A G E N D A

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METRO

Agenda

MEETING:	METRO COUNCIL/EXECUTIVE OFFICER INFORMAL MEETING
DATE:	April 25, 2000
DAY:	Tuesday
TIME:	2:00 PM
PLACE:	Oregon Zoo – Sunset Room at the Cascade Grill

CALL TO ORDER AND ROLL CALL

I.	**UPCOMING METRO LEGISLATION**	
II.	**PRESENTATION ON THE OREGON ZOO**	Vecchio
III.	**UPDATE ON GROWTH ISSUES**	Park
IV.	**EXECUTIVE OFFICER COMMUNICATIONS**	
V.	**COUNCILOR COMMUNICATIONS**	

ADJOURN

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METRO

Agenda

Meeting:	Impartial Private Sector Task Force on MERC
Date:	April 7, 2000
Day:	Friday
Time:	2:00 pm
Place:	Metro Council Chamber

1. Introductions

2. Charge to Task Force: Determine a fair policy for assessment of allocated costs to MERC for support services, and recommend actions to resolve existing conflicts

3. Review history of MERC/Metro Support Services relationship

4. How Metro's cost allocation plan works

5. How MERC differs from other departments in terms of paying for allocated costs

6. Summary of debate over equity of support services cost allocation

7. Review/Discuss policy questions
   - Are Metro's allocated costs to MERC equitable? If not, where is the inequity?
   - Should MERC be treated differently from other Metro programs in terms of how Metro's support services costs are allocated and paid? If so, how does MERC differ, and how should it's costs be allocated?
   - What approaches exist for a permanent resolution of this conflict?

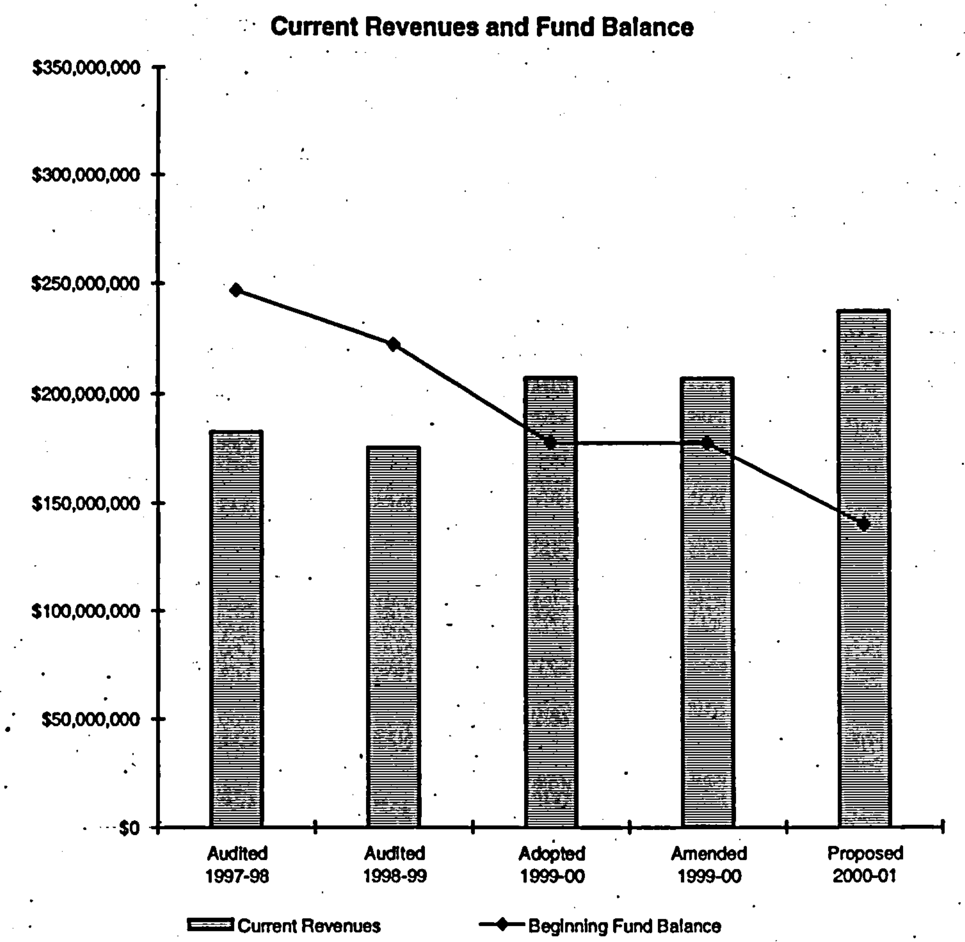
8. Future Meeting Dates and Agendas
   - Meeting 2: **April 17**, 12:00-2:00 pm. Question and Answer meeting with Metro Administrative Services Director, Metro Chief Operating Officer, and MERC General Manager
   - Meeting 3: **April 21**, 12:00-2:00 pm. Meeting with Metro Councilors to discuss group conclusions and recommendations.

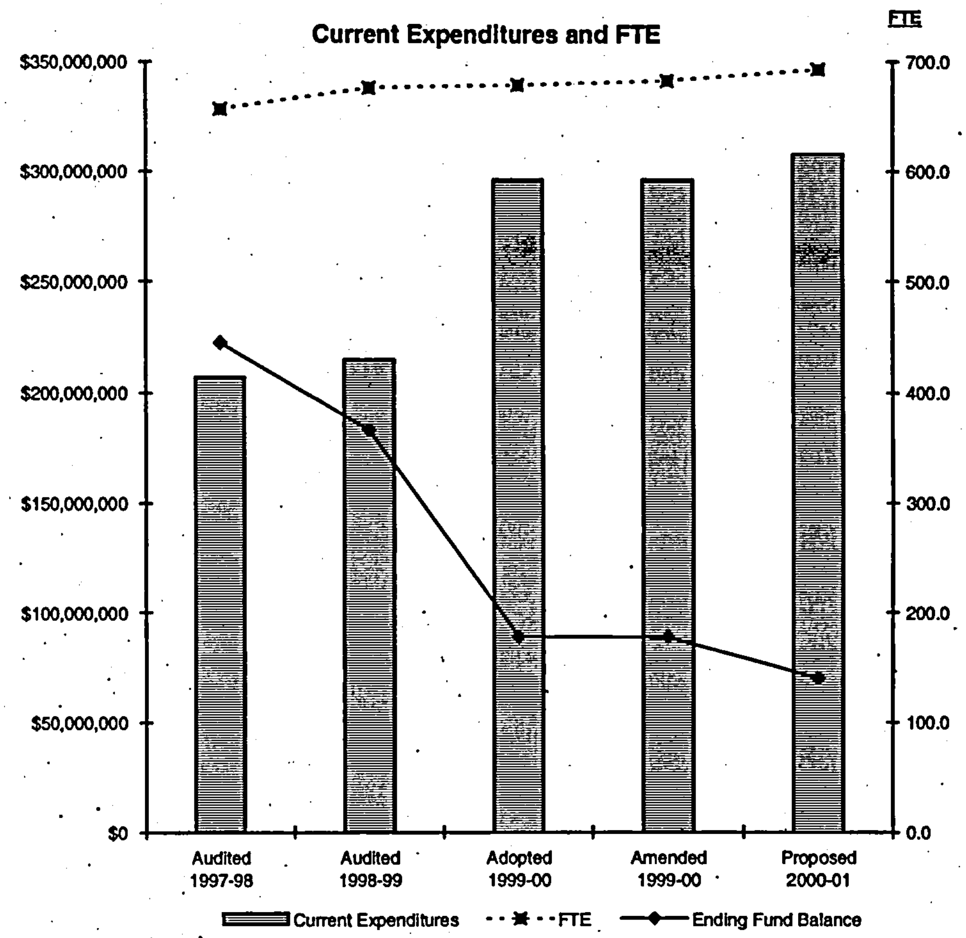
Budget Summary

FY 2000-01 Proposed Budget Summary

	Audited FY 1997-98	Audited FY 1998-99	Adopted FY 1999-00	Amended FY 1999-00	Proposed FY 2000-01	Approved FY 2000-01	Adopted FY 2000-01	from Amended FY 1999-00
Resources								
Beginning Fund Balance	*$246,918,981*	*222,541,474*	*$177,693,977*	*$177,693,977*	*$140,018,506*	*$0*	*$0*	*(21.20%)*
Current Revenues								
Real Property Taxes	25,672,118	25,532,776	24,176,620	24,176,620	26,380,556	0	0	9.12%
Excise Tax	7,621,699	7,405,463	7,834,528	7,834,528	7,599,461	0	0	(3.00%)
Grants	10,139,784	12,124,997	14,260,202	14,260,202	11,524,492	0	0	(19.18%)
Local Government Shared Revenues	5,936,286	6,229,228	6,508,286	6,508,286	6,090,923	0	0	(6.41%)
Contributions from other Governments	616,300	620,300	7,635,300	7,635,300	52,435,300	0	0	586.75%
Enterprise Revenue	90,527,621	87,831,352	92,993,057	92,993,057	90,605,788	0	0	(2.57%)
Interest Earnings	12,998,851	10,603,406	9,617,711	9,512,711	6,868,364	0	0	(27.80%)
Donations	834,123	1,947,172	2,628,841	2,628,841	1,242,000	0	0	(52.75%)
Other Misc. Revenue	277,937	1,047,633	1,702,584	1,702,584	3,549,134	0	0	108.46%
Bond and Loan Proceeds	310,724	590,351	17,136,000	17,136,000	7,881,000	0	0	(54.01%)
Interfund Transfers:								
Internal Service Transfers	9,414,997	9,841,533	12,296,284	12,296,284	11,541,811	0	0	(6.14%)
Fund Equity Transfers	18,429,201	11,633,207	10,456,945	10,456,945	12,252,625	0	0	17.17%
Subtotal Current Revenues	**182,779,642**	**175,407,418**	**207,246,358**	**207,141,358**	**237,971,454**	**0**	**0**	**14.88%**
Total Resources	**$429,698,623**	**397,948,892**	**$384,940,335**	**$384,835,335**	**$377,989,960**	**$0**	**$0**	**(1.78%)**
Requirements								
Current Expenditures								
Personal Services	$39,342,174	42,489,363	$46,529,773	$46,817,473	$49,889,199	$0	$0	6.56%
Materials and Services	77,745,699	87,409,469	94,731,614	94,443,914	83,713,499	0	0	(11.36%)
Capital Outlay	37,497,417	38,016,540	59,477,455	59,987,455	86,831,795	0	0	44.75%
Debt Service	24,727,658	25,365,838	28,125,326	28,125,326	32,387,719	0	0	15.15%
Interfund Transfers:								
Internal Service Charges	9,414,997	9,841,533	12,296,285	12,296,285	11,541,811	0	0	(6.14%)
Fund Equity Transfers	18,429,201	11,633,207	10,456,945	10,456,945	12,252,625	0	0	17.17%
Contingency	0	0	44,502,776	43,992,776	31,347,508	0	0	(28.74%)
Subtotal Current Expenditures	**207,157,145**	**214,755,950**	**296,120,174**	**296,120,174**	**307,964,156**	**0**	**0**	**4.00%**
Ending Fund Balance	*222,541,477*	*183,192,942*	*88,820,161*	*88,715,161*	*70,025,804*	*0*	*0*	*(21.07%)*
Total Requirements	**$429,698,622**	**397,948,892**	**$384,940,335**	**$384,835,335**	**$377,989,960**	**$0**	**$0**	**(1.78%)**
Full-Time Equivalents (FTE)	656.89	676.51	679.11	683.11	693.41	0.00	0.00	1.51%

FY 2000-01 Proposed Budget Summary

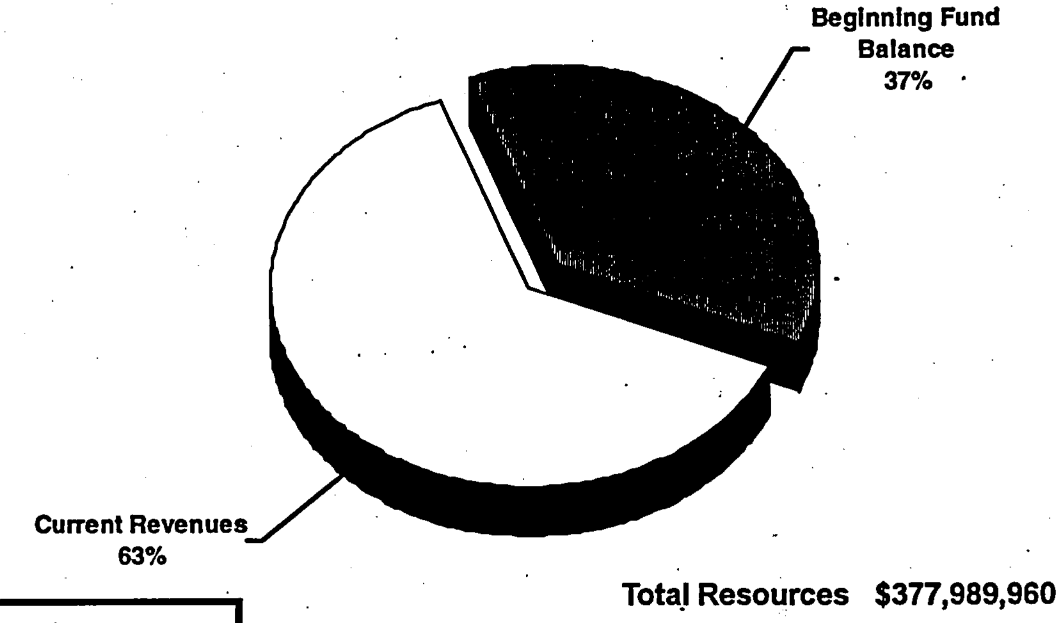




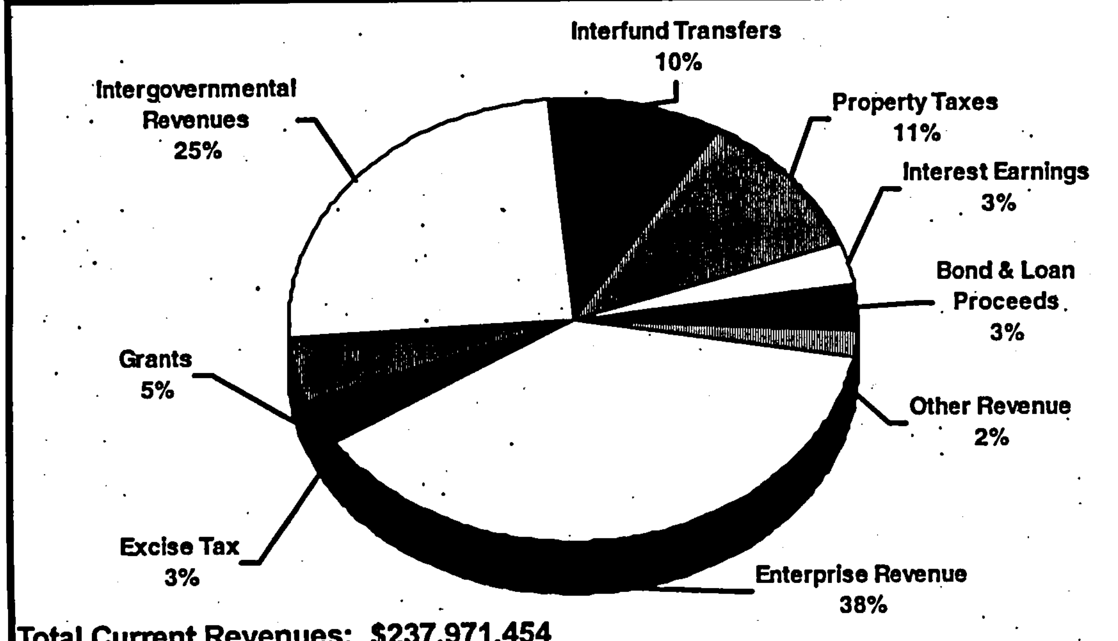
Where the Money Comes From

Resources to meet Metro's obligations and needs are derived from two primary sources: beginning fund balance and current revenues. Beginning fund balance consists of revenues carried forward from previous fiscal years, including proceeds from voter-approved bonds (e.g., Open Spaces, Oregon Project), reserves for specific purposes (e.g., self insurance, debt reserves) and monies used for cash flow. Current revenues are those earned from Metro operations or taxes levied during the fiscal year. The principal sources of current revenues are user fees and charges from individuals and organizations that pay to use Metro facilities or buy its services.

FY 2000-01 Total Resources



FY 2000-01 Current Revenues



Resources

Beginning Fund Balance	$140,018,506
Current Revenues	
Real Property Taxes	$26,380,556
Excise Tax	7,599,461
Grants	11,524,492
Local Government Shared Revenues	6,090,923
Contributions from other Governments	52,435,300
Enterprise Revenue	90,605,788
Interest Earnings	6,868,364
Donations	1,242,000
Other Misc. Revenue	3,549,134
Bond and Loan Proceeds	7,881,000
Interfund Transfers:	
Internal Service Transfers	11,541,811
Fund Equity Transfers	12,252,625
Subtotal Current Revenues	$237,971,454
Total Resources	$377,989,960

Beginning Fund Balance

The beginning fund balance for each fund consists of unused revenues carried forward from the previous fiscal year. Primary among these carried forward revenues are proceeds from general obligation or revenue bonds. These bond proceeds are received in previous fiscal years but spent out over several years. Unspent bond proceeds account for 36 percent of the beginning fund balance. Another element of the beginning fund balance includes reserves for specific purposes (e.g., self-insurance, future capital reserves, debt reserves, and trust reserves) which are generally required by law or formal operating agreements. In total, 76 percent of Metro's beginning fund balance is restricted to specific purposes. The beginning fund balance also provides cash flow for specific operations until current year revenues are received. Metro's beginning fund balance constitutes 37 percent of its total resources.

Current Revenues

Current revenues account for 63 percent of Metro's total resources. Enterprise activities at Metro provide the largest amount of fee-generated revenues. Intergovernmental revenues received from state and local jurisdictions provide the next largest amount of revenue. Property tax revenues account for only 11 percent of Metro's total current revenues. The major elements of current revenues and the percentage of total current revenues they represent include the following:

Enterprise Revenues – 38 percent

Enterprise activities account for the largest piece of current revenues at $90.6 million. Metro's largest enterprise activity is solid waste disposal, generating $51.8 million, which comes from tipping fees charged on solid waste deposited at Metro's transfer stations or several other designated solid waste facilities. The MERC facilities (Oregon Convention Center, Portland Center for the Performing Arts, Portland Metropolitan Exposition Center, and the Civic Stadium) provide $20.6 million, the Oregon Zoo (formerly called the Washington Park Zoo) generates $9.7 million and the regional parks another $2.1 million. The Risk Management Fund generates $3.9 million in internal charges for services for health and welfare premium costs. The Data Resource Center, parking fees and business license fees account for the remainder of enterprise revenues.

Property Taxes – 11 percent

Metro budgeted to receive $26.4 million in property tax revenues in FY 2000-01. This includes current year tax receipts for the Oregon Zoo operating tax base ($7.2 million after Ballot Measure 50 reductions) and debt service levies for outstanding general obligation bond issues for the Open Spaces Program, Oregon Convention Center construction, and the Zoo's Oregon Project ($18.5 million). The remainder, approximately $700,000, will be received in the form of property taxes levied in prior years but received in the current year, and interest and penalties on those revenues.

Excise Taxes – 3 percent

The excise tax is received from users of Metro facilities and services in accordance with Metro Charter and Metro Code. The tax is recorded as revenue in the General Fund. It supports some of the expenses of the Office of the Executive Officer and the Council Office. The tax also supports, via a transfer from the General Fund, various planning, and parks and greenspaces activities.

No changes are proposed to the excise tax rate for FY 2000-01. The excise tax rate is 8.5 percent on solid waste revenues and 7.5

percent on all other authorized revenues. The excise tax is projected to raise $7.6 million from contributors during FY 2000-01.

Intergovernmental Revenues – 25 percent

Metro receives revenue from both state and local agencies. Among these are hotel/motel tax receipts from Multnomah County; state marine fuel tax revenues; and a portion of the recreational vehicle registration fees passed through Multnomah County from the State of Oregon to support the Regional Parks and Greenspaces Department. In addition, the City of Portland will be issuing bonds to support the Convention Center Expansion Project. Bond proceeds and interest earnings on the bonds, estimated to total $95.6 million, will be transferred to Metro on an annual basis. In FY 2000-01 Metro expects to receive $51.5 million from the City of Portland.

Grants – 5 percent

Grants provide $11.5 million to the revenue mix. The grants come mostly from state and federal agencies and are used primarily for planning activities. Included in these grant-supported activities is the Transit Oriented Development program designed to encourage development along transit corridors through the purchase and resale of appropriate parcels of property. Metro also receives grants for projects planned in the Regional Parks and Greenspaces Department.

Interfund Transfers – 10 percent

Metro budgets its resources in separate and distinct funds. Transfers between funds are made to pay internal service charges (i.e., building management, printing, fleet, etc.) determined by the cost allocation plan and other internal services provided by one department to another. Internal service transfers total $11.5 million in FY 2000-01. The transfer classification also includes $12.3 million in Fund Equity Transfers (revenue sharing between funds) such as the transfer of excise tax from the General Fund to assist in planning activities. Interfund transfers appear as both a resource to the receiving fund and a requirement for the transferring fund in the budget.

Interest – 3 percent

Interest earnings are projected at $6.9 million. Interest earned is based upon investing cash balances throughout the year. This revenue source is subject to the current rates earned by investments estimated at 5.5 percent for FY 2000-01.

Bond and Loan Proceeds – 13 percent

The FY 2000-01 budget anticipates receipt of $7.9 million in bonds and loans proceeds. Included is the repayment of a $6.5 million loan to the Solid Waste Revenue Fund that pre-funded construction costs of the Oregon Convention Center Expansion Project. Another $1 million is anticipated from the Oregon State Department of Transportation Infrastructure Bank to support the Transit Oriented Development Program. The remainder is capital lease proceeds.

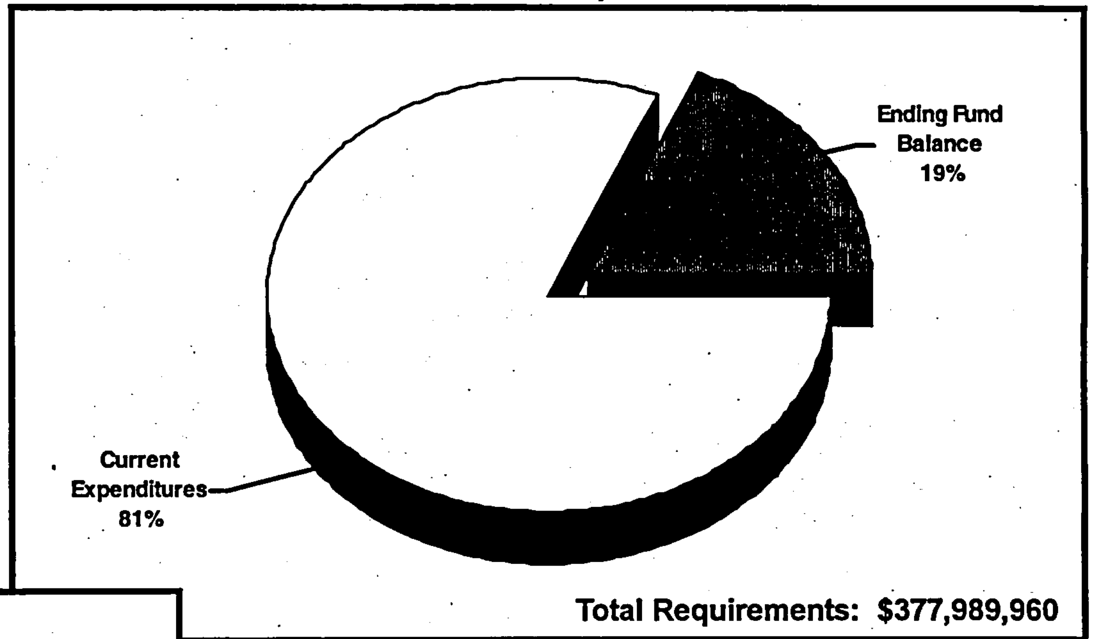
Other Miscellaneous Resources – 2 percent

In FY 2000-01, other revenues include $1.8 million from the sale of land in the Transit Oriented Development program, $1.2 million in donations to the Zoo, and $350,000 in pass-through revenue to pay debt service on the remaining composter revenue bonds.

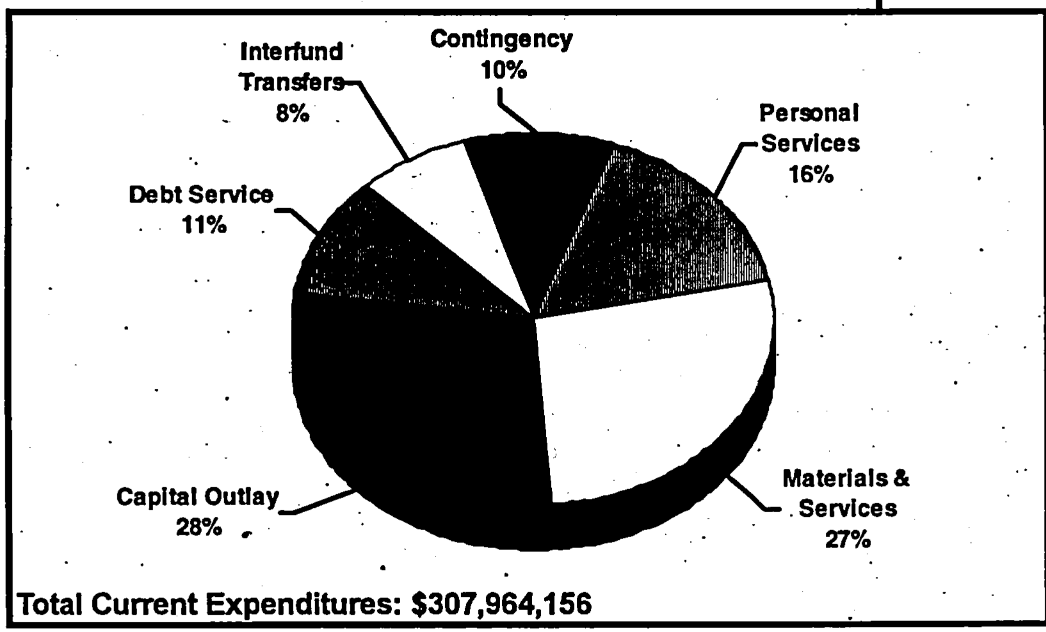
Where the Money Goes

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

FY 2000-01 Total Requirements



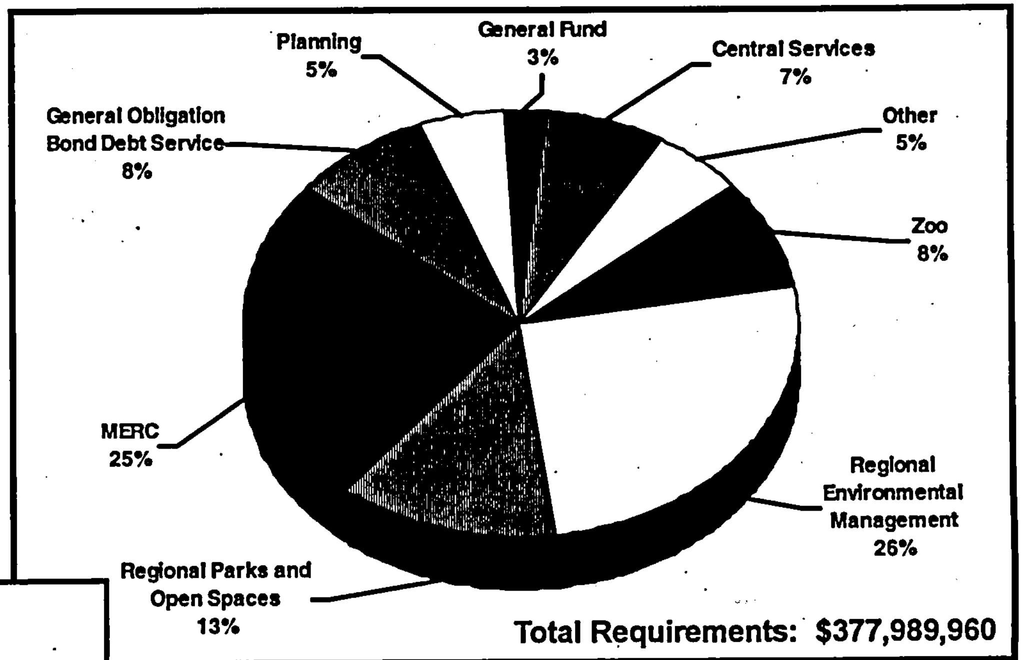
FY 2000-01 Current Expenditures



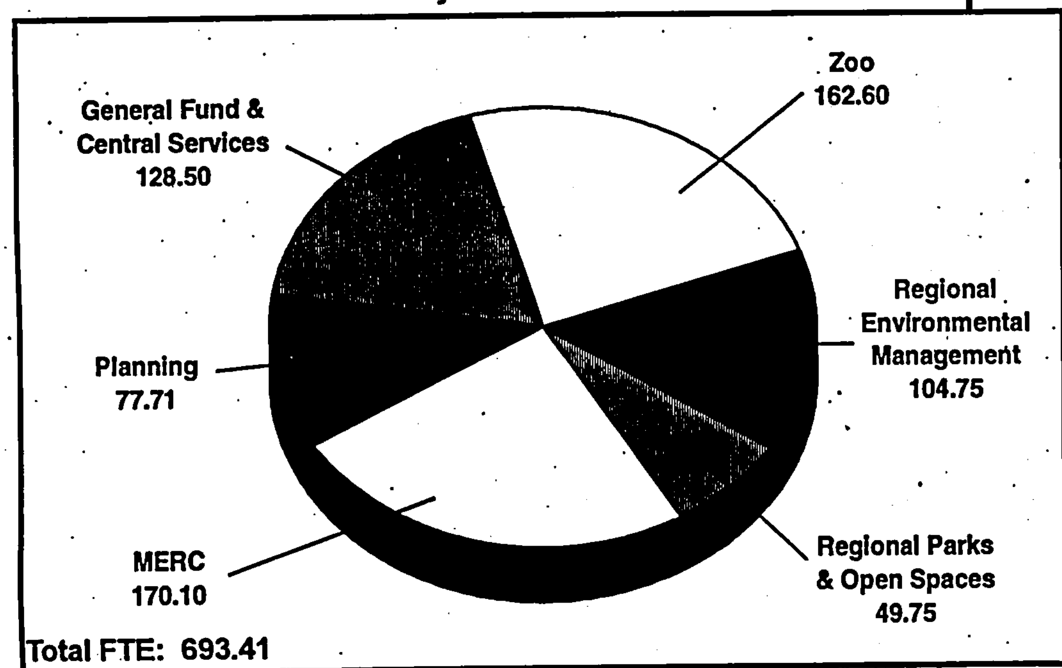
Requirements	
Current Expenditures	
Personal Services	$49,889,199
Materials and Services	83,713,499
Capital Outlay	86,831,795
Debt Service	32,387,719
Interfund Transfers:	
Internal Service Charges	11,541,811
Fund Equity Transfers	12,252,625
Contingency	31,347,508
Subtotal Current Expenditures	307,964,156
Ending Fund Balance	*70,025,804*
Total Requirements	$377,989,960

Metro's total current expenditures are allocated for specific functions shown in the adjoining pie chart. Over half of total requirements are allocated to two departments: the Regional Environmental Management Department, which handles solid waste disposal for the region, and the Metro Exposition Recreation Commission, which manages the Oregon Convention Center, the Expo Center, the Civic Stadium, and the Portland Center for the Performing Arts.

FY2000-01 Total Requirements by Function



FY 1999-00 Total Full-Time Equivalent Positions by Function



Full-time equivalent staff (FTE) totals 693.41 positions for Metro. Nearly two-thirds of these staff work for three departments: the Oregon Zoo, the Metro Exposition-Recreation Commission (MERC), and Regional Environmental Management.

Metro uses its resources for a variety of programs related to its primary goals. Those programs are explained in detail in the Department Summaries and Fund Summaries narratives contained in the body of this budget document. The chart on page 10 and following explanation give the information by classification.

Current Expenditures

Current expenditures consist of amounts that will actually be paid out in the current fiscal year. This includes payments for operations, capital improvements and acquisitions, and transfers to other funds. The major elements of current expenditures and the percentage of total current expenditures they represent include the following:

Personal Services – 16 percent

Metro plans to spend about $49.9 million for salaries and wages and related expenses for its employees in FY 2000-01. The FY 2000-01 budget includes 693.41 full-time equivalent (FTE) positions. FTE includes regular, benefit eligible full-time and part-time positions. It does not include temporary, seasonal or event related staff.

Materials and Services – 27 percent

Metro plans to spend about $83.7 million on materials and services in FY 2000-01. Large expenditures in this area include solid waste transfer station operations and the transfer of solid waste to the Columbia Ridge Landfill in Gilliam County (about $27.8 million). Materials and services also includes costs for the operation of the Oregon Convention Center, the Oregon Zoo, the Portland Center for the Performing Arts, the Civic Stadium, the Expo Center and the regional parks.

Capital Outlay – 28 percent

Approximately $86.8 million is provided for capital expenditures. The largest uses of capital funds are $36.2 million for the Oregon Convention Center expansion, $21.2 million for land acquisition under the Open Spaces Acquisition Program and $14.2 million for construction of Exhibit Hall D at the Expo Center. Capital expenditures include purchases of equipment, improvements to facilities, and other capital related expenditures. Projects that are over $50,000 and have a useful life of more that five years are included in Metro's five-year Capital Improvement Plan, updated and adopted annually.

Debt Service – 11 percent

Debt service provides for payments on revenue and general obligation bonds sold for the Metro Central transfer station; the Oregon Convention Center; Metro Regional Center; the Open Spaces Acquisition Program; the Expo Center; and the Oregon Zoo. This category also includes payments on capital leases for equipment and outstanding loans to the Oregon Economic Development Department (OEDD) and the Oregon Department of Transportation Infrastructure Bank. Refer to the Debt Summary portion of this budget for the debt service schedules.

Interfund Transfers –8 percent

Metro budgets its resources in separate and distinct funds. Transfers between funds are made to pay for the cost of services provided in one fund for the benefit of another (i.e., printing, fleet, etc.) or to share resources between funds. Interfund transfers in FY 2000-01 total about $24 million. Interfund transfers appear as both a resource to the receiving fund and a requirement for the giving fund in the budget.

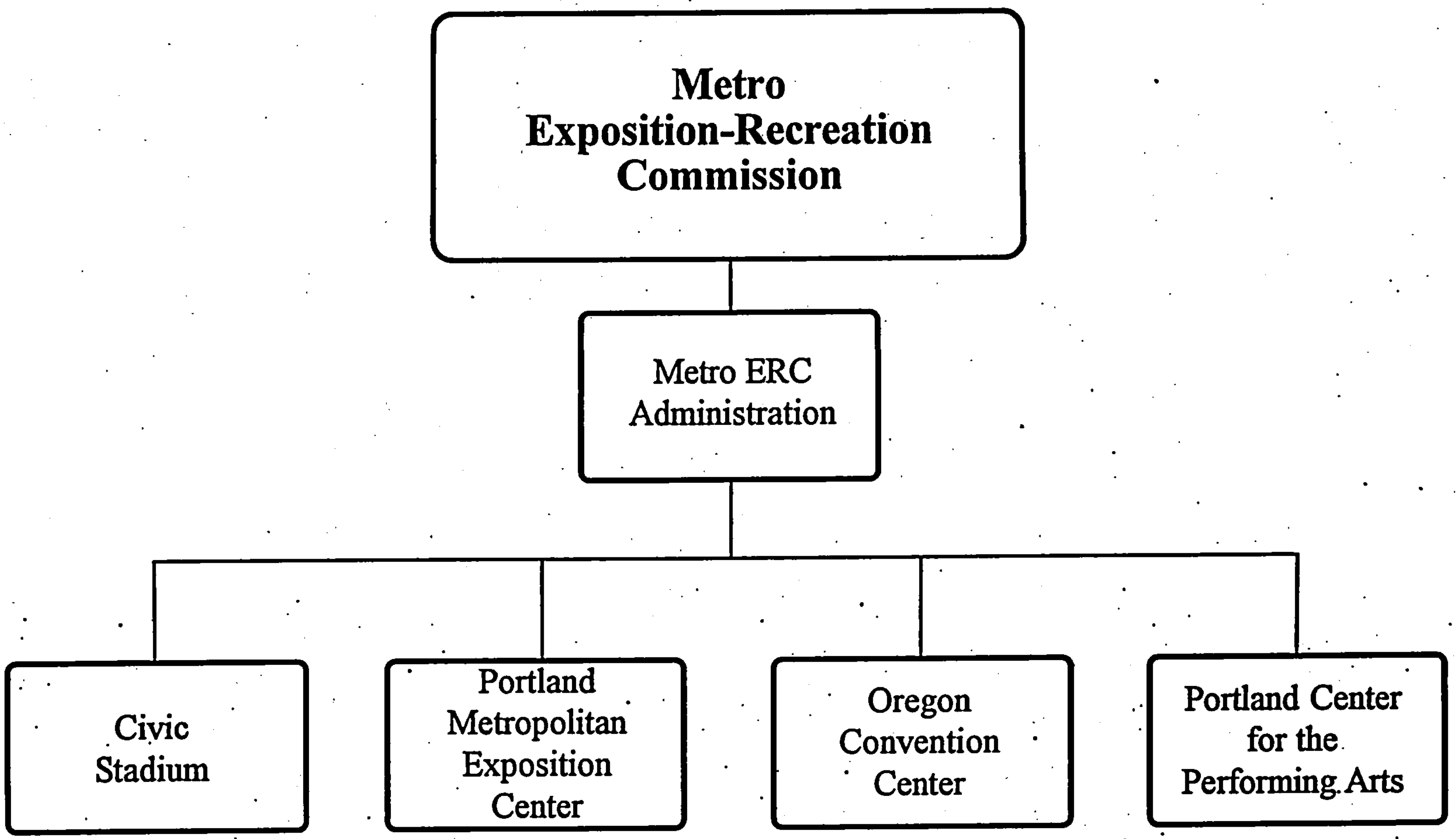
Contingency – 10 percent

Contingencies in each fund are created to provide funds for unforeseen requirements. These funds may be spent only after an action of the Metro Council transferring appropriations from contingency to an expenditure line item.

Ending Fund Balances

Ending fund balances in one fiscal year become the beginning fund balances of the next fiscal year. Metro plans to carry forward $70 million into FY 2001-02. In addition to the planned carry-over at the end of FY 2000-01, Metro will also carry forward unspent contingency funds and unspent department appropriations.

Primary among the planned funds to be carried forward are reserves for specific purposes (self-insurance, solid waste activities, and debt reserves) which are generally required by law or formal operating agreement. In addition, planned ending balances also include funds to be carried over to provide cash flow for specific operations so that they can operate early in the next fiscal year even though their primary current revenues may not be received until later in that fiscal year.



Metro Exposition-Recreation Commission

Metro Exposition-Recreation Commission

Budget by Classification	Audited FY 1997-98	Audited FY 1998-99	Adopted FY 1999-00	Amended FY 1999-00	Proposed FY 2000-01	Approved FY 2000-01	Adopted FY 2000-01	% Change from Amended FY 1999-00
Personal Services	$9,726,767	$10,581,189	$11,801,782	$12,089,482	$13,113,694	$0	$0	8.47%
Materials and Services	12,563,300	13,451,735	15,037,777	14,750,077	16,920,123	0	0	14.71%
Capital Outlay	1,813,237	1,406,933	13,307,450	13,817,450	51,879,375	0	0	275.46%
Debt Service\Capital Leases	198,066	200,953	205,954	205,954	216,265	0	0	5.01%
								0.00%
Totals	**$24,301,370**	**$25,640,810**	**$40,352,963**	**$40,862,963**	**$82,129,457**	**$0**	**$0**	**100.99%**
Budget by Division								
MERC Administration	$671,465	$897,636	$1,261,442	$1,261,442	$1,297,775	$0	$0	2.88%
Oregon Convention Center	12,264,076	13,406,064	19,907,711	20,417,711	53,854,535	0	0	163.76%
Portland Center for the Performing Arts	6,504,900	6,496,049	7,987,914	7,987,914	6,987,741	0	0	(12.52%)
Civic Stadium	2,285,264	2,313,588	2,929,724	2,929,724	2,478,857	0	0	(15.39%)
Exposition Center	2,575,665	2,527,473	8,266,172	8,266,172	17,510,549	0	0	111.83%
Totals	**$24,301,370**	**$25,640,810**	**$40,352,963**	**$40,862,963**	**$82,129,457**	**$0**	**$0**	**100.99%**
Budget by Fund								
MERC Operating Fund	$24,150,987	$25,640,810	$34,362,963	$34,362,963	$28,183,157	$0	$0	(17.98%)
Oregon Convention Center Project Capital Fund	150,383	0	5,990,000	6,500,000	38,821,300	0	0	497.25%
MERC Pooled Capital Fund	0	0	0	0	815,000	0	0	0.00%
General Revenue Bond Fund Hall D Expansion	0	0	0	0	14,310,000	0	0	0.00%
Totals	**$24,301,370**	**$25,640,810**	**$40,352,963**	**$40,862,963**	**$82,129,457**	**$0**	**$0**	**100.99%**
Full-Time Equivalents (FTE)	155.75	161.95	160.50	164.50	170.10	0.00	0.00	3.40%

Metro Exposition-Recreation Commission (MERC)

Commission Purpose

The Metro Exposition-Recreation Commission (MERC) manages the regional convention, trade, performing arts and sports stadium facilities. These facilities include the Civic Stadium, the Portland Center for the Performing Arts (PCPA), the Oregon Convention Center (OCC) and the Portland Metropolitan Exposition Center (Expo Center).

MERC's mission is to provide quality stewardship in the operation, management, development, and promotion of the region's public assembly and convention facilities. MERC shall:

- Promote and honor diversity in all of its operations
- Provide cost-effective, entrepreneurial management accountable to public purposes and regional governments
- Maximize the opportunities for financial return to the community
- Serve as an advocate for regional and public investment in its facilities
- Serve as the lead-planning agency for current and future facility development, expansion or renovation
- Provide high quality events and services to the metropolitan community, customers, and services

About the Commission

The commission consists of seven members appointed to four-year terms. Commissioners are nominated by Clackamas, Multnomah and Washington Counties (one each) and the City of Portland (two), and appointed by Metro's Executive Officer. The Executive Officer directly nominates and appoints two commissioners. All appointments are subject to confirmation by the Metro Council. The commission, through its staff, accomplishes the purposes listed here.

In managing these facilities, MERC is in a unique position because the ownership of the facilities varies. The Oregon Convention Center and the Expo Center are owned by Metro. The Civic Stadium and PCPA are owned by the City of Portland but managed by MERC under agreement with the City. Ultimately, of course, the public owns all the facilities and MERC strives to operate all of the facilities in a prudent and business-like manner that serves the public interest.

MERC facility operations in FY 2000-01 are budgeted in the MERC Operating Fund, continuing a practice begun in FY 1997-98. (In previous years, facilities operations were budgeted in four separate funds.) MERC also manages the MERC Pooled Capital Fund (formerly the MERC Renewal and Replacement Fund), the Oregon Convention Center Project Capital Fund, and the Expo account in the General Revenue Bond Fund (for replacement of Hall D at the Expo).

The MERC facilities' principal revenue source is earned income generated by the use of the facilities. In addition, the facilities are supported by a 3 percent hotel/motel tax levied in Multnomah County. The county modified the distribution of this funding source in 1997 to broaden its application among the MERC facilities. The formula will provide an estimated $4.4 million to the Oregon Convention Center in FY 2000-01, $1.3 million to the Portland Center for the Performing Arts, $212,000 to support cultural tourism and $200,000 to the Regional Arts and Culture Council to be used for neighborhood arts and to broaden participation in arts programs for outlying areas.

The City of Portland will continue to provide $600,000 in support of the facilities it owns. $300,000 of that amount is designed to offset user fee reductions for PCPA non-profit resident compa-

PCPA or Civic Stadium. The continued operational success of Civic Stadium has enabled MERC to continue the practice of designating the remaining $300,000 for PCPA operational support.

About the Organization

MERC Administration

The MERC Administration Division includes central management and staff functions that support the commission, and activities that are not specific to individual facilities. Administrative duties and expenses are pooled as mandated in the FY 1990-91 Metro/City of Portland consolidation agreement that transferred management of the city's facilities to MERC.

Oregon Convention Center

Metro opened the Oregon Convention Center in 1990, following construction that was funded through general obligation bonds, state lottery funds and assessments on businesses surrounding the site. In its nine years of operation, the center has hosted more than 4,100 events with total attendance of nearly 6.2 million. The center is a 500,000-square-foot meeting facility with 150,000 square feet of exhibit space, a 25,000-square-foot ballroom, 28 meeting rooms, and 55,000 square feet of lobbies and pre-function space. Economic impact to the region of the Convention Center is just the last five years has been almost $800 million.

The goal of the Oregon Convention Center is to attract convention and trade show business as an economic benefit to Oregon. Providing high-quality, cost-effective services while maximizing the use of the center's facilities achieves this goal. The center must balance its success in attracting national and regional conventions with local citizen access to the facility.

In 1998, voters rejected general obligation funding for expansion of the Convention Center. In 1999, Metro, the City of Portland, Multnomah County and the local lodging and car rental industries developed an alternate financing proposal based on bonds paid by increased transient lodging and auto rental taxes. That financing is in the final stages of preparation. The expansion of the Convention Center is a $106 million project that will be constructed between FY 1999-00 and FY 2002-03. To manage the project in FY 2000-01, MERC is adding 3.8 FTE to the 4.0 FTE authorized in FY 1999-00, for a total of 7.8 FTE. The project will roughly double Convention Center space and include a parking garage.

Civic Stadium

This City of Portland-owned facility provides an urban, outdoor setting for the region's professional, college, and high school sports, as well as entertainment and other community gatherings that lend themselves to an outdoor setting. FY 1995-96 saw the return of baseball to the stadium with the Portland Rockies Northwest League (Single A) short-season team, FY 1997-98 had two Men's USA Soccer matches, and FY 1998-99 saw two of the Women's World Cup Regional matches at the facility. The facility also hosted its usual mix of high school, college and community sports and entertainment events.

Stadium operations under MERC continue to be successful, with the Stadium showing an operating profit over the last four years. Stadium management continues to aggressively market the Stadium, and for FY 2000-01 Stadium management is negotiating for several major events which could lead to another extremely successful year.

The City of Portland continues to examine options for management of the stadium by a private group. As of present writing, no concrete information on that group's ability to meet its commitments to the City in a timely manner is available. The FY 2000-01 budget for the stadium is for operations for the entire fiscal year, pending a decision by the city. The MERC Commission opted to budget for an entire year, so as to cover the possibility of continued MERC operation. In the event of a transfer to private management during the fiscal year, MERC would not make unnecessary expenditures. The MERC Commission has directed staff to assume that all costs of any transition to private management will be borne by the private party rather than the Stadium budget, and that any remaining funds will be transferred to the Performing Arts Center.

Portland Center for the Performing Arts

The PCPA provides an array of venues for presentation of arts events, popular concerts, major touring shows and family attractions. The four theaters and lobby spaces of the center attract more than 900 performances with approximately 1.1 million visitors each year. About 60 percent of the events are presented by local arts organizations including the Portland Opera, Oregon Symphony Orchestra, Oregon Ballet Theater, Portland Center Stage, Oregon Children's Theater Company, Portland Youth Philharmonic, Tygres Heart Shakespeare Company and many others. The City of Portland owns this facility.

In FY 2000-01 PCPA will continue to direct special attention to its rental rate and service charge structure to improve its revenue picture. Discussions with the major non-profit users of the facilities are occurring now. Funding from other sources is also being considered; the financing plan mentioned in conjunction with the Oregon Convention Center includes two pieces affecting both operating support and capital issues at PCPA.

The financing plan includes an additional $500,000 per year, with annual CPI adjustments, for operating support. In addition, the plan includes a one time $2,000,000 contribution for capital improvements in the PCPA buildings. Both of these financing strategies would take effect in FY 2001-02.

Private fund raising begun in the last two years bore fruit with the completion of the fourth floor rehearsal space. Not completed due to lack of funds in the construction of the New Theatre Building, the area served as a large unfinished rehearsal hall for 11 years. Two large private donations totaling $1,000,000 were dedicated to completion of this space. In turn, this increases the sound insulation in that area of the building, making both the rehearsal space and the theatre below it available for use at the same time.

A new program through the Friends of the Performing Arts Center to raise funds for operations and capital maintenance of the Center is in the design stages. The concept is that contributors can give a specific dollar donation and have their name put on a plaque attached to a specific seat.

Portland Metropolitan Exposition Center

The Expo Center is the newest addition to the MERC system of facilities. Formerly owned and operated by Multnomah County, the facility was transferred to Metro in 1994 to be managed by MERC, with full ownership transferred to Metro in 1996. MERC manages the facility to maximize coordination with the Oregon Convention Center to the benefit of both facilities. The Expo Center boasts the new Hall E, completed in FY 1996-97 in time to host the traveling America's Smithsonian exhibit. The new hall complements the existing facility, adding nearly 50% to the Expo Center's exhibit space and providing greatly increased flexibility for exhibitors and the public. The Expo Center anticipates hosting 87 events in FY 2000-01, generating some $1.1 million in rental income.

Among the major projects planned for FY 1999-00 is the replacement of the substandard exhibition Hall D that will complement Hall E. Funded through a combination of infrastructure and facility construction loans from the Oregon Economic Development Department (OEDD), construction is expected to begin in April, FY 1999-00. The project will cost $15,631,000.

Major Accomplishments in FY 1999-00

- Full implementation of the Pay for Performance Compensation Plan (Pay Plus Plan); all compensation changes for non-represented full-time employees are based on a combination of facility performance, individual performance, and the ability of each facility to pay.
- Revenues at the Expo Center continue to increase each year
- Construction of the Rehearsal Hall in the New Theater Building of PCPA theater complex was finalized.
- Began a new concessions/catering contract July 1, 1999; revenues are increasing over past experience.
- Negotiated favorable long term financing for replacement of Hall D at the Expo
- Concluded successful negotiations with the City of Portland, Multnomah County, Tri-County Lodging and the car rental industry on funding expansion of the Oregon Convention Center.
- The Lilith Fair concert was held for the second year in a row in July 1999.

Major Objectives for FY 2000-01

- Continue expansion of the Oregon Convention Center with groundbreaking in 2000.
- Continue efforts to provide training and promotional opportunities to staff in all facilities.
- Increase marketing of the Convention Center through an expanded national marketing program.
- Continue to successfully market and operate Hall E at the Expo Center and improve the usage of the facilities in the off season.
- Continue to maximize commercial events at PCPA facilities and increase booked dates above the prior year.
- Open PCPA fourth floor Rehearsal Hall and market it.
- Continue efforts to put new events in at Civic Stadium.
- Construct a replacement for Hall D at the Expo Center.
- Implement results of study of comparative service levels provided by other Performing Art Centers to establish a proper balance of services and identify the amount of required subsidy to meet this desired level of service.
- Develop a Master Renewal and Replacement plan of all MERC facilities' capital fixed assets.
- Strive to meet the performance goals set out by the MERC Pay Plus Plan and encourage employee development and participation in meeting these goals.
- Continue to demonstrate Civic Stadium's value to the community and support efforts to complete renovation plans.

Performance Measures

		Actual FY 97-98	Actual FY 98-99	Projected FY 99-00	Target FY 00-01
Oregon Convention Center	1. Number of conventions/trade shows	59	63	57	56
	2. Estimated economic impact in metropolitan region	$142 million	$165 million	$163 million	$153 million
	3. Attendance	633,000	581,000	625,000	590,000
	4. Occupancy rate (75% is considered maximum)	70.8%	73.4%	71.6%	66%
Expo Center	1. Number of events	82	94	88	87
	2. Attendance at events	696,000	675,000	680,000	665,000
Civic Stadium	1. Number of events	161	185	174	170
	2. Attendance at events	296,000	277,531	276,000	269,000
Portland Center for the Performing Arts	1. Number of events	971	940	960	920
	2. Attendance at events	1,124,000	969,000	1,090,000	1,020,000
	3. Total Use Days (365 days x 4 theaters=1,460 days possible)	1,200 days	1,163 days	1,180 days	1,180 days
	Non-Use Days	260 days	297 days	280 days	280 days

M E M O R A N D U M

METRO

OFFICE OF THE AUDITOR

COPY

To: David Bragdon, Presiding Officer, Metro Council
Councilor Bill Atherton
Councilor Jon Kvistad
Councilor Susan McLain
Councilor Rod Monroe
Councilor Rod Park
Councilor Ed Washington

From: Alexis Dow, CPA

Date: March 1, 2000

Re: MERC/Metro Support Services Analysis

At the suggestion of several councilors, we prepared a brief analysis of the history of the MERC/Metro Support Services arrangements. This document is attached, including our observations for your consideration as you debate this issue.

Please feel free to contact me if you have any questions regarding this or other matters.

cc: David Biedermann
Michael Morrissey
Jennifer Sims
Bruce Warner

MERC/Metro Support Services Arrangement
Historical Perspective and Observations

Background

Metro has provided support services, such as accounting and human resources, to MERC for many years. In 1993, Metro directed MERC to develop a business plan for its operations. MERC completed this task in March 1994 with the adoption of business plans for each facility and for its support function. The support business plan raised concerns about the cost of Metro-supplied support services and the continuing increase in those costs. Of particular concern was the fact that these cost increases occurred independent of changes in MERC business activity.

May 1995 MERC Evaluation of Support Cost Alternatives

At the request of the Metro Executive, MERC studied and reported on the cost of obtaining support services separate from Metro. Specifically, MERC's task was to (1) identify those services essential to MERC operations irrespective of services it has been getting from Metro; (2) cost those services on the lowest cost-effective basis whether taken in-house or contracted; and (3) total the resulting costs and compare them to the amount charged to MERC through Metro's cost allocation plan. The cost allocation plan is a document prepared each fiscal year that identifies costs for central services and assigns them to operating units based on the best estimate of use or benefit received. The plan is used in preparing the annual budget to determine the amount of interfund transfers for the central service funds.

MERC reported its findings on May 12, 1995. It concluded that MERC could realize savings of approximately $600,000 annually by obtaining support services separate from Metro. MERC reported that most of the savings could be realized by doing its accounting and finance, personnel and data processing in-house, thus avoiding costs for those functions done by Metro's administrative services and charged against MERC under the cost allocation plan.

Metro's Chief Financial Officer subsequently asked Metro Administrative Services Department managers and General Counsel to comment on the report. These officials provided detailed analyses to the Chief Financial Officer who issued a response to MERC raising a number of issues that needed further study including:

- Was the lower service level anticipated in the report adequate and/or acceptable?

- Could Metro provide the lower level of service?
- What are or should be the criteria for determining the level and quality of services and the extent of decentralization?
- What is the degree of autonomy or "separateness" assumed in the analysis? (Metro may be required by budget law or accounting principles to continue what it is doing.)
- Can or will Metro let MERC choose which services it receives from Metro?
- What would be the impact on other Metro departments if MERC was no longer a support services customer?

This response challenged some of the amounts but did not provide a full rebuttal to the claimed savings.

1997 MERC Support Services Evaluation and Fiscal 1998 Memorandum of Understanding

In February 1997, the Metro Code was amended to give MERC the power and authority "To determine the type, quality, and scope of services required by the Commission in order to conduct its business in a cost effective, entrepreneurial, and independent manner." Subsequently, MERC entered into negotiations with Metro to obtain certain support services including human resources and benefits, risk, labor relations, accounting, financial planning and contracts. These negotiations resulted in a memorandum of understanding in April 1997 between MERC and Metro. Under this agreement, Metro was to provide these services in fiscal 1998 for $907,772. This amount was $375,000 less than Metro's estimated cost of providing the services ($1,282,772) and was a subsidy. Further, Metro granted MERC an additional $75,000 credit for "Guaranteed Underspending by ASD" (Metro). This amount was to represent MERC's share of projected support services underspending for that fiscal year. However, MERC secured a guarantee of $75,000 irrespective of actual underspending. Based on actual underspending MERC would have received a credit of approximately $28,000 rather than the full $75,000.

In a June 1997 report to the Executive Officer, MERC staff reported they believed that additional savings of up to $200,000 could be secured in the accounting services area for fiscal 1998 beyond those negotiated in the memorandum. The staff said the potential sources for obtaining these additional savings could be:

- further negotiations with Metro's Accounting Services
- performing accounting services "in-house"
- outsourcing the accounting services.

However, staff specified no details to support their estimate.

Metro/MERC Fiscal 1999 Memorandum of Understanding

Metro and MERC entered into another memorandum of understanding for fiscal 1999 calling for Metro's Administrative Services and Human Resources Departments to provide specific services for MERC. MERC agreed to partially reimburse Metro's estimated costs of providing these services. Like the prior year, the amount of reimbursement was negotiated between Metro and MERC and was less than Metro's cost of providing the services. The fiscal 1999 memorandum of understanding provided annual compensation to Metro of $871,255. This is net of a credit or subsidy to MERC of $450,000, which is equivalent to that provided in fiscal 1998. Total cost to MERC would have been $1,321,255 without the subsidy.

Fiscal 2000 Metro/MERC Memorandum of Understanding

MERC and Metro's Administrative Services and Human Resources Departments have a formal memorandum of understanding signed in March 1999 whereby the departments provide the following services to MERC:

- Human resources
- Risk management
- Employee benefits administration
- Accounting
- Information management
- Financial planning
- Contracts.

For these fiscal 2000 services, MERC agreed to pay Metro's Administrative Services and Human Resources Departments annual compensation of $949,355. This amount is net of a subsidy or credit against support services charges of $411,948 (later adjusted to $427,618). The total "value" of these services was $1,376,973.

The memorandum of understanding also called for MERC and the departments to conduct a joint review of service needs and alternatives that would be completed prior to the preparation of the fiscal 2001 budget. The objectives of the study were:

- To determine the best (including efficiency and effectiveness) means of delivering support services to MERC.
- To ensure the.Metro's minimum requirements for financial reporting, legal compliance and financial oversight were met.

- To reduce duplication of effort.
- To identify the most cost effective service delivery solution.
- To resolve an ongoing annual debate over the most effective and efficient delivery of services.
- To improve the working relationship between Metro and MERC.

Most Recent Metro/MERC Study Regarding Cost Savings

Metro's ASD Director/Chief Financial Officer and MERC's Director of Administration began the most recent study early in fiscal 2000. Metro's Assistant ASD Director later replaced the ASD Director on this project. They developed a draft status report on the study's progress and presented it in mid-December 1999 to the MERC General Manager, Metro's Chief Operating Officer and a program analyst in the office of the ASD Director. The draft stated that changes were not needed for some functions now being carried out under the memorandum of understanding. They did conclude, however, that some services needed to be more completely evaluated as to whether (1) Metro should provide them, (2) MERC should provide them, or (3) that they should be provided by a contractor. These services were:

- General ledger
- Budget
- Payroll
- Accounts payable
- Accounts receivable
- Computer support
- Construction project management
- Position management
- Purchasing
- Employee training.

No cost savings were identified in the draft status report and it was never finalized. Work on the study was stopped in mid-December. Metro's Chief Operating Officer told us that after he had heard the presentation, he decided that, as far as real dollar savings were concerned, the findings reported to date were inconclusive. MERC management concedes that any cost savings realized by MERC would likely be at the expense of Metro. (Note: MERC officials told us that the $200,000 annual estimated cost savings referenced in the February 10, 2000 *Oregonian* article (see attachment) was based on the June 1997 "Support Services Evaluation" prepared by the then Director of MERC Fiscal Operations.)

Addendum to Fiscal 2001 Proposed Budget

In prior years, MERC's budget has been included in the overall agency's budget without any changes recommended by the Executive Officer. This year, however, he is recommending major changes.

First, to save money and achieve operating efficiencies, the Executive Officer is recommending that MERC be made a department of Metro and that Metro assume direct responsibility for management of the facilities currently managed by MERC. He also is recommending that an advisory committee, similar to other department advisory committees, be substituted for the MERC Commission. This action is estimated to annually save about $270,000--the result of eliminating the positions of the MERC general manager, an executive secretary and the materials and services associated with the Commission function. This action is expected to result in real out-of-pocket savings to the combined agency.

The Executive Officer also stated in the addendum that over the past three years, Metro has subsidized MERC's operations by about $1.13 million for support services (this amount is understated according to an Administrative Services Department official). These subsidies are the cumulative totals of "net credits against support charges" contained in the Metro/MERC memorandums of understanding for fiscal 1998, 1999 and 2000. According to Metro's Financial Planning Division, the actual amounts that were either absorbed by the Support Services Fund or transferred from the Risk Management Fund and the General Fund to the Support Services Fund as a result of the MERC/Metro memorandums of understanding were:

FUND	FY 97-98	FY 98-99	FY 99-00	TOTALS
General Fund	$200,000	$200,000	$117,000	$ 517,000
Risk Management Fund	175,000	175,000	260,000	610,000
Support Services Fund	75,000	75,000	50,618	200,618
Total	$450,000	$450,000	$427,618	$1,327,618

Changing MERC to a department would result in it becoming similar to all other Metro departments and paying its full share for support services which would be $1,711,822 according to the fiscal 2001 Metro Cost Allocation Plan. Eliminating the subsidy would increase cost of MERC operations by approximately $485,000 over the amount in MERC's submitted budget-- $1,225,923. Conversely, this action will reduce the subsidy absorbed by Metro by the same amount. There would be no change the in total cost of the combined Metro/MERC operations.

Auditor Observations

1. Eliminating the positions of the MERC general manager and an executive secretary as well as materials and services associated with the Commission function would result in real savings to the Metro/MERC combined entity--but not the full $270,000. Some administrative support and materials and services would be needed to assist an advisory committee.

2. Eliminating the Metro provided subsidy to MERC is an accounting transaction only. There is no change in cost of the combined MERC/Metro entity. MERC's costs will increase and support services costs absorbed by Metro will decrease by a corresponding amount.

3. The Oregon Convention Center (OCC) and EXPO are stand-alone facilities that could be managed differently than they are today. For example, management contracts (in which operation of a facility is contracted out to a private company) are frequently used for convention centers.

4. If the operation of OCC and EXPO were to be contracted to a private company, the need for support services now provided by Metro's Administrative Services and Human Resources Departments would be significantly decreased. Unless these two departments were able to reduce their costs proportionately, the remaining Metro departments would bear much higher administrative costs under the cost allocation schedule. Given traditional economies of scale, the necessary reduction in administrative costs would likely be difficult, if not impossible, to fully realize.

5. Many of the objectives of the MERC/Metro Joint Support Services Study remain outstanding. The question remains as to whether the study should recommence.

6. If MERC can identify ways to reduce current costs for support services now provided by Metro at an overall savings to the taxpayers, those strategies, including outsourcing entire functions, should be considered for adoption by all of Metro.

Cost Allocation Plan

Overview

This report provides an explanation of the cost allocation plan, its purpose and the method used in allocating costs. The cost allocation plan is a very technical program. This presentation attempts to explain the concepts of the cost allocation plan without discussing the technical details of the plan.

Purpose of the Plan

In every organization there are services which are provided centrally. These are services which all departments require and/or are provided for the common good of the organization. They include functions which are impractical or are inefficient and expensive to be performed on a decentralized basis. Examples include accounting services, personnel, and legal services. Every department in the organization receives a benefit from the services provided. Because the function or service benefits many users, it is impossible to directly charge the cost of the service to each department without implementing an arduous and cost prohibitive time and cost accounting system. Collectively, the costs associated with these central services are called "indirect costs."

The Cost Allocation Plan serves two purposes. It determines the amount of the interfund support transfers by systematically identifying and distributing the central services costs to the departments benefiting from the services. It also determines the indirect cost rate which Metro may apply as overhead to federal grants. Because of this, the plan adheres to federal regulations for setting indirect cost rates. In 1994, the Oregon Department of Transportation (ODOT), on behalf of the Federal Highway Administration, Metro's cognizant agency, examined and approved Metro's cost allocation plan. The plan was found in substantial compliance with the policies and procedures of the Office of Management and Budget, Circular A-87. ODOT auditor's recommended two modifications to the method of allocating "pooled" costs. These recommendations have been incorporated into the FY 1995-96 cost allocation plan.

The Allocation Process

The cost allocation plan measures the usage of or benefit received by each of the departments from the central services, and allocates these costs based on the appropriate measurement of use or benefit. The measurement of use or benefit is called the basis of allocation. Metro's plan utilizes many allocation bases including such items as the number of copies made, the square footage occupied, the number of transactions and the amount of hours worked on projects. The bases are applied to the costs they measure to calculate the amount each department will pay for the services or benefit they receive.

While the underlying reasons for variations in the allocation of costs are tied to programmatic changes in the operating areas, the foundation of the cost allocation plan is the basis of allocation. The cost allocation plan measures programmatic changes in the operating areas using the basis of allocation. The basis of allocation determines the usage of or benefit derived from a support function.

The basis data that is collected is converted into percentages of use for application in the cost allocation plan. A department's percentage use of a particular function to the total use of that function is dependent not only on it's particular use of the function but also on the use by all other departments. It is possible for a department to have the same level of service from a support function from one year to the next, but be allocated either a higher or lower percentage amount of that support function's costs. An example illustrating this statement is shown as *Attachment 3* to this report.

Allocation to MERC Facilities

Metro's cost allocation plan allocates to MERC as a single entity. MERC staff have internally designed an allocation process which further allocates costs to individual MERC facilities. Metro's Financial Planning division does not prepare the secondary allocation of costs to facilities.

Summary

In FY 1994-95, Metro's cost allocation plan was the subject of the Council's performance audit. The audit was prepared by Talbot, Korvola & Warwick, Certified Public Accountants and Consultants. The auditor's were directed to assess Metro's allocation basis and applications of costs within each operating department; determine the accuracy of the current Plan's methodology; determine what, if any, modifications to the current plan should be made to allocate costs in a simpler, more efficient manner; identify where formalized policies may need to be established; explore the feasibility and identify the effects of a direct billing plan; and provide third party assurance to the Metro Council and management that the current Plan works as designed.

In their overall system assessment of Metro's cost allocation plan, the auditor's stated...

> "We believe the system works as designed and results in a fair distribution of costs under the principle of allocating costs to the benefiting departments."

They also stated that it is important to keep in mind that the cost allocation plan is essentially an allocation process (based on use or benefit), not the discrete "buying" of services. They found the issue not to be that Support Services are inefficient or wasteful but that the costs (of support services) must be born by budgets which are already under spending pressure. They believed that the lack of a Metro general revenue source to fund its support services, unlike most government entities, is especially important to understanding the role of the cost allocation plan.

ATTACHMENT 1

Example of Metro's Cost Allocation Process

* **Identification of costs to be allocated and appropriate allocation basis**

Central Service Function	Total Cost	Allocation Basis
Accounting Services	$400,000	Number of Accounting Transactions
Personnel Services	$250,000	Number of personal actions forms processed
Office Services:		
Print Shop	$100,000	Number of photocopies made
Mail Room	$100,000	Amount of postage used

* **Collection of allocation basis data**

	Dept. #1	Dept. #2	Dept. #3	Dept. #4	Central Serv	TOTAL
# of Accounting Transactions	200,000	100,000	400,000	300,000	200,000	1,200,000
# of personal actions forms processed	35	20	75	120	50	300
# of photocopies made	500,000	850,000	350,000	0	750,000	2,450,000
Amount of postage used	3,500	25,000	10,000	0	7,500	46,000

* **Calculation of allocation basis percentages**

	Dept. #1	Dept. #2	Dept. #3	Dept. #4	Central Serv	TOTAL
# of Accounting Transactions	16.67%	8.33%	33.33%	25.00%	16.67%	100.00%
# of personal actions forms processed	11.67%	6.67%	25.00%	40.00%	16.67%	100.00%
# of photocopies made	20.41%	34.69%	14.29%	0.00%	30.61%	100.00%
Amount of postage used	7.61%	54.35%	21.74%	0.00%	16.30%	100.00%

STEP 1 -- ALLOCATION OF SPECIFIC COSTS

Function	Total Cost	Dept. #1	Dept. #2	Dept. #3	Dept. #4	Central Serv	TOTAL
Accounting Services	$400,000	66,667	33,333	133,333	100,000	66,667	400,000
Personnel Services	$250,000	29,167	16,667	62,500	100,000	41,667	250,000
Office Services:							
Print Shop	$100,000	20,408	34,694	14,286	0	30,612	100,000
Mail Room	$100,000	7,609	54,348	21,739	0	16,304	100,000
TOTAL SPECIFIC ALLOCATION		$123,850	$139,042	$231,858	$200,000	$155,250	$850,000

Pooled costs <155,250>

* **Calculation of pooled cost allocation basis**

	Dept. #1	Dept. #2	Dept. #3	Dept. #4	TOTAL
Total allocation of specific costs	$123,850	$139,042	$231,858	$200,000	$694,750
Percentage allocation of specific costs	17.83%	20.01%	33.37%	28.79%	100.00%

STEP 2 -- ALLOCATION OF POOLED COSTS

Function	Pooled Cost	Dept. #1	Dept. #2	Dept. #3	Dept. #4	TOTAL
Accounting Services	$66,667	11,884	13,342	22,249	19,192	66,667
Personnel Services	$41,667	7,428	8,339	13,905	11,995	41,667
Office Services:						
Print Shop	$30,612	5,457	6,126	10,216	8,812	30,612
Mail Room	$16,304	2,907	3,263	5,441	4,694	16,304
TOTAL POOLED ALLOCATION		$27,676	$31,070	$51,811	$44,692	$155,250

* **Total Support Transfers to be Charged**

	Dept. #1	Dept. #2	Dept. #3	Dept. #4	TOTAL
Specific Allocation	$123,850	$139,042	$231,858	$200,000	$694,750
Pooled Allocation	$27,676	$31,070	$51,811	$44,692	$155,250
TOTAL ALLOCATION TRANSFER	$151,526	$170,112	$283,670	$244,692	$850,000

2000-01

Cost Allocation Plan Summary

DESCRIPTION	Planning Fund	Regional Environ. Mgmt	Zoo Operations	General Fund	MERC Operations	Regional Parks & Green.	Open Spaces	TOTAL ALLOCATED COSTS	Direct Costs	TOTAL COSTS	*Costs By Division (memo only)*	*Costs By Division (memo only)*
Allocation of Specific Costs												
Accounting	$123,575	$262,576	$282,229	$26,942	$289,891	$81,069	$34,788	$1,101,070	$0	$1,101,070	*$122,157*	*$1,223,227*
Financial Planning	53,565	185,708	47,161	25,205	110,421	21,601	14,412	458,074	0	458,074	*24,815*	*482,889*
Office Services	113,074	39,499	12,440	50,654	2,039	15,181	6,352	239,238	0	239,238	*83,462*	*322,700*
Property Services	49,821	31,113	0	18,900	0	17,895	10,127	127,855	99,759	227,614	*14,427*	*242,041*
Contract Services	18,972	39,526	54,351	1,359	24,079	8,807	9,682	156,776	0	156,776	*22,439*	*179,215*
IT Reorganization	295,798	428,221	452,630	73,886	282,215	106,843	34,022	1,673,615	0	1,673,615	*346,027*	*2,019,642*
Creative Services	136,331	92,925	0	60,503	0	73,294	29,764	392,816	0	392,816	*86,518*	*479,334*
Office of the Director	33,087	114,711	29,131	15,569	68,207	13,343	8,902	282,950	0	282,950	*15,328*	*298,278*
Human Resources	29,738	101,078	285,310	8,495	162,840	32,364	15,940	635,764	0	635,764	*77,588*	*713,352*
Office of General Counsel	191,201	296,361	95,600	38,240	114,720	95,600	86,040	917,764	0	917,764	*38,240*	*956,004*
Council Staff	88,484	106,813	22,836	75,036	35,280	19,687	20,372	368,508	0	368,508	*45,044*	*413,552*
Office of Citizen Involvement	6,980	9,248	159	8,023	0	2,636	0	27,046	0	27,046	*30,868*	*57,914*
Public Affairs & Government Relations	58,545	77,569	1,336	67,297	0	22,110	0	226,856	0	226,856	*258,915*	*485,771*
Office of the Auditor	56,255	170,850	48,698	9,193	129,195	22,743	9,599	446,533	0	446,533	*21,857*	*468,390*
Council Office Public Outreach	20,575	27,261	469	23,651	0	7,770	0	79,727	0	79,727	*90,994*	*170,721*
Subtotal Specific Costs	**$1,276,000**	**$1,983,457**	**$1,332,351**	**$502,953**	**$1,218,887**	**$540,943**	**$280,001**	**$7,134,592**	**$99,759**	**$7,234,351**	***$1,278,679***	***$8,513,030***
Allocation of Pooled Costs												
Support Services	$228,688	$355,480	$238,787	$90,140	$218,452	$96,949	$50,182	$1,278,679	$0	$1,278,679	—	—
Building Mgmt - Regional Center	97,852	152,104	102,173	38,570	93,472	41,483	21,472	547,127	0	547,127	—	—
Risk Mgmt. - Liability/Property	4,375	6,801	4,568	1,724	4,179	1,855	960	24,462	0	24,462	—	—
Risk Mgmt. - Workers' Comp	3,298	5,127	3,444	1,300	3,151	1,398	724	18,443	0	18,443	—	—
Subtotal Pooled Costs	**$334,213**	**$519,512**	**$348,973**	**$131,735**	**$319,254**	**$141,685**	**$73,339**	**$1,868,711**	**$0**	**$1,868,711**	—	—
SUPPORT SERVICES FUND TRANSFER	**$1,610,214**	**$2,502,969**	**$1,681,323**	**$634,687**	**$1,538,141**	**$682,629**	**$353,340**	**$9,003,302**	**$99,759**	**$9,103,062**	***$1,278,679***	***$8,513,030***
BLDG MGMT. TRANSFER - Regional Center	**$604,941**	**$372,648**	**$0**	**$348,044**	**$0**	**$133,816**	**$66,513**	**$1,525,963**	**$0**	**$1,525,963**	***$547,127***	***$2,073,090***
RISK MGMT. TRANSFER - Liability/Property	**$20,901**	**$84,225**	**$140,606**	**$11,037**	**$110,846**	**$71,631**	**$2,369**	**$441,615**	**$0**	**$441,615**	***$24,462***	***$466,077***
RISK MGMT. TRANSFER - Workers' Comp	**$17,097**	**$28,991**	**$85,789**	**$2,716**	**$62,835**	**$8,930**	**$3,140**	**$209,499**	**$0**	**$209,499**	***$18,443***	***$227,942***
TOTAL TRANSFERS	**$2,253,153**	**$2,988,834**	**$1,907,718**	**$996,485**	**$1,711,822**	**$897,006**	**$425,361**	**$11,180,380**	**$99,759**	**$11,280,139**	***$1,868,711***	***$11,280,139***

Analysis of MERC Support Service Cost Allocation and Transfers, 1994-95 through 2000-01

MERC Support Service Payments	1994-95 Actual	1995-96 Actual	1996-97 Actual	1997-98 Actual	1998-99 Adopted	1999-00 Agreed	2000-01 Proposed
Support Services Fund	998,634	1,126,088	1,100,031	796,125	754,053	834,317	1,052,242
Risk Management Fund	256,373	203,891	196,296	244,626	291,185	299,920	173,681
Total Paid to Metro	1,255,007	1,329,979	1,296,327	1,040,751	1,045,238	1,134,237	1,225,923
% increase over previous year		*6.0%*	*-2.5%*	*-19.7%*	*0.4%*	*8.5%*	*8.1%*

Metro Support of MERC Operations	1994-95 Actual	1995-96 Actual	1996-97 Actual	1997-98 Actual	1998-99 Adopted	1999-00 Agreed	2000-01 Proposed
From General Fund		250,000	250,000	200,000	200,000	117,000	
From Risk Management Fund				175,000	175,000	260,000	
From Support Services Fund				75,000	75,000	50,618	
Total Metro Support	-	250,000	250,000	450,000	450,000	427,618	485,899
% increase over previous year			*0.0%*	*80.0%*	*0.0%*	*-5.0%*	*13.6%*

Total Costs for MERC Support Services	1994-95 Actual	1995-96 Actual	1996-97 Actual	1997-98 Actual	1998-99 Adopted	1999-00 Agreed	2000-01 Proposed
	1,255,007	1,579,979	1,546,327	1,490,751	1,495,238	1,561,855	1,711,822
% increase over previous year		*25.9%*	*-2.1%*	*-3.6%*	*0.3%*	*4.5%*	*9.6%*

MERC's Payments as a Share of All Support Services Payments	1994-95 Actual	1995-96 Actual	1996-97 Actual	1997-98 Actual	1998-99 Adopted	1999-00 Agreed	2000-01 Proposed
MERC Payments *	1,255,077	1,329,979	1,296,327	1,040,751	1,045,238	1,134,237	1,225,923
All Other Department Payments	7,332,532	7,271,624	7,516,191	8,496,235	9,116,308	9,319,733	10,054,216
Total	8,587,609	8,601,603	8,812,518	9,536,986	10,161,546	10,453,970	11,280,139
*% overall costs increase over previous year ** *		*0.2%*	*2.5%*	*8.2%*	*6.5%*	*2.9%*	*7.9%*
MERC % of Total	14.6%	15.5%	14.7%	10.9%	10.3%	10.8%	10.9%
% MERC cost increase over previous year		*6.0%*	*-2.5%*	*-19.7%*	*0.4%*	*8.5%*	*8.1%*

* This includes only the amount MERC <u>paid</u>, not the amount actually allocated

** Increases can be attributed to: new programs, new technology (e.g., PeopleSoft), full year staff costs only partially included in previous year, and increases to represented positions as a result of union negotiations.