



# Oregon Travel Information Council

1500 Liberty Street SE, Suite 150  
Salem, Oregon 97302

## MINUTES

### Finance Committee

Thursday, December 01, 2016

#### Members Participating:

Mike Marsh; Mike Drennan; Bob Russell; Gwenn Baldwin

#### Members Excused:

#### OTE Staff Participating:

Nancy DeSouza, Executive Director; Tim Pickett, Operations Director; Jessica Carbone, Office Assistant; Jason Nash, Rest Area Administrator; Heather Swanson, Rest Area Ops Manager; Diane Welter, Accounting Manager by phone

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The meeting was called to order by Marsh at 11:38 a.m., at the offices of the Oregon Trucking Association.

**Roll Call:** DeSouza, Pickett, Carbone, Marsh and Russell present in person; Welter, Drennan and Baldwin present by phone.

**Approval of the Minutes:** The committee proposed the following amendments to the October 26, 2016 minutes; in line 13 under Detailed Financial Reports, change lightly to lighting; under Budget Preparation Process change “bought” to “bond” in line 11; change “biennium” to “biennia” from line nine; delete the word “complete” from line 25. Russell moved to approve the October 26, 2016 minutes. Drennan seconded the motion. The motion was unanimously approved.

**Business:** Pickett reported that the November period is ahead of budget. There is slightly improved cash retention. There are no serious issues in the financial statements coming into the New Year. Marsh asked for further information on legal costs and DeSouza said she had sought legal advice on signage for cannabis-related businesses from DOJ, but that is on hold pending determination of larger policy issues Baldwin expressed her appreciation for DeSouza’s handling of this situation, by keeping open lines of communication and understanding between ODOT, DAS, our agency and our customers.

Drennan asked for further information on the open position for an HR Manager. DeSouza said the agency had unsuccessfully recruited for a candidate to come in on job rotation, and is working with DAS HR regarding as-needed support beyond recruitment. Day-to-day HR work is being handled by DeSouza and Carbone. The largest remaining HR project is a class and comp study of rest area positions and some central office staff who have increased responsibilities. That study likely will be conducted by DAS or an outside contractor, the costs of which would be recovered through the savings in the vacant HR position.

Drennan asked about the agency's intent to seek compensation from CenterLogic for time vested or expenditures due to the May 2015 catastrophic server failure. Pickett has compiled a near-complete list of expenses and believes the total would be between \$15,000 and \$20,000, once he receives the final information. For the near-term, the agency plans to continue services with CenterLogic with an outside contracted oversight expert to ensure all is working well. The State CIO's Office is reportedly compiling a list of approved IT vendors that may expand future options. DeSouza said there likely will be a fee for working through DOJ for contract enforcement.

**Financial Statement Analysis:** None.

**Balance Sheet:** Drennan asked why there was Deferred Comp. in General Liabilities. Pickett explained that this is a pass-through only holding account for employee funds to be put directly into the Oregon Growth Savings Plan, a type of retirement plan similar to a 401k. DeSouza noted that as employees defer taxable income for retirement savings each month, this number is expected to fluctuate, but is not an expense to the agency.

**Statement of Revenue Expenses:** Marsh had Pickett clarify the depreciation increase in Non-Rest Areas. It is due to the cost of signs at \$22,000; depreciation went up 13%.

**Cash Flow:** None.

**Past Due Accounts:** Marsh reported that there are very few past due accounts. Two have been removed due to lack of payment.

Baldwin asked how much of the Capital Improvement Projects budget will be closed out by the end of the calendar year and by the fiscal year. She also asked if there were some part of the budget we may want to reconsider due to the budget uncertainties. Pickett responded that capital funds, with the exception of small projects, will not be reduced by the end of the calendar year. By the end of the fiscal year, combined expenditures and commitments will total between \$750,000 and \$1,000,000. The commitment will depend on Council's approval of the project at Oak Grove. On that basis, he believes that \$250,000 to \$350,000 will be brought forward either unassigned or for consideration in change of commitment.

Russell said balancing future needs vs the commitment to improve the rest areas is a topic of great concern in the Rest Area Committee, with more information provided at the upcoming Council meeting.

**Budget Update:** DeSouza gave an overview on the Governor's recommended budget. The Governor proposed a tax package to recover approximately half of the \$1.7 billion projected GF/LF shortfall. It also proposes staff layoffs and some larger program cuts. The Legislative Fiscal Office is still asking agencies to propose 15% cuts, and there is the possibility of sweeps of Other Funds balances.

*Russell left the meeting for a prior commitment at 12:12 p.m.*

Pickett said that TIC's budget development is on schedule. The budget summary went out to the Finance Committee yesterday. The impact of the PERS deficit on the budget drives up personnel costs. It is not an equal adjustment across the agency because the PERS recovery is different for Tier 1 and Tier 2 than it is for OPSRP. It drives Tier 1 and Tier 2 total pension cost to the 30% range and OPSRP contributions to 20%. Year-over-year the budget is going up 5% across all costs. The current proposed draft budget shows both profitability and cash retention. There is profitability across both years of the biennium and, while the rest area program is drawing down cash by the end of the 2017-19 biennium, it will retain sufficient cash to operate through period end. There are some open questions that could impact the budget, written under the

assumption of continued \$6.55 million annual funding for rest areas. The sign program will continue to operate successfully.

Looking forward to the 2019-21 biennium, assuming no changes to the current \$6.55 million and with no addition of inflation and no additional capital, the rest area program will be in negative territory. Drennan requested a written narrative of the assumptions used to draft budget. He also asked for a projection on where this fiscal year will end on Revenue and Expenses.

Drennan asked about conversations with ODOT regarding future rest area funding. DeSouza reported that both agencies are looking to the passage of the proposed transportation package, resolution of the DMV convenience fee lawsuit, or other funding options with the Transportation Commission. DeSouza discussed the potential for state agency salary freezes, furlough days, and other cost-saving measures that TIC will need to consider if other state agencies are required to do so. For the remainder of the biennium, the Governor has ordered traditional agencies to keep job vacancies open for 60 days, halt all non-essential travel and look for continued efficiencies. Drennan asked what pay increases were included in the developing TIC budget. Pickett responded that the assumptions include a 2% COLA on January 1, and 3% merit pool on July 1 of each year. The assumption on PERS includes increasing contribution by as much as 6%. There is a 4% increase in health insurance year-over-year. Drennan asked what percentage of employees are included in Tier 1 and Tier 2 of PERS. Pickett estimated approximately half of TIC's staff. Pickett reminded the committee that the budget was constructed from a zero base, which Marsh commended.

Pickett said the agency is now able, with several years of experience and data, to provide a fact-based draft budget in December of the year proceeding a new biennium. Drennan complimented Pickett and his team's work to bring the budget to its current level.

**Adjournment:** The meeting adjourned at 12:34 p.m.

**Next Meeting:** Wednesday, December 28, 2016 at 2:30 p.m., telephonic at the OTE Offices, 1500 Liberty St. S.E. Suite 150, Salem, OR 97302.