

From: "Hendrickson, Nancy" <NANCYH@BES.CI.PORTLAND.OR.US>
To: Bill Briggs <BillB@bio-stim.com>, Denise Rennis <rennid@portptld.com>, Elaine Stewart <stewart@metro.dst.or.us>, Frank Opila <FrankO@hevanet.com>, Holly Michael <Holly.B.Michael@state.or.us>, Jim Morgan <MorganJ@metro.dst.or.us>, Pam Arden <npgarden@teleport.com>, Pat Sullivan <SullivanP@metro.dst.or.us>, Patt Opdyke <popdyke@pacifier.com>, Peter Teneau <tenwa@jps.net>, "Sjulin, Jim" <PKJIMS@ci.portland.or.us>, Troy Clark <brillobrain@ureach.com>
Date: 9/27/01 12:24PM
Subject: FW: budget thoughts from SBLMC

To SBLMC members: I summarized our thoughts on the budget and passed them on to Elaine. This is FYI.

Nancy

> -----Original Message-----

> From: Hendrickson, Nancy
> Sent: Wednesday, September 26, 2001 4:51 PM
> To: 'Elaine Stewart'
> Subject: budget recommendation from SBLMC

>

> Elaine, hope you are feeling better. The SBLMC talked about the budget
> last night at our meeting. As you know, Dan pinch-hit for you and gave us
> the grim news.

>

> After some lengthy discussion, the committee would like to offer this
> direction:

>

> During this lean time, we would like to maintain our investments, such as:

> * maintain 1.5 FTE funding
> * maintain restoration projects

>

> While we have been adamant on not spending down the trust fund principal,
> we recognize that previous years have provided us with overages that have
> been added to the principal. For example, last year there was a \$40,000
> overage that was added to the principal. Because this is a lean year, we
> think that recent overages such as last year's could be considered a
> resource for maintaining our investments.

>

> Frank Opila had offered earlier in the month to be on a budget
> subcommittee to develop the budget. The SBLMC expects that a budget
> subcommittee will be convened between the September meeting and the
> October meeting. Members would like to be notified of the date and time
> so they can attend if they are available.

>

> See you, Nancy

>

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> Nancy Hendrickson
> Bureau of Environmental Services
> 1120 SW Fifth, Room 1000
> Portland, Oregon 97204
>
> 503-823-6001 (phone)

> 503-823-5344 (fax)
>
> NancyH@bes.ci.portland.or.us
>
>

CC: "kromerd@metro.dst.or.us" <kromerd@metro.dst.or.us>, 'Frank Opila 2'
<fopila@hotmail.com>

Dan Kromer and I met today, as the SBLMC budget subcommittee (more or less). Nancy was unable to attend. I am unable to attend the management committee in person, so here's the scoop from my limited perspective.

Points of Information

Tools: The volunteer coordinator (Lupine Hudson job-sharing with someone) generally is able to get donations of tools (e.g. from Home Depot).

Smith and Bybee Lakes Day: No funds in budget. Could possibly use a little from the environmental education materials fund, though that is already small (\$400).

Metro overhead: Calculated at approximately 39.7% of personnel costs (wages and benefits). This percentage is an increase from the last (current) fiscal year. Overhead includes: office space, telephone, computer support, payroll, human resources, risk management, legal, accounting, Metro council, executive office, auditor.

Cost of Environmental Educator position: Approximately \$38,000 including overhead.

Truck: Parking costs \$840/year, not included in Metro overhead.

Recommendations

1. Given the SBLMC's priorities, as noted in the September meeting notes, it may be worth using the \$40,000 increase in the Smith and Bybee Lakes trust fund balance for the next fiscal year. The budget would keep the environmental educator position and would also have approximately \$9000 for maintenance of current restoration projects. There didn't seem to be a good way to use half of the trust fund increase (\$20,000). If the interest rates continue to be low, personnel and project funding would have to be reevaluated in subsequent years.

2. Apply for any grants possible. There is a USFW Conservation and Restoration program that gives grants up to \$40K, but requires a 1:1 match.

3. Perhaps the SBLMC should write a letter to Metro's Finance Director and/or Auditor, contending that Metro overhead costs are too high and this is not fair to existing programs. The overhead costs have increased significantly in the last few years. This is definitely affecting the Smith and Bybee Lakes budget.

All the best,
Frank Opila

coordinated by:

**Smith & Bybee Lakes Wildlife Area
Management Committee**

*Nancy Hendrickson, Chair
Troy Clark, Vice Chair*

Metro

600 NE Grand Ave.
Portland, OR 97232
(503) 797-1515

December 5, 2001

Jennifer Sims, Chief Financial Officer
Metro
600 NE Grand Ave.
Portland, OR 97232

Dear Ms. Sims:

The Smith and Bybee Lakes Management Committee has been discussing the budget for the FY 2002-03 at the last two management meetings. We are very concerned about the fiscal effects of the increase in overhead costs Metro is charging and the decrease in interest rates on the overall operation of the wildlife area. As you are aware, the operating budget for the wildlife area is determined each year by the amount of interest earned off the principle of the trust fund and a few other small revenue sources.

Over the last five years (FY 1996-2001) the interest rate has been between 4.8 – 6.3%. This has generated interest in the range of \$200,000 for operating expenses. For FY 2002-03 the projected interest rate is 3.0%. During this same time period the overhead rate Metro charges the Smith and Bybee Lakes budget has risen from 15% in FY1996-97 to 36.2% in FY2000-2001. The calculated overhead rate for this year was 39.6% and projected for FY02-03 is 39.7%. This will be an increase of 24.6 percentage points since FY1996-97; in other words: the calculated overhead rate has more than doubled.

Because of the continued increase in overhead and the decrease in interest rates (interest is projected at \$108,371 FY 02-03), even with the other smaller revenues added in, the Smith and Bybee Lakes projected budget is bleak. If only the interest and other small revenue sources are used to support the program, significant reductions would be needed. These reductions would include cutting the Wildlife Area Manager position by 10% to 0.9 FTE, the Environmental Education position by 50% to 0.25 FTE, and eliminating some of the essentials for maintaining current restoration projects. None of these options were acceptable to the management committee. We feel it is absolutely necessary to have personnel present at the site as often as possible and to maintain the ecological investments made over the last 5-years.

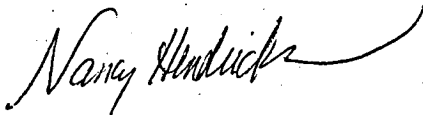
At this time, the management committee is recommending taking the \$40,000 added to the principle from cost savings in the previous year and putting it into FY02-03 operating budget. This recommendation is considered a stopgap measure only; needed to maintain the current level of services at the lakes. Using this money from the principle would allow the program to maintain current staffing levels at 1.5 FTE, cover materials and services - including restoration maintenance, and overhead costs. This still only leaves approximately \$12,154 for maintenance of current projects, does not allow for a seasonal employee during the summer months or for initiation of any new activities in the management area.

Our understanding is that overhead costs are based on a variety of costs associated with a program such as office space, computer upkeep, grant management and program transactions. Those costs and actions in the Smith and Bybee Lakes program have not changed significantly since 1996. We would like to know why the overhead has jumped so dramatically over the last 6 years.

- *What is the Smith and Bybee Lakes' budget paying for at Metro?*
- *What is the justification for increasing the overhead rate by more than double (24.6 percentage point increase) during the last five years charged to the Smith and Bybee Lakes program?*

Our next meeting is January 22, 2002. We would appreciate a response by that time as the budget process is moving along. Thank you for looking into this for the management committee.

Sincerely,

A handwritten signature in cursive script, reading "Nancy Hendrickson", followed by a long horizontal flourish.

Nancy Hendrickson, Chair
Smith and Bybee Lakes Management Co.

c: Mike Burton, Metro Executive Officer
David Bragdon, Metro Presiding Officer
Carl Hosticka, Metro Councilor, District 3, Chair of Natural Resources Co.
Rex Burkholder, Metro Councilor, District 5
Charlie Ciecko, Director, Metro Parks and Greenspaces
Elaine Stewart, Smith and Bybee Lakes Manager

Casey-Jeff-ams

1-8-02

MRC-bldg - '01 jump - shift in internal Pks allocation from O&M (lots of off-site staff) to rest of Pks (most/all on-site)

Casey - will look into indirect cost background.

Also will see why P/S % is going up in Pks.

Incr. in # of things charged to indirect cost

- Council & exec. staffs
- lobbyist - coo, pub affairs

Incr. in amt of transfers

- IT buildup
- OGC

Alternative - don't budget staff in this fund

Questions

1- Why the method of charging as % of P/S, how derived etc.

2- Why the incr. in % over recent yrs

Can Finance split S&B out in budget manual (% P/S to be charged?)

Nancy Hendrickson, Chair
Smith & Bybee Lakes Management Committee

Dear Ms. Hendrickson:

[thanks for letter]

There have been some changes to the proposed FY 2002-03 budget for Smith & Bybee Lakes since the last time you were updated by the Regional Parks and Greenspaces staff.

The budget you reviewed in October assumed that the interest earnings rate for FY 2002-03 would be 3%. Since then, the department has revised that estimated down to 1.5%. This translates into a reduction in revenue of just over \$50,000. At this time, \$107,747 of fund balance is budgeted to be spent in FY 2002-03, according to the Department's Proposed Budget.

The proposed budget has not changed since the last time you reviewed it. There is no reduction in permanent FTE, although the 0.33 FTE seasonal employee was eliminated. There is \$12,154 budget for the maintenance of past restoration projects, with no budget available for new restoration projects. It is clearly understood that the low levels of maintenance and restoration and the significant draw on fund balance are not acceptable long-term management strategies for the wildlife area. If interest rates do not increase during the next fiscal year, and if additional Metro resources are not allocated to this fund, then a different financial and management strategy for the wildlife area will need to be developed.

You have asked a number of questions about the allocation of Central Services costs (Indirect Costs, or IC) to the Smith & Bybee Lakes Trust Fund. Let me first provide some historical budget information ~~on the IC payments this fund has contributed:~~

Budget History for Smith & Bybee Lakes Trust Fund

	<u>FY97</u>	<u>FY98</u>	<u>FY99</u>	<u>FY00</u>	<u>FY01</u>	<u>FY02</u>	<u>FY03</u>
Support Services		17,057	19,079	25,538	27,100	30,465	
Risk Fund (Liability)		755	244	877	2,844	1,795	
Worker's Comp		445	505	161	355	455	
MRC Building		4,463	5,833	5,291	8,698	7,278	
Total IC	0	22,720	25,661	31,867	38,997	39,993	40,593
% Increase-previous year			12.9%	24.2%	22.4%	2.6%	1.5%
Cumulative Average Annual Increase			12.9%	18.4%	19.7%	15.2%	12.3%
Budget Breakdown (excluding capital)							
Personal Services	x	x	x	x	x	x	x
Contracted Services	x	x	x	x	x	x	x
Other Materials & Services	x	x	x	x	x	x	x
Indirect Costs	0	22,720	25,661	31,867	38,997	39,993	40,593
Total Budget	324,775	318,702	340,026	339,581	294,955	371,302	183,943
IC as % of non-Capital Budget		7.1%	7.5%	9.4%	13.2%	10.8%	22.1%
IC as % of Personnel Budget		26.9%	28.1%	31.8%	37.7%	39.7%	39.7%
FTE	1.50	1.50	1.50	1.83	1.83	1.83	1.50

1.5 1.5 1.5

[insert more IC discussion here]

Metro Pooled Cash Monthly Interest Rate (annualized)

