

MINUTES OF THE COUNCIL FINANCE COMMITTEE  
OF THE METROPOLITAN SERVICE DISTRICT

January 17, 1991

Council Chamber

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

Committee Members Absent: None

Chair Van Bergen called the regular meeting to order at 5:37 p.m.

1. Ordinance No. 91-381, Amending Ordinance No. 90-340A Revising the FY 1990-91 Budget and Appropriations Schedule For the Purpose of Funding an Intergovernmental Agreement with the Special Districts Association of Oregon for Legislative Services to the District (Public Hearing)

Chair Van Bergen opened the public hearing. No one present appeared to testify and the public hearing was closed.

Jennifer Sims, Manager of Financial Services, explained the ordinance required the transfer of \$36,000 from the Personal Services appropriation to the Executive Management Department Materials & Services Fund to fund an intergovernmental agreement (IGA) already approved for Metro to contract with the Special Districts Association of Oregon (SDAO) for legislative services for the 1991 Legislative Session. Ms. Sims said the funds were available because the Government Relations Manager position had been and would be vacant for the current fiscal year.

Don Carlson, Council Administrator, noted the proposed budget and appropriations schedule change had been identified and anticipated when the Council approved the IGA via adoption of Resolution No. 90-1377 on December 27, 1990.

Motion: Councilor Devlin moved to recommend Ordinance No. 91-381 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.

2. Ordinance No. 91-382, Amending the FY 1990-91 Budget and Appropriations Schedule to Increase the Convention Center Capital Fund Personal Services Appropriation (Public Hearing)

Chair Van Bergen opened the public hearing. No one present appeared to testify and the public hearing was closed.

Neil McFarland, Project Operations Manager, said the ordinance requested a \$15,000 increase in the Convention Center Capital Fund Personal Services Appropriation to obtain six months of additional staff time.

He said staff assumed when the Oregon Convention Center was completed, there would be a rapid reassignment of employees which did not occur because of the handicapped access, Skyview Terraces and other outstanding construction issues.

Mr. Carlson asked if there would be savings in Regional Facility Project expenditures because of the shift in funds and workload. Mr. McFarland said there would be no savings because the Regional Facility project work must also be performed. He said that project was using temporary help as a result of continued work on the Oregon Convention Center project.

Motion: Councilor Devlin moved to recommend the full Council adopt Ordinance No. 91-382.

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

3. Resolution No. 91-1389, For the Purpose of Declaring Certain Property Surplus and Authorizing the Execution of a Sublease

Ms. Sims explained the proposed lease with the law firm of Moskowitz & Thomas for office space was a short term lease designed to coincide with the potential relocation of Metro Center offices. She said the terms of the lease were consistent with the current Thomas/Klein lease and provided for increased parking costs and Metro base lease costs. She said the new lease was for a one year duration with monthly renewals at Metro's discretion. She said Metro could acquire the Sears facility or move Metro staff into current tenant space in one year's time depending on events. The Committee and Ms. Sims briefly discussed other tenant needs and related issues. Chair Van Bergen asked when Metro's lease for the current building expired. Ms. Sims said Metro Center's lease expired in 1996. He said it would be wise to let all the tenants go. Ms. Sims said Metro's broker had advised staff to let all tenants go to make it easier to market or sublease the building vacant.

Motion: Councilor Hansen moved to recommend the full Council adopt Resolution No. 91-1389.

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

4. Resolution No. 91-1392, For the Purpose of Authorizing the Release of the Metropolitan Service District's Request for Proposal (RFP) for Audit and Tax Services for Fiscal Years 1991, 1992, 1993

Ms. Sims said the resolution would authorize staff to release the RFP for financial audit services for response by potential vendors. She said the current contract with KPMG Peat Marwick was due to expire and financial audit services had to be obtained for Fiscal Years 1991, 1992,

and 1993. Ms. Sims noted the resolution waived the requirement for subsequent Council review of the audit contract and authorized the Executive Officer to execute the contract after completion of the selection process.

Councilor Devlin said he had difficulty with resolution language with regard to the proposed waiver and Executive Officer authority to execute the contract. He said the financial auditors worked for both the Council and the Executive Officer. He said the Finance Committee had developed good relations with the auditors and stated that relationship should continue with whatever firm was selected.

Motion to Amend: Councilor Devlin moved to amend Resolution No. 91-1392 BE IT RESOLVED language as follows (deletions bracketed and additional language underlined):

The Council of the Metropolitan Service District hereby authorizes the [~~attached~~] Request for Proposal for Audit and Tax Services for Fiscal Years 1991, 1992, and 1993 attached as Exhibit A hereto to be issued by [~~Metro's~~] the Finance and Administration Department. [~~pursuant to Metro Code 2.04.033(b), waives the requirement of Council review of the contract and authorizes the Executive Officer to execute the contract.~~]

Councilor Devlin requested Chair Van Bergen communicate with Administration that a Councilor or Council representative be included in the selection process. Chair Van Bergen presumed he would be included in the selection process.

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

Mr. Carlson noted the proposed RFP included audit services for the Metropolitan Exposition-Recreation Commission (MERC) and asked staff what work would be performed. Don Cox, Accounting Manager, explained the Scope of Work asked the auditors to prepare a special report for MERC, required by Phase I of Metro's IGA with the City of Portland, and that the Accounting Department and MERC staff still had to determine what audit work papers would be prepared by either staff.

Vote on Main Motion as Amended: Councilors Buchanan, Devlin, Hansen, Wyers and Van Bergen voted aye. The vote was unanimous and Resolution No. 91-1392A was recommended to the full Council for adoption.

##### 5. Follow Up Report on the FY 1990 Financial Audit

Bob Martin, Director of Solid Waste, said expenditures in the Solid Waste Department's Operating Account exceeded budgeted appropriations by

approximately \$1.3 million. He said that figure represented approximately \$1 million in operation over-expenditure and \$340,000 of expenditure should have been charged to the preceding fiscal year, or had been incorrectly coded to Operations. He said staff analysis revealed the bulk of the overage occurred because more tons were processed at Metro facilities than budgeted. He said Operations cost overruns were offset by savings in other divisions and that Solid Waste did not exceed its overall departmental summary as shown in staff's report "FY1989-90 Audit Response" dated January 9, 1991. He said a transfer of appropriations should have occurred in late Fiscal Year 1989-90 to cover Operations' over-expenditures with the under-expenditures in other line items.

Mr. Martin said the audit revealed also that the actual fund balances in Solid Waste's Operating, Debt, Capital and St. Johns Reserve Funds came in under 1990-91 budget estimates.

Mr. Martin said under and over estimation of funds was attributable to differences in tonnages at different facilities. He said staff should have performed a detailed tonnage study and forecast and then performed transfers of line items. He noted other factors had included contract cost overruns and noted the largest of those involved Metro's contract with the Columbia Ridge Landfill for \$1 million. He said due to heavy flow at Metro South Station, Metro shipped 179,000 tons to Arlington. He said that in itself did not represent a substantial problem because Metro received funds for solid waste handling and disposal, but that no line item adjustments were made in view of increased tonnage processing and attendant higher costs to do so. Mr. Martin noted also that payments to the Department of Environmental Quality (DEQ) of \$1 per ton for Bacona Road had stopped. He said when all factors were taken into consideration, the expenditure variance was \$160,000 overall compared to a transfer of \$52,000, and noted the Contingency Fund was not used. He said with all factors taken into account, the Solid Waste Department had \$1 million less than what was budgeted and said the revenue figures remained close to staff's original estimates. He said some figures equalled rates and some figures equalled transfers and said there was a net increase of \$1.8 million over expenditures.

Mr. Martin discussed future steps staff could take to avoid miscalculation of the budget, tonnage figures and operations costs. He said the auditors had recommended a formal year-end close-out process. Ms. Sims explained several process steps could eliminate future errors and noted a manual check for \$220,000 had been cut and not properly coded which added to the amounts in question.

Councilor Devlin asked Mr. Martin if he was satisfied interdepartmental communications were timely and satisfactory to all parties. Mr. Martin believed they could be improved but said the issues also included a staff who was extremely pressed for time. He said there was not enough Solid Waste Department staff to do all the accounting, auditing,

forecasting and tracking necessary. Councilor Devlin said such issues should be discussed in detail during budget. Councilor Hansen asked how often tonnage statistics were tabulated. Mr. Martin said Accounting gave monthly tonnage and revenue reports. The Committee and Mr. Martin discussed logistical procedures further. Mr. Martin noted staff's report did not list excise tax rates. Councilor Hansen asked if staff automatically deducted excise taxes. Mr. Martin said he would recommend increased staff for accounting purposes during the budget process.

Chair Van Bergen was pleased the auditors had caught the accounting discrepancies and noted it was as bad to be over budget as it was to be under budget. He understood Mr. Martin's explanation of events and said the issue centered on \$6.5 million divided by 65 tons which equalled 120,000 tons. He said the Solid Waste Committee should review this issue and noted Metro could have been short of excise tax monies if the discrepancies had not been caught. He expressed concern about procedures used and said the Council had to be confident figures were accurate when considered during the budget process. He directed Solid Waste staff to submit a report on how the situation could be solved and prevented in the future. Chair Van Bergen said because of various policy changes, he was not surprised by this series of events. The Committee and Mr. Martin briefly discussed the issues further.

6. Status Report and Update of the Data Processing Plan


Ms. Sims and LeRoy Nollette, Data Processing Manager, gave a status report and update on the Data Processing Plan.

7. Status Report on Insurance Program

Ms. Sims gave a status report on the Insurance Program. She noted because of Metro's consolidation with MERC, Metro's insurance costs had increased to \$500,000. She said Metro found another insurance broker and obtained insurance services for \$360,000 instead and therefore was no longer in the Special Districts insurance program. Councilor Devlin said issues to look at included not only avoidance of short term high costs, but also savings over the long term, and said that approach should be taken with the proposed move to a new building as well.

Chair Van Bergen adjourned the meeting at 7:35 p.m.

Respectfully submitted,

  
Paulette Allen  
Clerk of the Council  
FIN91.017