

MINUTES OF THE METRO COUNCIL WORK SESSION MEETING

Tuesday, September 9, 2003
Metro Council Chamber

Councilors Present: David Bragdon (Council President), Brian Newman, Carl Hosticka, Rod Monroe, Rex Burkholder

Councilors Absent: Susan McLain (excused), Rod Park (excused)

Council President Bragdon convened the Metro Council Work Session Meeting at 2:07 p.m.

1. SALEM LEGISLATIVE REPORT

Dan Cooper, Metro Attorney, said there would be a formal briefing next week.

2. DISCUSSIONS WITH METRO AUDITOR

Alexis Dow, Metro Auditor, said she would be meeting with the Councilors individually concerning what should be audited. This was part of her regular planning process. She spoke to efforts to identify risks in the agency. They were trying to give a more structured approach. She had recently issued the audit on the Oregon Convention Center expansion. She would be briefing the Council on October 2nd. This discussion was a continuation of the previous discussion concerning potential audits. Councilor Newman asked what audits were in the pipeline for the next six months. She was currently working on the Metropolitan Exposition Recreation Commission (MERC) Pay for Performance audit. It had been a difficult audit, things were not as she expected. She spoke to the challenges in doing the audit. She planned that the audit would come out in multiple reports. She talked about the comparability of the program and use for our agency. Council President Bragdon asked what the timing was on this report. Ms. Dow said they had the report drafted and would be sending this out MERC by the end of September. She thought it would take about four to six weeks once it had been sent to MERC.

She shared that in the auditor ordinance there was discussion concerning responses from management on the audit. They were creating a form for response. She was hopeful to get reports out in a more-timely manner. She talked about the update on the status of recommendations. Councilor Newman asked about the Friends of the Zoo and the fiduciary responsibilities of the Zoo. Ms. Dow said she and Mr. Jordan had discussed this. One of her possible audits was looking at the donations to Metro. She wondered if she had authority to audit this group. She talked about the scope of the audit. Councilor Newman said he hoped that she would consider such as audit. He detailed some of the specifics that he would like to see investigated. Ms. Dow said much was dependent upon the questions that would be asked. Council President Bragdon said he concurred with Councilor Newman and further detailed the kind of audit he would like to see. Ms. Dow talked about the kind of questions that could be addressed.

Councilor Monroe asked about her ability to look into the Friends of the Zoo. Ms. Dow said because they were a non-profit organization, she may not have the authority to audit their records. Councilor Monroe said if she needed authority from the Council, they were willing to give this authority. Michael Jordan, Chief Operating Officer (COO), suggested asking for legal advice on this issue. Councilor Newman suggested an audit of the Enhancement Grant program. He wondered if there had been an evaluation and where the money had been spent, whether it was

spent for the project they applied for, was there any money left over and what happened to the left over money. Councilor Newman asked about performance measures of the program.

3. 04-05 BUDGET ASSUMPTION DISCUSSION – RISK FUND AND REVENUE

Kathy Rutkowski, Financial Planning, said they had the resolution prepared and it would be considered on September 18th. The attachment would include the budget assumptions. Mark Williams, MERC Director of Management and Bryant Enge, MERC Chief Financial Officer spoke to the budget cuts this year. For budgeted purposes they would be bringing conservative assumptions. Councilor Burkholder asked about the history and the future of the financials. Mr. Williams talked about why FY 04-05 might be slow. There was tremendous competition for conventions. They will need corporate business to kick up. Councilor Monroe said they were two months into this fiscal year and they were making substantial cuts. Why had they not foreseen these fiscal impact? Mr. Williams said this budget was prepared almost two years ago. Mr. Williams explained their budget process. They didn't have financials to project the upcoming budget. Councilor Newman said in the Spring Mr. Williams had given presentations on MERC. There were no red flags presented to Council. Now two months later, they had laid off 18 people. Mr. Williams said in the month of May they had major losses due to SARS. Both the NIKE and Intel events were cancelled. They got hammered. Council President Bragdon summarized why they were taking action now because of the impacts of May. He explained the assumptions for 04-05 and what had to be made up. Councilor Newman said he was surprised that after having adopted a budget in May, two months later there was an emergency meeting with the MERC Commission. Council President Bragdon asked Mr. Williams about assumptions for this upcoming 04-05 years. Mr. Williams reiterated that they would be budgeting extremely conservatively. Councilor Monroe said he knew that the budgeting process was lengthy but there were opportunities to make adjustments up until the end of June when they adopted the budget. Councilor Monroe felt they should have asked for adjustments in the budget.

Council President Bragdon asked about the lodging tax forecast being down and how did that impact to the commitment to Portland Center for the Performing Arts (PCPA). Where did we stand with PCPA and how did we work with the City. Mr. Williams said his understanding was that the City would backfill any money PCPA lost. The difficulty was that the City did not guarantee this every year. The business side of PCPA continued to be good. Expo Center would have a slight downturn. He spoke to the TriMet contribution for improvements to Expo. Council President Bragdon asked about the revenue increase. Mr. Williams talked about the 1% statewide tax on lodging. It was not available for operational use of the convention center but for statewide marketing. Councilor Monroe asked about revenue increases and decreases because of the light rail station. Mr. Williams provided details on parking and Max ridership. Councilor Burkholder asked about the dollars for statewide lodging tax and how we could use those dollars. Mr. Williams said he would check into this. Mr. Jordan talked about changing the way we budget to help be more accurate in the budgeting process. He understood the difficulty of trying to predict revenue.

Sarah Chisholm, Financial Director for the Zoo, said she was feeling very good about this year's budget. She talked about attendance and revenues projections. They would be opening Eagle Salmon in March 2004, which should increase attendance. She talked about assumptions on admission. She talked about the \$1.00 increase in January and the financial impact from January through June 2004. She talked about 04-05 per caps and the food revenue assumptions for this year and next. She spoke to how they had refocused some of their food revenue assumptions. She also noted that the concert season was disappointing this year. She spoke to their plans for 04-05 concerning concerts. She thought they would expect similar catering revenues and talked about

how they were marketing differently. She noted the AraMark retail store. They were planning to meet their \$2.5 million income. Councilor Monroe asked about placement of the gift shop and funneling attendees through the store. Councilor Newman talked about parking validation in the gift shop. Councilor Burkholder asked about parking revenue. Ms. Chisholm said they were working on the parking revenue issue. Council President Bragdon asked about when the parking analysis would be ready. Councilor Burkholder asked about membership and how it related to the financial health of the Zoo. He thought we might be giving too good of a deal. He would like to see how many members used the Zoo and how they spent at the Zoo. Council President Bragdon asked about an analysis of the Zooliner. Ms. Chisholm said it was a break-even entity. Councilor Monroe asked about the simulator. Ms. Chisholm said they were doing very well.

Doug Anderson, Solid Waste and Recycling Finance Manager, talked about tonnage and tonnage trends. Mild growth would return soon. They didn't see any major increases or decreases. They were in their seventh year of flat tonnage. 90% of waste came from poor tonnage, 10% came from special tonnage. They were project flat to mild growth because this was the consensus forecast of overall growth. He talked about reclassification of tonnage during the 1990s. They did not see this in the future. There were dredging projects going on in the river. They were not projecting any revenue from dredging. Councilor Newman asked about the in-migration and the increase in tonnage. Mr. Anderson said the main down turn was the slow down in construction. Since March and April they have seen an upswing in tenant improvement projects. They had seen about 1.5% up trend. He said 1.5% to 2% was similar to CPI. He talked about the trend of tonnage away from Metro (a copy of which is included in the meeting record). He said Roy Brower was doing diligence in keeping tonnage in the region. There was no one item that was causing Metro's decline in tonnage. He spoke to the flattening out in the current year and what Council was considering for the future.

Bill Jemison, Risk Manager, explained what was the risk management fund. He talked about the \$6 million fund, which was funded primarily from Solid Waste to be prepared to pay for St. Johns Landfill. He talked about the fund revenues and expenses in the past. In 01-02 interest income started declining. There had been a \$300,000 decline in interest revenues. He talked about property insurance increases since 911. These two issues were resulting in decreases in the risk fund. He talked about the shortfall in reserves. He talked about a group of scenarios that they were looking at (a copy is included in the meeting packet). Councilor Hosticka asked about estimates of payouts. Councilor Newman asked about projections for claims? Was it flat or a minor increase every year? Mr. Jemison said workers comp claims were going up. He continued explaining the different scenarios and the variety of assumptions. He talked about the health and welfare funds and the impacts on the risk management fund. He recommended Scenario 3. Councilor Newman asked how MERC paid their share. Ms. Rutkowski explained who paid the largest share. Councilor Burkholder asked about past patterns. He thought it seemed like a galloping increase in costs. How sure were we of these increases? Mr. Jemison said on the insurance side, the rate increases were trending down. He talked about our current rate of insurance. There was a lot of fluctuation in claims paid. It was very hard to predict. Ms. Rutkowski said the experience they were seeing was a combination in increase in costs and a decrease in revenue. Interest earnings needed to come back up. Councilor Hosticka asked how this rippled through to the other departmental budgets. Mr. Jordan said it would impact all departments because it was cost allocated. When did we fix the number? Mr. Jordan said the sooner the better. Mr. Jemison talked about an environmental risk management study and what was funded for St. Johns Landfill. Councilor Hosticka asked about reinsuring. Mr. Jordan asked about the estimated increase on the expenditures side. He talked about statutory allowances. Mr. Cooper further explained the statute and the revenue raising capacity. Councilor Burkholder asked about a breakdown on impacts to each department. Mr. Jordan suggested that they needed

to pull together a broader array of scenarios. Council President Bragdon asked about addressing assumptions. Mr. Rutkowski talked about estimating the central service transfers. Mr. Jordan suggested talking about this issue at a work session.

Council President Bragdon talked about the past process and asked for additional changes. No one suggested additional changes. He talked about MERC oversight.

4. CITIZEN COMMUNICATION

5. EXECUTIVE SESSION HELD PURSUANT TO ORS 192.660 (1) (d) FOR THE PURPOSE OF DELIBERATING WITH PERSONS DESIGNATED TO CONDUCT LABOR NEGOTIATIONS.

Removed from agenda

6. CHIEF OPERATING OFFICER COMMUNICATION

Mr. Jordan talked about retreat time.

7. COUNCILOR COMMUNICATION

Councilor Newman asked about the recycling credit committee. When were they reporting to Council? Council President Bragdon said they would present their results at the end of October. Councilor Monroe talked about the Transportation Task Force.

There being no further business to come before the Metro Council, Council President Bragdon adjourned the meeting at 3:58 p.m.

Prepared by,

Chris Billington
Clerk of the Council

**ATTACHMENTS TO THE PUBLIC RECORD FOR THE MEETING OF SEPTEMBER
9, 2003**

Item	Topic	Doc Date	Document Description	Doc. Number
3	04-05 Budget Assumptions	9/9/03	To: Metro Council From: Doug Anderson, Solid Waste & Recycling Re: Metro Share of Core Revenue Tonnage January to July 2003	090903c-01