

MINUTES OF THE METRO COUNCIL WORK SESSION MEETING

Tuesday, October 17, 2006
Metro Council Chamber

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

Councilors Absent: David Bragdon (excused)

Deputy Council President Hosticka convened the Metro Council Work Session Meeting at 2:04 p.m.

1. DISCUSSION OF AGENDA FOR COUNCIL REGULAR MEETING, OCTOBER 19, 2006/ADMINISTRATIVE/CHIEF OPERATING OFFICER AND CITIZEN COMMUNICATIONS

Deputy Council President Hosticka reviewed the October 19, 2006 Metro Council agenda.

2. FY 2007-08 FINANCIAL ASSUMPTIONS FOR ANNUAL BUDGET

Bill Stringer, Chief Financial Officer, reviewed the rationale for shifting the focus from line-item budgeting to program budgeting. Performance measures were in the embryonic stage. Many other jurisdictions were facing similar challenges. Councilor McLain encouraged public participation in programmatic review. Mr. Stringer agreed, referring to some potential strategies. Councilor Burkholder acknowledged incoming Metro Auditor Suzanne Flynn; he noted that the City of Portland had a citizen input process that could inspire us.

Kathy Rutkowski, Budget Coordinator, referred to the financial assumptions summary (a copy is included in the meeting record). She described upcoming budget milestones. There were minor changes to payroll taxes. Miscellaneous fringe benefits were expected to be stable. Interest rate assumptions tended to be conservative. Council had some questions about whether assumptions were too conservative. Brian Williams, Investment Analyst, explained some of the factors that went into the assumptions.

Ms. Rutkowski continued with brief comments on the inflation factor, operating contingency, central service transfers, and special appropriations. She clarified for Councilor Liberty some of the reserve requirements. Mr. Stringer stated that a lot of these definitions would be gone over in a future work session. Ms. Rutkowski reported no significant changes to the methodology. Councilor McLain commented that there were policy as well as management implications. Michael Jordan, Chief Operating Officer, remarked upon how the change in budget philosophy had affected operations. He talked about the early allocation formulas that were prepared and the constant adjustments taking place, including efforts to stabilize central service costs.

Under special appropriations, Councilor Liberty had a question about the May 2008 primaries. Ms. Rutkowski said this would take place even if a Councilor ran unopposed. Council discussed some legislative items that Metro might wish to see on that ballot. Council asked to see some information on ballot costs. Ms. Rutkowski said a special election was the most expensive. Mr. Jordan recommended deferring a decision until closer to election time. Councilor Liberty asked for a line item for a special election. Councilor Burkholder would like to see information on existing sponsorships, before settling on the new amount. Councilor Park spoke to the need to remain flexible in the face of uncertainty. He also had a question about the Regional Arts and Culture

Council; did the Metropolitan Exposition-Recreation Commission (MERC) disburse these funds? He emphasized being consistent. Councilor McLain explained how she saw Metro and MERC's distributions differently. Regional appropriations were important. Councilor Newman suggested specifying a certain amount for art in centers, or some other way to distribute funds regionally.

Moving to the challenging items, Ms. Rutkowski then reviewed salary adjustments. Deputy Council President Hosticka clarified that none of these figures had been finalized; they were strictly for budgeting purposes. Council salaries were projected to remain stable. Ms. Rutkowski spoke about non-represented increases and the philosophy behind them. The more complicated issue was represented salary increases, including the Association of Federal, State, County, and Municipal Employees (AFSCME). The figures had been arrived at in consultation with Metro's human resources staff. A classification and compensation study was currently underway. Few reclassifications were anticipated.

Under health and welfare, Ms. Rutkowski said historically there had been a 5% annual increase in the employer-provided amount. Employees could well end up making higher contributions, based on market conditions. Mr. Jordan described some of the challenges in maintaining a decent level of benefits in the face of inflationary costs. Kerry Gilbreth, Human Resources Manager, reported on results with Metro's new plan as well as national trends. She talked about some upcoming changes in Oregon, such as mental health parity. Estimated increases of about 10% were realistic. Councilor Burkholder talked about the trend of health care globalization, sending people to India or Costa Rica, where health care prices were lower.

Ms. Rutkowski then talked about retirement. Metro participated in the Public Employees Retirement System (PERS). She described Metro's PERS obligations and recent judicial decisions. She recommended a wait-and-see stance. Things were looking slightly better than in recent years. She recommended no more contributions to the reserve; the reserve was pretty healthy. If not needed, it would be available for other uses.

Ms. Rutkowski went over the excise tax forecasts. Councilor Park wanted to make sure the funds were available for their designated uses, in the light of recent code changes, and the per-ton merger. Ms. Rutkowski described the way in which departments could "bid" on funds. Councilor Park clarified that the budget would reflect the policy. Council was okay with the revenue forecast. They felt allocation was open for discussion. Councilor Park said the money was raised with the idea of opening parks; that policy had never changed. Council discussed the commitments and the link to the funding source. Should the bond measure pass, some of these commitments could be re-allocated. Council and staff discussed the upcoming process. Councilor McLain asked if there was any budgetary commitment to a headquarters hotel. Mr. Jordan said it was still a Portland Development Commission project, with Metro advising; no significant Metro funds had been spent. Adjustments may be made depending on how that project progressed.

3. BREAK

4. FY 2007-08 PRIORITIES/PROGRAM BUDGET DISCUSSION

Jeff Tucker, Finance Manager, distributed three handouts (a copy of each is included in the meeting record). His agenda was to talk about the financial condition of the agency and decisions made during last spring's budget adoption period, to go through the documents, and assign homework to Council. The October 31 session was an opportunity to really grill staff on the details. On November 14, Council could talk about their own priorities, with recommendations to the Council

President for his use in preparing the budget. These would be facilitated meetings, with staff from the Regional Leadership Initiative. Mr. Tucker talked about how fund balances were used in the 06-07 budget. Ms. Rutkowski thought it would be helpful to review the past as a guide to the future. The larger part of the fund balance was projects carried forward; a somewhat smaller amount was allocated to sustain programs. The ongoing projects needed more stable funding sources. Mr. Jordan said that these programs were basically funded out of savings, if they were to be continued. Ms. Rutkowski reviewed the general fund recovery rate stabilization reserve. She talked about 05-06 and 06-07 beginning fund balances. Bottom line, there was about \$2.2 million of increased discretionary funds; primarily due to an above-average season at the Zoo. She went through the capital fund allocation. The assumption was that capital reserves would be used for capital projects only. For the Zoo, a lot of the money was donations, such as from the Zoo Foundation.

For 2006-07 actual beginning fund balance components, Councilor Burkholder had a question about the landfill closure. Ms. Rutkowski said it was still accounted for separately, it just didn't show up on the current spreadsheet. Deputy Council President Hosticka had some questions about how general and capital funds were adjusted. Ms. Rutkowski said it was fairly flexible unless there were any specific restrictions. Mr. Tucker said the important thing was, commitments had been made, using the fund balances, and the existing situation was not a long-term strategy. Councilor McLain appreciated the ability to use the new programmatic budgeting tool for longer-term policy goals.

Mr. Tucker turned to the Council goals book. It represented the adopted June 2006 budget, illustrating how expenditures related to Council goals and objectives. Councilor Liberty said it was a great advance in seeing the links. Mr. Stringer emphasized that budgeting by program rather than department showed how programs were contributed to from across the agency. Council felt it had greatly enhanced their understanding of Metro budgeting. Mr. Tucker suggested it was an easier way for us to talk to people about our budget. Councilor McLain suggested that performance measures be made more transparent. Mr. Stringer said this work was underway.

Mr. Tucker then reviewed the strategy proposals. This included an evaluation of goals and objectives and critical success factors. Project managers were available for details on specific proposals. Deputy Council President Hosticka felt the format made it difficult to make comparisons between proposals; it would help to have a summary comparing costs and other details. Councilor Burkholder talked about some gaps he would like to see filled. Mr. Tucker said there was time to submit additional proposals. Please give him something by October 23 for inclusion in the next round of documents. Council homework was to review the strategy proposals and to be prepared to discuss on October 31. Mr. Stringer thanked staff.

5. COUNCIL BRIEFINGS/COMMUNICATIONS

Councilor Burkholder distributed a draft letter from Council to the Columbia River Crossing (CRC) task force (a copy is included in the meeting record). Council and staff discussed revisions to the language. Councilor Liberty felt stronger language tying the transportation plan to investments was needed. The Regional Transportation Plan (RTP) was the means, not an end in itself. Councilor Burkholder wanted to prepare a consensus document. Councilor McLain was not concerned about specific wording, but she wanted clear recognition that transportation planning and land use were integrated. She also emphasized having a wide range of alternatives. Council agreed that the concept was that transportation should serve land use.

Councilor Park wanted to incorporate the importance of longer-range travel. If it only served each bank of the river, it would be a very expensive Main Street. Councilor Newman liked the letter. He emphasized the significance of downtown Vancouver. Councilor Liberty wanted to prioritize the outcomes. Andy Cotugno, Planning Director, suggested incorporating this into the opening statement. Councilor Liberty talked about the downriver bridge and barge; we needed to carefully consider the land use implications over a much wider area than had been presented to date. Also, never forget to compare the cost of this project to other potential solutions. Councilor Burkholder felt this was covered under the aegis of Council being fiscally responsible. He appreciated all the comments; they would be helpful in going back to the task force. Councilor Newman thought re-use options should be more explicit. Councilor Liberty wondered if a better arterial bridge design could be prepared. He asked about public hearings; he did not feel the proposed open house was sufficient. Councilor Burkholder responded it was not a Metro project; the lead agencies had their own schedule for citizen comment; he hoped these opportunities would be sufficient. Council and staff discussed the best way to incorporate public participation. Should the draft letter be used to hint at our wish for a public hearing? Mr. Cotugno said a public hearing would be held before the final vote, but that would be much later in the process. Councilor Burkholder thought consultation with some of the other stakeholders would help make the decision about a public hearing.

Mr. Jordan said General Manager Jeff Miller was leaving MERC. His last day at Metro would be at the end of November. There would likely be an interim general manager.

There being no further business to come before the Metro Council, Deputy Council President Hosticka adjourned the meeting at 4:44 p.m.

Prepared by,



Dove Hotz
Council Operations Assistant

**ATTACHMENTS TO THE PUBLIC RECORD FOR THE MEETING OF
OCTOBER 17, 2006**

Item	Topic	Doc Date	Document Description	Doc. Number
1	Agenda	10/19/06	Agenda: Metro Council regular meeting, October 19, 2006	101706c-01
2	Budget Assumptions	10/17/06	To: Metro Council From: Kathy Rutkowski Re: Financial Assumptions Summary	101706c-02
4	Priorities	10/17/06	To: Metro Council From: Jeff Tucker Re: Fund Balance Uses	101706c-03
4	Priorities	October 2006	To: Metro Council From: Jeff Tucker Re: Council Goals, Program Budget FY 2006-07	101706c-04
4	Priorities	October 2006	To: Metro Council From: Jeff Tucker Re: Strategy Proposals FY 2007-08	101706c-05
5	Council Communications	10/18/06	To: Metro Council From: Rex Burkholder Re: Draft letter to Columbia River Crossing Task Force	101706c-06