

MINUTES OF THE COUNCIL FINANCE COMMITTEE
OF THE METROPOLITAN SERVICE DISTRICT

January 16, 1992

Council Chamber

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

Councilors Also Present: Roger Buchanan

Chair Van Bergen called the regular meeting to order at 6:10 p.m.

1. Consideration of August 15, 1991 and December 5, 1991 Minutes

The minutes were approved by the Committee as submitted.

2. Discussion of KPMG Peat Marwick Letter to Management

Casey Short, Council Analyst, referenced a memorandum from Donald E. Carlson, Council Administrator, dated January 17, 1992 suggesting as a procedure the Committee deal with each comment in the Management Letter separately going from first to last, hearing first from the auditors followed by either or both the Metro and MERC administrations as applicable. Chair Van Bergen agreed to the procedure as recommended.

Joe Hoffman and Merle Waterman, representatives of KPMG Peat Marwick, discussed the comments referenced in the Management Letter to the Metro Council and the Executive Officer dated November 19, 1991, which was included in the agenda packet.

Mr. Waterman said the KPMG recommendation regarding Monitor Retainage Accounts was that an open line of communication occur between the two departments managing the retainage funds and that all investment activities be handled by the investment division.

Don Cox, Metro Finance and Management Information (F&MI) Accounting Manager, indicated the Management response to the comment was the investment arm and the Accounting Division had instituted a procedure by which the Investment Officer was notified through formal process by document when either a retainage investment or a new account was established.

Mr. Waterman said the KPMG recommendation regarding Grant Expenditure Documentation as referenced in the Management Letter was for procedures requiring proper documentation for grant expenditures.

Mr. Cox said a form had been instituted as an attachment to the payroll input process to reflect changes.

(Continued)

Mr. Waterman recommended a formal written policy be implemented for program modifications for data processing.

Mr. Cox said the Information Systems Division had included the recommendation as a work priority item in the division's work plan.

Mr. Waterman noted KPMG's observation regarding the MERC accounting system during last fiscal year was that two separate general ledger systems were maintained, one manually done at MERC and a component of Metro's general ledger system used to account for MERC operations. He said KPMG felt it was not cost beneficial to maintain two accounting systems, and said KPMG recommended MERC utilize the Metro accounting system.

Ben Middleton of MERC, and chairman of MERC Finance and Budget Committee, said the MERC agreed with the recommendation and felt it was in the public interest to consolidate the accounting functions. He said a CPA had been contracted to assist in the process noting further information was contained in the agenda packet. He said MERC's goal for completion of the reconciliation of the general ledgers was June 30, 1992. He said because of MERC's concern regarding the complexities of the accounting network, MERC suggested a committee be appointed to meet on a monthly basis to deal with the accounting function which would include members of the MERC Finance and Budget Committee, a representative from Executive Officer's office, Mr. Cox, Mr. Carlson and a KPMG representative.

Mr. Cox referenced a memorandum dated January 15, 1992 from Jennifer Sims, Finance and Management Information Director, responding to the Management Letter. He noted although solutions were suggested by the Accounting Division and F&MI, no formal authority existed to implement the recommended solutions.

In response to Councilor Devlin, Mr. Cox said a written report would be completed by March, 1992 regarding user needs and structuring of integration of the systems. He said by the end of the fiscal year, initial solutions would be implemented for one general ledger.

In response to Ron Kawamoto, MERC Commissioner, Mr. Cox said F&MI staff met with Dominic Buffetta, Director of MERC Finance and Administration, and others to discuss user needs and the flow of information at MERC to determine a process to structure. Mr. Kawamoto felt that function should be relegated to Mr. Buffetta and/or Mr. Middleton, and said specific information could be provided as requested.

In response to Councilor Wyers, Mr. Kawamoto indicated the information could be provided in a timely manner to Mr. Cox in order to fit in with the six month time frame.

Chair Van Bergen inquired whether the parties involved were in agreement to be on the recommended committee, and Mr. Middleton and Don Rocks, Executive Assistant, indicated readiness to be involved.

The Committee discussed the goal of June 30 and whether or not it was an absolute.

Mr. Hoffman said KPMG recommended a formal written policy for event related cash receipts and customer deposit liability accounts to be reconciled on a monthly basis.

Mr. Middleton said the Finance and Budget Committee had addressed the issue with MERC staff, and said they concurred with the recommendation. He added as of September the data from the ticketing agencies was detailed in report format so as to enable the process. Mr. Cox indicated F&MI concurred with the MERC response.

Mr. Hoffman said KPMG recommended written formal documentation regarding MERC policies and procedures governing the recording and budgeting of contractual arrangements in order to provide consistency in actual results from one period to the next.

Mr. Middleton said the Finance and Budget Committee agreed with the recommendation, and said FY 1991-92 MERC had corrected that presentation.

Mr. Hoffman said KPMG's observation while performing their audit noted difficulty in recomputing total excise taxes recorded in the general ledger by MERC. He said the recommendation was that MERC develop formal written policies the reconciliation of the excise tax account on a monthly basis.

Mr. Middleton said the recommendation would be followed as of July 1, 1992. Mr. Cox said problems in the excise tax encountered in the year related back to the comment on the policy on revenue recognition and what constitutes a revenue proper and consistent classification. He said if the issues in the previous comment were resolved, the excise tax issue should be resolved as well. In response to Councilor Wyers, Mr. Cox said discussion toward resolving the issue was necessary. Mr. Kawamoto said previously contracts had been already been let, and said at this time that was not a problem.

Mr. Hoffman said KPMG desired to encourage MERC look at their accounts receivable and to address uncollectible accounts on a timely basis throughout the course of the year.

Mr. Middleton said the Commission was apprised of the largest loss and historically did review such losses, and said he felt it was a matter of recording. He noted documentation would be appropriate in the future.

Mr. Hoffman said documentation of policies and procedures regarding promotion costs should be improved.

Mr. Middleton said MERC concurred with the recommendation, and said the new Policy Committee was reviewing the issue.

Councilor Hansen commented she felt comfortable with the responses of MERC and Metro staff that the goal of July 1 could be met, to which Mr. Middleton agreed.

Councilor Devlin commented regarding the Centralization/Decentralization study and the Performance Audit, and requested a level of coordination exist between the Commission, the Council and the Presiding Officer in order to assure a satisfactory outcome overall concerning the issues before the Committee.

Councilor Gardner felt that the issues raised would remain under the purview of the Finance Committee.

Chair Van Bergen requested a follow up report around February 1, 1992, then again around April 1, 1992. Mr. Middleton suggested a three month reporting occur every three months, to which the Chair agreed.

Mr. Short said the staff to the Regional Facilities Committee had met as a newly constituted committee two days prior to tonight's meeting. He said prevalent among the issues discussed was the question of whether the Regional Facilities Committee would be given a report on the status of the Management Letter, noting the Committee agreed in consensus they wanted to review such a report. He said the Performance Audit, Phase I and recommendations would be reviewed January 28 by the Regional Facilities Committee. He said the committee agreed to and suggested the Finance Committee review of the Performance Audit was relevant, but not necessarily the Centralization/Decentralization Study. He noted the Presiding Officer's recommendation that these issues go through the Finance Committee, and said an argument could arise from the Regional Facilities Committee. Mr. Short recommended the Centralization/Decentralization Study issues go through the Regional Facilities Committee rather than the Finance Committee.

In response to Councilor Wyers, who asked if it would be appropriate for a member of the Finance Committee to report to the Regional Facilities Committee regarding the discussion currently underway, Mr. Short agreed, or suggested he or Councilor Gardner could do so. Councilor Hansen felt the Finance Committee would be informed regarding the progress concerning the issues at hand by memorandum or by minutes, and noted the Budget Committee would review the issues in less than three months.

Councilor Gardner noted accounting issues had been raised in the financial audit as well as policy issues in the consolidation study and the Performance Audit, which he noted could not be handled by one committee. He said the issues raised and addressed in the financial audit should be under the purview of the Finance Committee. He said he hoped Mr. Short would be a conduit for information from this Finance Committee meeting to the Regional Facilities Committee. He felt Mr. Short was correct regarding the Performance Audit issues would be the charge to the Regional Facilities Committee, and agreed with Councilor Hansen the issues overall would be

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before the Budget Committee shortly. He said he did not the need to set up any further structure than was already in place, and noted he would consult with the chair of the Regional Facilities Committee to gain understanding.

3. Ordinance No. 92-442, An Ordinance Amending Ordinance No. 91-390A Revising the FY 1991-92 Budget and Appropriations Schedule for the Purpose of Transferring Appropriations to Personal Services in the Solid Waste Revenue Fund

Roosevelt Carter, Solid Waste Budget and Finance Manager, presented the staff report and said two transfers were requested in the ordinance before the Committee. He said in order to comply with tax law, two student interns who were originally contracted would need to be placed on the Metro payroll, and said funding in the amount of \$49,000 should be moved from Materials & Services portion of the budget to the Personal Services portion. He said the same was true for an approved contract for \$32,595 for the Home Composting Demonstration Project coordinator, and recommended \$25,000 be moved from Materials & Services, Miscellaneous Professional Services, to Personal Services, Temporary Employees in the Waste Reduction Division.

In response to Councilor Wyers, Mr. Carter said the 1.25 FTE revision in the Temporary Employee category allowed for additional expenditure if necessary.

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

In response to Councilor Devlin, Mr. Carter said the authorization was for FY 1991-92 only, and said the employees in question were considered temporary employees.

In response to Councilor Hansen, Mr. Carter said staff were not always aware of the tax law when planning the budget, and said he was not always aware of the intent. Councilor Hansen suggested a note from the Committee to the department heads indicating they should make it clear to their accounting people what positions are being hired and to check the tax status.

In response to Councilor Gardner, Mr. Carter said the two student interns were working full time. Kathy Rutkowski, Senior Management Analyst, indicated she had taken the line item to be one half year, and would change the figure to 2.5 FTE.

Councilor Wyers said she agreed with Councilor Hansen's suggestion to notify the department heads with regard to clarity in hiring.

Motion: Councilor Wyers moved to recommend Ordinance No.92-442 to the full Council for adoption with the change in 2.5 FTE as noted.

Vote: Councilor Devlin, Gardner, Hansen, Wyers and Van Bergen voted aye.

The vote was unanimous and the motion passed.

Don Cox, Accounting Manager, indicated he had issued two memoranda in the last year informing departments regarding independent contracts and the rules, and said as contracts were reviewed the Finance and Management Information Department provided guidance and information regarding the rules.

4. Ordinance No. 92-446, An Ordinance Amending Ordinance No. 91-390A Revising the FY 1991-92 Budget and Appropriations Schedule for the Purpose of Funding One Full Time FTE Lead Accounting Clerk in Information Department for PERS Administration

Mr. Cox presented the staff report for Ordinance No. 92-446, and said the new Lead Accounting Clerk position would be responsible for the administrative functions of Metro's PERS program (including MERC) as well as oversee all payroll functions for both MERC and Metro employees.

Paula Paris, Personnel Manager, said PERS did not provide a tracking system to the employer, and that it was Metro's responsibility to provide the administrative tracking.

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

In response to Mr. Short and Chair Van Bergen, Mr. Cox said Metro surveyed other entities and found that up to two FTE were used to accomplish this task for a 2,000 to 3,000 employee corporation. He said the department had taken into consideration potential reductions in the future due to a possible take over by the Blazers of the Coliseum.

Motion: Councilor Hansen moved to recommend Ordinance No. 92-446 to the full Council for adoption.

Vote: Councilors Devlin, Gardner, Hansen, Wyers and Van Bergen voted aye.

The vote was unanimous and the motion passed.

5. Ordinance No. 92-447, An Ordinance Amending Ordinance No. 91-390A Revising the FY 1991-92 Budget and Appropriations Schedule for the Purpose of Recognizing New Grants and Authorizing Six New Positions in the Transportation Department

Andy Cotugno, Transportation Director, presented the staff report, and said the ordinance would revise of the budget concerned with light rail studies and would increase administrative support for the Transportation

Department. He said the budget had been adopted predicated on completion of the Hillsboro Alternatives and Analysis DEIS work and initiating the I-205/Milwaukie study with no reference made to I-5 North light rail study. He noted work on the Hillsboro Alternatives Analysis had been deferred last year, and said the level of effort was increased in this budget year with carry over into next fiscal year. He noted decreased contractual amounts in the I-205/Milwaukie study, and a budgeted amount for the I-5 North study, and noted the amounts were reflected in the staff report. He said the net increase was \$95,750 for contractual, and for intergovernmental agreements, \$173,550.

Mr. Cotugno referenced the staff report regarding staffing levels proposed in the ordinance as well as proposed equipment such as office equipment and computers. He indicated receipt of additional funding through outside sources would drive continuity in staffing levels. Mr. Cotugno said should continued staffing be budgeted in the Public Affairs Department it was essential they be project related staff and project related expenditures. He said the total 18 month budget for the proposed studies was included in the staff report with the Metro local match share identified on page 3.

The Committee and staff discussed further the issue of location of staff within the budget. Ms. Rutkowski said the Metro Classification Plan had specific titles, and that departments were free to use working titles, and suggested a title of Public Information or Public Coordinator Specialist could be used.

Acting Chair Hansen opened a public hearing. No citizens appeared to testify. Acting Chair Hansen closed the public hearing.

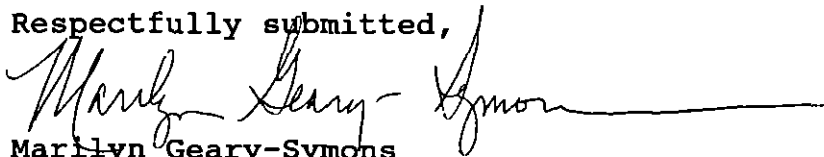
Motion: Councilor Devlin moved to recommend Ordinance No. 92-447 to the full Council for adoption.

Vote: Councilors Devlin, Gardner, Hansen and Wyers voted aye.

The vote was unanimous and the motion passed.

There being no further business, the meeting adjourned at 7:55 p.m.

Respectfully submitted,


Marilyn Geary-Symons
Committee Clerk