

## MINUTES OF THE METRO COUNCIL BUDGET WORK SESSION MEETING

Wednesday, April 13, 2005  
Metro Council Chamber

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

Councilors Absent: Rex Burkholder

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

- 1. Ordinance No. 05-1074, For the Purpose of Adopting the Annual Budget For Fiscal Year 2005-06, Making Appropriations, and Levying Ad Valorem Taxes, and Declaring an Emergency**

Chief Financial Officer Bill Stringer said the five department directors would have five minutes each to present and then be available to answer questions.

### A. Oregon Zoo

Tony Vecchio, Oregon Zoo Director, introduced the Oregon Zoo budget. The Oregon Zoo prepared the budget according to what they actually believed will be the attendance and budget. They based the annual attendance on the assumption of 1,310,000 visitors. That represents about 7,000 to 8,000 less than last year. He discussed some of the other assumptions as outlined on his handout (attached), including no admissions increase this year.

Councilor Liberty clarified that 24.49 percent for Public Employees Retirement Service (PERS) reserve referred to a percentage of salaries.

Councilor Newman clarified that enterprise revenue included admissions revenue, and is projected to be down slightly.

Mr. Vecchio reviewed the budget issues and new revenue opportunities. He noted the increased utility costs of \$138,000. Central Services increases are expected to be \$167,000 and personnel costs increases are expected to be \$971,000. He reviewed the new revenue opportunities with the summer butterfly exhibit, simulator ride and parking. This is the first year they will have parking revenue, and it is a bit difficult to predict.

Councilor Newman asked about the net revenue from the simulator. Mr. Vecchio said they have a new 35-65 revenue sharing split, with the Zoo paying only for personnel. The Zoo no longer needs to pay the lease.

Councilor Newman also clarified that the parking charges began January 1, 2005. The Zoo really wants to study how the parking is going, with 3.5 months of parking charges, and get better numbers for the future.

Mr. Vecchio said the Zoo found itself in a \$1.1 million hole to get to a balanced budget. After discussing with President Bragdon, they decided to identify money in the PERS reserve, instead

of putting it in contingency. President Bragdon noted that this represents a less conservative approach than last year, and that the same was done in other departments, including Parks.

Mr. Vecchio reviewed expense cuts. He said they tried to minimize impacts on employees, and reorganized some things. He said the Zoo education and conservation projects have changed over the years. They created a new conservation department to include research, conservation and education efforts. He talked about how it integrates so well with Nature in Neighborhoods and local conservation efforts. He feels the timing is very good. They will recruit for a new manager for that department. The merger reflects a decrease in 1.0 full time equivalent (FTE).

Councilor McLain asked if any programs will be cut as result of this department merger, and Mr. Vecchio said they would not. They are eliminating the design department, and instead putting two designers in with the exhibits group and two in with the marketing division. This represents 1.9 FTE reduction.

Councilor McLain asked if the Zoo would have to contract out the design work and Mr. Vecchio clarified that they will not contract that work out. Mr. Vecchio noted that he hates to lose the design manager who has been a very valuable employee and contributed much.

The events staff will be transferred from the marketing division to guest services. They eliminated the assistant events position when the current employee took the exit incentive. In the Security division, they eliminated the security supervisor.

Councilor Liberty asked about contract advertising costs. Mr. Vecchio said they are trying to do more of the advertising work in-house, and no longer have an outside contract.

Councilor McLain asked about the security FTE reduction. She said she was concerned about having adequate safety coverage. Mr. Vecchio said they still will have adequate safety coverage.

Councilor McLain also asked about evacuation plans and emergency procedures, and if the Zoo has reviewed those plans with employees. Mr. Vecchio said he will get on the Council's work session agenda to review the Zoo's safety procedures. He said they regularly do all different kinds of practice drills with critiques afterward. They have the results of those drills on file.

Mr. Vecchio said the total FTE reduction is 4.87. He continued, reviewing the future considerations for the Zoo. One of the major considerations is that the Zoo's fleet is falling apart. They need to make a policy decision soon about replacing vehicles that are approaching not being safe for employees to drive.

Councilor McLain asked if the Zoo's fleet is part of Metro's fleet, and if they couldn't be joined.

Jeff Tucker, Parks Finance manager, said that most of Metro's vehicles are managed through the State of Oregon. Mr. Stringer said he would look into how the two fleets may be managed together.

Mr. Vecchio said costs are going up faster than revenues. He said they need to have a policy discussion with the Council about what to do about that.

Councilor Newman asked about traveling exhibit opportunities, and the possibility of using them for revenues. Mr. Vecchio said they use some of the traveling exhibits, especially the butterfly

exhibit, which will generate revenue. They have done some of the exhibits in-house. Most of the traveling exhibits require indoor space, which they would have to give up zoo-camps or catering to accommodate.

Councilor Liberty asked if medical costs stop rising so fast and PERS leveled off, if they would be able to keep up.

Mr. Vecchio said that if they could reduce the expense side, they could keep up. He said that when he talks to other zoo colleagues across the country, it seems that the PERS situation is unique to Oregon. Other zoos are finding that attendance is flat, whereas in Oregon it is rising.

Councilor McLain said she feels it is important to have a well-maintained facility that can sell itself. She noted that in the budget detail it says "\$0" for Capital Improvement Plans and maintenance.

Mr. Vecchio said they are in fact repairing and maintaining the facility. Mr. Stringer said a list of repair and replacement items was submitted, but was not included in the budget document. Mr. Stringer will provide it. Noncapital repairs are reflected in the budget with several thousand dollars set aside for them.

## **B. Metropolitan Exposition-Recreation Commission (MERC)**

Jeff Miller, MERC General Manager, and Kathy Taylor, MERC Director of Administration and Finance, presented the MERC budget. The MERC budget committee reviewed the MERC budget in October and November at a detailed level. The MERC board approved it on December 15, 2004, for submission to Metro.

They are budgeting the MERC bottom line to increase approximately \$195,000, so the ending fund balance for operating would be about \$10.8 million. The MERC pool capital fund is budgeted to decline \$287,000, and end up at about \$4 million.

She referred the Councilors to page D60 in their proposed line item budget book 2.

For the MERC operating budget, they are proposing that the operating revenues are going to be 8 percent greater than the fiscal year (FY) 2004-05 budget. This is a result of projected increases primarily in food and beverage revenues, and sales commissions. It is offset by a flat or slight decline in parking revenue and in this budget for the current year they had hoped to have some sponsorship revenue, but the Front Row Marketing contract was terminated last September, so they are not budgeting any sponsorship revenue.

Councilor McLain asked about why that is going away. Ms. Taylor explained that the contract was for securing sponsorships, but it was unsuccessful. She discussed the smaller contracts that generate \$60,000 in direct revenue from sponsors.

The hotel-motel lodging tax is budgeted at 2.5 percent annual increase, and they started using the base of 2003-04, since that was the most accurate number they had. The lodging tax is continuing to increase. This includes the final year for the Oregon Convention Center's Visitor Development Initiative, which is budgeted at \$300,000. They are anticipating the Portland Center for the Performing Art's VDI bucket will not be funded.

Councilor Newman asked for clarification on how the VDI is being budgeted. Ms. Taylor explained how it was handled last year and what they are planning for the future. The regular lodging tax is growing, probably greater than five percent per year. They discussed a shortfall from the City of Portland, and that they are not expecting the City to make it up. The make-up is budgeted under government contributions.

Councilor Newman asked for more clarification. Ms. Taylor said the City also pays for PCPA, starting out at \$600,000. Half of it goes to operations, and the other half goes to pool capital, to maintain the city's buildings. Last year MERC did not get \$500,000 of the VDI, and they got \$250,000 from the City for that. They ask the City for money, and they do not always get it when they want it. They are planning conservatively and are not counting on the \$500,000 VDI bucket of money from the City.

At the Oregon Convention Center (OCC) for the Metro Tourism Opportunity and Competitiveness Account (MOTCA), they are budgeting \$636,000 dollars. Those projects are to finish up either the Leadership in Energy and Environmental Design (LEED) work that they will not have done by the end of the year, or new projects to be approved by the Metro Council.

Ms. Taylor said they also have \$193,000 transfer from Metro, which is the difference between what the total support services that Metro would usually charge, and the difference between the agreement and the VDI to limit that to a certain increase per year. So there will be \$193,000 coming back to OCC.

Councilor McLain said she thought that the OCC program was only a three-year program. Mr. Stringer said it was, but it was in last year's budget, but was not necessarily required by law. It was 30 percent of a five-year period, and Metro has exceeded that. Metro has met its obligations to OCC. However, last year's budget had \$193,000 anticipated payment to OCC, when Metro's allocation to MERC exceeds 5 percent of the prior two years' total. He said, Metro was not required by law to make that payment. The Council was asked to make that payment, even though it was not required by the agreement. Councilor McLain they will have major changes on the support service program, and that they will need to flag that and look at it. The support services fund will be constrained, and they will want to look at the budget going to OCC, especially when other departments are having to let people go.

Ms. Taylor moved on to speak about the budget requirements. Personal services are budgeted to decrease a net two persons in the operating fund. Actually, two positions at Expo are vacant and will not be filled. The cost of personal services is going up due to PERS. Contingencies are budgeted at four percent of operating expenditures. The PERS reserve continues to be budgeted at 6.5 percent of salaries.

In the MERC pool capital fund, they have a leaner list of projects than in the past. All of the projects on the list, except the MOTCA LEED project, could be classified as major maintenance or replacement (e.g., new carpet at the Schnitzer Concert Hall, or a new ticket office at the Keller Auditorium). They are not new programs.

Councilor Liberty asked about the different replacement and renewal reserves for different departments. Mr. Stringer said yes. Their understanding is that each department is responsible for making up the amount necessary for payment into PERS, given the adverse court ruling. He discussed the reserves. Where additional reserves existed, the Council President decided to let

those reserves stand in lieu of a separate PERS account. President Bragdon said that Solid Waste is fully funded for renewal and replacement, but other than that the other departments are not.

Councilor McLain asked if the MERC total budget is a “hold the line” budget with increases only in medical and benefit costs. Mr. Miller agreed that it is a hold the line budget. They are an enterprise fund. They are not increased expenses, except where they are doing so to run the operation. They are staying current on maintenance and have no deferred maintenance.

Councilor Newman asked about the PCPA director’s salary. Ms. Taylor said that half of her salary is paid from the money from the City of Portland. A few other key operations positions

Councilor McLain asked about the marketing contract with Portland, Oregon Visitors Association (POVA). Ms. Taylor said they have had the same contract for three years. For purposes of budgeting, they used the same amount. However, the contract expires September 30, and they are going out to bid on that. It is reflected in the budget as \$2.258 million of the marketing budget. Plus they give them another \$350,000 that flows through from the VDI money, as a pass-through. President Bragdon said they expect to be aggressive with that Request for Proposal.

They will have 10 more conventions budgeted, and are planning 10 weeks of Broadway shows at PCPA. Revenues at Expo are projected to be flat. Councilors can contact them if they have questions.

Councilor Liberty asked about expected revenues for five years ahead, and whether they are expected to stay flat. Mr. Miller said they are hoping to bring in an additional \$350,000 of revenue by working harder, smarter, faster. When the convention center headquarters hotel project is done, they will change how they market the OCC. They are now working on going after some conventions that still may be available for the current facility size. He believes Metro still has some more opportunities.

### **C. Planning**

Andy Cotugno talked about the major programmatic shifts for the Planning Department that are reflected in the budget.

In the Regional Transportation Plan (RTP) group, the federal requirements are increasing, especially in tracking congestion. Next year is a light year for MTIP. The federal government is changing how the planning-related activity for MTIP is handled. Metro will have some of the prework responsibilities.

Councilor Liberty noted that the transportation budget is at least 60 percent grants. He asked if Metro wasn’t having to work on grant projects that are not necessarily Metro’s highest priorities. He asked if it would change that Metro is made to work on projects that are down the constrained list. Mr. Cotugno said that will not change. He said he is describing additional planning responsibilities.

The Corridor Study Group includes the Willamette Shore and streetcar projects. The biggest change is the regional travel options group. They are moving from the planning phase of the implementation phase. They are changing from a one FTE to three FTE, with corresponding changes in function. Some pass-through that used to be through TriMet, is now passed through Metro and is reflected in the budget.

Councilor Liberty asked how much is allocated for corridor studies. He wanted to see how the budget compares to Metro's 2040 map. Mr. Cotugno talked about the various corridor studies. He said they have five FTE directly related to the Transit-Oriented Design (TOD) program. Of those FTE, 4.5 are funded through the grants for centers. The other 0.5 FTE is funded from excise tax.

Councilor Liberty asked about state-mandates for the RTP.

Mr. Cotugno said in the RTP group is nine FTE, and probably half of that is for meeting the federal requirements for RTP updates, the MTIP process, the environmental justice certification process, adoption of the annual unified work program. They do not know yet how much increased responsibility Metro will have for some of these pass-through grants. It is not really accounted for in the budget yet.

Councilor Liberty asked about the state side. Mr. Cotugno said they have only 0.5 FTE to deal with the state on Metro's own 2040 compliance. They did not plan for the remand in FY 05-06, because they thought it would be done in the current fiscal year, although they do not have the remand letter yet and it may not get done this year.

He said the budget includes 0.5 FTE for affordable housing and 0.5 FTE for affordable housing. He said they need more definition of some programs to finalize the budget. They are FTE "reserves" that have not been fully defined. So he did not plan much for the state compliance because it is not expected to be much.

Councilor Newman asked about the TOD program going from 3.5 to 5 FTE, 4.5 of which will be funded by grants. Mr. Cotugno said \$3 million is available for grants. He said he would need to check, but he thinks about 80 percent goes out the door for projects. The campaign to educate is funded through excise tax, not through grants. Mr. Newman wants to keep an eye on the staff time used for grant projects, to make sure as much as possible does not fund Metro staff and instead goes out the door.

Councilor Newman excused himself to go to another meeting.

Councilor Liberty asked about money reserved for unidentified corridor studies. Mr. Cotugno said the MTIP allocated money for a series of corridor studies, and they are programming another one of those corridor studies in this budget. Mr. Cotugno explained that the RTP flagged 18 corridor studies that need to be addressed. A Council resolution broke them into three groups, with the short-term, mid-term and long-term priorities. They are now finishing most of the short-term priorities, and are trying to bring forth the next set of priorities. The two most obvious candidates appear to be I-5 South and the combination Powell-Foster/US 26/I-84 Connection. One would come in this budget and the other in the next budget.

Councilor Liberty asked about the work organized around corridors and if that is how the federal government distributes money. Mr. Cotugno said it is a reflection of a transportation planning rule requirement. Refinement plans are required for issues that are not addressed in the RTP. Mr. Cotugno talked about the refinement plans and the agreement with the state to do the refinement plans over time, instead of within the previously designated three-year time frame.

Mr. Cotugno agreed with Mr. Liberty that the federal request for money could be structured differently than in corridor studies. Mr. Liberty wondered about how that was affected by the Transportation Planning Rule.

Mr. Cotugno said Metro goes through the required process. Over time, they have concluded that it is much better to more precisely define issues during the planning phase, than in the engineering phase. He said that is a construct of the federal money because of the environmental issues that have to be addressed.

Mr. Cotugno concluded his general program presentation by talking about the Data Resources Center and Travel Forecasting. They are essentially the same and have functions that relate to the maintenance of data and forecasts. They also have support services functions to internal and external clients.

President Bragdon asked about Senate Bill 245 and concept area planning, that might have work requirements for Metro, with a revenue source, that would have Metro working with local governments, and possibly even doing concept area planning funded by a new tax on development. He asked if Mr. Cotugno had yet thought about how Metro would have capacity to do that. Mr. Cotugno said the Damascus model is a good model for that. Some is done by Metro and some by the local jurisdiction. It has been very successful in the case of Damascus. He feels the Damascus model would fit, although the proposed budget does not have funds for that.

Councilor McLain asked about the transfer of FTE from the Fish and Wildlife program to the implementation of Nature in Neighborhood. Mr. Cotugno explained this budget shows 3.5 FTE shifted from the Fish and Wildlife program to the Nature in Neighborhoods program. The other 1.5 FTE in the Fish and Wildlife program is shifted into the 4 FTE reserve for the 2040 review.

President Bragdon added that some FTE in the Nature in Neighborhoods program are not reflected in Mr. Cotugno's budget because they are coming from Parks.

Councilor McLain wants to make sure that the implementation of Nature in Neighborhoods is adequately funded. One of the functions is local government relations, which includes local government implementation, Land Conservation and Development Commission (LCDC) acknowledgement and Oregon Department of Environmental Quality (DEQ) and National Oceanic and Air Administration (NOAA).

Councilor McLain also asked about the reserves function. She thought that the reserves would be centerpiece work this next year. She's hoping that how we can get back to having it be so.

Councilor Hosticka asked how they are going to discuss which programs will get priority as a result of the reduction in staff. He noted that some positions in Planning are not necessarily scheduled to be filled. He asked if that will be handled at the managerial level, or if the Council would be able to actually have a program discussion, instead of just a budget discussion.

Michael Jordan responded, saying they are dealing with each position. He said they are not making any programmatic changes. They may need to come to Council for programmatic direction in the future.

President Bragdon said it may not require a budget amendment, since the current budget was not prepared with the early exit. Councilor Hosticka noted that the whole strategic planning was

supposed to enable the Council to discuss the relative importance of programs, instead of discussing FTEs.

President Bragdon said none of the personnel changes would be reflected in the draft budget.

Mr. Stringer said any personnel changes or efficiencies will, however, fall to the beginning balance, starting next year. Or the Council could choose a revision of the budget. Mr. Bragdon said there will be significant budget amendments in the coming fiscal year as a result of the program, and that is why they did not incorporate any of the attrition changes in the budget.

Michael Jordan said they will come back to the Council about how to spend any money saved.

Councilor Liberty said he assumed they anticipated a "bad year" again for next year, 2006-07. Mr. Jordan said they assume trends to continue for both revenues and expenditures. He said they would present those projections to the Council also.

The Parks department will present on Tuesday.

#### **D. Solid Waste**

Michael Hoglund, Solid Waste and Recycling Director referred Councilors to the Solid Waste line items starting on page 23. He said the Solid Waste and Recycling department has cut \$2.5 million from their discretionary spending that they have control over outside of our contracts eliminated about four FTE, three engineers and about five others. They responded to President Bragdon's request for a hold-the-line budget. They knew they would have some increased costs in their contracts due to the new contracts due to the new contracts to the transfer station, but also general increases in disposal and transport. They tried to maintain current service level. They kept the regional system fee constant from last year, and maintained FTE.

At the rate review committee they are discussing about looking at cost centers between what is accounted for in our disposal charge, which is the Metro part of the tip fee for us doing our business, and it is over about 550,000 tons, relative to which costs should be put into the regional system fee, which is applied to all tonnage in the system, which is about twice that, about 1.2 million tons. So there are some implications on the regional system fee and ultimately the tip fee based on what the rate review committee recommends and what the Council then adopts as this year's budget. They used last year's regional system fee as a benchmark for the budget.

They updated last year's criteria for cuts. He reviewed the criteria they used. They found they did not have to make cuts, and were able to line up their work with the strategic plans of the Council.

In the program side, they are completing their plans for divestiture. That will affect the disposal system planning and other components of the disposal system planning. They needed to get direction on that before they complete the regional solid waste management plan.

Councilor Hosticka asked how much it costs to do that type of analysis. Mr. Hoglund said 13-14 people are involved in the Regional Solid Waste Management Plan update, totaling 3.5 FTE worth of work for the year and \$80,000 in materials and services. On the disposal system planning they are using about two FTE, but it is spread out over a lot of analytical people. In the next two weeks they are trying to get some outside help to do the work objectively.



Councilor McLain asked for clarification from what she heard in the work session yesterday, and what Mr. Høglund is saying today. Mr. Høglund described the three parallel tracks. Councilor McLain said she heard the majority of the Council yesterday saying that they wanted more information, and not that they wanted divestiture. Mr. Høglund further described the process and the need to come back to the Council in June for direction.

Councilor Park clarified that he heard the Council say they want to look at options. Mr. Høglund said they will come back in two weeks and want to make sure they have the right options to consider.

Mr. Høglund summarized that the three big issues for them are disposal system planning, divestiture and RSWMP interrelationships for this year and probably next.

In addition to that, they will be implementing and analyzing the effect of an expanded dry waste recovery program. It will have an impact on the regional system fee credit program. The two are interrelated in that they both deal with dry waste recovery and the cost of doing business in dry waste recovery. They will have recommendations related to that.

By adjusting resources and downsizing in some areas, they have two additional expenditures this year. One is \$150,000 for the residential outreach program, that they will be partnered with collection and processing industry, intended to reduce curbside contamination and increase recovery. They want to work with haulers to get the word out about the problems with contamination, especially of plastics. Educating the public will cut costs later from contamination.

The latex paint business plan will be updated. They are trying to focus their programs to coordinate with the Nature in Neighborhoods work.

Multnomah County is focusing their investigative work of illegal dumpsites per Metro's request. Council President Bragdon met with Multnomah County Sheriff Bernie Guisto. They also extended their work outside of Multnomah County.

On the contracts side, there are increases in spending that will be covered in the disposal portion of the tip fee. These are related to the new operations contract at South and Central, and fuel. Mr. Høglund noted that fuel costs have gone up about 50 cents since they submitted the budget in December. Metro purchases diesel directly and don't have to pay federal excise taxes, but they budgeted \$1.36/ton and now are just under \$2/ton. They are submitting a technical budget amendment that reflects a new price of \$1.90, which will have an impact of \$552,000 on disposal. They considered taking it out of reserves, but they found it would be best to take it out of the disposal charges.

Councilor Park asked if Metro does any restoration after it does clean-ups of sites. Mr. Høglund said they have done a little, including species removal, but Metro could do more.

Councilor Park asked about local jurisdictions' desire for a better jurisdictional partnership with Metro. They are not completely clear yet on what they want.

Councilor McLain requested a list of costs when she meets with Mr. Høglund.

Parks and Central Support Services will present next week.

There being no further business to come before the Metro Council, Council President Bragdon adjourned the meeting at 4:05 p.m.

Prepared by,



Linnea Nelson  
Council Support Specialist

**ATTACHMENTS TO THE PUBLIC RECORD FOR THE MEETING OF APRIL 13, 2005**

| Item | Topic             | Doc Date | Document Description                      | Doc. Number  |
|------|-------------------|----------|---|--------------|
| 1    | Budget<br>Summary | None     | Oregon Zoo FY 2005-2006 Budget<br>Summary | 041305bcw-01 |