

MINUTES OF THE METRO COUNCIL WORK SESSION MEETING

Tuesday, November 6, 2007
Metro Council Chamber

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

Councilors Absent:

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

1. DISTRICT 2 CANDIDATE VOTE AND OATH OF OFFICE

1.1 Written signed ballots were turned into the Clerk of the Council.

Clerk of the Council announced that Sue Marshall received 0 votes, Carlotta Collette received 6 votes.

Council President Bragdon thanked all of the candidates for applying. For everyone who participated, it had been heartening to see all of those who applied. The choice had been a very difficult one. Councilor Liberty commented on the Oregonian editorial in today's paper. The decision was very hard. It was made easy by the fact that they couldn't go wrong. Councilor Burkholder echoed Councilor Liberty and Council President Bragdon's remarks. He knew they would continue to work with all of those who were interested. Councilor Park said they had eleven good candidates. He encouraged anyone who was thinking about running to do so. He said this was very much a learning process. He welcomed Ms. Collette on board. He encouraged Ms. Marshall to continue her work in the region. Councilor Hosticka said he was worried that when Councilor Newman resigned that no one would step forward. He was overjoyed that eleven people applied. He also thought it was a sign of maturity that the Council came together and chose Ms. Collette unanimously. Councilor Harrington said she made her more extensive remarks last week. She reiterated her thanks for the eleven whom had applied for the position as well as jurisdictions and community groups who submitted questions for the debate.

1.2 **Resolution No. 07-3865**, For the Purpose of Appointing a Replacement Councilor to Fill the Office of Metro Councilor for Council District 2

Vote:

Councilors Harrington, Liberty, Park, Hosticka, Burkholder and Council President Bragdon voted in support of the motion. The vote was 6 aye, the motion passed.

Carlotta Collette resigned from her City Council seat. Ms. Pat Duvall announced she was in receipt of Ms. Collette's resignation.

Judge Susie Norby made comments, which are attached to the record. She then swore in District 2 Candidate, Carlotta Collette.

**2. DISCUSSION OF AGENDA FOR COUNCIL REGULAR MEETING,
NOVEMBER 8, 2007/ADMINISTRATIVE/CHIEF OPERATING OFFICER
COMMUNICATIONS**

Council President Bragdon reviewed the November 8, 2007 Metro Council agenda.

Council President Bragdon had mentioned that Thursday's Council meeting would cover a Regional Transportation Plan hearing, Councilor Park mentioned that the option of granting free park access to disabled veterans would be brought up at Thursday's meeting. If it passes it will take effect in January.

Michael Jordan, Chief Operating Officer, introduced Scott Robinson, the new Chief Information Officer (CIO). Mr. Robinson comes from Portland Public Schools, where he was also a CIO. Before that position he served at Pacifi-Corp in various positions.

3. GENERAL FUND RENEWAL AND REPLACEMENT BRIEFING

Bill Stringer, Chief Financial Officer, introduced the financing budget. In April, the Council was presented with a plan to use fund balances to provide seed money to accomplish tasks the Council had outlined. The Council wanted to guard against future contingencies, start an opportunity fund, provide for stabilization during lean years and provide for renewal and replacement of capital in future years. They proposed taking a detailed inventory of Metro's assets and estimating the rate at which they needed to be replaced. They also proposed setting aside a sufficient sum so that annual increments could provide for sufficient renewal and replacement over a 30-year period. The Council proposed 5.7 million of existing fund balances to be augmented by 1.1 million in following years to keep the fund at an acceptable level. Karen Feher, Finance Department, was part of the team that inventoried, photographed, valued and estimated the useful life of all Metro assets. There was now a complete inventory of assets for the first time in Metro history. This was a huge effort; it was Mr. Stringer's belief that Metro was the only government in the United States that has been able to build a renewal and replacement fund to this extent.

Ms. Feher updated the Council on the consolidated general fund. She informed the Council that 5.7 million was set aside to fund the consolidated general fund assets which include regional parks, Metro Regional Center, the Metro building, the Zoo and the Information Technologies. It excluded Metropolitan Exposition Recreation Commission (MERC) and solid waste, which had a separate renewal and replacement plan. They did a 25-year analysis and Ms. Feher defined eligible assets as any activity that served to extend the useful life of an existing asset while retaining its original use. The results of the analysis were shown in charts, which were attached to the record. It was decided that the use of materials would be re-evaluated yearly, and that there was the opportunity for materials to outlive their budgeted useful life. This substantially completed Resolution 013113, especially tasks 1,2,5,6 and 11.

The Capitol Improvement Project would have new tasks yearly, which would be different from the renewal and replacement projects. It was important to set aside additional operating money when assets increase. The renewal and replacement projects under \$50,000 would be one project per department. Any project over that amount would be looked at separately.

Council President Bragdon commented on the challenges of building into the Councils thoughts on a yearly basis and provided a background of the fund creation. He noted that it was easy to short-change this in exchange for more immediate gratification.

Ms. Feher and Mr. Jordan decided that it would be brought to the attention of the Council if something that was approved would knowingly go against policies that had already been accepted. Mr. Jordan had already outlined several potential triggers.

Councilor Harrington asked Ms. Feher if she had any additional comments on the handouts.

Councilor Burkholder felt Metro was lucky to have extra money in reserves and that the outcome would be much different without the almost \$6 million to apply up front. He commented on Metro's portfolio and that this was a good funding source for adding assets to that portfolio. He pointed out the constant maintenance that was required when purchasing property. Councilor Burkholder asked how Metro accounted for the renewal and replacement of natural areas and the restoration that may be required at these properties. Ms. Feher responded that properties were generally stabilized shortly after being purchased and the natural areas budget also helps fund maintenance. Councilor Burkholder noted that long-term stabilization and restoration of those properties needed to be handled by Metro.

Councilor Hosticka asked the status of the policy and asked for clarification on the policy. Ms. Feher provided a background of the policy's creation and clarified the status of the policy. Mr. Stringer responded that a yearly amount of funding had not been set. The only change to the policy in the past year was that money had been identified to carry out the policy. Councilor Hosticka had funding and budget questions. Ms. Feher clarified that this would be reviewed yearly to assure that assumptions were holding and there was adequate funding. In three years, a closer analysis would be performed to assess the accuracy of assumptions.

Councilor Liberty said that he was pleased with the presentation and felt that it was good to be modeling the behavior that Metro would like to see generally applied in the region and state.

Councilor Park clarified that this analysis did not cover MERC facilities. He questioned how Metro would apply this policy because it managed a facility that it did not own. Councilor Park discussed fund separation and mentioned the liability issues that existed at the Expo center. Ms. Feher reported that MERC now created a separate capital budget from the one created by her.

Councilor Collette thanked Ms. Feher for her hard work.

4. OREGON ZOO MASTER PLAN DISCUSSION

Councilor Liberty, introduced Tony Vecchio, Oregon Zoo Director, and Penny Serrurier, President of the Oregon Zoo Foundation.

Councilor Liberty began by providing a brief history of the Zoo and reported on its excellent financial health. He told the Council the relationship between Metro and the Zoo had steadily improved. In April 2006, the Council approved the creation of the Oregon Zoo Future Vision Committee, which was in charge of creating a new master plan for zoo facilities, in addition to the management, business model and conservation education programs. The Future Vision Committee selected a consulting team as a contract review board. Over the past 16 months they created a set of recommendations. A wide range of topics were covered, Councilor Liberty discussed a possible ballot measure to fund important capital projects at the Zoo, how to continue building upon the Zoo's success as a part of Metro through new finance and management approaches and mentioned problems associated with parking and the overflow parking lot.

He mentioned additional issues related to the Zoo that would need to be discussed at another time. Those included allocated costs; in what ways the Oregon Zoo Foundation's work could be expanded to enhance the success of the Zoo and the conservation education programs at the Zoo. Councilor Liberty spoke about management incentives and the financial arrangements of promoting the Zoo as an enterprise part of Metro.

Mr. Jordan provided a broad management overview and referred heavily to the Oregon Zoo Strategic Master Plan, which was included in the record. For his discussion he set MERC aside. Mr. Jordan identified the Zoo as an enterprise operation, competing in a market for entertainment dollars with a mission that was more conservation and education oriented. It was an operation with a mission very different from planning, parks and solid waste. Management had been struggling with an enterprise operation they would like to run like a business, to contain costs and enhance revenue opportunities. Mr. Jordan questioned how to create a financial structure that would develop behaviors that were desired in both teams and individuals. When Metro combined all funds in a larger fund, the enterprise portion of the Zoo's budget was intermingled with all other revenues. That was an appropriate action for the overall general fund, however it created a management dilemma. Mr. Jordan questioned if it was possible to structure the finances of that operation so that there was a clear line between the activities of employees and the bottom line of enterprise revenues. He proposed that incentives create the structure, possibly relating to enterprise revenues being returned to the Zoo in order to provide incentives. He referred to recommendations in the 2008-09 budget. A revenue and expenditure side would be proposed. Proposals would be made regarding the recommendations around seasonal pricing and parking fees. Mr. Jordan discussed the excise tax issue, which he identified as an issue for the entire agency. He said Metro was close to their excise tax cap. The construction excise tax would sunset. His proposal to management was not to deal with excise taxes exclusively at the zoo, but instead look at them in a broader discussion. He spoke about the investment in senior management salary and that Metro's Human Resources department was currently conducting a study for all the non-represented employees in the agency. When the next budget was proposed in the spring, there would be proposals to try and align Metro's compensation with current market rates, as discussed in the Pay For Performance system. The Zoo's management salaries would be lifted in the same context as all non-rep salaries in the agency. He wanted to provide a broader context of management's intentions of handling the recommendations in the proposal.

Councilor Burkholder noted the similarities between MERC and the Zoo, excluding animal keeping and conservation. He commented that there might be an advantage to the two organizations working together and using the expertise in guest services that reside at MERC.

Councilor Liberty questioned our nearing the excise tax cap. Mr. Jordan responded that all money made by the Zoo went into the general fund. If the excise tax was removed at the Zoo, revenues would continue to come in. Removing the tax would give the Council more cap space. If all other things remained the same, it would free up around \$1 million. Council President Bragdon reiterated that it would primarily free up cap space. Liberty questioned how the right incentives could be created.

Councilor Hosticka talked about property tax and the operating surplus. He questioned whether the property tax was considered operating or capital revenue. Mr. Jordan clarified that for the purposes of this document, when operating surplus was mentioned they were including property tax revenue as operating revenue. Mr. Jordan and the Council discussed taxes and total Zoo revenue. Councilor Hosticka pointed out that without the property tax there wasn't an operating surplus and without assistance the Zoo would operate at a deficit. He felt that if the report left

people thinking the Zoo had an operating surplus that was generated independently from the taxpayers, it would be leaving people with a false impression

Councilor Liberty said that the question was how the Zoo should be operated and how to draw the distinction that there was not a separate surplus. He said the questions that re-arose related to incentives and management.

Councilor Park expressed his confusion with the data. Looking at how the excise tax was counted, he was trying to draw a distinction between the excise tax which was counted internally vs. a sales tax which was counted externally. He wanted more background information on the interfund transfer idea. When the transfer idea was applied to other areas within the agency, there should be a clear distinction on how it would be counted. It could create confusion when it was counted differently in various departments.

Council President Bragdon questioned which actions, successes or risks could be attributed to management. He noted that there was an amount that comes from property taxes, which was beyond the control of management. Mr. Jordan agreed and informed the Council he would segregate property tax and enterprise revenues. The allocation and appropriation of property taxes was one of Metro's largest responsibilities to the region's taxpayers. Mr. Jordan noted that there was still a debate. Council President Bragdon commented that there were other routine measurements that related to long-term revenue that could also be performance measurements and could be compared on a yearly basis. Mr. Jordan noted that the performance measurement system that could be put into place, some of those aspects would apply to the Zoo. The annual Zoo surveys could provide data points for measuring improvements.

When reading the report, Councilor Hosticka received the impression that Metro was taking something from the Zoo instead of contributing to the Zoo. He noted that taxpayers were contributing a substantial amount to the Zoo and he felt that needed to be recognized. Councilor Harrington questioned the funding level, she wanted clarification on what percentage was from the Metro budget and what amount was from the Zoo foundation? Mr. Vecchio answered that the Zoo received \$250 thousand from the Metro budget.

Councilor Park said we were a government agency and should attempt to keep overhead costs as low as possible, within reason, but understand that we have certain other overhead costs. Councilor Liberty agreed that it was an agency wide issue. Council President Bragdon expressed his feeling that the document was somewhat superficial and let the Council know he shared dissatisfaction. He also knew the committee did the best job possible in pushing the consultants; he felt that the consultants underperformed and that the document was shallow. Councilor Park would like to see the document redrafted. He felt that the Council could see the parking issue as less of the Zoo's problem and instead a public problem. A broader funding source could be considered because this was more of a regional facility.

Mr. Vecchio mentioned the Children's museum, Hoyt Arboretum, Forestry Center and Washington Park have formed an organization called the Washington Park Alliance. This organization meets regularly to discuss joint issues and parking has been recognized as their highest priority. These other partners weren't looking at the Zoo to solve the entire problem, but it has become clear that the Zoo was the largest cause of the parking problems in the area.

Councilor Burkholder summarized what had been said. He would like some things reworded and also questioned how things could be budgeted more efficiently so the Zoo could meet their goals

and mission. He asked how more could be invested in the Zoo to improve it? He would like to discuss the organizational capacity and whether a change in mission made sense. He remarked that the Zoo isn't broken, and changes must be justified to assure that they will improve the Zoo. Council President Bragdon questioned the status of the document the Council had found flaws in. Councilor Liberty responded that the document was a set of recommendations and some of the issues were part of a larger discussion for the Zoo. He felt it was a mistake to edit a document that was a recommendation to the Council. Councilor Liberty informed the Council that he would take responsibility to assure the document was worked through and that the Zoo Foundation understood where the Council stands. Ms. Serrurier said that even people on the vision committee had issues with some things in the report. This report launched a discussion about the next steps. She felt there were important pieces to take from this document.

Councilor Harrington felt that the document didn't feel like an externally generated analysis, as compared to other reports commissioned to outside consultants. Councilor Harrington was uncomfortable leaving things in their current state. She expressed that she didn't need an immediate solution but would be happy with it being looked at in the future. Council President Bragdon noted that there had been problems with the consultants. Mr. Vecchio clarified that the company had been hired to do consulting work and they had defended their independent analysis. He reported that his marketing department had worked on the document after former Councilor Newman had requested that it look nice. It resembled a Metro document because his marketing department had edited it. He stated that the rough drafts of the document made it very clear that this was a consultants report. They edited it because they wanted it to feel like a Metro document. Councilor Liberty wanted to be sensitive to how the document would be perceived outside of Metro. He also discussed parking and overflow parking. Mr. Vecchio reported that in the past decade, the use of overflow parking had increased from 50-55 days yearly to around 120 days yearly. The Zoo depends on use of the overflow parking lot, which it didn't own. Mr. Jordan felt this was the most important issue to come out of the discussions of the past months. Councilor Liberty opened the discussion about the Zoo bond measure, the chance of success, what was in it and its relationship with other funding measures the Council had discussed at some point.

Mr. Vecchio listed the physical site recommendations that came out of the consultants study and tried to attach price figures to them. The typical formula was that designers use around 30% of the total cost on design fees, because Metro was able to use their own design team that fee had been reduced to around 10% of project cost. He said this was a very rough estimate of physical recommendation costs.

Ms. Serrurier reported, on behalf of the Zoo Foundation, that they were ready to help Metro move forward, whenever the Council was ready. She felt the next items to cover were timing, amounts and public perception. The Foundation had money it was ready to spend, but didn't want to move forward until they felt sure everyone knew the possibilities. They were still in the preliminary stages. Council Harrington thanked the Zoo Foundation for their support, but said the Council would need to gather data first and then make decisions. Councilor Park stated that the elephant exhibit complex fell somewhat into the renewal and replacement category. He had questions relating to the categorization of topics and their prioritization. Mr. Vecchio responded that Zoo needs were broken down into four categories; the elephant exhibit, hospital quarantine area, parking and lack of an education facility. They listed those items as top priority, however they were not ranked between each other. Councilors Park and Liberty questioned the elephant facility and the relationship between this investment and the national elephant center. Mr. Vecchio responded that the Portland Zoo had a reputation worldwide for their work with elephants and there was a recommendation for two elephant facilities. The Zoo was now limited because they

had no room in which to grow. A separate elephant area could be used for behavioral research and breeding. There would always be several elephants on exhibit, but an additional area would allow a herd to be kept offsite where breeding and research would be performed.

Councilor Park mentioned that an estimate of the new operating costs would also be helpful because it would not be part of the revenue generation side of Zoo operation. Mr. Vecchio pointed out that the off site facility would require additional funding, but it shouldn't raise operating costs significantly. The new hospital and quarantine facility wouldn't require hiring additional employees. Existing employees would simply have a new building and facility to work in. Council President Bragdon mentioned the mechanics and checklist for the project. He outlined a timeline for the project and discussed its political aspects. He covered the project's steps and key elements of success. He supported the public opinion sampling. He questioned if including the elephants in the money measure would spark controversy and referred to the opposition of the "In Defense of Animals" organization. Ms. Serrurier mentioned an upcoming board retreat and the board wanted to know that the Metro Council was informed and supportive. She felt that the campaign would need to be led from inside the Oregon Zoo Foundation. It would be another big fundraising piece for them to take on.

Councilor Liberty spoke about the parking deck and asked what could be done to increase MAX ridership. He acknowledged that talking about investing in a parking structure in a region that was trying to reduce auto dependence would be a sensitive subject. Mr. Vecchio commented that the incentives to ride the MAX had continually been raised. The transit discount this year had been raised to one dollar and the parking fees would most likely increase. They wanted more people to ride public transit but didn't want to negatively impact park visitation.

Council President Bragdon concluded the discussion by summarizing that the Council felt that polling was a good idea, Councilor Liberty stated that the Zoo Foundation had made a great offer and it was now up to the Council to decide the interaction between this and other potential measures. The Council thanked Ms. Serrurier and Mr. Vecchio for their hard work.

5. COUNCIL BRIEFINGS/COMMUNICATIONS

Council President Bragdon opened discussion about the Headquarter Hotel and wanted to express that he felt the letters Metro had received from other governments were underwhelming. He had concern over employee hours that were being spent on this project. He wanted to open discussion on the topic before the Thursday night Council meeting. Councilor Harrington had questions relating to the developers guaranteed maximum price. Metro Attorney Mr. Cooper answered that the price would be locked in after the second phase, after the first phase they will have a more accurate estimate. He explained the development and pricing process to the Council.

Councilor Harrington wanted to have more certainty and wondered at what point the Council would have some level of detail. She felt like this project was taking valuable Metro resources. Mr. Cooper responded that the first six months would involve spending \$600,000 with the development team, after which point the Council would have a good schedule and estimate for project costs. Working with Piper Jaffrey, the Council would have the opportunity to identify at least one, if not many, funding mechanisms for borrowing money that would be needed to complete the project. Mr. Cooper felt that Metro needs firm commitments in the beginning of the project. He continued by explaining the investment steps and requirements. Councilor Hosticka questioned what could make potential partners take a stronger position. Councilor Park wasn't

concerned with the letters from governments. He felt potential partners were looking for the same assurance and certainty as Metro. There were varying levels of comfort with this project.

Councilor Hosticka mentioned the phrasing of questions and the willingness to share risk. He felt the Council was asking potential partners if they were willing to share risk and wondered what level we needed to clarify the risk at before they would be willing to answer. He didn't know what additional information might be needed before making a decision. Councilor Park responded that that question was embedded in the Visitors Development Initiative (VDI) agreement. Until now, Metro had been waiting for a green light from two agencies to allow their staff to work on the project. Councilor Liberty said at this point, the project felt lonely and expensive. He reported on letters relating to the hotel that he had received. He wondered about the months when the hotel wasn't filled with convention attendees, but felt confident about the long-term viability of the Lloyd District. He wasn't feeling optimistic and felt like enthusiasm was falling. Councilor Harrington questioned the employee hours that were being used and total hours needed for this project as it continued over the next six months. Mr. Jordan responded on employee hours that had been spent and other estimated costs. If the project continued, Metro would be involved for at least the next six months. He hasn't estimated the work hours needed for the project to continue. Mr. Jordan asked if there were any additional questions or information that would be helpful for the Councilors before Thursday.

Councilor Hosticka questioned what it would take to get potential partners to agree to participate in the project and share the risks with Metro. He questioned what information would be needed to get them to make a decision. Mr. Jordan felt that it would take six months and \$600,000 to get potential partners to feel comfortable and confident with the project. He felt they would need to understand the risk better before making any commitments.

The Metro Council had previously voted that the Council wouldn't put full faith and credit in the bonds, Councilor Liberty wanted to confirm this vote would be observed. He felt this would affect what might be required for participation. He wondered if there was any new information on publicly owned hotels, but felt this was unlikely. Mr. Jordan reported that he hadn't seen any new information on comparative hotels. Councilor Liberty would have been interested in viewing reports on other publicly owned or similarly situated hotels. He wondered how they were generally doing. Councilor Park wanted to put the situation into context, he reminded the Council of four options which had been removed and that the Council had decided to move ahead with the idea of the Convention hotel being publicly owned but privately operated. He felt some of the questions being raised were things which were supposed to be discussed during the next phase of the project and couldn't be answered at this time.


Councilor Hosticka felt that the language relating to potential participants was more solid than a simple consideration. He felt the conditions were that we wanted an indication of support and a willingness from the other beneficiaries to share in the project risks. The letters he received didn't indicate those conditions had been met. Councilor Park felt that the willingness to open the VDI fulfilled that condition because that was where the risk was. Councilor Bragdon expressed his nervousness because the vote was in 48 hours and he was unsure of how he would vote. He wanted to say that he doesn't often vote against staff recommendations and that he valued their work. Mr. Jordan acknowledged that this was a difficult decision for the Council and that if it had been an easy decision, it would have already been done. He told the Council that one of the reasons for his recommendation, even with somewhat thin commitments, was because the underlying mission of the Convention center was to create economic vitality within the region. He was convinced that without a headquarters hotel next to the building, its ability to compete in

that arena would erode over the next few years. At this point Metro would be competing against the Expo Center, whose situation would then begin to erode. Given the mission that had been adopted by the Metro Council and community, he felt it was worth taking the project to the next step. He acknowledged that there wasn't an easy answer and it would be a difficult decision.

On another item, Councilor Harrington mentioned business recycling, which had been discussed in July. She had asked the recycling department for more info, which she now had and hoped the Councilors would have time to review the information before the next Work Session. She also wanted to inform the Councilors that the next Council meeting would be in Hillsboro and she was unsure of the turnout to that meeting. Next week there would be a Greatest Place Work Session on Wednesday; she would get the Councilors some relevant information before that meeting and asked they look over that information in advance

There being no further business to come before the Metro Council, Council President Bragdon adjourned the meeting at 4:23 p.m.

Prepared by,

A handwritten signature in cursive script that reads "Erika Storie".

Erika Storie
Acting Council Operations Assistant

**ATTACHMENTS TO THE PUBLIC RECORD FOR THE MEETING OF
 NOVEMBER 6, 2007**

Item	Topic	Doc. Date	Document Description	Doc. Number
1	Agenda	11/08/07	Agenda: Metro Council regular meeting, November 8, 2007	110607cw-01
2	Dist. 2	11/06/07	Suggested Remarks, Judge Norby	110607cw-02
3	Dist. 2	11/06/07	Oath of Office	110607cw-03
4	Dist. 2	11/06/07	Ballots for Dist. 2 Position	110607cw-04
5	Res. 07-3865	11/13/07	Metro Roll Call and Vote Record	110607cw-05
6	Renewal and Replacement	11/06/07	Renewal and Replacement Project Team Department	110607cw-06
7	Zoo	11/06/07	Oregon Zoo Strategic Master Plan	110607cw-07
8	Zoo	11/06/07	Capital Projects Recommended	110607cw-08
9	Dist. 2	11/06/07	Two Voice Messages for Dist. 2	110607cw-09
10	Dist. 2	11/06/07	Message of Support	110607cw-10
11	Dist. 2	11/06/07	To: Metro Council From: Norm Scott Re: Letter of Support for Carlotta Collette	110607cw-11