

METROPOLITAN EXPOSITION-RECREATION COMMISSION

RESOLUTION NO. 93-5

Authorizing the adjustment of the 1993-94 fiscal year Metropolitan Exposition-Recreation Commission budget to appropriate sufficient funds for the payment of the Lloyd District Street Improvement LID at the Oregon Convention Center.

The Metropolitan Exposition-Recreation Commission finds:

1. That the Commission has been informed of the final notice for the Convention Center-Lloyd District Street Improvement LID in the amount of \$721,689.84.


2. That this LID assessment is an unbudgeted expense for FY 1993-94.

3. That the amount needed for this assessment is available in the Oregon Convention Center Operating Budget as a transfer from the Convention Center Project Capital Fund and the OCC Renewal & Replacement Fund, said proportional amount to be replaced in the OCC Renewal & Replacement Fund during FY 1994-95.

4. That Council of the Metropolitan Service District must approve budgetary transfers of appropriations within the FY 1993-94.

BE IT THEREFORE RESOLVED that the Commission authorizes the transfer of \$500,000 from the Convention Center Project Capital Fund and \$221,689.84 from the OCC Renewal & Replacement Fund appropriations, subject to the approval of the Council of the Metropolitan Service District, for the purpose of paying the Lloyd District Street Improvement LID owed by the Oregon Convention Center, said proportional amount to be reimbursed to the OCC Renewal & Replacement Fund in FY 1994-95.

Passed by the Commission on August 11, 1993.



Chairman



Secretary/Treasurer

APPROVED AS TO FORM:
Daniel B. Cooper, General Counsel

By: 

Mark B. Williams
Senior Assistant Counsel

MERC STAFF REPORT

Agenda/Item Issue: APPROVAL OF PAYMENT OPTION FOR LLOYD DISTRICT STREET IMPROVEMENT LID

Resolution No. 93-5

Date: August 11, 1993

Presented by: Jeffrey A. Blosser

Background and Analysis: We have received final notice for the Convention Center-Lloyd District Street Improvement LID. The final assessment amount for the Oregon Convention Center (OCC) is \$721,689.84 and must be paid in full or financed through the City of Portland by Friday, August 27, 1993. (Please refer to Kathy Rutkowski's memo attached).

This LID is an unbudgeted expense for FY 1993-94. We have reviewed various payment options which are as follows:

1. Use the \$500,000 contingency in the OCC budget along with \$221,689 in spending cuts to pay the LID.
2. Prepare a supplemental budget identifying \$721,689 of additional resources and appropriation authority. Submit through Metro's supplemental budget process.
3. Finance the LID with a 5 year monthly installment contract through the City of Portland. Fund the first year's payments through existing appropriation in the OCC Operating Fund and consider paying the remaining balance in full in FY 1994-95, without pre-payment penalty, in order to avoid additional interest costs. The interest rate would be 7%.
4. Pay the LID from the Convention Center Project Capital Fund by deferring or eliminating \$721,689 of FY 1993-94 projects. This amount represents approximately 36% of the OCC Project Capital Fund. In FY 1994-95 the OCC Operating Fund could then reimburse the Capital Fund by means of a transfer of resources, and allow the deferred projects to be re-budgeted.
5. Defer a portion of the transfer to the OCC Renewal & Replacement Fund for one year. Use \$721,689 of the total \$900,000 transfer appropriation in the OCC Operating Fund to pay the LID assessment in full in FY 1993-94. In FY 1994-95, the OCC Renewal & Replacement transfer would include the FY 1994-95 contribution plus the amount deferred in FY 1993-94. Note that in order to replace this deferred amount in FY 1993-94, we would need to have the excess funds available.

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Fiscal Impact: Obviously, any option will have a financial impact of \$721,689 since this LID was unbudgeted for FY 1993-94. However, a combination of options 4 and 5 appears to limit the dollar impact without necessitating spending cuts or deferring budgeted projects.

Recommendation: Staff recommends that the commission approve the LID payment through a combination of options 4 and 5. This would entail using \$500,000 from the Project Capital Fund (this amount is currently undesignated in the fund) and \$221,689.84 from the Renewal & Replacement Fund. This combination of options allows the payment of the LID assessment in full during FY 1993-94, thereby avoiding interest charges and loan fees; retains flexibility in the OCC Operating Fund by not using any contingency for this payment; keeps funds available for designated capital projects in the Convention Center Project Capital Fund; and complies with budget law. In order to maintain the Renewal & Replacement Fund, the \$221,689 would have to be replaced in FY 1994-95.

Note that whichever option is chosen, a budget amendment will be required. Since it will be impossible to fully adopt a budget amendment by the August 27, 1993 payment deadline, staff recommends that both the Regional Facilities Committee and the Finance Committee be notified of the impending action immediately because the amount of the expenditure is quite large and the recommended option is a material change to the FY 1993-94 budget plan.



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DATE: August 2, 1993

TO: Pat LaCrosse, MERC General Manager
Jeff Blosser, Convention Center Manager

FROM: Kathy Rutkowski, ^{KR}Principal Administrative Services Analyst

REGARDING: BUDGET OPTIONS FOR LLOYD DISTRICT STREET IMPROVEMENT LID

We have received the final notices for the Convention Center-Lloyd District Street Improvement LID. The final assessment amount for the Oregon Convention Center is \$721,689.84, and must be either paid in full or financed through the City of Portland by means of an installment payment contract by Friday, August 27, 1993.

The Lloyd District Street Improvement LID is an unbudgeted expense for FY 1993-94. I have reviewed a variety of options for payment of this expense within the constraints of the existing budget and requirements of Oregon Budget Law and Metro Code. This memo provides a brief discussion on each of the options, as well as my recommendation on how to proceed.

Budget Options

1. *Find \$722,000 of appropriation authority within the existing Oregon Convention Center Operating Fund budget by using the \$500,000 of Contingency and identifying \$222,000 of spending cuts in other planned expenditures.*

It is unwise to use the OCC Operating Fund's entire contingency four weeks into the fiscal year. There would be no flexibility in meeting other unanticipated needs during the remaining eleven months. It is improbable that \$222,000 of spending cuts could be made this early in the year without also jeopardizing the ability of the Convention Center to meet operating opportunities. I do not recommend this option.

2. *Prepare a supplemental budget recognizing \$722,000 of additional resources and appropriation authority.*

The supplemental budget process is a lengthy process requiring four to six months to complete. It would require the identification of \$722,000 of new, previously unanticipated or unidentified resources to be recognized as part of the budget amendment. Only four weeks into the fiscal year, it would be difficult to find that large an amount of resources that has not already been anticipated and included in the Oregon Convention Center

Operating Fund's FY 1993-94 budget. A preliminary analysis of the OCC Operating Fund's ending fund balance for FY 1992-93 does not indicate sufficient additional moneys over what has already been anticipated in the budget to fund the LID payment. I do not recommend this option.

3. *Finance the LID payment with a 5 year monthly installment contract with the City of Portland. Fund the first year's payments through existing appropriation in the OCC Operating Fund (possibly contingency) and pay the remaining balance in full in FY 1994-95.*

The City of Portland provides four methods of financing the LID assessments. If financing is chosen, the loan installment contract must be complete and in the City's offices no later than August 27, 1993. This City charges a non-refundable financing fee of \$40 plus 0.49% of the loan amount. This amount is added to the loan amount to determine the amount to be financed. For the OCC the total loan amount would be \$725,266.12. The City charges an interim interest rate of 7.0 percent.

The restrictions of Ordinance 91-439, issuance of General Revenue Bonds, would only allow a financing period of five years without other requirements being met in advance. The City offers a five year monthly installment contract. If this option were chosen, the OCC would pay approximately \$143,611 in FY 1993-94, assuming 10 months of payments at 7.0 percent interest. In July, 1994, the balance of the installment loan, \$624,885, could be paid off in advance without pre-payment penalty. The OCC would incur interest and financing fees of \$46,806 during the 10 month period until final payment.

The financing agreement would be considered an unanticipated, long term obligation of the district. As such it would require Council approval of the contract. There is insufficient time to process the financing agreement through the Council prior to the August 27, 1993, deadline.

I do not recommend this option unless all other options are unavailable. The amount of interest and financing fees paid, make this option prohibitive, and this action could not be approved by Council before August 27th without suspending existing rules.

4. *Pay the LID expenditure out of the Convention Center Project Capital Fund by deferring or eliminating \$722,000 of projects FY 1993-94. In FY 1994-95 the OCC Operating Fund could reimburse the Capital Fund by means of a transfer of resources, and allow the deferred projects to be re-budgeted.*

This option assumes that \$722,000 of capital projects can be deferred during FY 1993-94. The Convention Center Project Capital Fund has approximately \$1.9 million in capital outlay appropriation for FY 1993-94. However, some of these projects are

already in process or have been expended. The available capital outlay appropriation in the Convention Center Project Capital Fund is summarized as follows:

Tied Seating	\$500,000
ADA Retrofits	175,000
Entry and Sky View Terraces	75,000
Master Plan Development	100,000
Truck Marshaling Lot	365,000
Lighting contract carryover	180,000
Remaining undesignated funds	588,340
TOTAL CAPITAL APPROPRIATION	\$1,983,340

If this option is chosen, an agreement will need to be reached as to which projects will not be done in FY 1993-94. There are several reasons this option may not be possible. It may not be possible to defer enough projects to reach the \$722,000 amount needed. While it is technically possible to pay the LID assessment out of the Capital Fund, the expenditure would not be "capitalized" in the financial statements. Since Metro does not own the assets which were improved, the payment would be considered "a contribution to other government agencies" and a materials & services expense. This would require a disclosure in the financial statements with an explanation of the circumstances of the expenditure. The expense classification might be questioned by the auditors and the disclosure might raise concerns on Metro's accounting methods in general.

Given the possible problems with this option, I do not recommend this approach unless other more viable options are not available.

- 5. Defer a portion of the transfer to the OCC Renewal & Replacement Fund for one year. Use \$722,000 of the transfer appropriation in the OCC Operating Fund to pay the LID assessment in full in FY 1993-94. In FY 1994-95, the OCC Renewal & Replacement transfer would include the FY 1994-95 contribution plus the amount deferred in FY 1993-94.*

In FY 1993-94, it was anticipated that the OCC Operating Fund would transfer \$900,000 to a newly established OCC Renewal & Replacement Fund. This option would reduce the transfer amount in FY 1993-94 to \$178,000, and use \$722,000 to fund the LID expenditure payment. In the FY 1994-95 budget, the OCC Operating Fund would then transfer the anticipated FY 1994-95 contribution (estimated at \$700,000), plus the FY 1993-94 deferred portion of \$722,000.

This is the recommended option. It allows the payment of the LID assessment in full during FY 1993-94, thereby avoiding interest charges and loan fees; retains flexibility in the OCC Operating Fund by not using the entire contingency for this payment; keeps

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funds available for capital projects in the Convention Center Project Capital Fund; and complies with budget law.

How To Proceed

One of these options needs to be chosen as soon as possible. While the deadline is August 27, 1993, it will require some time to process the payment authorization or installment payment contract to meet the deadline. Whichever option is chosen, a budget amendment will be required. Since it will be impossible to fully adopt a budget amendment by the August 27, 1993, deadline, I recommend that both the Regional Facilities Committee and the Finance Committee be notified of the impending action immediately because the amount of the expenditure is quite large, and the recommended option is a material change to the FY 1993-94 budget plan.

Please call me as soon as you have a chance to review the options. I will be happy to assist you with further analysis or notification to the Council Committees.

cc: Jennifer Sims, Director of Finance & Management Information
Neil Saling, Director of Regional Facilities
Craig Prosser, Manager of Financial Planning
Dick Engstrom, Deputy Executive Officer

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