MINUTES OF THE COUNCIL REGIONAL FACILITIES COMMITTEE OF THE METROPOLITAN SERVICE DISTRICT

June 9, 1992
Council Chamber

Committee Members Present: Susan McLain (Chair), Tanya Collier (Vice Chair), Ed Gronke, Ruth McFarland, Ed Washington

Committee Members Absent: None

Other Councilors Present: Roger Buchanan, George Van Bergen

Chair McLain called the regular meeting to order at 5:30 p.m.

1. Presentation of Final Performance Audit Report on MERC's Business Practices

Bob O'Neill, Project Partner for KPMG Peat Marwick, and Hal D'Ambrogia, Project Manager for KPMG Peat Marwick presented the Final Performance Audit Report on MERC's Business Practices. Mr. O'Neill thanked the MERC and Metro staff for their cooperative participation in the audit.

Mr. D'Ambrogia noted a summary handout and the Final Performance Audit was distributed, copies of which are included in the record of this meeting. He said the objective of the audit was to review the business practices of MERC; analyze and evaluate the policies and procedures being followed by MERC; and the methods used by the Commission to ensure their policies were being carried out by the staff. He said ultimately, the objective was to make recommendations to improve MERC's business practices.

Mr. D'Ambrogia said MERC's historical background was first analyzed. He said the 1991-92 budget and the proposed 1992-93 budget were carefully considered throughout the audit process. He said prior studies were considered. He said the concessionaire operations were carefully examined, as they represented a major portion of the MERC operations. He said rate schedules were examined. He said interviews were conducted with MERC staff, MERC Commissioners, Metro Council, and Metro Management staff.

Mr. D'Ambrogia noted the Regional Facilities Committee in January of 1992 directed KPMG Peat Marwick to make recommendations addressing the issues of consolidating the MERC personnel and accounting functions with Metro, for inclusion in the 1992-93 budget proposal. He said KPMG's recommendation regarding consolidation of the accounting functions would result in a net reduction of 2.4 positions. He said he understood the Metro Council took another position and enacted the recommendations in part. He said the issue of MERC having a full time comptroller should be addressed following the implementation of the staff reductions. He said further economies would occur if computerized event settlement was utilized. He said the personnel consolidation was moving along as proposed.

Mr. D'Ambrogia then focussed his report on the remaining eight (8) issues as addressed in Chapter Three (3) of the audit. He said the first issue related to rates for facility use. He said MERC should review and update rates and project increases for at least one year in advance. Councilor McFarland asked if rate projections would be accurate. Mr. D'Ambrogia said the past history of the Portland Center for Performing Arts (PCPA) indicated success in projection of rate increases. Councilor McLain noted a tier rate system was being used. Mr. D'Ambrogia noted it could not be determined when some rates were implemented. He said the Oregon Convention Center (OCC) was the only facility with an established rate.

Mr. D'Ambrogia said the second issue dealt with deposits on the facilities. He said there was no stated policy that established what the deposit rates should be. He said generally the deposits related to the anticipated rent on the property. He said when a deposit was established, it was not always collected. He said the recommendation of KPMG Peat Marwick was to establish a policy on deposits and a method of ensuring collection of those deposits. Mr. O'Neill recognized there would be a need for flexibility on the issue of deposits.

Mr. D'Ambrogia said the third issue was MERC oversight of major concessionaire contracts. He said the parking and food concessions were major operations. He reviewed the monitoring methods of MERC staff. He said no organized work program for monitoring the concessions existed and no reporting occurred on any monitoring done. He said KPMG recommended a work program be developed and regular reporting occur. He said oversight for accuracy of parking reports needed to be established. Councilor McFarland asked how this might occur. Mr. D'Ambrogia said a physical count by MERC of cars being parked needed to occur. He said their investigation did not indicate major discrepancies, but did indicate a need for periodic review.

Mr. D'Ambrogia discussed implementation of the ConCentrics System to perform event settlement. He said some discrepancies existed between what was proposed by the vendors in terms of hardware and software for the system and what was actually received differed. He said the vendor also agreed to provide training, but no means of measuring the amount or type of training provided could be identified.

Mr. D'Ambrogia said better documentation of budgeted items for the capital funds needed to be performed. He said when previously budgeted amounts are amended, documentation needed to accompany the changes and be retained on file.

Mr. D'Ambrogia said labor rates charged to facility users should be periodically reviewed to ensure that costs were adequately recouped by MERC. He said this applied to both direct and indirect costs. He said revenues collected from the users needed to include all related charges.

Mr. D'Ambrogia said MERC needed to develop a long range plan for the facilities. He said the long range plan should tie into the budget process and a periodic review of the management of the facilities.

Councilor Van Bergen asked what the next step in the process would be. Casey Short, Council Analyst, said MERC would attempt to implement the recommendations and the Regional Facilities Committee would follow-up on the implementation in six (6) months.

2. <u>Status Report on POVA's 1992-93 Contract for Marketing the Oregon Convention Center</u>

Lee Fehrenkamp, MERC General Manager, and Jeff Blosser, Oregon Convention Center Director, were present. Mr. Fehrenkamp stated this item was a preliminary informational briefing. He said MERC was negotiating a marketing agreement with Portland Oregon Visitors Association (POVA) that included adding $193,000 to the marketing budget. He said the $193,000 represented an increase in Materials and Services, support to the Washington, D.C. office promotion, increase for Ad Production and Collateral Materials, addition of six journals to the marketing area, and payment for an additional staff person for senior account manager of convention services. He said a budget amendment would come before the Council for adoption. He said the funds would come from contingency.

Councilor Collier asked why this was being done. Mr. Fehrenkamp said POVA proposed a budget of $1.4 million. He said MERC only budgeted approximately $1 million. He said following negotiations, the proposed change reflects a compromise. Mr. Blosser stated there was $350,000 built into the contingency account to resolve the issue.

Councilor Van Bergen stated his understanding of contingent money was an agreement with Multnomah County that the amount be included in the budget. He said he understood there was no agreement with Multnomah County to budget 1% of the budget to POVA for marketing. He asked what Multnomah County had to say about the proposal. Mr. Fehrenkamp said there was no agreement to give 1% of the budget to POVA. He said the amount of money spent on marketing would be over

1% when including MERC's marketing efforts. He said a meeting with Mr. Blosser and Commissioner Ron Kawamoto at the Multnomah County Commission occurred and the County did not express a concern.

3. Report on City of Portland Resolution Disapproving the Approved 1992-93 MERC Budget

Mr. Short gave a background report on MERC. He said Metro has a consolidation agreement with the City of Portland, adopted in 1989 transferring the management function of the MERC facilities to Metro. He said the City Council has an authority to review and approve or disapprove the budget.

Mr. Short said three budgets were included in discussion. He said a proposed budget was released in March, an approved budget approved in May and an adopted budget will be adopted at the last Council meeting in June. He said the City of Portland reviewed the proposed budget at the same time the Metro Council was considering the approved budget. He said the City of Portland approved the proposed budget with the following conditions: identifying a long term plan to extend the life of the fund balance for the spectator facilities; clarify transfer of MERC personnel to Metro; and amend the consolidation agreement to allow the City of Portland to directly negotiate with the Oregon Arena Corporation relating to the Trail Blazer Arena. He said the City of Portland disapproved the budget requesting Metro to respond to their earlier concerns. He said he was preparing a response to their disapproval of the budget. He said he felt the action was the only means the City of Portland had to get Metro to respond to their concerns. He did not feel it would escalate into a major issue.

Councilor Collier expressed irritation over the issue. She said the City of Portland participated in the development of MERC activities since 1989. She said MERC had done a good job of operating the facilities. She said she agreed with Councilor Van Bergen in questioning why Metro was operating the facilities at all. She said she would be willing to return the facilities' management to the City of Portland.

Councilor Van Bergen concurred with Councilor Collier. He said that under the consolidation agreement the City of Portland has two options, to approve or disapprove the budget. He said they could not approve with conditions. He said if the City of Portland disapproved the budget, a revocation of contract existed. Mr. Short said Metro has twenty days to respond to the disapproval. Mr. Short said Dan Cooper, General Counsel, was evaluating whether the disapproval was within the terms of the consolidation agreement. Councilor Van Bergen asked to have Mr. Cooper respond in writing if the City of Portland had met the criteria as outlined in the consolidation agreement for disapproving the budget and if their action constitutes a revocation of contract.

Councilor Gronke asked what would happen if the issue were not resolved. Mr. Short said the only remedy the City of Portland has was to terminate the agreement. He said the agreement could be terminated if there was a mutual agreement to do so, if one unilaterally decides to terminate it would occur on the following July 1, or if either violates terms of the agreement the other jurisdiction could order termination 30 days or greater following the violation.

4. Contract List Designations for FY 1992-93 Budget

Chair McLain deferred this item to the next regular meeting of the Regional Facilities Committee.

5. Status Report on negotiations regarding construction of a new Trailblazer arena

Chair McLain advised the Committee that pursuant to Oregon Revised Statute (ORS) 192.660(1)(e) the Committee would hold an executive session to discuss matters related to real estate acquisition.

The Committee held an executive session.

6. Status Report on Metro Headquarters Project

Berit Stevenson, Project Manager, distributed a report on the Metro Headquarters Project, a copy of which is included in the record of this meeting.

7. Status Report on Facilities Funding Task Force

Pam Erickson, Project Manager, distributed a report on the Facilities Funding Task Force, a copy of which is included in the record of this meeting.

With no further business before the Committee, Chair McLain adjourned the meeting at 6:10 p.m.

Respectfully Submitted,

Susan Lee

Susan Lee
Committee Clerk
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