

A G E N D A

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METRO

Agenda

MEETING: METRO COUNCIL/EXECUTIVE OFFICER INFORMAL MEETING
DATE: February 9, 1999
DAY: Tuesday
TIME: 2:00 PM
PLACE: Council Annex

CALL TO ORDER AND ROLL CALL

I. DISCUSSION OF UPCOMING LEGISLATION

1.1 **Ordinance No. 99-795A**, For the Purpose of Adopting a Code of Ethics for Metro Officials and requiring registration of lobbyists.

II. FUNDING CONSIDERATION FOR RENOVATION OF EXPO AND COMPLETION OF CONVENTION CENTER

III. EXECUTIVE OFFICER COMMUNICATIONS

IV. COUNCILOR COMMUNICATIONS

ADJOURN

**METRO**

Date: February 9, 1999

To: Presiding Officer Rod Monroe
Metro Council

From: Executive Officer Mike Burton

Subject: Expo Hall D Financing Options

Resolution 98-2734 directed me to put together a financing plan for construction of a new building at the Portland Expo Center. To build this plan, I assembled a team of representatives of MERC, Metro's finance staff, the Executive Office, the Council Office, and Metro's financial advisor. I asked the team to develop a financing plan for construction of Hall D without using any excise tax for debt service payments.

The Expo Hall D project will have benefits to MERC and to the region by creating badly needed additional flat exposition space. I also believe that this project will aid the Oregon Convention Center by transferring consumer shows to this new venue, thereby freeing up space at OCC. The new hall will also attract additional business to the Expo Center by extending the season during which shows can be put on due to the climate-controlled space. I feel that this project will have a net beneficial effect on MERC's finances which will allow it to support the full debt service without public subsidy.

Based on the work done by this committee, I am recommending that this project proceed immediately by issuing revenue bonds backed solely by Expo revenues and using a loan from OEDD for qualifying elements.

The Oregon Economic Development Department (OEDD) makes loans to local governments for economic development projects. Portions of this project will meet OEDD guidelines for funding. The OEDD loan will help reduce overall debt service by eliminating a portion of the debt reserve requirement and a portion of debt issuance costs.

It is common for successful entrepreneurial enterprises to finance their own capital needs, without relying on public subsidies. Expo has the financial capacity to undertake this project without encumbering any other Metro funds. A question in this regard is the acceptance of these bonds in the marketplace. This would be the first publicly offered Expo bond. First-time issues often receive a higher degree of scrutiny in the marketplace than subsequent issues. It may therefore ultimately be necessary to offer

Metro's general revenue pledge as security for these bonds, but that is a decision that can be made later, after we have tested the waters for my first recommendation.

We should also plan on purchasing a surety to replace the debt reserve requirement. Revenue bonds commonly require a reserve equal to one year's debt service be established as additional security for bondholders. Issuers frequently finance this reserve as part of the debt issue. This increases the bond size, and therefore the annual debt service requirements. The OEDD financed portion of this project will not require a reserve, but the bond portion will. I propose purchasing a form of surety to replace that reserve, thereby reducing the overall issue size and lowering debt service.

Finally, Metro can also purchase bond insurance to provide additional security for bondholders. Bond insurance costs about one percent of total debt service, but can reduce interest rates charged on the bonds. In this case, I believe that this would be cost-effective strategy.

I look forward to beginning work on this project.

i:\Bonds\Expo\HallD\MikeRecs.Doc

Attc.

cc: Mark Williams, MERC General Manager
Jennifer Sims, Chief Financial Officer

Expo Hall D Executive Officer Recommendations

Expo Revenue Bonds

- Issue Expo Revenue Bonds (no general revenue pledge)
- Obtain a loan from OEDD for qualifying portions of the project
- 30-year term
- Ramp debt service over first 5 years
- Buy a surety to replace the required debt reserve, and
- Insure the bond issue

Expo Revenues Available for Debt Service

Intel debt service savings	\$525,000
Flexlease debt service savings	\$100,000
Expo parking rate increase	\$225,000
Hall D rental rate increase	\$135,250
Transferred events rentals (conservative)	\$120,000
Net concessions & parking (conservative)	\$140,000

Total Resources available for debt service **\$1,245,250**

Anticipated Debt Service

	<u>First Year</u>	<u>6th Year</u>
30-Year Term, Ramped Debt Service	\$566,000	\$1,040,000
Balances available for Expo operations	\$679,250	\$205,250

Option – General Revenue Bonds (use as fall-back in case Expo Revenue Bonds would not receive a favorable rating)

Same as Option I, using General Revenue Bonds rather than Expo Revenue Bonds

Draft Bond Issuance Schedule

Expo Hall D

- Week 1
 - Financing structure and plan approved
 - Financing team meets to discuss bond structure, terms, method of sale, and bond resolution
- Week 2
 - Issue RFP for bond underwriter
- Week 4
 - Bond underwriter proposals due
- Week 5
 - Review underwriter proposals, select short list for interview, invite short list to interviews
- Week 6
 - Interview underwriter candidates, select firm
 - Prepare 1st draft of POS
 - Prepare 1st draft of bond resolution
- Week 7
 - Financing team (including underwriter, & underwriter's counsel) meet to discuss bond structure, terms, target sale dates, and bond resolution
 - Comments due on 1st draft of POS
 - Comments due on 1st draft of bond resolution
- Week 8
 - Distribute 2nd draft of POS
 - Finalize POS
- Week 9
 - File bond resolution for Council agenda
 - Send draft bond resolution and final draft of POS to rating agencies
- Week 11
 - Finance Committee reviews bond resolution, recommends approval
- Week 12
 - Council approves bond resolution
- Week 13
 - Final bond resolution and POS distributed to rating agencies
 - Final POS distributing to marketing team
- Week 14
 - Presentation to rating agencies
 - Underwriter marketing meetings
 - Apply for CUSIP and DTC
- Week 15
 - Rating assigned by rating agencies
 - Bond pricing (sale)
 - Sign pricing agreement
- Week 16
 - Final OS preparation, send to printer
- Week 17
 - Closing documents distributed to financing team
 - Final OS to underwriter
 - Closing, funds available

PROJECTED FISCAL IMPACT OF HALL D AT THE EXPO CENTER								10%	
	FY 97-98	FY 98-99 Budget	FY 99-00 (Prop)	FY 2000-01(Pro)	FY 01-02 (Proj)	FY 02-03 (Proj)	FY 03-04 (Proj)	FY 04-05 (Proj)	FY 05-06
Operating Revenue									
1 Rental Income	\$1,072,387	\$1,213,705	\$1,239,672	\$1,363,639	\$1,431,821	\$1,503,412	\$1,578,583	\$1,657,512	\$1,740,388
2 Reimbursed Labor	\$56,851	\$119,997	\$88,792	\$97,671	\$102,555	\$107,682	\$113,067	\$118,720	\$124,656
3 Concessions/Catering	\$1,478,289	\$1,403,096	\$1,492,761	\$1,567,399	\$1,645,769	\$1,728,057	\$1,814,460	\$1,905,183	\$2,000,443
4 Utility Services	\$127,598	\$160,137	\$123,650	\$136,015	\$141,456	\$147,114	\$152,998	\$159,118	\$165,483
5 Parking	\$1,019,949	\$1,092,093	\$1,080,616	\$1,370,896	\$1,425,732	\$1,482,761	\$1,542,072	\$1,603,754	\$1,667,905
6 Other	\$53,791	\$13,810	\$316,023	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
7 Total Operating Revenue	\$3,808,865	\$4,002,838	\$4,341,514	\$4,555,620	\$4,767,332	\$4,989,027	\$5,221,180	\$5,464,288	\$5,718,874
Investment Interest	\$73,735	\$51,084	\$400,000	\$35,000	\$50,000	\$60,000	\$0	\$20,000	\$40,000
8 Total Resources	\$3,882,600	\$4,053,922	\$4,741,514	\$4,590,620	\$4,817,332	\$5,049,027	\$5,221,180	\$5,484,288	\$5,758,874
Operating Expenditures									
9 Personal Services	\$572,930	\$832,102	\$823,324	\$800,000	\$832,000	\$865,280	\$899,891	\$935,887	\$973,322
10 Materials and Services	\$608,992	\$716,561	\$1,300,380	\$800,000	\$832,000	\$865,280	\$899,891	\$935,887	\$973,322
11 Concessions	\$913,094	\$1,022,543	\$1,097,350	\$1,144,201	\$1,201,411	\$1,261,482	\$1,324,556	\$1,390,784	\$1,460,323
12 Parking	\$112,533	\$129,140	\$102,000	\$106,080	\$110,323	\$114,736	\$119,326	\$124,099	\$129,063
Non-Operating Expenditures									
13 Debt Service									
13a Equipment Flex Lease	\$97,821	\$99,383	\$99,976	\$100,113	\$0	\$0	\$0	\$0	\$0
13b Hall E Loan	\$530,038	\$524,136	\$0	\$0	\$0	\$0	\$0	\$0	\$0
13c Hall D			\$566,000	\$839,000	\$885,000	\$934,500	\$981,500	\$1,041,000	\$1,043,000
14 Capital Spending	\$82,575	\$78,060	\$132,500	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
15 Capital Improvement Plan (CIP)	\$90,490	\$150,000	\$15,084,000	\$0	\$0	\$1,978,700	\$0	\$0	\$0
16 Metro Support Services	\$103,169	\$93,999	\$117,274	\$121,965	\$126,844	\$131,917	\$137,194	\$142,682	\$148,389
17 MERC Administration	\$73,297	\$128,499	\$140,377	\$145,992	\$151,832	\$157,905	\$164,221	\$170,790	\$177,622
18 Pooled Capital Loan Repayment			\$1,582,500	\$0	\$0	\$0	\$0	\$0	\$0
Total Expenditures	\$3,184,939	\$3,774,423	\$21,045,681	\$4,257,351	\$4,339,410	\$6,509,800	\$4,726,579	\$4,941,128	\$5,105,041
19 Cash Flow	\$697,661	\$162,159	(\$16,504,167)	\$333,269	\$477,922	(\$1,460,773)	\$494,600	\$543,160	\$653,833
20 Beginning Fund Balance	\$734,571	\$1,428,789	\$17,306,016	\$1,001,849	\$1,335,118	\$1,813,041	\$352,267	\$846,868	\$1,390,028
21 Ending Fund Balance	\$1,432,232	\$1,590,948	\$801,849	\$1,335,118	\$1,813,041	\$352,267	\$846,868	\$1,390,028	\$2,043,861
22 Contingency		\$117,340	\$200,000						

PROJECTED FISCAL IMPACT OF HALL D AT THE EXPO CENTER								15%	
	FY 97-98	FY 98-99 Budget	FY 99-00 (Prop)	FY 2000-01(Proj)	FY 01-02 (Proj)	FY 02-03 (Proj)	FY 03-04 (Proj)	FY 04-05 (Proj)	FY 05-06
Operating Revenue									
1 Rental Income	\$1,072,387	\$1,213,705	\$1,239,672	\$1,425,623	\$1,496,904	\$1,571,749	\$1,650,337	\$1,732,853	\$1,819,496
2 Reimbursed Labor	\$56,851	\$119,997	\$88,792	\$102,111	\$106,195	\$110,443	\$114,861	\$119,455	\$124,233
3 Concessions/Catering	\$1,478,289	\$1,403,096	\$1,492,761	\$1,642,037	\$1,724,139	\$1,810,346	\$1,900,863	\$1,995,906	\$2,095,702
4 Utility Services	\$127,598	\$160,137	\$123,650	\$142,198	\$147,885	\$153,801	\$159,953	\$166,351	\$173,005
5 Parking	\$1,019,949	\$1,092,093	\$1,080,616	\$1,436,177	\$1,493,624	\$1,553,369	\$1,615,504	\$1,680,124	\$1,747,329
6 Other	\$53,791	\$13,810	\$316,023	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
7 Total Operating Revenue	\$3,808,865	\$4,002,838	\$4,341,514	\$4,768,145	\$4,988,748	\$5,219,708	\$5,461,517	\$5,714,690	\$5,979,765
Investment Interest	\$73,735	\$51,084	\$400,000	\$35,000	\$50,000	\$75,000	\$25,000	\$50,000	\$50,000
8 Total Resources	\$3,882,600	\$4,053,922	\$4,741,514	\$4,803,145	\$5,038,748	\$5,294,708	\$5,486,517	\$5,764,690	\$6,029,765
Operating Expenditures									
9 Personal Services	\$572,930	\$832,102	\$823,324	\$800,000	\$832,000	\$865,280	\$899,891	\$935,887	\$973,322
10 Materials and Services	\$608,992	\$716,561	\$1,300,380	\$800,000	\$832,000	\$865,280	\$899,891	\$935,887	\$973,322
11 Concessions	\$913,094	\$1,022,543	\$1,097,350	\$1,198,687	\$1,258,621	\$1,321,553	\$1,387,630	\$1,457,012	\$1,529,862
12 Parking	\$112,533	\$129,140	\$102,000	\$106,080	\$110,323	\$114,736	\$119,326	\$124,099	\$129,063
Non-Operating Expenditures									
13 Debt Service									
13a Equipment Flex Lease	\$97,821	\$99,383	\$99,976	\$100,113	\$0	\$0	\$0	\$0	\$0
13b Hall E Loan	\$530,038	\$524,136	\$0	\$0	\$0	\$0	\$0	\$0	\$0
13c Hall D			\$567,000	\$838,000	\$885,000	\$934,000	\$981,000	\$1,041,000	\$1,043,000
14 Capital Spending	\$82,575	\$78,060	\$132,500	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
15 Capital Improvement Plan (CIP)	\$90,490	\$150,000	\$15,084,000	\$0	\$0	\$1,978,700	\$0	\$0	\$0
16 Metro Support Services	\$103,169	\$93,999	\$117,274	\$121,965	\$126,844	\$131,917	\$137,194	\$142,682	\$148,389
17 MERC Administration	\$73,297	\$128,499	\$140,377	\$145,992	\$151,832	\$157,905	\$164,221	\$170,790	\$177,622
18 Pooled Capital Loan Repayment			\$1,582,500	\$0	\$0	\$0	\$0	\$0	\$0
Total Expenditures	\$3,184,939	\$3,774,423	\$21,046,681	\$4,310,837	\$4,396,620	\$6,569,371	\$4,789,153	\$5,007,356	\$5,174,580
19 Cash Flow	\$697,661	\$162,159	(\$16,505,167)	\$492,308	\$642,128	(\$1,274,663)	\$697,364	\$757,334	\$855,185
20 Beginning Fund Balance	\$734,571	\$1,428,789	\$17,306,016	\$1,000,849	\$1,493,157	\$2,135,285	\$860,622	\$1,557,986	\$2,315,320
21 Ending Fund Balance	\$1,432,232	\$1,590,948	\$800,849	\$1,493,157	\$2,135,285	\$860,622	\$1,557,986	\$2,315,320	\$3,170,505
22 Contingency		\$117,340	\$200,000						

		PROJECTED FISCAL IMPACT OF HALL D AT THE EXPO CENTER							20%	
		FY 97-98	FY 98-99 Budget	FY 99-00 (Prop)	FY 2000-01(Proj)	FY 01-02 (Proj)	FY 02-03 (Proj)	FY 03-04 (Proj)	FY 04-05 (Proj)	FY 05-06
Operating Revenue										
1	Rental Income	\$1,072,387	\$1,213,705	\$1,239,672	\$1,487,606	\$1,561,987	\$1,640,086	\$1,722,090	\$1,808,195	\$1,898,605
2	Reimbursed Labor	\$56,851	\$119,997	\$88,792	\$106,550	\$111,878	\$117,472	\$123,345	\$129,513	\$135,988
3	Concessions/Catering	\$1,478,289	\$1,403,096	\$1,492,761	\$1,716,675	\$1,802,509	\$1,892,634	\$1,987,266	\$2,086,629	\$2,190,961
4	Utility Services	\$127,598	\$160,137	\$123,650	\$148,380	\$154,315	\$160,488	\$166,907	\$173,584	\$180,527
5	Parking	\$1,019,949	\$1,092,093	\$1,080,616	\$1,501,458	\$1,561,516	\$1,623,977	\$1,688,936	\$1,756,493	\$1,826,753
6	Other	\$53,791	\$13,810	\$316,023	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
7	Total Operating Revenue	\$3,808,865	\$4,002,838	\$4,341,514	\$4,980,670	\$5,212,205	\$5,454,657	\$5,708,545	\$5,974,414	\$6,252,834
Investment Interest		\$73,735	\$51,084	\$400,000	\$35,000	\$50,000	\$75,000	\$50,000	\$75,000	\$100,000
8	Total Resources	\$3,882,600	\$4,053,922	\$4,741,514	\$5,015,670	\$5,262,205	\$5,529,657	\$5,758,545	\$6,049,414	\$6,352,834
Operating Expenditures										
9	Personal Services	\$572,930	\$832,102	\$823,324	\$800,000	\$832,000	\$865,280	\$899,891	\$935,887	\$973,322
10	Materials and Services	\$608,992	\$716,561	\$1,300,380	\$800,000	\$832,000	\$865,280	\$899,891	\$935,887	\$973,322
11	Concessions	\$913,094	\$1,022,543	\$1,097,350	\$1,253,173	\$1,315,832	\$1,381,623	\$1,450,704	\$1,523,239	\$1,599,401
12	Parking	\$112,533	\$129,140	\$102,000	\$106,080	\$110,323	\$114,736	\$119,326	\$124,099	\$129,063
Non-Operating Expenditures										
13	Debt Service									
13a	Equipment Flex Lease	\$97,821	\$99,383	\$99,976	\$100,113	\$0	\$0	\$0	\$0	\$0
13b	Hall E Loan	\$530,038	\$524,136	\$0	\$0	\$0	\$0	\$0	\$0	\$0
13c	Hall D			\$566,000	\$839,000	\$885,000	\$934,500	\$981,500	\$1,041,000	\$1,043,000
14	Capital Spending	\$82,575	\$78,060	\$132,500	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
15	Capital Improvement Plan (CIP)	\$90,490	\$150,000	\$15,084,000	\$0	\$0	\$1,978,700	\$0	\$0	\$0
16	Metro Support Services	\$103,169	\$93,999	\$117,274	\$121,965	\$126,844	\$131,917	\$137,194	\$142,682	\$148,389
17	MERC Administration	\$73,297	\$128,499	\$140,377	\$145,992	\$151,832	\$157,905	\$164,221	\$170,790	\$177,622
18	Pooled Capital Loan Repayment			\$1,582,500	\$0	\$0	\$0	\$0	\$0	\$0
	Total Expenditures	\$3,184,939	\$3,774,423	\$21,045,681	\$4,366,323	\$4,453,830	\$6,629,942	\$4,852,727	\$5,073,584	\$5,244,119
19	Cash Flow	\$697,661	\$162,159	(\$16,504,167)	\$649,347	\$808,375	(\$1,100,285)	\$905,818	\$975,830	\$1,108,715
20	Beginning Fund Balance	\$734,571	\$1,428,789	\$17,306,016	\$1,001,849	\$1,651,196	\$2,459,571	\$1,359,287	\$2,265,104	\$3,240,935
21	Ending Fund Balance	\$1,432,232	\$1,590,948	\$801,849	\$1,651,196	\$2,459,571	\$1,359,287	\$2,265,104	\$3,240,935	\$4,349,649
22	Contingency		\$117,340	\$200,000						