

**OUTLINED MINUTES OF THE METRO COUNCIL BUDGET WORK SESSION
MEETING**

Wednesday, November 5, 2008
Metro Council Chamber

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

Councilors Absent: Robert Liberty (excused)

Council President Bragdon convened the Metro Council Work Session Meeting at 10:01 a.m.

Margo Norton, Metro Chief Financial Officer, began budget discussion:

Recapped caution lines – not panics

- Revenue lines not very optimistic
- Duration of economic down turn – planning for uncertainty
- Labor increasing at a rate greater than revenues
- Have reserves and planned well for times like these

Part 1:

Key budget assumptions:

1. Labor cost:
 - a. Two of Metro's largest unions are still under collective bargaining agreements.
 - b. How to deal with elected officials salary:
 - i. State recommending an increase in circuit court salaries
 - ii. Council directions:
 1. Budget expense higher to plan for potential change
 - c. Non-represented salaries:
 - i. Salary pot of 5% for merit and another pot 5% for other changes (i.e. Sustainable Metro Initiative, reclasses and bringing up minimums)
2. Public Employees Retirement System (PERS):
 - a. Recent actuarial evaluation through Dec 31st 2007
 - i. Strong investment earnings (two prior years) show a reason to drop bonded rate to 3%.
 - ii. After recent economic times, there was caution that might spike back up in two years because of current times.
 - iii. Staff recommendation: Not to drop the rates, but reestablish the PERS reserve and contribute 3% of eligible salary to help soften the blow when the rate may jump again in two years.
 - iv. Council reaction:
 1. Councilor Harrington - Was 3% conservative enough?
 2. Councilor Park - Was there a percentage to direct policy?

3. Councilor Hosticka – In accepting this assumption now we may not feel the same in May when we adopt the budget.
3. Interest Rates:
4. Property Taxes
 - a. 3.5% assessed value and decreasing the collected amount a bit,
 - b. Councilor Burkholder – can public outrage enough to preventing raising the assessed value?
5. Excise Tax
 - a. Deferred to Doug Anderson’s talk
 - b. Overall – general excise tax is decreasing
6. Inflationary factor
 - a. 4.1%
7. Councilor Questions regarding assumptions:
 - a. Other global factors:
 - i. Councilor Harrington: Public Involvement allocations – more a program budget question not for this discussion.
 - b. All assumptions were consented by council.

Tonnage Report:

- Tonnage is down significantly
- Trending down – drop in tonnage is decreasing at waste management landfills
- Operational costs are fixed.
- Recovery Rate Stabilization – Current balance was \$106,000
 - Contribution to the fund was down
- Two real excise taxes – shortfall from expectations
- Solid Waste Fund – Financially sound – might blow the covenant for the bond, but may not be an issue – more discussion later
- We are financially sound – better than most
- First look at downturn at construction waste
- Putrescible waste was stable – flat to mild declines in the waste stream
- Forecast looked to bottom out in Spring 2009 and remain fairly flat for 4 or 5 quarters
 - Councilor Park - Look at policy for setting up regional system fee to mimic excise tax
- Currently 1.4 million under budgeted – using the contribution for RRSR to cover that
- Effect on ending balances – Decisions on programs paid out of RRSR, and then parks.
- Revenues looked relatively flat – do not show contributions to reserves
- Effects on Solid Waste Fund – Program revenue directly correlated to tonnage
 - Under spending in certain areas – but with no changes there would be a \$2.50 jump in system fee.
- Impact on bond covenants – come back to council with the 1st quarter reports in two weeks with more refined numbers and discussion
- Councilor Harrington would like to have a grounding to learn what things they had control over and how sensitive certain decisions would change results.

Commitments for 2009-2010

Two outstanding questions:

- Set aside amount for election costs
- Commitment for 1 million set aside for housing fund – sunsets soon

Need direction on these two issues.

Part 2

Stacey Tripplett, Strategy Center – Crafted an exercise for providing guidance for program/project budgets.

Why are we doing different efforts?

Five different philosophies:

- A. Excelling as a retailer:
Individual services, products
- B. Leveraging the highest and best outcomes (project specific)
Apply high level analysis, do more preventative.
- C. Putting quality first (overall)
Look to the outcome, compare, don't try to do it all.
- D. Specializing of a wholesaler
Strengthen relationships to provide standardized service - but we don't have a direct hand in it.
- E. Strengthen the Metro franchise
Building the powerbase

Need Council directions on certain dynamic programs/projects and then to more macro discussions.

Council questions – A through D are “how’s” and E is the outcome

President Bragdon: Trying to see the difference between means and ends in the exercise

Ms. Tripplett: Focus on initiatives more than non-discretionary activities (RIC)

Used the Research Center as an example:

- Could be used as an A example or D. Staff asked for first start for categorizing areas.
- Looking as funneling direction for Council initiatives

Councilor Hosticka: Council was worried to blanket all initiatives that were in different evolutions and was there a real decision that could be made?

Councilor Hosticka: This may help define areas where to decrease efforts or try to focus differently.

Councilor Harrington: Was this an exercise to make stylistic changes?

President Bragdon: This was more an organizational tool than a strategic tool.

Ms. Tripplett: This was a budget (possibly multi-year) direction tool

President Bragdon: This seemed backwards - ranking alternative methods of achieving goals seemed a better course of action. Why are we disintegrating instead integrating?

Ms. Tripplett: Trying to move them from the task level to a higher purpose level.

Councilor Hosticka: Goal-directed opportunism seems to describe this exercise.

President Bragdon: We were not ready to talk in cohesive terms.

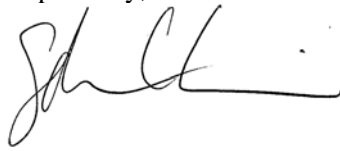
Councilor Burkholder: Maybe abandoning the real “philosophies” and thinking about it more macro-ly and coming to understanding from there

Councilor Harrington: Being ordered to provide to staff aside from being asked

Councilor Park: There was a layer that was missing. What is all that we are doing now? Layout many things under each philosophy. What are all the pieces? Baselines might be needed.

There being no further business to come before the Metro Council, Council President Bragdon adjourned the meeting at 12:15 p.m.

Prepared by,

A handwritten signature in black ink, appearing to read 'Sarah Erskine', written over a horizontal line.

Sarah Erskine

Finance and Administration Services

**ATTACHMENTS TO THE PUBLIC RECORD FOR THE MEETING OF
NOVEMBER 5, 2008**

Item	Topic	Doc. Date	Document Description	Doc. Number
1	Update	11/5/08	Infrastructure Finance, November 2008 update to Metro Council, November 5, 2008	110508cw-1
1	Report	11/5/08	Solid Waste Tonnage FY 2008-09 and FY 2009-10, An Early Report, Metro Council, November 5, 2008	110508cw-2
2	Worksheet	11/5/08	Metro Work Session Worksheet, Strategic Direction for FY 09-10 Budget and beyond, November 5, 2008	110508cw-3
2	Chart	11/5/08	Budget Instructions from Council, November 5, 2008	110508cw-4
2	Summary	11/5/08	Financial Assumptions for FY 2009-10 Budget, Summary of Significant Assumptions, Presentation to Council, November 5, 2008	110508cw-5