

MINUTES OF THE METRO COUNCIL MEETING

July 5, 2001

Metro Council Chamber

Councilors Present: David Bragdon (Presiding Officer), Susan McLain, Rex Burkholder, Rod Park, Bill Atherton, Rod Monroe, Carl Hosticka

Councilors Absent: None

Presiding Officer Bragdon convened the Regular Council Meeting at 2:02 p.m.

1. INTRODUCTIONS

There were none.

2. CITIZEN COMMUNICATIONS

There were none.

3. EXECUTIVE OFFICER COMMUNICATIONS

There were none.

4. AUDITOR COMMUNICATIONS

Alexis Dow, Metro Auditor and **Jim McMullins**, Senior Auditor, presented a report on MERC's Food Service: Evaluation of Contract and Financial Controls. The Metropolitan Exposition-Recreation Commission (MERC) receives about \$8 million a year from concession and catering sales at the OCC, Expo Center, and PCPA.

MERC had contracted with a private concessionaire, ARAMARK/Giocometti Corporation, to manage and operate the concessions business. The objective of the audit was to evaluate whether the food service contract and MERC's processes for managing the concessionaire reasonably protect metro's financial interests.

To effectively protect these interests, MERC management should have had the following three elements in place:

- First, the contract type should be appropriate to the service required and the contract itself should contain provisions for holding the concessionaire accountable for results, including financial results, so that Metro gets the revenue it was entitled to.
- The second element was that compensation processes should reasonably assure that the concessionaire's compensation was fair and reasonable.
- And the third element was that management should have oversight controls to reasonably prevent and detect concessionaire errors and fraud and safeguard assets used by the concessionaire.

MERC had done a good job in regard to the first two elements and had made major improvements in the third element.

Regarding the first element, conclusions were as follows: the contract requirements generally held the concessionaire accountable and protected the public interest.

In regard to paying the concessionaire fairly, the auditor concluded that MERC's processes reasonably assured that:

- Metro was not overpaying.
- The payments were accurate and
- Were related to work actually performed.

Regarding the third element, oversight of the concessionaire, MERC had been improving its oversight processes.

- Before the audit started, MERC hired a new director of administration and, just recently, an accounting staff person was hired specifically to provide oversight of the concessionaire's financial activities.
- For a period of about one and a half years MERC experienced heightened control risks due to turnover in the staff responsible for concessionaire oversight.
- These risks were subsiding as the new personnel gained experience.
- The new director of administration recognized that MERC needed better systems to account for concessions operations and had been developing more account codes and other procedures to better monitor the concessionaire's financial performance.

Historically, MERC had not had the full range of controls needed to reduce financial risks to a reasonable level.

Several recent thefts at the convention center and the performing arts center demonstrated that the risk of loss was real and needed to be taken seriously.

Recommendations

In this environment where MERC management recognized the need for sound financial controls over concessions and was working to develop them, the auditor made the following recommendations for improvements that MERC accepted and was working to implement while the audit was still being completed.

First, the auditor recommended that for each MERC facility, MERC develop detailed monthly budgets that set targeted revenue, expenses and profit.

The second recommendation was for MERC to annually evaluate and test the concessionaire's internal controls over revenue, expenses and inventory and to periodically make spot checks of the concessionaire's activities, such as auditing cash and observing product inventory counts.

MERC could evaluate the concessionaire's internal controls itself or hire a CPA firm to do it. In the industry, most contracts provide for an annual CPA audit that was paid for from operating revenue.

The third recommendation was for MERC to document its concession management and oversight policies and procedures. This could be done in management directives, administrative policies and an operating manual.

In conclusion, MERC had a good framework for managing the financial aspects of its concessions business. By implementing the auditor's recommendations, MERC's financial risks should be low.

Mr. Mullins thanked Mark Williams, MERC's general manager and Bryant Enge, MERC's director of administration, for their cooperation and support during this audit.

Councilor Atherton asked who responds to MERC audits?

Ms. Dow responded that Commissioner George Bell was responsible for responding to this audit and had done so as noted in the audit.

Presiding Officer Bragdon asked if there were lessons or parallels with other parts of Metro.

Mr. McMullins said management had similar responsibilities for reporting, budgeting, and controls. He learned that when detailed monthly budgets were established they were key control devices, and good management tools.

Presiding Officer Bragdon asked if the Oregon Zoo followed the same procedures as MERC?

Mr. McMullins said he did not know.

Councilor Burkholder asked if a comparative analysis with other convention businesses would be applicable?

Mr. McMullins said if Metro was willing to devote the resources, a comparison might turn up some important information. They had had conversations with Mr. Mark Williams, MERC General Manager, concerning in-house versus contractual food services.

5. MPAC COMMUNICATIONS

Presiding Officer Bragdon said that at the Wednesday, June 27th meeting they had discussed fish and wildlife issues and particularly Goal V criteria. There was also some discussion about Goal V in conjunction with the Endangered Species Act. The next meeting would be July 11th.

6. LEGISLATIVE UPDATE

Presiding Officer Bragdon reviewed several bills which had been signed by the governor as well as bills which had passed through both the house and the senate. Presiding Officer Bragdon and Mr. Burton signed a letter opposing a proposal that undermined Metro's natural resource planning. The bill on statutory relief for property owners who wanted to build houses on land they owned before 1975 had no opposing effect on Measure 7 and was not opposed by Metro.

Jeff Stone, Chief of Staff, added that the mercury bill passed and was expected to be signed by the governor. The conservation incentive bill would move forward in the senate hopefully before Friday.

Councilor Atherton asked when the legislature should adjourn?

Mr. Stone said he thought it would be this Friday.

Councilor Park asked if the issue pertaining to ballot Measure 7 was a compensation issue or a question of ability to build houses.

Presiding Officer Bragdon understood that it was a compensation issue.

Councilor Atherton wanted to know if that was a statutory issue.

Presiding Officer Bragdon responded that what was proposed was a statute that would provide compensation to people who were prevented from building houses on farmland that they had owned since before 1975.

Presiding Officer Bragdon moved to item 10.2.

10.2 **Resolution No. 01-3079**, For the Purpose of Confirming the Appointments of Jean Esty-Hoops, Jason Graf, Susan Landauer, and Trevor Nelson to fill four Expiring Terms on the North Portland Rehabilitation and Enhancement Committee.

Motion: **Councilor Burkholder** moved to adopt Resolution No. 01-3079.

Seconded: **Councilor Atherton** seconded the motion.

Councilor Burkholder introduced two of the members, Jason Graf and Jean Esty-Hoops and spoke to the fact that the committee had adopted a series of recommendations for grants. He explained the charge of the committee, and mentioned how interest from \$2 million was given to projects that would improve that community. There had been 59 grant applications. (Copies of the awards were included as an attachment to the meeting record.)

Jean Esty-Hoops thanked the selection committee for allowing her to serve on the committee. She felt it was a very rewarding experience.

Jason Graf thanked Ms. Esty-Hoops for her efforts and noted what projects were funded. Projects funded included standard projects, monies for various musical events, and new groups like Sisters in Action, North Portland Crime Prevention, and Metro Regional Parks.

Councilor Burkholder asked them to address the Peninsula Children Center.

Mr. Graf and **Ms. Esty-Hoops** explained the grant award. It was paid out of principle, not interest.

Councilor Burkholder requested approval of the resolution.

Vote: The vote was 7 aye/ 0 nay/ 0 abstain, and the motion passed.

7. COMMITTEE CHAIR REPORTS

Councilor Park asked Mike Hoglund to speak to the Land Conservation Development Commission's June 15th Regional Transportation Plan which was approved with conditions. He thanked Andy Cotugno, Mike Hogland, Dan Cooper, Richard Brandman, and Tom Kloster for their work on the presentation.

Mike Hogle, Director of Regional Planning, said the benefit of this meeting was the dialogue as to what the Planning Department process went through. The plan was held up as a model for the state and the country. LCDC acknowledged that approximately 90% of the plan was acceptable. There was about 9% more work required with wordsmithing necessary to make it more consistent with Transportation Planning Rule. There were two more steps that needed to happen to have the plan fully adopted, 1) adopt performance measures/benchmarks on how well Metro implements the plan over time, and 2) goal exceptions for the I-5/99W connector and the Sunrise corridor. The last concern for the plan was that we needed to make sure that it provided protections for unintended growth consequences.

Councilor Park noted the professionalism that the Planning staff brought to Council and the recognition of this by LCDC.

Mr. Hogle added that they spent about an hour on the Functional Plan.

Councilor Park said the Committee was now considering the MTIP and Corridor's Initiative Project.

Mr. Hogle said they wanted the criteria to be adopted by the OTC on August 9th. They wanted input from ACT (which was JPACT and Metro Council).

Councilor Atherton asked if there was anything from LCDC about the funding portion of the RTP.

Mr. Hogle said LCDC expressed concern but they did not have jurisdiction over the specifics of funding. The Oregon Administrator had been invited to the next JPACT meeting to address the Transportation Plan, its implementation over time, concerns about Metro's ability to finance it, and their goals for mobility.

Councilor Park thanked Mr. Hogle for a job well done.

Councilor Burkholder said Regional Facilities and Metro Operations would be discussing the Oregon Zoo at their next meeting on July 12th at 10 a.m. He indicated that this meeting would be in the annex. He invited all of the council to attend.

Councilor McLain said the Budget and Finance Committee had passed the 2001-2002 budget. This particular year they would be looking at the other three goals, long-term funding issues, and capital and maintenance issues.

Councilor Hosticka spoke to the Natural Resources Committee meeting on July 11th. They would be considering an action plan on the MPAC report on Parks. The full council would be looking at criteria for Goal V later in July.

Councilor Atherton said the Solid Waste and Recycling Committee would be considering an application for Recycling America in the next 120 days, and pushing forward on the Strategic Plan. The Rate Review Committee met last week and they focused on the Solid Waste budget. There was more consensus than was expected, additional information would be brought forward by the Director of REM on July 11th.

Presiding Officer Bragdon validated Councilor Atherton's efforts in this area.

Councilor Monroe said he attended the Cascadia Conference and presented, along with Clark County Commissioner, Craig Pridemore, the Bi-state work between Oregon and Washington. He noted discussion on high-speed rail. He spoke to the MTIP process. Councilor Burkholder and he had met and came up with a priority list for MTIP, which amounted to about \$27 million of the \$38 million available. The next JPACT meeting would be July 12th.

8. CONSENT AGENDA

8.1 Consideration of minutes of the June 21, 2001 Regular Council Meeting.

Motion: **Councilor Atherton** moved to adopt the meeting minutes of the June 21, 2001, Regular Council meeting.

Vote: The vote was 7 aye/ 0 nay/ 0 abstain, and the motion passed

9. ORDINANCES - FIRST READING

9.1 **Ordinance No. 01-913**, For the Purpose of Amending the Metro Code Chapter 5.02 to Modify the Direct-Haul Disposal Charge and to Facilitate Payment by Personal Check for Disposal Services at Metro Transfer Stations.

Presiding Officer Bragdon assigned Ordinance No. 01-913 to the Solid Waste and Recycling Committee.

10. RESOLUTIONS

10.1 **Resolution No. 01-3078**, For the Purpose of Replacing the Current classification of Paralegal I with a Job Series Classification of Paralegal I and Paralegal II at Metro.

Motion: **Councilor Burkholder** moved to adopt Resolution No. 01-3078.

Seconded: **Councilor Park** seconded the motion.

Councilor Burkholder reviewed the resolution and explained the reasons for the change.

Vote: The vote was 7 aye/ 0 nay/ 0 abstain, and the motion passed.

10.2 **Considered after MPAC Communications**

10.3 **Resolution No. 01-3082**, For the Purpose of Revising Metro's Non-Represented Employee Pay Plan.

Motion: **Councilor McLain** moved to adopt Resolution No. 01-3082.

Seconded: **Councilor Monroe** seconded the motion.

Councilor McLain reviewed the resolution and acknowledged the recommended 2.9% increase for Cost of Living.

Councilor Burkholder said the National Consumer Price Index was 2.8% and asked why 2.9% was proposed.

Ms. Lily Aguilar, Human Resources Director, clarified the difference.

Presiding Officer Bragdon summarized the difference.

Vote: The vote was 7 aye/ 0 nay/ 0 abstain, and the motion passed.

10.4 **Resolution No. 01-3085**, For the Purpose of Appointing Michael Leichner to Solid Waste Rate Review Committee.

Motion: **Councilor Atherton** moved to adopt Resolution No. 01-3085.

Seconded: **Councilor McLain** seconded the motion.

Councilor Atherton reviewed the credentials of the appointee.

Councilor McLain asked if he had agreed to serve.

Councilor Atherton said that he had and urged an aye vote.

Vote: The vote was 7 aye/ 0 nay/ 0 abstain, and the motion passed.

10. COUNCILOR COMMUNICATION

Councilor Park spoke to Metro's honorable mention on the mixed use Central Point project. He felt that the design was the important aspect of the award. He also spoke to the Blue Lake Park event on the 4th of July. He said the attendance at 3:00 p.m. was greater than any prior year. He noted the good planning and good work of the Parks Department.

He invited all to visit the Oregon Garden, a world class garden and noted all of the innovations in the creation of this garden.

Councilor Atherton spoke to the four stories in the Central Point project. He noted a book written by architects and planners about basic patterns which kept re-emerging, four stories seemed to continue to emerge and seemed to work.

Councilor McLain spoke to her Washington D.C. trip and the qualities that our region hold vs. those qualities found in Washington D.C.

12. ADJOURN

There being no further business to come before the Metro Council, Presiding Officer Bragdon adjourned the meeting at 3:13 p.m.

Prepared by

Chris Billington
Clerk of the Council

ATTACHMENTS TO THE PUBLIC RECORD FOR THE MEETING OF JULY 5, 2001

| TOPIC | DOCUMENT DATE | DOCUMENT DESCRIPTION | DOCUMENT NUMBER |
|----------------------------------|----------------------|--|------------------------|
| AUDITOR COMMUNICATION | | FOOD SERVICE: EVALUATION OF CONTRACT & FINANCIAL CONTROLS | 070501-01 |