

BEFORE THE COUNCIL OF THE
METROPOLITAN SERVICE DISTRICT

FOR THE PURPOSE OF APPROVING A)
FISCAL YEAR 1990-91 SUPPLEMENTAL)
BUDGET AND TRANSMITTING THE)
APPROVED BUDGET TO THE TAX)
SUPERVISING AND CONSERVATION)
COMMISSION)

RESOLUTION NO. 90-1347

Introduced by Rena Cusma,
Executive Officer

WHEREAS, A Supplemental Budget is necessary as provided in ORS 294.480 (1)(a) due to "an occurrence or condition which had not been ascertained at the time of the preparation of a budget for the current year which requires a change in financial planning;" and

WHEREAS, The Council of the Metropolitan Service District convened as Budget committee has reviewed the Proposed Supplemental Budget and held a public hearing on the proposed Budget and considered overall issues affecting the FY 1990-91 Supplemental Budget; and

WHEREAS, Pursuant to Oregon Budget Law, the Council convened as Budget Committee must approve the FY 1990-91 Supplemental Budget and said approved budget must be transmitted to the Tax Supervising and Conservation Commission (TSCC) for public hearing and review; now, therefore,

BE IT RESOLVED,

1. That the Proposed FY 1990-91 Supplemental Budget as amended by the Council of the Metropolitan Service District convened as Budget Committee, which is on file at the Metropolitan Service District offices, is hereby approved.

2. That the Executive Officer is hereby directed to submit the Approved FY 1990-91 Supplemental Budget to the Tax Supervising and Conservation Commission for public hearing and review.

Resolution No. 90-1346
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ADOPTED by the Council of the Metropolitan Service District this
29th day of November, 1990.



Tanya Collier, Presiding Officer

kr:ord90-91:supp:res
November 5, 1990

FINANCE COMMITTEE REPORT

CONSIDERATION OF RESOLUTION NO. 90-1347 APPROVING A FISCAL YEAR 1990-91 SUPPLEMENTAL BUDGET AND TRANSMITTING THE APPROVED BUDGET TO THE TAX SUPERVISING AND CONSERVATION COMMISSION (TSCC)

Date: November 23, 1990

Presented by: Councilor Van Bergen

Committee Recommendation: At its November 15, 1990 meeting the Solid Waste Committee voted unanimously to recommend that the Council adopt Resolution No. 90-1347. All Committee members were present and voted aye.

Committee Discussion/Issues: Jennifer Sims, Financial Services Manager, presented the staff report. She indicated that the purpose of this resolution is to approve the proposed Supplemental Budget for submission to the Tax Supervisory Conservation Commission (TSCC). The resolution is a companion measure to Ordinance No. 90-370 which is the actual instrument to adopt the Supplemental Budget and Revised Schedule of Appropriations. Ms. Sims reviewed the Supplemental Budget Schedule which is attached as Attachment 1 to this report.

Ms. Sims presented information on the proposed budget actions, particularly the financing plan for the proposed Sears Building acquisition and renovation. She indicated the Supplemental Budget for the Sears Building project provided among other things external borrowing of \$7,920,000 in Bond Anticipation Notes and internal borrowing of \$4,744,339 from the Solid Waste Revenue Fund. These loans will be paid back during the next fiscal year once final financial plans are developed for long term financing of the project.

She responded to specific questions from Committee members and Council staff regarding the consolidation of Workers' Compensation costs into the Insurance Fund; the extent of the costs for the Convention Center Grand Opening; and the staffing requirements for the Sears Building project and its impact on the Regional Facilities project.

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STAFF REPORT

CONSIDERATION OF RESOLUTION NO. 90-1347 APPROVING A SUPPLEMENTAL BUDGET AND TRANSMITTING THE APPROVED BUDGET TO THE TAX SUPERVISING AND CONSERVATION COMMISSION AND ORDINANCE NO. 90-370 AMENDING ORDINANCE NO. 90-340A REVISING THE FY 1990-91 BUDGET AND APPROPRIATIONS FOR THE PURPOSE OF ADOPTING A SUPPLEMENTAL BUDGET, CREATING THE SMITH AND BYBEE LAKES TRUST FUND AND AUTHORIZING AN INTERFUND LOAN

Date: November 5, 1990

Presented by: Jennifer Sims

FACTUAL BACKGROUND AND ANALYSIS

A Supplemental Budget is necessary due to unforeseen circumstances that require changes in our financial planning. Two actions are presented toward adopting a Supplemental Budget for FY 1990-91. Ordinance No. 90-370 revises the FY 1990-91 Budget Appropriations Schedule, creates the Smith and Bybee Lakes Trust Fund and authorizes an interfund loan. This action is presented for consideration at this time but is not intended to be adopted until after the Tax Supervising and Conservation Commission (TSCC) conducts a public hearing. TSCC review is required under Oregon Budget Law because a new fund is being created and total fund appropriations are increased. Resolution No. 90-1347 approves the Supplemental Budget and transmits the approved budget to the TSCC. Specific actions requested under this proposal are explained below.

Reidel Compost Facility Revenue Bond Issue - In FY 1989-90 Metro issued Industrial Development Revenue Bonds for the Reidel Compost Facility construction project. At that time it was indicated that, under the terms of the bond sale and the Metro-Reidel service agreement, Metro's only budgetary obligation pertained to the service agreement payments to begin at the time of final acceptance, estimated to be June, 1991. Bond Counsel has now advised us that all debt service payments for both the Series "A" and Series "One" bonds must be budgeted. Metro's obligation to pay debt service on both series of bonds is limited to the amount of "loan repayments" received from Reidel.

Both Series of bonds bear interest at a floating rate. The debt service has been estimated with an average interest rate of 7 percent. A copy of the estimated debt service schedule is attached to the Ordinance (Appendix A). To compensate for fluctuations in the interest rate, an additional 10 percent of the estimated FY 1990-91 debt service has been included in the budgeted amount. Additional revenue, in the form of a pass through receipt from Reidel, will be received in an amount exactly equal the amount of debt service to be paid. The estimated debt service for FY 1990-91 is \$2,318,085. Refer to Exhibit A, pages A-15 and A-18.

Washington Park Zoo Capital Fund - During the last quarter of FY 1989-90, the Zoo did not expend the funds for the Africa Rainforest Exhibit at the rate that was anticipated. As a result, these funds were carried forward into FY 1990-91 as beginning fund balance. However, the expenditures that were planned for FY 1989-90 are now being charged to FY 1990-91. The FY 1990-91 budget did not anticipate these expenses. This action calls for the recognition of \$535,000 in additional fund balance plus \$20,000 in additional interest earned on the fund balance to support the increased FY 1990-91 expenditures. Refer to Exhibit A, pages A-13 to A-14.

Stagehand Labor Agreement - Metro ERC - The Metro ERC renegotiated the Stagehand labor agreement after July 1, 1990. The old agreement provided that stagehand salaries were to be paid to the employee by the event promoter. The new agreement requires the Metro ERC to pay wages directly to these employees. The Metro ERC will be reimbursed for the expense from the promoter. Unanticipated revenue will be received in the amount of \$270,756. The Performing Arts Center Personal Services line items 511235 - Wages, Temporary Employees and 512000 - Fringe will be increased \$225,630 and \$45,126 respectively. Refer to Exhibit A, pages A-33 and A-36 to A-38.

Oregon Convention Center Grand Opening Expenditures - At the time the FY 1990-91 budget was prepared, the exact method of conducting the Oregon Convention Center Grand Opening had not been determined. It was anticipated that the event would be promoted, managed and operated by a third party. All event sponsorships, donations, and expenditures would be handled by this third party. Metro's obligation was to have extended only to the amount of expenditures in excess of revenues received, estimated to be approximately \$200,000. Subsequently, a decision by the Metro Exposition-Recreation Commission retained management and operation of the Grand Opening event. All revenues were to be received and expenditures disbursed by the Metro ERC. The result of this management decision was not reflected in the FY 1990-91 budget. This action requires the recognition of \$984,354 in additional revenue and appropriation for a like amount of expenditure in excess of the amount anticipated. Refer to Exhibit A, pages A-29 to A-32.

St. Johns Landfill Purchase Agreement - The City of Portland and the Metropolitan Service District will be entering into an agreement in which Metro will purchase the St. Johns Landfill from the City of Portland for a nominal fee. By the terms of this agreement the City will transfer to Metro those funds designated for landfill closure and implementation of the Lakes Plan. Metro agrees to accept custody and responsibility of these funds and to

act as Trust Fund Manager of the Smith & Bybee Lakes Trust Fund which is to be established as part of the Smith & Bybee Lakes Management Plan.

The Management Plan, jointly developed and approved by the City and Metro, advises certain actions to be taken at such time as they become available. It is anticipated that some of these actions will be necessary during FY 1990-91. In addition, the Plan requires the establishment of a Management Committee to develop policies and propose future budgets for the management of the Lakes area. This proposed action creates the Smith & Bybee Lakes Trust Fund, under the management of the Planning & Development Department, and establishes appropriations for FY 1990-91 based on estimated expenses derived from the activities outlined in the Management Plan. The total amount of the fund is estimated to be \$1,938,070 for FY 1990-91. Refer to Exhibit A, page A-24.

By the terms of the agreement between the City and Metro, the City will transfer to Metro during FY 1990-91, the entire amount of the End Use Fund, estimated to be \$908,070. In addition, the City agrees to turn over those funds designated in the Refuse Disposal Fund. The estimated balance of this fund as of June 30, 1990, is \$2,233,522. One million of this amount is to be transferred during FY 1990-91. The remaining balance of the "Refuse Disposal Fund" is to be transferred to Metro no later than December 31, 1993. All funds to be received during FY 1990-91 will be transferred from the City within thirty days of signing the agreement or as soon as Metro creates the Smith and Bybee Lakes Trust Fund, whichever is later. Additional contributions to this fund, at the rate of \$.50 per ton, will be made by Metro for the remaining life of the St. Johns Landfill.

Consolidation of Workers' Compensation into Insurance Fund -
Beginning July 1, 1990, the workers' compensation program was changed from a premium based program to an incurred loss program. This program pays for time loss, medical expenses and reserves as they are incurred rather than on a monthly premium basis. This change was prompted due to significant increases in workers' compensation premiums not known until the last week in June. The impact on accounting for and management of this type of program was not identified at the time of the change.

The FY 1990-91 budget was based on the former premium based program. Worker Compensation funds were budgeted in thirty-four different appropriation units. Amounts needed were determined as a percentage of salaries in each unit. The task of tracking and managing the new incurred loss program at this level is very difficult and time consuming.

This proposal recommends that the Workers Compensation Program be consolidated into the Insurance Fund. Funding for the program will be transferred from the various departments to the Insurance Fund on a similar basis to that of the current liability/property program. Claims and losses will be tracked by department within the Insurance Fund but the program will be managed on an agency wide basis. Reserves will be established to fund extraordinary losses which may exceed the amount transferred in any one year. Any reserve draws would be reimbursed by the appropriate department in subsequent years.

For this year, funding has been identified in each individual Personal Services appropriation unit. This is the amount of the fringe line item originally estimated for Workers' Compensation premium payments to SAIF. Appendix B to the Ordinance lists the appropriation categories and the dollar amounts identified for Workers' Compensation. To avoid complications with Metro's federally approved Indirect Cost Rate Proposal, for FY 1990-91 only these amounts will remain in the Personal Services category of each appropriation unit but will be separated from the Fringe line item and identified as "Service Reimbursements-Worker Compensation". These identified amounts will be transferred to the Insurance Fund for payment of actual costs incurred. Beginning with FY 1991-92, these payments will be shown as transfers to the Insurance Fund and will be appropriated under the Interfund Transfer object category. This method of accounting conforms to GASB standards. Any amount paid into the Insurance Fund in FY 1990-91 in excess of the actual amount needed will be retained in the Fund to establish a beginning reserve for the Worker Compensation program. Metro is currently conducting an actuarial study for its liability, casualty and worker compensation programs to determine the amount of reserves that will be required.

This action does not change the appropriation amount in the various Personal Services categories. For this reason, unless other actions proposed under this Supplemental Budget modify appropriation units of a fund, only the total fund summary has been reflected in the Exhibits. Appendix B provides a complete list of all Personal Service categories and the dollar amounts involved. Refer to Exhibit A, pages A-10 and A-11 for detailed changes proposed to the Insurance Fund.

Office Building Purchase - On October 11, 1990 the Council agreed to proceed with the purchase of the Sears facility as Metro's new office headquarters. The purchase price of the facility is \$5.15 million. One million is payable at closing no later than December 28, 1990 and the balance is due by July 1, 1991. The transaction will be financed through a combination of internal and external

borrowing. Metro will finance through Bond Anticipation Notes the amount of the purchase price and anticipated renovation costs associated with the estimated tax-exempt portion of the building. An interfund loan from the Solid Waste Revenue Fund to the Building Fund will be required to finance the remaining estimated taxable portion of purchase and renovation costs. Prior to the end of FY 1991-92, Metro will issue either revenue bonds or certificates of participation and refund the short term financing obligations. The expenditure allocation as outlined in the Exhibits portrays the current estimate of purchase and renovation costs for FY 1990-91.

This action proposes a modification to the appropriation structure of the Building Management Fund. Two separate Accounts will be created in the fund to track and manage the resources and expenditures of each facility administered through this fund. Each Account will have separate appropriation units for personal services, materials and services and capital outlay. Refer to Exhibit A, pages A-4 to A-9.

EXECUTIVE OFFICER'S RECOMMENDATION

The Executive Officer recommends approval of Resolution No. 90-1347, approving the FY 1990-91 Supplemental Budget and transmitting the approved budget to the Tax Supervising and Conservation Commission. In addition, following TSCC review and certification, the Executive Officer recommends adoption of Ordinance No. 90-370, adopting the FY 1990-91 Supplemental Budget, creating the Smith and Bybee Lakes Trust Fund and authorizing an interfund loan.

kr:ord90-91:supp:sr
November 5, 1990

Supplemental Budget Meeting Schedule

Resolution No. 90-1347

Finance Committee, Thursday, November 15, 1990.

Review and discuss Supplemental Budget. Recommend approval of Resolution No. 90-1347, approving Supplemental Budget, to Council.

Council Meeting, Thursday, November 29, 1990.

Approve Resolution No. 90-1347, approving Supplemental Budget and transmitting it to the TSCC

Ordinance No. 90-370

Council Meeting, Thursday, November 29, 1990.

First reading of Ordinance. Conduct public hearing on budget.

Finance Committee, Thursday, December 20, 1990

Conduct public hearing on Supplemental Budget

Council Meeting, Thursday, December 27, 1990

Adopt Ordinance 90-370, Supplemental Budget. This is a required date to meet terms of building purchase

TSCC hearing will be held sometime in December. Hopefully, the week of December 10th.