

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF REITERATING)
COUNCIL POLICY REGARDING)
SUPPORT SERVICES COST)
ALLOCATION

RESOLUTION NO. 94-1955

Introduced by Finance Committee

WHEREAS, the Metro Council has established in the Metro Code, Chapter 6 - Metropolitan Exposition-Recreation, Section 6.01.040 (m) that, "Services of the District including accounting, legal, personnel, risk management, public affairs, and other services shall be provided by the District subject to compensation being provided by the Commission to the District as the District may require;.." and,

WHEREAS, Metro E-R Commission Resolution 94-15, the MERC Support Business Plan, and the newly revised Commission Resolution 94-20 attempt to establish that the Commission can set guideline limits or parameters for support services standards and costs, and that the Commission can determine what it considers to be appropriate compensation for these important support services provided by Metro; and,

WHEREAS, three Councilors have requested council review of Commission Resolution 94-15; and,

WHEREAS, The Metro ER Commission rescinded Commission Resolution 94-15 and took similar action through adoption of Resolution 94-20; and,

WHEREAS, MERC Resolution 94-15 and the MERC Support Business Plan state "there needs to be a way to manage these costs, rather than simply budget for them without any control."; and MERC Resolution 94-20 states, "That if the budgeted support cost amount is within these guideline parameters, the support costs will be deemed reasonable [by the Commission]" and,

WHEREAS, the Council fully understands the fiscal impact of support service costs within all of Metro and does control them through the normal budget process and has established what services will be provided and at what cost, now, therefore,

BE IT RESOLVED,

1. That Support Services costs are set by the Council in the annual budget process and are allocated through a Cost Allocation Plan which is based on benefit received or level of use of Metro operating departments;

2. That Support Services cost limits may be established by the Council and any difference between the limit and allocated cost will be paid from discretionary funds in an amount to be determined by Council;

3. That the Council will review the Cost Allocation Plan with FY 94-95 Performance Audit funds to provide departments the most cost effective and appropriate method for allocating costs;

4. That all department and MERC budgets shall be based on the Cost Allocation Plan as prepared by the Executive Officer and adopted by Council;

5. That departments and MERC are encouraged to maintain ongoing communications with Support Service Directors regarding quality of service, emerging issues and other applicable matters to facilitate smooth operations; and,

6. That the Metro Council reconfirms and reiterates its established ordinance, Chapter 6, Section 6.01,040 (m).

ADOPTED by the Metro Council this 12th day of May, 1994.



Judy Wyers, Presiding Officer



METRO

Date: April 26, 1994

To: Council Finance Committee

From: Don Carlson, Council Administrator
 Jennifer Sims, Director of Finance and Management Information

Re: Council Policy Regarding Support Services Cost Allocations

Background: All of Metro's centralized support services are paid by the operating departments based on a Cost Allocation Plan. Support Services includes all of the functions provided by the Offices of General Counsel, Public and Government Relations, and Personnel and the Departments of Finance and Management Information and General Services. In FY 1994-95 the Committee for Citizen Involvement will be added as a support service. For at least the last 15 years, the same methodology has been used to determine benefit received and usage and to charge the departments accordingly. Until FY 1990-91 all of the above listed activities plus those of the current General Fund were budgeted in the General Fund and allocated. When the excise tax was implemented, "general government" costs were retained in the General Fund and a new separate Support Services Fund was established. The Cost Allocation Plan and Support Services Fund transfer revenues are administered by the Finance and Management Information Department.

The major tenet of the cost allocation plan is "Benefit or Use". Costs are allocated to the operating funds on the basis of use or benefit to the respective functions. This is critically important since most of Metro's funding sources are dedicated to specific functions. It is important therefore, to establish a "Benefit or Use" relationship with the respective allocations.

The various operating departments which pay for the Support Services costs through transfers have historically had concerns about the cost of central services and their lack of direct control over cost and quality of service. This "dynamic tension" exists in all organizations. The Council balances the needs and costs through the budget process and the Executive Officer carries this out with ongoing management review. Of course, any department can initiate discussion of these issues with the service provider(s).

MERC recently passed three resolutions regarding Support Services and adopted the "MERC Support Business Plan," (attached). These reference the need to limit Support Services costs and establish strategies to develop a different basis for the allocation of support service costs. The basis suggested is a percent of operation rather than use or benefit.

These actions appear to be in conflict with current practices for allocating Support Services and Chapter 6 of the Metro Code. This chapter creates MERC and defines the relationship between MERC and Metro, including Support Services.

It appears necessary for the Council to clearly establish and communicate the basis for allocating support service costs to all operating departments in Metro and the process by which the allocation is done.

Recommended Action: The attached draft resolution addresses several key issues raised by MERC's actions. The resolution would do the following:

1. Reiterate and reconfirm that the Council sets Support Services costs.
2. Clarify that Support Services cost limits may be set by Council with differences paid from discretionary funds.
3. Dedicate the Council's FY 1994-95 performance audit funds to a review of the Cost Allocation Plan.
4. Establish that all department and MERC budgets shall be based on the Cost Allocation Plan.
5. Encourage departments and MERC to work together on Support Services issues.
6. Reiterate and reconfirm Chapter 6, Section 6.01.040(m) and repeal MERC Resolutions 94-15 and 94-20 and the policies, standards and strategies of the MERC Support Business Plan.

cc: Rena Cusma, Executive Officer
Metro Councilors
MERC Commissioners
Dick Engstrom
Pat LaCrosse
Dept. Directors

BEFORE THE METRO COUNCIL

DRAFT

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RESOLUTION NO. 94-1955

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WHEREAS, Metro E-R Commission Resolution 94-15, the MERC Support Business Plan, and the newly revised Commission Resolution 94-20 attempt to establish that the Commission can set guideline limits or parameters for support services standards and costs, and that the Commission can determine what it considers to be appropriate compensation for these important support services provided by Metro; and,

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WHEREAS, The Metro ER Commission rescinded Commission Resolution 94-15 and took similar action through adoption of Resolution 94-20; and,

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3. That the Council will review the Cost Allocation Plan with FY 94-95 Performance Audit funds to provide departments the most cost effective and appropriate method for allocating costs;

4. That all department and MERC budgets shall be based on the Cost Allocation Plan as prepared by the Executive Officer and adopted by Council;

5. That departments and MERC are encouraged to maintain ongoing communications with Support Service Directors regarding quality of service, emerging issues and other applicable matters to facilitate smooth operations; and,

6. That the Metro Council reconfirms and reiterates its established ordinance, Chapter 6, Section 6.01,040 (m) , and repeals MERC Resolutions 94-15 and 94-20 and the policies, standards and strategies of the MERC Support Business Plan.

ADOPTED by the Metro Council this _____ day of _____, 1994.

Judy Wyers, Presiding Officer

METROPOLITAN EXPOSITION-RECREATION COMMISSION

RESOLUTION NO. 94-20

Adopting the Support Costs Analysis Report dated March, 1994 and establishing guideline parameters as contained in the report.

The Metropolitan Exposition-Recreation Commission finds:

1. That Resolution No. 94-15 is hereby revoked and replaced by this Resolution;
2. There has been a shift in support services from MERC to Metro;
3. The support service costs have been analyzed;
4. Concerns have been raised regarding the rate of growth of support costs;
5. Resolution No. 94-10 recommending reallocation of hotel tax funds to support the PCPA requires that guideline parameters for support costs be established;
6. It is prudent to establish guideline parameters for support costs to ensure these costs are consistent with the size of business;
7. These guideline parameters will be used as a benchmark during the annual budget process whereby these parameters will be compared against the proposed budgeted support costs as a function of a facility's overall budget;
8. That if the budgeted support cost amount is within these guideline parameters, the support costs will be deemed reasonable;
9. That if the budgeted support cost amount is outside these guideline parameters, further analysis and discussion of the support costs will be performed;
10. That if after further analysis and discussion, MERC staff still has concerns, the MERC Commission will be informed and they will determine whether the Commission will address the issue with the Regional Facilities Committee and the Metro Council;

Metropolitan Exposition-Recreation Commission
Resolution No. 94-20
Page 2

BE IT THEREFORE RESOLVED that MERC Resolution No. 94-15 is hereby repealed; and that the Commission adopts the Support Cost Analysis Report and recognizes the proposed guideline parameters as an administrative standard to be used according to the procedures stated above.

Passed by the Commission on April 20, 1994.

Chairman

Secretary-Treasurer

APPROVED AS TO FORM:
Daniel B. Cooper, General Counsel

By: _____
Mark B. Williams
Senior Assistant Counsel

RECEIVED APR 04 1994

METROPOLITAN EXPOSITION-RECREATION COMMISSION

RESOLUTION NO. 94-15


Adopting the Support Costs Analysis Report dated March, 1994 and establishing guideline limits as contained in the report.


The Metropolitan Exposition-Recreation Commission finds:

1. There has been a shift in support services from MERC to Metro;
2. The support service costs have been analyzed;
3. Concerns have been raised regarding the rate of growth of support costs;
4. Resolution No. 94-10 recommending reallocation of hotel tax funds to support the PCPA requires that guideline limits for support costs be established;
5. It is prudent to establish guideline limits for support costs to ensure these costs are consistent with the size of business;

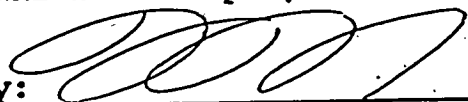
BE IT THEREFORE RESOLVED that the Commission adopts the Support Costs Analysis Report and recognizes the proposed guideline limits as an administrative standard to be used and reviewed annually during the budget process.

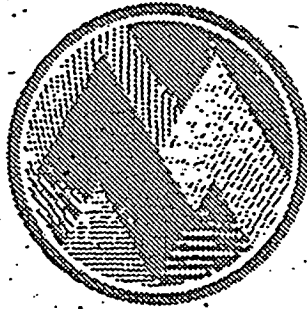
Passed by the Commission March 30, 1994.


Chairman


Secretary-Treasurer

Approved As To Form:
Daniel B. Cooper, General Counsel

By: 
Mark B. Williams
Senior Assistant Counsel



Metropolitan Exposition-Recreation Commission

Support Business Plan

March 30, 1994

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MERC SUPPORT BUSINESS PLAN

BACKGROUND

The Stadium, PCPA, OCC and Expo Center pay for support services provided by both Metro and MERC Administration. The types of support services provided to the facilities include general management, finance, accounting, personnel, insurance and legal. A complete listing of services and charges is shown on illustration 1.

Metro support service costs are charged to MERC based on an elaborate allocation formula using various factors such as the number of accounting transactions, number of employees, and other measures that are intended to reflect the level of support services used by MERC. The basis for each service charge is described in illustration 1.

Once the Metro charges are calculated for MERC, these charges along with the MERC Administration requirements are divided among the facilities via a MERC "internal" allocation plan. This internal allocation plan incorporates some of the same factors used in the Metro plan. Again, the intent of the internal allocation plan is to charge the facilities based on their respective use of the support services.

HISTORY

In the first few years of MERC, the majority of support services were provided by the MERC Administration department. In 1991, Metro commissioned a study of its support services to obtain expertise on the best configuration for MERC as well as for other Metro departments. That study, conducted by the firm of Benson and McLaughlin, analyzed each service in considerable detail and made recommendations regarding whether each should be centralized or decentralized. Largely based on the results of that study, certain functions were consolidated with the result that all personnel activities and some accounting functions were transferred to Metro. MERC continues to maintain overall management and industry-specific functions such as event settlements. This overall consolidation has worked well in the sense that there is now very little duplication of effort by MERC and Metro.

CURRENT STATUS

As of July 1993, the Memorial Coliseum is no longer a MERC-managed facility. Because of the loss of this "cash cow", MERC recognized a need to evaluate the remaining facilities and set a course for the future to better manage costs via the Business Plan. One issue that has been raised in the Business Planning process is the need to have the support service costs reflect the business needs and, in turn, the changes in business. Furthermore, there needs to be a way to manage these costs, rather than simply budget for them without any control. This same issue has been raised in various meetings by the PCPA Advisory Committee, the Tri County Lodging Association and MERC facility management.

Illustration 1

Metro Support Services, Insurance and MERC Administration Charges

Description	Budget FY 90-91	Budget FY 91-92	Budget FY 92-93	Budget FY 93-94	Proposed 94-95
Support Services					
Finance	64,756	60,472	74,539	50,140	63,964
Legal	51,618	55,155	62,892	37,766	39,638
Accounting	159,304	192,521	233,604	287,913	298,403
Office Svcs.	0	3,038	11,009	0	1,583
Personnel	152,033	185,813	211,379	195,086	203,036
Procurement	6,901	587	19,144	27,130	13,278
Public Affairs	18,248	4,688	6,578	2,110	406
Information Sys.	90,101	144,903	129,234	94,084	99,032
Const/Code Sup.	21,756	7,019	18,026	0	0
Graphics	0	0	0	0	514
General Expenses	0	0	0	0	21,356
Indirect/Pooled	17,857	100,072	83,267	48,770	85,198
Facilities Mgmt.	0	507	0	0	0
Support Services	582,574	754,775	849,672	742,999	826,408
Other:					
Insurance	185,976	510,177	535,611	327,068	236,703
Expo Ctr. Alloc.	0	0	0	103,331	108,521
Total Metro Chrgs.	768,550	1,264,952	1,385,283	1,173,398	1,171,632
Total MERC Admin.	976,725	832,999	782,191	619,740	633,612
Total All Charges:	1,745,275	2,097,951	2,167,474	1,793,138	1,805,244

Allocation of Charges by Facility

Description	Actual 90-91	Actual 91-92	Actual 92-93	Budget 93-94	Proposed 94-95
Performing Arts	288,001	391,066	413,770	443,213	476,164
Civic Stadium	133,463	180,958	195,207	224,944	145,757
Mem. Coliseum	478,040	656,501	693,137	0	0
Convention Ctr.	559,279	692,432	753,222	951,642	1,001,302
Expo Center	0	0	0	173,339	182,021
Total Allocation	1,458,783	1,920,957	2,055,336	1,793,138	1,805,244
MERC (above) costs less Metro Transfer, renewal/replacemt and Contingency	22,087,200	23,470,850	24,379,367	17,402,154	17,744,431

In order to understand the support service costs and their relationship to the MERC facilities, staff reviewed and analyzed these costs along with all other facility costs. From a historical perspective, the Metro and MERC charges were reviewed for fiscal years 90-91 through the current projected budget for 94-95. The costs were detailed by the type of functions and analyzed in relation to the business for the respective year (see Illustrations 1 & 2).

As can be seen in Illustrations 1 & 2 the combined Metro and MERC support costs historically have been reasonable, Illustration 2 graphically shows the hand-off of support services from MERC to Metro in FY 93-94 and the fairly steady combined support services costs over the five years.

In fiscal year 93-94, the loss of the Coliseum is evident from the sharp decline in total MERC costs in the upper half of Illustration 2. However, the reduction in support costs, apparent in both Illustration 1 & 2, does not appear to be at the same level as costs previously allocated to the Coliseum. While certain mitigating circumstances exist, the lack of expected decrease raises the concern of managing support costs for the MERC facilities in the future.

ADEQUACY OF PRESENT SERVICE CONFIGURATION

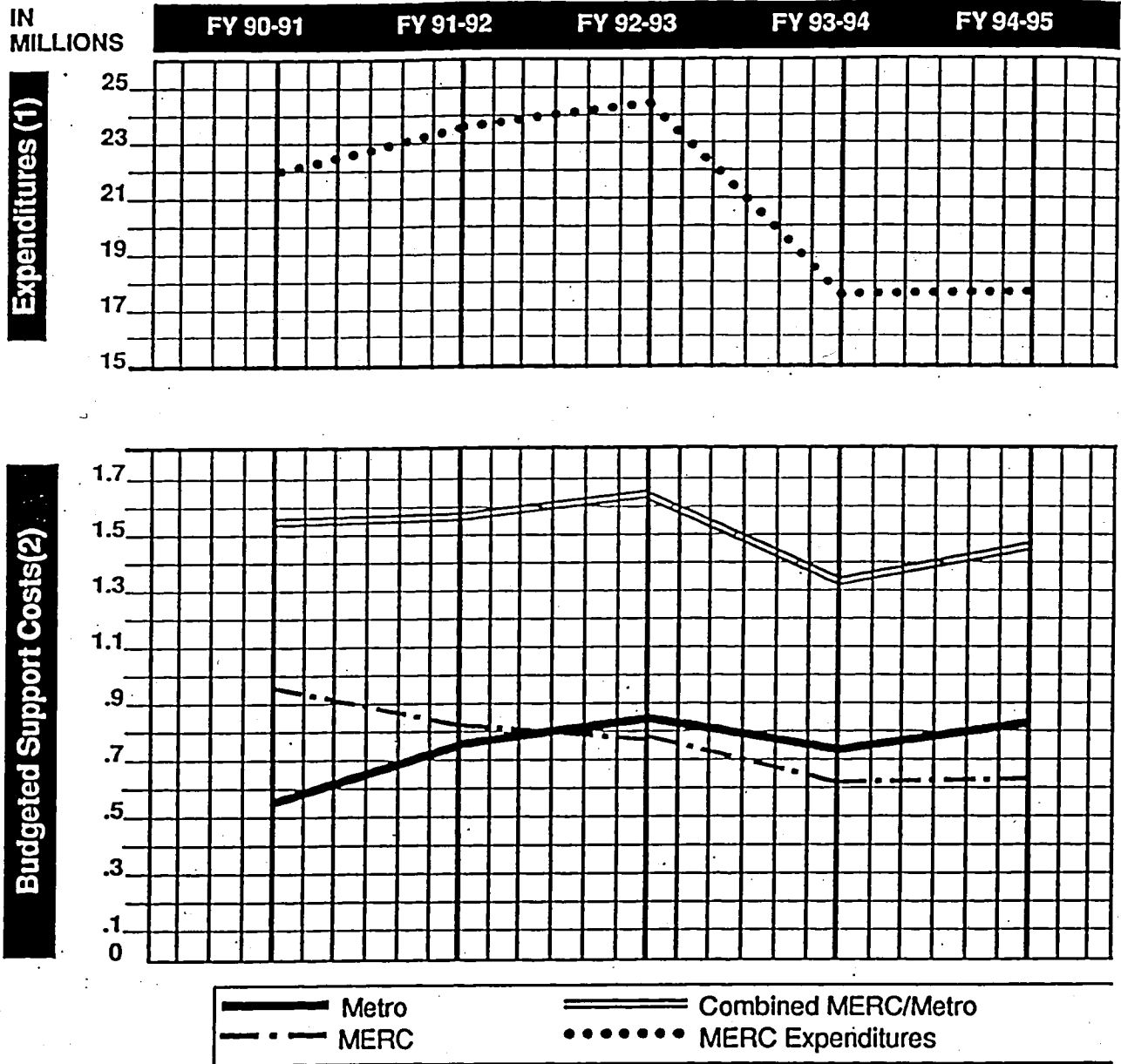
Beyond cost, there are other issues: satisfaction with the individual services, the need for additional capabilities, and the cost-benefit of further centralization of functions.

The system at Metro has no formal mechanism for the "paying department" to control cost or quality of the service provided. Indeed, there is not always a clear understanding of exactly what services will be provided and at what standard. Part of the reason for this is that to a significant degree the service charges are considered fixed costs, not a "pay as you go" arrangement. The allocation formula is merely a way to spread typical overhead charges. It is unlikely that Metro will, or even can, completely change the system. Nevertheless, some modification might be possible whereby the paying department could be given some degree of control over cost and quality. This would reduce overall frustration for everyone.

A review of the range of services suggests only a few capabilities are lacking. MERC has no public information/public relations staff nor does it use such services available at Metro. Given that MERC's function is quite different from other government functions, it may require a person with expertise and knowledge of MERC's business. MERC also has no planning staff. In the past, facility planning and development has been done at Metro in the Regional Facilities Department. However; Metro is currently undergoing reorganization and continuation of that function at Metro is unclear. MERC has future needs for planning expertise for its Convention Center masterplan and for continuation of the Business Plan process. Finally, MERC has had a lack of management information and analysis in the past. This is a function best done in house since the data is not available on any of Metro's computer system and because the function should be a regular part of MERC's management. Recently, MERC has upgraded its fiscal management staff and is building greater capability for management analysis.

Illustration 2

MERC Expenditures and Metro support costs over five year period: 1990-1995



(1) MERC Expenditures are total expenditures less Metro transfers, renewal & replacement transfers and contingency.

(2) Budgeted Metro support costs exclude insurance and Expo Center allocation.

In the past, there was greater centralization of operational function such as admissions, special services, and technical services. With the loss of the Coliseum, these services were decentralized and absorbed by the individual facilities. There is some sharing of the admissions (event services) function although it is now housed at the PCPA. Whether this arrangement works well or whether consolidation should be reconsidered should be addressed at some point.

CONCLUSIONS

*A means to manage support service costs is needed to ensure that they are consistent with levels of business.

*MERC currently lacks support capabilities for public information, planning and management information and analysis.

*Review of the current decentralized operational functions is needed to assess cost-benefit.

STRATEGIES

1. Establish guideline limits for support costs. The need to manage cost suggests that guideline limits for Metro and MERC support are needed.

These guideline limits should be separate for Metro support and insurance charges and MERC support charges. During the annual budget process, these guideline limits could be applied to the proposed facility budget to determine if support costs are reasonable as compared to projected business.

Staff has calculated the proposed guideline limits using the fiscal year 93-94 budget (*see Illustration 3*). Fiscal year 93-94 was used since it is the most recent fiscal year, it does not include the Memorial Coliseum and it was presumed to be a reasonable financial indicator of an MERC average/usual year for each facility. The initial guideline limits were determined by taking the MERC and Metro transfers (separately) as a percentage of total facility budgeted expenditures less transfers and contingency.

The initial percentage guideline limits were applied historically to fiscal years 90-91, 91-92 and 92-93 as well as to the 94-95 proposed budget (*see Illustration 4*). The purpose was to determine if the initial percentage guideline limits were indeed reasonable and within the general range of where actual transfer costs were historically.

Illustration 3

1993-94 budget data used to establish guideline limits for support costs

Facility	Total Expenditures Less Transfer & Contingency	MERC Support Transfers	% Limit	Metro Support Transfers	% Limit	Combined Support Transfers	% Limit
Stadium	\$2,404,291	\$ 82,736	3.4%	\$142,483	5.9%	\$225,219	9.4%
PCPA	\$4,466,833	\$ 153,653	3.4%	\$289,285	6.5%	\$442,938	9.9%
OCC	\$8,795,463	\$ 313,351	3.6%	\$638,291	7.3%	\$951,642	10.8%

Illustration 4

% Guideline Limits Historical Comparison

Compared to actual 92-93													Total
Facility	Total expenditures less transfers	MERC support transfers	actual %	% limit	\$ Diff. from actual to limit	Metro support transfers	actual %	% limit	\$ Diff. from actual to limit	Combined support transfers	actual %	% limit	\$ Diff. from actual to limit
Stadium	\$1,710,223	\$ 74,817	4.4%	3.4%	\$16,669	\$120,390	7.0%	5.9%	\$19,487	\$195,207	11.4%	9.4%	\$ 36,156
PCPA	\$4,585,666	\$164,715	3.6%	3.4%	\$ 8,802	\$249,055	5.4%	6.5%	(\$49,013)	\$413,770	9.0%	9.9%	(\$ 40,211)
OCC	\$7,850,345	\$232,036	3.0%	3.6%	(\$50,576)	\$521,186	6.6%	7.3%	(\$51,889)	\$753,222	9.6%	10.8%	(\$102,465)

Compared to actual 91-92													Total
Facility	Total expenditures less transfers	MERC support transfers	actual %	% limit	\$ Diff. from actual to limit	Metro support transfers	actual %	% limit	\$ Diff. from actual to limit	Combined support transfers	actual %	% limit	\$ Diff. from actual to limit
Stadium	\$1,777,991	\$ 72,996	4.1%	3.4%	\$ 12,544	\$107,962	6.1%	5.9%	\$ 3,061	\$180,958	10.2%	9.4%	\$ 15,605
PCPA	\$3,621,363	\$155,783	4.3%	3.4%	\$ 32,657	\$235,283	6.5%	6.5%	\$ 0	\$391,066	10.8%	9.9%	\$ 32,657
OCC	\$6,878,551	\$229,665	3.3%	3.6%	(\$17,963)	\$462,767	6.7%	7.3%	(\$39,367)	\$692,432	10.1%	10.8%	(\$ 57,330)

Compared to actual 90-91													Total
Facility	Total expenditures less transfers	MERC support transfers	actual %	% limit	\$ Diff. from actual to limit	Metro support transfers	actual %	% limit	\$ Diff. from actual to limit	Combined support transfers	actual %	% limit	\$ Diff. from actual to limit
Stadium	\$1,467,380	\$ 68,651	4.7%	3.4%	\$ 18,761	\$ 64,812	4.4%	5.9%	(\$ 21,763)	\$133,463	9.1%	9.4%	(\$ 3,002)
PCPA	\$4,124,133	\$146,709	3.6%	3.4%	\$ 6,488	\$141,292	3.4%	6.5%	(\$126,777)	\$288,001	7.0%	9.9%	(\$120,289)
OCC	\$6,436,494	\$281,217	4.4%	3.6%	\$ 49,503	\$278,062	4.3%	7.3%	(\$191,802)	\$559,279	8.7%	10.8%	(\$142,299)

Based on the analysis, discussion and some minor adjustments the proposed guideline limits for each facility are:

	<u>MERC Support</u>	<u>Metro Support</u>
Stadium	3.7%	6.0%
PCPA	3.7%	7.0%
OCC	3.5%	7.0%

An analysis of these proposed guideline limits compared to the proposed fiscal year 94-95 budget is attached (*see Illustration 5*).

2. Negotiate service standards with Metro

MERC should work with Metro to develop agreements concerning what services will be provided, the standards for such services and a means for addressing dissatisfaction with service provision. This should be done for the major services MERC uses first such as personnel, accounting and, if successful, continued with other services.

3. Assess future needs for planning and public information

MERC should do a comprehensive assessment of all public information and planning needs and, determine how best to meet them within the resources available. Alternatives such as short term contracts, additional staff, and use of Metro services should be considered.

4. Develop in-house capability for management information and analysis

A determination of needs for management information, performance standards and analysis should be made. Staff capabilities in these areas should be developed using current staff supplemented by contractual work. As business increases, additional staff might be considered.

5. Continued to assess cost-benefit of centralizing operational functions

Centralization of functions such as admissions (event services), ticketing, concessions, marketing, etc. should be reviewed to assess cost benefit. Impact on service to the individual facility and patrons should be a strong consideration.

Illustration 5

Percentage guideline limits comparison to proposed FY 94-95 budget

Compared to proposed 94-95

Total

Facility	\$ Diff. Total expenditures less transfers	MERC support transfers	actual %	% limit	\$ Diff. from actual to limit	Metro support transfers	actual %	% limit	\$ Diff. from actual to limit	Combined support transfers	actual %	% limit	\$ Diff. from actual to limit
Stadium	\$1,869,616	\$ 50,295	2.7%	3.4%	(\$13,272)	\$ 95,462	5.1%	5.9%	(\$ 14,845)	\$ 145,757	7.8%	9.4%	(\$ 28,117)
PCPA	\$4,112,038	\$164,306	4.0%	3.4%	\$24,497	\$311,858	7.6%	6.5%	\$ 44,576	\$ 476,164	11.6%	9.9%	\$ 69,073
OCC	\$9,934,371	\$345,511	3.5%	3.6%	(\$12,126)	\$655,791	6.6%	7.3%	(\$69,418)	\$1,001,302	10.1%	10.8%	(\$ 81,544)

DESCRIPTION OF SUPPORT SERVICES PROVIDED BY METRO AND MERC

Metro Services and Allocation Basis

Finance--MERC's share of Metro's Finance Division, based on size of budget, interest earned and outstanding issues. This Division does financial planning, cash investments, supervising preparation of the budget, and financial analysis.

Legal--Assessment for share of Office of General Counsel based on estimated time needed for projects. Primarily pays for MERC Counsel, Mark Williams' time.

Accounting--This pays for MERC's share of Metro's Accounting Division based on a weighted average of transactions--accounts receivable, payable and payroll. MERC does the majority of its own accounts receivable. Services include payroll, accounts payable, regular fiscal reports, etc.

Office Services--These are printing, copying and mail services. Since MERC has its own capabilities to do these things, MERC is usually not charged or charged very little based on its actual use of printing services.

Personnel--This Metro Division provides recruitment, training, benefits management, labor negotiation and processes all personnel action paperwork. MERC is charged based on a weighted average of recruitment, number of positions hired and number of personnel action forms completed.

Procurement--This Division provides technical expertise in contracting and procurement regulations and is responsible for program requirements for special classes (minority, women, disadvantaged, small business). Cost is based on a weighted average of contracts, bids, and dollar value of new contracts.

Public Affairs--Public Affairs does public information production, public relations, and press contacts. The allocation is based on time spent per project. MERC has not used these services to any extent and the resultant charge is very small.

Information Systems--This Division maintains all of Metro's computer system and provides technical assistance. Although MERC has its own computer system, all of its accounting transactions are on the Metro system. This, then, is the basis for the Metro charges since MERC does not use other services.

Construction/Code Support--MERC does not currently use these services and is, therefore not charged.

Graphics--MERC generally does not use this service.

General Expenses--These miscellaneous expenses which are often financed under contingency.

Indirect/Pooled--This is MERC's share of services needed for staff who provide support services such as their payroll and personnel expenses.

Insurance--Since Metro is self-insured, funds have gone to initially to build up the fund. At the present time, the allocation is based on incurred losses in workers compensation, the liability program, attendance, as well as total property values and bonds. Services include risk management training, case processing.

Expo Center Allocation--This was a special, one time allocation, since there is not MERC/Metro experience on which to base an allocation.

MERC SERVICES *

General Management--MERC's general manager provides overall direction and management for the MERC system.

Commission staffing--The general manager and an executive secretary provide staffing for the Commission and its meetings.

Computer systems--A systems administrator maintains all of MERC's computer systems for all of its facilities.

Construction/Capital projects--A projects manager handles all capital projects for all facilities.

Purchasing/Contracts--A coordinator manages all contracts and purchasing for all facilities.

Financial management--Two professional staff manage all finances of MERC, prepare the budget, prepare financial reports and manage the event settle aspect of accounting.

*The cost allocation for the MERC services is done by MERC itself.

RECEIVED SEP 15 1994
METROPOLITAN EXPOSITION-RECREATION COMMISSION

Resolution No. 94-10

Authorizing the Chairman and Secretary-Treasurer to forward a recommendation to the Metro Council that Metro, forward the same recommendation to the Multnomah County Board of Commissioners to amend the County Code Section 5.50.050(5) to authorize MERC to reallocate \$600,000 of Hotel Tax currently collected for the Oregon Convention Center to the Portland Center for the Performing Arts to be used for operational support for a three year period only and subject to certain conditions.

The Metropolitan Exposition-Recreation Commission Finds:

1. That the Portland Center for the Performing Arts is in dire need of new, outside financial resources to assist in paying for operational costs or the center will face closure;

2. That the MERC Chair and other Commissioners have met 3 times with members of the Tri County Lodging Association and have discussed the financial needs of both the Oregon Convention Center and Portland Center for the Performing Arts;

3. That the Tri County Lodging Association, other interested parties, and the public have the right to review later Metro/MERC actions implementing this resolution and may at their discretion petition Multnomah county to cancel this "resolution" for cause.

4. That the Tri County Lodging Association has recognized the value of the Arts to the greater community and has agreed to support the allocation of \$600,000 a year for 3 years to the Performing Arts Center from the current hotel tax designated for the Oregon Convention Center subject to the following:

BE IT THEREFORE RESOLVED that the Chairman and Secretary-Treasurer are hereby authorized to forward the Hotel Tax reallocation recommendations contained in this resolution to the Metro Council for forwarding to the Multnomah County Board for adoption.

A. That Multnomah County Code Section 5.50.050(5) be amended as proposed in Exhibit "A" attached to authorize MERC to use \$600,000 a year of existing Multnomah County Hotel Tax for the operation only of the Portland Center for the Performing Arts; and that Multnomah County be requested to reference this and/or a subsequent Metro Resolution as justification for the proposed reallocation.

B. That this authorization be limited to three years starting with the 1994/95 fiscal year and at the end of this three year period, the last being fiscal year 1996/97, this authorization shall automatically expire, without the necessity of any further action.

C. That the use of these funds for the PCPA operation is subject to cancellation in any year if an emergency need is identified at the Oregon Convention Center. The MERC is the body charged with identifying such emergencies including, but not limited to:

- (1) "Current Resources except beginning fund balance do not meet current expenditures less renewal and replacement fund transfer and unappropriated balance.
- (2) Revenues from the hotel/motel tax drop by more than 25% in any year when measured against the prior year.
- (3) A major structural failure (not otherwise insured) such that total reserves are insufficient to repair the damage without the use of all or part of the 3 year \$1,800,000 commitment.
- (4) Or any other situation that threatens the normal operation of the convention center.

D. That Metro agree that it will not initiate any new hotel tax nor any increase to existing hotel tax during the time that this reallocation for the PCPA is in effect.

E. That the MERC will issue annually a written "Business Plan" report as to progress made in increasing the business and income for the PCPA and lowering the costs towards minimizing the PCPA financial gap.

F. That percentage guideline limits for MERC and Metro overhead/ support costs be set and results reported annually as part of "E" above.


G. That Multnomah County, Metro and MERC recognize that the overall solution to the region's funding for the Arts crisis does not rest with the hotel tax and that a broad regional solution needs to be found within the 3 year time frame stated here.

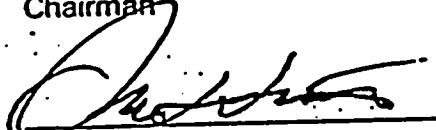
H. That MERC recognizes that the business at the PCPA may be increased by more focused marketing to visitors and agrees to consider increased visitor marketing.

I. That Metro and Multnomah County will amend the 6/24/86 Intergovernmental Agreement as necessary to implement these actions.

J. That the MERC and Metro recognize that the Tri County Lodging Association has been creative and cooperative in helping to identify interim solutions to the problem of funding the PCPA facilities and thanks them for their efforts.

Passed by the Commission on March 15, 1994.

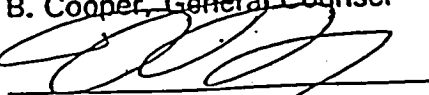

Chairman


Secretary-Treasurer

APPROVED AS TO FORM:

Daniel B. Cooper, General Counsel

By:


Mark B. Williams
Senior Assistant Counsel

**AMENDMENTS TO MULTNOMAH COUNTY
TRANSIENT LODGING TAX****5.50.050. Tax imposed.**

- * * *
- (5) After voters have approved issuance of general obligation bonds to finance or partially finance construction of the convention and trade show center or financing for construction has been obtained by some other means, funds deposited in the convention and trade show center special fund shall be used to assist the lead agency for the following purposes:
- (a) First, to pay any expenses incurred on activities identified under MCC 5.50.050(B)(4);
 - (b) Second, if all expenses identified in subsection (a) above have been satisfied, to pay any unfunded annual operating expenses that may have been incurred by the convention and trade show center;
 - (c) Third, if all expenses identified in subsection (a) above have been satisfied and if no otherwise unfunded annual operating expenses exist or if funds remain after the otherwise unfunded annual operating expenses have been paid, to provide for the promotion, solicitation, procurement, and service of convention business at the convention and trade show center to the extent necessary to fully implement the annual marketing program adopted by the lead agency;
 - (d) Fourth, if the needs identified in the foregoing subsections (a) through (c) have been fully satisfied, to pay ancillary costs associated with the development, construction and operation of the convention and trade show center, including but not limited to site acquisition costs and construction costs including financing of those costs;
 - (e) Notwithstanding the limitations on spending in subparagraphs (a) through (d), an amount not to exceed \$70,000.00 one time only may be used by the lead agency for the promotion, solicitation, procurement, and service of the 1988 International Association of Chiefs of Police convention in Multnomah County.

- (f) Notwithstanding the limitations on spending in subparagraphs (a) through (e), the lead agency may use an amount not to exceed \$600,000 per year, for three years beginning with the lead agency's fiscal year 1994-1995, for operation of the Portland Center for the Performing Arts.

FINANCE COMMITTEE REPORT

RESOLUTION NO. 94-1955 FOR THE PURPOSE OF REITERATING COUNCIL POLICY REGARDING SUPPORT SERVICE COST ALLOCATION

Date: May 3, 1994

Presented By: Councilor Monroe

COMMITTEE RECOMMENDATION: At its April 27, 1994 meeting the Committee voted unanimously to introduce and recommend Council adoption of Resolution No. 94-1955. Committee members present and voting were Councilors Devlin, Gardner, Kvistad, Monroe and Van Bergen. Councilors Buchanan and McLain were absent.

COMMITTEE DISCUSSION/ISSUES: Don Carlson, Council Administrator, and Jennifer Sims, Finance Director, presented the Staff Report. Mr. Carlson stated that the draft resolution was brought to the Committee because of the recent resolutions approved by the Metro ER Commission (Nos. 94-15 and 94-20) which adopt policies or guidelines for the setting of support service costs. He pointed out that Ms. Sims and he felt it important that the Council reiterate the Metro policy for the allocation of support service costs for all Metro functions so that it is clear to all concerned what the basis of the allocation is. He explained to the Committee that the draft resolution does the following:

1. It states that the costs are set by the Council in the annual budget process and that they are allocated on the basis of benefit received or level of use by Metro operating departments. The "benefit or use" basis is important since most of Metro's funding is dedicated for specific purposes and it is legally necessary to establish a benefit or use connection to the function with dedicated funding.
2. It states that the Council may establish cost limits for a function or fund and pay the difference between the allocation and the limit out of discretionary funds. The Council has done this during the annual budget process since the beginning for the Planning function which is funded substantially with Federal Grants. There are certain allocated costs which are disallowed through Federal regulations. It has been the policy of the Council to pay these costs with discretionary funds.
3. It states the Council will use its FY 94-95 Budgeted Performance Audit funds (\$30,000) to review the Cost Allocation Plan to provide the departments with the most cost effective and appropriate method for allocating costs. The MERC Business Support Plan included some valid observations about the current system of allocating costs particularly the lack of incentives to control usage. These issues need to be reviewed in a systematic manner to look for ways to improve the Cost Allocation Plan.

4. It states that all department and MERC budgets shall be based on the Cost Allocation Plan as prepared by the Executive Officer and adopted by the Council. This is important to insure the consistency and integrity of the Plan. Also, most of the data which supports the specific basis of the allocations is collected and analyzed by the Department of Finance and Management Information.
5. It states that all departments including MERC are encouraged to communicate with Support Service Directors regarding quality of service and other matters to facilitate smooth operations. The MERC Business Support Plan referred to difficulties in receiving quality service. While these are internal administrative issues for the Executive Officer to address, it is important for the Council to express its expectation that such matters will be addressed and resolved.
6. It reconfirms the policy stated in the Metro Code regarding the provision of support services by Metro central agencies to MERC and repeals MERC Resolutions 94-15 and 94-20 and the policies, standards and strategies of the MERC Support Business Plan. It is important that the MERC understand that it will continue to receive support services in the same manner as other Metro functions and that there not be different adopted policies within the various functions of the organization which state how support service costs are to be determined. If different policies are adopted by various parts of the organization they can lead to dysfunctional working relationships such as was the case between Metro and the MERC in past years.

Ms. Sims stated that one of her principal concerns is to maintain the integrity of the support service cost allocation system. It would be a mistake to allow each operating unit to determine the basis for paying support service costs.

Councilor Gardner expressed support for the resolution and moved to introduce it for filing with the Council Clerk and to recommend Council adoption of the resolution.


In response to a request from Councilor Hansen regarding the review of Metro ER Commission resolutions by the Council, Dan Cooper explained his recent opinion on the matter (See Attachment 1 to this Committee Report). He pointed out that in his opinion the Council had jurisdiction over MERC Resolution No. 94-15 even though the MERC had rescinded it and replaced it with Resolution 94-20. He also pointed out that the proper way for the Council to repeal a MERC resolution is through the adoption of an ordinance. The Code states that the Council by motion may approve a Commission action, modify the action, or return it to the Commission. He recommended changing the language in Section 6 of the draft resolution to put a period after the letter (m) and delete the rest

of the sentence which repeals MERC Resolutions 94-15 and 94-20. He stated that if the Council wants to stop either one of those resolutions it can adopt a motion at the appropriate Council meeting to return the resolution to the MERC. Councilor Gardner accepted Dan Coopers suggestion for changing Section 6 of the draft resolution as a friendly amendment and the Committee adopted the motion.



ATTACHMENT 1
(Fin. Comm. Rpt./Res 94-1955)

METRO

Date: April 27, 1994
To: Councilor Sandi Hansen
From: Daniel B. Cooper, General Counsel 
Regarding: METRO ERC RESOLUTION REVIEW
Our file: 2.G

Pursuant to your inquiry of April 22, 1994, I have reviewed Metro Code section 6.01.080 which provides for Metro Council review of Metropolitan Exposition-Recreation Commission actions taken in the form of resolutions.

The question you asked is what is the affect on the Metro Council's power to review Resolution No. 94-15 given that the Commission has acted to rescind the resolution in between the time the request to review was filed and the Council reviewed the matter.

The specific question you asked is generated by the fact that three Councilors, pursuant to section 6.01.080(b) of the Metro Code, have formally requested Council review of Metro ERC Resolution No. 94-15 in a timely fashion. Pursuant to the provisions of the Metro Code the review of this Metro ERC resolution was scheduled to occur at the Metro Council meeting to be held on April 28, 1994. After the three Councilors filed their request for review, the Commission by adoption of Resolution No. 94-20 on April 20, 1994, rescinded Resolution No. 95-15. In requesting review of Resolution No. 94-15, the Councilors requested that the Council review the matter because they felt that the Council had the sole power to set the policies that would have been established by Resolution No. 94-15.

For the reasons set forth below, I believe that the Council continues to have jurisdiction over Metro ERC Resolution No. 94-15 notwithstanding the Metro ERC action to rescind it. Since this conclusion is not totally clear we recommend that if the Council agrees with this conclusion it should amend the Code section to clarify its intent. If it intended a different result, then the Code should be amended to state the conclusion the Council desires.

Pursuant to Metro Code 6.01.080(b) the Council has the power during the review that has been scheduled to "upon adoption of a motion," act to approve the Commission action, modify the action, or return the matter to the Commission. If the Council approves or

Councilor Sandi Hansen

April 27, 1994

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modifies the resolution, the resolution becomes effective immediately including any modifications thereto. If the Council returns the resolution to the Commission, it does not become effective until such time as the Commission takes further action on the matter subject to the review procedures of the Code. Since the Code clearly provides that Metro ERC resolutions approved or modified by the Council "become effective immediately" a Metro ERC action rescinding a resolution while review is pending should not defeat the Council's ability to modify a resolution and have it become effective immediately.

In State ex rel Martin v. Ervin, 80 Or App 555, 722 P2d 1289 (1986) the Court of Appeals held that the repeal by a county of an ordinance after a valid referendum petition had been filed rendered moot the plaintiffs' request for an order of mandamus requiring the placement of the referendum on the ballot. The court's reasons given in that case would not apply to this matter since Council review of a Metro ERC resolution allows for Council modification as well as nullification. However, this case does show that the matter is not free from doubt and is one reason why the Council should consider clarifying its intent by revising the Code.

Since the result the Councilors who have requested review of Resolution No. 94-15 apparently seek is to have the Council render the resolution ineffective, there is little substantive difference between having the Council by motion return the resolution to the Commission, and having the Council take no action at all on Resolution No. 94-15.

I will be available to discuss this matter further with the Council at the Council meeting on April 28, 1994, or at any Council Committee meeting where it would appear relevant to do so.

gl

1826

cc: Metro Council
Don Carlson ✓