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METRO

2000 SW First Avenue
Portland, OR 97201-5198
(503) 221-1646
Fax 241-7417

January 7, 1992

Mr. Michael R. McKeever
McKeever/Morris, Inc.
722 S.W. Second Avenue, Suite 400
Portland, Oregon 97204

Dear Mr. McKeever:

In response to the request of your finance subcommittee members, we have enclosed (1) the Financial Analysis of the Headquarters Building Purchase and Renovation, and (2) the Official Statement for the sale of the General Revenue Bonds issued to finance the headquarters project. I understand that you were specifically interested in materials showing the "crossover point" when ownership of the new headquarters is less expensive on an annual basis than leasing space. Graph 2 of the analysis (the last page) shows that point occurs in approximately the year 2001. Because the actual debt service on the building will be lower than the estimated debt service used in the analysis, the actual crossover point should be sooner.

I understand that you desire information on the nature and composition of Metro's fund balances. The table below shows the composition of the actual FY 1991-92 beginning fund balances for Metro's larger funds.

FUND	BALANCE	COMMENTS
General Fund	\$766,334	Unspent funds (see table below for explanation).
Transportation Planning Fund	178,994	Unspent grant funds.
Planning and Development Fund	250,337	Unspent grant funds.
Zoo Fund	3,708,183	Operating reserve (see table below for explanation).
Spectator Facilities Fund	4,407,497	Fund carries profit generated by Coliseum used as operating and capital reserve. FY 1990-91 was record revenue year for Coliseum. Funds will be spent to support PCPA and Civic Stadium.
Convention Center Debt Service Fund	164,857	Carry over tax receipts completely dedicated to debt service payments.
Zoo Capital Fund	3,197,560	Amounts to be used for Zoo capital construction.

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FUND	BALANCE	COMMENTS
Solid Waste Revenue Fund	35,021,153	Includes \$26,601,533 Landfill Closure Account; \$1,447,192 Construction Account; \$2,765,963 Debt Service Reserve Account; \$917,359 Debt Service Account; \$533,557 Renewal and Replacement Account; and \$7,045,850 General Account (capital account)
Oregon Convention Center Op. Fund	4,228,537	Reserve for operations. OCC operations significantly ahead of projections. Hotel/motel receipts higher than budgeted.
Convention Center Project Capital Fund	5,498,434	Remaining bond proceeds. Expenditures for capital project to occur in FY 1991-92.
Insurance Fund	3,853,501	Insurance reserves.
Rehabilitation and Enhancement Fund	1,999,232	Trust fund for community improvement of areas affected by solid waste disposal operations.
Smith and Bybee Lakes Trust Fund	1,975,589	Trust fund for implementation of Smith and Bybee Lakes rehabilitation plan.

The Solid Waste Revenue Fund accounts for 53% of Metro's fund balance. In addition to reserve accounts in this fund that are mandated by bond ordinances and State agencies, this growing enterprise is in the middle of several major capital programs that run large fund balances.

I also understand that you were interested in the difference between Metro's budgeted year end balance for FY 1990-91 (\$42.9 million) and the budgeted beginning fund balance for FY 1991-92 (\$71.8 million). Certain difference can be accounted for by the nature of our budget process and the time lag between the budget planning cycles and actual events. Departments submitted their FY 1990-91 budgets in the early January 1990. Budgets for FY 1991-92 were submitted a year later. FY 1990-91 was a very active year for Metro with activities including the closing of St. John's Landfill, the opening of the Metro Central Transfer Station and the initiation of transportation of solid waste to the Columbia Ridge Landfill in Arlington, assumption of full management responsibility for the operation of the Memorial Coliseum, the Civic Stadium and the Portland Center for the Performing Arts, the opening of the Oregon Convention Center, the beginning of the planning cycle for the West Side Light Rail project, the beginning of the Metropolitan Greenspaces program, and the first year of the Zoo's tax base and collection of the excise taxes. Many events occurred that were not anticipated by departments during their planning cycle. The table on the next page contains a comparison of budgeted unappropriated balances (year end) for FY 1990-91 and budgeted beginning fund balances for FY 1991-92 for those funds showing large differences and an explanation of each difference.

FUND	FY 1990-91 BUDGETED YEAR-END BALANCE	FY 1991-92 BUDGETED BEGINNING BALANCE	VARIANCE	COMMENTS
General Fund	\$65,000	\$615,000	\$550,000	Budgeted unappropriated balance (\$65,000) assumed the hiring of certain FTE in government relations that did not occur. Amounts will be used in FY 1991-92 for staff and consulting studies. Budgeted FY 1991-92 unappropriated balance is \$0.
Zoo Fund	1,188,496	2,509,619	1,321,123	Zoo immediately enacted austerity plan after Measure 5 passage by freezing staff and cutting programs to build up operating reserve. Admissions were higher than budgeted and Measure 5 cuts were lower than anticipated.
Zoo Capital Fund	1,906,300	2,755,533	849,233	Certain capital projects deferred.
Solid Waste Revenue Fund	31,671,463	35,316,017	3,644,554	Certain capital projects less costly than budgeted, others deferred, final expenditures on Metro Central to be made in FY 1991-92.
Building Management Fund	25,000	16,571,146	16,546,146	FY 1991-92 budget assumed initiation of Metro headquarters project during FY 1990-91. Did not occur.
Convention Center Project Management Fund	0	263,237	263,237	Planned expenditures did not occur because of staff turnover and hiring lags.
Convention Center Project Capital Fund	0	1,732,893	1,732,893	Certain capital projects deferred until FY 1991-92.
Rehabilitation and Enhancement Fund	1,652,019	2,038,305	386,286	Better than anticipated fund earnings.
Smith and Bybee Lakes Trust Fund	0	1,194,763	1,194,763	Fund not budgeted in FY 1990-91

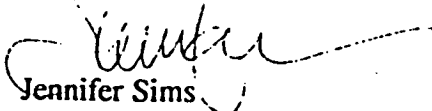
The major variance between budgeted year end and beginning balances was in the Building Management Fund. We did not anticipate initiation of the Metro headquarters project when the FY 1990-91 budget was developed.

Eric Carlson
January 7, 1992
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I hope this explanation satisfies your concerns. Please let me know if you require any further information.

Sincerely,



Jennifer Sims
Director of Finance and Management Information