

MINUTES OF THE COUNCIL REGIONAL FACILITIES AND METRO OPERATIONS COMMITTEE

Thursday, May 17, 2001

Metro Chamber

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

Members Absent: None

Others Present: Joe Annett, Kenton Neighborhood Association and MCCI (Metro Committee for Citizen Involvement); Robert Bailey, Portland Opera General Director; Andrea Bainbridge, OCC Expansion Advisory Committee; George Bell, MERC Commission Chair; Jeff Blosser OCC Director; Joe D'Alessandro and Brian McCart, POVA; Matthew Grumm, City of Portland Commissioner Dan Saltzman's office; Larry Harvey, Tri-County Lodging Assn.; Matthew Jones, Tygres Heart Shakespeare Company and Tony Woodcock, Oregon Symphony (resident companies of PCPA); Chris Kopca, Chair PCPA Advisory Committee; Gary Maffei and Sheryl Manning, Co-chairs of Friends of PCPA; Alice Norris, MERC Commissioner, Ron Paul, Chief of Staff City of Portland Commissioner Charlie Hales; Robyn Williams, PCPA Director

Chair Burkholder called the meeting to order at 10:04 AM.

1. Consideration of the Minutes of the April 12, 2001 Regional Facilities and Metro Operations Committee Meeting.

Motion: Councilor Hosticka moved to approve the minutes of the April 12, 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. 01-3057, For the Purpose of Confirming Walt Hitchcock as Citizen Alternate for Washington County and Alan Hipolito as Citizen Alternate for Multnomah County to the Metro Policy Advisory Committee (MPAC).

Motion: Councilor Hosticka moved to forward Resolution 01-3057 to Council with a do pass recommendation.

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

Mike Burton, Executive Officer, spoke to the resolution.

3. Resolution No. 01-3071, Consideration of Resolution No. 01-3071 for the Purpose of Approving the Oregon Convention Center Expansion Performance Evaluation Criteria and Plan.

Motion: Councilor Park moved to forward Resolution 01-3071 to Council with a do pass recommendation.

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Vote:

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

Scott Moss, ASD (Administrative Services Department) Assistant Director, spoke to the resolution. **Councilor Park** asked if a similar evaluation process had been used on the Expo (Portland Metropolitan Exposition Center) project. **Jeff Blosser**, OCC (Oregon Convention Center) Director, said an audit of Hall E expansion was used to evaluate the process at Hall D. The OCC process went a step further and looked at management goals for the project outcome.

4. Resolution No. 01-3072, For the Purpose of Authorizing Amendment Number 4 of the Personal Services Agreement with PeopleSoft USA Inc.

Motion:

Councilor Park moved to forward Resolution 01-3072 to Council with the requested resolution with a do pass recommendation.

Vote:

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

David Biedermann, IT (Information Technologies) Director, spoke to the resolution. **Councilor Park** said his understanding was that it would work and would require no additional money that it was covered within the IT 2001-02 budget. **Mr. Biedermann** agreed and said the \$20k maintenance contract increase would be absorbed by IT.

5. MERC Dialogue/Worksession

Chair Burkholder noted that the committee was engaged in a review of Metro facilities. It had conducted meetings on-site at PCPA (Portland Center for the Performing Arts) and Expo, and would visit OCC May 31. This meeting would focus on MERC (Metro Exposition-Recreation Commission). He invited all interested parties to take part in the dialogue. A similar process would be done with the Oregon Zoo and Metro's internal departments.

Mark Williams, MERC General Manager, addressed the history of the organization. The Exposition-Recreation Commission (ERC) was created by the City of Portland to run the Memorial Coliseum in the 1950s; MERC was its historical successor. The Commission had five members from different areas of the private sector, e.g. labor, small and large business, etc, appointed by the City. Although the Coliseum was a public enterprise, it was to be operated as a business and intended to be self-supporting. It ran for many years on that basis. It began to evolve into the current form in the 1980s, when the region began to contemplate building a convention facility. Originally operational support was to be provided by Multnomah County, probably because the county lodging tax could be raised to help support it. Metro voters authorized regional bonding to build it in 1986.

Concurrently, an IGA (Intergovernmental Agreement) was enacted between Metro and the City of Portland that agreed that public assembly facilities in Portland should be regionalized since their impact went beyond city and county boundaries. Thus the ERC became the Metro ERC. It was agreed that 1. Metro owned the bond measure and the facility, 2. City of Portland owned several of the other facilities (Civic Stadium, Memorial Coliseum and PCPA), 3. Multnomah County provided the operational subsidy and 4. Clackamas and Washington Counties were paying parts of the bond along with Multnomah County. Ultimately the five member Commission grew to seven members with two appointments from Metro, two from the City of Portland, one each from the tri-counties and two appointed directly by the Metro Executive Office. Ultimately, Metro Council was set up as the ratifying body. Over the years facilities have left (Memorial Coliseum and Civic Stadium) and facilities have been added (Expo).

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MERC had a unique mandate; support dollars were fixed and dedicated for OCC with a share to PCPA for capital improvement. PCPA also received support from the City of Portland General Fund for capital dollars and to hold down user fee payments by resident companies. Expo received no subsidies of any kind, but had benefited from a \$1 million transfer from the Convention Center Fund. As a public enterprise MERC received a small percentage of annual revenues to spend for Expo that came from subsidy dollars. Each facility had its own mandate in terms of satisfying stakeholders and customers. None were purely profit-driven enterprises. OCC was a vehicle for economic development; bringing room-night business into the community. The booking structure was different for out-of-town vs. local business and the former had first call. Expo was used for commercial and hobbyist gatherings. MERC was currently addressing Expo's deferred maintenance as requested by Council. The MERC Commission met monthly. Council was both legal budget authority and public contract review board for MERC. Liaison Commissioners were assigned to each facility rather than committees, and rotated according to their interests.

Councilor Hosticka asked if lottery money was used as well. **Mr. Williams** said it was. **Councilor Hosticka** felt that the people who stay at hotels/motels were the ones who financed it, rather than the hotel/motel industry. **Joe D'Alessandro**, POVA (Portland Oregon Visitor Association), noted that to be competitive in the convention market hotels/motels often must cut their profit margin. **Councilor Hosticka** asked if the tax showed on the visitor's bill. **Mr. D'Alessandro** said that it did. **Mr. Harvey** noted that the hotel-motel/industry paid property taxes as well. **Councilor Burkholder** asked if part of this tax went away when the construction bonds were paid. **Mr. Williams** said there was a 30-year sunset plan on the overall expansion plan, a part of the Visitor Development Fund. **Larry Harvey**, Tri-County Lodging Association, said his industry stood ready to help Metro find a stable funding source.

George Bell, MERC Commissioner, said he was pleased to see so many constituents, users and tenants of the facilities present. He asked that they be heard before they had to go on to other business. **Chair Burkholder** opened the meeting for discussion by the attendees as to what they saw as the issues in terms of how MERC and specific facilities operated, as well as policy issues that they would like to see Metro Council address.

Robert Bailey, Portland Opera General Director, said that his concern was funding. The concept that these facilities were self-sustaining was false in spite of a fine management team that used the funds available effectively. Every time a crisis occurred non-profit resident companies were looked to as potential additional source of revenue. He said that those companies were under tight budget restraint as well, and were not a funding resource. He calculated that PCPA's resident companies and the Portland Art Museum brought 1.5 million people into the downtown area. The Opera alone produced 120 event nights without getting any return from the City or the businesses that benefited from its patrons. He felt that MERC needed a revenue source to help it operate efficiently and maintain its valuable real estate.

Councilor Hosticka asked what MERC's position was on ownership and if fear of loss of management inhibited investment in a facility Metro did not own. **Mr. Williams** said no, in terms of day-to-day management, MERC treated all of its facilities equally and viewed them as public assets. He noted that Metro did not exact the excise tax on PCPA, but did collect it from OCC and Expo. Every revenue-producing event at OCC and Expo had a 7.5% tax embedded in its charge. It amounted to a total contribution to the General Fund of \$1 million. MERC allocated its administration fee and Metro's support costs to each facility. **Councilor Park** clarified that while OCC and Expo were operated in an entrepreneurial fashion and contributed to Metro's revenue stream, PCPA was not expected to help fund Metro as MERC's other facilities did; it only paid for services it used.

Mark Woodruff, Oregon Symphony, agreed with Mr. Bailey's comments. In a benchmark study comparing PCPA with similar facilities across the country. PCPA compared extremely favorably as lean and well managed. He was happy that capital maintenance was finally available and said it was long overdue. He hoped that this would be the first step in a long-term plan for PCPA, both to update back-stage facilities as well as to meet customer expectations. The report noted that if patrons were not listened to, the facility was committing a form of suicide. **Chair Burkholder** said he had also read the report and was amazed at how well Portland did in the comparisons. He noted that some of the recommendations had already been implemented, e.g. shutting down the box office. The report also

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stated that PCPA had some of the lowest ticket prices among peer groups, which kept the arts accessible. Rental rates were among the lowest too.

Ron Paul, City of Portland Commissioner Hales' Chief of Staff, said that the City's ownership role of PCPA and interest in preserving that capital investment was also balanced by the need for terrific programming and management of the facility. The system in place worked well for the City. **Mr. Chris Kopca**, Chair of PCPA Advisory Committee, agreed that MERC had done an excellent job; it was a system that worked. However, underlying issues that would not be covered by this capital funding included seismic issues because several of the buildings did not meet current code. **Matthew Jones**, Tygres Heart Shakespeare Company, a resident group of PCPA, agreed that Robyn Williams, PCPA Director and MERC did well with their individual focuses.

Alice Norris, MERC Commissioner, believed that there was a great deal of pride in Clackamas County over their investment in a piece of the action. **Chair Burkholder** asked how Metro could further regionalize both facilities and support. **Mr. D'Allessandro** said POVA's relationship with MERC was more complex than most; they had the marketing contract for OCC, as well as a partnership through the largest industry association in the state. He had extensive experience with like facilities operated in many different ways. In many areas the city owned the convention facility, collected the tax and used it as a loss leader to attract guests to the area and the economic impact in terms of jobs and money brought to the region. He felt one problem in Portland was that Metro owned the facility, but did not directly benefit from it. It was up to everyone to help Metro find a funding source for its General Fund. The City of Phoenix had decided to give its convention center facilities away free during its off-season. It was felt that rent was negligible next to the economic impact of bringing a convention to the region.

Councilor Hosticka asked if POVA went beyond this region. **Mr. D'Allessandro** said their board and membership operated throughout Oregon and supported industry issues statewide. Visitors did not look at political, state or county boundaries, they viewed it as a region. **Mr. Williams** added that many communities around the US looked to a sales tax, since retail was the greatest beneficiary. **Mr. D'Allessandro** agreed: Retail and food/beverage were the top two beneficiaries, in that order, from visitors. **Councilor Park** noted that what Metro did was to help maintain the amenities Portland was known for by keeping the region livable. **Mr. D'Allessandro** wanted to be sure Metro knew just how good a job MERC did and hoped that its facilities were considered one of Metro's top priorities along with Parks and Planning.

Chair Burkholder encouraged MERC to explore regional needs beyond existing facilities. He felt it had the capacity to take on more work. **Councilor Park** wanted to explore cooperation between MERC and the Oregon Zoo. **Chair Burkholder** summed up the discussion. There were three things: 1. Look at capturing a regional tax to benefit MERC facilities and reduce the contradiction between ownership and who collects and benefits from the money brought in; 2. Look at what MERC wanted to do in the future with its facilities and if the Zoo should be a critical part of that review and might fit in the MERC portfolio and 3. What was Metro's role in the recreation and culture in the region and how it fit. These issues needed clarification.

6. Councilor Communications

None

Chair Burkholder adjourned the meeting at 11:46 AM.

Respectfully submitted,

Pat Weathers

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Council Assistant

ATTACHMENTS TO THE PUBLIC RECORD FOR THE MEETING OF MAY 17, 2001

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

<u>ORDINANCE/RESOLUTION</u>	<u>DOCUMENT DATE</u>	<u>DOCUMENT DESCRIPTION</u>	<u>DOCUMENT No.</u>

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