

MINUTES OF THE METRO COUNCIL SEMINAR

Tuesday, March 29, 2005
Metro Council Chamber

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

Councilors Absent: Susan McLain (excused)

Council President Bragdon convened the Metro Council Seminar Meeting at 2:03 p.m.

1. LONG TERM FINANCIAL TRENDS FOR THE AGENCY

Council President Bragdon introduced the topic.

Bill Stringer, Chief Financial Officer, said several issues had been raised at Council that they would be addressing. Kathy Rutkowski, Budget Manager, said budget law allowed them to release some information before the budget was released on April 7, 2005. She provided information about what they could discuss.

Ms. Rutkowski said Council had Volume 2 of the document. She explained the structural changes that had been made. The biggest change was in the general fund: d6 – a summary format of the general fund and d148 – provided more detail on the general fund. There was quite a bit of detail. The second place they had consolidated funds was in the capital fund – starting on page d42, which was followed by the individual funds.

Councilor Burkholder asked about the historical foundation of the budget so Council could see the changes. Ms. Rutkowski said yes and explained how this information was presented. Mr. Stringer talked about the general fund figures. Consolidation of the general fund opened up an array of options that weren't available before. Ms. Rutkowski talked about the resources and expenditures. Councilor Liberty asked about a third option. Mr. Stinger said yes. Councilor Newman asked if the department could describe what could happen before April 7th and after April 7th. Council President Bragdon explained that Council couldn't deliberate about the budget until April 7th. He explained that there were also two work sessions planned in April. April 28th would be a time for amendments to the budget. He noted that Nature in Neighborhoods would be one of the amendments. May 5th had been scheduled for final consideration. June 8th the Tax Supervision Conservation Commission (TSCC) hearing would occur. Councilor Newman asked about the specific date for budget adoption. Ms. Rutkowski said the budget would be sent to TSCC after May 5th and would come back for final adoption in June. Councilor Newman asked when amendments were due. Ms. Rutkowski said amendments were due April 22nd. Mr. Stringer spoke to amendments and that Council must identify which funds the amendment would come out of. Councilor Liberty asked about the connection between the work and the budget. He asked about work plans and dollar figures. Ms. Rutkowski said they were providing this information to the Councilor's offices right now. She spoke to the materials each councilor would receive such as department overview, organization chart by position, analysis on resources and expenditures, capital asset management and personnel requests. The program budget template was a numerical summary of each program.

Council President Bragdon suggested Councilor Liberty sit down with Jenny Kirk in the Planning Department for specifics on the planning fund. Council President Bragdon said the Nature in

Neighborhoods was cross departmental. Councilor Hosticka asked about general fund headings starting on d10. In the past it was broken down by FTE, was it included in the budget this year? Ms. Rutkowski said the information was provided in another part of the budget books.

Mr. Stringer said this was the first program budget tying programs to council goals and objectives. The program approach would be in the budget notebooks. State of Oregon still required a fund-based budget. Councilor Newman asked about page d7, fund balances itemized out. He wanted to know why the undesignated was so big because they had consolidated the fund. Ms. Rutkowski explained what was included in the undesignated fund balance. She explained the general reserve. It was the minimum amount that you would want to maintain. Councilor Liberty asked about the reserve and the general contingency. Ms. Rutkowski responded to his question. Mr. Stringer said if you have 15 smaller funds, which were aggregated into a larger fund, the question was do you still need the same reserves? They were still trying to answer this. Councilor Newman asked about the standard operating procedures for reserves? Ms. Rutkowski responded 4% for contingency was a general standard practice. The 10% reserve amount was influenced by Government Finance Officers Association's (GFOA) recommendations. Mr. Stringer said they intended to have these discussions with a variety of entities such as Moody's and GFOA. He felt that 10% was at the lower end. It was prudent risk reserve and was not used for cash flow. Councilor Liberty asked about parallel accounts. Ms. Rutkowski talked about the solid waste account.

Councilor Newman asked about the recovery rate on page d30, which was now over \$1 million. Karen Feher, Financial Planning Department, responded to his question. Ms. Feher said they would come close to having addition money in that fund so she was drafting a resolution to put those additional funds in renewal and replacement. Councilor Newman asked about the Public Employees Retirement System (PERS) reserve. Councilor Hosticka said PERS had not taken any action. Ms. Rutkowski responded that the Supreme Court had ruled but PERS had not come out yet with their recommendation. She understood that the unions that brought the lawsuit could still pursue the federal courts. Council President Bragdon said the Zoo and Regional Parks were allowed to fund their PERS through current reserves. Ms. Rutkowski said she was feeling more comfortable about the PERS rates. They should have additional information within a week or so. Mr. Stringer added his comments about the PERS allocation. Councilor Liberty talked about the PERS actuarials. Councilor Burkholder asked about debt relative to revenues and what was typical for our size of our agency? Mr. Stringer said it was good news and he would bring the information back to Council. Councilor Liberty asked about our ratings. Mr. Stringer responded to his question. He spoke to next steps, which was to answer questions raised last Thursday.

Brad Stevens, Financial Planning Department, talked about budget to actuals presented in the second quarterly report. He explained the charts (a copy of which is included in the record). He then addressed the Support Service fund question. He had found an error, which he had corrected. He had revised the report. After correcting for that error, the ending fund balances was about \$1.7 million. He explained some of the reserves for this fund and what happened at year's end. Mr. Stringer said last week they indicated that the convention center would exceed budget because of food service revenues. They were asked why the food numbers were so much greater. Kathy Taylor, Metropolitan Exposition Recreation Commission (MERC) CFO, explained how MERC did they budgeting. They had to do their budget in September. She detailed their calendar so that Metro could have it by the end of the year. They had used 2 to 3 year old data to project food revenue. The quality of the projection was poor. She added that the other issue was that they just negotiated to have NIKE comes in this year. She spoke to the benefits of this kind of convention. She thought they would end this year substantially above budget. It was all at risk until the convention happened. They had put a lot of effort into food and beverage increases. Councilor

Burkholder spoke to the unpredictability of the MERC budget. Mr. Stringer talked about the restriction of public budgeting. He suggested a mid-year budget update and to adopt a two year budget and then have periodic reviews of that budget. Councilor Newman asked about the personal services wages for MERC and why they didn't show two years of actuals. Ms. Rutkowski explained what they were required to report and that this information was difficult to provide. Councilor Newman asked about the general manager's salary. Ms. Taylor responded that they could provide that information to him. Ms. Rutkowski said legally the MERC budget must be integrated into our budget. In the past there had been a request that Metro analyze the MERC budget. Councilor Liberty asked when they could make a budget adjustment. Ms. Rutkowski said anytime money needed to be moved from one fund to another fund, there was a budget amendment by ordinance. Council President Bragdon said concentrating the amendments quarterly was a good idea. Ms. Rutkowski said departments couldn't over expend. Councilor Newman asked about the early exits savings. Council President Bragdon said they didn't have that information yet but they would probably have to do budget amendments in the Fall. Mr. Stringer said they had very few concrete numbers on the early exit process.

Councilor Newman asked about FTEs and what positions they were talking about. Ms. Rutkowski explained who was included in the general fund FTEs. Mr. Stinger talked about the five year forecast. The question was raised, what was involved in those five year forecasts. He explained how those forecast occurred and what assumptions were made. Ms. Rutkowski explained the general assumptions such as salary adjustments, Cost of Living Adjustment (COLA), excise allocations, etc. She explained the PERS rate assumption. Then, every department was allowed to make some specific changes to their areas. She spoke to the Planning budget and assumptions made. Expenditures would always grow more than revenues. She then spoke to the Regional Parks budget five-year forecast. Operational costs were exceeding revenues. Jeff Tucker, Regional Parks and Greenspaces Department, explained further detail on the five-year forecast and the draw down of funds. Mr. Stevens spoke to the Zoo operating forecast. He noted the general financial assumptions. As far as revenue, everything was based on attendance. They utilized a 10-year attendance statistic as well as increases in the property taxes. Councilor Newman asked about Zoo Foundation monies. He wanted to know how restricted those funds were. Mr. Stinger said they could be as restricted as determined by the Council. Councilor Hosticka suggested that there should be a statement that Council would not reduce their allocation if a large donation were given to the Zoo. Tony Vecchio, Oregon Zoo Director, talked about the Zoo Foundation concerns. Ms. Rutkowski talked about the general fund consolidation. The consolidation provided the Council greater flexibility to move money around. There were certain revenues that didn't have that flexibility. Councilor Liberty suggested explaining this by resolution. Mr. Vecchio said the Board had not met to discuss the general fund consolidation. Mr. Stringer pointed out why the consolidation was done. The consolidated fund balance put the responsibility on the elected body. Alexis Dow, Metro Auditor, talked about the donors who donated to the Foundation. The Foundation then donated to the Zoo. There were those restrictions that had to be honored. Councilor Newman explained the general concern. Councilor Liberty suggested a letter from Grant Thornton. Mr. Vecchio talked about the questions raised by the donors and their concerns about their donations. Councilor Burkholder talked about his concerns about guarantees of certain levels of funding. Councilor Park said he wasn't sure what you had to do to create that credibility. Councilor Hosticka said there was no way to make guarantees but what ever signals they could send, they should but there was no way they could guarantee.

Ms. Feher talked about the MERC forecast. She noted that the only assumption that they chose to do differently was the hotel motel lodging tax. The Visitor's Development Initiative subsidy was disappearing in a year. Councilor Liberty asked about the level of subsidy for five years. Ms. Taylor said they were actually doing better than they expected. Ms. Feher said the forecast could

change based on the mix of conventions. Portland Center for the Performing Arts (PCPA) and Expo were much more consistent. Ms. Feher then reviewed the Solid Waste forecasts and the general assumptions made. She explained why fund balances were going down. Councilor Burkholder asked about the reserve accounts. Doug Anderson, Solid Waste and Recycling Department, responded to his question. Councilor Liberty asked about the renewal and replacement fund. Ms. Feher responded to his question, solid waste had fully funded their renewal and replacement.

2. BRIEFING ON INVESTMENT POLICY

Mr. Stringer introduced the investment policy changes. Brian Williams, Investment Officer, explained in detail the changes in policy. He spoke to risks that the policy tried to eliminate. He spoke to the Oregon Investment Pool, which was a good investment tool for local governments. Most state governments had a pool account.

Councilors asked about our total investment and our returns. Council President Bragdon asked about the loan part of the fund, for example, the St. Johns Landfill. Mr. Stringer said they had about \$6.5 million in the St. Johns Landfill fund. Mr. Williams said in case of emergency he did make sure some of the funds were available today. Mr. Stringer spoke to the general level of liquidity requirements, which was based on past practices. He noted the 18-month return and risk. Councilor Park asked if the MERC money was part of the investment pool. Mr. Williams said yes and the Zoo was also included in this pool. Councilor Liberty asked if there were any government entities that were doing better? Mr. Williams said none that he was aware of. Mr. Stringer said there were other states that had higher yield because they didn't worry as much about safety. Councilor Hosticka asked what discretion they had as a governing body? Council President Bragdon said they set standards. State budget law guided much of the investments. Mr. Williams ended with the quarterly investment report. Mr. Stringer said there wasn't a lot of latitude to do anything else but he wanted to make sure Council understood this. Councilor Liberty was concerned about treasury bond investments. Councilor Park asked about building the convention center, how much were we allowed to invest in ourselves? Could they even consider this with the current policy? Mr. Stringer said he was not sure what the restrictions were. His general impression was that it fell under the practice of suspicious policy. Mr. Williams summarized the investment report. Councilors asked about specific investments. Had they adopted policies for investing in local banks such as Albina Bank and Shore Bank Pacific? Should they be investing back into the region? Mr. Stringer said they make a point of investing in local banks if possible. Councilors talked about investment in local banks and in institutions that supported Metro's policy. Mr. Stringer explained the process when there was liquidity available.

Councilor Newman said there was an opportunity to refinance the Zoo bond. Mr. Stringer explained the issue. There was an opportunity to refinance the bonds. We would save \$1.6 million over the life of the bonds. It was not a large amount. The down side was if you were going to issue tax exemption debt no more than 10% can be used for a private efforts, such as Aramark. He spoke to other limits that would validate the tax exemption status. Mr. Stringer said it was a cost savings but he was not speaking for or against this idea. Some issues could arise. Councilor Newman said he wanted to make sure with a refinancing there wasn't any issues that Council needed to be concerned about.

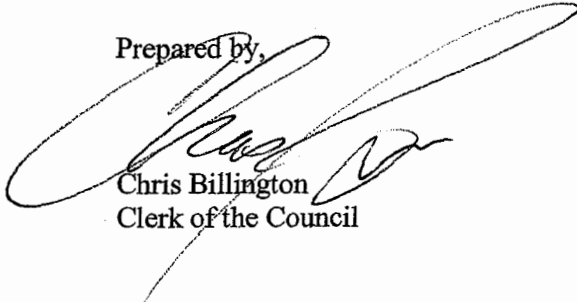
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There being no further business to come before the Metro Council, Council President Bragdon adjourned the meeting at 4:28 p.m.

Prepared by,



Chris Billington
Clerk of the Council

ATTACHMENTS TO THE PUBLIC RECORD FOR THE MEETING OF MARCH 29,
2005

Item	Topic	Doc Date	Document Description	Doc. Number
1	Detailed agenda	3/29/05	To: Metro Council From: Kathy Rutkowski, Budget Manager Re: Budget and Finance Condition Agenda	032905c-01
2	Metro Report	12/31/04	To: Metro Council From: Brian Williams, Investment Officer Re: Investment Report	032905c-02