

BEFORE THE COUNCIL OF THE
METROPOLITAN SERVICE DISTRICT

FOR THE PURPOSE OF APPROVING) RESOLUTION NO. 84-444
LONG-RANGE FINANCIAL POLICIES)
FOR THE METROPOLITAN SERVICE) Introduced by the
DISTRICT) Executive Officer

WHEREAS, The Metropolitan Service District relies on a variety of revenue sources to conduct its business; and

WHEREAS, The Metropolitan Service District over the past five years has demonstrated its ability to carry out its assigned responsibilities; and

WHEREAS, The expiration of a three-year serial levy and changes in state laws will alter the revenue sources for the Metropolitan Service District; and

WHEREAS, A set of financial policies and principles has been developed to be used as a guide for reaching financial stability for the Metropolitan Service District; now, therefore,

BE IT RESOLVED,

That the Council adopts the financial principles and policies contained in Exhibit A attached.

ADOPTED by the Council of the Metropolitan Service District
this 26th day of January, 1984.



Presiding Officer

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01/05/84

EXHIBIT A

To assist in the achievement of the broad goal of providing financial stability for Metro, the following general principles are adopted:

1. Each functional area shall have identified sources of revenue;
2. Each functional area shall prepare a five-year financial plan; and
3. Any new functions assumed by Metro shall have a source of funding.

To aid decision making in each of the functional areas, the following policies are adopted:

General Government/Mandated Services

1. General government and mandated services shall have an external source of revenue to cover their direct costs and to pay their share of support services.
2. When specific funds are identified for general government and mandated services, interfund transfers shall no longer be used to support these activities.
3. The support services functions of the General fund shall be totally financed from all Operating funds on the basis of actual use.

Local Assistance and Coordination

1. Local assistance activities carried out by Metro shall be funded by the jurisdictions and organizations using those services.
2. Metro shall annually review and develop a local assistance program in conjunction with local government users.

Zoo Operations

1. The Zoo shall rely on the property tax for a portion of its revenues.
2. Approximately 50 percent non-tax revenues shall be maintained for funding Zoo operations.

3. The Council shall annually review admission fees to assist in meeting Objective 2 above.
4. The Council shall develop a policy of maintaining a proper balance between funds used for animal and non-animal capital improvements and the use of private versus public funds.
5. As indicated in the adopted Master Plan, the priority for capital investments shall be the completion of the Zoo's development and the replacement of non-standard exhibits.
6. It shall be the policy of the Council to provide special benefits to residents of the region who pay taxes to help support the Zoo.

Solid Waste Operations

1. As part of the development of a five year financial plan, a set of financial policies shall be prepared for adoption by the Council prior to the beginning of the rate review process in September 1984 and shall address disposal rates, regional transfer charges, convenience charges, user fees and other appropriate issues.

0512C/366
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STAFF REPORT

Agenda Item No. 7.1

Meeting Date January 26, 1984

CONSIDERATION OF RESOLUTION NO. 84-444 FOR THE
PURPOSE OF APPROVING LONG-RANGE FINANCIAL
POLICIES FOR METRO.

Date: January 17, 1984

Presented by: R. Gustafson

FACTUAL BACKGROUND AND ANALYSIS

The attached memorandum from the Executive Officer to the Council outlines proposed long-range financial policies for Metro.

EXECUTIVE OFFICER'S RECOMMENDATION

The Executive Officer recommends adoption of Resolution No. 84-444 for the purpose of approving long-range financial policies for the Metropolitan Service District.

COMMITTEE CONSIDERATION AND RECOMMENDATION

On January 16, 1984, the Council Coordinating Committee unanimously recommended adoption of Resolution No. 84-444, as amended. The attached resolution reflects amendments recommended by the Committee.

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Memo

METROPOLITAN SERVICE DISTRICT 527 S.W. HALL ST., PORTLAND, OREGON 97201 503 221-1646
Providing Zoo, Transportation, Solid Waste and other Regional Services

Date: January 3, 1984
To: Metro Council
From: Rick Gustafson, Executive Officer
Regarding: Long-Range Financial Policies for Metro

INTRODUCTION

This memo provides a financial blueprint for building a stable, adequate funding base for Metro.

It contains general principles and specific policies which can serve as a guide for making decisions on the elements of Metro's financial structure and sources of funding.

It is a synthesis of the issues, information and financial policies outlined in a series of memos to the Council over the past five months. The memos include:

- "Future Funding--Background Information on Metro Financial Situation," July 26, 1983.
- "The General Fund--Its Relationship to Other Funds and Functions Provided," July 26, 1983.
- "Long-Range Financial Policies for Metro," September 7, 1983.
- "Five-Year Projections for the General Fund," September 8, 1983
- "Preliminary Five-Year Projections for Zoo Operating Fund," September 28, 1983.

This memo also includes background on the current sources of funding for the organization, the system used to support the General fund and the status of Metro's four Operating funds: Zoo, Solid Waste, Planning and General.

BACKGROUND

In 1977 the Oregon Legislature passed HB 2070 which authorized a popular vote in the tri-county area on the merger of the Metropolitan Service District and the Columbia Region Association of Governments. The bill also provided for a directly elected Council and Executive Officer. While the

enabling legislation authorized a property and/or income tax levy and user fees, it did not provide a specific source of revenue for a General fund within the regional government.

When the voters approved the merger, and Metro began operations in 1979, a General fund was established and funded primarily by a system of justified interfund transfers from the other Operating funds. The funds reflect Metro's organizational structure.

This chart (Figure 1) shows the current relationship between the funds:

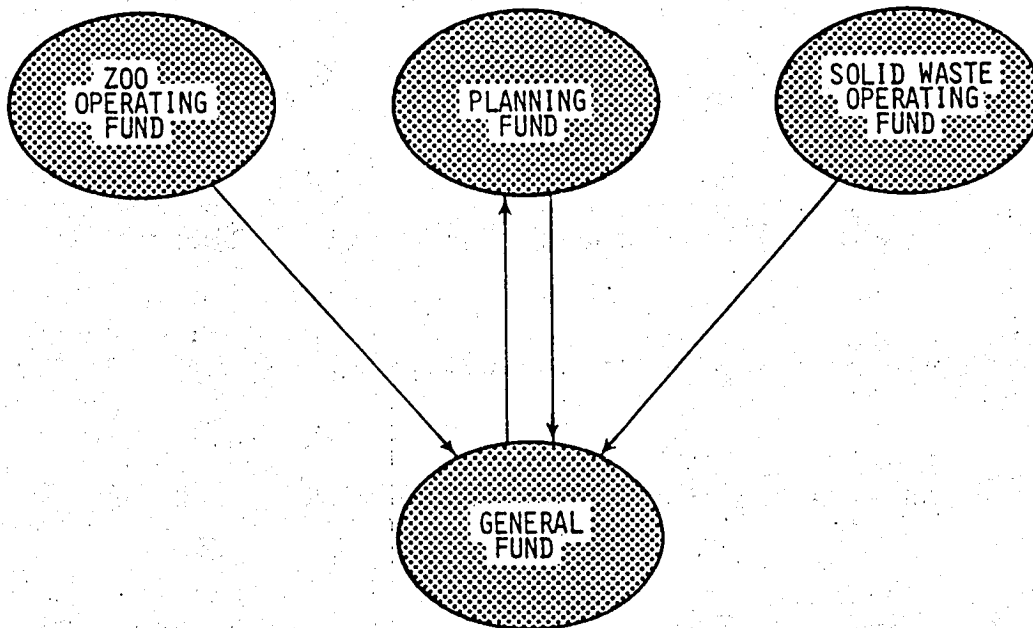


Figure 1

The Zoo and Solid Waste Operating funds receive all of their revenue from external sources, i.e., enterprise funds, special fees, donations (and in the case of the Zoo, property taxes). The Planning fund receives the majority of its revenue from federal and state grants, plus a small portion (about 10 percent) transferred from the General fund.

The General fund receives 70 percent of its revenue as transfers from the other three funds and the balance from local government dues. During the first five years of its existence, Metro was able to carry out its responsibilities with the Operating funds and system of interfund transfers described above. However, two important changes will soon occur:

- 1) The three-year serial levy that provides half of the Zoo's operating revenue expires June 30, 1984, and 2) the state law requiring local governments to pay the per capita dues assessment to Metro expires June 30, 1985. This chart (Figure 2) depicts the impact of those revenue losses on the four Operating funds.

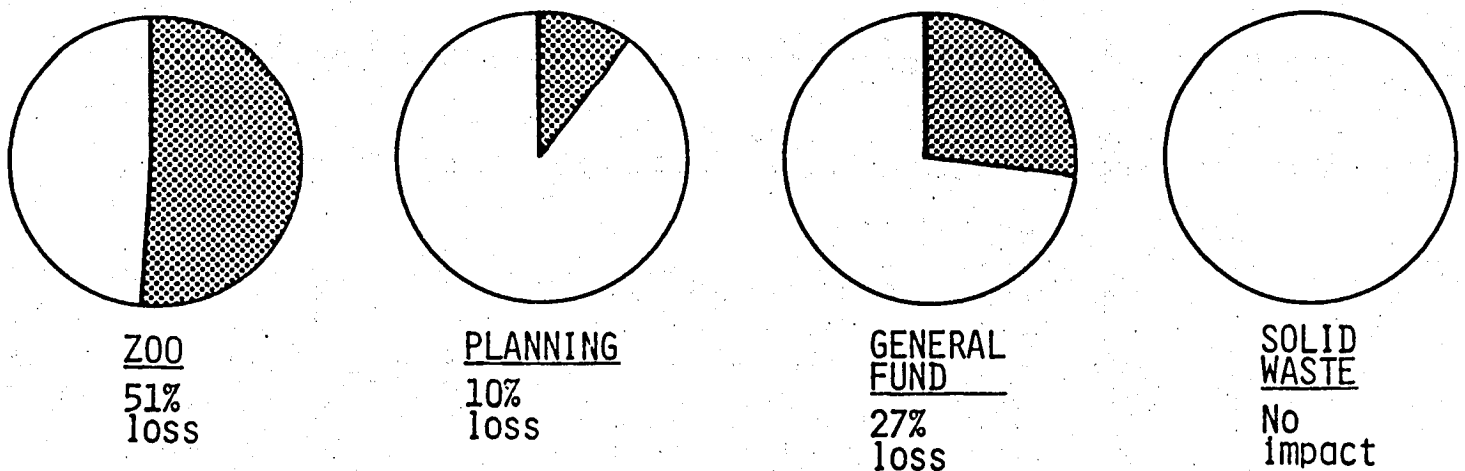


Figure 2

The 10 percent loss in the Planning fund does not include the reduction in federal or state grants that would result from diminished local matching funds.

In preparing to deal with the potential loss of those revenue sources, the Metro Council needs to establish a long-range financial policy for this organization. That policy should meet Metro's assigned responsibilities and also prepare the organization for changes that are expected to occur in the future.

FINANCIAL PRINCIPLES AND POLICIES

Over the past five years Metro has demonstrated its ability to effectively operate and improve the Zoo, has shifted from only planning a solid waste system to operating solid waste facilities, and has maintained a mechanism for providing services and coordinating certain planning and funding activities for local governments, primarily in transportation.

To assist the Council achieve the broad goal of providing financial stability for Metro, the following general principles are recommended:

1. Each functional area must have identified sources of revenue;
2. Each functional area must prepare a five-year financial plan; and
3. Any new functions assumed by Metro must have a source of funding.

The functional activities of Metro vary both in the nature of their services and in the source of their revenue. Therefore, the following policies are recommended to the Council to aid decision-making in each of the functional areas:

General Government/Mandated Services

1. General government and mandated services should have an external source of revenue to cover their direct costs and to pay their share of support services.
2. When specific funds are identified for general government and mandated services, interfund transfers should no longer be used to support these activities.
3. The support services functions of the General fund should be totally financed from all Operating funds on the basis of actual use.

Local Assistance and Coordination

1. Local assistance activities carried out by Metro should be funded by the jurisdictions and organizations using those services.
2. Metro should annually review and develop a local assistance program in conjunction with local government users.

Zoo Operations

1. The Zoo should rely on the property tax for a portion of its revenues.

2. A ratio of approximately 50 percent tax and 50 percent non-tax revenues should be maintained for funding Zoo operations.
3. The Council should annually review admission fees to assist in meeting Objective 2 above.
4. The Council should develop a policy of maintaining a proper balance between funds used for animal and non-animal capital improvements.
5. The priority for capital investments should be the completion of the Zoo's development and the replacement of non-standard exhibits.

Solid Waste Operations

1. A set of financial policies should be prepared for adoption by the Metro Council prior to the beginning of the rate review process in September 1984, and should address disposal rates, regional transfer charges, convenience charges, user fees and other appropriate issues.
2. A five-year financial plan should be prepared for Council consideration.

REVISED ORGANIZATIONAL STRUCTURE

The application of the functional area financial policies produces structural changes in the Metro organization. The Zoo and Solid Waste funds remain in their current form. The other two funds change. The Planning fund becomes a Local Assistance fund. The General fund becomes divided into two distinct parts: 1) general government and mandated services, and 2) support services. Support services are provided to all four functional areas, including general government and mandated services and each of the four functional areas pays for support services on the basis of use.

Each functional area fund has its own source of revenue. When a dedicated tax source is secured for the general government and mandated services activities, the interfund transfer system ends to financially support those activities. The chart on the next page (Figure 3) depicts the new organization and funding structure.

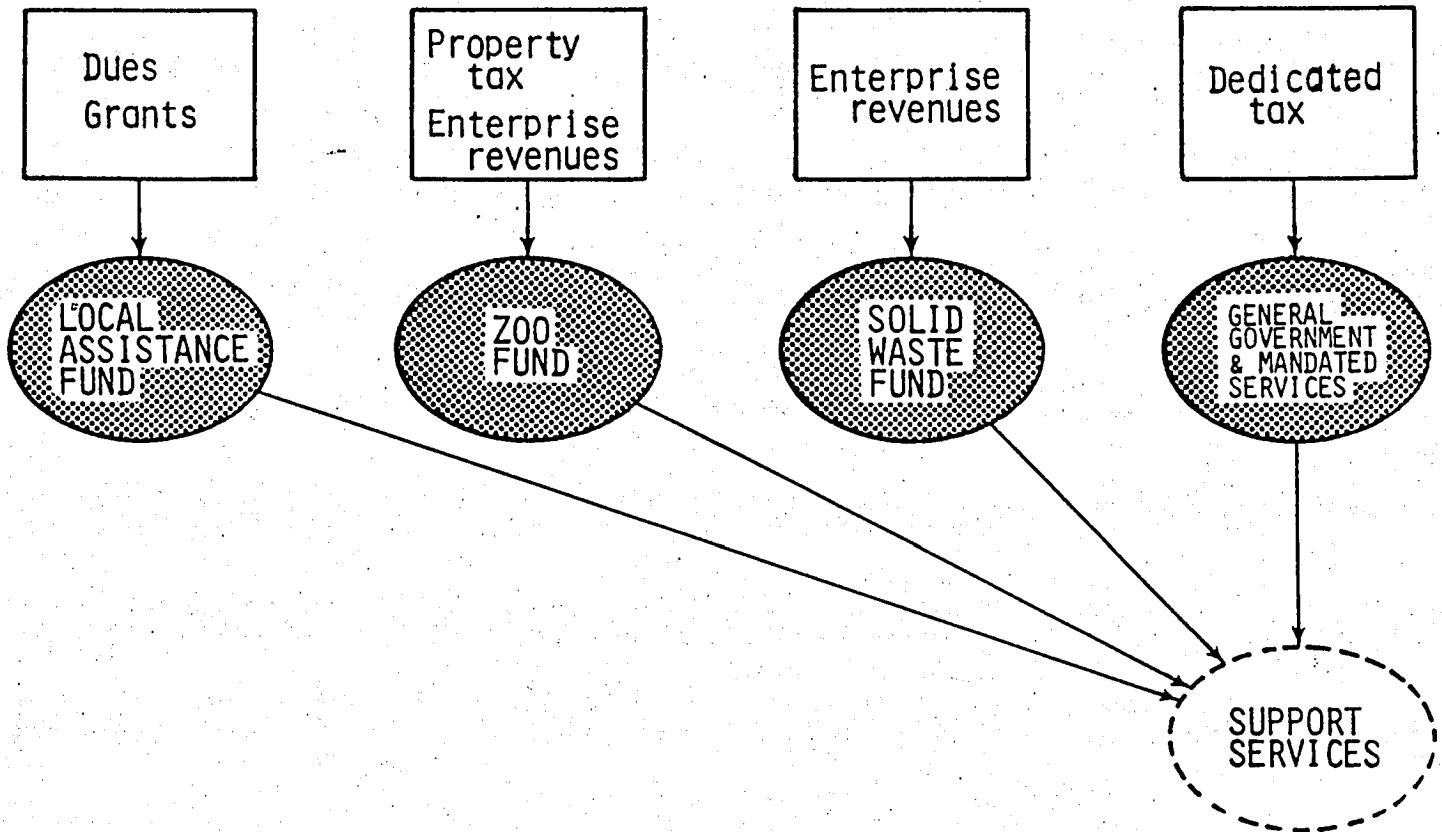


Figure 3

STRATEGY

When MSD and CRAG were merged, there was a change in organizational structure, but not in the source of funding. In crafting the merger bill in 1977 the Legislature concentrated on the organizational issue. It is now time to focus on Metro's financial structure.

The purpose of this long-range financial strategy is to articulate a set of financial policies that reflect Metro's organizational structure and responsibilities.

Implementation of the financial strategy requires the following actions by the Council:

- By February 1984 complete work on a combined operations and capital three-year serial levy request for the Zoo to be submitted to the voters in May 1984.
- By July 1984 commence a process to seek legislative authorization to revise Metro's tax authority to seek a revenue source for general government and mandated services.

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- By September 1984 adopt a five-year financial plan and a set of financial policies for the Solid Waste Department.
- By January 1985 seek agreement with local governments for funding a local assistance and coordination program.

RECOMMENDATION

Council should implement the strategy outlined in this memo in order to provide a stable funding base for Metro in the future.

That can be achieved by renewing the three-year Zoo serial levy, seeking a revenue source for the general government and mandated services fund, reaching agreement with local governments to fund the local assistance program and continuing to emphasize efficiency and economy in the internal structure and management of the organization.

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