

MINUTES OF THE METRO COUNCIL/MERC JOINT MEETING

Thursday, February 2, 2006
Metro Council Chamber

Councilors Present: David Bragdon (Council President), Susan McLain, Robert Liberty, Rex Burkholder, Carl Hosticka, Rod Park, Brian Newman

Commissioners Present: Sheryl Manning, Don Trotter, George Forbes, Gary Conkling, Ellis Ray Leary, Janice Jacobson Marguis

Commissioners Absent: Gale Castillo (excused)

Council President Bragdon convened the Metro Council/Metropolitan Exposition Recreation Commission (MERC) Joint Meeting at 12:05 p.m. He welcomed the Commission, Jeff Blosser, Oregon Convention Center (OCC) Manager, introduced the OCC video to promote the show, 24.

Jeff Miller, MERC General Manager, provided an overview of what MERC had going on. He spoke of a funding document that they were putting together. He talked about the need for continued transparency. They were also doing a marketing plan for Expo. They were embarking on a five-year strategic plan. Metro Council would be asked as stakeholders to provide input to the plan. He then talked about the upcoming OCC budget. He talked about the strategic fund balance as well as the Public Employees Retirement System (PERS) reserve. He spoke to the funding gap, which was currently about \$400,000. The following year the gap jumped to about \$2 million. He noted that he and Councilor Park had shared the funding document with other stakeholders. He asked Councilors and Commissioners what questions they had and what information could they provide for them. Councilor Burkholder said Mr. Miller had briefed the Council at the last work session. He talked about the work that had already been done concerning the funding process and the need to continue transparency.

Councilor McLain said they appreciated the current inventory of facilities and the need for an ongoing future inventory with other facilities coming into the region. She talked about impacts on the system, changing circumstances and the economy of the region. Mr. Miller talked about the NIKE event and the financial impact. Councilor Park asked about the audit and potential options concerning overhead costs and management fees. Mr. Miller responded that they should be as broad as physically possible. He explained further what costs needed to be looked at for future effective decision-making. He talked about the mechanism for the audit. Can they be quicker, smarter more cost effective? Having an independent audit focusing on those issues should help make broader future decisions. Council President Bragdon asked about parallel efforts that Metro had undertaken to help to inform MERC's process. Michael Jordan, Chief Operating Officer, responded to the question. He said the Business Design Team reviewed Central Service functions for efficiencies and to drive down costs. He suggested that what Mr. Miller was going to do would help inform Metro of additional changes. He expected that the audit would have mixed outcomes. He said there were some things that Metro did very well and some that they could do better. He suspected that the audit would validate this assumption. He talked about the fundamental costs that existed as a public agency. He felt the audit would be helpful. Mr. Miller said they would be doing the audit with Bill Stringer's, Chief Financial Officer (CFO), team to make sure they were all on the same page at the same time.

Mr. Jordan thanked the Commission and the Council because he thought they were more on the same page than they had ever been. He said the long-term sustainability of OCC would require

the Commission and Council continue to be on the same page. There were other partners who would influence this page. Councilor Park said Council had been briefed on the funding mechanisms and the gap (a copy of the visual was provided). It was helpful to show people how the money came in and where the money went. He talked about the long term funding mechanism and the methodologies to take care of the gap. There would be some policy decisions that the Council and Commission would have to look at to ease the problem. They were looking for guidance and input to provide solutions to the gap. Sheryl Manning, MERC Commission Chair, said they still found themselves with no Headquarters Hotel, another variable impacting conventions. She echoed her thanks. She felt there was good cooperation. All of them wanted to work together to get to the right answer quickly.

Councilor Newman asked about the Visitor Development Initiative (VDI) agreement of 2001. What would the central service costs be if they hadn't had that agreement? Bill Stringer, CFO, responded that there should be no difference in allocated costs given the 2001 agreement. Councilor Newman asked clarifying questions. Mr. Stringer said the formula for allocated costs had not changed. The allocation had changed to each of the different departments. They were reexamining the formula that had been applied. Councilor McLain said the whole point was how much it cost for the service and how much the service was provided. Mr. Jordan said they had allocated costs based on about forty indices. The difficulty with the discussion was that MERC as a department was tied to every other department at Metro on central service costs. He talked about the allocated costs model. He said it was the dilemma of allocated costs. Councilor McLain talked about the subsidy and the need to finesse the system to make costs as low as possible. She spoke to the history of the central service costs and the suggestion that MERC might go elsewhere for those services. Councilor Liberty asked if the MERC Commission knew about the early exit incentive program. Mr. Jordan provided an overview of the program. They had continued a freeze on central service positions. They were trying to attrite our way over time. Overall costs were going up about 8%, central service costs were going up about 4.2%.

Councilor Park talked about the gap, the central services costs and the other players who were involved. They would be looking for additional help to solve these problems. Council President Bragdon spoke to the outside audit and the realities of government in Oregon. He noted the PERS issue. Mr. Miller provided an overview of the mechanics for finding the right auditor to do the work and the necessary partnerships on the scope of work.

5. COUNCILOR AND COMMISSIONER – OPEN COMMENTS OR QUESTIONS

Council President Bragdon suggested talking about the direction for the marketing contract. Mr. Miller felt the contract was going very well. It will take two to three quarters to get trends. Portland Oregon Visitors Association (POVA) had a very productive Washington District of Columbia office. They needed to focus their efforts where POVA was very effective. Ms. Manning said they were looking for solid results that were greater to or equal to the amount of money they spent on the contract. She felt it would help them run the business much more effectively. It was great visibility for MERC. Commissioner George Forbes said he had heard from other convention centers that they were looking at the success of the contract. Ms. Manning said they also found that the loss business report suggested that there wasn't a headquarters hotel. They were looking at this seriously in case the hotel did not happen. They were truly learning a lot about the data from the contract. Councilor Liberty asked about the impact from other facilities in the region. Mr. Blosser said other facilities were opening up but there were no convention center size facility being built. Commissioner Forbes said these facilities did not provide the kind of space or the kind of conventions that OCC could provide.

Councilor Burkholder asked to hear about other issues besides the financial issues. Ms. Manning said they were at the end of a strategic plan, where they had been able to achieve most of the goals. They were looking at a feasibility study for Expo to see what was the best use of the facilities. She then said Portland Center for the Performing Arts (PCPA) had had some changes. There were a lot of deferred capital items, which has been cleared up over the past several years. They had taken care of most of those issues due to donations. She said managing the facilities and keeping an eye on the operations were the two primary focuses of the Commission. She concluded that they consistently look at their cost structures. It was primarily composed of Personal Services. At some point they were going to be faced with a crisis of these costs. The question was what they did about these increased costs. Commissioner Gary Conkling talked about the entertainment world, existing facilities and possible needs that were different than what we currently had. He spoke to impacts of other facilities such as the Washington County facility and the potential for managing that facility. He felt part of what they had to do was to keep an eye on problems that could turn in to opportunities.

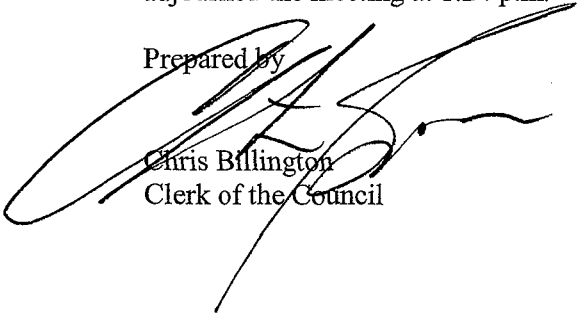
Councilor Newman talked about private sector managing facilities. Councilor McLain said since 1991 no one had said this was the way we had to do it. She talked about the history of managing the facilities. They hadn't found any better way yet. Councilor Burkholder spoke to the bidding war between PCPA and the Oregon Zoo having to do with concerts. The skill and talent at the Zoo was taking care of animals but they pulled in concerts to increase revenue. He urged conversations between MERC and the Oregon Zoo to help the Zoo coordinate and work with them to improve their concerts. He suggested they could benefit from MERC's expertise. Commissioner Forbes said even OCC and Expo compete against each other for some types of business. Mr. Miller said there was an incentive in the POVA contract to book events at the Zoo. There hadn't been anything booked yet but he felt that the Zoo was a wonderful opportunity. Commissioner Forbes raised the issue where competing between facilities may not be such a good thing. It was worth an examination to determine who should be the best venue.

Council President Bragdon said he was interested in looking at efficiencies in operations. He provided an example of the Zoo sound system and the need for help. He suggested benefits to share these resources. Councilor Park said it was appropriate to look beyond the facilities that we currently own and operate. There was a need to look at these opportunities. He urged thinking outside the box. Councilor Liberty asked if they would be seeing more multi-site events. Mr. Blosser said he felt it was very possible as the technology changed. Councilor Liberty suggested looking at multi-city events. Mr. Blosser said they had done a few of these events. It was easy to do but it hadn't taken off as one would expect. Commissioner Don Trotter said he had seen a lot of changes over the past four years. He was pleased with the improved partnership between MERC and Metro.

6. ADJOURN

There being no further business to come before the Metro Council, Council President Bragdon adjourned the meeting at 1:24 p.m.

Prepared by



Chris Billington
Clerk of the Council

ATTACHMENTS TO THE PUBLIC RECORD FOR THE MEETING OF FEBRUARY 2,
2006

Item	Topic	Doc Date	Document Description	Doc. Number
1.0	Chart	1/25/06	To: Metro Council and MERC Commission From: Daniel Lerch, Council Policy Intern Re: Portland Regional Visitors Facility Funding via TLT and VRT	020206cmmerc- 01
1.0	VDI key sections	2/2/06	To: Metro Council and MERC Commission From: Daniel Lerch, Council Policy Intern Re: Key Sections from VDI IGA (January 31, 2001)	020206cmmerc- 02
1.0	Financial Information	2/2/06	To: Metro Council and MERC Commission From: Daniel Lerch, Council Policy Intern Re: OCC Historical Financial Information and Financial Forecast	020206cmmerc- 03