

TSCC Meeting Minutes

May 27, 2020

Via Telephone conference call

Commissioners Barringer, Ofsink, Norton, Wubbold, and Quiroz were present as were Executive Director Craig Gibons, Budget Analyst Tunie Betschart all via telephone conference call.

Chair Barringer convened the TSCC Regular Meeting at 12:30

Chair Barringer made note of corrections that needed to be made to the May 21th meeting minutes. These minutes will be corrected and resent to be considered at the next meeting June 1.

The 2020-21 Approved Budget Hearing minutes for Multnomah Education Service district and East Multnomah Soil & Water Conservation district were approved following a couple edits.

Metro's 2020-21 Approved Budget review was next on the agenda. Topics of discussion were: the shutdown of zoo operations; jobs that will be lost due to this and similar slowing of activities at Metro's visitor venues; whether Metro would be receiving C.A.R.E.S. Act funding (Mr. Gibons emailed staff and they responded before the meeting ended. Mr. Gibons reported that the budget manager at Metro did not believe they are eligible for C.A.R.E.S. funding.); and contingency and ending fund balance and their use and restrictions.

After some deliberation, the commissioners decided on the following questions to be considered at the Metro hearing:

- 1) In the current year ending June 30, is the district expecting any year-end budgetary problems arising from revenue shortfalls or unanticipated expenditures due to the Covid-19 situation? What impact will this have on the district's ending fund balances that are not yet reflected in upcoming budget?
- 2) For the upcoming FY 2020-21 budget year, should the economy remain stalled, where are the district's greatest vulnerabilities? How will the district monitor and respond timely if revenue collections go off track or if unanticipated service requirements continue?
- 3) Specifically, are any debt service revenue streams at risk? If so, what is the coverage plan?
- 4) The budget was prepared and approved prior to all the changes brought about by the COVID-19 pandemic. Now that you have had a little time and a little more information, please provide the commissioners with the modifications you are already planning in order to adapt to the deviations this has created.
- 5) Tell us how you budgeted for the Zoo and MERC programs. What visitor venue reopening dates did Metro use? Would Metro revise that date now given current information? How will you adopt to the assumed continuation of social distancing standards when you reopen? Have you estimated the increased expenditures for this situation? (Follow up: Are you planning means to attract

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- customers back to the venues? What about the convention and expo centers? How and when do you anticipate reopening them?)
- 6) Before the pandemic hit, Metro and the City of Portland were developing a new IGA for operating Portland's. Is that process still proceeding? What changes are envisioned and when do you anticipate completing the IGA? (What has been the effect of this pandemic on working relationships with the City and other local government partners?)
 - 7) Between the proposed and approved budgets, the solid waste fund revenues and expenditures decreased by \$30 million. What was removed from that budget to accomplish that decrease? The Excise Tax revenue is essentially flat for FY21. If a recession develops next year, how will those revenues be impacted and how will that affect the functions they support? (Follow Up: are any of those decreases sustainable? Will Metro reinstitute any of the projects that were cut?)
 - 8) The homeless services measure passed last month. But much has changed since it was designed. How is Metro getting ready to administer the program? What uncertainties and, conversely, certainties have entered the picture since the measure was developed? What will the initial funding and activities be? (Follow-up: (If not stated in answer) How has the pandemic changed planning for the measure?)
 - 9) Earlier this year, Metro staff told us that the Council wanted more and earlier involvement in the budget process. It has turned out to be an unusual year for budget development. How did the process go this year from the Council perspective? (Follow-up: would you like to institute any changes in the process next year?)

The conversation moved to the Port of Portland's 2020-21 Approved Budget Review. Commercial paper as regards to the Port of Portland's debt was explained. This is a debt instrument that is more of a private sector instrument. Commissioners decided in the interest of time, to move directly to the questions to be asked at the budget hearing. After some pondering they decided to move to the questions to be considered for the hearing and settled on the following eight questions.

- 1) In the current year ending June 30, is the district expecting any year-end budgetary problems arising from revenue shortfalls or unanticipated expenditures due to the Covid-19 situation? What impact will this have on the district's ending fund balances that are not yet reflected in upcoming budget?
- 2) For the upcoming FY 2020-21 budget year, should the economy remain stalled, where are the district's greatest vulnerabilities? How will the district monitor and respond timely if revenue collections go off track or if unanticipated service requirements continue?
- 3) Specifically, are any debt service revenue streams at risk? If so, what is the coverage plan?
- 4) The original fiscal year 21 budget was prepared and will be approved today prior to all the changes brought about by the COVID-19 pandemic. Now that

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you have had a little time and a little more information, please provide the commissioners with the modifications you are already planning in order to adapt to the deviations this has created.

- 5) This pandemic has been a shock to the airline industry. What is the future of airline travel? How will it impact PDX and the auxiliary businesses such as car rentals that rely on it? (Follow-Up: Is the Port involved in strategy discussions for attracting the public back to flying?).
- 6) The Port is unique among public entities in many ways. One is that most of the Port's infrastructure improvements are done in collaboration with airlines and funded by airport user fees. General Obligation Bonds pay for only a small portion of the infrastructure. Tell us about the relationships with the airlines during this pandemic and how capital project planning is affected. (Follow-up: Is there a risk of overbuilding?)
- 7) What is the impact of the rolling shutdowns of global manufacturing and agricultural on the Port's shipping business? Up until March of 2020 the most significant impact on the Northwest's agriculture industry was tariffs. How has the pandemic changed that situation and how is it affecting the Port's shipping business?
- 8) What, if any, revisions are being made to the Port's participation in major projects, such as the harbor cleanup and Levee Ready Columbia, and what is the prognosis for industrial development over the next two year?

The three smaller districts were considered next, beginning with Dunthorpe-Riverdale Sanitary Service District. Discussion about how they were governed and how the administrative duties were accomplished arose. Ms. Betschart said that the budget was status-quo, nothing new was happening within the district.

Commissioner Ofsink moved to certify that the commissioners had no recommendations or objections with regard to the Dunthorpe-Riverdale Service District's 2020-21 Approved Budget or the budget process. Commissioner Wubbold seconded the motion which carried with a unanimous decision.

Next district for conversation was Mid-County Lighting Service District. Chair Barringer asked about the audit exception mentioned in the review. This was in error and Ms. Betschart corrected this, reporting that the district was in compliance during the 2018-19 fiscal year and had no audit exceptions. There was discussion about the interest earning estimates, that they may be a bit high during this economic downturn.

Commissioner Norton moved to certify that the commissioners had no recommendations or objections with regard to the Mid-County Lighting Service District's 2020-21 Approved Budget or the budget process. Commissioner Quiroz seconded the motion which passed with a unanimous vote.

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The final review to be considered was West Multnomah Soil and Water Conservation District. An explanation was given about staff at the district doing double duty and how efficiently and professionally CFO Michele Levis has been handling the duties at the district office. The budget was status quo. There was deliberation on the Sturgeon Lake Fund expenditures and the timeline of the project. The PERS unfunded buy-down was noticed.

Commissioner Wubbold moved to certify that the commissioners had no recommendations or objections with regard to the West Multnomah Soil & Water Conservation District's 2020-21 Approved Budget and budget process.

Commissioner Ofsink seconded the motion which carried with a unanimous vote.

New business

- a) Multnomah County has contacted Executive Director Gibons stating they are needing to increase their funding in more than one fund by more than 10%. The only way this can be done in accordance with local budget law is for TSCC to hold a hearing AFTER the hearing to consider the Approved Budget and prior to the County's adopting the budget. Their Approved budget hearing is scheduled for June 9. They plan to adopt late in June. It would be possible to schedule a very short TSCC hearing sometime in late June after the Approved Budget hearing held June 9. After some thought it was decided that Mr. Gibons will do investigate this possibility and get more details prior to a decision from the commissioners.
- b) Staff received an email letter from Peter Fleming, VP/GM Enterprise Holdings LLC (dated May 27, 2020) concerning a waiver of their contract with the Port of Portland. After some deliberation, it was suggested that Mr. Gibons sent them a letter stating, "Board has directed staff to enter your letter as a public comment at the upcoming TSCC public hearing on June 10, 2020. The MAG waiver is a contractual matter between your companies and the Port. While the TSCC may inquire about the agreement, it does not have authority to determine its terms."

Chair Barringer closed the meeting at about 2:00 p.m.

Attached: Peter Fleming's letter dated May 27, 2020

Minutes reviewed and approved at the Commission's June 1, 2020 meeting, with commissioner Norton edits included.



Craig Gibons

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Tax Supervising and Conservation Commission

Attention: Dear Tax Supervising and Conservation Commission Chair and esteemed Commissioners

Re: MAG Waiver – Vehicle Rental Concession Operators at PDX

We are writing to you on behalf of our Enterprise, National and Alamo brands that service Portland International Airport (“PDX”) to formally request financial relief due to the devastating impact of COVID-19 on our business. Specifically, we are asking the Port of Portland (“Port”) to provide a temporary waiver of Minimum Annual Guarantees (“MAGs”) to the rental car industry.

The Port’s offer and Commission Approval of deferring MAG and Rent is insufficient. Deferral provided by the Port in no way adjusts the amount we ultimately owe and would only force us to pay such amounts later even though we will never recoup our lost revenues and would have to make catch up payments (plus regular payments) at a time when our revenues will remain significantly depressed.

It is important to note that we have executed new concession agreements with the Port that are effective now but commence upon the opening of new facilities later in 2021 and that these new agreements specifically contemplate MAG abatement. The Port included such language (as many airports do) recognizing the need to offer relief from our guaranteed financial commitments in the event of a decline in passengers. The ‘trigger’ for such abatement in the agreement required *a far less significant decline in passengers* than the current crisis has caused. The Port should offer MAG relief now as the Port because they knowingly have already agreed to the concept of abatement and included such language in the already fully- executed new concession agreements to commence in 2021.

At the recent Commission meeting the Port suggested that the MAG deferral offer is consistent with relief offered by other airports. Unfortunately, this statement was simply not accurate. In reality, more than 100 airports have already provided MAG abatement (see the list of examples below as of May 21, 2020) rather than deferral. More than half of these 100

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airports' agreements had no contractual MAG abatement language within them, yet these Airport operators understood that forcing concessionaires to pay MAGs when transactions and revenue are so low is just not the appropriate thing to do. Especially since many of the rental car concessionaires had to cut staffing by as much as 90%. **Almost all major airports on the west coast (such as Los Angeles, San Francisco, Seattle, Oakland, Sacramento, and Phoenix to name a few) gave the Rental Car Industry MAG abatement.**

We value the partnership we have enjoyed with the Port for decades yet question how the Port can now expect us to pay guaranteed amounts that could never have contemplated the current situation. **We are now faced with paying the Port MAG and rent amounts that far exceed our TOTAL REVENUE generated at PDX.** Without MAGs, the RAC's would still pay a substantial 10% of gross receipts but now, with declining revenues and unchanged MAG, we are paying over 135% of our gross receipts for April.

During the meeting on May 13, 2020 the Port Commission approved a budget showing RAC revenue paid to the airport will only decrease by 18% and rent will not change. However, PDX RAC revenues are currently -95% in April are -91% in May and forecasted - 85% during the summer. The Port's own passenger forecast for the year 2021 reflects a 50% decline. **We hope you understand that charging MAG and Rent that exceed total revenues is simply unreasonable and unsustainable**

Our concerns at PDX are magnified by the fact that our MAGs are artificially inflated due to the most recent bid. You will recall that this bid artificially created a hyper-competitive environment, based on the Port's erroneous forecast of 7% annual growth. Unfortunately, even before the current pandemic actual RAC revenue *declined* by 2.4% in 2019, from (\$204,332,194 in 2018 to \$199,432,683 in 2019). Clearly this decline has been further exacerbated by the devastating impacts of COVID-19.

We therefore reiterate our request that the Port waive our MAGs retroactively to April 1st and continuing through Dec 31. We trust the Port appreciates the need to support its concessionaires and partners including the RACs to ensure that we can emerge from this crisis and provide service to PDX passengers while hiring back employees, supporting PDX facility investments and contributing to the recovery of the local economy. Your urgent attention to our request is appreciated.

Sincerely,

Peter Fleming
Vice President/General Manager
Enterprise Holdings LLC
OR and S.W. WA