

MINUTES OF THE METRO COUNCIL WORK SESSION MEETING

Tuesday, January 30, 2007
Metro Council Chamber

Councilors Present: David Bragdon (Council President), Kathryn Harrington, Carl Hosticka, Rod Park, Rex Burkholder, Brian Newman

Councilors Absent: Robert Liberty (excused)

Council President Bragdon convened the Metro Council Work Session Meeting at 2:02 p.m.

1. DISCUSSION OF AGENDA FOR COUNCIL REGULAR MEETING, FEBRUARY 1, 2007/ADMINISTRATIVE/CHIEF OPERATING OFFICER AND CITIZEN COMMUNICATIONS

Council President Bragdon reviewed the February 1, 2007 Metro Council agenda.

2. RESERVES AND CONTINGENCY POLICY

Margo Norton, Deputy Chief Financial Officer, distributed three handouts (a copy of each is included in the meeting record). She thanked Doug Anderson, Financial Manager, for his study. She said financial discipline would benefit Metro's future. She described the relationship between Metro's fiscal health and bond ratings. Metro already did have some reserves. The operating contingency was an appropriated reserve. We needed to maintain fund balances appropriate to the needs of each fund. The stabilization reserve was in an unappropriated reserve. Its purpose was to look forward, to replace exhausted contingency funds or to back up renewal and replacement.

Councilor Hosticka asked if we had thought about establishing an official rainy day fund. Ms. Norton said that was an option. Michael Jordan, Chief Operating Officer, added that the contingency was in essence a rainy day fund. The stabilization was in case the rain lasted longer than a year. The use of the monies would be fairly strictly limited. Ms. Norton explained that the two parts was driven from the consolidation of the general fund. The purpose of the pool was to allow us to spread the risk across the groups.

Councilor Park described it as putting a reserve on a reserve. Would this provide a better bond rating? Ms. Norton thought that it strengthened our position before rating agencies, but that was a side benefit. It would help instill future thinking, discipline in current operations, and clarify choices. Mr. Jordan added that it would be very helpful in managing risk. He felt it would also provide more transparency. Uncommitted reserves did not provide a true enough picture.

Ms. Norton then talked about the renewal and replacement reserve. Metro had already started some good practices in this area, but the study confirmed that the renewal and replacement was still inadequate. Councilor Hosticka asked for some history on the government accounting standards. Bill Stringer, Chief Financial Officer, said they were working on a true inventory of all fixed assets. The depreciation schedule was used to come up with the initial funding as well as annual deposits.

Councilor Harrington asked if the "standard joint sinking fund methodology" was a common method. Ms. Norton said it was. Councilor Park asked how the policy would apply to transfer stations. Ms. Norton said the current proposal related to the general fund exclusively. Solid Waste was somewhat separate. But the policy choices ought to be consistent. Once the bonds were paid off, choices would have to be made.

Ms. Norton then talked about the pro forma outlining the proposed reserve strategy. It included projected expenditures and pressures on reserves. Councilor Harrington asked what the historical trend had been for usage of uncommitted reserves. Kathy Rutkowski, Budget Coordinator, talked about the trends. She said a few years ago, it was pretty bad, going from a \$2 million reserve down to \$300 thousand in two years. It had required operating reductions to maintain the balance. The reserves had been re-established at \$1 million, the previous target for the non-consolidated general fund. Since then, not going into deficit spending had been a higher priority.

Councilor Burkholder commented that some of the pressures on reserves were ongoing and others were one time only. Ms. Norton described them as cash-flow issues. Mr. Jordan felt the New Look planning effort would take more resources than was currently funded. Public engagement was very expensive. Ms. Norton talked about some of the rationale behind the figures. Mr. Jordan said the projects would come in on a schedule. Ms. Norton said the goal was to have a level payment per year.

Council President Bragdon talked about the opportunity fund. He thought it was important that the one-time expenditures be clearly noted. Councilor Burkholder said we didn't understand the gap, the proposal was buying time but didn't solve the problem. Mr. Jordan said there was money set aside in the proposal for this year's budget to do the specific analysis to get the hard numbers. Ms. Norton said the study did not address new capital needs. Councilor Burkholder did not want the mindset to take hold that we would be "rescued" by the contingency. Mr. Jordan said we needed to be disciplined enough in our budgeting to pay ourselves first. Then we could talk about annual programs and operations and their funding. Additionally, the culture and behavior needed to change.

Council President Bragdon said the quality of the management was different now than it was before. This team was more responsible. There was not a lot of glory in renewal and replacement. Councilor Park commented that having too much money could also discourage fiscal responsibility.

3. HOUSING CHOICE WORK PLAN PRIORITIZATION

Gerry Uba, Project Manager, presented an update on housing choice. Amendments to the regional framework plan and functional plan were made last week. The expectation was out there that Metro would be involved in housing choice. Robert Wolcheski, Housing Development Specialist, had helped implement the initiative of technical assistance. Unfortunately, Mr. Wolcheski would be leaving soon. Mr. Uba felt that we had learned quite a bit. He talked about the history of Metro's role in housing choice, and some ideas for maintaining the level of work after the departure of Mr. Wolcheski.

Mr. Wolcheski stressed the significance of affordable housing. He presented his ideas on how to improve the way things had been done in the past. He talked about how his position had come about. The challenge had been to prioritize recommendations. Measurable outcomes were important. He had met with many stakeholders in the region. Barriers to affordable housing revolved around the land use base, the need for technical assistance, and changing local policies. Those were all significant but small parts of the equation. The most significant challenge confronting the affordable housing community was the lack of capital. Metro was in the unique position of being able to convene resources. He had been surprised at the lack of information available to him when he started. He wanted to see the development of a regional housing fund, through creative partnerships rather than taxes. He mentioned how some other regions had approached the situation. He felt there were more numerous and more diverse potential contributors to such funds than in the past. A complete regional needs analysis was needed. What did Metro want to commit to funding? The first step had been taken already. The regional

inventory team had been convened. The demand side of the equation needed to be filled in. Regarding technical assistance, Mr. Wolcheski said that five months ago the focus was on delivering services to jurisdictions, but it turned out that they were not very interested, because there were no funds attached. He recommended focusing less on policy and more on providing skills-based technical services, such as finance, land use, zoning, and design.

Mr. Uba still had faith in the modeling tools that had been used in the past. He talked about some other regions that were using successful modeling. He would like to hire a consultant using the remainder of Mr. Wolcheski's salary budget.

Councilor Burkholder thanked Mr. Wolcheski for his recommendations. Regarding integrating the technical assistance—there were already a lot of staff with those skills; how well did it fit into the planning department? The key thing was the development of a regional housing fund. Without that, the other pieces would not move forward. He'd like more information on that. Mr. Uba provided some examples of how other regions had approached it.

Council President Bragdon thanked Mr. Wolcheski for his contributions. He appreciated the integration of the awareness of housing issues into the rest of the planning. He felt the recommendations were on the right track. About the funding issue, that was a political challenge more than a technical one. Regarding technical assistance and needs assessments, what were other agencies doing, that were in a similar line of work? Couldn't we contract with them? Mr. Wolcheski agreed that the political leadership needed to be in the forefront to make the fund succeed. On the second part, it was difficult to draw parallels between Metro and other agencies, but the comprehensive set of technical services was not available to jurisdictions. There were some very knowledgeable resources out there, at the state for example. The services Metro provided might be to be the link that could hook up the available services.

Councilor Newman agreed that the funding was the key. The assistance we offered in the past was not enough without that.

Councilor Park said the discussion raised a lot of interesting thoughts. He had trouble seeing how the private sector would provide affordable housing in the amounts that we desired. He was not interested in another needs analysis. He felt there was sufficient data already. Mr. Wolcheski replied that he hoped the program continued to focus on housing choice, not just affordable housing. Metro had the ability to set the targets for the fund. He felt the marketplace had changed significantly in the past five years. The last needs assessment was probably not accurate. A new one could include a structure that could keep it updated, to track progress.

Councilor Harrington was skeptical. She saw inconsistencies in the work that had been presented to her. She would like to see some very clear information about what we'd been doing, what had been done, what was targeted for completion, and possible next steps. She looked forward to seeing Mr. Wolcheski's recommendations in writing. She would not support additional expenditures or leadership, without knowing where we stood, and knowing who was out there to support us. Mr. Wolcheski agreed there was more work to be done. But without Council voicing an opinion, staff lacked direction.

Council President Bragdon said it was really all about the money. Nobody wanted to say no, but nobody could say yes either. Lack of technical assistance was not the problem. It was a political issue, somebody needed to say, we need the money, and find it. Councilor Burkholder thought it

was more complex; we were active in lobbying the legislature for improvements. A lot of work had been put into the system, but we hadn't had success yet.

4. COUNCIL BRIEFINGS/COMMUNICATIONS

Councilor Hosticka reported that the New Look meeting with the Land Conservation and Development Committee had gone well. He also reported on the legislative work that was being done. He praised staff for the presentation at the Oregon Watershed Enhancement Board meeting at Jackson Bottom.

Councilor Newman reported on the grand opening of North Main project in Milwaukie.

Councilor Burkholder reported on the Joint Policy Advisory Committee on Transportation (JPACT) retreat, as well as the Metropolitan Consortium in Eugene.

Councilor Harrington reported that she attended an environmental sustainability conference, sponsored by the Washington County Vision Action Network. The City of Hillsboro was to present an economic trends workshop.

Council President Bragdon reported on the headquarters hotel status.

Councilor Park reported on the Oregon Convention Center audit presentation.

There being no further business to come before the Metro Council, Council President Bragdon adjourned the meeting at 4:18 p.m.

Prepared by,



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**ATTACHMENTS TO THE PUBLIC RECORD FOR THE MEETING OF
JANUARY 30, 2007**

Item	Topic	Doc. Date	Document Description	Doc. Number
1	Agenda	2/1/07	Agenda: Metro Council regular meeting, February 1, 2007	013007c-01
2	Budget	1/30/07	To: Metro Council From: Margo Norton Re: Metro's General Fund and Capital Reserves: A Council Briefing	013007c-02
2	Budget	undated	To: Metro Council From: Margo Norton Re: 2007-08 Proposed Budgeted Reserves	013007c-03
2	Budget	12/21/06	To: Metro Council From: Margo Norton Re: Metro's General Fund and Capital Reserves: A Council Briefing	013007c-04