff resources by consolidating Metro's agreements instead of having multiple agreements with similar or even the same vendors.

Once Metro addresses cloud computing contract language risks, it will be important to review and develop a long-term plan for cloud technology. Adopting cloud computing could help Metro reduce the amount of on-site data storage needed, which could reduce costs. It also could help the agency retain its records in the event of a disaster because the data would not be stored on Metro's premises. Although, this technology presents several opportunities for Metro, it will be just as important to ensure information security risks are addressed through effective contract language.

Recommendations

To improve IT governance, Metro should:

1. Develop a strategic plan
2. Establish a governance structure to oversee its implementation

To improve information security governance, Metro should

3. Develop policies and procedures for surveillance cameras that:
 - a. Specify the purpose(s) for which cameras should and should not be used
 - b. Ensure notice is provided where cameras are used
 - c. Establish processes for granting access and sharing footage
 - d. Retain footage consistent with Metro's Records Retention Schedule

4. Take the following actions to comply with PCI Standards:

- a. Implement encryption devices in all areas
- b. Fulfill the requirements for PCI compliance
- c. Develop systems to periodically measure and report on the status of compliance

5. Include language in cloud computing contracts that:

- a. States how and when Metro would be notified of a data breach
- b. Specifies a range of enforceable actions for non-compliance with contract performance measures
- c. Specifies how data would be transitioned back to Metro in the case of contract termination

6. Publish a list of approved cloud storage providers

7. Develop a long-term plan for cloud technology

Scope and methodology

Our audit objective was to determine if Metro’s governance structure was effective for managing information security risks by examining three areas: surveillance camera usage, payment card data protection, and cloud computing applications. We focused our audit on Information Services (IS) and the departments that used these technologies, from July 2012 to November 2018.

We reviewed budget documents related to information security and technology to gain general familiarity with our topic. We also reviewed the mission, strategic plans and performance measures, organizational charts, and written policies and procedures of the IS department. We conducted interviews with managers and staff in IS and other departments to deepen our understanding. We also reached out to Office of Metro Attorney to learn of any ongoing investigations or legal proceedings related to our topic.

We reviewed laws and other requirements to see whether Metro was in general compliance. We identified and assessed major risks, including potential fraud and abuse. We also conducted an historical analysis of IS expenditures, including capital spending.

We reviewed prior Metro audits to determine what actions were taken to address audit recommendations. We also reviewed relevant audit reports from other jurisdictions, and professional literature. In addition, we reviewed employee survey results, and results from an assessment of the IS department.

To determine if Metro followed best practices for information security, we interviewed knowledgeable personnel and reviewed relevant documentation in each area. We conducted interviews with operations management from Portland’s Centers for the Arts, Oregon Convention Center, and Property and Environmental Services. We reviewed policies, plans, procedures, and performance information, as well as meeting materials. We also reviewed a selection of Metro’s contracts with cloud computing application providers.

We identified opportunities for Metro to adhere to best practices using professional literature from:

- World Privacy Forum
- Payment Card Industry Security Standards Council
- Government Finance Officers Association
- Canadian Audit & Accountability Foundation
- National Institute of Standards and Technology
- The Government Accountability Office
- U.S. Department of Homeland Security
- The Office of the Austin City Auditor, Portland Audit Services Division, and County of San Diego Office of Audits & Advisory Services

This audit was included in the FY 2017-18 audit schedule. We conducted this

performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Management response



Metro

600 NE Grand Ave.
Portland, OR 97232-2736

Memo

Date: Thursday, March 7, 2019
To: Brian Evans, Metro Auditor
From: Rachel Coe, Information Services Director
Andrew Scott, Deputy Chief Operating Officer
Subject: Management Response – 2019 Information Services Audit

Management would like to thank the Metro Auditor for reviewing data security in the agency. Ensuring the safety of the information held by Metro is of critical importance. Because public trust is at the heart of Metro's core values, Information Services has sought to make continuous improvements in all areas including redundancy, system and data integrity and security.

Background

The Information Services department at Metro has been making large strides in security over the last few years. While the agency has always protected the network and key systems with firewalls, malware and virus protection, in 2015, Information Services implemented next generation firewalls and service subscriptions to help detect and block application, port and protocol attacks. These intelligent systems receive continuous updates on identified threats, sometimes within minutes of detection, at points around the globe. In 2016, we followed with a full rollout of new security protocols, policies and user awareness notifications. Since then, Information Services has and will continue to add new technologies and security elements to protect our systems and data.

Response to recommendations in the Auditor's report

Management agrees with the overall findings and recommendations.

Recommendations

To improve IT governance, Metro should:

- 1. Develop a strategic plan*
- 2. Establish a governance structure to oversee its implementation*

Management agrees with the recommendation to develop a strategic plan. As part of that plan, a governance structure for implementation will be included. Funding for a strategic plan was approved in FY 2018-19 and the selection of a contracted firm to help create the plan is currently underway. Management anticipates the effort to begin in late March and will take between four and six months to complete.

To improve information security governance, Metro should:

- 3. Develop policies and procedures for surveillance cameras that:*
 - a. Specify the purpose(s) for which cameras should and should not be used*
 - b. Ensure notice is provided where cameras are used*
 - c. Establish processes for granting access and sharing footage*
 - d. Retain footage consistent with Metro Records Retention Schedule*

Management agrees with the third set of recommendations. In September 2018 a group of video system stakeholders were brought together to evaluate a change to our standard video recording services. This group will be reconvened to develop a governance plan to implement the recommendations, similar to other agency-wide assets such as SharePoint and Metro's Voice over IP (VoIP) communications system.

- 4. Take the following actions to comply with PCI Standards:*
 - a. Implement encryption devices in all areas*
 - b. Fulfill the requirements for PCI compliance*
 - c. Develop systems to periodically measure and report on the status of compliance*

We agree that Metro should fulfill all of the requirements for PCI compliance and create a method for periodically reporting compliance. On recommendation 4.a, Metro will be conducting a PCI fit/gap assessment during April and May of 2019. That report will indicate where any additional encryption devices are needed.

- 5. Include language in cloud computing contracts that:*
 - a. States how and when Metro would be notified of a data breach*
 - b. Specifies a range of enforceable actions for non-compliance with contract performance measures*
 - c. Specifies how data would be transitioned back to Metro in the case of contract termination*

Management agrees with the majority of the recommendations for cloud computing. Information Services has been working with the Metro Attorney's office on template language to be included in technology contracts, specifically with cloud contracts. Information Services will follow up with both the Metro Attorney's office and Finance and Regulatory Services to get the changes implemented. It should be noted that the department's ability to implement such language will be dependent upon acceptance by our vendors.

- 6. Publish a list of approved cloud storage providers*
- 7. Develop a long-term plan for cloud technology*

We agree with recommendations six and seven. Information Services is currently updating its Intranet presence and will include approved cloud providers on the list. Part of the requirements for the IS strategic planning project is development of a five-year cloud strategy. This should be available by the end of the calendar year.

We want to thank the Auditor again for reviewing this topic and helping to emphasize the importance of technology in the agency and the need to create a secure environment for our information.



Office of the Metro Auditor
600 NE Grand Avenue
Portland, Oregon 97232
503-797-1892
www.oregonmetro.gov

Agenda Item No. 5.1

Resolution No. 19-4970, For the Purpose of Authorizing Metro to Apply for a
Local Government Grant from the Oregon Parks and Recreation Department
and Delegating Authority to the Parks and Nature Director to Sign the
Application

Consent Agenda

Metro Council Meeting
Thursday, March 21, 2019
Metro Regional Center, Council Chamber

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF AUTHORIZING)	RESOLUTION NO. 19-4970
METRO TO APPLY FOR A LOCAL)	Introduced by Chief Operating Officer Martha
GOVERNMENT GRANT FROM THE OREGON)	Bennett in concurrence with Council
PARKS AND RECREATION DEPARTMENT)	President Lynn Peterson
AND DELEGATING AUTHORITY TO THE		
PARKS AND NATURE DIRECTOR TO SIGN		
THE APPLICATION		

WHEREAS, the Oregon State Parks and Recreation Department is accepting applications for the Local Government Grant Program;

WHEREAS, Metro Parks and Nature desires to participate in this grant program to the greatest extent possible as a means of providing needed park and facilities improvements at Chehalem Ridge Nature Park;

WHEREAS, the Metro Council adopted and approved the Chehalem Ridge Nature Park Access Master Plan on October 19, 2017 through Resolution 17-4823, "For the Purpose of Council Approving the Chehalem Ridge Nature Park Access Master Plan." ;

WHEREAS, funds have already been allocated from the 2005 voter approved bond and 2013 and 2015 levies to fund planning, design and construction of a trailhead with parking, information kiosk, restrooms, shelter and picnic opportunities;

WHEREAS, grant funds would be used to implement a second phase of the Access Master Plan which includes an expansion of the trail network including way finding signs and benches;

WHEREAS, Oregon State Parks requires the applicant to provide Council resolution approving the application;

WHEREAS, Metro Parks and Nature ensures that funds are available for the long term operations and maintenance at Chehalem Ridge Nature Park beginning in FY 2020-21;

WHEREAS, Metro Parks and Nature hereby certifies that matching funds up to \$3,480,000 for this application are readily available at this time; now therefore,

BE IT RESOLVED that the Metro Council authorizes Metro Parks and Nature to apply for a local government grant from the Oregon Parks and Recreation Department for implementation of the recreation facility improvements at Chehalem Ridge Nature Park and delegates authority to the department director to sign the application.

ADOPTED by the Metro Council this _____ day of March, 2019.

Lynn Peterson, Council President

Approved as to Form:

Nathan Sykes, Metro Attorney

STAFF REPORT

IN CONSIDERATION OF RESOLUTION NO. 19-4970, FOR THE PURPOSE OF AUTHORIZING METRO TO APPLY FOR A LOCAL GOVERNMENT GRANT FROM THE OREGON PARKS AND RECREATION DEPARTMENT AND DELEGATING AUTHORITY TO THE PARKS AND NATURE DIRECTOR TO SIGN THE APPLICATION

Date: March 21, 2019

Prepared by: Karen Vitkay, 503-797-1874

BACKGROUND

The Oregon Parks and Recreation Local Government Grant Program was created by initiative petition filed on March 11, 1998, adopted by the citizens of Oregon on November 3, 1998 and approved by the 1999 Legislature. The Oregon Parks and Recreation Commission adopted administrative rules for the distribution of state lottery funds to eligible local governments and the process for establishing the priority order in which projects are funded. The Local Government Grant Program (LGGP) and program budget are administered by the Oregon Parks and Recreation Department (OPRD).

In January 2008 the rules were amended and approved by the Oregon Parks Commission (OAR 736-006-0100-OAR 736-006-0150). The Oregon Lottery Funds for Natural Resources Amendment was adopted on November 2, 2010, which continued lottery funding for the Local Government Grant Program. A resolution is required authorizing an application for grant funds as a part of the program process.

The funds are to be awarded for outdoor park and recreation areas and facilities, acquisition of property for park purposes, trails, bicycle recreation opportunities and non-motorized water-based recreation.

The Chehalem Ridge Nature Park Access Master Plan was approved and adopted by Metro Council on October 19, 2017 through Resolution 17-4823, "For the Purpose of Council Approving the Chehalem Ridge Nature Park Access Master Plan." The goals of the master plan are to provide new facilities to support and enhance nature-based recreation and education opportunities consistent with resource protection goals of the natural area. Proposed improvements include the following facilities: a trailhead with parking, picnic opportunities, shelter, restrooms and a welcome kiosk. A system of trails and existing gravel roadway will offer family friendly opportunities to walk, hike, and ride an off-road bicycle or horse. One overlook will highlight views into a riparian habitat area, while a second will provide a welcome resting place at the top of Chehalem Ridge's highest peak, offering an expansive view of the Tualatin Valley, Wapato Lake and the Coast Range.

Funds from the 2005 bond and 2013 and 2015 levies are currently dedicated to a first phase of development at Chehalem Ridge. Additional funding via the LGGP would allow for a second phase of development to occur. The second phase is expected to substantially expand the number of trail miles available to visitors.

Metro Parks and Nature would apply for Local Government Grant funds to assist with implementation of facility improvements for Chehalem Ridge Nature Park.

ANALYSIS/INFORMATION

1. Known Opposition

There is no known opposition to Metro's submittal to the Local Government Grant Program. During the project stakeholder meetings and public open houses, and subsequent land use process, concerns and issues were raised related to possible impacts to surrounding neighbors and agricultural practices, including increased traffic on area roadways. Community members also expressed concern about potential conflicts between user groups on shared trails.

Adjustments to address neighbor concerns include trails setback from adjacent neighbor properties, wayfinding signs to clearly direct visitors to the park and outreach information raising visitors' awareness of the need to respect our rural area neighbors including farming operations. Trail user conflicts are addressed via appropriately sized trails, active monitoring of trail use and adaptive management practices including retaining the ability to limit trail user groups by time or space if conflicts occur.

2. Legal Antecedents

Chehalem Ridge is identified in the 2013 Natural Areas Levy as an access project. Completion of this project is in an effort to complete the legal obligation of the Levy.

3. Anticipated Effects

Chehalem Ridge is poised to become a crowned jewel within Metro's system of parks and natural areas as it enables us to deliver on our commitment to protect fish and wildlife habitat and water quality while providing public access to nature.

With Council approval, a successful grant application would allow us to deliver, and more quickly provide, a more complete version of the master plan for Chehalem Ridge Nature Park as envisioned by project partners, stakeholders and community members. The next steps in the project are to complete the land-use approval process and secure a site development permit from Washington County. Paralleling this effort, Metro Parks and Nature Planning Staff are already working with a team of design and engineering consultants to produce construction documents. Improvements are expected to be implemented during the year 2020.

4. Budget Impacts

The 2006 Natural Areas Bond Measure and 2013 and 2015 Parks and Natural Areas Levy funded the access master plan, design and first phase of construction work. Preliminary cost exercises estimate that construction of all elements in this access master plan will cost approximately \$5.3 million. When design and construction documents are complete, a phase 1 construction plan will be developed to match available dollars. Parks and Nature has identified \$2,780,000 for land use approval, design and construction from the 2006 Natural Areas Bond Measure and \$700,000 from Levy 1 & 2. Alternative funding sources, such as available from Oregon State Parks' LGGP would help provide additional funding for a second phase of construction to fully build out the envisioned trail network.

RECOMMENDED ACTION

Staff recommends the adoption of Resolution No. 19-4970.

Materials following this page will be distributed at the meeting.

Agenda Item No. 5.2

Consideration of Council Meeting Minutes on March 14, 2019

Consent Agenda

Metro Council Meeting
Thursday, March 21, 2019
Metro Regional Center, Council Chamber

Agenda Item No. 6.1

Ordinance No. 19-1433, For the Purpose of Adopting Solid Waste Charges
and User Fees for FY 2019-20

Ordinances (Second Reading)

Metro Council Meeting
Thursday, March 21, 2019
Metro Regional Center, Council Chamber

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF ADOPTING SOLID WASTE CHARGES AND USER FEES FOR FY 2019-20.) ORDINANCE NO. 19-1433) Introduced by Chief Operating Officer) Martha Bennett with the concurrence of) Council President Lynn Peterson

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

WHEREAS, Metro Code chapters 5.01 and 5.02 establish user fees on solid waste accepted at all disposal sites in the system; and,

WHEREAS, Metro Code Section 5.06.030 establishes a community enhancement fee in an amount not to exceed \$1.00 on solid waste delivered to eligible solid waste facilities in the Metro region; and,

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

THE METRO COUNCIL ORDAINS AS FOLLOWS:

Section 1. Solid Waste Fees and Charges. The schedule of solid waste fees and charges attached hereto as Exhibit “A” is approved, and shall be implemented on the Effective Date of this ordinance.

Section 2. Effective Date. This ordinance shall become effective on July 1, 2019.

ADOPTED by the Metro Council this ____ day of ____, 2019.

Lynn Peterson, Council President

Attest:

Approved as to Form:

Sara Farrokhzadian, Recording Secretary

Nathan A. S. Sykes, Metro Attorney

Exhibit “A” to Ordinance No. 19-1433

SCHEDULE OF SOLID WASTE FEES AND CHARGES

Effective July 1, 2019

Charges at Metro Central Station and Metro South Station

Tonnage Charges by waste class

The rates per ton pursuant to Metro Code sections 5.02.040(a)(1) and 5.02.080 shall be:

- (1) Mixed solid waste\$ 64.41
- (2) Clean Wood 64.23
- (3) Yard Debris55.00
- (4) Residentially generated organic waste 76.99
- (5) Commercially generated organic waste (Metro Central only)65.23

Transaction Charges by transaction class

The rates per transaction pursuant to Metro Code 5.02.040(a)(3) shall be:

- (1) For users of staffed scales.\$ 10.00
- (2) For users of automated scales2.00

Minimum Charges

Minimum tonnage charges pursuant to Metro Code sections 5.02.040(b) and 5.02.080(h)(2) shall be based on 360 pounds for all classes of solid waste.

Fees on Disposal of Solid Waste

Regional System Fees by waste class

The rates per ton pursuant to Metro Code sections 5.01.300, 5.02.120 and 5.02.130 shall be:

- (1) Cleanup material contaminated by hazardous substances\$ 2.50
- (2) All other solid wastes18.58

Community Enhancement Fees

The rates per ton pursuant to Metro Code sections 5.06.030 shall be:

- (1) Putrescible solid waste\$ 1.00
- (2) Non-putrescible solid waste (as authorized by Metro Chief Operating Officer)1.00

STAFF REPORT

IN CONSIDERATION OF ORDINANCE NO. 19-1433 FOR THE PURPOSE OF ADOPTING SOLID WASTE CHARGES AND USER FEES FOR FY 2019-20.

Date: March 14, 2019

Presented by: Cinnamon Williams, FRS/PES (Ext. 1695)

Summary

The Property & Environmental Services Finance Manager proposes the new solid waste rates as part of the budget process. The changes are needed to keep current with costs and tonnage flows.

Main points of this legislation.

- Metro's tip fee for garbage will remain at \$97.45 in FY 2019-20, which provides consistent and predictable fees for the region.
- Transaction fees will remain unchanged at \$10 for staffed loads (fees paid by self-haulers) and \$2 for automated loads.
- The minimum load size will be remain 360 pounds with a minimum \$28 per load charge.
- Tip fee increases are proposed for residential organic waste accepted at Metro regional transfer stations. This increase stems from increases in Metro's per-ton contract cost and lower tonnage forecast, creating more of a fixed cost burden on the ton. The rate model also suggests an increase of \$13.76 per ton for commercial organics, however, staff is proposing to keep the rate flat to support Metro's recovery work in this area. The impact of this rate buy-down is projected to be \$228,161 in FY 2019-20. This rate decision will be reviewed annually for appropriateness.
- Tip fees for clean wood and yard debris have increased, \$7.39 and \$6.38 per ton due to increases in Metro's per-ton contract costs.

Adoption of Ordinance No. 19-1433 would authorize the following charges at Metro regional transfer stations, effective July 1, 2019.

Table 1. Proposed Solid Waste Charges at Metro Regional Transfer Stations
Rates Effective July 1, 2019

Rates	Current	Proposed	Change
Fees per transaction			
Users of staffed scales	\$10.00	\$10.00	\$ - 0 -
Users of automated scales	2.00	2.00	- 0 -
Fees per ton (Tip Fees)			
Mixed solid waste ("refuse")	\$ 97.45	\$ 97.45	\$ - 0 -
Clean wood	57.84	65.23	7.39
Yard Debris	49.62	56.00	6.38
Residential organics	67.08	77.99	10.91
Commercial organics	66.23	66.23	- 0 -

Background Part 1. Overview of Metro’s Solid Waste Rates

Metro maintains two classes of solid waste rates. One class, the Regional System Fee, is charged on all disposal. The second class is a suite of charges for services at Metro regional transfer stations only.

- 1. Regional System Fee** is a universal charge on the disposal of garbage. It is levied at all landfills, the Marion County waste to energy facility, and the Metro stations. There are two levels of system fee: one for mixed solid waste, and a reduced rate for environmental cleanup materials. The proposed rates are \$18.58 and \$2.50 per ton, respectively. System fees raise about \$26.7 million per year and pay for Metro’s regional solid waste programs and services: household hazardous waste, latex paint recovery, St. Johns Landfill management, facility regulation, illegal dumpsite cleanup, and resource conservation and recycling.
- 2. Charges for services at the Metro stations** cover the costs of Metro’s transfer station operations, transport, processing and disposal. Each customer pays a two-part fee: a fixed charge for the transaction costs and a variable charge (“tip fee”) for each ton in the load.
 - **“Transaction Charges”** are the fixed fees for each load of waste accepted. There are two levels of transaction fee: one for users of the staffed scales (mainly self-haulers), and another for users of the automated scales (mainly commercial haulers). Together they raise about \$3.2 million dollars per year and pay for the cost of operating the scalehouses and related functions.
 - **“Tip Fees”** are different for each waste stream – garbage, residential organics, commercial organics, and wood/yard debris – and reflect the costs that are specific to each stream. The current and proposed rates are shown in Table 1.

Every tip fee is made up of a **Tonnage Charge** and various pass-throughs (Table 2). The tonnage charge pays for the costs of doing the work. In this region, the Regional System Fee, Metro excise tax, and DEQ fees are charged on all disposal. Together, Metro’s tonnage charges raise about \$35.9 million per year, and pay for the costs of station operations, recovery, transport, processing, disposal, capital and management.

Of the add-on components, the Regional System Fee will increase, while the excise tax is set to decrease. The Regional System Fee is increasing by 77 cents, the excise tax is decreasing 84 cents and DEQ fees are expected to increase by 7 cents in April 2019. These changes kept the Metro tip fee \$97.45 per ton.

Table 2. Components of Proposed Metro Tip Fees by Waste Stream

Rates Effective July 1, 2019

Rate Component	Mixed Solid Waste	Organic Waste			
		Yard Debris	Clean Wood	Residential Organics	Commercial Organics
Tonnage Charge <i>Covers costs of transfer, transport, recovery, disposal.</i>	\$64.41	\$55.00	\$64.23	\$76.99	65.23
Pass-Throughs <i>Government fees and taxes levied at disposal sites.</i>					
Regional System Fee	\$18.58	.*-	.*-	.*-	.*-
Metro excise tax	11.57	.*-	.*-	.*-	.*-
DEQ fees	1.89	.*-	.*-	.*-	.*-
Enhancement Fee	1.00	1.00	1.00	1.00	1.00
Total = Tip Fee	\$97.45	\$56.00	\$65.23	\$77.99	\$66.23

* It is the policy of Metro and DEQ to support material recovery and recycling by levying solid waste surcharges and taxes on the waste that is ultimately disposed. For this reason, the Regional System Fee, Metro excise tax, and DEQ fees are not included in the tip fees for organic wastes.

Background Part 2. Understanding the Proposed FY 2019-20 Rates

Metro's solid waste rates are set to recover Metro's solid waste costs. When tonnage growth keeps pace with cost increases, in general per-ton costs will remain relatively constant. When tonnage increase faster than costs, per-ton costs decrease. Slow tonnage growth or declines can put upward pressure on per-ton costs.

1. **Trash.** Costs for handling trash have increased. Inflation, higher contract and facility costs, and increased oversight of facilities are contributing factors. Mixed solid waste tonnage growth has kept pace with cost increases, allowing Metro to hold the garbage tip fee constant this year, while recovering the costs of doing business.
2. **Recoverable waste.** Recoverable waste tonnage—clean wood, yard debris, residential organics—not only did not keep pace with inflation and other cost increases, but actually declined from the year before. This drove up per-ton costs of handling yard debris, wood, and residential yard debris, and, hence, proposed rates for acceptance of these waste types are significantly higher than the previous year. Increases are \$7.39 for clean wood, \$6.38 for yard debris and \$10.91 for residential organics.
3. **Commercial food scraps.** Commercial food scraps tonnage is projected to increase. This may be due to growing local jurisdiction and business interest in the nascent program, and Metro's adoption in 2018 of policies to drive better capture of this material. Like the other waste streams, the costs for handling commercial food scraps increased, but Metro is able to continue subsidizing the per-ton rate for commercial food scraps by keeping that rate at \$65.23, to incentivize better participation regionally in food scraps separation.
4. **Regional programs.** The cost of regional waste reduction, household hazardous waste, and other programs with regional benefit are recovered via the Regional System Fee, which is collected on all waste delivered for disposal, at public and private facilities, not just on waste delivered to Metro's transfer stations. Regional program costs have increased faster than regional tonnage, resulting in a 4.3% (77 cents) increase in the Regional System Fee.
5. **The excise tax.** The tax rate is set automatically by a formula in the Code each year, and is never a formal part of the rate ordinance. However, it is related to the rate actions because it is part of the tip fee (Table 2). For FY 2019-20, the excise tax rate will decrease 84 cents to \$11.57 per ton.

Information/Analysis

1. **Known Opposition.** There is one industry business in opposition of the mixed solid waste blended rate. Staff continues to feel that this is the correct approach and incentivizes the recovery initiatives of the region. Although there will be no increase or decrease to the mixed solid waste rate, the majority of ratepayers at Metro stations will experience an increase in Metro's fee for residential organic waste, clean wood and yard debris.
2. **Legal Antecedents.** The process for setting Metro's solid waste rates are set forth in Metro Code Chapter 5.02. Ordinance 14-1323 removed the specific Metro solid waste rates from Metro Code Chapter 5.02 and requires adoption of the rates via a separate ordinance and rate schedule. Metro reviews solid waste rates annually. The proposed FY 2019-20 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 council action to take effect.

- 3. Anticipated Effects:** If adopted, this ordinance would keep the tip fee for mixed solid waste at Metro transfer stations at \$97.45. It would also increase the tip fees for clean wood, yard debris and residential organic wastes as set forth in Table 1.
- 4. Budget Impacts.** The rates established by this ordinance are designed to raise \$71 million in enterprise revenue during FY 2019-20. This revenue would cover the cash requirements of the proposed FY 2019-20 solid waste budget.

RECOMMENDATION

The Chief Operating Officer recommends adoption of Ordinance No. 19-1433.

Memo



Metro

600 NE Grand Ave.
Portland, OR 97232-2736

Date: March 14, 2019
To: Metro Council
From: Cinnamon Williams, Finance Manager for Property and Environmental Services
Subject: Solid Waste Rate Report for Fiscal Year 2019-20

As required by Metro Code 5.02.030 (f) (1), this report provides the context for the solid waste rate making process and documents the methodologies, data, assumptions, adopted criteria and any other factors used by the Chief Operating Officer in calculating the proposed rates and the response to the recommendations of the independent review.

RATE DEVELOPMENT

Methodology

Four years ago, Metro engaged a consulting firm to review the solid waste rate setting process and provide recommendations for improving and simplifying development of those rates. In response to recommendations provided by the consultant, Metro implemented a new rate model based on a standard rate setting process:

- Step 1: Identify revenue requirements. This step identifies the total annual financial obligations of the system. This includes operations, capital improvements and replacements and fiscal policy compliance.
- Step 2: Allocate costs. This step establishes rate equity through cost causation or the cause and effect relationship between different costs and activities that cause those costs to be incurred.
- Step 3: Forecast activity. This step establishes a forecast for the solid waste activity anticipated for the coming fiscal year.
- Step 4: Establish Fees/Charges. This step achieves required revenue levels by establishing rates and charges that accurately reflect the cost to provide a particular service.

Step 1 – Identify Revenue Requirements

Revenue requirements are determined by projecting costs for the various solid waste functions that Metro performs. Those functions include:

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.

Revenue Requirement Summary

	Scalehouses	Mixed Solid Waste	Clean Wood	Yard Debris	Residential Organics	Commercial Organics	Regional System Fee
Revenue Requirement	\$2,973,910	\$35,349,037	\$118,415	\$736,362	\$2,807,649	\$1,309,971	\$26,754,661
Percentage of Total	4.25%	50.46%	0.17%	1.05%	4.01%	1.87%	38.19%

Step 2 – Allocate Costs

The rate process uses a cost of service approach that distributes costs based on a proportionate share of costs required to provide service. The methodology used identifies how expenses are allocated to the solid waste system functional areas including disposal and recovery, regional programs, sustainability, clean-up and compliance and general and administrative. Allocations are based on staff time, tickets processed, floor area and tonnage. The allocation factor is designed to be an equitable expression of the how and why the cost is incurred.

The cost of service details cost allocation for an additional layer of service by waste type; mixed solid waste, wood waste, yard debris, residential organics and commercial organics. Costs associated with processing each waste type were reviewed and discussed with Metro staff and/or engineers. The cost of service process reviewed existing cost allocation approaches and identified changes and additional allocation factors used in the process. A sensitivity analysis indicating the rate change/impact of alternative general and administrative cost allocations was included in the review.

Step 3 – Forecast Activity

Metro staff reviewed tonnage information from the current fiscal year and projected anticipated levels of tonnage and transactions by material type at Metro transfer stations and private facilities.

Summary of Tonnage Forecast

Facility	Material Class	Projected		% Change
		FY 2019	FY 2020	
Metro Central	Wet waste	171,487	180,592	5.31%
Metro Central	Dry waste	69,266	80,050	15.57%
Metro South	Wet waste	153,484	156,885	2.22%
Metro South	Dry waste	134,817	139,253	3.29%
Private	Wet waste	506,435	492,096	-2.83%
Private	Dry waste	469,157	474,942	1.23%

Summary of Transactions

Facility	Transaction Type	Projected		% Change
		FY 2019	FY 2020	
Metro Central	Staffed	92,753	102,284	10.28%
Metro Central	Automated	52,798	62,427	18.24%
Metro South	Staffed	200,782	202,643	0.93%
Metro South	Automated	44,752	47,453	6.03%

Step 4: Establish Fees/Charges

Unit costs were developed for each rate/fee charged. The unit costs were analyzed to identify any warranted shifts in cost burden that could improve equity between the fees/charges. The result of the cost of service process is a calculated rate/fee for providing solid waste services.

Summary of Fees and Charges for FY 2019-20

	Mixed Solid Waste	Clean Wood	Yard Debris	Residential Organics	Commercial Organics
Transaction Fee:					
Staffed Scalehouse	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00
Automated Scalehouse	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00
Tip Fee:					
Tonnage Charge	\$ 64.41	\$ 64.23	\$ 55.00	\$ 76.99	\$ 65.23
Regional System Fee	\$ 18.58				
Excise Tax	\$ 11.57				
DEQ Fees	\$ 1.89				
Community Enhancement Fees	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Total Tip Fee	\$ 97.45	\$ 65.23	\$ 56.00	\$ 77.99	\$ 66.23

Assumptions

See **Attachment A** for the full list of assumptions used in the rate model. Key points are summarized below:

- Costs for disposal charges driven by contract cost inflation
- Other expenses based on budget estimates used in the Chief Operating Officer's budget
- Overall inflation assumptions match those used in the FY 2019-20 budget process
- Tonnage forecast is based on the forecast developed for the FY 2019-20 budget process and five year forecast

Criteria

In developing the rates, staff relied on Metro's legal authority as determined by the Metro Code and Oregon Revised Statute, as well as policies adopted by the Metro Council and other informal guidance used by staff. Those factors and criteria are summarized below.

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]*

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, 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 5.01.300 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.)

Adopted Policies. In 1993 Metro adopted policies (Resolution 93-1824A) to guide choices during rate making. These criteria are summarized below and included in **Attachment B** pursuant to Resolution 93-1824A that recommends periodic council review every three years:

- 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. Metro generally continues to follow this practice. Exceptions are explicitly noted.
- 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.

OTHER FEE CONSIDERATIONS

Reduced fee and tax rate and exemptions. Metro assesses the regional system fee and excise tax on waste at the time of disposal. The amount of the fee and tax rate is calculated annually in accordance with Metro Code Chapters 5.02 and 7.01.

In general, Metro has a three-tiered fee and tax rate structure for waste that is transported directly to disposal sites.

- *Full Rate.* The full fee and tax rate, which is included as a component of Metro's transfer station charges, is assessed on most of the region's waste at the time of its disposal (such as household garbage, construction and demolition debris, etc.).
- *Reduced Rate.* The reduced fee and tax rate is generally assessed on contaminated "cleanup material" at the time of its disposal (such as contaminated soils, catch basin pumping, street sweepings, etc.).
- *Exempt.* There is a fee and tax exemption for any material that is recovered, recycled, or diverted away from disposal sites. Under certain circumstances, Metro may also waive fees and taxes for certain types of waste that are sent to disposal sites (such as under special exemption permits, tire processing residual, and "useful material" which includes alternative daily cover and road base used at a landfill).

Metro Code Section 5.02.160 states that the Chief Operating Officer must provide the Metro Council with an annual report indicating the amount of solid waste disposed under special exemption permits and the total lost revenue arising from the exemption permits granted during the fiscal year. A summary showing the total amount of Metro area waste that was subject to Metro's reduced rate or exempt from fees and taxes during fiscal year 2018 is provide in **Attachment C**.

INDEPENDENT REVIEW RESPONSE

FCS Group provided the following recommendation in their report dated February 26, 2019:

Staff should continue to use the rate-setting toolset for proactive annual financial planning, identifying upcoming operating and capital needs and informing decision making through alternatives analyses. Special emphasis should be on monitoring fund balances to optimize funding of upcoming capital costs and sheltering against unanticipated changes in tonnage and/or new contract costs. This active management approach will allow staff to continue to maintain reliable, consistent and predictable solid waste disposal charges.

Response: Metro concurs and will continue to use the rate-setting toolset for financial forecasting and to identify optimal funding strategies to help inform the next rate setting process and capital and infrastructure planning.

Solid Waste Rate Study

Assumptions

Economic & Financial Factors		FY 2019
General Cost Inflation		1.82%
Construction Cost Inflation		3.26%
Labor Cost Inflation		2.27%
Benefit Cost Inflation		10.00%
Weighted Labor and Benefits		4.63%
General Inflation plus Composite Growth		6.12%
Customer Growth		4.22%
No Escalation		0.00%
CPI Inflation - Central		3.15%
CPI Inflation - South		3.08%
CPI Inflation - CM. Organics		2.54%
CPI Inflation - Disposal		2.80%
CPI Inflation - Transport		2.72%
Fuel Cost Escalation		7.19%
Manual Input		
Investment Interest		2.50%
Labor and Benefits Split		
Salary Share		69.53%
Benefits Share		30.47%

Accounting Assumptions		FY 2019
FISCAL POLICY RESTRICTIONS		
Minimum Operating Fund Balance Target		
Select Minimum Operating Fund Balance Target	1	
1 - Defined as Days of O&M Expenses		
Min. Op. Fund Balance Target (days of O&M expense)		45
Max. Op. Fund Balance (days of O&M expense)		45
2 - Amount at Right ==>		
Min. Op. Fund Balance Target		\$ 4,000,000
Max. Op. Fund Balance		\$ 4,000,000
Minimum Capital Fund Balance Target		
Select Minimum Capital Fund Balance Target	2	
1 - Defined as % of Plant		
Plant-in-Service in FY 2014	\$	
Minimum Capital Fund Balance - % of plant assets		1.00%
2 - Amount at Right ==>		\$ 1,200,000
EQUIPMENT REPLACEMENT FUNDING		
Select Equipment Replacement Funding Strategy	4	
Depreciation in FY 2014	\$	
Amount of Annual Cash Funding from Rates		
1 - Equal to Annual Depreciation Expense		\$ 1,713,411
2 - Equal to Annual Depreciation less Annual Debt Principal Payments		\$ 1,713,411
3 - Equal to Amount at Right ==>		\$ -
4 - Do Not Fund Equipment Replacement		

Attachment B

Metro Solid Waste Rate Setting Criteria Updated February 8, 2018

In developing the rates, staff relies on Metro's legal authority as determined by the Metro Code and Oregon Revised Statute, as well as policies adopted by the Metro Council and other informal guidance used by staff. In addition, the solid waste rate setting process is guided by core set of criteria used to ensure effective management of the regional solid waste system.

This criteria includes the following principles:

- A. Consistency: Solid waste rate setting should be consistent with Metro's agency-wide planning policies and objectives, including but not limited to the Solid Waste Management Plan.
- B. Revenue Adequacy: Rates should be sufficient to generate revenues that fund the costs of the solid waste system.
- C. Equity: Charges to users of the waste disposal system should be directly related to disposal services received. Charges to residents of the Metro service district who may not be direct users of the disposal system should be related to other benefits received.
- D. Economic Impact and Affordability. Rate setting should consider the economic effects on the various types of rate payers, including the cost of living on residential waste generators and the cost of doing business on non-residential generators, as well as the economic effect on others in the region.
- E. Waste Reduction: The rate structure should encourage waste reduction, reuse, and recycling.
- F. Implementation and Administration: Rate setting should balance the relative cost and effort of implementing and administering the rates with financial and policy goals. Rates should be readily enforceable.
- G. Credit Rating Impacts: The rate structure should not negatively impact Metro's credit rating.
- H. Authority to Implement: Metro should ensure that it has the legal ability to implement the rate structure; or, if such authority is not already held, evaluate the relative difficulty of obtaining the authority.
- I. Reliability. Anticipated revenues used in the rate setting process should be considered stable and unlikely to deviate from financial plan expectations.
- J. Predictability: Metro rate adjustments should be predictable and orderly to allow local governments, haulers, and rate payers to perform effective planning.

Tons of Metro area waste subject to Metro's reduced rate or exempt from fees and taxes at a disposal site

July 1, 2017 - June 30, 2018

Fiscal Year 2018

Reduced rate waste (cleanup material)		Tons
Type:		
Petroleum Contaminated Soil		258,387
Other		8,824
	total	<u>267,211</u>

Exempt waste		Tons
Generator:		
Environmentally Conscious Recycling		29
Evrz NA		1,100
Greenway Recycling		9,395
Hickey Marine		14,624
Kleen Industrial Services		1,829
RA Roth / NW Shingle		8,307
RB Recycling		5,220
Rivergate Scrap Metals		42,002
Schnitzer Steel		98,914
Siltronics Corp		331
Tire Disposal and Recycling		4,689
Tualatin Valley Waste Recovery		9,152
Willamette Resources Inc		4,217
	total	<u>199,809</u>

Special Exemption Permits		Tons
Generator:		
Oregon Department of Agriculture		4,089
(yard debris from beetle quarantined area - Wash Co) *	total	<u>4,089</u>

* No lost revenue as material would have normally been composted

Agenda Item No. 7.1

Resolution No. 19-4967, For the Purpose of Amending the FY 2018-19
Budget and Appropriations Schedule and FY 2018-19 Through FY
2022-23 Capital Improvement Plan to Provide for a Change in
Operations

Resolutions

Metro Council Meeting
Thursday, March 21, 2019
Metro Regional Center, Council Chamber

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF AMENDING THE FY 2018-19 BUDGET AND APPROPRIATIONS SCHEDULE AND FY 2018-19 THROUGH FY 2022-23 CAPITAL IMPROVEMENT PLAN TO PROVIDE FOR CHANGES IN OPERATIONS)

RESOLUTION NO 19-4967 Introduced by Martha Bennett, Chief Operating Officer, with the concurrence of Council President Lynn Peterson

WHEREAS, the Metro Council has reviewed and considered the need to increase appropriations within the FY 2018-19 Budget; and

WHEREAS, Metro Code chapter 2.02.040 requires Metro Council approval to add any new position to the budget; and

WHEREAS, the need for the increase of appropriations has been justified; and

WHEREAS, adequate funds exist for other identified needs; and

WHEREAS, ORS 294.463(1) provides for transfers of appropriations within a fund, including transfers from contingency that do not exceed 15 percent of a fund’s appropriations, if such transfers are authorized by official resolution or ordinance of the governing body; and

WHEREAS, ORS 294.463(3) provides for transfers of appropriations or of appropriations and a like amount of budget resources between funds of the municipal corporation when authorized by an official resolution or ordinance of the governing body stating the need for the transfer; and

WHEREAS, ORS 294.338(2) allows an increase in appropriations due to specific purpose grants or gifts when authorized by an official resolution or ordinance of the governing body stating the need for the recognition; now therefore,

BE IT RESOLVED:

- 1. That the FY 2018-19 Budget and Schedule of Appropriations are hereby amended as shown in the column entitled “Revision” of Exhibits A and B to this Resolution for the purpose of recognizing new grants, approving new FTE, transferring funds from contingency and providing for increased appropriations; and
2. That the FY 2018-19 through FY 2022-23 Capital Improvement Plan is hereby amended accordingly.

ADOPTED by the Metro Council this 21st day of March, 2019.

Lynn Peterson, Council President

APPROVED AS TO FORM:

Nathan A. S. Sykes, Acting Metro Attorney

Exhibit A
Resolution 19-4967
Schedule of Appropriations

	<u>Current Appropriation</u>	<u>Revision</u>	<u>Revised Appropriation</u>
GENERAL FUND			
Council	5,540,710	-	5,540,710
Office of the Auditor	764,147	-	764,147
Office of Metro Attorney	2,733,469	-	2,733,469
Information Services	6,343,309	-	6,343,309
Communications	2,072,803	-	2,072,803
Finance and Regulatory Services	5,519,072	-	5,519,072
Human Resources	3,362,673	40,000	3,402,673
Property and Environmental Services	2,747,207	-	2,747,207
Parks and Nature	12,743,665	-	12,743,665
Planning and Development Department	22,921,733	-	22,921,733
Research Center	5,278,753	-	5,278,753
Special Appropriations	4,341,262	-	4,341,262
Non-Departmental			
Debt Service	2,090,587	-	2,090,587
Interfund Transfers	19,096,795	-	19,096,795
Contingency	1,954,308	(40,000)	1,914,308
<i>Total Appropriations</i>	97,510,493	-	97,510,493
Unappropriated Balance	34,348,822	-	34,348,822
Total Fund Requirements	\$131,859,315	\$0	\$131,859,315
OREGON ZOO OPERATING FUND			
Visitor Venues - Oregon Zoo	40,195,517	26,800	40,222,317
Non-Departmental			
Interfund Transfers	4,656,862	-	4,656,862
Contingency	1,700,000	-	1,700,000
<i>Total Appropriations</i>	46,552,379	26,800	46,579,179
Total Fund Requirements	\$46,552,379	\$26,800	\$46,579,179
SOLID WASTE FUND			
Property and Environmental Services	77,643,790	47,438	77,691,228
Non-Departmental			
Interfund Transfers	6,322,306	-	6,322,306
Contingency	19,147,220	(47,438)	19,099,782
<i>Total Appropriations</i>	103,113,316	-	103,113,316
Unappropriated Balance	30,605,063	-	30,605,063
Total Fund Requirements	\$133,718,379	\$0	\$133,718,379
Total Appropriations	573,730,150	26,800	573,756,950
Total Unappropriated Balance	111,789,917	-	111,789,917
TOTAL BUDGET	\$685,520,067	\$26,800	\$685,546,867

All Other Appropriations Remain as Previously Adopted

Exhibit B
Resolution 19-4967
Schedule of FTE

	Current		Revised
	<u>FTE</u>	<u>Revision</u>	<u>FTE</u>
GENERAL FUND			
TOTAL FUND FTE	316.26	0.50	316.76
OREGON ZOO OPERATING FUND			
TOTAL FUND FTE	202.25	1.00	203.25
SOLID WASTE FUND			
TOTAL FUND FTE	137.96	2.00	139.96
TOTAL FTE	931.46	3.50	934.96

All Other FTE Remain as Previously Adopted

STAFF REPORT

IN CONSIDERATION OF RESOLUTION 19-4967 FOR THE PURPOSE OF AMENDING THE FY 2018-19 BUDGET AND APPROPRIATIONS SCHEDULE AND THE FY 2018-19 THROUGH FY 2022-23 CAPITAL IMPROVEMENT PLAN FOR CHANGES IN OPERATIONS

Date: 3.7.2019

Prepared by: Lisa Houghton, 503.797.1829,
Lisa.Houghton@oregonmetro.gov

Department: Finance and Regulatory Services

Presenter Lisa Houghton, 503.797.1829,
Lisa.Houghton@oregonmetro.gov

Meeting date: 3.21.19

Length: 15 minutes

ISSUE STATEMENT

This resolution will authorize increases in appropriations and positions in the FY 2018-19 Budget and approve changes to the FY 2018-19 through FY 2022-23 Capital Improvement Plan.

ACTION REQUESTED

Council adoption of Resolution 19-4967.

IDENTIFIED POLICY OUTCOMES

Council approval will authorize the additional appropriations and positions requested by departments for FY 2018-19 and approve requested changes to the FY 2018-19 through FY 2022-23 Capital Improvement Plan.

POLICY QUESTION

Council should consider whether the increases of appropriations and positions have been justified, that adequate funds exist for other identified needs and that proposed changes to the Capital Improvement Plan appear appropriate.

POLICY OPTIONS FOR COUNCIL TO CONSIDER

Adoption of the Resolution will provide sufficient appropriations and positions to accommodate the changes in operations outlined by the departments. Adoption will also allow for changes to capital projects, again due to operational factors.

Disapproval of the Resolution will require departments to reevaluate their proposed changes to operational and capital plans due to the denied requests for additional resources and changes in capital projects.

STAFF RECOMMENDATIONS

The Chief Operating Officer recommends adoption of Resolution 19-4967

STRATEGIC CONTEXT & FRAMING COUNCIL DISCUSSION

Known Opposition: None known.

Legal Antecedents: ORS 294.463(1) provides for transfers of appropriations within a fund, including transfers from contingency that do not exceed 15 percent of a fund's appropriation, if such transfers are authorized by official resolution or ordinance of the governing body. ORS 294.463(3) provides for transfers of appropriations or of appropriations and a like amount of budget resources between funds of the municipal corporation when authorized by an official resolution or ordinance of the governing body stating the need for the transfer. ORS 294.338(2) allows an increase in appropriations due to specific purpose grants or gifts when authorized by an official resolution or ordinance of the governing body stating the need for the recognition. Metro code chapter 2.02.040 requires the Metro Council to approve the addition of any position to the budget. Metro's adopted financial policies require any project exceeding \$100,000 or an existing CIP project increasing greater than 20 percent to receive Council approval.

Anticipated Effects: This action provides for changes in operations as described above, recognizes new grants, provides additional appropriations authority and adds 3.50 FTE.

Budget Impacts: This action has the following impacts on the FY 2018-19 budget:

- Adds 1.00 limited duration FTE, recognizes \$26,800 in grant revenues and \$26,800 in additional appropriations in the Oregon Zoo Operating Fund
- Adds .50 FTE in Information Services
- Adds 2.00 FTE in the Solid Waste Fund and transfers \$47,438 from the Solid Waste Fund contingency
- Provides \$40,000 to Human Resources through a transfer from the General Fund contingency
- Amends the FY 2018-19 through FY 2022-23 Capital Improvement Plan for projects at the various Property and Environmental Services sites, Parks and Natural Area sites, the Portland5's Center for the Performing Arts and EXPO.

BACKGROUND

The following amendments have been proposed for Council review and action:

Animal Keeper for the Oregon Zoo Living Collections

The Oregon Zoo is requesting the addition of a limited duration 1.00 FTE Animal Keeper in the Living Collections Department. The position will specialize in the care and the propagation of California condors. The keeper in this position will be responsible for day-to-day husbandry activities and additional essential job duties that support the goal of increasing the propagation capacity of condors at the Jonsson Center for Wildlife Conservation. The new position will expand the Oregon Zoo's capacity and capability to double clutch, puppet rear, and accept eggs from other institutions for incubation by foster parents.

Federal grant funding in the amount of \$150,000 from the United States Fish & Wildlife is anticipated in support of this position. Annualized costs for the 1.00 FTE are estimated at \$80,000; costs for the remainder of this fiscal year are approximately \$26,800.

This action requests the addition of a limited duration 1.00 FTE, recognition of \$26,800 in grant revenues and equal amount of additional appropriations authority in the Oregon Zoo Operating Fund.

Records and Information Analyst for Information Services

Information Services is requesting an additional .50 FTE to increase an existing position to a full 1.00 FTE. The increased staff level will help provide better coverage on public record request support and records management. Projects that will be more fully addressed include R&R inventory, SharePoint records and portfolio management records.

Annualized costs for the increase are estimated at \$46,000; costs for the remainder of this fiscal year are \$11,431 and will be absorbed by the department.

This action requests the addition of .50 FTE.

Principal Solid Waste Planner for the SWICC team and Construction Manager for the Solid Waste Engineering team

Property and Environmental Services is requesting the following positions:

- 1.00 FTE Principal Solid Waste for the SWICC team. The position will implement a regional business continuity plan for all Metro's solid waste operations including two transfer stations, two household hazardous waste collection facilities, a paint recycling operation, and the St. John's Landfill. This position will develop operating procedures and plans for Metro in the event of a catastrophic event that includes working with local governments to implement and coordinate Metro's role during various disasters and disruptions. This position will also work with privately owned solid waste facilities to clarify roles and expectations to the regional solid waste system.
- 1.00 FTE Construction Project Manager I for the Engineering team. The position will manage technical projects at the solid waste facilities related to environmental systems such as storm water, wastewater and air pollution controls. The solid waste engineers who managed solid waste construction projects prior to the implementation of the cPMO also provided technical support to operations staff. This technical support continues to be provided, augmenting the support of the cPMO office. The volume of construction projects have increased and there is not enough staff to provide this technical support without impairing Metro's ability to complete projects in a timely fashion. Much of this technical works involves preparing required reports for regulatory agencies and must take priority.

Annualized costs for the two positions are estimated at \$265,000; costs for the remainder of this fiscal year are \$47,438.

This action requests the addition of 2.00 FTE and a \$47,438 transfer from the Solid Waste Fund contingency.

Pay Equity and Employee Engagement Surveys- Contracted Professional Services

Human Resources is requesting \$40,000 for the following two contracted professional service costs:

- Pay Equity study: The request for proposal process for this critical project resulted in the selection of a consultant with an engagement price that exceeded the estimated cost by \$25,000.
- Employee Engagement and Diversity/Cultural Compass surveys: Two surveys, normally performed in alternating years were both conducted during the current year to provide better coordination of the survey results. Although circumstances may warrant another

survey next year, both DEI and Human Resources are not anticipating the need to conduct either survey again until fiscal 2020-21.

This action requests a \$40,000 transfer from the General Fund contingency.

Solid Waste Capital Improvement Plan Changes Due to Increased Tonnage Costs

Property and Environmental Services is receiving far higher tonnage at the two transfer stations than anticipated when the current year budget was developed. Year to date, 42,600 more tons than anticipated have been processed at both facilities. This tonnage increase is creating a budget shortfall for tonnage related expenses including disposal fees, fuel, waste transport, organic processing fees and transfer station operation costs. To compensate for the additional costs, the department will postpone approximately \$5.5 million of capital improvement projects currently scheduled to occur in this fiscal year. The department will continue to monitor the tonnage activity for additional increases in tonnage costs for the fiscal year.

The following Capital Improvement Projects will be revised as outlined below:

- Land #SWTBD08: \$3.0 million for land acquisition(s) will be postponed to FY 19-20. The majority of the project appropriations will be used to offset the tonnage costs outlined above with the remainder be reallocated to additional fleet purchases in the current year.
- Metro South Compactor 1 #SMS001: \$2.6 million was carried forward from the prior year even though the installation was complete. The project's appropriations can be used to offset the tonnage costs outlined.
- MSS Transfer Scale Replacement #SWTBD20: The scale still needs assessment and inspection before replacement can occur. The \$500,000 project will be postponed into FY 19-20 and the appropriations will be reallocated to additional fleet purchases in the current year.
- Crusher Can/Aerosol Crusher #77126: The project will be completed in the current year with total costs approximately 50% of budget. The \$100,000 of savings will be reallocated to additional fleet purchases in the current year.
- Solid Waste Fleet #70001S: Two pieces of equipment for Metro Central Station will be added; a Sweeper for \$277,000 and a Loader for \$370,000. One piece of equipment for Metro South Station will be added; an F150 Truck for \$30,000.

This action amends the FY 2018-19 through 2022-23 Capital Improvement Plan. Attachment 1 outlines the Capital Projects changes requested.

Metro Regional Center Capital Improvement Plan Changes

The following Capital Improvement Projects require revision as outlined below:

- HVAC/BAS Replacement #MRC001: A portion of this project has been delayed until FY 19-20. \$750,000 appropriated for the current fiscal year will be reallocated to the projects listed below.
- MRC Roof Replacement Phase 2 #01320A: The project has experienced many unexpected complications that have resulted in approximately \$400,000 in overages. The current year budget will be increased by that amount.

- MRC South Elevator #MRC006: Due to a breakdown in the fall of 2018, this project was accelerated into the current fiscal year resulting in approximately \$250,000 in project costs.
- MRC Furniture Reconfiguration #MRC005: Council and cPMO office space reconfigurations have become a high priority resulting in \$100,000 of project costs occurring in the current year.

This action amends the FY 2018-19 through 2022-23 Capital Improvement Plan. Attachment 2 outlines the Capital Projects changes requested.

Parks and Nature Capital Improvement Plan Changes

The following Capital Improvement Projects require revision as outlined below:

- McCarthy Creek Road Repair #LR902: This project addresses structural needs for access to the McCarthy Creek natural areas. The project has been identified as a planning effort in the current fiscal year with construction planned for the summer of FY19-20. This amendment provides \$59,850 of funding for the current year and also identifies planned future project costs.
- Cazadero North Deep Creek Stream Restoration #46015: Metro is working with the Clackamas Partnership on this restoration project and the partnership has secured Oregon Watershed Enhancement Board grant funds to support and fully fund the restoration effort. The project is scheduled to incur an estimated \$20,000 in design, engineering and permitting costs in the current fiscal year with additional costs anticipated for FY19-20.

This action amends the FY 2018-19 through 2022-23 Capital Improvement Plan. Attachment 3 outlines the Capital Projects changes requested.

Expo Capital Improvement Plan Changes

The following Capital Improvement Projects require revision as outlined below:

- Hall C Roof Recoat #8R227: This project has been deferred due to the results of a third party assessment which determined that a recoat would not be required for 3-5 years. \$150,000 of the project's current year budget will be moved to the Hall E Flat Roof project.
- New Storage Building #8N079: This project will also be deferred since Expo has determined a Campus Master Plan should be conducted prior to major building changes. \$25,000 of the project's current year budget will be moved to the Hall E Flat Roof project.
- Hall E Flat Roof #8R234: Roofing products left over from other Expo renovations have been identified that can be utilized for Hall E, specifically on the flat roof section which was not included in the large barrel roof restoration. The product, when expertly applied, comes with a warranty for the applied roof system. This approach also continues our sustainability efforts through restoration rather than replacement and requires shifting \$150,000 of current year resources to the project in the current year.

This action amends the FY 2018-19 through 2022-23 Capital Improvement Plan. Attachment 4 outlines the Capital Projects changes requested.

Portland's 5 Centers for the Arts Capital Improvement Plan Changes

The following Capital Improvement Projects require revision as outlined below:

- Keller Electrical Infrastructure Update #8R155: This project will result in the updating of nearly every electrical panel in the Keller auditorium including main service panels, distribution boards and disconnect switches. The project has incurred cost over-runs of approximately \$210,000, largely related to unforeseen conditions. As panels were removed, code compliance issues were discovered that need to be addressed, as well as unique components that required custom equipment.
- AHH Roof Replacement #8R179: This project will begin in the current fiscal year but \$210,000 of costs will be delayed until FY 19-20.

This action amends the FY 2018-19 through 2022-23 Capital Improvement Plan. Attachment 5 outlines the Capital Projects changes requested.

ATTACHMENTS

- Resolution 19-4967
- Exhibit A – Schedule of Appropriations
- Exhibit B – Schedule of FTE
- Attachments 1-5 Capital Project Details

Mid Year Amendment FY 2018-19 BUDGET

Capital Project Detail

Property and Environmental Services/Solid Waste Fund

Attachment 1

Resolution19-4967

New? Y/N	Project ID	Project Title	GL Acct	Fund ID	Dept ID	Est. End Date						Source/s of Funding (Carry Fwd, Grant, etc.)	Other Project Comments
							2019	2020	2021	2022	2023		
N	SMS001	Metro South: Compactor	574000	534	34100		0					n/a	Compactor was installed in June. Zero project out.
N	SWTBD20	MSS Transfer Scale Replacement	574000	534	34100		0	500,000				n/a	Reduce 2018-19 to zero. Project was determined not necessary in current year.
N	77126	Crusher Can / Aerosol - MSS	574000	534	34100		100,000					n/a	Reduce to \$100,000. Project carried over and budgeted. Only need half of the resources.
N	70001S	SW Fleet	574000	536	34100	6/30/2019	677,000					Reduction from Capital projects SMS001, SWTBD20 and 77126.	Two new pieces of yellow stock; Tymco Sweeper (\$277k) and Caterpillar Loader (\$370k)
N	SWTBD08	MSS Land Acquisition	571000	536	34100		0	3,000,000				n/a	Unexpected to buy property in FY19. Reduce resources to cover project, M&S and PS additional costs.

Mid Year Amendment FY 2018-19 BUDGET
Capital Project Detail

Property and Environmental Services/MRC R&R fund

Attachment 2

Resolution 19-4967

New? Y/N	Project ID	Project Title	GL Acct	Fund ID	Dept ID	Est. End Date						Source/s of Funding (Carry Fwd, Grant, etc.)	Other Project Comments
							2019	2020	2021	2022	2023		
N	MRC001	MRC HVAC & BAS Replacement	572000	618	00434	6/30/2020	0	3,941,234				n/a	
N	01320A	MRC Roof	572000	618	00434	6/30/2019	2,830,344					n/a	
N	MRC006	Elevator Modernization	572000	618	00434	6/30/2022	250,000	0	900,000	625,000	0	n/a	
N	MRC005	Furniture Reconfiguration	572000	618	00434	6/30/2020	100,000	2,600,000				n/a	

Mid Year Amendment FY 2018-19 BUDGET
Capital Project Detail

Parks & Nature - Local Option Levy and Natural Area

Attachment 3

Resolution 19-4967

New? Y/N	Project ID	Project Title	GL Acct	Fund ID	Dept ID	Est. End Date						Source/s of Funding (Carry Fwd, Grant, etc.)	Other Project Comments
							2019	2020	2021	2022	2023		
Y	LR902	McCarthy Creek Road Repair	571000	165	03210	6/30/2021	59,850	235,000				Levy	New project identified. Design and engineering happening in FY19 with construction amounts over \$100K expected in FY20.
Y	G46015	Cazadero North/Deep Creek Stream Restoration	570000	351	02740	6/30/2022	20,000	230,000	10,000			NA Bond	Stabilization project as part of land acquisition. Initial design efforts under \$100K occurred in previous years. A large scale investment is expected during FY20 and is therefore required to be part of the CIP.

Mid Year Amendment FY 2018-19 BUDGET

Capital Project Detail

MERC / Expo

Attachment 4

Resolution 19-4967

New? Y/N	Project ID	Project Title	GL Acct	Fund ID	Dept ID	Est. End Date						Source/s of Funding (Carry Fwd, Grant,	Other Project Comments
							2019	2020	2021	2022	2023		
Y	8R234	Hall E Flat Roof	526100	556	56999	12/31/2019	150,000	0	0	0	0	Other projects deferred	
N	8R227	Hall C Roof Recoat	526100	556	56999	deferred	0	0	0	0	0	deferred	
N	8N079	New Storage Building (UP4)	572000	556	56999	deferred	15,000	0	0	0	0	deferred	

Mid Year Amendment FY 2018-19 BUDGET

Capital Project Detail

MERC / Portland'5 Centers for the Arts

Attachment 5

Resolution 19-4967

New? Y/N	Project ID	Project Title	GL Acct	Fund ID	Dept ID	Est. End Date						Source/s of Funding (Carry Fwd, Grant,	Other Project Comments
							2019	2020	2021	2022	2023		
N	8R155	Keller Electrical Infrastructure Update	526100	554	58999	6/30/2019	760,000	0	0	0	0		
N	8R179	AHH Roof Replacement	526100	554	58999	6/30/2020	897,000	1,438,000	0	0	0		

Agenda Item No. 7.2

**Resolution No. 19-4975, For the Purpose of Approving the City of
Beaverton's Request for a Phase I Project Concept Endorsement
for the Mary Ann Apartments**

Resolutions

Metro Council Meeting
Thursday, March 21, 2019
Metro Regional Center, Council Chamber

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF APPROVING THE) RESOLUTION NO. 19-4975
CITY OF BEAVERTON'S REQUEST FOR A)
PHASE I PROJECT CONCEPT ENDORSEMENT) Introduced by Chief Operating Officer
FOR THE MARY ANN APARTMENTS) Martha Bennett in concurrence with
) Council President Lynn Peterson

WHEREAS, on June 7, 2018, the Metro Council adopted Resolution No. 18-4898, "For the Purpose of Referring to the Metro Area Voters a Ballot Measure Authorizing General Obligation Bond Indebtedness in an Amount Not to Exceed \$652 Million to Fund Affordable Housing; and Setting Forth the Official Intent to the Metro Council to Reimburse Certain Expenditures Out of the Proceeds of Said Bonds Upon Issuance," approving, certifying and referred by the Metro Council to the Metro Area voters on the November 6, 2018 General Election as Ballot Measure 26-199 ("Affordable Housing Bond Measure"); and

WHEREAS, at the General Election held on November 6, 2018, the Metro Area voters approved the Affordable Housing Bond Measure providing Metro with the authority under the laws of the State of Oregon and the Metro Charter to issue bonds and other obligations payable from ad valorem property taxes for the purpose of financing and identifying funds to be used for affordable housing; and

WHEREAS, on January 31, 2019, the Metro Council adopted Resolution No. 19-4975, "For the Purpose of Approving the Metro Affordable Housing Bond Measure Program Work Plan," (the "Workplan") adopting the Metro Housing Bond Measure Program Work Plan to serve as a framework for the Metro Housing Bond implementation activities, including the completion by each local jurisdiction implementer of a plan outlining strategies for achieving its allocated share of unit production targets (the "Local Implementation Strategies") and consideration and approval by the Metro Council of said Strategies; and

WHEREAS, the staff report supporting Metro Council Resolution No. 19-4975 contemplated the likelihood that certain implementing jurisdictions would be bringing forward projects for funding in fiscal year 2019, prior to the completion of Local Implementation Strategies (the "Phase I Projects"), such that Metro consideration and approval of said Phase I Projects would need to occur outside the parameters of the newly adopted Work Plan; and

WHEREAS, the City of Beaverton has requested a Phase I Project concept endorsement and reservation of \$3.0 million in Affordable Housing Bond Measure funding for the construction of the Mary Ann Apartments, a four story affordable apartment building that will provide 54 residential units, including 26 two-bedroom units and three 3- three-bedroom units. Eleven units would be affordable to households making 30% or less of area median income (AMI). The Project would be developed by REACH CDC and will be located at 1st Street and Main Avenue in Downtown Beaverton, on a site that includes land owned by REACH CDC and land owned by the City of Beaverton; and

WHEREAS, Metro staff believes that the Mary Ann Apartments Phase I Project will contribute to the City's unit production targets set forth in the Work Plan and the City staff has committed to align the project with all elements of its forthcoming Local Implementation Strategy, including strategies to advance racial equity; now therefore

BE IT RESOLVED that the Metro Council:

1. Approves the City of Beaverton's request for Metro Affordable Housing Bond Measure concept endorsement for the Mary Ann Apartments and authorizes the Metro Chief Operating Officer to approve final funding provided that such approval is otherwise consistent with the applicable process described in the Work Plan.

ADOPTED by the Metro Council this _____ day of March, 2019.

Lynn Peterson, Council President

Approved as to Form:

Nathan A. S. Sykes, Acting Metro Attorney

Phase I Concept Endorsement Staff Report for Mary Ann Apartments | March 12, 2019



Project Concept Overview

The City of Beaverton has requested a concept endorsement and preliminary commitment of \$3.0 million in Metro Housing Bond funding for the construction of the Mary Ann Apartments (“the Mary Ann”), a four-story affordable apartment building that will provide 54 residential units, including 26 two-bedroom units and 3 three-bedroom units. Eleven units will be affordable to households making 30 percent of area median income (AMI) or below. The Mary Ann will be developed by REACH CDC and located at First Street and Main Avenue in Downtown Beaverton.

Eligible implementation jurisdictions have been invited to submit up to one “Phase 1” project to Metro for consideration between March and June 2019, prior to completion of a full Local Implementation Strategy. The Mary Ann will be submitted to Beaverton City Council on March 19 for concept approval and prioritization as the City’s Phase 1 project. Because the project is seeking a preliminary funding commitment prior to completion of a full Local Implementation Strategy, Metro Council action is requested to provide a concept endorsement for this project.

Within the funding distribution framework approved by Metro Council (see *Exhibit B* of the Affordable Housing Bond Program Work Plan), and based on preliminary agreement among the three eligible implementation jurisdictions in Washington County, the City of Beaverton is eligible to administer \$31.14 million in total bond funding to support affordable housing projects that align

Exhibit A to Resolution No. 19-4975

with Bond Program goals. Beaverton staff are actively working to develop a Local Implementation Strategy for consideration by Beaverton City Council, the Housing Bond Community Oversight Committee and Metro Council in summer 2019.

Development Program

The proposed concept contains 54 units, including 26 two-bedroom units and 3 three-bedroom units. The project also includes 39 parking spaces and a second floor outdoor community space.



All units will be affordable at 60 percent of AMI or below. Eleven units will be affordable at 30 percent of AMI and 29 units will be sized for families, with 2-3 bedrooms. Seven units will be both family sized and deeply affordable at 30 percent of AMI or below, including four two-bedroom units and three three-bedroom units.

Exhibit A to Resolution No. 19-4975

<u>Unit Size</u>	<u>Median Income %</u>	<u># of Baths</u>	<u>Square Feet / Unit</u>	<u>Gross Monthly Rent / Unit</u>	<u>Units</u>	<u>Project Based Vouchers</u>
One Bedroom	30%	1	600	\$458	3	0
One Bedroom	30%	1	600	\$458	1	1
One Bedroom	40%	1	600	\$611	16	0
One Bedroom	50%	1	600	\$763	5	0
Two Bedroom	30%	1	800	\$550	4	4
Two Bedroom	40%	1	800	\$733	3	0
Two Bedroom	50%	1	788	\$916	3	0
Two Bedroom	60%	1	800	\$1,076	16	0
Three Bedroom	30%	1.5	1,231	\$681	3	3
Total					54	8

Project Context

Background

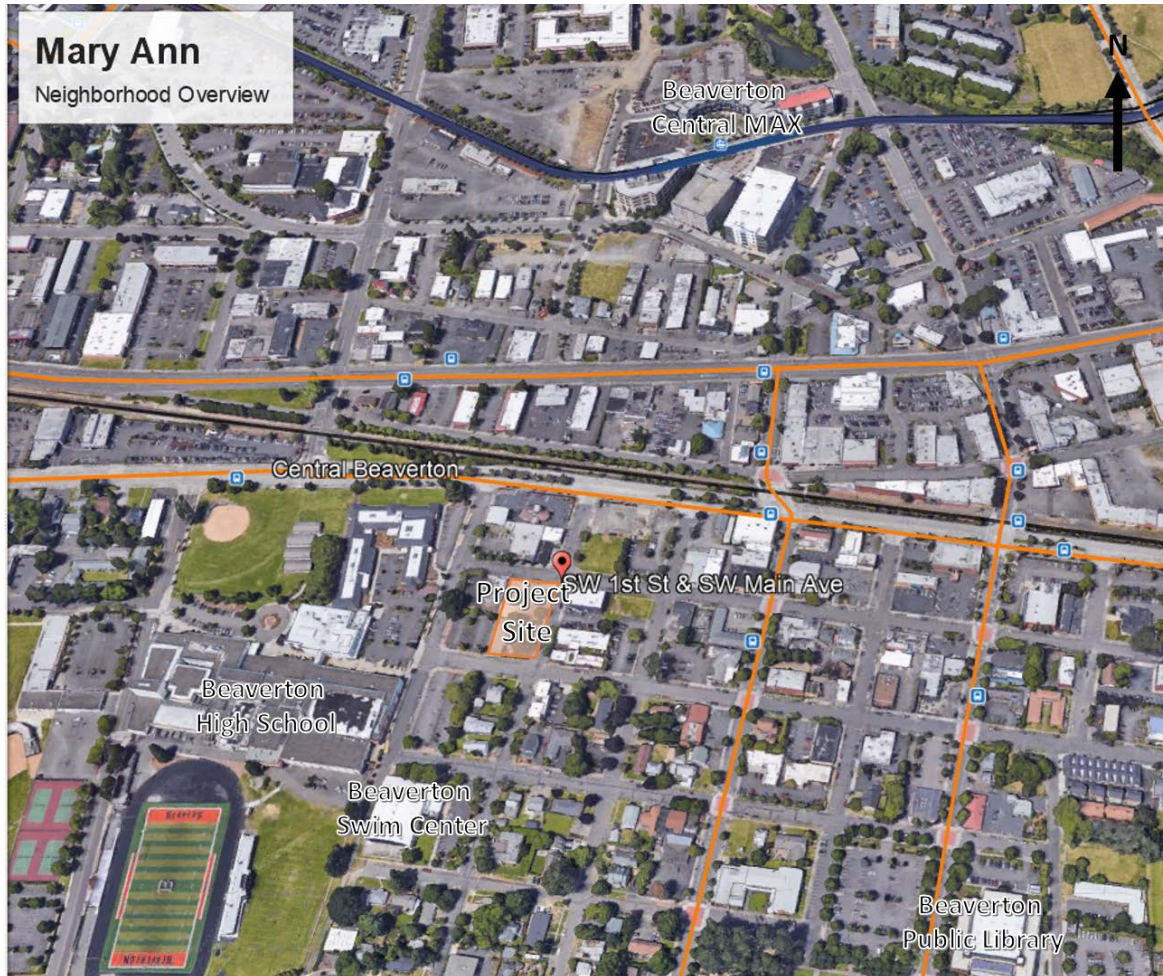
Since September of 2018, the City of Beaverton and REACH CDC have been in exclusive negotiations to facilitate an affordable housing project at First and Main. During this time, REACH CDC has conducted due diligence and predevelopment activities necessary for the half block development, including but not limited to the creation of schematic architectural designs, property appraisals, environmental assessments, financial modeling, submittal of a HOME fund application, and conducting of a neighborhood review meeting.

Site and Neighborhood

The proposed project is located on Main Avenue between First and Second Streets in Old Town, the historic downtown core of Beaverton. The area has a mix of pre WWII commercial and retail buildings, single-family homes, and two- to three-story offices dating from the 1960s to 1980s. To the immediate southwest of the site is The Rise at Old Town, a new, four-story, market rate apartment building. Several amenities are within easy walking distance, including Beaverton City Library, Beaverton Swim Center, Beaverton High School, and the Beaverton Farmer’s Market.

Exhibit A to Resolution No. 19-4975

The Beaverton Central MAX station is located approximately 0.5 miles to the north. Farmington Road, one block north of the site, and Canyon Road, one block further north, are major arterials, and separate Old Town from newer and denser development immediately surrounding the Beaverton Central Max station. Signalized crosswalks provide pedestrian access across these high-volume roads to the transit center.



The site itself consists of four tax lots, totaling approximately 0.44 acres. Two tax lots on the northern half of the site are owned by the City of Beaverton. One of the two southern tax lots is owned by a private developer; the other is owned by the Beaverton School District. REACH CDC has entered into Purchase and Sale Agreements for the two southern tax lots and will enter into a separate agreement with the City of Beaverton for the use of its parcels. The sites are currently cleared and have no existing buildings.

Exhibit A to Resolution No. 19-4975

The site has environmental conditions that will be addressed as part of the development process. An initial Phase 1 Environmental Site Assessment, followed by a geophysical survey, identified a cesspool that will need to be decommissioned. In addition, soils in the northern portion of the property are contaminated with petroleum hydrocarbons above allowed levels for Urban Residential land use. Further testing and preparation of a remediation strategy will occur as the project proceeds.

Community Engagement

REACH CDC held a neighborhood meeting to discuss The Mary Ann and reported that all feedback received was positive. REACH staff also presented the project and proposed name to Beaverton's Diversity Advisory Board, which endorsed the project and name. The project is named for Mary Ann Spence Watts, who was Beaverton's first school teacher and taught in a log cabin near the current Beaverton High School site.

REACH is working with the Career and Technical Education department at the Beaverton School District with the goal of expanding an existing partnership between Walsh Construction, the Mary Ann's general contractor, and the School District. This partnership would use the Mary Ann as a case study for a partnership aimed at attracting high school students to the construction trades. Westview, Mountainside, and Aloha are the schools currently participating in the program, which will provide for student tours during construction.

Additional community engagement will be completed as the project moves forward.

Development Team

REACH is a Portland based non-profit affordable housing developer and operator active throughout the Portland metropolitan area. Founded in 1982, REACH has developed or preserved over 2,200 housing units.

Walsh Construction will serve as General Contractor. Walsh Construction is a Portland based firm with extensive experience in the construction of affordable projects including the Orchards Apartments in Southeast Portland and Woody Guthrie Apartments in Portland's Lents neighborhood.

Scott Edward Architects ("S|EA") will design the Project. S|EA is a Portland based architectural firm with extensive multifamily experience. Recent affordable housing experience includes Cornelius Place, a mixed use building in downtown Cornelius which integrates a ground floor public library with 45 units of low income senior housing on its upper floors.

Exhibit A to Resolution No. 19-4975

Project Financing

The Mary Ann has an estimated total development cost of approximately \$20.9 million, reflecting a per unit cost of \$388,888 and a per gross square foot cost of \$303. The proposed developer fee of \$1.15 million represents 5.5 percent of total costs and is within Oregon Housing and Community Service limitations.

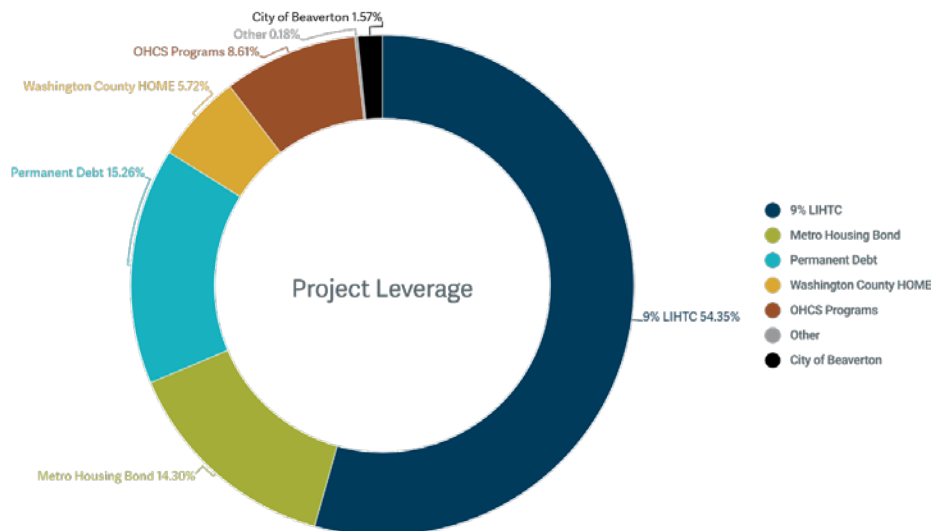
Projected sources for the project include \$11.4 million in competitive 9 percent Low Income Housing Tax Credits (LIHTC), \$3.0 million in Metro Regional Bond funds, \$3.1 million in permanent debt, and \$1.2 million in Washington County HOME funds. Metro bond subsidy reflects 15.7 percent of total project cost, or an average of \$61,111 per unit. The 9 percent LIHTC competitive application will be submitted March 29. If this application is unsuccessful, the project will need to be restructured or delayed.

The City of Beaverton is contributing a \$300,000 write down of the cost of its land; \$25,000 in design assistance and \$5,000 of pre-development assistance. The project will be exempt from real estate taxes.

MARY ANN Project Financing

Uses	Total
Site and Due Diligence	\$855,000
Construction Costs	\$14,763,746
Construction Contingency	\$738,000
Development Costs	\$2,328,673
Developer Fee	\$1,150,000
Construction Interest	\$507,184
Operating Reserves	\$250,000
Lease Up Costs	\$80,005
Financing Fees	\$301,062
Total Uses	\$20,973,670

Sources	Total
Limited Partner Equity (9% LIHTC)	\$11,398,860
Metro Regional Housing Bond	\$3,000,000
Permanent Loan (NOAH)	\$1,426,000
Permanent Loan (OATC)	\$1,774,000
Washington County HOME Funds	\$1,200,000
General Housing Account Program	\$1,078,125
Oregon-Multifamily Energy Program	\$200,000
Housing Trust Fund	\$528,125
Beaverton Land Value Write Down	\$300,000
Beaverton Design Assistance Grant	\$25,000
Beaverton Predevelopment Assistan	\$5,000
Energy Trust	\$38,560
Total Sources	\$20,973,670



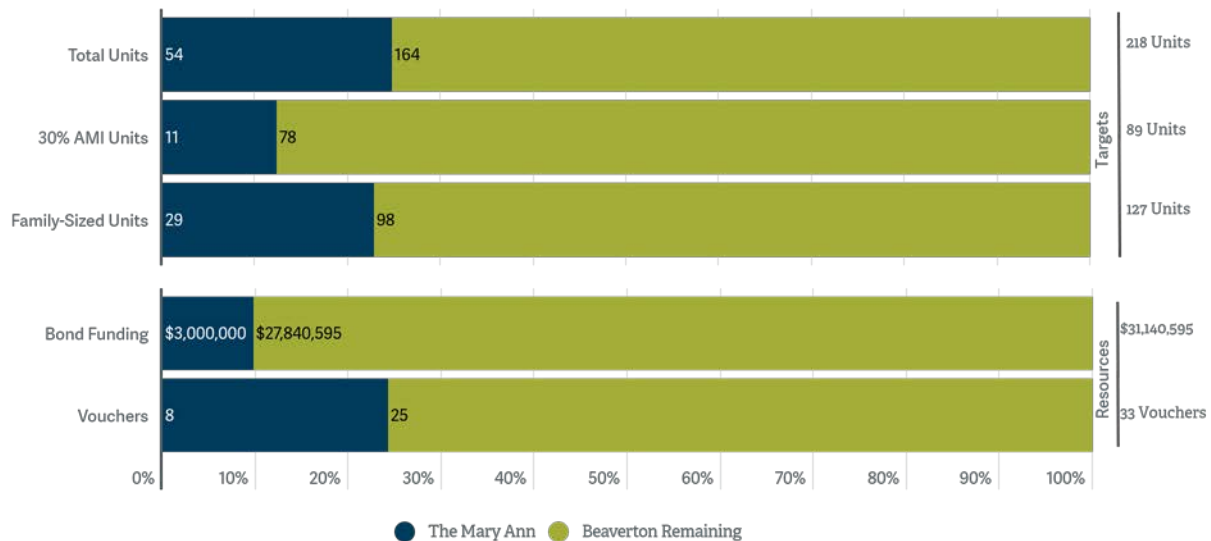
Alignment with Local Implementation Strategy

While Beaverton’s local implementation strategy is not yet available, the proposed project appears to be in alignment with the unit production targets. Further information will be needed prior to final funding authorization to confirm consistency of the project with local implementation strategy requirements related to advancing racial equity and incorporating community engagement to shape project outcomes to meet the needs of future residents.

Contribution to Unit Production Targets

Beaverton is requesting \$3.0 million in Metro Bond Funds and plans to use 8 project based rental assistance vouchers from the Washington County Housing Authority as part of an agreement in development to commit 33 total project-based rental assistance vouchers to support Metro Housing Bond program implementation in Beaverton. Overall, the project would utilize 9.6 percent of Beaverton’s allocation of Bond funds while delivering 25 percent of the City’s overall unit production target, 12 percent of the City’s target of units affordable at 30 percent of AMI, and 27 percent of the City’s family sized unit target.

Production Targets & Resources



In addition to the Mary Ann Project Concept, Beaverton staff have submitted a preliminary portfolio concept to Beaverton City Council for approval on March 18. The table below illustrates The Mary Ann’s contribution to targets in relation to the anticipated mix of future projects. The purpose of this approach is to provide certainty in Beaverton’s commitment to achieve overall Bond Program targets, while allowing flexibility for each project to play a different role in contributing to the 30% AMI and family-sized unit goals.

Preliminary Beaverton Housing Bond Portfolio Concept

Exhibit A to Resolution No. 19-4975

	Mary Ann	Project B	Project C	Project D	Total	Target
Units	54	79	66	51	250	218
≥2 Bdrm	29	37	42	6	114	109
30% w/o vouchers	3	19	22	12	56	29
PBV w/vouchers	8	9	16	0	33	60
Total 30% AMI	11	28	38	12	89	89

Advancing Racial Equity

In addition to expectations related to Unit Production Targets, Metro's Housing Bond Work Plan provides guidance regarding strategies to advance racial equity. The Project Concept being submitted to Beaverton City Council includes a commitment to incorporate equity strategies and goals that align with the city's Local Implementation strategy and overall equity goals and policies. Final development plans will include Minority-Owned, Woman-Owned, Service-Disabled Veterans and Emerging Small Businesses goals; creation of an Affirmative Fair Housing Marketing Plan; and efforts to work with REACH and other project sponsors and partners to lower barriers to housing through screening criteria. Additional work is needed prior to final funding authorization to incorporate commitments related to fair housing, economic opportunity, culturally specific services and community partnerships.

Community Engagement

Metro's Housing Bond Work Plan calls for ongoing engagement of historically marginalized communities to shape project outcomes. As described earlier in the report, initial community engagement has been completed by REACH, but further efforts are needed to ensure engagement of communities of color and other historically marginalized community members, as described in Metro's Bond Program Work Plan. A summary of engagement activities and outcomes, including a description of how community engagement has shaped project planning or will shape project outcomes, will be submitted prior to full funding authorization.

Next Steps

If the Project receives a Concept Endorsement from Beaverton City Council and Metro Council, the anticipated timeline of next steps includes:

- March 29, 2019: Deadline to apply for competitive 9% LIHTC
- Summer 2019: Announcement of 9% LIHTC awards
- Summer 2019: Beaverton Local Implementation Strategy completion
- Winter 2019-20: Final Metro funding authorization (if 9% LIHTC approved)
- Winter 2020: Mary Ann project closing (if 9% LIHTC approved)
- Spring 2020: Mary Ann project Groundbreaking (if 9% LIHTC approved)

Staff Findings and Recommendations

Findings

Key staff findings include:

- Requested Metro Housing Bond funding is proportionate to the Mary Ann's contribution toward unit production targets. Overall, the project would utilize 9.6 percent of Beaverton's available Bond funds while delivering 25 percent of the City's overall unit production target, 12 percent of the City's target of units affordable at 30 percent of AMI, and 27 percent of the City's family sized unit target.
- If the Mary Ann does not receive an award of 9 percent LIHTC, the project concept will need to be adapted to reflect lower leveraged equity. This will result in a delay to the anticipated timeline and will likely require another concept endorsement if significant changes to the development program are required.
- Further information will be needed prior to final funding authorization to confirm consistency of the project with local implementation strategy requirements related to advancing racial equity and incorporating community engagement to shape project outcomes to meet the needs of future residents.

Recommendations

Staff recommends that the Metro Council provide a concept endorsement for the Mary Ann. Full funding authorization will be conditioned on demonstration of project feasibility and consistency with Beaverton's forthcoming local implementation strategy.

IN CONSIDERATION OF RESOLUTION NO. 19-4975, FOR THE PURPOSE OF
APPROVING A CONCEPT ENDORSEMENT FOR THE CITY OF BEAVERTON'S PHASE I
HOUSING BOND PROJECT

Date: March 11, 2019
Department: Planning
Meeting date: March 21, 2019

Prepared by: Emily Lieb
Presenter(s): Emily Lieb
Length: 15 min.

ISSUE STATEMENT

The City of Beaverton has requested a concept endorsement resulting in a preliminary commitment of \$3.0 million in Metro Housing Bond funding for the construction of the Mary Ann Apartments (“the Mary Ann”), a four-story affordable apartment building that will provide 54 residential units, including 26 two-bedroom units and 3 three-bedroom units. Eleven units will be affordable to households making 30 percent of area median income (AMI) or below. The Mary Ann will be developed by REACH CDC and will be located at 1st Street and Main Avenue in Downtown Beaverton.

Eligible implementation jurisdictions have been invited to submit up to one “Phase 1” project to Metro for consideration between March and June 2019, prior to completion of a full Local Implementation Strategy. The Mary Ann project concept will be submitted to Beaverton City Council on March 19 for concept approval and prioritization as the City’s Phase 1 project. Because the project is seeking a preliminary funding commitment prior to completion of a full Local Implementation Strategy, Metro Council action is requested to provide a concept endorsement for this project.

Within the funding distribution framework approved by Metro Council (see *Exhibit B* of the Affordable Housing Bond Program Work Plan), and based on preliminary agreement among the three eligible implementation jurisdictions in Washington County, the City of Beaverton is eligible to administer \$31.14 million in total bond funding to support affordable housing projects that align with Bond Program goals. Beaverton staff are actively working to develop a Local Implementation Strategy consistent with the requirements set forth in the Affordable Housing Bond Program Work Plan (see *Exhibit C*) for consideration by the Housing Bond Community Oversight Committee and Metro Council in summer 2019.

ACTION REQUESTED

Adopt a resolution approving a Concept Endorsement for the Mary Ann as Beaverton’s Phase I project, resulting in a preliminary commitment of \$3.0 million in Metro Bond Funds for the project. Final funding authorization would be subject to Metro COO authorization following demonstration of financial feasibility, compliance with bond requirements, and consistency with Beaverton’s approved local implementation strategy.

IDENTIFIED POLICY OUTCOMES

The Mary Ann project would utilize 9.6% of Beaverton's total allocation of bond funds while delivering the following unit production outcomes:

- 25% of Beaverton's overall unit production target;
- 12% of Beaverton's target of units affordable to households making 30% or less of area median income (AMI); and
- 27% of Beaverton's family sized unit target.

The City of Beaverton is actively working on a Local Implementation Strategy that will define approaches to advancing racial equity and ensuring engagement of historically marginalized communities throughout implementation of Housing Bond projects. Outcomes related to advancing racial equity and supporting engagement of historically marginalized communities will need to be further defined in relationship to Beaverton's local implementation strategy prior to full funding authorization of the Mary Ann. These will include fair housing strategies and affirmative marketing plans, equitable contracting and hiring strategies or policies, culturally specific services, and community engagement.

See Exhibit A for additional details.

POLICY QUESTION(S)

Is the proposed Mary Ann project concept in alignment with the bond unit production targets and other outcomes described in Council's approved Housing Bond Framework adopted by the Metro Council in June 2018?

POLICY OPTIONS FOR COUNCIL TO CONSIDER

- Approve the concept endorsement by adopting Resolution No 19-4975. This will result in a commitment of funding conditional on demonstration of financial feasibility, compliance with bond requirements, and consistency with Beaverton's approved local implementation strategy.
- Do not approve the concept endorsement. This could impact the success of the project's application for federal 9% Low Income Housing Tax Credits (LIHTC), which would provide approximately \$11.4 million in funding, or 54% of total project cost, to the project.

STAFF RECOMMENDATIONS

Staff recommends adoption of Resolution No. 19-4975.

STRATEGIC CONTEXT & FRAMING COUNCIL DISCUSSION

The City of Beaverton is actively working on an implementation strategy for consideration by Metro Council in summer 2019. Beaverton City Council will consider a resolution to support the project concept for the Mary Ann on March 18, 2019.

The proposed Phase I project concept endorsement is based on numerous policies previously adopted by the Metro Council, including but not limited to:

- Resolution 19-4956, adopting the Housing Bond Program Work Plan
- Ordinance 19-1430, amending Metro Code Chapter 2.19 to establish the Metro Affordable Housing Bond Community Oversight Committee
- Resolution No. 18-4895, adopting the Initial Housing Bond Framework for implementation of the regional affordable housing bond
- Resolution No. 18-4898, referring the affordable housing bond measure to Metro District voters
- Ordinance No. 18-1423, For the Purpose of Determining that Affordable Housing is a Matter of Metropolitan Concern and Undertaking an Affordable Housing Function

Staff consulted with two volunteer members of the Housing Bond Community Oversight Committee prior to finalizing the staff recommendation for this Phase 1 project concept endorsement. Committee members concurred with staff's recommendations.

If Metro Council approves a concept endorsement, next steps for the Mary Ann will include:

- March 29, 2019: Deadline for project to apply for 9% LIHTC funding
- Summer 2019: Announcement of 9% LIHTC awards
- Summer 2019: Beaverton Local Implementation Strategy submitted to Housing Bond Community Oversight Committee for review, and potentially forwarded to Metro Council for approval
- Winter 2019/20: Final funding authorization for the Mary Ann (if 9% LIHTC approved)
- Winter 2019/20: Mary Ann project closing (if 9% LIHTC approved)
- Spring 2020: Mary Ann groundbreaking (if 9% LIHTC approved)

Staff is not aware of any opposition to the Mary Ann. Thus far, REACH has held a neighborhood meeting to discuss The Mary Ann and reported that all feedback was positive. REACH staff also presented the project to Beaverton's Diversity Advisory Board, which endorsed the concept.

BACKGROUND

Staff are aware of at least two other jurisdictions that have identified Phase I projects that they intend to submit for funding between March and June 2019. Staff previously discussed the purpose of Phase I projects with the Council at a work session on Dec. 11, 2018 and prior to approval of Resolution 19-4956 adopting the Housing Bond Program Work Plan on January 31, 2019.

ATTACHMENTS

Exhibit A: Phase I Concept Endorsement Staff Report: Mary Ann Apartments | Draft
3/11/2019

Materials following this page were distributed at the meeting.

Metro

*600 NE Grand Ave.
Portland, OR 97232-2736
oregonmetro.gov*



Metro

Minutes

Thursday, March 14, 2019

2:00 PM

Metro Regional Center, Council chamber

Council meeting

1. Call to Order and Roll Call

Council President Peterson called the Metro Council meeting to order at 2:02 p.m.

Present: 7 - Councilor Sam Chase, Councilor Shirley Craddick, Councilor Craig Dirksen, Councilor Bob Stacey, Council President Lynn Peterson, Councilor Christine Lewis, and Councilor Juan Carlos Gonzalez

2. Safety Briefing

Council President Peterson called on Councilor Chase to provide a safety briefing. Councilor Chase provided a safety briefing for the meeting including information on the location of emergency exits, fire extinguishers and automated external defibrillators.

3. Public Communications

Ron Swaren, City of Portland: Mr. Swaren discussed the Oregon Department of Transportation (ODOT) Rose Quarter Project public hearing and the development planned for the Rose Quarter area. He advocated for a western arterial highway through Cornelius Pass Road and Columbia Boulevard. Mr. Swaren stated the benefits of a west side alternative route to the transportation system.

4. Consent Agenda

A motion was made by Councilor Lewis, seconded by Councilor Craddick, that this item be adopted. The motion passed by the following vote:

Aye: 7 - Councilor Chase, Councilor Craddick, Councilor Dirksen, Councilor Stacey, Council President Peterson, Councilor Lewis, and Councilor Gonzalez

4.1 Consideration of the Council Meeting Minutes for March 7, 2019

5. Ordinances (First Reading and Public Hearing)

5.1 Ordinance No. 19-1433, For the Purpose of Adopting Solid Waste Charges and User Fees for FY 2019-20

Council President Peterson called on Ms. Cinnamon Williams, Property and Environmental Services Finance Manager, to provide a brief presentation on the ordinance. Ms. Williams stated that the ordinance was the annual adoption of the solid waste rates and user fees. She noted that the tonnage charge would remain unchanged and highlighted small increases to the regional system fee, the clean wood fee, the yard debris fee and the residential organics fee. Ms. Williams explained that staff was recommending keeping the commercial organics rate fee flat in order to support Metro's recovery work in this area. She discussed the results of the independent consultant review, highlighting their recommendation to continue to use the rate setting model for annual financial planning to identify operating and capital needs.

Council Discussion:

There was none.

5.1.1 Public Hearing for Ordinance No. 19-1433

Council President Peterson opened up a public hearing on Ordinance No. 19-1433 and requested that those wishing to testify come forward to speak.

Bruce Walker, City of Portland: Mr. Walker, Solid Waste Manager for the City of Portland, testified in opposition to the increase of residential organic tip fees. He discussed the City of Portland's residential food scrap program and noted the impact to Portland rate payers from the proposed organic tipping fee increase. Mr. Walker urged Council to consider increasing the tip fee by half of the proposed amount and reviewing whether further increases would be necessary in fiscal year 2020-2021. (Mr. Walker provided written materials as part of his testimony; please see the March 14 meeting packet.)

Seeing no further testimony, Council President Peterson gaveled out of the public hearing. She noted that second read, Council consideration, and vote on Ordinance No. 19-1433 would take place on Thursday, March 21.

6. Resolutions

6.1 Resolution No. 19-4972, For the purpose of approving an amendment to the Visitor Facilities Intergovernmental Agreement

Council President Peterson called on Mr. Andy Shaw, Government Affairs and Policy Department Director, to provide a brief presentation on the resolution. Mr. Shaw explained that the resolution would allow a funding contribution to the acoustical shell project at the Arlene Schnitzer Concert Hall from the Visitor Facilities Trust Account (VFTA). He noted that this allocation would provide matching funds to a variety of funding sources for the project including a private charitable contribution. Mr. Shaw reviewed the funding system for the VFTA, highlighting funds available to cover this expenditure.

Mr. Nathan Sykes, Metro Attorney, recommended amending the resolution language to strike language authorizing the Chief Operating Officer to approve the amendment and replace it with language that the Metro Council approves the first amendment.

Councilor Stacey moved to adopt the resolution as amended. Councilor Gonzalez seconded the motion.

Council Discussion:

Councilor Dirksen shared his appreciation for the partnership between Metro, Multnomah County and the City of Portland that led to the successful amendment to the intergovernmental agreement and stated he looked forward further agreements between the parties on the VFTA. Council President Peterson stated she looked forward to a larger package of agreements between the parties.

A motion was made by Councilor Stacey, seconded by Councilor Gonzalez, that this item be adopted. The motion

passed by the following vote:

Aye: 7 - Councilor Chase, Councilor Craddick, Councilor Dirksen, Councilor Stacey, Council President Peterson, Councilor Lewis, and Councilor Gonzalez

7. Chief Operating Officer Communication

Ms. Martha Bennett provided an update on the following events or items: Platinum level L.E.E.D. recertification of the Oregon Convention Center, nature trail community forum at Glendoveer Golf Course and Women’s History Month exhibit in the Metro Regional Center lobby.

8. Councilor Communication

Councilors provided updates on the following meetings and events: the Marquam Hill Green Ribbon Committee, Metropolitan Policy Advisory Committee and the Levee Ready Columbia Project meeting.

Council President Peterson read a statement celebrating Women’s History Month.

9. Adjourn

There being no further business, Council President Peterson adjourned the Metro Council meeting at 2:35 p.m. The Metro Council will convene the next regular council meeting on March 21, 2019 at 2:00 p.m. at the Metro Regional Center in the council chamber.

Respectfully submitted,



Sara Farrokhzadian, Legislative and Engagement
Coordinator

ATTACHMENTS TO THE PUBLIC RECORD FOR THE MEETING OF MARCH 14, 2019

ITEM	DOCUMENT TYPE	DOC DATE	DOCUMENT DESCRIPTION	DOCUMENT No.
4.1	Minutes	3/14/19	Council Meeting Minutes for March 7, 2019	31419c-01
5.1.1	Letter	3/14/19	Letter from Bruce Walker City of Portland Solid Waste and Recycling Manager	31419c-02
6.1	Powerpoint	3/14/19	Portland's Center for the Arts Arlene Schnitzer Concert Hall	31419c-03