

MINUTES OF THE COUNCIL FINANCE COMMITTEE  
OF THE METROPOLITAN SERVICE DISTRICT

Regular Meeting  
February 1, 1990

Committee members present: George Van Bergen (Chair), Judy Wyers (Vice Chair), Tanya Collier, Richard Devlin, and Jim Gardner

Committee members absent: None

Chair Van Bergen called the meeting to order at 6:09 p.m. He announced agenda item no. 5 would be considered first.

5. Resolution No. 90-1214, For the Purpose of Approving a Contract with KPMG Peat Marwick for Performance Audit Services

Councilor Gardner passed out to the Committee a memo which provided information on Resolution No. 90-1214. He explained the process used in selecting the firm to conduct the Performance Audit. Councilor Gardner then introduced Bob O'Neil from KPMG Peat Marwick. Mr. O'Neil described the process his firm would be using, noting the process would consist of two major phases. Phase 1 would be an overview of operations at Metro; collection and review of key documents; conducting interviews with various departmental management and staff; and assessment of potential for economy and efficiency improvements. Phase 2 would be a detailed review of critical issues identified in Phase 1.

In response to questions from Councilors, Mr. O'Neil said the process would take approximately four months, with four to five weeks for Phase 1. He said he would have access to previous work and would make use of what he could. Councilor Gardner said the Selection Committee had received some very fine proposals and felt KPMG Peat Marwick was the best choice.

Mr. O'Neil told the Committee there would be no charge for follow-up after the initial audit, and there was an automatic report-back built into the contract. He then gave some examples of other follow-up work done for other clients. Chair Van Bergen noted being pleased with the process so far.

Motion: Councilor Gardner moved to recommend Council adoption of Resolution No. 90-1214.

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

The motion carried unanimously.

The Chair then moved on to agenda item no. 1.

1. Follow-Up on Response to Independent Auditor's Letter to Management

Ray Phelps, Director of Finance and Administration, had a memo which he distributed to the Committee regarding the Management Letter. He told the Committee the auditors recommended the formation of a committee to oversee the merger of the Portland ER Commission and the Metro ERC. It was noted by Mr. Phelps that there were no funds budgeted for this program. In response to a question from Councilor Wyers, Mr. Phelps said the procedure for the merger was agreed to by both the City of Portland and Metro through an intergovernmental agreement. He said Marshal and Stevens, Incorporated, handled the recent inventory for Metro and they could also handle the inventory work necessary to help complete the merger. On further discussion, Chair Van Bergen noted the need to move ahead on this matter as quickly as possible and requested it be put under Old Business for the next Committee meeting on February 15.

2. Follow-Up on Credit Information Confidentiality

Ray Phelps told the Committee he had received an opinion from Larry Shaw, Legal Counsel, which said Metro's current credit application information policy was not exempt from the Oregon Public Records Law requiring disclosure of public documents. It was noted by Mr. Phelps that Metro's policy could be changed by claiming a limited public records exemption if credit applications were not required. There would have to be an amendment to the ordinance authorizing credit. Councilor Collier asked if it could be done by administrative rule and Mr. Phelps said it could. In response to a question from Don Carlson, Council Administrator, Mr. Phelps said he was aware of no instances in the past of someone asking for credit information.

3. Discussion of Request from Solid Waste Committee to Remove Ordinance No. 90-328, Amending Ordinance No. 89-294A Revising the FY 1989-90 Budget and Appropriations Schedule for the Purpose of Adding a Construction Coordinator Position in the Solid Waste Department, from the Table and Schedule a Hearing

Chair Van Bergen told the Committee he had been contacted by Councilor Hansen, Chair of the Solid Waste Committee, with a request that the Finance Committee remove Ordinance No. 90-328 from the table and reconsider it.

Motion: Councilor Devlin moved to remove Ordinance No. 90-328 from the table.

Councilor Collier spoke against removing the ordinance from the table. Both Councilors Devlin and Gardner spoke in favor of the ordinance, saying there was a need for the position. Councilor Gardner noted also being in favor of a temporary position until the next fiscal year. Chair Van Bergen said he had been in support of the position in the past, but was not convinced of the need at this time.

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

The motion to place the ordinance back on the table carried.

Neil Saling, Construction Projects Manager, presented his report to the Committee. He said the new position was needed due to the increased construction workload in the Solid Waste Department. His idea was to hire a temporary person now and move Glenn Taylor, Convention Center Construction Coordinator, into the permanent position when the Convention Center project was completed. Mr. Saling said the other alternative was to hire a consultant, which would cost Metro more. In response to questions from Councilors, Mr. Saling said it could be difficult to recruit someone on a temporary basis for only four months.

Motion: Councilor Devlin moved to recommend Council adoption of Ordinance No. 90-328.

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

The motion was defeated.

4. Resolution No. 90-1211, For the Purpose of Approving a Request for Proposal Document for Broker of Record for Employee Benefits

John Leahy, Personnel Manager, reported to the Committee on the need for a Broker of Record to help purchase employee health insurance. He said the contract with the current Broker of Record would expire May 31, 1990.

Motion: Councilor Gardner moved to recommend Council adoption of Resolution No. 90-1211.

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Councilor Gardner asked what method of payment was used. Mr. Leahy said the Broker of Record was not paid a fee, just a percentage of the total gross premium. In response to Councilor's questions, Dan Cooper, Legal Counsel, told the Committee that Oregon State law prohibited bidding out insurance broker work strictly on a cost basis. The broker cannot charge less than the commission that would have been earned from writing the policy. Chair Van Bergen asked how the collective bargaining agreement would be affected. Mr. Phelps said the only problem would be if the commission were to exceed the 15 percent cap, which he did not foresee happening.

Councilor Collier said she favored the idea of exploring the State Employee Benefit Board model. At the request of the Committee, Mr. Leahy said he would investigate that issue further and have the information to the Committee at their next meeting. Councilor Gardner then withdrew his motion and Chair Van Bergen said the resolution would be placed on the February 15 Finance Committee agenda.

6. Status Report on Excise Tax

Don Carlson, Council Administrator, presented the material (which included a proposed schedule and draft ordinance) to the Committee. He noted the draft memorandum portrayed an expenditure plan for the General Government Fund and the Support Service Fund. Mr. Carlson gave the Committee an updated copy of Table 8, Preliminary Analysis of Excise Tax Alternatives, which had four alternatives (\$2,000,000; \$2,500,000; \$2,750,000; and \$3,000,000) rather than three.

At the request of the Chair, Dan Cooper, General Counsel, explained to the Committee that the statute the legislature had passed gave the District the authority to impose an excise tax on persons who use the "facilities, equipment, systems, functions, services, or improvements owned, operated franchised or provided by the District". The statute limits the gross amount Metro can raise with the excise tax to 6 percent of the total revenues received by the District in any one fiscal year. In response to questions from Chair Van Bergen, Mr. Cooper said in the agreement for consolidation of the City facilities, Metro agreed not to impose this tax on users of the Portland Center for Performing Arts, Memorial Coliseum or Civic Stadium except with either the consent of the City or for the limited purpose of dedicating those revenues to the functions of the MERC or the pledge for debt incurred to support those activities.

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Mr. Cooper told the Committee he had drafted the ordinance to the full extent allowed by law. The tax was imposed in two ways: 1) on all those services or persons paying compensation directly to the District for some service, facility, equipment, etc, where the District was directly collecting the money itself; and 2) for those facilities which Metro was franchising or otherwise providing through a third party. This would include those solid waste facilities that have franchises issued by Metro. He said the tax was included in the amount, rate or charge presently established by the District and not added on to the rates presently established, unless specific action were taken later to raise those rates. Persons who are defined as operators would have the obligation to collect the tax from persons they receive compensation from and file a report to the District. This would be treated as though the operators were collecting Metro's tax and had the obligation to pay it to Metro. If the operators did not collect the tax, they would still owe it to Metro. Mr. Cooper said the ordinance included exemptions for anyone from whom Metro is prohibited from imposing the tax, which included the three City facilities mentioned previously.

Councilor Collier asked if Metro could levy an excise tax on the City facilities if the tax were dedicated back to those facilities. She felt it was important not to treat the City of Portland functions differently from the Convention Center. Mr. Cooper affirmed there was no need for prior approval of the City to levy the tax as long as the funds were dedicated back to the City facilities.

Further Committee discussion centered around having Mr. Cooper prepare an amended ordinance for consideration at the next Committee meeting. It was suggested the dues level to local jurisdictions be looked at very carefully, because those funds are currently not referable. Because the jurisdictions receive a good return on their investment and once the dues were reduced it might be difficult to increase them, careful thought should be given prior to any reduction.

Mr. Carlson asked if the Committee would care to join the Executive Officer in introducing the ordinance. Chair Van Bergen expressed agreement.

Motion: Councilor Collier moved to add to the Ordinance as follows: Introduced by Rena Cusma, Executive Officer, and Finance Committee.

Vote: Councilors Collier, Devlin, Gardner and Van Bergen voted aye. Councilor Wyers voted nay.

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The motion carried.

Mr. Carlson than introduced his memorandum of February 1 which was a draft of the FY 90-91 proposed budget review schedule. He requested the Committee look it over and if there were any questions they would be discussed at the next meeting. He noted this was the basic schedule the Budget Committee would be following.

There being no further business, the meeting was adjourned at 8:35 p.m.

Respectfully submitted,



Ann Brunson  
Committee Clerk

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