

MINUTES OF THE COUNCIL BUDGET COMMITTEE
OF THE METROPOLITAN SERVICE DISTRICT

March 25, 1992

Council Chamber

Committee Members Present: George Van Bergen (Chair), Judy Wyers (Vice Chair), Richard Devlin, Jim Gardner, Sandi Hansen

Councilors Also Present: Roger Buchanan, Tom DeJardin, Ed Washington

Also Present: Dick Engstrom, Deputy Executive Officer

Chair Van Bergen called the regular meeting to order at 5:36 p.m.

■ PHASE II BUDGET REVIEW

Chair Van Bergen indicated a procedural format for the Phase II Budget Review, and he referenced a memorandum dated March 23, 1992 from Donald E. Carlson, Council Administrator, to the Budget Committee containing an analysis of the major changes in the FY 1992-93 Budget, questions and comments. This memorandum has been made a part of the permanent meeting record.

1. SUPPORT SERVICES FUND

A. Finance and Management Information Department

Jennifer Sims, Finance and Management Information Director, referenced her memorandum dated March 25, 1992 to the Budget Committee containing responses to the March 23, 1992 memorandum from Council staff. This memorandum has been made a part of the permanent meeting record. He said the manager of each division of the department would answer the questions pertaining to their area of responsibility.

o Accounting (Exhibit A)

Don Cox, Accounting Manager, addressed the questions as noted in Mr. Carlson's memorandum dated March 23, 1992 pertaining to the Accounting Division as outlined in Ms. Sims March 25 memorandum.

Question No. 1. Mr. Cox explained the request for additional FTE.

Question No. 2. Mr. Carlson questioned whether interdepartmental redistribution of used furniture should be considered a legal problem. Mr. Cox said he was reviewing the question. He said for another year new furniture purchases would be earmarked for new staff rather than as replacements for existing staff.

(Continued)

Question No. 3. In response to Councilor Gardner, Mr. Cox said if work on the accounting procedure manual was not completed to the full extent of \$55,000 FY 1992-93, the budget request would provide additional funding for next year.

Question No. 4. In response to Mr. Carlson, Mr. Cox said the proposed inventory was for the purpose of reconciling Metro's fixed assets list to the physical inventory. Councilor Devlin commented a Metro fixed asset inventory occurred in 1989, and said he remembered a fixed asset inventory was undertaken at the time of the transfer of MERC facilities in 1990. He questioned the necessity of a fixed asset inventory at this time. Mr. Cox said the 1989 fixed asset inventory covered Metro facilities at that time, and said an additional fixed asset inventory of the assets in Metro's custody owned by the city was done in 1990 as MERC was transferred to Metro. He said the proposed inventory would cover assets at both sites, and said Metro auditors were required to certify fixed assets recorded at a specific cost in letter form to the city. Councilor Gardner recalled an inventory done by memorandum to all individual staff requesting staff conduct a personal inventory of chairs, desks, etc. He felt such an inventory was relatively cost-free. In response to Councilor Gardner, Mr. Cox said the method had been used at Metro with limited success, and he stated the primary reason for the budget request was based on Metro's insurer's requirement for an independent inventory. Ms. Sims said inventory assistance from departmental staff was necessary on an ongoing basis, and noted the Zoo as an example. Mr. Cox noted bar codes tags had been applied at the time of the last inventory and would be scanned, which, he noted, would save time.

Question No. 6. In response to Mr. Carlson, Mr. Cox said the upgrades were requested for the Accounting Manager, the two accountants hired last year, the lead clerk, the Accounting supervisor, and the secretary. He said current personal computers used by those staff would be moved downward in the division and access to the main frame would be achieved. In response to Councilor Wyers, Mr. Cox said the upgrade was intended to be from "286" machines to "386" machines, but, he said, he has been informed by Data Processing Services the price for "486" machines was coming down, and indicated intent to purchase what was cost effective at the time.

Mr. Cox noted the remaining questions for Accounting had not been answered in the March 25 memorandum and that he would answer them at this time.

Question No. 7. [See text following Question No. 9.]

Question No. 8. Mr. Cox said the Contracts List reference to a new multi-year contract for Technical Service/Data Processing Services for \$102,000 was a clerical error and should not be in the Budget Workbook.

Question No. 9. Mr. Cox said finalization of the surprise cash count undertaken at Metro Central the previous summer was underway, and said

internal investigation of documents in order to isolate problems was in process. He said other site visits were scheduled. In response to Chair Van Bergen, Mr. Cox said a final audit of the Killingsworth location was conducted at the time of closure, and said, although systems concerns were found, no monetary deficiency was found. He said the last audit was with the Hillsboro landfill and franchises which resulted in an \$8,800 deficiency found.

Councilor Devlin said the franchise code provided a minimal fee for cost of processing the franchise. He noted franchised haulers received franchise fees in excess of cost of administering the franchise covering cost of auditing those franchises. He commented Metro did not have such a mechanism, and encouraged discussion concerning a modification of Metro franchise code to recover such costs. Ms. Sims said no discussion of that nature had occurred recently. Councilor Devlin suggested a note be made to do so.

Councilor Wyers questioned a nine month lapse in surprise cash count visits to facilities. Mr. Cox said the department was involved in a fiscal audit through November as well as MERC consolidation questions. He said further investigatory activity would be undertaken in the future.

Question No. 7. Mr. Cox said the Financial Report Task Force headed by Chris Scherer, Financial Planning Manager, conducted an information gathering session with a variety of Metro groups concerning reporting needs, and said a summary was forwarded to Ms. Sims for review. He said subsequent meetings were held with the task force to determine a course of action. He noted departmental requests to have ability to down load the information from the main frame into data bases and spread sheets on departmental local machines. He said the task force was identifying means to make information available to the departments. Mr. Cox said a printed report had been developed comparing Personal Services actual budget information by position and title, which he felt was the primary objective of the Budget Note. He said the Information Systems division was working on that program, and said he understood it was ready for release. He said comparisons were underway to the current system's report to assure agreement, which he noted should be completed this week. Ms. Sims said in surveying the departments it was found the information in the financial reports was beneficial.

In response to Councilor Devlin, Ms. Sims said departments would be able to find the amounts encumbered according to purchase orders in the report, but, she said, not according to contracts.

In response to Mr. Carlson, Mr. Cox said the current software package Metro owned had a purchasing module which Metro had not purchased due to cost. He said a manual effort by the Procurement division would be necessary to provide contract encumbrances at this time. Mr. Cox said contract

monitoring such as contract amounts as amended, and amounts expended to date against the contract were available.

In response to Councilor DeJardin, Ms. Sims said Operating departments manage and track contracts through department staff such as project manager or administrative assistants. She agreed the capability to provide that information in the financial reports would be valuable. Chair Van Bergen said he recalled such tracking was not being done at the department level, thus the Budget Note. Mr. Carlson agreed contracts were being managed manually. He added the financial management system tracked the contract expenditures monthly, although, he noted a monthly financial report which compiled the information overall was not available. Mr. Carlson felt an updated financial management system would be utilized in the future which would have capabilities not currently accessible.

Councilor Devlin commented staff analyses of budgets found unanticipated expenditures in Materials and Services, and said he felt a reason was the expenditures to date did not show contract encumbrances.

Mr. Cox said contract encumbrances were not reflected in financial or audit reports. He said contract encumbrances are not counted against the budget allotment, but, he said, rather the actual work performed and the amount owed on that work.

Questions No. 10. In response to Chair Van Bergen, Mr. Cox said two disposal site audits were scheduled for the following three months, and said staff was working with Solid Waste staff to identify which two of three sites would be audited. In response to Councilor Wyers, Mr. Cox said between five and eight sites could be subject to audit. Councilor Wyers commented it was reported to her that waste was going to areas outside the region. She felt Metro would benefit from up to date audits.

In response to Councilor Hansen, Mr. Cox indicated the disposal site audits would be conducted with three to five working days notice so that records would be available on site. Councilor Hansen suggested audits be undertaken during the budget process time, and she commented, if audits were only performed in the late spring and summer, a nine month lapse existed in which bookkeeping could be lax.

Question No. 11. Mr. Cox felt Jeff Booth, Information Systems Senior Management Analyst, would answer questions regarding the Systems Implementation Program. Mr. Cox said each Metro department had on-line access as requested to the financial accounting data base system. He said up-to-the-second information was available pertinent to budget versus actual expenditures or revenue. He said details regarding funds kept in those accounts, charged to those accounts, status of bills - whether paid or unpaid, status of purchase orders - whether invoiced or not invoiced, paid or unpaid, were available. He said experience indicated departments with access used it to a large extent, and said in those cases monthly

financial reports were not used as a tool since the information was on-line. He said monthly financial reports would always be required and termed them a "snapshot in time."

In response to Councilor Washington, Mr. Cox explained surprise cash audits gave no opportunity to transfer monies to correct deficiencies, and said such audits performed the function of a procedural review.

o Office Services (Exhibit B)

Pam Juett, Office Services Manager, responded to questions for the Committee contained in Mr. Carlson's memorandum dated March 23, 1992 as outlined in the March 25 memorandum from Ms. Sims.

Question No. 1. In response to Chair Van Bergen, Ms. Jewett said mailing lists were the property of individual departments and the purging of those mailing lists was the responsibility of those departments, and she advocated proactive methods of purging. Ms. Sims agreed and suggested a Public Affairs review of coordination of purging of mailing lists.

Question No. 2. In response to Mr. Carlson, Ms. Jewett said the proposed budget request for bulk mail postage was to cover mailing the quarterly publications sent out by Public Affairs, "Metro News".

Question No. 3. In response to Mr. Carlson, Ms. Sims indicated several items of a specific nature were not included in the new building budget, and said the proposed budget request for shelving for archives storage had not been included.

o Financial Planning (Exhibit C)

Ms. Sims responded to questions for the Committee contained in Mr. Carlson's memorandum dated March 23, 1992 as outlined in the March 25 memorandum from Ms. Sims.

Question No. 1. In response to Chair Van Bergen, Ms. Sims said an example of central services to Metro departments would be the Metro in house Print Shop, which she noted produced over 8 million photocopies per year along with cutting and binding. She said no study had been done to review cost effectiveness of maintaining Print Shop services in house as opposed to, for example, pursuing intergovernmental agreements for printing services or contracting printing services out of house. She said an objective examination of the central service delivery system would be a benefit to the agency.

In response to Mr. Carlson, Ms. Sims said questions regarding costs of overhead would continue and return next fiscal year requesting budget funding for a Central Services study, should the study not be appropriated FY 1992-93. In response to Mr. Carlson, Ms. Sims said she could not

respond to a question as to whether reductions in staff could be a result of such a study.

Question No. 2. In response to Councilor Gardner, Ms. Sims said total election costs from each county such as printing ballots and set up of polling places were divided by number of measures and candidates on the ballot and amounts were then charged back to government entities. Mr. Carlson suggested Metro devise an internal system for allocation of charges to program and/or department.

In response to Councilor Devlin, Mr. Carlson indicated General Counsel could provide a response concerning disposition of Charter Committee expenditures once the Committee has referred a measure to the ballot.

Question No. 3. In response to Mr. Carlson, Ms. Sims indicated the position referred to in question no. 3 was proposed in FY 1991-92 budget, and said the level of responsibility the position has assumed was deemed deserving of a reclassification. Councilor Hansen noted Ms. Sims referenced issues in which the position was involved included End of Oregon Trail development, and Trailblazers arena staff advisory committee, which she noted were not in existence previously. Mr. Carlson noted Regional Facilities administered those projects. Ms. Sims said the role of the position in question financial related, while the Regional Facilities portion was program, policy and facility management related. In response to Chair Van Bergen, Ms. Sims said studies had not been done on Trailblazers and End of Oregon Trail. Chair Van Bergen referenced studies done previously for Regional Facilities which covered financial planning.

Question No. 4. In response to Chair Van Bergen, Ms. Sims said the requests anticipated an affirmative vote related to Greenspaces programs. She said the position scope of work would be related to bond issues. She said Metro issues emerged on an ongoing basis, and expected the position in question would be necessary regardless of the outcome of an individual program, project or measure. Chair Van Bergen questioned whether funds should be budgeted in this case based on anticipation of an affirmative vote.

Question No. 5. In response to Chair Van Bergen, Ms. Sims said the department plan was to begin the five year financial plan reports in July to end in October for presentation at that time and before the budget process begins in October since the same staff worked on both projects.

o Information Systems (Exhibit D)

Jeff Booth, Senior Management Analyst, responded to questions for the Committee contained in Mr. Carlson's memorandum dated March 23, 1992 as outlined in the March 25 memorandum from Ms. Sims.

Question No. 2. In response to Mr. Carlson, Mr. Booth noted the Data Base Management System would be placed on the server with network wide access.

Question No. 3. In response to Mr. Carlson, Mr. Booth said costs associated with network improvements and effects of the headquarters move of systems were being prepared and would be available prior to the end of the FY 1992-93 budget process.

In response to Mr. Carlson's inquiry whether Information Systems' network building controls were as efficient as could be, Mr. Booth said the department would respond the following day.

o Insurance Fund -- Risk Management

Scott Moss, Risk Manager, responded to questions for the Committee contained in Mr. Carlson's memorandum dated March 23, 1992 as outlined in the March 25 memorandum from Ms. Sims.

Question No. 1. In response to Chair Van Bergen, Mr. Moss indicated over \$600,000 existed in reserves for liability claims, however, he noted, the budget for the fund was approximately \$6 million. In response to Mr. Carlson, Mr. Moss indicated the fund would need to be replenished if and as used.

Question No. 2. In response to Chair Van Bergen, Mr. Moss indicated should a liability claim for a specific department or facility be in excess of \$500,000, Metro would need to review the possibility of capping the cost to the specific department or facility in consideration of overall exposure factors.

In response to Mr. Carlson's question regarding the fixed asset study, Mr. Moss said the previous cost study did not include replacement costs which, he said, was how Metro insured property. He said premium discounts applied when property was insured at 100% of value. He said the insurance company were concerned whether Metro had proof of value, and said with a fixed asset study if Metro had a claim, the values would be on record, which, he said, expedite the recovery process. In response to Mr. Carlson, Mr. Moss said the current fixed asset inventory contained purchase values, but, he said, did not contain replacement values. In response to Mr. Carlson, Mr. Moss and Ms. Sims explained certain formulas could be applied to the replacement value to update each year. Mr. Moss said the insurance company would write insurance for Metro should the study not be done, but, he said, they would continue to have concerns.

Ms. Sims referenced her memorandum dated March 25, 1992 containing responses to Mr. Carlson's memorandum entitled Initial Review of Support Services Fund dated March 16, 1992 which contained four questions regarding Budget Notes pertaining to the fund.

At 8:00 p.m. Chair Van Bergen called for a recess of five minutes.

Chair Van Bergen reconvened the meeting at 8:06 p.m.

Vickie Rocker, Public Affairs Director, responded to Question No. 1 for the Committee as contained in Mr. Carlson's memorandum dated March 16, 1992 as outlined in the March 25 memorandum from Ms. Sims.

Ms. Rocker distributed copies of forms developed for departmental paperwork, and discussed how the use of the forms tracked staff time, resources and cost specific to a particular project.

Marie Nelson, Public Affairs Supervisor, responded to Question No. 2 contained in Mr. Carlson's memorandum.

In response to Councilor Hansen, Ms. Rocker said no complaints from other departments had been received that would indicate those departments felt services were under expectation. She said work programs were being developed with individual departments to meet specific needs.

In response to Mr. Carlson, Ms. Rocker said the work plan developed with Planning and Development would be made available in writing to the Committee.

In response to Councilor Devlin, Ms. Rocker noted the Public Affairs speakers bureau was helpful in educating the public regarding Metro.

The Committee and staff discussed the Public Affairs cost allocation plan and related Solid Waste activities. Mr. Carlson questioned whether the department would be able to perform the work listed in the budget notebook, of which, he noted, 73% of the funding was from the Solid Waste Department. He suggested the Solid Waste portion of Public Affairs programs should be run within the Solid Waste Department with the remaining portion of the Public Affairs Department becoming a Central Services function. Councilor Hansen felt it was a perception which was subject to further question rather than immediate action. Ms. Sims said the portion of indirect cost which was specific cost, which, she said, meant the time charged to support the Solid Waste Department, and the portion that was paid by Solid Waste for pooled costs, which would be general agency support was not portrayed in the cost allocation plan. She said Kathy Rutkowski would prepare a document for Committee review at the Phase II review of the Solid Waste budget which would reflect the amounts paid by Solid Waste for Solid Waste support and amounts paid by Solid Waste to support the general organization Support Services portion, such as budget preparation.

Mr. Carlson noted Dan Cooper, General Counsel, was not present to present at the meeting, and would be available March 26. He noted Betsy Bergstein, Senior Management Analyst, would provide written responses regarding the

COUNCIL BUDGET COMMITTEE
March 25, 1992
Page 9

Office of Government Relations and would be available at a subsequent Phase II Budget Review meeting.

Paula Paris, Personnel Manager, outlined the answers contained in her memorandum dated March 24, 1992 in which she responded to questions from Mr. Carlson of March 23, 1992. This memorandum has been made a part of the permanent meeting record.

Chair Van Bergen adjourned the Finance Committee Meeting until March 26, 1992 to immediately follow the regular scheduled March 26 Council meeting.

There being no further business, the meeting adjourned at 8:56 p.m.

Respectfully submitted,



Marilyn Geary-Symons
Committee Clerk