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Date 3-24-93

MINUTES OF THE METRO COUNCIL FINANCE COMMITTEE

January 27, 1993

Council Chamber

Committee Members Present: Rod Monroe (Chair), Richard Devlin (Vice Chair), Roger Buchanan, Jon Kvistad, George Van Bergen

Councilors Also Present: Mike Gates, Susan McLain

Chair Monroe called the regular meeting to order at 4:03 p.m.

1. Consideration of September 3, 1992 and December 17, 1993 Finance Committee Meeting Minutes

Motion: Councilor Van Bergen moved to approve the September 3, 1992 and December 17, 1993 Finance Committee meeting minutes as submitted.

Vote: Councilors Buchanan, Van Bergen and Monroe voted aye.

The vote was unanimous and the motion passed.

2. Resolution No. 93-1748, For the Purpose of Confirming the Appointment of William E. Peressini to the Investment Advisory Board

Howard Hansen, Associate Management Analyst, presented the staff report, and said the investments were accomplished under the Metro Investment Code. He said Investment Advisory Board reviewed such investments and offered suggestions. He said Mr. William J. Glasgow was appointed to the Board in November, 1991, and resigned November 16, 1992.

Motion: Councilor Van Bergen moved to recommend Resolution No. 93-1748 to the full Council for adoption.

Vote: Councilors Buchanan, Kvistad, Van Bergen and Monroe voted aye.

The vote was unanimous and the motion passed.

Councilor Van Bergen commented the resolution would be placed on the Consent agenda and noted it would not be necessary for Mr. Peressini to appear before the full Council.

In response to Councilor Van Bergen, Mr. Hansen said of Metro's total \$75 million in investments, \$20 million was in the state investment pool, and said no more than 25% of Metro's investments resided in the pool. In response to Councilor Van Bergen, Mr. Hansen said he would review the commercial paper portion of the state pool in terms of possible

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affiliations with PacificCorp. Chair Monroe requested the information be made available to the Committee.

3. Mid-Year Report on Appropriation Schedule - Expenditures to Date

Jennifer Sims, Finance and Management Information Director, presented the staff report, and said under budget law Metro was required to maintain expenditures within appropriation. Ms. Sims distributed a document entitled "FY 1992-93, Comparison of Appropriations to Expenses as of December 31, 1992". This document has been made part of the permanent meeting record. She said other reports would be forthcoming in April, May and June.

In response to Chair Monroe, Ms. Sims agreed the Department had not produced a first quarter comparison report the current fiscal year. Chair Monroe requested such a quarterly report FY 1993-94.

Ms. Sims reported there were no overexpenditures currently in the 140 appropriation units to which the Council had appropriated funds.

Under General Fund, the Committee and staff discussed the Office of Government Relations expenditures at 40% of appropriation, an underexpenditure due to a transfer in Personal Services to Planning. Donald E. Carlson, Council Administrator, recommended underexpenditures related to interfund transfers be explained in the next report if the funds were to be expended in Planning. Ms. Sims agreed.

The Committee and staff agreed it would be beneficial to report which contracts were encumbered and which were not.

In response to Councilor Kvistad, Ms. Sims noted each line item transfer was detailed in the budget document.

Ms. Sims discussed the remaining funds, Support Services and the Building Management Funds. She noted exiting the present building would entail some activities, such as painting and ramp building to meet ADA requirements. She commented regarding the Risk Management Fund, the General Revenue Bond Fund, noting she did not believe there would be Renewal and Replacement expenditures FY 1992-93 and FY 1993-94 in the Building Management Fund.

In response to Councilor Van Bergen regarding the payment schedule for Metro Regional Center bonds, Ms. Sims said the payments were semi-annual. She said bond proceeds were used during start-up of the project due to capitalized interest during the construction period. Ms. Sims said this had no bearing on the contingency fund for the building, and said in the future the payments would come from transfers from the user departments as a debt service budget item. Ms. Sims said the proceeds from several current Metro bond funds, such as the Metro Regional Center, the Zoo, and the Convention Center were managed separately, held by the trustee, and she

said funds were allocated to the various accounts in accordance with master ordinances. Councilor Van Bergen asked why the income from the bonds was used to make the bond payments, when the issue was yet unresolved as to whether the proceeds would be returned to the patrons. Ms. Sims said the plan developed at the time the bonds were initially issued determined how funds would be used. She said the plan included a two year Planning and Construction phase of the project in which proceeds would be used to pay debt service. Ms. Sims said the question remained as to how the proceeds would be applied upon completion of the project, whether for additional finishing work on the facility, to reduce the debt service payment, or another yet undefined purpose. Mr. Carlson said the patrons in this instance were the operating funds using the building, and said the question of remaining bond sale proceeds would likely be brought forward in the FY 1993-94 budget. Councilor Van Bergen said he viewed the definition of patrons differently, and said he was raising the question. In response to Councilor Van Bergen, Staff said the Council approved the original plan. In response to Chair Monroe, Ms. Sims no arbitrage was intended as plans were to complete the project within the two year time limit.

Ms. Sims discussed the Zoo Operating Fund, and noted variables affecting spending included weather and special events. She said it was possible a budget amendment showing increased revenue and increased expenditure in May, 1993.

Ms. Sims discussed the various accounts within the Solid Waste Revenue Fund noting it was the largest fund. She noted the Rehabilitation and Enhancement Fund was made up of a portion of fees collected for waste disposal, and said the monies were used for the enhancement of communities within the locality of the facilities.

Councilor Buchanan raised questions regarding expenditures at Metro Central, and Mr. Carlson indicated he would review the matter with John Houser, Council Analyst for the Solid Waste Committee.

In response to Councilor Buchanan, Ms. Sims said the Master Project Account Debt Service was not related to the Composter.

Ms. Sims said because the composter has not worked properly, Credit Suisse had issued a letter of credit, and by April, 1993 hoped to have a vendor who would bring the facility back into operation. She outlined the current status saying there was a default on the bonds, but, she said, because the bonds were backed by Credit Suisse, there was no exposure to Metro and that Metro was not at risk. Ms. Sims said the Council would need to decide whether or not to work with Credit Suisse in opening the composter facility again. She said she believed the Metro Council would be approached to make modifications to prior agreements to make the composter operable.

In response to Councilor Buchanan, Ms. Sims said the bondholders were be paid by Credit Suisse, and said Metro, as the debt issuer, budgeted those funds as pass-through funds only.

In response to Councilor Buchanan, Ms. Sims General Expenses in Solid Waste had two categories, Interfund Transfers and Contingency at \$5.7 million. Mr. Carlson said the appropriate level of contingency was a policy question, and said distinctions should be made concerning the difference between the transfers and the contingency.

Ms. Sims discussed the Planning Fund and noted underexpenditures in Growth Management were partly due to "earthquake preparedness grants" not yet received.

The Committee and staff discussed the Smith and Bybee Lakes Trust Fund underexpenditures noting decisions had not yet been made concerning expenditures.

Ms. Sims discussed the Metro Greenspaces Fund noting no expenditures had been made. She discussed the Convention Center Project Capital and Debt Service Funds, the MERC Management Pool Fund, and the Oregon Convention Center Operating Fund. The Committee and staff discussed the Unappropriated Balance of over \$3 million for the Convention Center Operating Fund. Ms. Sims noted a consistent under budgeting of fund balance and projection of operating revenues as well as a mid-year supplemental budget action.

Councilor Devlin expressed concern regarding possible overexpenditures for the Spectator Facilities Operating Fund, particularly the Performing Arts Center Fund. Ms. Sims expected a supplemental budget request would be brought forward in the matter within the next couple of months for the Convention Center and Coliseum Operating Funds in order to recognize and appropriate the higher than budgeted revenues.

Ms. Sims said the Spectator Facilities Operating Fund included the Stadium and Performing Arts Center expenses, and historically, the Coliseum. She said, however with the transition of the Coliseum to the Oregon Arena Corporation, Coliseum expenses had been isolated in the FY 1993-94 Proposed Budget.

Mr. Carlson asked Ms. Sims for a review of interfund transfers in the Convention Center and Spectator Facilities Fund, which he noted seemed to exceed regular pace.

4. Mid-Year Report on General Fund Revenue & Expenditures

Ms. Sims referenced her memorandum dated January 27, 1993 regarding the General Fund Budget versus Actual. This document has been made part of the permanent meeting record.

In response to Councilor Gates, Ms. Sims clarified 85% of excise tax revenues were derived from solid waste revenues.

In response to Chair Monroe, Ms. Sims said the Solid Waste Department could provide information as to the reasons for the decrease in excise tax revenues as related to solid waste tonnage fees, and noted the revenues were decreased by 3.6%. Ms. Sims believed an increased recycling rate was contributory, and she said the Department felt the percentage was within acceptability.

The Committee and staff discussed solid waste forecasts for tonnage and revenues by which rates were set. Mr. Carlson said the Department was working to improve the forecasting model.

In response to Councilor Kvistad, Ms. Sims said six facilities within the region not operated by Metro but collecting Metro user fees made up the non-Metro revenues.

The Committee and staff discussed the issue of excise tax further. Chair Monroe noted a possible increase to the excise tax was currently under discussion, and Committee members expressed concern. Chair Monroe assured the Committee time would be given to thoroughly discuss the issues involved in order to make budget decisions.

In response to Councilor Buchanan, Mr. Carlson said the FY 1993-94 Proposed Budget was to be submitted to the Council Office March 4, and would be presented to the Metro Council March 11 after which time the Budget Committee would begin its review.

Councilor Kvistad suggested a methodology be created to set budget priorities and policy guidelines. Chair Monroe agreed and indicated discussion was underway to afford such a review at an informal all day meeting for the whole Metro Council. Councilor Kvistad suggested the Finance Committee begin the process of developing a framework for the discussion as a whole.

Councilor Devlin noted the excise tax was approximately \$5 million in a budget of over \$200 million, and that attention should be appropriately given overall. Councilor Devlin requested Ms. Sims check with Washington, Clackamas and Multnomah counties on the current assessed values of those three counties within the Metro boundaries in November, 1992. He indicated he was interested to know whether Metro was legally under the Tax

Supervisory Conservation Commission's (TSCC) purview. He noted he was not saying Metro should not go through the TSCC.

In response to Ms. Sims, Mr. Carlson said the Budget Committee schedule would be before the Committee next meeting.

5. Review of Metro Contracting Code and Procedures

Neil Saling, Regional Facilities Director, distributed a document entitled, for the Committee's consideration, Metro Contract Procedures, Metro Code Chapter 2.04. This document has been made part of the permanent meeting record.

The Committee continued consideration of the matter to the next Finance Committee meeting to be held February 19, 1993.

There being no further business, the meeting adjourned at 5:36 p.m.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Marilyn Geary-Symons", written over the typed name.

Marilyn Geary-Symons
Committee Recorder