

MINUTES OF THE METRO COUNCIL WORK SESSION MEETING

Tuesday, April 3, 2007
Metro Council Chamber

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

Councilors Absent: David Bragdon (excused)

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

1. **DISCUSSION OF AGENDA FOR COUNCIL REGULAR MEETING, APRIL 5, 2007//ADMINISTRATIVE/CHIEF OPERATING OFFICER COMMUNICATIONS**

Deputy Council President Park reviewed the April 5, 2007 Metro Council agenda.

2. **FY 2007-08 BUDGET DISCUSSION**

Budget staff distributed a revised agenda and a document on fund balances and reserves (a copy of each is included in the meeting record). Bill Stringer, Chief Financial Officer, reported that half of the bond measure funds had been received this morning. Other important issues were fund balances and the fate of the Public Employees Retirement System (PERS) reserve. Councilor Burkholder stated that it would be helpful to highlight changes from last year's budget, to identify new priorities. Councilor Hosticka wondered when the performance elements would be reviewed. Mr. Stringer said they could talk about which programs were directed to which Council goals. He was not yet comfortable using the performance measures, since they were still being developed. Each department was asked to provide strategies to meet Council's statement of goals.

Doug Anderson, Financial Management and Analysis Manager, went through the fund balance and reserve proposal document. He quickly reviewed the 12 fund balances. Most of the funds were restricted in one way or another. The main point of today's discussion was the general fund balance, totaling about \$23 million. These figures had been proposed by the Council President and were somewhat subject to change. Total committed funds came to about \$3.4 million. It included projects approved by Council in prior years. The majority were Nature in Neighborhood grants that had been awarded but not spent. The design competition accounted for another chunk.

Mr. Anderson then reviewed the Council President's specific budget proposals. They included an opportunity fund of \$500,000 to take advantage of unforeseen situations. They were focused on general fund monies. He then explained some of the philosophy that had gone into the operating contingency and stabilization reserve proposals. The Metropolitan Exposition-Recreation Commission (MERC) and solid waste reserves were not included. Staff had worked hard to provide a technical basis and defensible parameters for providing the right size of reserves. Mr. Anderson defined the role of contingencies and the components of determining their size. Factors to consider were timing, uncertainty, and risk tolerance. He described the empirical analysis that had gone into the proposals.

Councilor Burkholder emphasized the importance of managing risk but still using the taxpayers' money for the programs they were paying for. We didn't want money just sitting in the bank. There was a risk in being conservative. He recognized that pooling the reserves provided the same risk coverage at less money set aside. Mr. Anderson agreed and stated that Council would

need to assess their risk tolerance. Michael Jordan, Chief Operating Officer, talked about the policy of attrition in employment, not replacing staff as they left, as a tool for managing the budget. Mr. Anderson answered questions from Council on confidence in the size of the reserves, the percentages of revenue that would need to be set aside, and strategies for replacing the reserves if they were exhausted. Deputy Council President Park asked what level of reserve was being carried currently. Kathy Rutkowski, Budget Coordinator, thought it was about \$10 million.

Mr. Anderson discussed the recommendations and comments. The combination of Proposals 1 and 2 would provide a 90% confidence level. Councilor Liberty asked what the ramifications of Metro's improved bond rating would mean for the general budget. Mr. Anderson said that if the policies became formal, that would help in measuring the agency's performance. Councilor Newman said he would prefer to sign off on the recommendations as they went along, if there were consensus. Mr. Jordan clarified that the unappropriated contingency could not be used during the current year. It would be used during the next budget year. He explained budget strategies to address operational crises. Councilor Hosticka asked how much more we would send out. Mr. Jordan said we had budgeted to cover the contracts as executed. Margo Norton, Deputy Chief Financial Officer, said it as a cash flow issue. Councilor Newman was comfortable with the recommendations regarding operating contingencies. The rest of Council concurred.

Mr. Anderson proceeded to the renewal and replacement reserve. The proposal was to transfer funds into this reserve. Metro's policies were good, but we had not had the money to contribute. He described it as part of an overall asset management strategy. A renewal and replacement reserve was different from a contingency reserve in that the monies were intended to be spent. Councilor Liberty asked how priorities would be determined between departments. Mr. Anderson said previously, each department had set their own priorities. With the combined funds, the priorities would need to be settled somehow, probably in Council discussion with senior staff.

Councilor Burkholder asked some questions about how the funds would be maintained, given that some departments would budget for it and some wouldn't. Mr. Stringer said the renewal and replacement fund would be a high priority for keeping at full level. Mr. Anderson said the annual contributions came from current revenues. A higher initial transfer from the general fund would mean lower contributions over the years. Councilor Burkholder felt the information from the proposed capital asset evaluation would be important in making the decision. There were no head nods on the \$5.7 for renewal and replacement.

Mr. Anderson turned to the recovery rate stabilization and PERS reserves. He defined the two different reserves and reviewed the proposed options. In general, Council liked the work and the product.

Ms Rutkowski pointed out the various documents that had been released to Council. Councilor Liberty asked how departments would compete for the funds. Ms. Rutkowski said that for renewal and replacement, most departments had their own. The one place we were lacking was in a new capital fund, which did not really exist at this time. Mr. Stringer said, as far as priorities, the Council had adopted policies that gave guidelines and tools for determining priorities.

The department directors presented their proposals. Jim Desmond, Regional Parks and Greenspaces Director, said the big change in their budget was the addition of the bond program. They were using the 1995 bond measure as a model for staffing and other issues. He distributed a handout (a copy is included in the meeting record) and reviewed other program highlights, such as an expansion of the environmental education program, the Lone Fir Cemetery master plan, Mt.

Talbert, and the native plant center. He provided the rationale for staff support for the Nature in Neighborhoods program, changes to staffing in the volunteer program, and reorganization of the Parks Administrative division. He finished with suggested capital projects, with more information to be forthcoming as they were developed. Councilor Liberty asked if there were strategy proposals that had not been picked up, things that were unfunded. Jeff Tucker, Finance Manager, gave a few examples, such as a customer service strategy. Councilor Burkholder asked how ongoing operating and maintenance was being addressed. Mr. Desmond said the existing portfolio had been fairly stable. Councilor Newman asked how the standards would be maintained, given that the parks might have different management. Mr. Desmond said they were thinking of strategies so that we didn't give unfunded mandates and that jurisdictions that didn't have any money weren't asked to do more than they could. Operations was a universal problem.

Deputy Council President Park wondered how the Measure 37 claims were affecting acquisitions. Mr. Desmond said it was becoming an issue and would have to be shared with Council at a later date. Deputy Council President Park asked about the Nature in Neighborhoods request for support staff; was that with or without the capital grant? Mr. Desmond said they would need the staff regardless. The public outreach was huge and it was not an appropriate use of professional staff time. Mr. Jordan said an agency-wide study had been done, and Metro was pretty lean in administrative support.

Tony Vecchio, Zoo Director, thanked Council for their attendance at the volunteer appreciation. He submitted his proposal document (a copy is included in the meeting record). The biggest highlight of the Zoo budget was, it was business as usual. Record attendance and revenue were expected to continue. The budget reflected that increased revenues would be used to support the increased attendance. The biggest challenge in strategy proposals continued to be the primate building. Specifically, a new orangutan exhibit was being proposed. Gibbons would be included. The project would be designed and mostly built in-house. The Zoo's hospital and quarantine facilities were sub-par and might not pass the next accreditation. Councilor Newman wanted to make sure we didn't get more than we needed. Mr. Vecchio said it would start with the veterinary assessments. His current focus was fundraising for Predators of the Serengeti. Councilor Liberty asked what had not been included. Mr. Vecchio said he had wanted Metro to contribute to the Serengeti capital campaign. The Zoo Foundation was generously raising money both for the construction and an operations fund.

Councilor Burkholder asked about the other organizations in Washington Park – the children's museum and the forestry center; was anything going on there? Mr. Vecchio said the master planners recognized the challenge is that the three facilities were improving every year. Parking was not going to be able to keep up. There was a Washington Park master planning group that we were participating in. There were no easy solutions. Councilor Newman shared his insights into some of the discussion that was taking place. He felt there was a lot of potential for branding the campus of Washington Park.

Mr. Vecchio stated there had been a lot of changes in personal services. He was requesting more FTE. 30 staff had been lost in 7 years. Some of the cuts were efficiencies that would be continued. Others were just a burden on the remaining staff. He also mentioned some factors of the capital program and some of the partnerships that allowed the Zoo to leverage marketing dollars. Councilor Newman asked about the Aramark contract. Mr. Vecchio described it as fair; Aramark had probably expected to do better, but things had improved recently and they were committed to staying. He was very satisfied with their performance.

Mike Høglund, Solid Waste and Recycling (SW&R) Director, distributed his proposal document (a copy is included in the meeting record). He said it was kind of a "hold the line" budget, positioning for future years, when new contracts would be coming online. He reviewed procurement of the New Waste Transport contractor. Region System Improvement Plan was the new verbiage for Disposal System Planning. Big things coming up—waste allocation analysis, self-haul, and rate regulation. He referred to the material recovery facility standards, enhanced dry waste recovery program, update of the SW&R strategic plan, organics recovery, and the Environmental Action Team (ENACT) and sustainability focus. He reviewed the strategy proposals and financial highlights. On diesel emission reduction project, he mentioned some of the options that were being discussed. The overall budget was down about 1.5% from last year, due to reduced tonnage at the transfer stations, but that meant the rate had increased. The total operating budget was \$47 million, of which \$28 million was for disposal contracts, \$1 million personal services, and \$9 million non-disposal materials and services. Total overall budget was \$71 million, adding contingency and reserves, debt service, and interfund transfers.

Councilor Burkholder asked about the reserves. There was a \$7.8 million undesignated fund balance. Was that an appropriate amount? It seemed high. Mr. Høglund agreed that it was too high. He asked his managers to report the amount they would actually spend. They had been putting any unspent funds into the reserves, to match revenue to expenditures due to the bond covenants. They did not carry money over. He was trying to stop the growth of the unallocated fund balance. This year, he wanted to discuss the new transport contract, which would raise the rate. Also, bonds would be paid off in two years, which would reduce the rate. The fate of Metro South would be a big factor strategically. Councilor Burkholder wondered if it could be used to reduce the rates. He wanted to flag that. It should be used for something, not to build up year after year. Mr. Høglund agreed and then briefly reviewed some grant funding and proposed new FTE. He finished by saying the capital project was mostly unchanged.

Councilor Burkholder had a question about the capital plan. There was a lot of money going into the two transfer stations, and they were both coming up for bond payoff. How much did we keep putting into the facilities? What could be put off until the decision was made? Councilor Liberty thought they had made a decision on keeping the facility. Mr. Høglund said they had answered the question that we wanted a hybrid system. The question came up about the long-term viability of South station. A discussion was needed to determine a strategy for that facility.

3. COUNCIL BRIEFINGS/COMMUNICATIONS

There being no further business to come before the Metro Council, Deputy Council President Park adjourned the meeting at 4:52 p.m.

Prepared by,



Dove Hotz
Council Operations Assistant

**ATTACHMENTS TO THE PUBLIC RECORD FOR THE MEETING OF
APRIL 3, 2007**

Item	Topic	Doc. Date	Document Description	Doc. Number
1	Agenda	4/5/07	Agenda: Metro Council regular meeting, April 5, 2007	040307c-01
2	Budget	4/3/07	To: Metro Council From: Bill Stringer Re: Revised Agenda	040307c-02
2	Budget	4/3/07	To: Metro Council From: Bill Stringer Re: Proposed FY2007-08 General Fund Balance and Briefing on Proposed Reserves	040307c-03
2	Budget	4/3/07	To: Metro Council From: Jim Desmond Re: FY 2007-08 Council Budget Work Session, Regional Parks and Greenspaces	040307c-04
2	Budget	4/3/07	To: Metro Council From: Tony Vecchio Re: FY 2007-08 Council Budget Work Session, Oregon Zoo	040307c-05
2	Budget	4/3/07	To: Metro Council From: Mike Hogle Re: FY 2007-08 Council Budget Work Session, Solid Waste & Recycling Department	040307c-06