

MINUTES OF THE COUNCIL FINANCE COMMITTEE
OF THE METROPOLITAN SERVICE DISTRICT

February 21, 1991

Council Chamber

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

Committee Members Absent: None

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

1. Resolution No. 91-1375, For the Purpose of Amending the Classification Plan and the Pay Plan for Non-Represented Employees

Chair Van Bergen opened a public hearing. No citizens appeared to testify. Chair Van Bergen closed the public hearing.

Dick Engstrom, Deputy Executive Officer, presented staff's report for Resolution No. 91-1375, and requested approval by the Committee. He said the purpose of the resolution was to amend the Metropolitan Service District Code classification plan (Section 2.02.130) and the pay plan (Section 2.02.130), and said the resolution would create two new classifications, Director of Finance and Management Information and Director of Regional Facilities. He said it would also delete the current classification of Director of Finance and Administration. Mr. Engstrom explained that Metro proposed that the Finance and Administration Department would be split into two departments: 1) Finance and Management Information, which would include the functions of data processing, accounting, budget and financial analysis, and would employ about 29 employees; 2) Regional Facilities, which would include facility development, construction and management, procurement and contracts, and would employ about 14 staff. Mr. Engstrom said that sufficient funds were available within the Department of Finance and Administration to support both positions.

At this time Chair Van Bergen asked the Committee to change the order of items on the agenda and to suspend discussion of Resolution No. 91-1375 temporarily. The Committee moved on to the next agenda item.

2. Ordinance No. 91-383, An Ordinance Authorizing the Issuance of Revenue Bonds and Bond Anticipation Notes of the Metropolitan Service District for the Purpose of Financing the Acquisition, Renovation, Furnishing and Equipping of an Administrative Offices Building for Use in the Operations of the District; and Establishing and Determining Other Matters in Connection Therewith

(Continued)

Jennifer Sims, Financial Services Manager, presented staff's report for Ordinance No. 91-383, and noted the proposed ordinance was the first in a series of steps that would finance the Sears facility. She said the ordinance would also address concerns regarding financing rates and establish a reasonable financing structure should Metro decide to proceed with the project. Ms. Sims said the Due Diligence period has been extended to April 30, 1991. She said Metro was working on a two phase financing strategy: in Phase One, Metro would issue bond anticipation notes and during that period Metro would renovate the facility, secure tenants for the present Metro center and the new facility, and develop appropriate funding mechanisms. She noted that in Phase Two, revenue bonds for long-term financing would be issued. The ordinance, Ms. Sims explained, would direct the Executive Officer to prepare a "Master Ordinance," which would define the particulars of the financing structure for Council approval and eventual adoption. She said further Council action would be required to issue the bond anticipation notes. Ms. Sims indicated an eight week time frame for planning and discussions, which would coincide with a decision whether or not to buy the Sears facility.

Ms. Sims outlined the components of the \$27,700,000 amount for the package: \$21 million -- construction, project management, actual real estate purchase (\$5.15 million), contingencies and professional services; 1.2 million -- furniture, fixtures and equipment. Remaining costs, she said, would be associated with: establishing the debt reserve; capitalizing interest during construction period; cost of issuance of bonds; and a small contingency. Ms. Sims explained that the Due Diligence period was extended to work on reducing these costs.

Councilor Devlin asked if departmental cost estimates would be available when the final decision was made, and asked would parking and tenant revenue contribute a portion of the component. Ms. Sims said that cost allocations for each department would be prepared, as well as parking and tenant revenues and other assumptions.

Councilor Wyers asked Ms. Sims to discuss the letter from the Tax Supervising and Conservation Commission (TSCC) pertaining to the Sears property. Ms. Sims noted that a supplemental budget had been submitted to the TSCC in December, which was subsequently approved with Metro's request for the change in the Due Diligence period. Councilor Wyers said the letter also suggested that Metro consider alternative locations and asked Ms. Sims to comment. Ms. Sims noted that Metro was evaluating costs for several options which included: 1) staying in the current building; 2) building a new facility; 3) leasing elsewhere; 4) the Sears purchase, etc.

Donald Carlson, Council Administrator, asked Ms. Sims if the options would include other actual space rental or lease possibilities. Ms. Sims said tangible options would be presented.

Councilor Hansen asked staff why other options should be examined now, and noted that five years remain on the lease at Metro Center. Ms. Sims indicated several reasons: 1) Metro was rapidly using all the available space here at Metro Center, and said that Metro has filled this building in the last five years; 2) she said from a marketing standpoint, the more time left on the lease, the more assumable it would appear; and 3) she noted that the Sears facility was available now and fits the location criteria developed by the project task force. She said the parking problem at the current facility was also a factor.

Chair Van Bergen asked if the security for the bonds would be pledged by the garbage rates. Ed Einowski of Stoel Rives Boley Jones and Grey, Bond Counsel, said the proposed ordinance would not address a particular security for the long term bonds. He added short term notes would be needed for interim financing, but Metro statute would preclude issuing notes until bonds are authorized. He said this ordinance would authorize bonds in the amount of \$27,700,000, so that Metro would be able to purchase the Sears property if that decision was made. He said that the "Master Ordinance" was being prepared and would address all particulars. He indicated the notes issued as a result of this ordinance would be payable out of the bonds issued later. Mr. Einowski said the bonds would be secured by Metro covenant for an overhead charge for each operating department based on a reasonable allocation according to that department's use of the facility. He noted that the "Master Ordinance" would also take into consideration departmental changes, budget and otherwise, that might occur over the years.

Chair Van Bergen asked staff about the components of the \$27,700,000 amount for the Sears property. Ms. Sims said \$21.1 million was for the Sears building, which includes \$5.15 million for the property acquisition, \$12.6 million for construction, \$2.2 million for project management, \$500,000 for owner's contingency, and \$600,000 for professional fees. Mr. Einowski said \$2.7 million of the \$27.7 million was for debt service reserve, and said the standard was 10%. He noted that Metro would be able to invest this amount, and said it would carry itself at no charge. He said another component of the \$27.7 million was \$2.3 million for capitalizing during construction.

Councilor Devlin asked if Metro would be able to avoid arbitrage as had been accomplished for the Metro Central transfer station. Mr. Einowski said it was Metro's intent to qualify as being exempt from arbitrage. He said that about half of the bonds would not be tax exempt. He noted that initially Metro would not be using a significant portion of the facility.

Councilor Hansen asked if Metro would be able to obtain as high a rating as was obtained for the transfer station. Mr. Einowski said he did not

expect the rating to be as high for the Sears project. He said that even with a lower rating the project would still be feasible.

Motion: Councilor Devlin moved to recommend Resolution No. 91-383 to the full Council for adoption.

Vote: Councilors Buchanan, Devlin, Hansen, Van Bergen and Wyers voted aye. The vote was unanimous and the motion passed.

1. Resolution No. 91-1375, For the Purpose of Amending the Classification Plan and the Pay Plan for Non-Represented Employees (Continued)

Mr. Engstrom directed the Committee's attention to the organizational chart for the proposed Finance and Management Information Department and the proposed Regional Facilities Department.

Councilor Hansen asked staff to about funds for the two new positions. Mr. Engstrom said no additional funds would be necessary. He said that if the ordinance was approved, the Executive Officer would be submitting the names of Jennifer Sims as Director of Finance and Management Information and Neil Saling as Regional Facilities Director to the Council for confirmation proceedings.

Councilor Devlin said that the duties and responsibilities of the Regional Facilities Director position would be the subject of discussion during budget deliberations for this year. He said he hoped the new position of Director of Finance and Management Information would be vested with sufficient authority to work with department heads to resolve financial management issues in a timely manner.

Mr. Carlson asked Mr. Engstrom about carrying the procurement contracts division in the Regional Facilities rather than in the Finance and Management Information department. Neil Saling, Acting Director of Finance and Administration, said preparation of construction contracts and facilities related contracts could be handled in either department, but said that the Executive Officer preferred they be assigned to Regional Facilities because of Mr. Saling's knowledge and experience with the Metro Code. Mr. Carlson noted that Council staff would further consider the location of that function. He distributed the proposed amendment and said it would clarify that Metro was eliminating the Financial Services manager position.

Councilor Wyers asked about specific descriptions of duties and fund accounting. She asked if Management and Finance would be encompassing duties from other departments and raised questions about additional staff.

Ms. Sims and Mr. Engstrom indicated proposals which would address these issues would be brought before the Committee and covered during the budget process, unless the Committee desired otherwise. Mr. Carlson noted the budget process would involve detailed discussion.

Ms. Sims indicated the budget presentation would include present fiscal responsibilities; central and departmental responsibilities; and future needs.

Mr. Devlin noted that departmental fiscal management and central fiscal management would be a basic issue for discussion during the budget process.

Main Motion as Amended: Councilor Wyers moved to recommend Resolution No. 91-1375 to the full Council for adoption as amended with staff's proposed language as discussed previously.

Vote on Main Motion as Amended: Councilors Buchanan, Devlin, Hansen, Van Bergen and Wyers voted aye. The vote was unanimous and Resolution No. 91-1375A was recommended for adoption.

3. Ordinance No. 91-378, For the Purpose of Amending Metro Code 2.02, Section 2.02.040(e), Relating to Confirmation by Council of Certain Appointments to Fill Positions

Chair Van Bergen opened a public hearing. No citizens appeared to testify. Chair Van Bergen closed the public hearing.

Mr. Engstrom presented staff's report and said the proposed ordinance was being submitted to comply with Metro Code, which specifies that appointment or promotion to certain positions by the Executive Officer must be confirmed by a majority of the Council.

Mr. Carlson referred to Section 6 of the ordinance and asked about contract signature responsibilities. Mr. Engstrom said contracts and procurement functions could be handled in either department.

Motion: Councilor Buchanan moved to recommend Resolution No. 91-378 to the full Council for adoption.

Vote: Councilors Buchanan, Devlin, Hansen, Van Bergen and Wyers voted aye. The vote was unanimous and the motion passed.

4. Budget Review Schedule FY 91-92

Mr. Carlson distributed a memo draft of the Budget Review schedule of meetings for the 1991-1992 fiscal year budget process. He outlined

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standing committee consideration of department programs with the budget committee review process. Mr. Carlson noted three phases of the process: a) Phase I - in which the Committee would hear from all departments, hear Council Staff analysis, and would review the entire budget;) Phase II - in which all participants would respond to issues and questions; c) Phase III - in which the Committee and staff would examine the budget, fund by fund. He noted the Committee would begin to formulate final recommendations in Phase III.

Mr. Carlson said that the March 7, 1991 meeting would be an orientation to the process. He said that the Executive Officer would present the proposed budget to the full Council at the March 14th meeting. Mr. Carlson noted that it was anticipated the Budget Committee would have its final recommendations no later than April 18th, from which Council staff would prepare the final Budget Committee report to be presented at the April 25th Council meeting. He noted the Council would meet the following week to approve the budget for submission to the TSCC by May 15th, which would be followed by Council adoption in June.

Councilor Devlin noted that the standing committees would only have nine days to give specific recommendations. Mr. Carlson said that it was important to attend Phase I meetings.

Councilor Buchanan requested a preview of the Executive Officer's budget for the Committee. Mr. Engstrom said the Executive Officer wished to meet with each committee chair to talk about specific issues in the coming week.

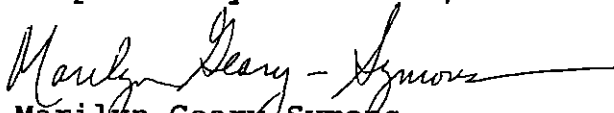
5. Other

a) Councilors to carry the Committee agenda items to the Council floor would be as follows: 1) Resolution No. 91-1375 - Councilor Wyers; 2) Ordinance No. 91-378 - Councilor Buchanan; and 3) Ordinance No. 91-383 - Councilor Devlin.

b) Chair Van Bergen expressed interest in having a meeting of the Council staff and the Executive Officer regarding the Charter commission.

Chair Van Bergen adjourned the meeting at 6:40 p.m.

Respectfully submitted,



Marilyn Geary-Symons
Committee Clerk