Oregon Travel Information Council
1500 Liberty Street SE, Suite 150
Salem, Oregon 97302

MINUTES

Finance Committee

Wednesday, October 26, 2016

Members Participating:
Mike Marsh; Mike Drennan; Bob Russell; Gwenn Baldwin

Members Excused:

OTE Staff Participating:
Nancy DeSouza, Executive Director; Tim Pickett, Operations Director; Diane Welter, Accounting Manager; Jessica Carbone, Office Assistant

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The meeting was called to order by Marsh at 2:30 p.m.

Roll Call: Staff present in person; Marsh, Drennan, Russell and Baldwin present by phone.

Chair Marsh and the committee members gave staff kudos for a positive outcome from the Moss-Adams review.

Approval of the Minutes: The committee proposed the following amendments to the September 28, 2016 minutes; in line four under Approval of the Minutes, change purposing to proposing; on page two, changing “to” to “two” in line five, “cafer” to “CAFR” in line six; changing “gap” to “GAAP” in line 14, changing “of” to “for” in line 25; changing “deprecation” to “depreciation” in line 31; changing “entailing” to “encumbering”. Drennan moved to approve the September 28, 2016 minutes. Baldwin seconded the motion. There were three votes for approval. Baldwin abstained. The motion was approved.

Business:

Financial Statement Analysis: Pickett reported September shows continued retention. Cash did drop in September, but cash collections for October are ahead of projections and should balance out. Current ratio increased. In past years, when the $6.55 million transfer comes in from ODOT, it drives the current ratio back down a bit. We will still be positive, but the ratio will decline due to the increase in current liabilities. The agency shows positive performance. Accounts Receivable is in good condition for September and that continues this month as well. The Brand OTE is fully amortized and has a zero value on the books. Pickett congratulated Welter. There is no longer a statement regarding unreconciled accounts and the Account 1310 is now off the balance sheet due to the final reconciliation and adjusting entry.

Financial Statement Analysis: Baldwin asked if there were any concerns regarding the 17/19 budget that the committee should be considering that may not be represented in the reports. Pickett asked Chair Marsh if he should move to addressing the Budget update. Marsh asked if that discussion could wait until we had come to that point in the agenda.

Detailed Financial Reports: Drennan asked how Accounts 7001, 7002, and 7003 show depreciation, when none had been budgeted and they did not have any depreciation last year. Pickett responded that those were new accounts resulting from the asset analysis and the entry that was done from the result of that analysis. There are more accounts than that, but they roll up in the financial statement. The depreciation is tracking the categories of assets in the balance sheet and will be tracking it on a more one-to-one basis. When it was originally budgeted, it was placed under account 7000. Drennan asked Pickett to clarify the amount of work done in Signs, in September, since there was a relatively small amount of money under Capital Improvements. Pickett responded that the bulk of the work was into Repairs and Maintenance- Signs. In the first year of the biennium R & M- Signs was above budget, with three months of operating in year two expenses are below budget. What staff is trying to track now is the timing of repairs. So in terms of a balanced program, the current budget will not follow as closely as we hope to plan out for the next budget. Drennan asked Pickett to clarify the expenditures for LED lighting. The current projects are being driven by ADA inspections. After the inspections occurred safety lighting, in case of power outages, are being added to rest area buildings. Typically, the cost is under the $5,000 threshold. Drennan verified that the lights in parking lots are not being replaced. DeSouza responded that parking lot lights are currently only being replaced when they fail.

Marsh informed the committee on the implementation of the exclusion program training and the success along 1-5. Training along I-84 is almost completed. Marsh also commented on Pickett's forethought on the planning for tire life and replacement in the budget.

Budget Preparation Process: Pickett reported this budget will do a better job of using accumulated financial and other data to figure out what expenses there are and where they will fall. We are currently on time for the budget schedule. The budget is currently frozen at version one, the accumulated input from all budget managers. That budget assumes a 16. 4% overhead in rest areas. We also have a version two which contrasts that to a 15% current budget. Next week, the budget will move into executive budget and management reviews. Staff hopes to have a staff recommended budget for the committee's review in December.

At a broad level, in response to Chair Baldwin's question, Personnel cost is an issue. It will remain an issue for the next three biennia. Absent a Legislative fix, personnel costs are up sharply and will continue to increase, due to PERS. PERS contributions are now approaching 30% for Tier 1 and Tier 2, once you factor in the existing pension obligation bond. The current budget has those factors and continues the assumption of COLA and Merit pools. Other areas that could be considered include external contractors in rest areas. We may need to discuss continued internalizing of landscaping duties and optimizing janitorial contracts as well. The third area of discussion is the cost of the fleet of vehicles that the agency is employing. DAS motor pool has greatly increased the rental costs, due to high mileage.

Drennan asked if changing overhead from 15% to 16. 4% would take any outside approval. Pickett replied it could be decided at the agency level with Council's approval. He had pre-discussed it with Secretary of State and with Moss-Adams. The 16.4% is figured out on a program cost basis and there are figures to back that up.

The committee continued to discuss possible topics of future financial concern and how to plan them out in the future. One of these topics was ODOT's compliance with ADA requirements. Some the requirements and time lines are not completely clear. There is more information to follow hopefully by the Rest Area Committee meeting next week.

DeSouza gave a brief update on the meeting with ODOT. It was an overall productive meeting covering the issues dealing with marijuana signage on the highways and the Grove of the States. There may be some legal fees associated with our request to DOJ to check legality to deny highway marijuana signage, but those costs may be shared with ODOT.

Marsh asked if the 3% increase in revenue is a stable forecast for the budget. Pickett believes the year-over-year of 3% growth, either from new customers or fee increase, will continue. For revenue from the rest area side, the budget has been built around $6.55 million from ODOT and the small income from the Ontario Welcome Center. Drennan asked if income from sponsorships had been considered in the budget. DeSouza informed the committee that staff has considered seeking outside marketing, with a possible presentation to the Rest Area committee in December. But until financial sponsorships are secure and we have assurances from ODOT as to how that money will be able to be used, she does not feel it should be accounted into the budget.

Other Business:
In order to achieve a quorum the next Finance committee meeting will be moved to the OTA Offices at 11:30 a.m. on December 01, 2016.

Adjournment: The meeting adjourned at 3:15 p.m.

Next Meeting: Wednesday, December 01, 2016 at 11:30 a.m. at the OTA offices, 4005 SE Naef Rd. , Portland, Oregon 97267