MINUTES OF THE METRO COUNCIL BUDGET BRIEFINGS

Wednesday, March 17, 2004
Metro Council Chamber

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

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

Council President Bragdon convened the Metro Council Budget Work Session Meeting at 1:31 p.m.

CALL TO ORDER

1. REVIEW OF PROCESS

Bill Stringer, Metro Chief Financial Officer, reviewed the history of the budget process. Council began the process September 23 with approval of the economic assumptions. On October 1, instructions were distributed to central service departments. On Nov. 3, instructions were distributed to remaining departments for creating baseline budgets.

2. GLOBAL ISSUES

Bill Stringer said that the economic assumptions that Council adopted included fund earnings of 1.5% per annum (currently earning 1.22%), inflation rate on material and supplies equaled 2% per year, contingencies were required to equal 4% for personal services, wage increases for non-represented and other employees equaled no more than 5% and no less than 2% - except for elected officials who will receive a 0% increase in salary. Benefits rate ranged from 31.35% - 39.1% depending upon the nature of the position. That rate reflects a PERS rate of 13% - up from 8.5% previously - plus an additional set-aside of 6.65% to cover PERS in case the court overturns the action taken by the state Legislature on PERS. PERS costs are up regardless of the eventual court ruling because of reduced earnings in PERS reserves over the last three years.

Mr. Stringer reviewed instructions given to central service departments regarding current services budget – “a budget that accomplishes all tasks currently being performed by the individual department at the same discretionary level as the tasks currently being performed.” It should not include any new initiatives or tasks not currently being performed, only currently authorized FTE’s, only recurring and ongoing CIP projects, no carryover from previous years, and exclude all one-time project funding. Councilor Rex Burkholder asked about projects that may have ended in the current service year. Mr. Stringer and Kathy Rutkowski, Metro Finance Office, clarified that the current services does not include project costs, but if a project was discontinued, the department budget would be reduced accordingly.

Within the central service area, Council approved increasing the contribution to the risk management fund from $1million to $1.5million, returning it to its original level not to the level advised by actuarial studies. The finance department is studying risk management issues; a consultants’ report is due April 22, and will be presented to Council in May. If the risk management fund is deemed inadequate, Council will need to make the adjustment to the budget in May.

Departments were asked to prepare a baseline budget – that did not assume any change in revenue (except those associated with attendance or usage projections), were balanced and did not draw down reserves. Those budgets were submitted to Council President Bragdon for his consideration. President Bragdon made very few adjustments to those proposed budgets, but his official budget will not be introduced until April 1.

3. SUMMARY OF TOTAL BUDGET

Kathy Rutkowski referred to the packet handed out with the light green cover. She reported that the overall budget is down $10.2 million, the equivalent of 40.3 FTE. Spending is down across the board, with the possible exception of the excise tax which will be discussed later. She noted that it was important to keep in mind that the budgets are compared to the current year budget, not necessarily the operating plans in place. This is particularly important for the Metropolitan Exposition-Recreation Commission (MERC) because they made some significant changes at the beginning of the fiscal year after the budget was adopted to meet certain economic situations.

The beginning fund balance is down because of completion of several major construction projects and refinancing of several debt issuances. She discussed some technical changes regarding classifying funds.

In response to a question from Councilor Burkholder regarding contributions from other governments, Ms. Rutkowski said that the reduction is due to previous one-time IGA's and other agreements with other governments that are not continued this year, including funds for Portland Center for the Performing Arts from the City of Portland.

The reduction in capital outlay is due to the completion of open space purchases and the completion of the OCC expansion project. The reduction in donations is also related to capital projects.

Ms. Rutkowski briefly reviewed pages 2-4. The amended budget on page 4 reflects any formal action that Council took to make changes to the budget, but does not include any administrative cuts in 2003-04 such as those made by MERC.

4. GENERAL FUND

Casey Short, Metro Finance Office, reviewed the proposed general fund budget (white page in green packet). The general fund is predicated on extension of the $1 per ton for Parks and on an additional $2 per ton excise tax revenue.

The finance department is projecting an undesignated fund balance of $1.15 million, up from the budgeted amount from last year and up $60,000 from the ending balance of the current year. Metro is retaining a little better than the target minimum balance of $1 million. Mr. Short reviewed the resources in the table. The jump in excise tax is due to the projected increase to $2 per ton; other than the rate increase, excise taxes are projected to remain very flat.

Mr. Short said that the special appropriations are basically the same as the current year. Election expenses are based on expectations of two general election votes in November and elimination of a proposed ballot measure.

Councilor Rod Monroe asked about the effects of the excise tax – the proposed budget assumes an excise tax starting July 1. That will not happen in July, and is projected for September, so the budget will need to be adjusted.

Overall, the main points for the general fund are that it assumes an increase in the excise tax and Metro will meet and exceed the Council mandate to maintain a minimum of $1 million in carryover funds.

Brad Stevens, Metro Finance Office, reviewed the department budgets for Council Office and Public Affairs in the Proposed Budget packet. The overall budget for Council Office (page one) increased 3.2%, only reflecting COLA and merit increases. Materials and services (M&S) are projected to come in under budget this year. President Bragdon commented that Chris Billington, Council Operations Manager, put a lot of work into preparing the budget. Ms Billington commented that the only changes in materials and services budget might be offsite records storage and the number of offsite meetings. President Bragdon mentioned that there may be some contracting expenses required for the strategic plan.

Mr. Stevens reported that Public Affairs (p. 45 of Proposed Budget) has an increase of 11% general fund expenses, due primarily to the addition of legislative affairs manager. Other changes are due to COLA and merit increases. President Bragdon mentioned that the budget of Office of Metro Attorney was decreased roughly the same amount due to discontinuing the lobbyist contract. Mr. Short also pointed out that the lobbyist amount fluctuated according to legislative versus non-legislative session years. Anticipated spending for legislative affairs manager was estimated in the M&S budget, including travel expenses, long distance charges, etc. Another new budget item is for the operation and maintenance of camera and broadcast materials for the Council Chamber. Overall the M&S for PA is down $62,000 from the current year budget. The cost for salary and fringe benefits for the legislative affairs manager is $112,000 ($80,000 salary plus 40% fringe costs).

President Bragdon clarified that the staff working with Public Affairs on current public outreach for Goal 5 and Industrial Lands are still included in their respective department budgets. Mr. Stevens confirmed this. Those staff will remain housed in the planning department budget partly so that the department remains eligible for grants for those positions.

5. REGIONAL PARKS AND GREENSPACES

Ms. Rutkowski reviewed the budget for Regional Parks and Greenspaces (p. 47 of Proposed Budget). There are six different funds in the Parks budget, but her presentation focused primarily on operating and capital funds.

There are two main changes in the budget: 1) creation of the regional parks capital fund, and 2) within the operating fund is the natural resources stewardship program, formerly a component of the administration division.

The budget is built around two main assumptions regarding resources: 1) continuation of current $1 per ton solid waste excise tax and, 2) $1.50 excise tax increase effective July 1 (will need to be adjusted to reflect actual adoption date, as discussed earlier). Ms. Rutkowski reviewed other resources.

The budget reflects a full year of the fee increases effective October 2003 but does not propose any other additional increases for 2004-05.

There are several staffing changes due to new funding: 1) addition of secretary, 2) transferring construction manager from property services division to parks, 3) associate regional planner to provide work on master planning and manage capital development fund, 4) transfer 1.5 FTE from Smith & Bybee Lakes fund to Regional Parks to allow better management and to accurately reflect the fund that pays for the position.

In general, the budget is balanced, preserves its fund balances and does not use its fund balances to fund ongoing programs. President Bragdon noted that Parks is picking up more of the cost for DRC services and Ms. Rutkowski concurred.

There are no significant changes in the Open Spaces fund. Staffing remains constant for one more year and it preserves the fund balance for stabilization. The only significant expenditure for the regional parks special account fund is a $70,000 transfer to the operating fund to assist in the development of a water play area at Blue Lake.

At current revenue levels, the Parks department is potentially looking at FTE reductions.

Councilor Burkholder mentioned an issue that he would like further discussion on later – the proposed four new regional parks. This is a significant change in strategic plan – becoming a regional park provider, rather than providing resource land. This will have a significant financial impact on the Metro budget.

Councilor Monroe commented that the delay in implementing excise tax shouldn't mean laying staff off July 1 and rehiring in the fall - just adjust budget accordingly.

President Bragdon said that, in reference to Rex's comments, he would like to see some standard created for park development and management. Jim Desmond, Metro Parks and Greenspaces Director, responded that capital input from Metro puts us in a position to negotiate with local partners for operating costs.

Ms. Rutkowski asked a technical question – When would Council like an adjusted budget? President Bragdon said it made sense to include the adjustments as part of the amendment process, since they are still waiting on some unknowns from solid waste revenue.

Council will vote on budget amendments on April 27; voting on the budget on April 29. Ms. Rutkowski expressed concern about turning around adjustments in that time. President Bragdon responded that Council will hold May 6 as an alternate date for voting on budget. He cautioned that they don't want to lay personnel off for a two-month period due to the delay in excise tax implementation, but rather the budget should be adjusted to allow for the delay.

6. CENTRAL SERVICES

Mr. Stevens summarized the cost allocation plan (last page of small green booklet). Overall cost allocation increased 5% over the current year budget. Reductions in building management transfers are due to the refunding of the bonds for this building and reduction in parking revenue due to the new agreement for management of the parking structure. Most of the changes in departments are due to reorganization of staff between departments. Mr. Stevens clarified that the front page reflects resources coming in to departments; the back page reflects amounts that departments are paying for services.

The increase in Risk Management Fund is due to increased cost and to replace diminished funds. Per previous discussion, the finance department is studying the risk management issue. Mr. Stringer said that costs per department for risk management are figured through a formula.

President Bragdon asked to what extent the Office of Metro Attorney costs are billed to departments for specific billable hours. Mr. Stevens replied that costs for formula are based on hours used by department in previous year. Creative Services is tracking time on a monthly basis – that report will be incorporated into the cost allocation plan.

Councilor Burkholder asked if it's possible to get a list of the type of claims that were paid. Mr. Stringer replied that he would get that report to council. Mr. Short noted that claims include unemployment payments, which are increasing. Mr. Stringer noted that claims have not increased in the past two years, although there are occasional spikes in claims – e.g., the weather this winter resulted in some claims. President Bragdon clarified that increased costs in risk management are due to factors beyond our control, not related to negligence or increased claims. Mr. Stringer concurred. Councilor Burkholder asked if we do an analysis of claims history to understand areas needing improvement. Mr. Stringer receives a monthly report which he will forward to Council. That area is now under the management of David Biedermann.

Regarding cost allocation by payee, Councilor Burkholder noted that support services have been rising at a rate higher than inflation. Mr. Short replied that the overall increase in allocated costs is 5.1%, most due to increase in risk management. The actual increase in support services costs is about 1.5%.

Councilor Burkholder asked if the $500,000 payment to risk management fund is a one-time payment or if Metro would need to pay that every year. Ms. Rutkowski replied that we'd need to maintain the $1.5 million level for four or five years and then if interest earnings improve and expenditure levels remain constant, payments could decrease. Mr. Short pointed out that insurance costs have increased as well.

Mr. Short reviewed Finance and Administrative Services (page 7 of Proposed Budget). The reorganizing of this department and subsequent staff reassignments resulted in three different reviews – support services, property services, and risk management. He noted that the biggest change is the restructuring of the department this year to include risk management, IT, property services, and contracts and purchasing. The decrease of 2.65 FTE is the result of moving staff to other places: Benefits staff moved to HR, construction manager moved to Parks budget. There was an addition of .35 FTE to change the management technician position in the property services department from part-time to full-time. The director of business support was eliminated but an administrative support position was added to support risk management. The materials and services increase is due to health insurance cost increases. The capital outlay reduction is due to the cyclical nature of CIP projects in building and IT. There are two main issues – the first is risk management, which was discussed earlier. The second is renewal and replacement needs for capital assets – for IT and building fund, both of which are included in the proposed budget. Some of this is funded by surplus revenues from the contractor license program that have accumulated over the years. Parking lot revenue is decreased in part due to loss of parking tenants, and is now subsidized by contractor's license revenues. During construction of OCC, the parking contract paid for debt service. The policy question for the Council is where to direct contractor license fee funds – continue to place in building operations (to include the garage) or create renewal and replacement fund. Increase of paid parking along city streets has made no appreciable difference in parking revenues in the garage. Fees for contractor licenses are governed by state statute.

Mr. Stevens reviewed Human Resources (page 17 of Proposed Budget). HR now includes benefits administration staff, moved from former business support department. The two positions are now funded through the cost allocation plan. The premiums for health, welfare and unemployment programs remain in the risk management fund. Personal services increased by 4.3% due to COLA and merit increases and reclassification of positions. Materials and services increases are primarily in risk management fund due to increase in insurance premiums. Other materials and services increased by 4.6%.

Mr. Stevens reviewed Creative Services (p. 45 of Proposed Budget). There was an overall increase of 5%, due to COLA and merit increases.

Mr. Stevens reviewed the Office of Metro Attorney (p. 5 of Proposed Budget). There were few changes, except for the elimination of lobbyist contract in OMA in order to create the legislative affairs position in Public Affairs. Increases in salary are primarily due to COLA and merit. Decrease in Open Space acquisition results in decreased OMA services in due diligence – this will likely result in future staff reduction of those hired to work on open space projects.

Mr. Stevens reviewed the Office of the Auditor (p. 3 of Proposed Budget). He noted that the requested budget submitted by the Office of the Auditor appeared to be higher than the current service level as defined in the budget preparation instructions. After reviewing the requested budget, Financial Planning was instructed by Council President Bragdon to prepare a current service level budget for the office. The current service level budget includes COLA/merit increases of 3% and 2% M&S costs for inflation. Alexis Dow, Metro Auditor, commented that the budget as presented was higher than the one being presented today. She prepared a budget to retain the current service level. The higher cost had nothing to do with carry-over, but rather the cost of actually providing services. She does not support or accept the amount of the budget currently proposed - $71,600 less than her proposed budget.

5. GENERAL COUNCIL DISCUSSION

Next week, Solid Waste and Planning budgets will be presented. The week after that, the remaining departments will be presented.

President Bragdon commented that he's received calls from reporters regarding the Zoo budget. Kate Marx prepared comments for reply for all Councilors to use if contacted. Councilor

Monroe would like to have a serious discussion in the future about the long-range fiscal plan for the Zoo. President Bragdon concurred that the Zoo should be included in the strategic planning process. He commented that capital expenses were incurred without planning for continuing operating expenses. Councilor Burkholder asked how the press got access to the Zoo budget when Council hadn't even received it yet.

There being no further business to come before the Metro Council, Council President Bragdon adjourned the meeting at 3:10 p.m.

Prepared by,

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(For Chris Billington
Clerk of the Council)

ATTACHMENTS TO THE PUBLIC RECORD FOR THE MEETING OF MARCH 17, 2004

Item	Topic	Doc Date	Document Description	Doc. Number
1	Agenda	03-18-04	FY 2004-05 Budget Briefing with Metro Council March 17, 2004 Agenda	031704cbudget-01
3	Budget Summary	03-18-04	Budget Summary by Year	031704cbudget-02
4	Proposed Budget	03-18-04	Proposed Budget Fiscal Year 2004-05 Department Submission Reviews	031704cbudget-03