



Metro | *Making a great place*

**JOINT METRO COUNCIL-MERC COMMISSION WORK SESSION
MEETING SUMMARY**

Jan. 17, 2012
Metro Council Chamber

Councilors Present: Deputy Council President Rex Burkholder and Councilors Shirley Craddick, Carlotta Collette, Carl Hosticka, Kathryn Harrington and Barbara Roberts

Councilors Excused: President Tom Hughes

Deputy Council President Rex Burkholder convened the Metro Council work session at 2:03pm.

Commissioners Present: Chair Judie Hammerstad, Vice Chair Elisa Dozono, Secretary-Treasurer Chris Erickson, and Commissioner Karis Stoudamire-Phillips

Commissioners Excused: Commissioners Ray Leary, Terry Goldman and Cynthia Johnson Haruyama.

Chair Judie Hammerstad convened the MERC Commission work session at 2:03pm.

1. FY 2010-11 EXTERNAL FINANCIAL AUDIT RESULTS

Ms. Suzanne Flynn, Metro Auditor, introduced Mr. James Lanzarotta of Moss Adams LLP, who represented the firm that conducted the state required annual independent audit of Metro's financial statements. Ms. Flynn thanked Metro Audit Committee members, including Councilor Harrington and Commissioner Stoudamire-Phillips, for their participation in the audit review process.

Mr. Lanzarotta introduced Mr. John Burns of Moss Adams LLP and discussed the scope and results of the external audit, which looks at Metro's internal control over financial reporting and compliance with provision of laws, regulations, contracts and grant agreements. Mr. Lanzarotta explained that Metro received a clean opinion, which means there were no findings of budget violations in Metro's Comprehensive Annual Financial Report (CARF). Mr. Lanzarotta praised Metro's management of the budget and noted that the Finance and Regulatory Services department should receive the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association.

Mr. Lanzarotta noted that Metro is in compliance with all federal grant requirements, and resolved an issue from last year's report. Of Metro's 2 bonds benefiting the Oregon Zoo and natural areas, Moss Adams LLP had no findings of non-compliance. Mr. Burns offered best practice recommendations regarding timely cash reconciliation.

In addition to the clean opinion and best practice observations, Mr. Lanzarotta provided information on new governmental accounting standards that will affect Metro's financial reporting. Mr. Lanzarotta explained that classification of fund balance will need to be identified in terms of

constraints and that pension reporting will reflect the current underfunded situation of Oregon PERS, meaning Metro will have more liability on financial statements. Lastly, Mr. Lanzarotta explained that GASB is currently deliberating whether governments should be required to include a 5-year forecast of cash receipts and cash payments information into financial statements in order to determine financial sustainability. Mr. Lanzarotta noted that this issue is highly controversial.

Mr. Tim Collier of Metro noted that for the third time in 29 years, Metro did not receive a management letter from the external audit, which means staff did a fantastic job reporting the agency's finances.

Councilor/Commission Discussion:

Councilors expressed firm appreciation for the diligent work of Metro's Finance and Regulatory Services department. Councilor Harrington urged other councilors to participate with the auditing process as a liaison in the future. Councilor Roberts expressed concern regarding GASB's consideration to require 5-year forecasts of cash receipts and payments, noting that it is extremely difficult to predict budgets so far in advance. Mr. Lanzarotta agreed with the shared concern about the change in accounting standards and mentioned that the issue is still in the early stages of deliberation.

2. FY10-11VISITOR VENUES' ECONOMIC IMPACT REPORT UPDATES

Ms. Teri Dresler of Metro introduced Ms. Susan Sieger of Crossroads Consulting LLC, who presented the economic and fiscal impact analysis reports for Metro's visitor venues. Ms. Sieger highlighted the qualitative and quantitative findings from the reports, which show that visitor venues, including the Oregon Convention Center (OCC), Oregon Zoo, the Portland Center for Performing Arts (PCPA) and the Portland Expo Center (Expo), make up a diverse range of events and activities benefiting local residents and regional, national and international visitors, associations and convention meeting planners. Moreover, Ms. Sieger pointed out that visitor venues are significant employers as well, supporting over 6,000 total jobs.

Ms. Sieger noted that the national economic recession has negatively affected visitor venues across the county, but that Metro management has done well to mitigate external factors with flexible operating strategies, increased marketing and steady event booking. The economic downturn has made the national convention market more competitive, Ms. Sieger explained. She emphasized the need for OCC to continue to be innovative because the same product will not be as profitable in the future. Specifically, Ms. Sieger cited the lack of a headquarters hotel near the OCC as the primary reason for lost revenue.

Ms. Sieger summarized that visitor venues combined for 1,400 events and 3.3 million attendees last year. Ultimately, Ms. Sieger highlighted facts indicating positive growth in the industry, but also warned of challenges included a more competitive market and the need for increased marketing and capital improvements.

Council Discussion:

Councilors discussed how the high operating costs of visitor venues can be interpreted negatively in the local media publications. Ms. Sieger noted that it is common for convention centers to lose

money from operating expenses, and added that the best way to measure financial impact is the number of jobs created. Commission Chair Hammerstad commended Ms. Sieger's reporting and concurred with her points regarding the urgency in sustaining Metro's visitor venues' viability. Councilors and commissioners discussed whether or not all is being done to make the OCC and other venues as robust and attractive as needed in a more competitive market. Ms. Sieger again pointed to the need for a hotel with large room block availability near the convention center.

3. BREAK

Metro Councilors and MERC Commissioners recessed for 5 minutes.

4. OREGON CONVENTION CENTER ENHANCED MARKETING INITIATIVE

Deputy President Rex Burkholder and Commissioner Elisa Dozono began the discussion of an enhanced marketing initiative for the Oregon Convention Center. Commissioner Dozono, who is the President of the Oregon chapter of the Asian-Pacific American Bar Association, described Portland losing the opportunity to host the association's national conference because there is not a big enough hotel with significant room blocks near the convention center.

Chair Hammerstad spoke about making up for lost opportunities, achieving potential and enhancing the overall experience at the OCC. Specifically, Chair Hammerstad explained current efforts to enhance marketing, to reach out to the private sector stakeholders and to the minority community for employment opportunities as well as adding food services in the OCC. Commissioner Erickson, who is also the Chair of Travel Oregon, noted Portland has a great, marketable brand. Commissioner Erickson ultimately expressed concern for the future without a viable hotel in close vicinity to the OCC.

Mr. Dan Cooper of Metro, Ms. Cheryl Twete of Metro and Ms. Dresler presented updates on the enhanced market initiatives, as well as its evolution since 2009. Ms. Twete explained that the hotel market is currently strong, and that the Portland area is being courted by hotel corporations. Ms. Twete also noted that construction costs are 10% lower than 2009 levels. Mr. Cooper addressed the current political climate as it relates to a hotel, explaining there is a definite interest to pursue workable opportunities. Mr. Cooper also indicated that the process in pursuing a hotel near the OCC is different this time because government partners and stakeholders are being consulted before proposals are officially presented.

Ms. Dresler reiterated that there is interest from the business community for a designated room block directly adjacent to the OCC. Ms. Dresler also presented a map outlining available property surrounding the OCC; some which is owned outright by Metro as well as other parcels that are privately owned.

Councilors questioned the impact of leadership changes in the Portland City Council that could affect partnership agreements. Commissioner Dozono reiterated the urgency of moving forward given the needs of the agency and interest in the business community. Councilor Hosticka questioned Metro's role in the process if the hotel is not publicly owned or financed. Councilor Collette asked about specific interest from a hotel corporation. Ms. Twete explained that Metro is not currently in an active mode, but is entertaining opportunities. Councilor Collette also mentioned her support for a scaled-down, more feasible hotel.

Ultimately, councilors and commissioners agreed that a room block in the future hotel is a priority.

Additionally, there was consensus among councilors and commissioners of urgency to move forward with the initiative. Deputy President Burkholder restated the need to establish strong partnerships and initiate a feedback mechanism to ensure a clear understanding of agreement.

5. ADJOURN

Seeing no further business, Deputy President Burkholder adjourned the Council work session at 4:42pm. Chair Hammerstad then adjourned the MERC Commission work session at 4:42pm.

Prepared by,

A handwritten signature in black ink, appearing to read "Josh Springer".

Josh Springer
Council Office Policy Assistant

ATTACHMENTS TO THE PUBLIC RECORD FOR THE MEETING OF JAN. 17, 2012

ITEM	DOCUMENT TYPE	DOC DATE	DOCUMENT DESCRIPTION	DOCUMENT No.
	Agenda	1/19/12	Council Meeting Agenda	11712cw-01
1.0	Presentation	1/17/12	PPT: Moss Adams LLP external audit	11712cw-02
2.0	Presentation	1/17/12	PPT: Economic and Fiscal Impact Analysis	11712cw-03
4.0	Map	n/a	Potential hotel sites near Oregon Convention Center	11712cw-04
4.0	Memo	1/17/12	Memo from Council President Hughes	11712cw-05