

MINUTES OF THE COUNCIL REGIONAL FACILITIES AND METRO OPERATIONS COMMITTEE

Thursday, March 15, 2001

PCPA New Theater Building Backstage Café 1111 SW Broadway, Portland

Members Present: Rex Burkholder (Chair), Carl Hosticka (Vice Chair), Rod Park

Members Absent: None

Others Present: Judy Rice, MERC Commissioner; Julie Reed, MERC Marketing and Communications Manager; Valeria Ramirez, Portland Opera; Chris Bailey, Expo (Portland Metropolitan Exposition Center) Director; Sheryl Manning, Co-chair Friends of PCPA; Joe Annett, MCCI

Chair Burkholder called the meeting to order at 10:13 AM.

1. Consideration of the Minutes of the February 15, 2001 Regional Facilities and Metro Operations Committee Meeting.

Motion: Councilor Hosticka moved to approve the minutes of the February 15, 2001 Regional Facilities and Metro Operations Committee meeting without revision.

Vote: Councilors Burkholder, Hosticka and Park voted aye. The vote was 3 aye/0 nay/0 abstain, and the motion passed.

2. Resolution No. 01-3040 For the Purpose of Adding a New Job Classification of Exhibits Lead at the Oregon Zoo.

Motion: Councilor Park moved to forward Resolution 01-3040 to Council.

Vote: Councilors Hosticka, Park and Burkholder voted aye. The vote was 3 aye/0 nay/0 abstain, the motion passed.

Tony Vecchio, Oregon Zoo Director, spoke to the resolution. **Councilor Park** asked why the position was needed. **Mr. Vecchio** said that other Zoo departments normally had a lead position that supervised and performed the work needed. The Exhibits department needed a similar position. **Chair Burkholder** asked how many people the lead would supervise. **Mr. Vecchio** said it varied, but normally 4-6; comparable to other leads at the Zoo.

3. Resolution No. 01-3041 For the Purpose of Exempting the CM/GC Contract for the Oregon Convention Center Expansion Project from the Requirement to have a Performance and Payment Bond

Motion: Councilor Hosticka moved to forward Resolution 01-3041 to Council with the requested amendment.

Vote: Councilors Hosticka, Park and Burkholder voted aye. The vote was 3 aye/0 nay/0 abstain, the motion passed.

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Jennifer Sims, ASD (Administrative Services Department) Director/CFO, spoke to the resolution. **Councilor Park** asked Ms. Sims to weigh the level of security between a letter of credit and a performance bond. **Ms. Sims** said Hoffman Construction, Metro's construction manager on the project had an Experian credit rating of 95 on a scale of 1-100 with 100 = perfect. **Mark Williams**, MERC (Metro Exposition-Recreation Commission) General Manager, noted that each sub-contractor had a performance bond; Hoffman's position was that bonds from both subs and the construction manager amounted to double bonding and would result in higher construction costs. Metro and MERC staff believed that the letter of credit was a stronger insurance method.

Councilor Park asked who reviewed sub-contractor bonding. **Ms. Sims** said that it was Hoffman's responsibility; every sub was required to submit a bond with their bid. **Councilor Park** asked where bond expenses or savings that were realized would appear. **Mr. Williams** said bond costs were included in the cost of the project as an expense item. He noted that there could be a large degree of frustration on complex construction projects when a facility was operating at the same time as construction. With the low bid process it became an adversarial relationship, when work was stopped for load-in or load-out of a show, a low-bid contractor would submit a claim for the construction time lost with a change order. In the CM/GC (Contract Manager/General Contractor) model contractor and staff worked as a team to coordinate the two efforts. The CM/GC process also allowed staff to consider the expertise of bidders rather than by low bid alone.

Chair Burkholder asked if Metro had used this process before. **Ms. Sims** said this was the first time a letter of credit would be used to her knowledge. **Mr. Williams** noted that both Halls D and E had proceeded without problems under the CM/GC process using Hoffman. After some discussion of the resolution's language, **Councilor Hosticka** moved to amend it to stipulate that the resolution include the language "be it resolved" rather than "whereas" in the section regarding the letter of credit. The amendment passed 3/0.

4. PCPA Dialogue/Worksession

Chair Burkholder reviewed the Dialogue/Worksession Schedule with the committee and guests. **Robyn Williams**, PCPA (Portland Center for the Performing Arts) Director, spoke to the memo *Response to Committee Questions*. Copies are included in the public record of the meeting. Ms. Williams noted that PCPA's primary responsibility was the care and maintenance of its facilities. **Councilor Hosticka** asked about the policy of naming rights for facilities. **Mr. Williams** said MERC policy currently did not accept corporate naming, but the MERC Commission would be reviewing it soon. He noted that the field of corporate naming has become popular in the past several years. Naming new facilities began with new stadiums and arenas, but now had moved over to concert halls. When a private party donated money in exchange for naming a facility it was named in perpetuity; corporate naming was for limited time, such as five years, after which a new contract could be written. **Councilor Hosticka** hoped the committee would undertake a wide-ranging discussion on this subject. **Councilor Park** clarified that the City of Portland held title to the three buildings constituting PCPA. Therefore the City gave naming approval and it was tied to capital improvements, not endowments.

Mr. Williams noted that no economic impact of money generated by PCPA employees and patrons had been done; it might be time to do such a study. Sixty percent of the PCPA budget was dependent on earned income, making it vulnerable to market fluctuation; **Chris Kopca**, PCPA Advisory Committee Chair, said the Friends of PCPA were to be commended, they had been able to help keep PCPA buildings operating during the budget crunch, however long-term maintenance, seismic upgrades, etc. were still needed. **Councilor Park** asked where the \$2.1 million earmarked to PCPA from the OCC Bond issue would be used. **Mr. Williams** said that half of the \$600k City of Portland dedicated to PCPA was earmarked to capital and the other half to buy down debt. The bond monies went to operating expenses. He added that donor gifts went exclusively to capital improvements.

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Councilor Hosticka asked if it was feasible to sell ticket-back advertising rights as a way to raise money. **Mr. Williams** explained that advertising could not conflict with MERC users, nor could PCPA efforts interfere with their users' fund-raising efforts. MERC was ramping up their catering facilities to increase revenue. They also were looking at second-tier donor possibilities, e.g. selling naming rights to the new restrooms at Keller Auditorium to a paper products sponsor. **Chair Burkholder** asked about the life expectancy of PCPA buildings and if the facilities met the needs of state-of-the art Broadway shows. **Mr. Williams** said no designated useful life had been investigated for any of the MERC facilities. Typically this was not a historical method used by government facilities. **Ms. Williams** noted that new performance facilities were being built very differently now with amenities such as corporate seating boxes similar to arenas. She said the challenge for PCPA was to bridge the conflict between its mission to make the arts affordable, and the need to be self-sustaining. The costs to run a facility (electricity, personnel, etc.) were not negotiable; it was an issue for all facilities. **Councilor Park** asked what groups paid to rent the facilities. **Mr. Williams** said it was a four-tiered rate structure: 1) Resident Tenant: number of shows, strong educational component and set attendance requirements; 2) Preferred User: less volume, long user history and strong educational component, 3) Standard Non-profit: 50% less than commercial, and 4) Commercial. ____

Chair Burkholder asked if the rates PCPA charged resulted in full cost recovery. **Mr. Williams** said that direct costs were passed on to all tenants through either a 6% user fee or a flat gate percentage rate, whichever was higher. He noted that it amounted to 14% of gate on a successful sold-out commercial show, plus costs to run facility. **Councilor Hosticka** suggested that a discussion of the human spirit and what makes a region "livable" should be part of the equation of the costs of maintaining these facilities. **Claudia Burnett**, Oregon Symphony Financial Director noted that Oregon Symphony attendance was the best of any symphony in the US. The symphony received 60% of its income from ticket sales; a higher percentage than any other US symphony; it was a delicate balance to set ticket prices at a figure that kept the house full while recovering as much of the overhead as possible. If prices were raised and the symphony's audience decided to pass on buying tickets, things could change very quickly. **Councilor Hosticka** added that he was frustrated by the dichotomy of conflict between politics and the arts. How could we do it together? **Ms. Burnett** noted that many of the local arts organization were testifying at the legislature in Salem today on that very issue. **Mr. Williams** clarified that the other MERC facilities paid excise tax to Metro, but PCPA did not. There was an element of cost sharing, however the NT (New Theatre) building was not effected as much as other facilities.

Ms. Burnett noted the collaborative relationship begun recently between PCPA and its users that was initiated by Portland Opera. She felt it had been successful and she appreciated the responsiveness of MERC staff to user concerns. **Chair Burkholder** suggested that Metro and arts groups should continue to pool their resources and talents for a closer partnership. **Ms. Burnett** added that the situation was complicated; each entity needed to understand the other parties special needs and problems. Each should be allowed to operate independently, but should communicate freely.

5. Councilor Communications

None

Chair Burkholder adjourned the meeting at 11:55 AM.

Respectfully submitted,

Pat Weathers
Council Assistant

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ATTACHMENTS TO THE PUBLIC RECORD FOR THE MEETING OF MARCH 15, 2001

The following have been included as part of the official public record:

ORDINANCE/RESOLUTION	DOCUMENT DATE	DOCUMENT DESCRIPTION	DOCUMENT No.
		Dialogue/Worksession Schedule	031501rfom-1
	3/14/01	Response to Committee Questions	031501rfom-2

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