

Metro | Agenda

Meeting: Joint Metro Council and Metro Exposition and Recreation Commission (MERC)
Work Session
Date: Tuesday, Jan. 17, 2012
Time: 2 to 4:30 p.m.
Place: Metro, Council Chamber

CALL TO ORDER AND ROLL CALL

- | | | | |
|----------------|-----------|---|--|
| 2 PM | 1. | FY 2010-11 EXTERNAL FINANCIAL
AUDIT RESULTS | Suzanne Flynn, Metro Auditor
James Lanzarotta, Moss Adams LLP
Margo Norton, Metro |
| 2:25 PM | 2. | FY11-12 VISITOR VENUES' ECONOMIC
IMPACT REPORT UPDATES | Susan Sieger, Crossroads Consulting |
| 3:05 PM | 3. | BREAK | |
| 3:10PM | 4. | OREGON CONVENTION CENTER
ENHANCED MARKETING INITIATIVE | |
| 4:30 PM | 5. | ADJOURN | |

Agenda Item No. 1.0

**FY 2010-11 EXTERNAL FINANCIAL
AUDIT RESULTS**

Joint MERC and Metro Council
Work Session
Tuesday, Jan. 17, 2012
Metro, Council Chamber

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF METRO COUNCIL'S)	RESOLUTION NO. 12- 4325
ACCEPTANCE OF THE RESULTS OF THE)	
INDEPENDENT AUDIT REPORT FOR)	Introduced by
FINANCIAL ACTIVITY DURING FISCAL)	Suzanne Flynn, Metro Auditor
YEAR 2010-2011)	

WHEREAS, Oregon Revised Statute 297.465 requires an annual independent audit of Metro's financial statements; and

WHEREAS, Metro Code Section 2.15.80 requires the Metro Auditor to appoint the external certified public accountant to conduct certified financial statement audits as specified in state and local laws; and

WHEREAS, Metro engaged in Contract No. 929814 with Moss Adams LLP, independent Certified Public Accountants to provide the following audit services for each of the fiscal years ending June 30, 2010-2012:

1. Audit of Metro's financial statements (including all costs associated with the Comprehensive Annual Financial Report and applicable management recommendations and comments);
2. Single Audit and applicable management recommendations and comments;
3. Metro Natural Areas Bond Measure Expenditures and applicable management recommendations and comments; and
4. Oregon Zoo Construction Bond Measure Expenditures and applicable management recommendations and comments.

WHEREAS, the annual independent audit for fiscal year ended June 30, 2011 has been completed and an unqualified opinion received from Moss Adams LLP; and

WHEREAS, a separate letter was delivered to management and a management plan of action completed; now, therefore,

BE IT RESOLVED that the Metro Council hereby acknowledges and accepts the results of the independent audit for fiscal year ended June 30, 2011 (Exhibit A).

ADOPTED by the Metro Council this ____ day of _____ 2012.

Tom Hughes, Council President

Approved as to Form:

Daniel B. Cooper, Metro Attorney

**REPORT OF INDEPENDENT AUDITOR ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

Metro Council and Metro Auditor
Portland, Oregon

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Metro as of and for the year ended June 30, 2011, which collectively comprise Metro's basic financial statements and have issued our report thereon dated December 2, 2011. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Oregon Zoo Foundation, a discretely presented component unit, as described in our report on Metro's financial statements. The financial statements of the Oregon Zoo Foundation were not audited in accordance with *Governmental Auditing Standards*.

Internal Control over Financial Reporting

Management of Metro is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Metro's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Metro's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Metro's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



**REPORT OF INDEPENDENT AUDITOR ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS* – (continued)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Metro's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee; management; the Council; others within the entity; the Secretary of State, Divisions of Audits, of the State of Oregon; federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Moss Adams, LLP

Eugene, Oregon
December 2, 2011

**Cover only - entire report may be
downloaded from Metro's website
at www.oregonmetro.gov (172
pages)**

www.oregonmetro.gov



600 NE Grand Ave.
Portland, Oregon
97232-2736

CAFR

**Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2011**



Metro | *Making a great place*

**REPORT OF INDEPENDENT AUDITOR ON COMPLIANCE AND
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *OREGON MINIMUM AUDIT STANDARDS***

Metro Council and Metro Auditor
Portland, Oregon

We have audited the basic financial statements of Metro as of and for the year ended June 30, 2011 and have issued our report thereon dated December 2, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

Compliance

As part of obtaining reasonable assurance about whether Metro's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-010-0000 to 162-010-0330, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts:

- The use of approved depositories to secure the deposit of public funds.
- The requirements relating to debt.
- The requirements relating to the preparation, adoption and execution of the annual budgets for fiscal years 2011 and 2012.
- The requirements relating to insurance and fidelity bond coverage.
- The appropriate laws, rules and regulations pertaining to programs funded wholly or partially by other governmental agencies.
- The statutory requirements pertaining to the investment of public funds.
- The requirements pertaining to the awarding of public contracts and the construction of public improvements.

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Minimum Standards for Audits of Oregon Municipal Corporations.



Internal Control Over Financial Reporting

In planning and performing our audit, we considered Metro's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Metro's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Metro's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the Metro Council and Metro Auditor, management, and the State of Oregon and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in black ink, reading "James C. Lavarotto".

For Moss Adams LLP
Eugene, Oregon
December 2, 2011

**REPORT OF INDEPENDENT AUDITOR ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Metro Council and Metro Auditor
Portland, Oregon

Compliance

We have audited Metro's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Metro's major federal programs for the year ended June 30, 2011. Metro's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Metro's management. Our responsibility is to express an opinion on Metro's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Metro's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Metro's compliance with those requirements.

In our opinion, Metro complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

Management of Metro is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Metro's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Metro's internal control over compliance.



**REPORT OF INDEPENDENT AUDITOR ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of the audit committee; management; the Council; others within the entity; the Secretary of State, Divisions of Audits, of the State of Oregon; federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Moss Adams, LLP

Eugene, Oregon
December 2, 2011

Communications with Those Charged with Governance under SAS No. 114

Suzanne Flynn, Metro Auditor
and the Audit Committee
Portland, Oregon

We have audited the financial statements of Metro as of and for the year ended June 30, 2011 and have issued our report thereon dated December 2, 2011. Professional standards require that we provide you with the following information related to our audit.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA

As stated in our contract dated May 1, 2010, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit in accordance with generally accepted auditing standards and to design the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Metro's internal control over financial reporting. Accordingly, we considered Metro's internal control solely for the purposes of determining our audit procedures and not to provide assurance concerning such internal control.

We are also responsible for communicating significant matters related to the financial statement audit that, in our professional judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

OTHER INFORMATION IN DOCUMENTS CONTAINING AUDITED FINANCIAL STATEMENTS

Our responsibility for other information in the Auditor's Report and Financial Statements does not extend beyond the financial information identified in our report. We do not have an obligation to perform any procedures to corroborate other information contained in these documents. However, we have read the information and nothing came to our attention that caused us to believe that such information or its manner of presentation is materially inconsistent with the information or manner of its presentation appearing in the financial statements.



PLANNED SCOPE AND TIMING OF THE AUDIT

We performed the audit according to the planned scope communicated to you in the original contract dated May 1, 2010, as well as the meeting we held with you on June 29, 2011.

SIGNIFICANT AUDIT FINDINGS

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Metro are described in Note 1 to the financial statements. One new accounting policy was adopted concerning the implementation of GASB 54, *Fund Balancer Reporting and Governmental Fund Type Definitions*. Under this policy, Metro's fund balances were reported within the following classifications of nonspendable, restricted, committed, assigned, or unassigned. In addition, the criteria for the use of special revenue funds was clarified, and Metro changed the reporting of certain funds and activities to meet the requirements for reporting special revenue funds under the new standard.

We noted no transactions entered into by Metro during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Financial Statement Disclosures

The disclosures in the financial statements are consistent, clear and understandable. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements was (were):

- Disclosure of the reporting entity and significant accounting policies in prelude to the notes to the financial statements. This disclosure reports the operations under the governance of the elected Metro Council, as well as the more significant policies used by Metro in the preparation of the financial statements.
- Disclosure of cash and investment details in Note IV.A. to the financial statements. This disclosure provides the details of the amounts of cash and investments held in the various types of depositories and securities at year end as well as the details of the nature of the risks inherent in Metro's cash and investment portfolio.
- Disclosure of other post-employment benefits in Notes IV.G. and H. to the financial statements. The recorded OPEB liability for benefits included in the financial statements is an estimate based on assumptions regarding future healthcare trend rates, discount rates that attempt to match anticipated returns on Metro's cash and investments, and many

MOSS ADAMS LLP

other actuarial assumptions. In addition, the allowable accrual methods allow for the smoothing of current year expenses through the concept of ‘catching up’ for prior year under-funding of the plan over a 30-year period resulting in an accrual that is less than the actuarially determined total liability.

- Disclosure of Metro’s long-term debt in Notes IV.K. and L. to the financial statements. These disclosures provide the details of the amounts and types of debt outstanding at year end along with the repayment terms, significant covenants, and future maturities of principal and interest.
- Disclosure of Metro’s pollution remediation and post-closure landfill care obligations in Note IV.M. to the financial statements. The recorded liability was calculated and reported pursuant to GASB 49 that provides that a liability for remediation projects is only necessary when one of five obligating events has occurred. Metro has determined that obligating events have occurred on two remediation projects. Further, the liability is based on a probability weighted estimate of future environmental study, remediation, and post-remediation costs, and those estimates may change significantly in the future.
- Disclosure of Metro’s landfill post-closure care costs in Note IV.N. to the financial statements. The liability recorded is based on estimates of costs that will be incurred through the year 2026 to meet current State and Federal requirements, and actual costs could vary significantly from those estimates.
- Disclosure of Metro’s risk management programs in Note IV.Q. to the financial statements. This disclosure provides a summary of the various risks of loss Metro is exposed to, and its method of financing those risks. This note also provides a reconciliation of claims liabilities for the past two years. The claims liability is an estimate that is based on assumptions, and actual results could vary significantly from those estimates.

Significant Difficulties Encountered in Performing the Audit

We did not encounter significant difficulties in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

There was one uncorrected misstatement related to the under-reporting of OPEB liability that was actually identified last year that is still applicable to this year given Metro’s policy to get actuarial valuations every two years. There were errors made in excluding participants eligible for benefits in the census data provided to the actuary, resulting in an estimated understatement of the recorded liability of \$77,000, and an estimated understatement of the actuarial accrued liability disclosed in the notes to the financial statements of \$176,000. Management determined the error to be immaterial, and we concurred with that conclusion. The matter will be resolved in the next actuarial valuation scheduled for June 30, 2012.

MOSS ADAMS LLP

There was one uncorrected misstatement related to real property recorded by Metro as a capital asset addition in a prior year that was actually not owned by Metro, and should have been expensed in the year the expenditures were made in the amount of \$2.2 million. An entry was made to include a disposition in the current year to remove the capital asset from Metro's financial statements. Management determined the error created in the current year statement of activities by reporting the disposition in the current year to be immaterial, and we concurred with that conclusion.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 2, 2011.

Management Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Metro's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Significant Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Metro's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

We have represented to you that we are independent with respect to Metro.

This information is intended solely for the use of the audit committee and management of Metro and is not intended to be and should not be used by anyone other than these specified parties.

Moss Adams, LLP

Eugene, Oregon
December 2, 2011

METRO
Schedule of Expenditures of Federal Awards
for the year ended June 30, 2011

Grantor and Program Title	Federal CFDA Number	Grant Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Natural Resources Conservation Service-			
Direct Programs:			
Wetlands Reserve Program-Forest Grove Habitat	10.072	66-0436-8-060	\$ 7,822
Wetlands Reserve Program-Munger Restoration	10.072	66-0436-6-019	26,667
Wetlands Reserve Program-Gotter Prairie	10.072	66-0436-8-035	28,890
Subtotal Wetlands Reserve Program			63,379
Resource Conservation and Development	10.901	72044360811A	5,651
Wildlife Habitat Incentives Program	10.914	72043607138	1,550
Wildlife Habitat Incentives Program	10.914	7204360714R	1,257
Subtotal Wildlife Habitat Incentives Program			2,807
Forest Service-			
Direct Programs:			
Condor Program	10.XXX	09-CS-11062200-007	1,500
UNO Program	10.XXX	09-CS-11062200-010	18,000
Total U. S. Department of Agriculture			91,337
U.S. DEPARTMENT OF DEFENSE			
Department of the Army, Office of the Chief of Engineers			
Passed through Washington Department of Fish & Wildlife:			
Planning Assistance to States - Water Resources Development Act	12.110	WDFW # 06-1337, Amend #5	50,000
Total U.S. Department of Defense			50,000
U.S. DEPARTMENT OF THE INTERIOR			
Bureau of Land Management-			
Direct Program:			
Fish, Wildlife and Plant Conservation Resource Management; Federal Land Policy and Management Act (FLPMA)	15.231	L07AC20271 Task order-HAF079Q05	40,000
U.S. Geological Survey			
Direct Program:			
U.S. Geological Survey - Research and Data Collection Digital Ortho-Imagery Grant	15.808	G10AC00190	70,000
Fish and Wildlife Service-			
Passed through The Department of State Lands:			
Cooperative Endangered Species Conservation Fund	15.615	USFWS Sec 6 grant E-28-TW-2	37,037
Passed through Oregon State Marine Board:			
Clean Vessel Act	15.616	N/A	788
Sportfishing and Boating Safety Act	15.622	1379	2,125
Passed through Ducks Unlimited			
North American Wetlands Conservation Fund	15.623	US-OR-32-5	47,882
Passed through Washington Department of Fish & Wildlife:			
State Wildlife Grants	15.634	WDFW #08-1424 Amend #4	84,475
Total U. S. Department of the Interior			282,307

Grantor and Program Title	Federal CFDA Number	Grant Number	Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION			
Federal Highway Administration-			
Highway Planning and Construction Cluster-			
Highway Planning and Construction-			
Passed through Oregon Department of Transportation:			
2011 Planning Fund	20.205	ODOT # 26835	1,189,988
2009 Planning Fund Carryover funds	20.205	ODOT # 26835	448,148
2011 STP funds	20.205	ODOT # 26835	857,932
2009 STP Carryover funds	20.205	ODOT # 26835	153,044
2011 STP Next Corridor funds	20.205	ODOT # 26835	265,159
2010 STP Next Corridor Carryforward fund	20.205	ODOT # 26835	191,991
2008 STP Next Corridor Carryforward fund	20.205	ODOT # 26835	248,809
I-5 / 99W Tualatin-Sherwood Connector fund	20.205	ODOT # 26835	309,982
Tigard TGM Land Use	20.205	ODOT # 27105	31,148
I-5 / 99W Connector Project	20.205	ODOT # 22445	120
Columbia River Crossing Loaned Executive	20.205	ODOT # 25288	148,118
Oregon Hwy 212 / Damascus Project	20.205	ODOT # 25218-01	4,843
Oregon Climate Summit	20.205	n/a	9,652
Passed through Washington Department of Transportation:			
Columbia River Crossing II Project	20.205	GCA 5744	4,518
Passed through Multnomah County, Oregon:			
Sellwood Bridge IGA	20.205	4600006289	2,223
Passed through Clackamas County, Oregon:			
Sunrise Corridor EIS	20.205	Metro # 925507	854
Subtotal Highway Planning and Construction			3,866,529
Recreational Trails Program			
Passed State of Oregon, Department of Parks and Recreation			
Bi-State Regional Trails Web Site and Map	20.219	RT10-12	12,000
Total Highway Planning and Construction Cluster			3,878,529
Federal Transit Administration-			
Metropolitan Transportation Planning Grants-			
Passed through Oregon Department of Transportation :			
2011 Technical Studies (Sec 5303)	20.505	ODOT # 26883	386,524
2010 Technical Studies (Sec 5303)	20.505	ODOT # 25996	95,239
Subtotal Metropolitan Transportation Planning Grants			481,763
Federal Transit - Formula Grants (Federal Transit Cluster)-			
Direct Programs:			
Congestion Mitigation & Air Quality Improvement Program (CMAQ)			
Regional Travel Options	20.507	OR95-X010	1,565,765
Alternative Analysis-			
Direct Programs:			
Streetcar/Eastside/LO-PDX (Sec 5339)	20.522	OR39-0002-01	11,289
Total U.S. Department of Transportation			5,937,346

Grantor and Program Title	Federal CFDA Number	Grant Number	Federal Expenditures
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Office of Solid Waste and Emergency Response			
Direct Program:			
Brownfields Assessment and Cleanup Cooperative Agreements II	66.818	BF-96072301	131,919
Total U.S. Environmental Protection Agency			131,919
U.S. DEPARTMENT OF ENERGY			
Passed through the Oregon Department of Energy			
ARRA - State Energy Program			
Oregon Convention Center - Lighting Fixture & Upgrade Project	ARRA - 81.041	SEP 10-1062	235,063
Total U.S. Department of Energy			235,063
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			
U.S. Centers for Disease Control and Prevention			
Passed through Multnomah County Health Department			
ARRA - Prevention and Wellness – Communities Putting Prevention to Work Funding Opportunities Announcement			
East Metro Health Equity Investment Strategy	ARRA - 93.724	CPPW10-001	24,925
Total U.S. Department of Health & Human Services			24,925
Total Expenditures of Federal Awards			\$ 6,752,897

METRO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes all federal grant activity of Metro, under programs of the federal government for the year ended June 30, 2011. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because this Schedule presents only a selected portion of the operations of Metro, it is not intended to and does not present the financial position, changes in net assets or cash flows of Metro.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in note II.C to Metro's basic financial statements. Such expenditures are recognized following the cost principals contained in OMB Circular A-87, *Cost Principals for State, Local and Indian Tribal Governments*, wherein certain types of expenses are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 3 – SUBRECIPIENTS

Included within the federal expenditures presented on the Schedule are federal awards subrecipients as follows:

Subrecipient	Federal CFDA		Total
	Number	Grant Number	Expenditures
Bicycle Transportation Alliance	20.507	FTA # OR95-X010	\$ 8,950
City of Gresham	20.507	FTA # OR95-X010	33,005
City of Portland	20.507	FTA # OR95-X010	187,905
City of Tigard	20.507	FTA # OR95-X010	1,276
City of Wilsonville	20.507	FTA # OR95-X010	143,838
Community Cycling Center	20.507	FTA # OR95-X010	14,312
Gresham Downtown Development Association	20.507	FTA # OR95-X010	43,511
Lloyd District TMA	20.507	FTA # OR95-X010	71,473
North Clackamas County Chamber of Commerce	20.507	FTA # OR95-X010	48,521
South Waterfront Community Relations	20.507	FTA # OR95-X010	42,883
Swan Island Business Association	20.507	FTA # OR95-X010	61,878
Tri-Met	20.507	FTA # OR95-X010	33,731
Westside Transportation Alliance Inc.	20.507	FTA # OR95-X010	65,782
Total Subrecipient Federal Expenditures			<u>\$ 757,065</u>

STAFF REPORT

IN CONSIDERATION OF RESOLUTION NO. 12-4325 FOR THE PURPOSE OF THE METRO COUNCIL'S ACCEPTANCE OF THE RESULTS OF THE INDEPENDENT AUDIT REPORT FOR FINANCIAL ACTIVITY DURING FISCAL YEAR 2010-2011

Date: January 3, 2012

Prepared by: Suzanne Flynn
Metro Auditor
503/797-1891

BACKGROUND

State ORS provision 297.465 requires an annual independent audit of Metro's financial statements. The current contract (No. 929814) was awarded to Moss Adams LLP for audit services and is effective May 1, 2010 through June 30, 2013.

Metro Code Chapter 2.15 specifies at Section 2.15.80 that the Auditor shall appoint external certified public accountants to conduct certified financial statement audits. Metro Charter Section 18 also specifies that the auditor shall be responsible for financial auditing of all aspects of Metro's operations.

The Comprehensive Annual Financial Report (CAFR) has been completed by Metro Finance and Regulatory Services. Moss Adams LLP has audited the financial statements and issued an opinion that these statements fairly represent Metro's financial position as of June 30, 2011. The results have been reviewed by the Metro Auditor and Metro Audit Committee members. Moss Adams did not write a management letter this year, a high testament to the quality of Metro's reporting of its financial activities. The firm did share some best practices suggestions with staff.

ANALYSIS/INFORMATION

1. **Known Opposition** none

2. **Legal Antecedents**

State ORS provision 297.465 requires an annual independent audit of Metro's financial statements. Metro contract No. 929814 with Moss Adams LLP for audit services will expire on June 30, 2013.

Metro Code Chapter 2.15 specifies at Section 2.15.80 that the Auditor shall appoint external certified public accountants to conduct certified financial statement audits. The Metro Charter Section 18 also specifies that the auditor shall be responsible for financial auditing of all aspects of Metro's operations.

3. **Anticipated Effects**

Finance and Regulatory Services management and staff will review and implement the best practices suggestions as appropriate.

4. **Budget Impacts** None known at this time.

RECOMMENDED ACTION

The Metro Auditor recommends approval of Resolution No. 12- 4325.

Agenda Item No. 2.0

**FY11-12 VISITOR VENUES' ECONOMIC
IMPACT REPORT UPDATES**

Joint MERC and Metro Council
Work Session
Tuesday, Jan. 17, 2012
Metro, Council Chamber



Metro Visitor Venues

Oregon Convention Center
Oregon Zoo
Portland Center for the Performing Arts
Portland Expo Center

Fiscal Year 2010-11 Economic and Fiscal Impact Analysis Report

Executive Summary

January 2012



January 11, 2012

Ms. Teri Dresler, General Manager
Metro Visitor Venues
600 NE Grand Avenue
Portland, OR 97232

Dear Ms. Dresler:

In accordance with our agreement, Crossroads Consulting Services LLC has completed its economic and fiscal impact analysis associated with operations of the Oregon Convention Center, the Portland Center for the Performing Arts, the Portland Expo Center, and the Oregon Zoo in Fiscal Year 2010. The report presented herein includes the summary of our analysis; more detail regarding each venue's operation and resulting economic/fiscal impacts can be found in their respective reports issued under separate cover.

The findings and assumptions contained in the report reflect analysis of secondary sources of information including data that was obtained from the Metro Visitor Venues department as well as management at each facility. We have utilized sources that are deemed to be reliable but cannot guarantee their accuracy. We have no obligation, unless subsequently engaged, to update our report or revise the information contained therein to reflect events and transactions occurring after the date of this report.

In accordance with the terms of our engagement letter, the accompanying report is restricted to internal use by Metro and its advisors and may not be relied upon by any third party for any purpose including financing. Notwithstanding these limitations, it is understood that this document may be subject to public information laws and as such can be made available to the public upon request.

Our analysis does not constitute an examination, compilation or agreed upon procedures in accordance with the standards established by the American Institute of Certified Public Accountants.

Although you have authorized reports to be sent electronically for your convenience, only the final hard copy report should be viewed as our work product.

We have enjoyed our on-going relationship with Metro and look forward to providing you with continued services in the future. If you have any questions about our analysis, please feel free to contact Susan Sieger at 813.281.1222.

Sincerely,

Crossroads Consulting Services LLC

Table of Contents

1	Introduction	1
2	General Methodology Overview	3
3	Economic/Fiscal Impacts Analysis	7

Introduction

Metro, the regional government, crosses city limits and county lines to build a resilient economy, keep nature close by and respond to a changing climate. Representing a diverse population of 1.5 million people in 25 cities and three counties, Metro's directly elected council gives voters a choice in decisions about how the region grows and communities prosper. In addition to its charter responsibilities established nearly 30 years ago – to provide planning, policy making and services to preserve and enhance the region's quality of life – Metro operates a family of visitor venues that provide a diverse range of cultural and educational activities and experiences; memorable gathering places for celebrations and business events; and significant economic return by hosting conventions, trade/consumer shows, art performances and live exhibits.

Metro's visitor venues group is comprised of the Oregon Convention Center (OCC), Portland Center for the Performing Arts (PCPA), Portland Expo Center and Oregon Zoo. Formed in July 2010 to enhance collaboration on operational issues, the team actively works towards a common mission of maintaining world-class gathering and entertainment spaces for residents and visitors.

Through its Metropolitan Exposition Recreation Commission (MERC), Metro benefits from business and community leaders whose expertise and guidance set the strategic business direction for three of the venues: OCC, Portland Expo Center and PCPA. Commission members are nominated by Clackamas, Multnomah and Washington Counties and the City of Portland and appointed by the Metro Council to serve four-year terms.

The Oregon Zoo also benefits from a key public/private partnership through the Oregon Zoo Foundation (OZF) which is comprised of business and community leaders. The OZF's mission is to foster community pride and involvement in the Oregon Zoo and to secure financial support for the zoo's conservation, education and animal welfare programs.

The Metro visitor venues are varied in building type, history, and business focus and client mix:

- OCC is designed to maximize economic benefit for the State and region by attracting out-of-town visitors to conventions and local residents to special events and trade shows;
- PCPA is the cultural hub for the metropolitan region hosting a variety of performances and entertainment events in its multiple theatres;
- Portland Expo Center is the region's primary destination for public events and consumer shows, some of which have been held there for 50 years; and
- Oregon Zoo is the State's most popular attraction whose mission is to inspire visitors to learn about endangered species protection and take action towards native habitat restoration.

The individual and aggregate contributions each makes towards the region's economy is powerful and significant. Combined, the venues hosted more than 1,400 events/performances in FY 2011 that attracted nearly 3.3 million people and offered a wide range of experiences for visitors and residents – contributing to the quality of life for the region and beyond.

Through market-driven best practices, the Metro visitor venues have been financially successful, even despite the economic downturn, and are positioned to achieve long-term financial success by pursuing the following strategies:

- Exceeding customers' expectations and providing a consistent, enjoyable visitor experience;
- Building and maintaining alliances with community and business partners;
- Effectively marketing the venues to retain existing customers and attract new business;
- Establishing and achieving annual benchmarks in sustainable business operations;
- Employing prudent financial measures that protect the public investment and minimize debt; and
- Pursuing strategic initiatives to meet long-term business objectives and client needs.

The primary purpose of this study is to estimate the economic and fiscal impacts associated with on-going operations of Metro visitor venues. Economic impacts are estimated in terms of spending, jobs and earnings which create fiscal impacts and are reflected as changes in tax revenues.

General Methodology Overview

General Methodology Overview

An estimate of the economic benefits that occur in the Portland metro area and the State of Oregon as a result of on-going operations of the Metro visitor venues can be approached in several ways. The approach used in this analysis considers expenditures generated from each facility's operations from items such as personal services, food and beverage, goods and services, repairs and maintenance, contract services, general administrative, utilities, insurance, capital outlay, etc. as well as spending by attendees, sponsoring organizations, event producers, cast/crew and exhibitors outside the facility on items such as lodging, restaurants, retail, entertainment and transportation as the initial measure of economic activity in the marketplace. Once the amount for direct spending is estimated, a calculated multiplier is applied to generate the indirect and induced effects. The sum of direct, indirect and induced effects equals total economic impact which is expressed in terms of spending (output), employment (jobs), and personal earnings.

This analysis also estimates the fiscal impacts generated from on-going operations of the Metro visitor venues. The governmental entities considered in the fiscal analysis are the State of Oregon, Metro, Clackamas County, Multnomah County and Washington County. Revenues generated from income tax, transient lodging/room tax, excise tax, and motor vehicle rental tax were estimated.

The number of events and attendance, event mix, origin of attendees/visitors, facility financial operations, industry trends, economic conditions, direct spending categories used, per person spending amounts, distribution of spending, multipliers and specific taxes quantified are all variables that influence the economic and fiscal impact estimates.



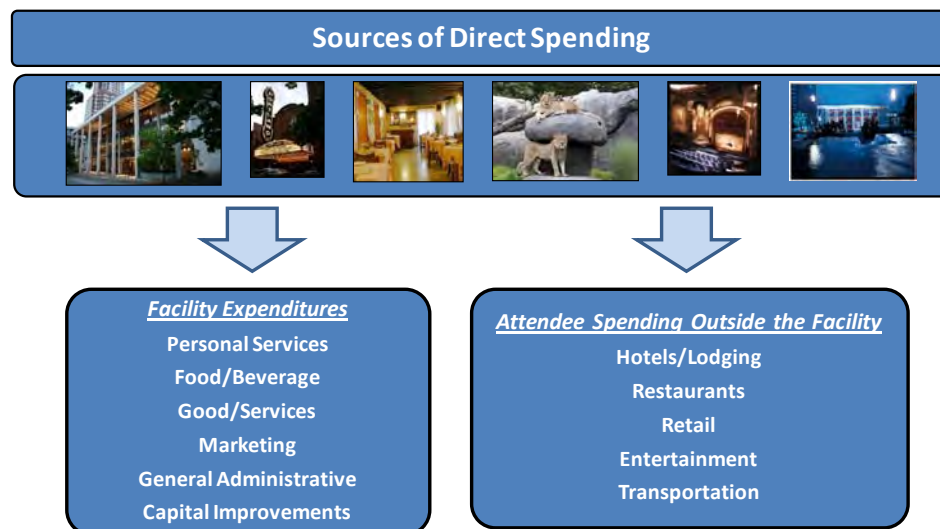
All dollar amounts depicted in this report are rounded to the nearest thousand and are presented in current dollars unless otherwise noted.

Methodology – Economic Impact Analysis

Regional input-output models are typically used by economists as a tool to understand the flow of goods and services among regions and measure the complex interactions among them given an initial spending estimate.

Direct Spending

Estimating direct spending is the first step in calculating economic impact. Direct spending represents the initial change in spending that occurs as a direct result of operations of the Metro visitor venues. This spending occurs both inside and outside of the venues. Direct spending at Metro visitor venues is generated from facility expenditures (including capital outlay) as well as from attendees, event producers, cast/crew members and exhibitors.



Indirect/Induced Impacts

The economic activity generated by the operation of the Metro visitor venues affects more than just the facility. In preparation for new spending in the economy, several other economic sectors are impacted and jobs are created. Indirect effects reflect the re-spending of the initial or direct expenditures or the business-to-business transactions required to satisfy the direct effect. Induced effects reflect changes in local spending on goods and services that result from income changes in the directly and indirectly affected industry sectors. The model generates estimates of these impacts through a series of relationships using local-level average wages, prices and transportation data, taking into account commute patterns and the relative interdependence of the economy on outside regions for goods and services.

Multiplier Effect

In an effort to quantify the inputs needed to produce the total output, economists have developed multiplier models. The estimation of multipliers relies on input-output models, a technique for quantifying interactions between firms, industries and social institutions within a local economy. This analysis uses IMPLAN software and databases which are developed under exclusive rights by the Minnesota IMPLAN Group, Inc. IMPLAN, which stands for *Impact Analysis for Planning*, is a computer software package that consists of procedures for estimating local input-output models and associated databases. The IMPLAN software package allows the estimation of the multiplier effects of changes in final demand for one industry on all other industries within a defined economic area. Its proprietary methodology includes a matrix of production and distribution data among all counties in the U.S. As such, the advantages of this model are that it is sensitive to both location and type of spending and has the ability to provide indirect/induced spending, employment and earnings information by specific industry category while taking into account the leakages associated with the purchase of certain goods and services outside the economy under consideration.

Once the direct spending amounts are assigned to a logical category, the IMPLAN model estimates the economic multiplier effects for each type of direct new spending attracted to or retained in the area economy resulting from operations of the Metro visitor venues.

For purposes of this analysis, the following industry multipliers were used:

Tri-County Region Multipliers			
Category	Spending	Employment*	Earnings
Hotels	1.7532	16.0	0.5660
Eating & Drinking Places	1.7273	21.9	0.6111
Retail Trade	1.5902	21.1	0.7474
Entertainment	1.8781	31.4	0.7365
Transportation	1.7603	13.6	0.6700
Business Services	1.7076	12.2	0.6729
New Construction	1.7521	13.6	0.6847

Note: *Indicates the number of jobs per \$1 million in spending.

Source: IMPLAN.

These multipliers reflect IMPLAN's latest available economic data reflecting 2009 transactions and the complex interactions among regions.

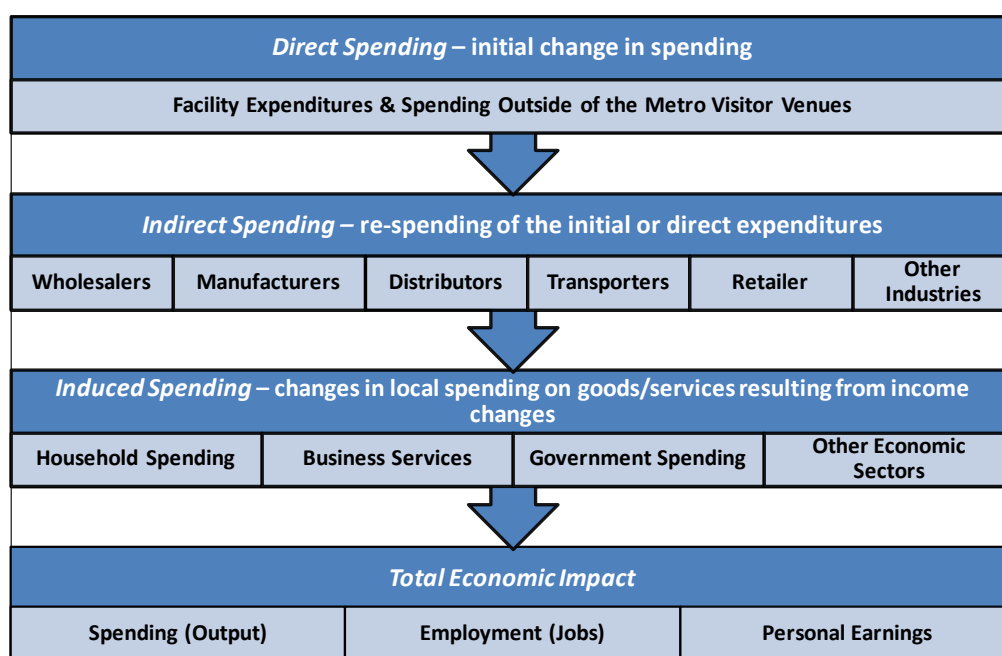
Total Economic Impact

The calculated multiplier effect is then added to the direct impact to quantify the total economic impact in terms of spending, employment and earnings which are defined below:

- *Spending (output)* represents the total direct, indirect and induced spending effects generated by Metro visitor venues' operations. This calculation measures the total dollar change in spending (output) that occurs in the local economy for each dollar of output delivered to final demand.

- *Employment (jobs)* represents the number of full and part-time jobs supported by Metro visitor venues' operations. The employment multiplier measures the total change in the number of jobs supported in the local economy for each additional \$1.0 million of output delivered to final demand.
- *Personal earnings* represent the wages and salaries earned by employees of businesses associated with or impacted by Metro visitor venues' operations. In other words, the multiplier measures the total dollar change in earnings of households employed by the affected industries for each additional dollar of output delivered to final demand.

The following graphic illustrates the multiplier effects for calculating total economic impact.



Methodology - Fiscal Impact Analysis

The estimated spending generated by the on-going operations of the Metro visitor venues creates tax revenues for area municipalities and the State. Experience in other markets suggests that while a significant portion of the direct spending likely occurs near the facility, additional spending occurs in other areas within the State, particularly spending on items such as business services and everyday living expenditures of residents. Major tax sources impacted by facility operations were identified and taxable amounts to apply to each respective tax rate were estimated. Although other taxes, such as property taxes, may also be positively impacted by the on-going operations of the Metro visitor venues, this analysis estimated the revenues generated from corporate excise and income tax, personal income tax and transient lodging tax at the State level as well as excise tax, business income tax, transient lodging/room tax and motor vehicle rental tax at the County level.

Economic/Fiscal Impact Analysis

This section of the report provides a summary of utilization, financial operations, economic impacts and tax revenues for the Metro visitor venues combined as well as for each of the individual facilities for FY 2011.

Summary of Key Comparative Data at Metro Visitor Venues

As shown in the following table, the number of events/performances and total attendance at Metro visitor venues combined remained relatively consistent between FY 2010 and FY 2011. Activities at all Metro visitor venues were estimated to generate approximately \$612.8 million in total spending which supported 6,040 jobs and created \$232.9 million in personal earnings. In aggregate, activities at these four venues were estimated to generate approximately \$19.1 million in tax revenues in FY 2011 which was slightly higher than the collective net operating loss.

Summary of Key Comparative Data - Metro Visitor Venues Combined					
FY 2010 (Excluding Oregon Zoo)					
Category	FY 2008	FY 2009		FY 2010	FY 2011
Utilization:					
Events/Performances	1,497	1,722	1,456	1,456	1,442
Total Use Days	2,908	3,192	2,694	2,694	2,634
Total Attendance	1,942,100	1,940,400	1,718,600	3,353,600	3,266,600
Financial Operations:					
Operating Revenues	\$30,411,000	\$30,032,000	\$29,725,000	\$48,809,000	\$51,356,000
Operating Expenses	37,503,000	39,703,000	40,063,000	64,758,000	70,049,000
Net Operating Results	(\$7,092,000)	(\$9,671,000)	(\$10,338,000)	(\$15,949,000)	(\$18,693,000)
Economic/Fiscal Impacts:					
Direct Spending	\$307,394,000	\$294,898,000	\$359,114,000	\$397,752,000	\$357,795,000
Indirect/Induced Spending	227,073,000	227,138,000	258,369,000	283,978,000	255,012,000
Total Spending	\$534,467,000	\$522,036,000	\$617,483,000	\$681,730,000	\$612,807,000
Total Jobs	5,810	5,540	5,980	6,680	6,040
Total Earnings	\$205,949,000	\$203,672,000	\$230,617,000	\$257,716,000	\$232,919,000
Total Fiscal Benefits	\$18,415,000	\$18,292,000	\$21,652,000	\$22,830,000	\$19,050,000

Note: FY 2008 and FY 2009 comparative data excludes the Oregon Zoo as FY 2010 is the first year this analysis was completed.

Summary of Event Activity at Metro Visitor Venues – FY 2011

In FY 2011, Metro visitor venues hosted more than 1,400 events/performances that accounted for approximately 2,600 total use days and attracted nearly 3.3 million attendees. Events hosted at OCC include national and international conventions/tradeshows, public shows, meetings and social functions. PCPA events include performing arts events, comedy/concerts, lectures, meetings and receptions. Portland Expo Center event activity is comprised primarily of public shows and trade shows where regional businesses can exhibit their goods as well as meetings and social functions. Oregon Zoo visitors are comprised of paid admissions, zoo members who may attend multiple times throughout the year as well as free admits (e.g., children under age two).

Summary of Event Activity at Metro Visitor Venues - FY 2011					
	OCC	PCPA	Portland Expo Center	Oregon Zoo	Total
Events/Performances	469	880	93	n/a	1,442
Total Use Days	1,134	1,129	371	n/a	2,634
Attendance	570,400	769,600	390,300	1,536,300	3,266,600

Note: n/a denotes not applicable.

Sources: Metro; management at individual facilities.

Summary of Financial Operations at Metro Visitor Venues – FY 2011

Metro visitor venues generated approximately \$51.4 million in operating revenues in FY 2011. The OCC, PCPA and Oregon Zoo operate on mix of funding sources, including operating revenues, transient lodging tax, contributions, admission surcharges and government support. It is not unusual for convention centers and performing arts centers to rely upon a mix of funding sources to support building operating revenues because the mission of these venues is to generate economic impact by attracting out-of-town visitors and to offer diverse cultural arts activities to area residents, not operate as for-profit businesses. In addition, zoos typically do not generate sufficient revenues from their admissions and programs to offset operating expenditures. Instead, zoos are commonly supported by a non-profit organization, like the Oregon Zoo Foundation, aimed at generating funding for conservation and educational programs as well as other public/private donations to subsidize operations. On the other hand, the Portland Expo Center serves as the region's primary destination for public events and consumer shows that attract primarily area residents, and realized a net operating income of \$244,000 in FY 2011. The Portland Expo Center, unlike the other venues, receives no funding subsidies or government support to offset operating revenues. In aggregate, Metro visitor venues generated a net operating loss of approximately \$18.7 million before non-operating revenues and expenditures, capital and transfers. These four venues directly employed approximately 300 full-time, benefitted employees in FY 2011 in addition to providing hundreds of part-time and seasonal jobs.

Summary of Financial Operations at Metro Visitor Venues - FY 2011					
Category	OCC	PCPA	Portland Expo Center	Oregon Zoo	Total
Total Operating Revenues	\$19,007,000	\$7,605,000	\$5,090,000	\$19,654,000	\$51,356,000
Total Operating Expenditures	29,039,000	11,089,000	4,846,000	25,075,000	\$70,049,000
Net Operating Results	(\$10,032,000)	(\$3,484,000)	\$244,000	(\$5,421,000)	(\$18,693,000)
Total Full-Time Jobs	110	32	13	138	293

Notes: Support and risk management costs are included in operating expenditures.

Zoo financial operations exclude any support from the Oregon Zoo Foundation.

Full-time jobs shown for the Oregon Zoo also include the Oregon Zoo Foundation.

Sources: Metro; management at individual facilities.

Summary of Estimated Economic Impacts from Metro Visitor Venues – FY 2011

The table that follows summarizes the estimated economic impacts generated from Metro visitor venues in FY 2011 in terms of total direct and indirect/induced spending, employment and earnings based on the methodology and assumptions outlined in this report and further described in each individual venue report. As shown, Metro visitor venues were estimated to generate approximately \$612.8 million in total spending within the region and 6,040 jobs.

Summary of Estimated Economic Impacts Generated from Operations of Metro Visitor Venues - FY 2011					
Category	OCC	PCPA	Portland Expo Center	Oregon Zoo	Total
Total Economic Benefits:					
Direct Spending	\$261,451,000	\$33,625,000	\$19,610,000	\$43,109,000	\$357,795,000
Indirect/Induced Spending	188,128,000	23,845,000	14,117,000	\$28,922,000	255,012,000
Total Spending	<u>\$449,579,000</u>	<u>\$57,470,000</u>	<u>\$33,727,000</u>	<u>\$72,031,000</u>	<u>\$612,807,000</u>
Total Jobs	4,260	640	380	760	6,040
Total Earnings	\$167,618,000	\$22,234,000	\$12,875,000	30,192,000	\$232,919,000

Note: Earnings represent the wages and salaries earned by employees of businesses associated with or impacted by the facility(s).

Summary of Estimated Fiscal Impacts from Metro Visitor Venues – FY 2011

Based on the event activity and financial operating data provided by Metro and each of the individual facilities as well as other assumptions outlined in this report, Metro visitor venues were estimated to generate approximately \$19.1 million in tax revenues in FY 2011. For purposes of this analysis, fiscal benefits associated with the on-going operations of these four facilities are estimated for the State of Oregon, Metro, Clackamas County, Multnomah County and Washington County.

Summary of Estimated Fiscal Impacts Generated from Operations of Metro Visitor Venues - FY 2011					
Category	OCC	PCPA	Portland Expo Center	Oregon Zoo	Total
State of Oregon					
Personal Income Tax	\$4,412,000	\$585,000	\$339,000	\$795,000	\$6,131,000
Corporate Excise and Income Tax	655,000	67,000	39,000	85,000	846,000
Transient Lodging Tax	518,000	55,000	25,000	22,000	620,000
Subtotal	<u>\$5,585,000</u>	<u>\$707,000</u>	<u>\$403,000</u>	<u>\$902,000</u>	<u>\$7,597,000</u>
Metro					
Excise Tax	\$1,275,000	see note 1	\$330,000	see note 1	\$1,605,000
Clackamas County					
Transient Room Tax	\$466,000	see note 2	see note 2	see note 2	\$466,000
Multnomah County					
Transient Lodgings Tax (see note 3)	\$5,963,000	\$634,000	\$284,000	\$258,000	\$7,139,000
Motor Vehicle Rental Tax	1,346,000	see note 4	see note 4	see note 4	1,346,000
Business Income Tax	87,000	15,000	9,000	19,000	130,000
Subtotal	<u>\$7,396,000</u>	<u>\$649,000</u>	<u>\$293,000</u>	<u>\$277,000</u>	<u>\$8,615,000</u>
Washington County					
Lodging Tax	\$767,000	see note 2	see note 2	see note 2	\$767,000
Total Tax Benefits	\$15,489,000	\$1,356,000	\$1,026,000	\$1,179,000	\$19,050,000
Percent of Total	81%	7%	5%	6%	99%

Notes: (1) No excise tax is collected from PCPA or the Oregon Zoo as part of the intergovernmental agreement with the City of Portland.

(2) Transient lodging tax associated with event activity at the PCPA, Expo Center and Oregon Zoo is only estimated for Multnomah County because it is assumed that most benefits occur in this jurisdiction.

(3) Although Multnomah county collects the Transient Lodging Tax, a portion of this tax is distributed to the City of Portland's general fund and to Travel Portland.

(4) Motor vehicle rental tax was only calculated for event activity at the OCC.



Multnomah County realizes approximately 45% of the total estimated fiscal benefits followed by the State of Oregon (40%) and Metro (8%), respectively.

Metro visitor venues are unique business entities that generate significant economic activity to the Portland metro area and the State of Oregon. Although the four facilities operated at a combined deficit of approximately \$18.7 million when evaluating operating revenues only, and not including other revenue sources, their activity generated more than \$19.1 million in local and State tax benefits in FY 2011 resulting in a 1.0 to 1.0 ratio of fiscal benefits to operating costs.

Although this document provides a summary of our analysis, it is important for the reader to review each respective report in its entirety in order to gain a better understanding of the methodology and the assumptions used to develop the estimated economic and fiscal impacts for the four Metro visitor venues.

CLICK HERE FOR FULL REPORT



Oregon Convention Center

Fiscal Year 2010-11 Economic and Fiscal Impact Analysis Report

January 2012

CLICK HERE FOR FULL REPORT



Oregon Zoo

Fiscal Year 2010-11 Economic and Fiscal Impact Analysis Report

January 2012

CLICK HERE FOR FULL REPORT



Portland Center for the Performing Arts

Fiscal Year 2010-11 Economic and Fiscal Impact Analysis Report

January 2012

CLICK HERE FOR FULL REPORT



Portland Expo Center

Fiscal Year 2010-11 Economic and Fiscal Impact Analysis Report

January 2012

Agenda Item No. 4.0

**OREGON CONVENTION CENTER
ENHANCED MARKETING INITIATIVE**

Joint MERC and Metro Council
Work Session
Tuesday, Jan. 17, 2012
Metro, Council Chamber

Materials following this page were distributed at the meeting.

Metro | Agenda

Meeting: Metro Council
Date: Thursday, Jan. 19, 2012
Time: 2 p.m.
Place: The Oregon Zoo, Cascade Crest Banquet Room
4001 SW Canyon Rd.
Portland, OR 97221-9704

CALL TO ORDER AND ROLL CALL

1. **INTRODUCTIONS**
2. **CITIZEN COMMUNICATIONS**
3. **CONSENT AGENDA**
 - 3.1 Consideration of the Minutes for Jan. 12, 2012
 - 3.2 **Resolution No. 12-4319**, For the Purpose of Amending the Financially Constrained 2035 Regional Transportation Plan (RTP) and the 2010-13 Metropolitan Transportation Improvement Program (MTIP) to Add the Northbound Cornelius Pass Road to US 26 Eastbound Project.
 - 3.3 **Resolution No. 12-4320**, For the Purpose of Amending the Financially Constrained 2035 Regional Transportation Plan (RTP) and the 2010-13 Metropolitan Transportation Improvement Program (MTIP) to Add the Construction of the Sellwood Bridge Replacement Project.
 - 3.4 **Resolution No. 12-4321**, For the Purpose of Amending the Financially Constrained 2035 Regional Transportation Plan (RTP) to Add the City of Portland Bikeshare Project and to Remove the Allen Boulevard and Nimbus Avenue Extension Projects.
 - 3.5 **Resolution No. 12-4323**, For the Purpose of Amending the 2010-13 Metropolitan Transportation Improvement Program (MTIP) to Add the City of Portland Peer-to-Peer Carsharing Project.
 - 3.6 **Resolution No. 12-4326**, For the Purpose of Confirming Deidra Krys-Rusoff and Andrew Lonergan Appointments to the Investment Advisory Board.
4. **ORDINANCES - FIRST READING**
 - 4.1 **Ordinance No. 12-1269**, For the Purpose of Amending the FY 2011-12 Budget and Appropriations Schedule for Increased Operations, Marketing, and Communications for a new Cirque du Soleil Event to be Held at the EXPO Center.
 - 4.2 **Ordinance No. 12-1270**, For the Purpose of Amending the FY 2011-12 Budget and Appropriations Schedule and the FY 2011-12 Through 2015-16 Capital Improvement Plan.
 - 4.3 **Ordinance No. 12-1271**, For the Purpose of Amending the F 2011-12 Budget and Appropriations Schedule Increasing a Net 0.5 FTE in the Research Center.

Continued on back...

5. RESOLUTIONS

- 5.1 **Resolution No. 12-4325**, For the Purpose of Metro Council's Acceptance of the **Harrington** Results of the Independent Audit Report for Financial Activity During Fiscal Year 2010-2011.

6. CHIEF OPERATING OFFICER COMMUNICATION

7. COUNCILOR COMMUNICATION

ADJOURN

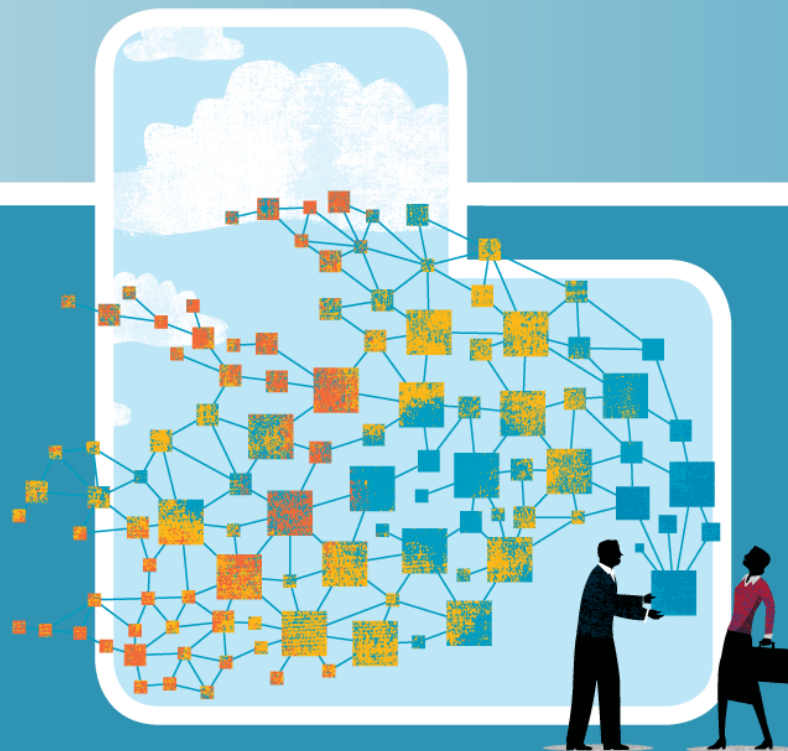
Please note the Jan. 19 Council meeting will not be video recorded or televised. Please contact the Council front desk to receive a copy of the audio recording and/or visit the Metro web site at:
<http://www.oregonmetro.gov/index.cfm/go/by.web/id=21730>.

Agenda items may not be considered in the exact order. For questions about the agenda, call the Metro Council Office at 503-797-1540. Public hearings are held on all ordinances second read. Documents for the record must be submitted to the Regional Engagement Coordinator to be included in the decision record. Documents can be submitted by e-mail, fax or mail or in person to the Regional Engagement Coordinator. For additional information about testifying before the Metro Council please go to the Metro web site www.oregonmetro.gov and click on public comment opportunities. For assistance per the American Disabilities Act (ADA), dial TDD 503-797-1804 or 503-797-1540 (Council Office).

METRO COUNCIL MEETING

January 17, 2012

Presented by: Jim Lanzarotta, Partner



MOSS-ADAMS LLP

Certified Public Accountants | Business Consultants

Acumen. Agility. Answers.

WHAT WE WILL COVER

- Scope of services provided
- Audit results
- Status of prior year observations and recommendations
- Current year observations and recommendations
- Comments
- Acknowledgements



NATURE OF SERVICES PROVIDED

- **Audit of the financial statements** of Metro (which include MERC) under Generally Accepted and Government Audit Standards
- **Technical review** of the CAFR for compliance with GAAP as well as GFOA Certificate of Excellence requirements
- Compliance testing/reporting under **Oregon Minimum Audit Standards**
- Single **Audit of federal grant programs** under OMB Circular A-133 and the Single Audit Act
- Special reports for Metro's compliance with the Natural Areas and Zoo **bond expenditures**

AUDIT RESULTS – FINANCIAL AUDIT

Unqualified opinion

- Reasonable, but not absolute, assurance
- Financial statements presented in accordance with GAAP



AUDIT RESULTS - OREGON MUNICIPAL AUDIT STANDARDS

- Compliance testing/reporting under Oregon Minimum Audit Standards
 - No findings



AUDIT RESULTS – FEDERAL GRANTS

- Audit Federal Grant Compliance
 - (clean) opinion on compliance
 - No findings
 - Prior year significant deficiency in Internal control and Instances of Noncompliance - RESOLVED
 - Federal contract language missing from federal contracts



AUDIT RESULTS – BOND EXPENDITURES

- Natural Areas/Zoo Bond Compliance
 - No findings of non-compliance of nature of approved expenditures



SIGNIFICANT DEFICIENCIES – PRIOR YEAR

Significant Deficiencies –
prior year - resolved:

- Inaccurate consensus data provided to OPEB actuary
- Payroll accruals/expenses related to the Zoo bond fund not properly reconciled/adjusted



SIGNIFICANT DEFICIENCIES – PRIOR YEAR

Significant Deficiencies –
prior year - resolved:

- Federal source language missing in two contracts with vendors on a Fish and Wildlife grant



BEST PRACTICES / RECOMMENDATIONS

Prior Year - Resolved:

- Timely bank reconciliations for MERC bank accounts



CURRENT YEAR CHANGES - GASB 54

- New implementation in 2011
- 2 significant changes to governmental funds
 - Classification of fund balance
 - Unspendable
 - Restricted
 - Committed
 - Assigned
 - Unassigned
 - Use of government fund types

ACCOUNTING STANDARDS IN THE WORKS

- Accounting for pension liabilities
- Sustainability reporting – future cash forecasted financial information

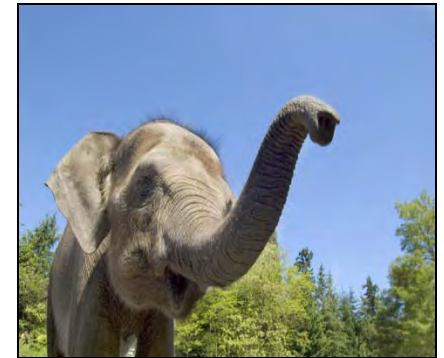
COMMENTS

Questions?

ACKNOWLEDGEMENTS

Thanks to Suzanne Flynn for her management of the audit contract, Margo Norton, and Tim Collier for their leadership; Don Cox, Karla Lenox, Diane Arakaki, and Julia Fennel for their excellent facilitation of our audit procedures; and members of the Audit Committee for their guidance, oversight, and involvement in the process.

Economic and Fiscal Impact Analysis for Metro Visitor Venues in FY 2011



**Presentation
January 17, 2012**

Crossroads is a Recognized Market Leader in Providing Advisory and Development Planning Services

- Experts in convention, sports and entertainment industry
 - Specialized expertise with a variety of facilities like the Metro Visitor Venues
- Experienced professionals who assist clients with the process related to developing new projects, enhancing existing operations, refining business strategies and conveying their return on investment
- Unparalleled reputation for providing credible, reliable advice to public and private sector clients
- First-hand facility management experience







Presentation Overview

- Metro Visitor Venues Activity
- Methodology Overview
- Summary of Economic and Fiscal Benefits
 - ✓ Metro Visitor Venues in aggregate
 - ✓ Oregon Convention Center (OCC)
 - ✓ Portland Center for the Performing Arts (PCPA)
 - ✓ Portland Expo Center
 - ✓ Oregon Zoo/Oregon Zoo Foundation (Oregon Zoo)
- Questions/Discussion

Metro Visitor Venues Benefit the Community in Several Ways

- Hosting a diverse range of activities and experiences for both residents and visitors
- Receiving regional/national exposure through destination marketing and visitation
- Supporting the vibrancy of the area by attracting a critical mass of activity that benefits a diverse set of businesses
- Serving as a catalyst for economic development initiatives
- Employing approximately 300 full-time, benefitted employees at the four facilities combined
- Generating significant quantifiable economic and fiscal benefits

In FY 2011, Metro Visitor Venues Hosted More Than 1,400 Events That Attracted Nearly 3.3 Million People

Venue		Events/Performances	Total Use Days	Total Attendance/ Visitors
	OCC	469	1,134	570,405
	PCPA	880	1,129	769,600
	Portland Expo Center	93	371	390,300
	Oregon Zoo	n/a	n/a	1,536,300
Total Metro Visitor Venues Combined		1,442	2,634	3,266,605

General Methodology Overview



Estimate the Annual Economic and Fiscal Impacts Associated with the On-Going Operations of Metro Visitor Venues in FY 2011

Spending (Output)

Total direct, indirect and induced spending effects generated by Metro Visitor Venues



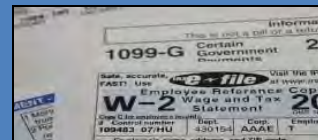
Employment (Jobs)

Number of full and part-time jobs supported by the Metro Visitor Venues



Personal Earnings

Wages and salaries earned by employees of businesses associated with or impacted by Metro Visitor Venues

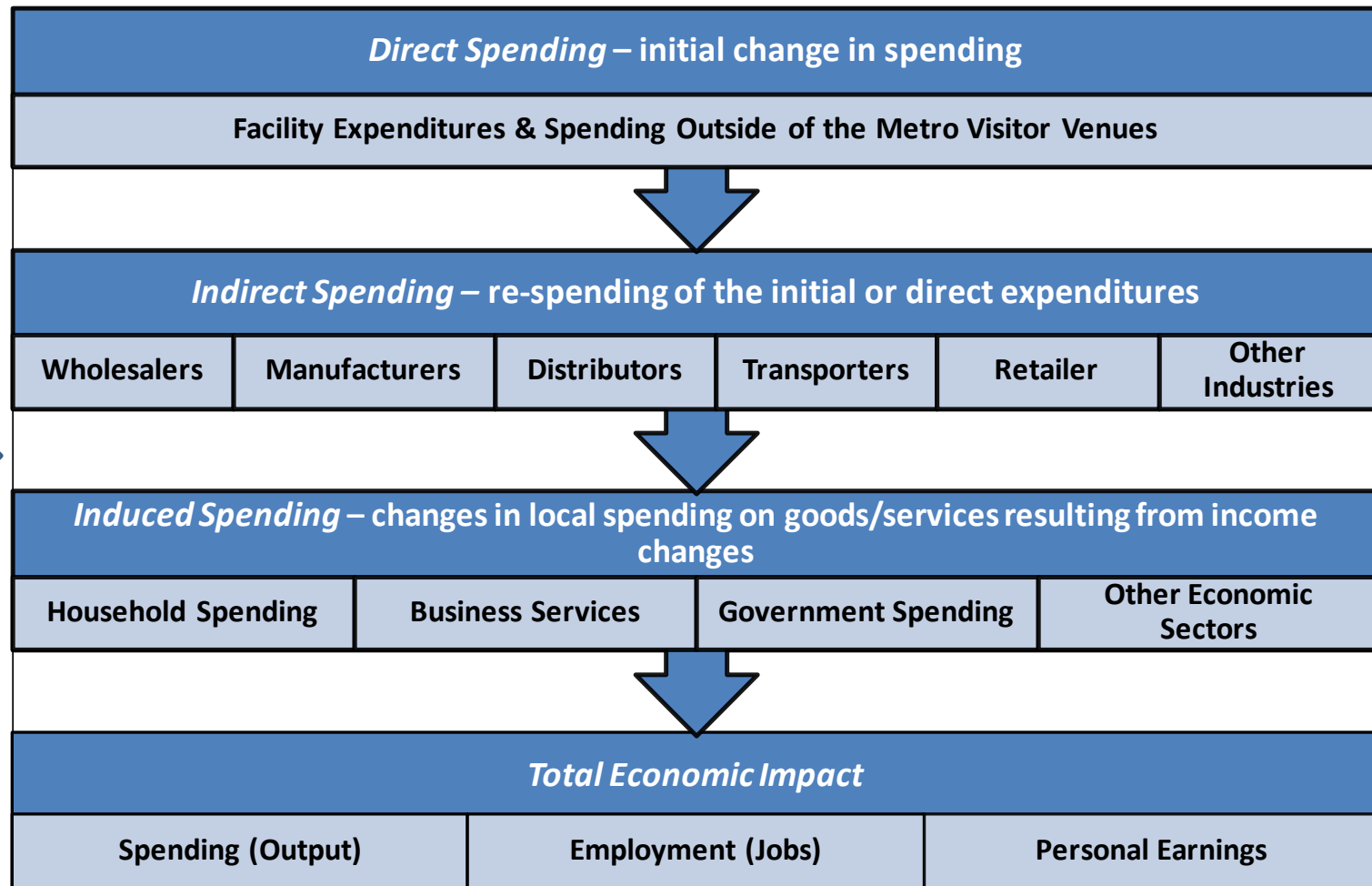


Tax Revenues

Corporate income tax
Metro excise tax
Motor vehicle rental tax
Personal income tax
Transient lodging (hotel/motel) tax



Total Economic Impact Consists of Direct, Indirect and Induced Spending



Multiplier
Effect

In FY 2011, Metro Visitor Venues Generated Approximately \$357.8 Million in Direct Spending

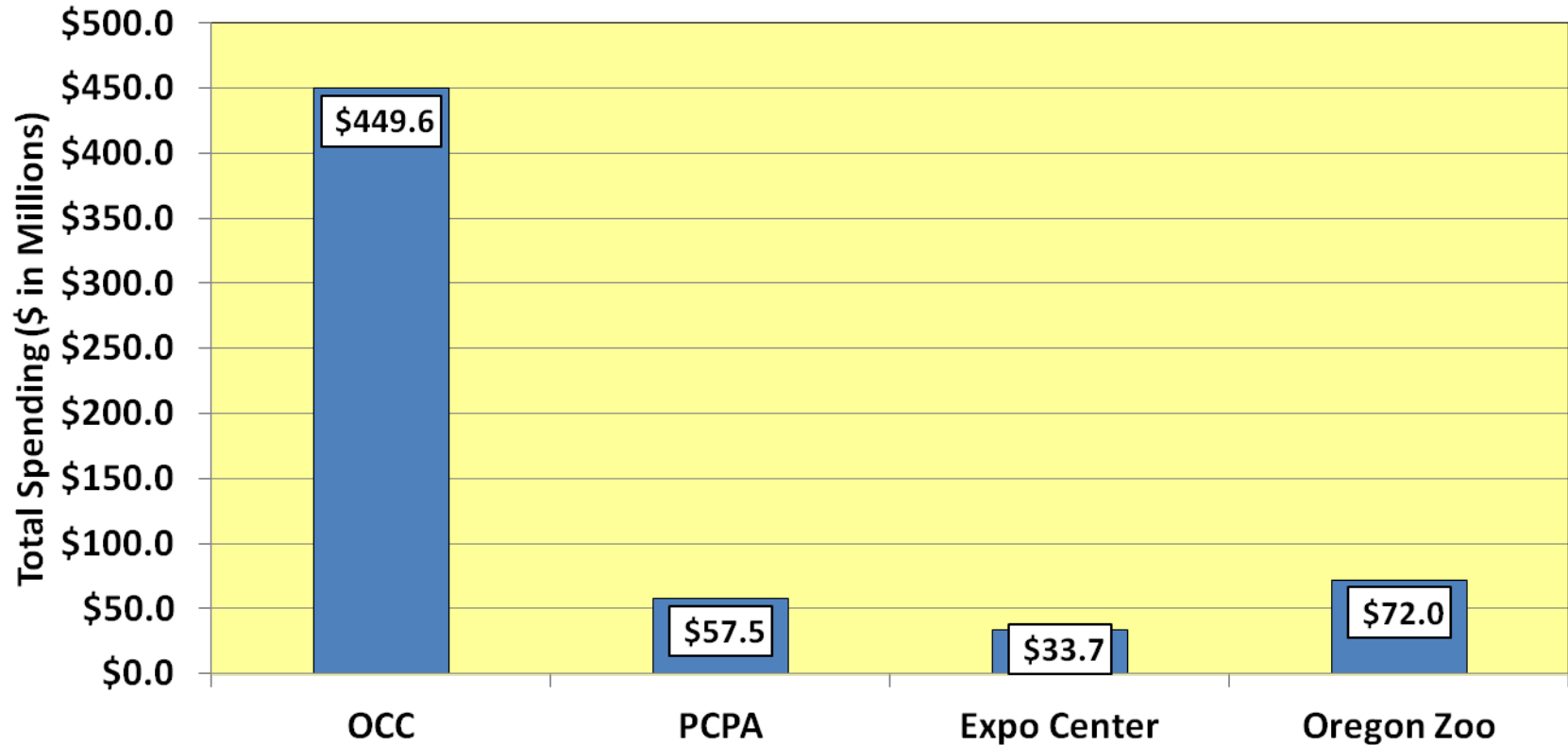
- \$81.9 million generated from budgetary spending by the four facilities
- \$275.9 million generated from spending outside the facilities
- Consistent with its mission, OCC accounted for 73% of direct spending

Summary of Direct Spending (\$ in Millions) at Metro Visitor Venues - FY 2011					
Category	OCC	PCPA	Portland Expo Center	Oregon Zoo	Total
Direct Spending:					
Facility Expenditures	\$29.0	\$11.1	\$4.8	\$36.9	\$81.9
Spending Outside the Facility	\$232.4	\$22.5	\$14.8	\$6.2	\$275.9
Total Direct Spending	\$261.4	\$33.6	\$19.6	\$43.1	\$357.8
% of Total	73.1%	9.4%	5.5%	12.0%	100.0%
Facility Expenditures	11%	33%	24%	86%	23%
Spending Outside the Facility	89%	67%	76%	14%	77%

Notes: Oregon Zoo facility expenditures include Oregon Zoo Foundation operating expenses but exclude program and donor program support.

Totals may not add due to rounding.




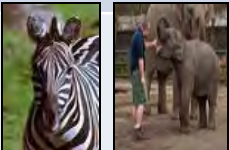
In FY 2011, Activities at Metro Visitor Venues Combined Generated \$612.8 Million in Total Spending



Overall Spending Multiplier = 1.7

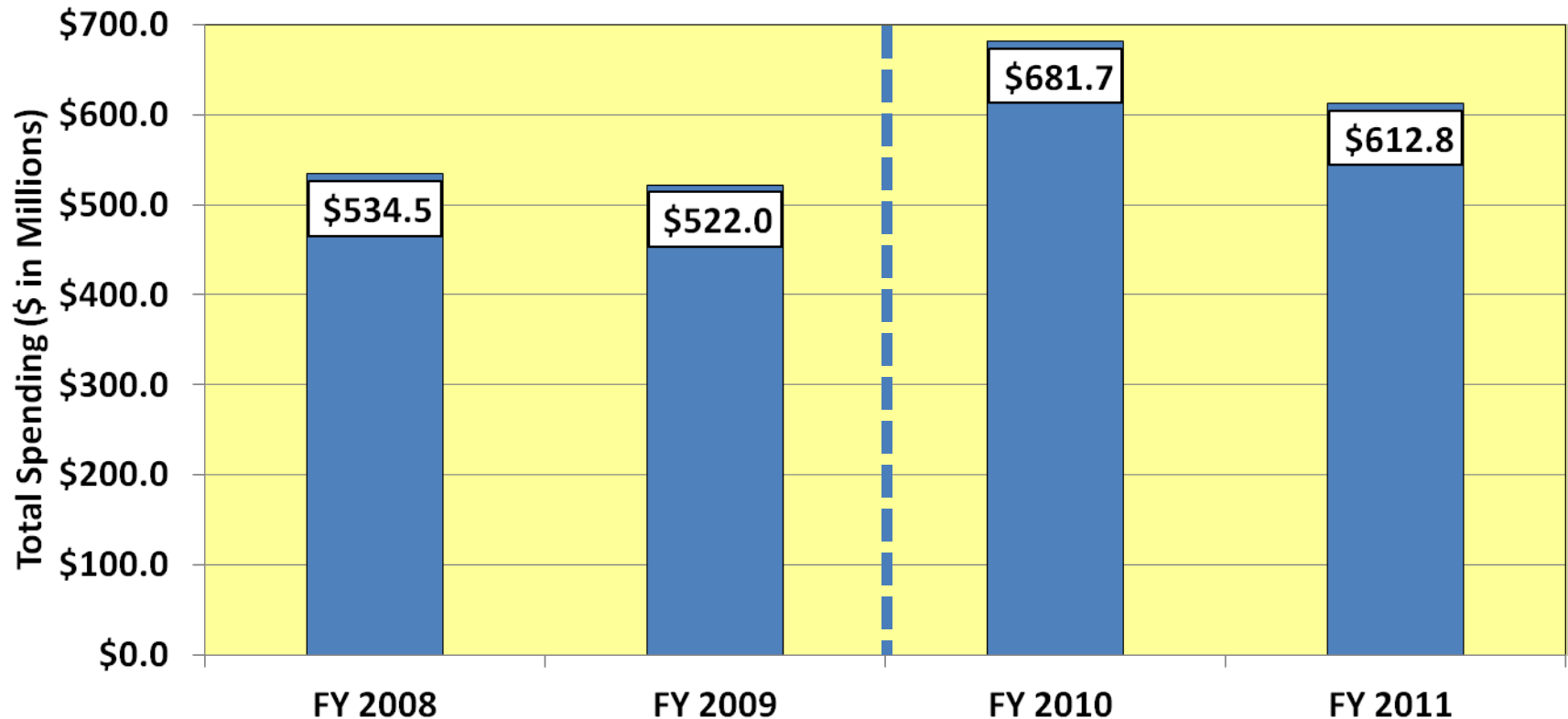
Each \$1.00 of Direct Spending = \$1.70 of Total Spending

Metro Visitor Venues Generated Substantial Economic Return, Particularly Relative to Their Financial Operating Results

Venue		Financial Operating Results	Direct Spending	Jobs Supported	Tax Revenues
	OCC	(\$10.0 M)	\$261.5 M	4,260	\$15.5 M
	PCPA	(\$3.5 M)	\$33.6 M	640	\$1.4 M
	Portland Expo Center	\$0.2 M	\$19.6 M	380	\$1.0 M
	Oregon Zoo	(\$5.4 M)	\$43.1 M	760	\$1.2 M
Total Metro Visitor Venues Combined		(\$18.7 M)	\$357.8 M	6,040	\$19.1 M

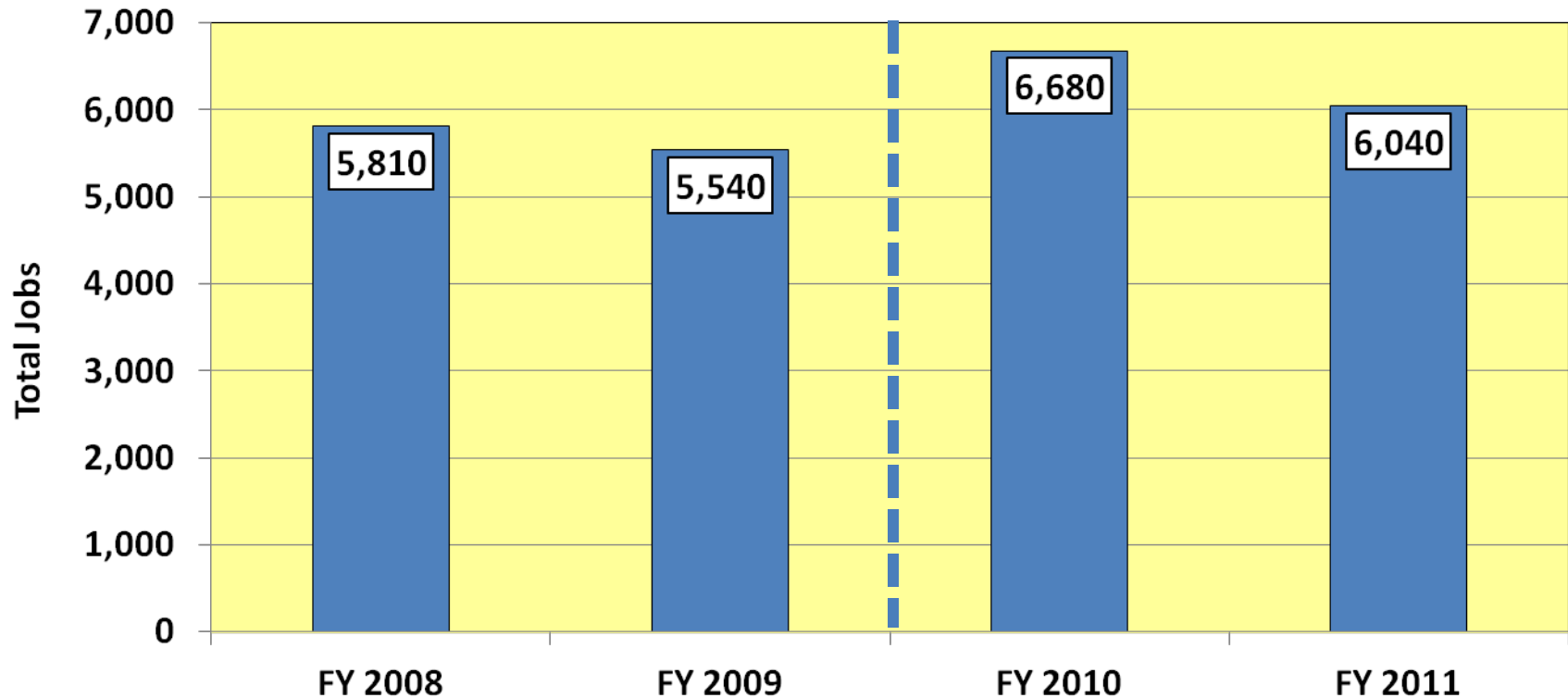
Note: Totals may not add due to rounding.

Between FY 2010 and FY 2011, Total Spending at Metro Visitor Venues Decreased By 10%



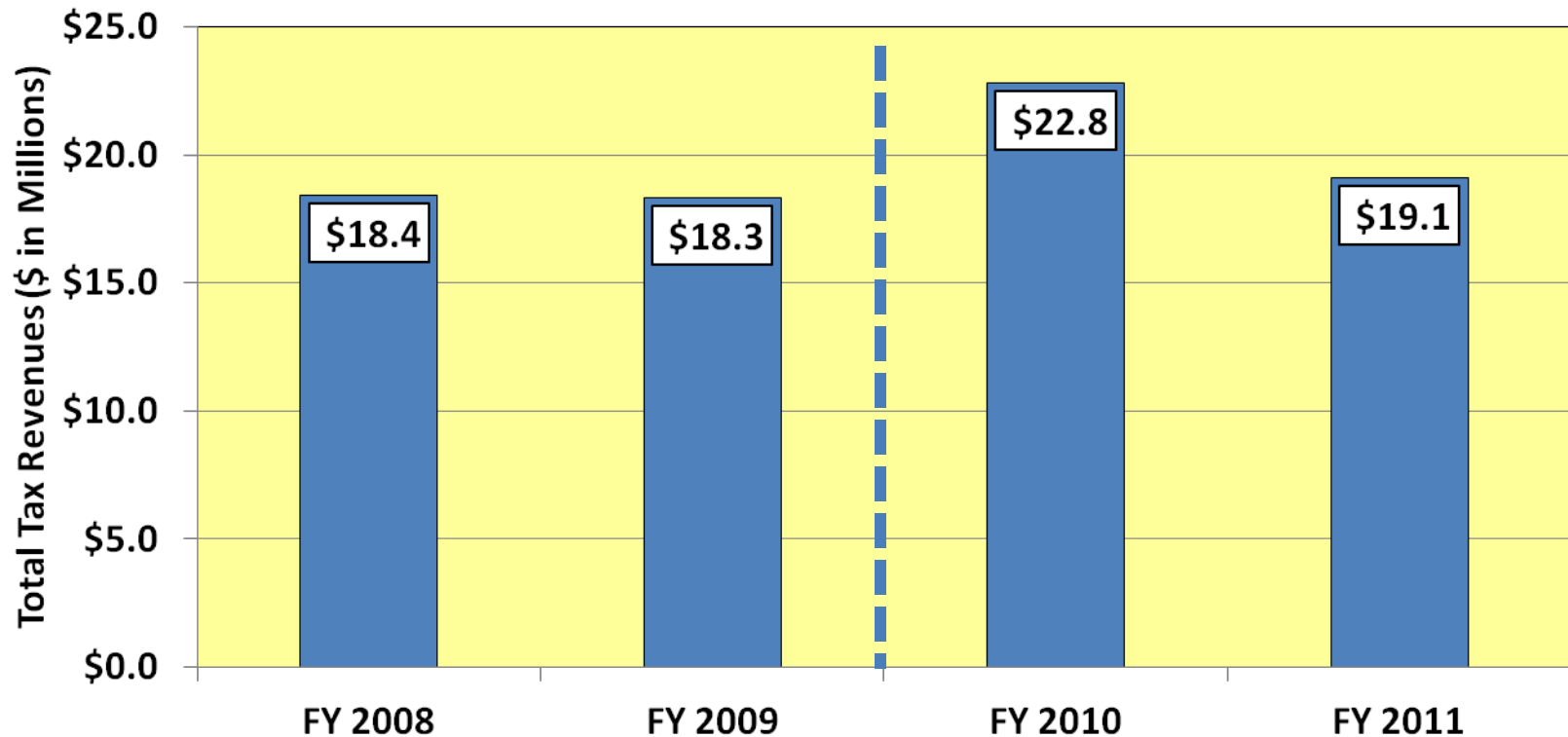
Note: Amounts for FY 2010 and FY 2011 include the Oregon Zoo.

Between FY 2010 and FY 2011, Total Jobs Supported By Metro Visitor Venues Decreased By 10%



Note: Amounts for FY 2010 and FY 2011 include the Oregon Zoo.

Between FY 2010 and FY 2011, Tax Revenues Generated from Metro Visitor Venues Decreased by 16%



Note: Amounts for FY 2010 and FY 2011 include the Oregon Zoo.

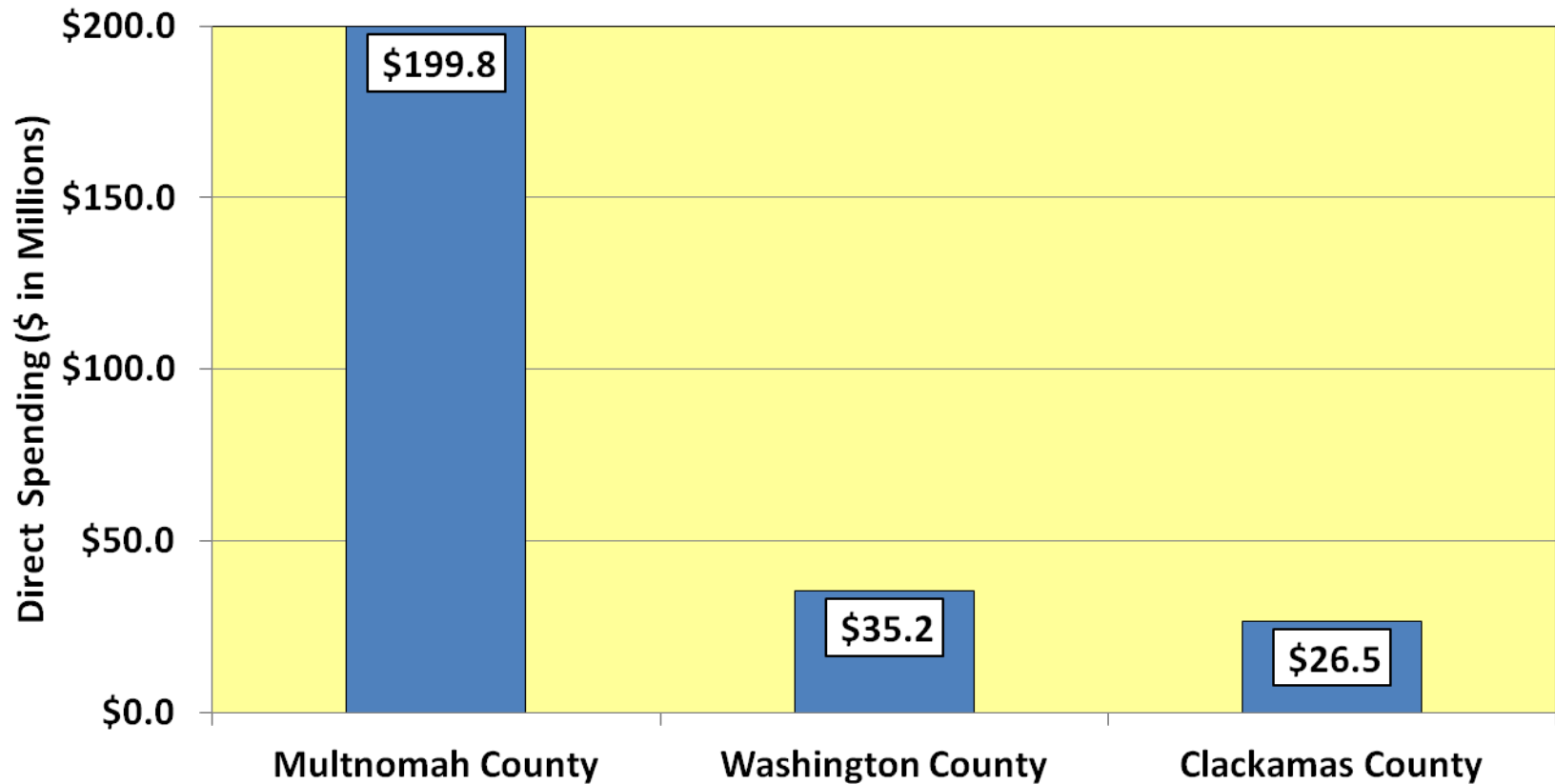
Oregon Convention Center



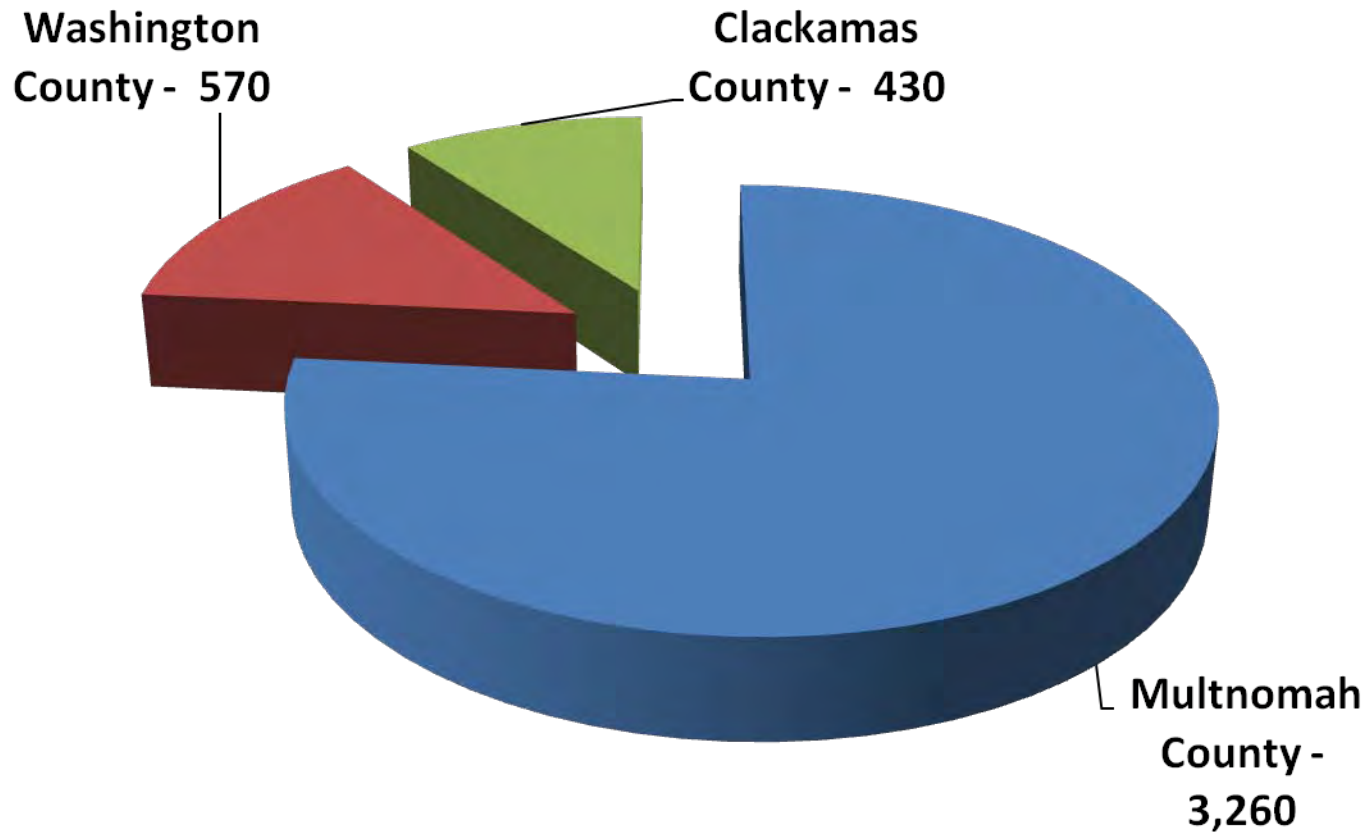
Economic and Fiscal Impacts Generated by the OCC in FY 2011 Were Lower than the Previous Year

Category	FY 2008	FY 2009	FY 2010	FY 2011
Total Attendee Days	1,000,300	854,100	953,200	866,135
Net Operating Results	(\$6.3 M)	(\$9.0 M)	(\$8.3 M)	(\$10.0 M)
Direct Spending	\$252.8 M	\$236.8 M	\$305.7 M	\$261.5 M
Total Spending	\$441.5 M	\$421.4 M	\$525.9 M	\$449.6 M
Total Jobs	4,760	4,410	5,000	4,260
Total Tax Revenues	\$15.4 M	\$15.2 M	\$19.1 M	\$15.5 M

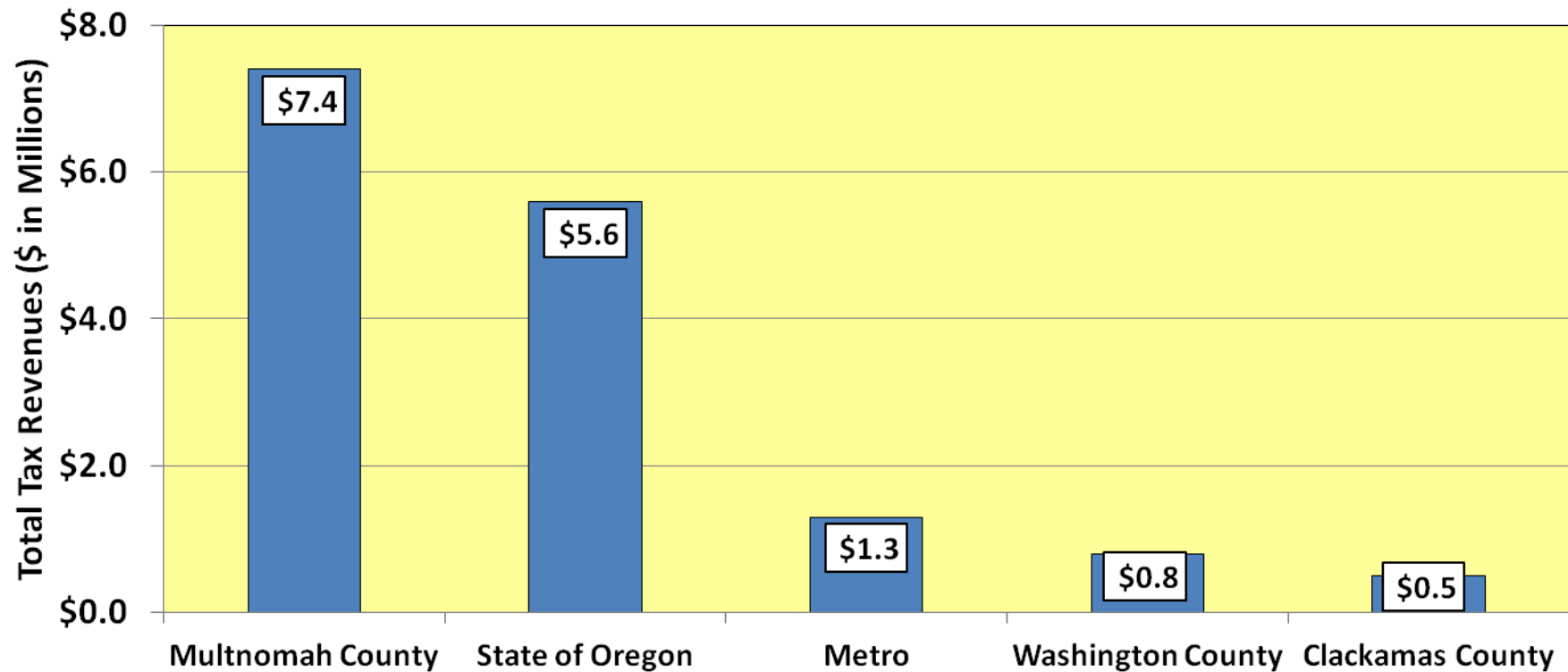
Direct Spending by County from OCC Operations in FY 2011



Multnomah County Realized 77% of the Total Jobs Supported By OCC Operations in FY 2011



Multnomah County and the State of Oregon, Respectively, Realized the Most Fiscal Impacts from OCC Operations in FY 2011



Trends Impacting OCC Activity

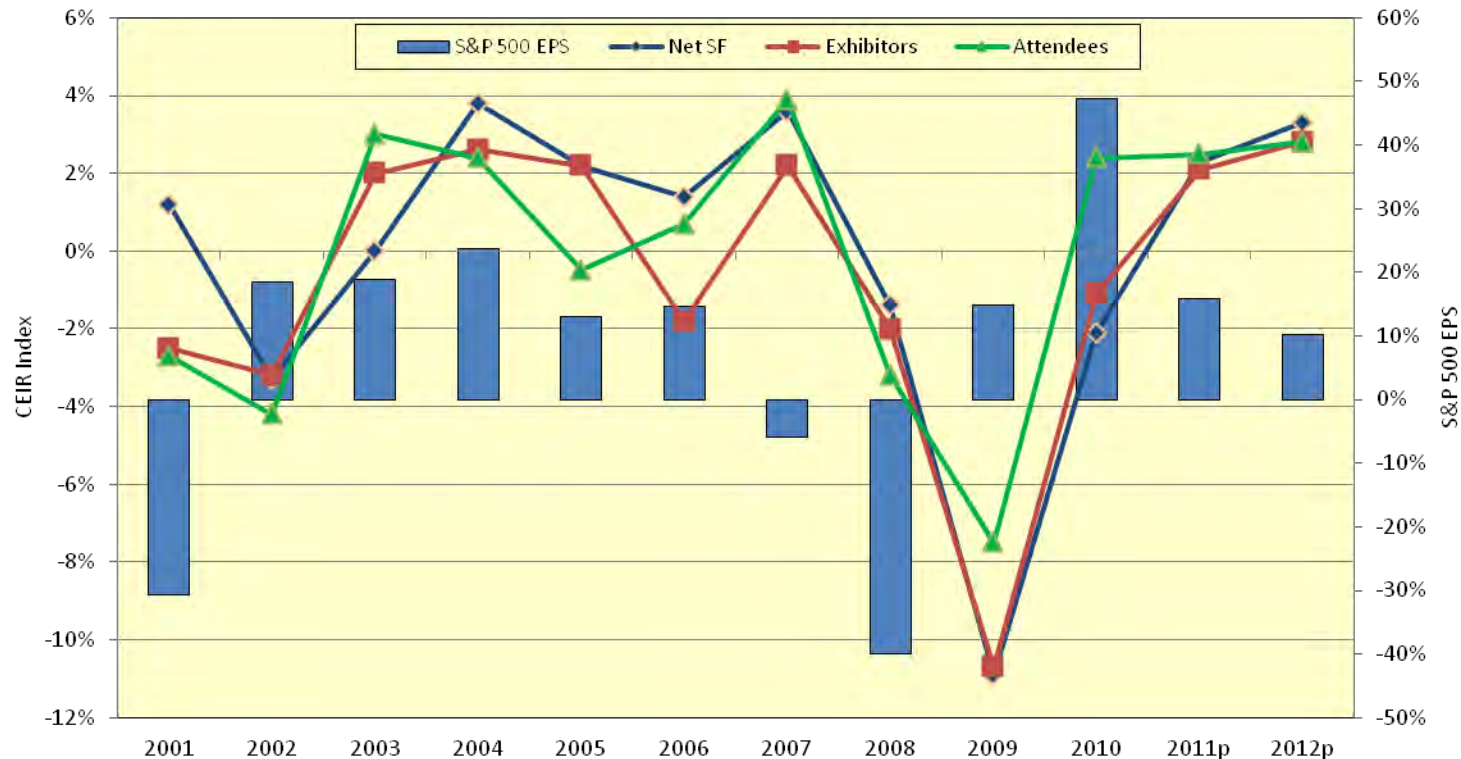
- A supply boom in the convention center industry over the past two decades along with a corresponding national economic slowdown has led to a more competitive marketplace
- OCC has experienced an increasing operating deficit but continues to generate a return on that investment of 1.6 with regard to total tax revenues generated in FY 2011
- Convention centers that offer a more appealing destination package to support their facility are faring better during challenging economic times
- Planners are shopping for greatest overall value in terms of facility rent, lodging, business services, etc.
- Several of Portland's competitors have made improvements to their convention infrastructure including headquarters hotel properties (e.g., Seattle, Denver, Phoenix, Salt Lake City), light rail, and visitor attractions

Trends Impacting OCC Activity (cont'd)

- Continual planning for future improvements such as a new headquarters hotel property should allow the OCC to compete more effectively in the modern convention/tradeshow marketplace
- Convention/exhibition demand is projected to experience moderate growth over the next three years according to industry sources such as the Center for Exhibition Industry Research (CEIR)
- National meeting planner surveys conducted by Meeting Planner International (MPI) and Professional Convention Management Association (PCMA) project increasing attendance, number of meetings and spending per meeting in the next year

Convention/Meetings Industry is Projected to Grow – Usually Lagging 12 – 18 Months After the Broader Economy

- Convention/exhibition demand trends correlates to that of the S&P 500, a measure of overall U.S. economic growth
- Both CEIR and S&P project growth over the next two years



Note: p = projected

Sources: CEIR, Standard & Poors, 2012.

PCPA



Economic and Fiscal Impacts Generated by the PCPA in FY 2011 Were Consistent with FY 2010

Category	FY 2008	FY 2009	FY 2010	FY 2011
Total Attendance	817,100	938,100	776,800	769,600
Net Operating Results	(\$2.3 M)	(\$1.6 M)	(\$2.9 M)	(\$3.5 M)
Direct Spending	\$32.7 M	\$37.7 M	\$33.6 M	\$33.6 M
Total Spending	\$55.8 M	\$65.3 M	\$57.5 M	\$57.5 M
Total Jobs	630	730	610	640
Total Tax Revenues	\$1.4 M	\$1.7 M	\$1.4 M	\$1.4 M

Trends Impacting PCPA Activity

- Total attendance has trended downward in recent years which is consistent with nationwide pressure on consumer discretionary spending
- Higher PCPA financial operating deficit reflects trends in attendance and broader economic conditions
- PCPA management has diversified activity from traditional performing arts to include unique entertainment events that broaden its market reach
- Overall economic indicators suggest the U.S. economy is primed for increased consumer spending in the next three years during a slow recovery
- Despite these economic pressures, the PCPA continues to be a significant economic generator in terms of spending and jobs for the local economy in addition to accomplishing its mission to provide a venue to foster local arts and entertainment

Portland Expo Center



Economic and Fiscal Impacts Generated by the Portland Expo Center Have Been Trending Downward

Category	FY 2008	FY 2009	FY 2010	FY 2011
Total Attendance	510,100	454,000	421,000	390,000
Net Operating Results	\$1.5 M	\$0.9 M	\$0.9 M	\$0.2 M
Direct Spending	\$21.9 M	\$20.4 M	\$19.8 M	\$19.6 M
Total Spending	\$37.2 M	\$35.4 M	\$34.1 M	\$33.7 M
Total Jobs	420	400	370	380
Total Tax Revenues	\$1.6 M	\$1.3 M	\$1.2 M	\$1.0 M

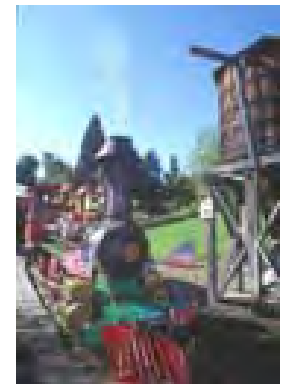
Trends Impacting Portland Expo Center

- Portland Expo Center allows Portland the ability to host a variety of exhibitions for consumer-to-consumer based business
- Having the Portland Expo Center is beneficial to OCC, allowing it to serve as the primary convention/tradeshow venue and maintain more date flexibility
- Downward trend in total attendance in recent years is consistent with nationwide pressure on consumer discretionary spending and the overall consumer show market
- Despite these pressures, Portland Expo Center continues to operate with positive financial results and be a significant economic generator in terms of spending and jobs for the local economy
- Overall economic indicators suggest the U.S. economy is primed for rising consumer spending in the next three years in a slow recovery which could favorably impact the future consumer show market

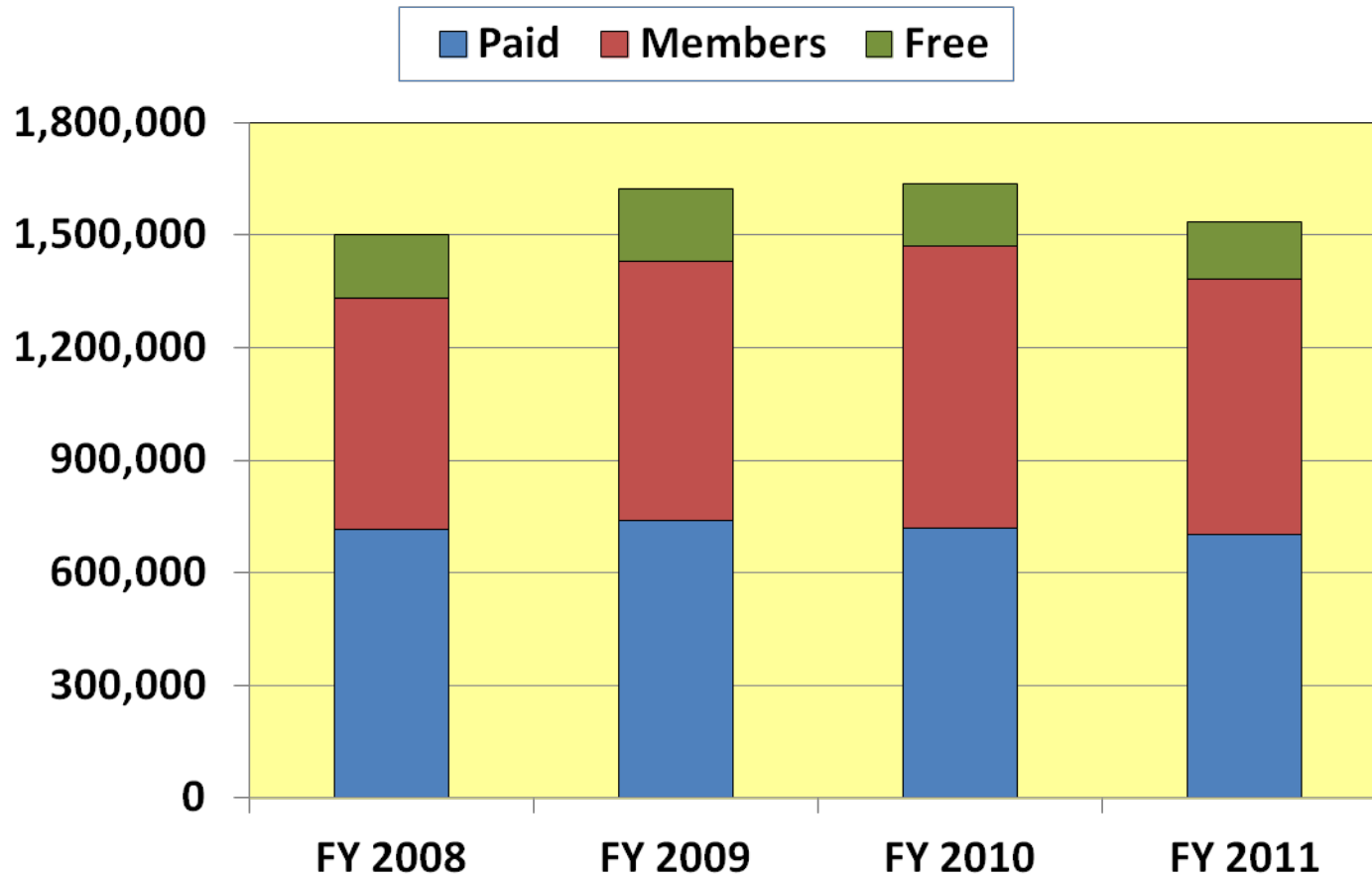
Oregon Zoo



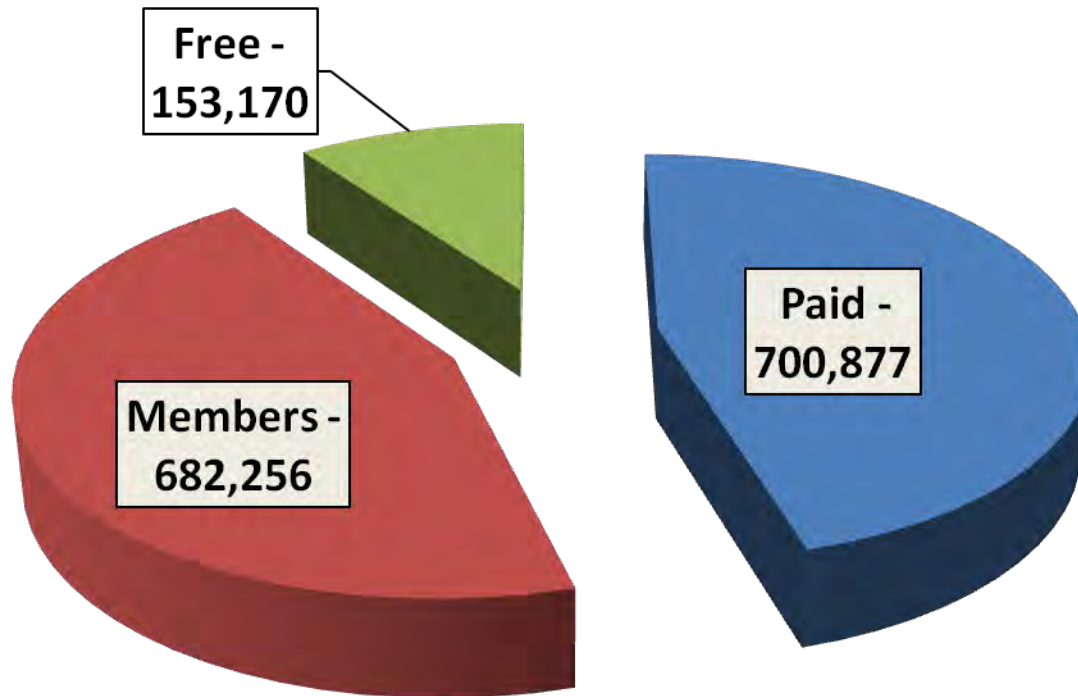
Education



Attendance at the Oregon Zoo Decreased by 6% in FY 2011



Paid Admissions Accounted for 46% and Members for 44% of the 1.5 Million Total Zoo Admissions in FY 2011



Zoo Operations Generated \$43.1 Million in Direct Spending in FY 2011

Category	FY 2010	FY 2011
Attendee Spending (10% of Paid Admissions @ \$98)	\$7.0 M	\$6.9 M
Zoo Operating Expenses	\$24.7 M	\$25.0 M
Zoo Capital Improvements	\$4.8 M	\$9.6 M
Zoo Foundation Operating Costs (Excluding Program and Donor Program Support)	\$2.1 M	\$2.3 M
Total Direct Spending	\$38.6 M	\$43.1 M

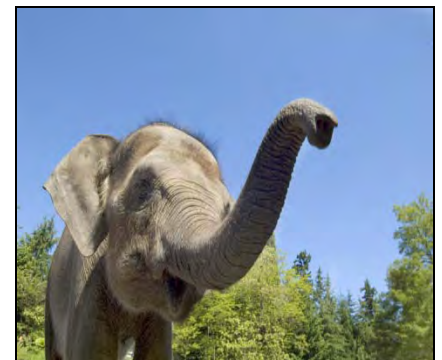
Zoo Operations Supported 760 Full and Part-Time Jobs and Generated \$1.2 Million in Tax Revenues in FY 2011

Category	FY 2010	FY 2011
Direct Spending	\$38.6 M	\$43.1 M
Total Spending	\$64.2 M	\$72.0 M
Total Jobs	700	760
Total Tax Revenues	\$1.2 M	\$1.2 M

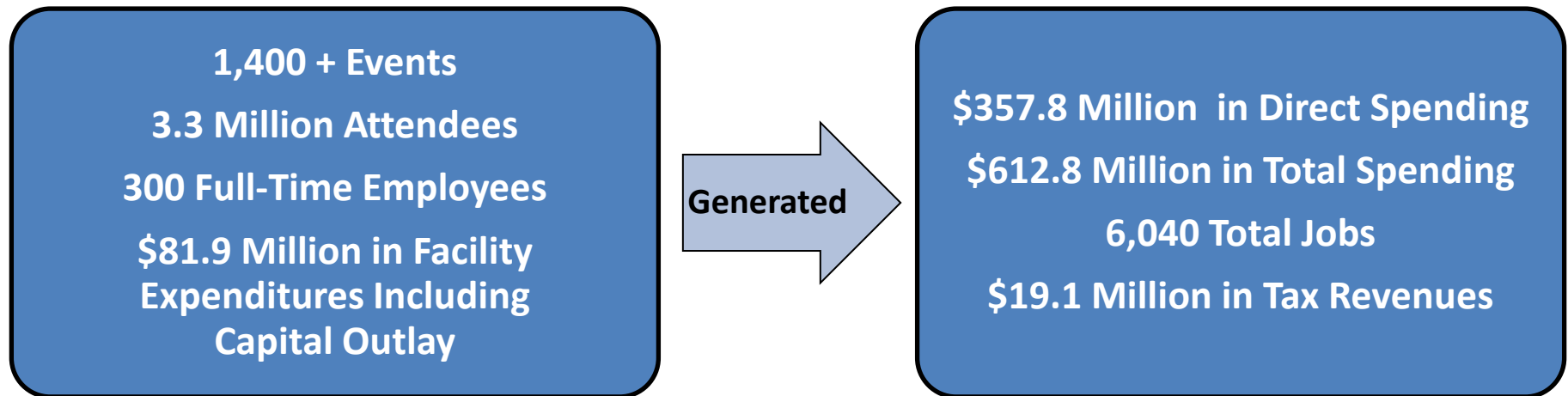
Trends Impacting the Zoo

- Zoological parks have evolved in the past decade from local entertainment venues to become significant contributors to wildlife conservation and education
- The Oregon Zoo has been on the forefront of this trend, expanding its conservation and education efforts
- Despite nationwide economic pressures on consumer discretionary spending, Oregon Zoo attendance has remained fairly stable over the past four years
- Recent and on-going significant capital improvements have contributed to the Oregon Zoo's ability to weather the recent economic woes
- Planned capital improvements should place the Oregon Zoo in a competitive position to capture future consumer spending as the economy improves

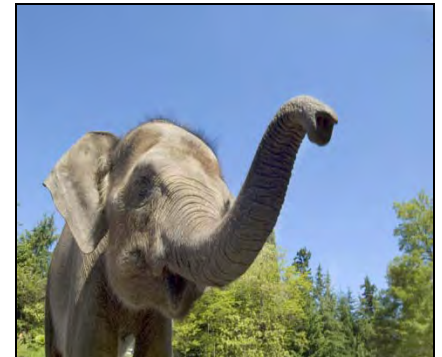
Summary

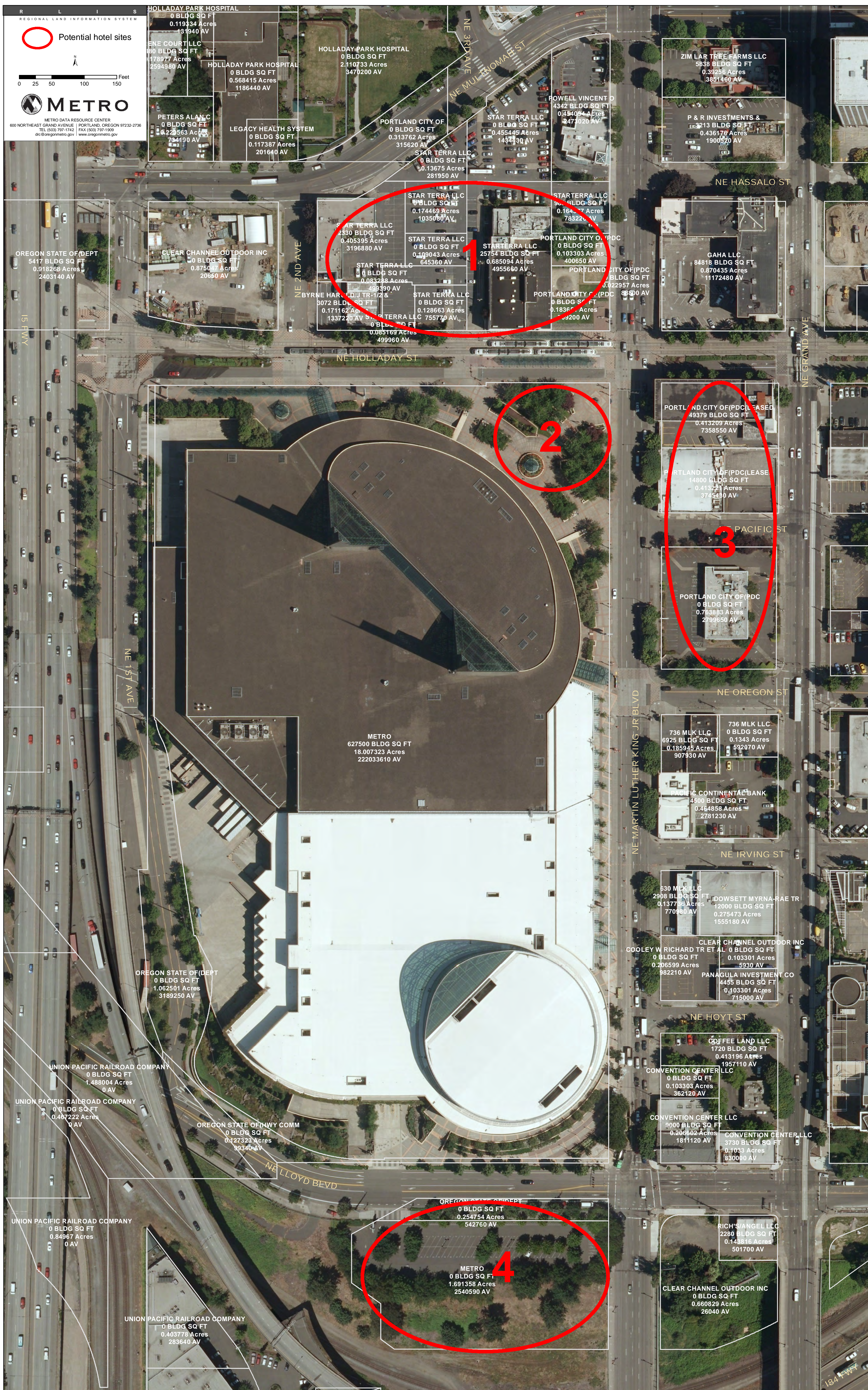


Diverse Event Activities at Metro Visitor Venues Generated Substantial Economic and Fiscal Impacts in FY 2011



Questions and Discussion







Metro | Memo

Date: January 17, 2012
To: Metro Council and MERC Commission
From: Tom Hughes, Metro Council President

I was looking forward to today's discussion about enhancing the marketability of our Convention Center in order to attract more quality national conventions and bring greater numbers of visitors to our region. Regrettably, I need to be out of town attending to a family medical emergency today, so I am sharing my thoughts with you in written form.

Firstly, to me the Oregon Convention Center (OCC) is an enormously valuable economic development asset. The OCC was created as a tool to attract visitors to the Portland region who, in turn, spend money throughout the community during their stay. And while the OCC continues to play a significant role in our economy through job creation and support of local businesses, we face significant roadblocks to realizing the Convention Center's full potential.

Last May, we met jointly to discuss the strategic issues facing Metro's visitor venues, and in regard to the OCC, we asked staff to conduct a preliminary analysis and provide recommendations for strategies to address the challenges facing it.

My goal for today's meeting was to cover the following items:

- o Update you on OCC's enhanced marketing projects and strategies
- o Update you on development projects in the convention center neighborhood
- o Gauge your support for staff work on improving Portland's hotel package
- o Determine immediate next steps

I believe you will hear today about the direct benefits the OCC provides our regional economy, the steps we have taken to enhance the OCC and the conventioneer's experience, and the challenges we still face in continuing to attract new convention business. The primary challenge that remains is the lack of dedicated blocks of rooms adjacent to the OCC to book future conventions.

This problem existed before my tenure as Council President, and some Councilors and Commissioners will recall the previous efforts undertaken to develop a "headquarters hotel", which terminated for economic reasons and lack of support in the fall of 2009. I believe a few things have changed from past efforts – in particular, we are seeing renewed interest from hotel developers, and the market for hotel occupancy has strengthened. I'm not asking you to consider reviving the former headquarters hotel project. I want to be clear about that. Rather, I would like to encourage us to examine, with our City and County partners, if we can develop options to generate the nearby room block that is so badly needed.

As I've talked with business and community leaders about the economic challenges facing our region, it has become clear to me that we have an opportunity to work with our partners to stimulate the convention business, and inject new dollars and jobs into our region. Sorry again that I cannot be there with you in person to have this important conversation.



Portland Center for the Performing Arts

Fiscal Year 2010-11 Economic and Fiscal Impact Analysis Report

January 2012



January 11, 2012

Ms. Teri Dresler, General Manager
Metro Visitor Venues
600 NE Grand Avenue
Portland, OR 97232

Dear Ms. Dresler:

In accordance with our agreement, Crossroads Consulting Services LLC has completed its economic and fiscal impact analysis associated with operations of the Portland Center for the Performing Arts in Fiscal Year 2011. The report presented herein includes the summary of our analysis.

The findings and assumptions contained in the report reflect analysis of secondary sources of information including data that was obtained from the Metro Visitor Venues department as well as management at the Portland Center for the Performing Arts. We have utilized sources that are deemed to be reliable but cannot guarantee their accuracy. We have no obligation, unless subsequently engaged, to update our report or revise the information contained therein to reflect events and transactions occurring after the date of this report.

In accordance with the terms of our engagement letter, the accompanying report is restricted to internal use by Metro and may not be relied upon by any third party for any purpose including financing. Notwithstanding these limitations, it is understood that this document may be subject to public information laws and as such can be made available to the public upon request.

Our analysis does not constitute an examination, compilation or agreed upon procedures in accordance with the standards established by the American Institute of Certified Public Accountants.

Although you have authorized reports to be sent electronically for your convenience, only the final hard copy report should be viewed as our work product.

We have enjoyed our on-going relationship and look forward to providing you with continued services in the future. If you have any questions about our analysis, please feel free to contact Susan Sieger at 813.281.1222.

Sincerely,

Crossroads Consulting Services LLC

Table of Contents

1	Executive Summary	1
2	Introduction and General Methodology Overview	3
3	Economic/Fiscal Impacts Analysis	8

Executive Summary

The Portland Center for the Performing Arts (PCPA) is a unique business entity that generates significant economic activity to the Portland metropolitan area. The primary purpose of this study is to estimate the economic and fiscal impacts associated with the on-going operations of the PCPA to the area. Economic impacts are estimated in terms of spending, jobs and earnings which create fiscal impacts and are reflected as changes in tax revenues.

In FY 2011, the PCPA hosted 880 performances that attracted nearly 770,000 in total attendance. As shown in the table below, this activity was estimated to generate \$57.5 million in total spending which supported 640 full and part-time jobs and created \$22.2 million in personal earnings.

Estimated Economic Benefits From PCPA Operations - FY 2011	
Category	Amount
Spending	
Direct Spending	\$33,625,000
Indirect/Induced Spending	23,845,000
Total Spending	<u>\$57,470,000</u>
Total Jobs	640
Total Earnings	\$22,234,000

Note: Earnings represent the wages and salaries earned by employees of businesses associated with or impacted by the facility.

Tax revenues generated from PCPA-related activities were estimated to be approximately \$1.4 million in FY 2011.

Estimated Fiscal Benefits From PCPA Operations - FY 2011	
Municipality/Tax	Amount
State of Oregon	
Personal Income Tax	\$585,000
Corporate Excise & Income Tax	67,000
Transient Lodging Tax	55,000
Total	<u>\$707,000</u>
Multnomah County	
Transient Lodging Tax	\$634,000
Business Income Tax	15,000
Total	<u>\$649,000</u>
GRAND TOTAL	\$1,356,000

Notes: No excise tax is collected from the PCPA.
Although Multnomah County collects the Transient Lodging Tax, a portion of this tax is distributed to the City of Portland's general fund and to Travel Portland.

The following table presents the trend in PCPA utilization, financial operations and economic/fiscal impacts for the last four fiscal years. Although event activity and related operating revenues decreased between FY 2010 and FY 2011, economic and fiscal impacts remained relatively consistent.

Summary of Key Comparative Data - PCPA				
Category	FY 2008	FY 2009	FY 2010	FY 2011
Utilization:				
Performances	802	1,091	934	880
Total Use Days	1,227	1,615	1,229	1,129
Total Attendance	817,100	938,100	776,800	769,600
Financial Operations:				
Operating Revenues	\$7,471,000	\$9,259,000	\$7,999,000	\$7,605,000
Operating Expenses	9,766,000	10,886,000	10,866,000	11,089,000
Net Operating Results	(\$2,295,000)	(\$1,627,000)	(\$2,867,000)	(\$3,484,000)
Economic/Fiscal Impacts:				
Direct Spending	\$32,748,000	\$37,682,000	\$33,649,000	\$33,625,000
Indirect/Induced Spending	23,034,000	27,613,000	23,868,000	23,845,000
Total Spending	\$55,782,000	\$65,295,000	\$57,517,000	\$57,470,000
Total Jobs	630	730	610	640
Total Earnings	\$20,842,000	\$24,692,000	\$22,280,000	\$22,234,000
Total Fiscal Benefits	\$1,414,000	\$1,721,000	\$1,407,000	\$1,356,000

As a point of reference, the PCPA had 32 full-time, benefitted employees in FY 2011.

The next section of the report includes an overview of Metro and its visitor venues as well as the general methodology used to estimate the economic and fiscal impacts associated with the PCPA's on-going activities.

Introduction and General Methodology Overview

Introduction

Metro, the regional government, crosses city limits and county lines to build a resilient economy, keep nature close by and respond to a changing climate. Representing a diverse population of 1.5 million people in 25 cities and three counties, Metro's directly elected council gives voters a choice in decisions about how the region grows and communities prosper. In addition to its charter responsibilities established nearly 30 years ago – to provide planning, policy making and services to preserve and enhance the region's quality of life – Metro operates a family of visitor venues that provide a diverse range of cultural and educational activities and experiences; memorable gathering places for celebrations and business events; and significant economic return by hosting conventions, trade/consumer shows, art performances and live exhibits.

Metro's visitor venues group is comprised of the PCPA, Oregon Convention Center (OCC), Portland Expo Center and Oregon Zoo. Formed in July 2010 to enhance collaboration on operational issues, the team actively works towards a common mission of maintaining world-class gathering and entertainment spaces for residents and visitors.

Through its Metropolitan Exposition Recreation Commission (MERC), Metro benefits from business and community leaders whose expertise and guidance set the strategic business direction for three of the venues: PCPA, OCC and Portland Expo Center. Commission members are nominated by Clackamas, Multnomah and Washington Counties and the City of Portland and appointed by the Metro Council to serve four-year terms.

The Oregon Zoo also benefits from a key public/private partnership through the Oregon Zoo Foundation (OZF) which is comprised of business and community leaders. The OZF's mission is to foster community pride and involvement in the Oregon Zoo and to secure financial support for the zoo's conservation, education and animal welfare programs.

The Metro visitor venues are varied in building type, history, business focus and client mix:

- PCPA is the cultural hub for the metropolitan region hosting a variety of performances and entertainment events in its multiple theatres;
- OCC is designed to maximize economic benefit for the State and region by attracting out-of-town visitors to conventions and local residents to special events and trade shows;
- Portland Expo Center is the region's primary destination for public events and consumer shows, some of which have been held there for 50 years; and
- Oregon Zoo is the State's most popular attraction whose mission is to inspire visitors to learn about endangered species protection and take action towards native habitat restoration.

The individual and aggregate contributions each makes towards the region's economy is powerful and significant. Combined, the venues hosted more than 1,400 events/performances in FY 2011 that attracted nearly 3.3 million people and offered a wide range of experiences for visitors and residents – contributing to the quality of life for the region and beyond.

Through market-driven best practices, the Metro visitor venues have been financially successful, even despite the economic downturn, and are positioned to achieve long-term financial success by pursuing the following strategies:

- Exceeding customers' expectations and providing a consistent, enjoyable visitor experience;
- Building and maintaining alliances with community and business partners;
- Effectively marketing the venues to retain existing customers and attract new business;
- Establishing and achieving annual benchmarks in sustainable business operations;
- Employing prudent financial measures that protect the public investment and minimize debt; and
- Pursuing strategic initiatives to meet long-term business objectives and client needs.

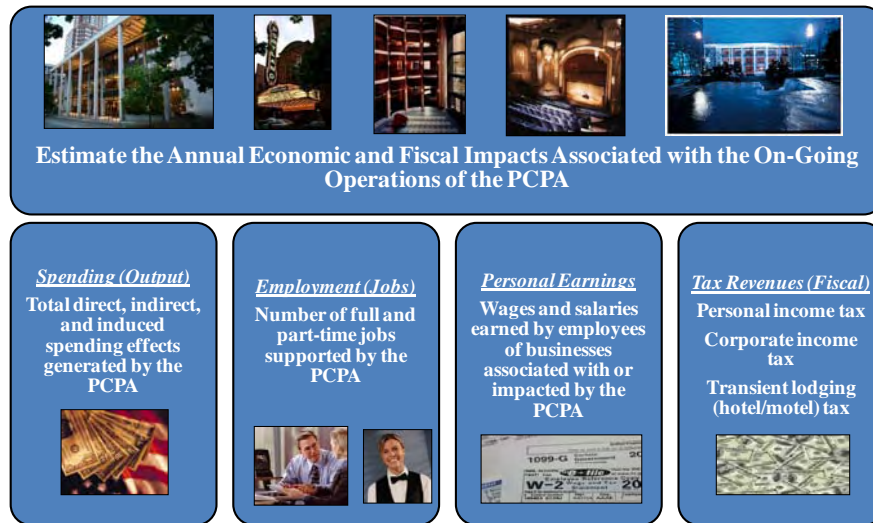
The primary purpose of this study is to estimate the economic and fiscal impacts associated with on-going operations of the PCPA. Economic impacts are estimated in terms of spending, jobs and earnings which create fiscal impacts which are reflected as changes in tax revenues.

General Methodology Overview

An estimate of the economic benefits that occur as a result of on-going operations of the PCPA can be approached in several ways. The approach used in this analysis considers expenditures generated from facility operations from items such as personal services, food/beverage, goods and services, MERC/Metro administration and capital outlay as well as spending by attendees, show producers and cast/crew outside the facility on items such as lodging, restaurants, retail, entertainment and transportation as the initial measure of economic activity in the marketplace. Once the amount for direct spending is estimated, a calculated multiplier is applied to generate the indirect and induced effects. The sum of direct, indirect and induced effects equals total economic impact which is expressed in terms of spending (output), employment (jobs), and personal earnings.

This analysis also estimates the fiscal impacts generated from on-going operations of the PCPA. The governmental entities considered in this fiscal analysis are Multnomah County and the State of Oregon. Revenues generated from personal income tax, corporate excise and income tax, business income tax and transient lodging tax were estimated.

The number of events and attendance, event mix, origin of attendees, facility financial operations, industry trends, economic conditions, direct spending categories used, per person spending amounts, distribution of spending, multipliers and specific taxes quantified are all variables that influence the economic and fiscal impact estimates.



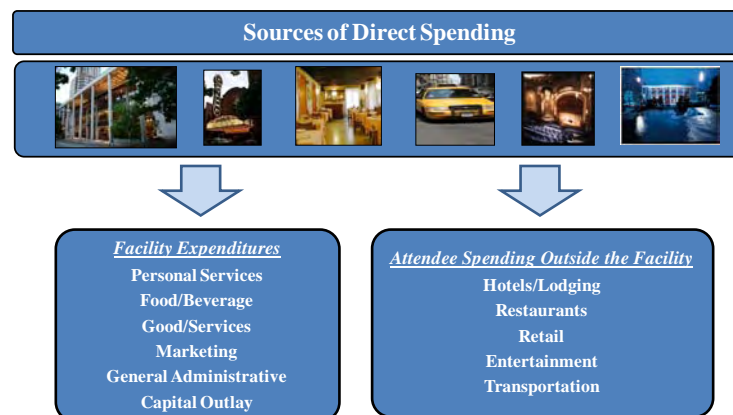
All dollar amounts depicted in this report are rounded to the nearest thousand and are presented in current dollars unless otherwise noted.

Methodology – Economic Impact Analysis

Regional input-output models are typically used by economists as a tool to understand the flow of goods and services among regions and measure the complex interactions among them given an initial spending estimate.

Direct Spending

Estimating direct spending is the first step in calculating economic impact. Direct spending represents the initial change in spending that occurs as a direct result of PCPA operations. This spending occurs both inside and outside of the facility. Direct spending related to PCPA operations is generated from facility expenditures (including capital outlay) as well as attendees, event producers and cast/crew members.



Indirect/Induced Impacts

The economic activity generated by PCPA operations affects more than just the facility itself. In preparation for new spending in the economy, several other economic sectors are impacted and jobs are created. Indirect effects reflect the re-spending of the initial or direct expenditures or the business-to-business transactions required to satisfy the direct effect. Induced effects reflect changes in local spending on goods and services that result from income changes in the directly and indirectly affected industry sectors. The model generates estimates of these impacts through a series of relationships using local-level average wages, prices and transportation data, taking into account commute patterns and the relative interdependence of the economy on outside regions for goods and services.

Multiplier Effect

In an effort to quantify the inputs needed to produce the total output, economists have developed multiplier models. The estimation of multipliers relies on input-output models, a technique for quantifying interactions between firms, industries and social institutions within a local economy. This analysis uses IMPLAN software and databases which are developed under exclusive rights by the Minnesota IMPLAN Group, Inc. IMPLAN, which stands for *Impact Analysis for Planning*, is a computer software package that consists of procedures for estimating local input-output models and associated databases. The IMPLAN software package allows the estimation of the multiplier effects of changes in final demand for one industry on all other industries within a defined economic area. Its proprietary methodology includes a matrix of production and distribution data among all counties in the U.S. As such, the advantages of this model are that it is sensitive to both location and type of spending and has the ability to provide indirect/induced spending, employment and earnings information by specific industry category while taking into account the leakages associated with the purchase of certain goods and services outside the economy under consideration.

Once the direct spending amounts are assigned to a logical category, the IMPLAN model estimates the economic multiplier effects for each type of direct new spending attracted to or retained in the local area resulting from PCPA operations.

For purposes of this analysis, the following industry multipliers were used:

Tri-County Region Multipliers			
Category	Spending	Employment*	Earnings
Hotels	1.7532	16.0	0.5660
Eating & Drinking Places	1.7273	21.9	0.6111
Retail Trade	1.5902	21.1	0.7474
Entertainment	1.8781	31.4	0.7365
Transportation	1.7603	13.6	0.6700
Business Services	1.7076	12.2	0.6729
New Construction	1.7521	13.6	0.6847

Note: *Indicates the number of jobs per \$1 million in spending.

Source: IMPLAN.

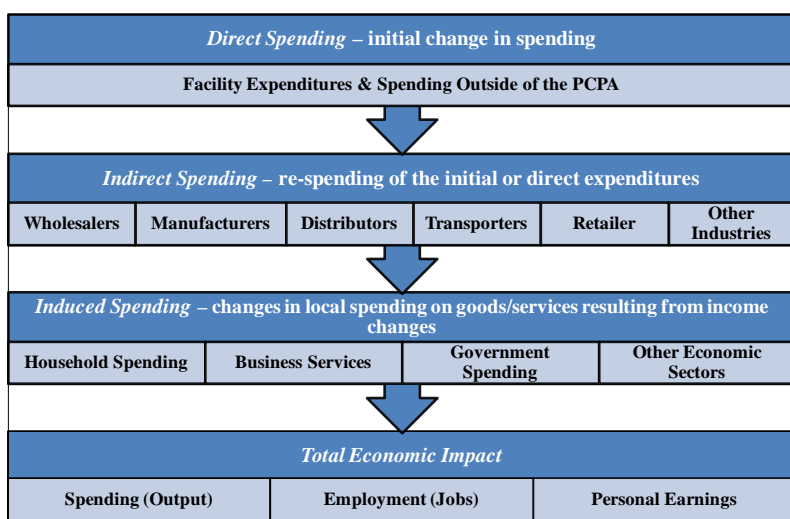
These multipliers reflect IMPLAN's latest available economic data reflecting 2009 transactions and the complex interactions among regions.

Total Economic Impact

The calculated multiplier effect is then added to the direct impact to quantify the total economic impact in terms of spending, employment and earnings which are defined below:

- **Spending (output)** represents the total direct, indirect and induced spending effects generated by PCPA operations. This calculation measures the total dollar change in spending (output) that occurs in the local economy for each dollar of output delivered to final demand.
- **Employment (jobs)** represents the number of full and part-time jobs supported by PCPA operations. The employment multiplier measures the total change in the number of jobs supported in the local economy for each additional \$1.0 million of output delivered to final demand.
- **Personal earnings** represent the wages and salaries earned by employees of businesses associated with or impacted by PCPA operations. In other words, the multiplier measures the total dollar change in earnings of households employed by the affected industries for each additional dollar of output delivered to final demand.

The following graphic illustrates the multiplier effects for calculating total economic impact.



Methodology - Fiscal Impact Analysis

The estimated spending generated by the on-going PCPA operations creates tax revenues for Multnomah County and the State. Experience in other markets suggests that while a significant portion of the direct spending likely occurs near the facility, additional spending occurs in other areas within the State, particularly spending on items such as business services and everyday living expenditures of residents. Major tax sources impacted by facility operations were identified and taxable amounts to apply to each respective tax rate were estimated. Although other taxes, such as property taxes, may also be positively impacted by the on-going operations of the PCPA, this analysis estimated the revenues generated from personal income tax, corporate excise and income tax, and transient lodging tax at the State level as well as business income tax and transient lodging tax at the County level.

Economic/Fiscal Impact Analysis

General Overview of the PCPA

This section of the report summarizes the estimated economic impacts and tax revenues as a result of on-going PCPA operations and other business activity that supported the facility for the 12 months ending June 30, 2011.

The PCPA is home to Portland's finest music, theatre, dance, lectures and more which are held each year in one of its three separate buildings: the Keller Auditorium, the Arlene Schnitzer Concert Hall and the Antoinette Hatfield Hall which houses the Newmark Theatre, the Dolores Winningstad Theatre and Brunish Hall. MERC began overseeing the PCPA in the 1980s through an Inter-Governmental Agreement (IGA) with the venue's owner, the City of Portland. Since that time, these facilities have undergone significant renovation and improvement, in part due to generous private support.

PCPA is a premier arts and entertainment venue in the Pacific Northwest that has been recognized as one of the top 10 performing arts centers in the nation. Similar to other performing arts facilities, PCPA's mission is to provide responsibly managed performance spaces that host diverse cultural arts activities for both area residents and out-of-town visitors, not to operate as a for-profit business. Located seven blocks southeast of the other theatres, the Keller Auditorium hosts diverse events such as grand opera, rock, western and jazz concerts, ballet and modern dance performances and national tours of Broadway musicals and plays. The original building was constructed in 1917 and was completely renovated in 1968 with substantial technical improvements made in 1993. Keller Auditorium features seating for 2,992 people, a 107 x 41-foot stage, excellent acoustics and sight lines, orchestra pit for 70 musicians, dressing rooms and a rehearsal room.

Opened in 1984, the beautifully restored Arlene Schnitzer Concert Hall was originally the Portland Public Theatre which was built in 1928. The Italian Rococo Revival architecture was said to be the national showcase of Rapp & Rapp, renowned Chicago theatre architects. Portland resident Arlene Schnitzer and her late husband, Harold, contributed generously to the completion of this phase of the PCPA. The one-year, \$10 million renovation involved repairing, recasting or replacing much of the theatre's ornate interior as well as making it comfortable and safe for today's audiences and performers. The Concert Hall hosts a variety of events including classical, jazz, pop, rock, folk and gospel music, dance, theatre, travel films, conferences and weddings. Features include seating for 2,776, a 94 x 32-foot stage, an orchestra pit for 15; a choir loft, dressing rooms and a portable, flexible acoustical shell.

Located in the heart of downtown Portland, the 127,000 square foot Antoinette Hatfield Hall includes two theatres; a multi-purpose space suitable for recitals, receptions or other events; a small restaurant, box office and administrative offices for PCPA.

The Newmark Theatre was designed primarily for drama productions. It is also suitable for opera, dance, ballet, chamber orchestra, recitals, conferences and films. The theatre features continental-style seating for 880 people. The Dolores Winningstad Theatre is a high-tech, updated version of a

Shakespearean courtyard theatre, designed to be a multi-purpose space, providing maximum flexibility for drama, dance, chamber music, recitals, lectures and receptions. The Dolores Winningstad Theatre features flexible seating for 292 patrons. Brunish Hall is a 3,500 square-foot multi-purpose space that is simple in its design yet features amenities that allow it to be used as a performance space, meeting and/or banquet space.

PCPA is home to several tenant performance companies including, but not limited to, the following:

- Oregon Ballet Theatre
- Oregon Children's Theatre
- Oregon Symphony Orchestra
- Portland Opera
- Portland Youth Philharmonic
- Tears of Joy Puppet Theatre

The PCPA is located in the Cultural District downtown which includes other institutions dedicated to fine and performing arts such as the Oregon Historical Society, Portland Art Museum and the Northwest Film Center. The PCPA's three unique properties contribute to the vibrancy of Portland's center city and its cultural identity.

The region benefits from the on-going operations of the PCPA in a number of ways, including such tangible and intangible benefits as:

- Supporting the vibrancy of downtown Portland by attracting residents and visitors to business establishments;
- Contributing to arts educational institutions including children's theater;
- Providing a venue for lectures, symposiums and other unique speaking engagements;
- Generating public awareness and funding of arts organizations;
- Providing an alternative entertainment option for both residents and visitors, including OCC convention attendees and business travelers;
- Enhancing business for other area companies involved in related services purchased by arts organizations (e.g., advertising, transportation, printing, etc.);
- Attracting in-kind and cash contributions from local arts supporters; and
- Generating additional economic activity and enhanced fiscal revenues.

While the value of some of these benefits is difficult to measure, the economic activity generated from on-going PCPA operations can be quantified in terms of spending, jobs and earnings. Based on information from a variety of sources including, but not limited to, representatives from area municipalities, PCPA management, event producers and attendees, this analysis summarizes the estimated economic benefits and tax revenues generated from PCPA operations in FY 2011.

Summary of Event Activity at the PCPA

In FY 2011, PCPA hosted 880 performances that accounted for more than 1,100 total use days and attracted nearly 770,000 attendees. Approximately 68% of performances, 74% of total use days and 60% of total attendance were generated from performing arts related events. Nine (9) Broadway shows generated 83 performances that accounted for approximately 22% of total attendance. In addition, concerts generated approximately 10% of the total attendance. These shows contribute to the economic impact by attracting overnight attendees as well as cast, crew and production members from out-of-town that generate spending on items such as lodging, restaurants, entertainment and transportation.

Summary of Event Activity at the PCPA - FY 2011				
Event Type	Performances	Total Use Days	Total Attendance	Average Attendance Per Performance
Performing Arts	599	831	461,200	800
Broadway	83	86	165,500	2,000
Lectures	29	29	33,400	1,200
Meetings/Receptions	21	23	2,500	100
Concerts	40	42	73,000	1,800
Miscellaneous	108	118	34,000	300
Total	880	1,129	769,600	

Notes: (1) Miscellaneous events include film festivals, Music on Main, Jazz at the Art Bar, and graduations.

(2) One event can have multiple performances.

Source: PCPA management.

Summary of Estimated Economic Impacts from PCPA Operations

The table below summarizes the estimated economic impacts generated from on-going PCPA operations in terms of spending, jobs and earnings and is followed by a discussion of each component.

Estimated Economic Benefits From PCPA Operations - FY 2011	
Category	Amount
Spending	
Direct Spending	\$33,625,000
Indirect/Induced Spending	23,845,000
Total Spending	\$57,470,000
Total Jobs	640
Total Earnings	\$22,234,000

Note: Earnings represent the wages and salaries earned by employees of businesses associated with or impacted by the facility.

Direct Spending

As mentioned previously, the first step in calculating economic impact is estimating the direct spending. The benefits generated in the area result from the impact of direct spending both by attendees and activities that support events held at the PCPA. Direct spending impacts are annually recurring in nature. The primary types of spending quantified in this analysis include:

- Attendee spending outside the facility;
- Show producer spending outside the facility;
- Cast/crew spending outside the facility; and
- Budgetary spending and capital outlay by the PCPA.

Attendee Spending Outside the PCPA

Based on information provided by management, input from event producers as well as the 2007 *Arts & Economic Prosperity Report* commissioned by Americans for the Arts, the Regional Arts & Culture Council and Northwest Business for Culture & the Arts, attendees were categorized as high impact, defined as those staying overnight in a hotel room, or low impact which generally include local patrons. This report collected 905 surveys from attendees at a range of arts events in Portland to gain an understanding of where they were from as well as their level and distribution of spending. In 2006, 76% of respondents indicated they were residents of the Tri-County region while the remaining 24% were considered non-residents. For purposes of this analysis, we assumed 12% (or one-half the estimated percentage of non-residents) of attendees at performing arts events, Broadway shows and concerts were high impact. In addition, spending estimates from the *Arts & Economic Prosperity Report* were adjusted to avoid double counting spending that was accounted for in budgetary spending and inflated to reflect current dollars. Based on these assumptions, a per day spending amount of \$113 was applied to high impact attendees and \$18 to low impact attendees. Spending by attendees inside PCPA venues is taken into account by the facility's budgetary spending.

Cast/Crew and Producer Personnel Spending Outside PCPA

Cast and crew members involved in a Broadway production come from out-of-town and as such generate spending on lodging, food/beverage, retail, entertainment and transportation. Based on discussions with event producers, an estimate of cast/crew personnel per event attendee was calculated and applied to the estimated spending per cast/crew per day.

Broadway show producers make substantial investments in the events that they host. These organizations purchase goods and services from either PCPA or from outside sources. Items such as facility rental and various event services are typically provided by PCPA which are reflected as revenues for the venue. Since this spending is eventually reflected in the budgetary spending by the PCPA, these amounts are excluded from event producer spending to avoid double counting. Further, producer spending with external vendors that takes place before or during a show such as advertising, printing, security, transportation, etc. is considered part of the indirect/induced spending that is generated by PCPA operations.

The estimated event producer spending amounts used in this analysis are limited to company personnel spending on items outside PCPA such as lodging, food/beverage, retail and transportation. Based on surveys previously conducted with production companies representing Broadway shows, an estimate of producer personnel per event attendee was calculated. Event producer spending amounts were applied to the estimated personnel per day.

The table below illustrates the per-day spending amounts applied to cast/crew and event producer personnel. High impact producer and cast/crew spending is assumed only for Broadway shows based on surveys of event producers.

Per Day Spending	High Impact	Low Impact
Cast & Crew	\$126	\$18
Producer Personnel	\$126	n/a

Budgetary Spending and Capital Outlay for the PCCA

Budgetary spending refers to the expenditures generated by the PCPA. Regardless of the source or magnitude of the revenues that the building produces, this analysis focused on the operating expenditures occurring in the area economy. Based on information provided by management, PCPA operating expenditures (including capital outlay) were approximately \$11.1 million in FY 2011.

Summary of Direct Spending Inputs

Based on information provided by PCPA management, event producers, attendees and the 2007 *Arts & Economic Prosperity* report, the total direct spending related to PCPA attendees, show producers and cast/crew as well as PCPA operating expenditures was estimated to be \$33.6 million in FY 2011. The table below shows the breakdown of estimated direct spending among these three categories.

Estimated Direct Spending From PCPA Operations - FY 2011	
Category	Amount
Attendee Spending	\$21,819,000
Event Producer/Cast & Crew Spending	717,000
Budgetary Spending by Facility/Capital Outlay	11,089,000
Total	\$33,625,000

Note: Amounts are rounded to the nearest thousand.

Finally, these direct spending amounts estimated to be generated from PCPA operations were applied to the multipliers previously shown in order to calculate estimates for total spending, total jobs and total earnings.

Indirect and Induced Impacts

The IMPLAN model is used to generate the indirect and induced impacts spawned from the estimated economic activities within the area. The indirect impacts represent inter-industry trade from business to business. Likewise, the induced impacts represent the economic activity spurred by the household trade that occurs when employees make consumer purchases with their incomes. According to the IMPLAN model, direct spending spurred by PCPA operations was estimated to generate \$23.8 million in indirect/induced spending.

Total Spending

Outputs from the IMPLAN model indicate that total spending (i.e., direct, indirect and induced) from PCPA operations was estimated to be \$57.5 million in FY 2011.

Total Jobs

Based on the IMPLAN model, which calculates the number of jobs per \$1.0 million in direct spending, the economic activity associated with PCPA operations in FY 2011 was estimated to support approximately 640 total jobs. These jobs are created in many sectors of the economy, which both directly and indirectly support the increased level of business activity in the area.

Total Earnings

Outputs from the IMPLAN model indicate that total earnings generated from PCPA operations in FY 2011 were estimated to be \$22.2 million.

Summary of Estimated Fiscal Impacts from PCPA Operations

As summarized in the table below, PCPA operations in FY 2011 were estimated to generate approximately \$1.4 million in tax revenues.

Estimated Fiscal Benefits From PCPA Operations - FY 2011	
Municipality/Tax	Amount
State of Oregon	
Personal Income Tax	\$585,000
Corporate Excise & Income Tax	67,000
Transient Lodging Tax	55,000
Total	<u>\$707,000</u>
Multnomah County	
Transient Lodging Tax	\$634,000
Business Income Tax	15,000
Total	<u>\$649,000</u>
GRAND TOTAL	<u>\$1,356,000</u>

Notes: No excise tax is collected from the PCPA.

Although Multnomah County collects the Transient Lodging Tax, a portion of this tax is distributed to the City of Portland's general fund and to Travel Portland.

The following outlines significant assumptions utilized in this analysis.

State of Oregon

Personal Income Tax – The State of Oregon imposes a personal income tax which is calculated on a graduated scale. Personal income tax is the State of Oregon's largest source of revenue. Based on information from the State of Oregon Department of Revenue, the Statewide effective tax rate for personal income is 5.6%. This effective tax rate was applied to 47% of total earnings estimated to be generated by PCPA operations, which represents the State's average taxable income as a percentage of total income.

Corporate Excise and Income Tax – Corporate excise and income tax is the second largest source of revenue for the State. All corporations doing business in Oregon pay excise tax while corporations not doing business in the State but having income from an Oregon source pay income tax. The corporate tax rate is 6.6% of Oregon taxable income up to \$250,000 and 7.6% on taxable income greater than \$250,000. For purposes of this analysis and based on information from the State of Oregon Department of Revenue, the 6.6% tax rate (which applies to approximately 95% of the 2008 tax returns filed) was applied to 3.0% of direct spending estimated to be generated by PCPA operations in order to reflect net taxable income.

Transient Lodging Tax – Public and private lodging providers began paying a 1% State transient lodging tax in 2004. This tax is in addition to, not in place of, any local transient lodging tax. This tax continuously appropriates funds to the Oregon Tourism Commission to promote tourism programs in the State. The 1% tax rate was applied to 100% of direct hotel spending estimated to be generated by PCPA operations.

Multnomah County

Transient Lodging Tax – Multnomah County imposes a tax of 11.5% of the rent charged by the operator of any structure or any portion of any structure which is occupied or intended or designed for transient occupancy for 30 days or less for dwelling, lodging or sleeping purposes.

This tax is generally allocated as follows:

- Five points of the tax collected by Multnomah County goes to the individual city where the establishment is located
- One point of the tax is allocated to the City of Portland to contract with a not-for-profit agency to promote the destination (i.e., OCC)
- A three point surcharge rate of the tax is allocated to the excise tax fund of which hotel operators can deduct 5% of the three points for administrative costs. The remaining amount is dedicated to various projects such as the OCC, the Portland Center for the Performing Arts, and the Regional Arts and Culture Council
- A 2.5 point surcharge rate of the tax is allocated to the Visitors Facilities Trust Account (VFTA) of which hotel operators can deduct 5% of the 2.5 points for administrative costs

The 11.5% tax rate was applied to 100% of direct hotel spending estimated to be generated in Multnomah County by PCPA operations.

Business Income Tax – A business income tax is imposed on each business within Multnomah County equal to 1.45% of the net income from that business within the County. This tax is administered by the City of Portland. For purposes of this analysis, the 1.45% tax rate was applied to 3.0% of total direct spending in the County in order to reflect net taxable income estimated to be generated by PCPA operations.

Other Jurisdictions

In addition to those jurisdictions previously described, other area governments could potentially benefit from PCPA operations which generate patron spending at regional business establishments. Conversations with management at a sample of hotels and restaurants suggest event activity at the PCPA positively impacts their business as well as that of other nearby establishments.

Summary of Estimated Economic and Fiscal Impacts for PCPA – FY 2011

The PCPA is a unique business entity that generates significant economic activity to downtown Portland and the State of Oregon. In FY 2011, the PCPA hosted 880 performances that attracted nearly 770,000 in total attendance. This activity was estimated to generate direct spending of approximately \$33.6 million. Outputs from the IMPLAN model indicate that PCPA operations in FY 2011 generated total spending (i.e., direct, indirect and induced impacts) of \$57.5 million which was estimated to support 640 jobs that created \$22.2 million in personal earnings. These transactions were subject to taxes that were estimated to generate approximately \$1.4 million in FY 2011.



Portland Expo Center

Fiscal Year 2010-11 Economic and Fiscal Impact Analysis Report

January 2012



January 11, 2012

Ms. Teri Dresler, General Manager
Metro Visitor Venues
600 NE Grand Avenue
Portland, OR 97232

Dear Ms. Dresler:

In accordance with our agreement, Crossroads Consulting Services LLC has completed its economic and fiscal impact analysis associated with operations of the Portland Expo Center in Fiscal Year 2011. The report presented herein includes the summary of our analysis.

The findings and assumptions contained in the report reflect analysis of secondary sources of information including data that was obtained from the Metro Visitor Venues department as well as management at the Portland Expo Center. We have utilized sources that are deemed to be reliable but cannot guarantee their accuracy. We have no obligation, unless subsequently engaged, to update our report or revise the information contained therein to reflect events and transactions occurring after the date of this report.

In accordance with the terms of our engagement letter, the accompanying report is restricted to internal use by Metro and may not be relied upon by any third party for any purpose including financing. Notwithstanding these limitations, it is understood that this document may be subject to public information laws and as such can be made available to the public upon request.

Our analysis does not constitute an examination, compilation or agreed upon procedures in accordance with the standards established by the American Institute of Certified Public Accountants.

Although you have authorized reports to be sent electronically for your convenience, only the final hard copy report should be viewed as our work product.

We have enjoyed our on-going relationship and look forward to providing you with continued services in the future. If you have any questions about our analysis, please feel free to contact Susan Sieger at 813.281.1222.

Sincerely,

Crossroads Consulting Services LLC

Table of Contents

1	Executive Summary	1
2	Introduction and General Methodology Overview	3
3	Economic/Fiscal Impacts Analysis	9

Executive Summary

The Portland Expo Center is a unique business entity that generates significant economic activity to downtown Portland and the Tri-County region. The primary purpose of this study is to estimate the economic and fiscal impacts associated with the on-going operations of the Portland Expo Center. Economic impacts are estimated in terms of spending, jobs and earnings which create fiscal impacts and are reflected as changes in tax revenues.

In FY 2011, the Portland Expo Center hosted 93 events that attracted over 390,000 in total attendance. As shown in the table below, this activity was estimated to generate approximately \$33.7 million in total spending which supported 380 full and part-time jobs and created \$12.9 million in personal earnings in the Tri-County region in FY 2011.

Estimated Economic Benefits From Portland Expo Center Operations - FY 2011	
Category	Amount
Spending	
Direct Spending	\$19,610,000
Indirect/Induced Spending	14,117,000
Total Spending	<u>\$33,727,000</u>
Total Jobs	380
Total Earnings	\$12,875,000

Note: Earnings represent the wages and salaries earned by employees of businesses associated with or impacted by the facility.

Tax revenues generated from Portland Expo Center-related activities were estimated to be \$1.0 million in FY 2011, of which \$403,000 or 39% occurred at the State level.

Estimated Fiscal Benefits From Portland Expo Center Operations - FY 2011	
Municipality/Tax	Amount
State of Oregon	
Personal Income Tax	\$339,000
Corporate Excise & Income Tax	39,000
Transient Lodging Tax	25,000
Total	<u>\$403,000</u>
Metro	
Excise Tax	\$330,000
Total	<u>\$330,000</u>
Multnomah County	
Transient Lodging Tax	\$284,000
Business Income Tax	9,000
Total	<u>\$293,000</u>
GRAND TOTAL	\$1,026,000

Note: Although Multnomah County collects the Transient Lodging Tax, a portion of this tax is distributed to the City of Portland's general fund and to Travel Portland.

The following table shows a summary of key comparative data from the Portland Expo Center for the last four fiscal years. The facility has realized net operating income each of the last four fiscal years and is unique among the Metro visitor venues in that it receives no additional funding or revenue support, such as transient lodging tax, contributions or government support. However, total attendance and related economic and fiscal benefits have decreased each of the last three fiscal years.

Summary of Key Comparative Data - Portland Expo Center				
Category	FY 2008	FY 2009	FY 2010	FY 2011
Utilization:				
Events	107	110	98	93
Total Use Days	437	449	415	371
Total Attendance	510,100	454,000	420,600	390,300
Financial Operations:				
Operating Revenues	\$6,078,000	\$5,579,000	\$5,081,000	\$5,090,000
Operating Expenses	4,606,000	4,646,000	4,214,000	4,846,000
Net Operating Results	\$1,472,000	\$933,000	\$867,000	\$244,000
Economic/Fiscal Impacts:				
Direct Spending	\$21,883,000	\$20,413,000	\$19,807,000	\$19,610,000
Indirect/Induced Spending	15,290,000	14,971,000	14,280,000	14,117,000
Total Spending	\$37,173,000	\$35,384,000	\$34,087,000	\$33,727,000
Total Jobs	420	400	370	380
Total Earnings	\$13,654,000	\$13,233,000	\$13,018,000	\$12,875,000
Total Fiscal Benefits	\$1,584,000	\$1,343,000	\$1,160,000	\$1,026,000

As a point of reference, the Portland Expo Center had 13 full-time, benefitted employees in FY 2011.

The next section of the report includes an overview of Metro and its visitor venues as well as the general methodology used to estimate the economic and fiscal impacts associated with the Portland Expo Center's on-going activities.

Introduction and General Methodology Overview

Introduction

Metro, the regional government, crosses city limits and county lines to build a resilient economy, keep nature close by and respond to a changing climate. Representing a diverse population of 1.5 million people in 25 cities and three counties, Metro's directly elected council gives voters a choice in decisions about how the region grows and communities prosper. In addition to its charter responsibilities established nearly 30 years ago – to provide planning, policy making and services to preserve and enhance the region's quality of life – Metro operates a family of visitor venues that provide a diverse range of cultural and educational activities and experiences; memorable gathering places for celebrations and business events; and significant economic return by hosting conventions, trade/consumer shows, art performances and live exhibits.

Metro's visitor venues group is comprised of the Portland Expo Center, Oregon Convention Center (OCC), Portland Center for the Performing Arts (PCPA) and Oregon Zoo. Formed in July 2010 to enhance collaboration on operational issues, the team actively works towards a common mission of maintaining world-class gathering and entertainment spaces for residents and visitors.

Through its Metropolitan Exposition Recreation Commission (MERC), Metro benefits from business and community leaders whose expertise and guidance set the strategic business direction for three of the venues: Portland Expo Center, OCC and PCPA. Commission members are nominated by Clackamas, Multnomah and Washington Counties and the City of Portland and appointed by the Metro Council to serve four-year terms.

The Oregon Zoo also benefits from a key public/private partnership through the Oregon Zoo Foundation (OZF) which is comprised of business and community leaders. The OZF's mission is to foster community pride and involvement in the Oregon Zoo and to secure financial support for the zoo's conservation, education and animal welfare programs.

The Metro visitor venues are varied in building type, history, business focus and client mix:

- Portland Expo Center is the region's primary destination for public events and consumer shows, some of which have been held there for 50 years;
- OCC is designed to maximize economic benefit for the State and region by attracting out-of-town visitors to conventions and local residents to special events and trade shows;
- PCPA is the cultural hub for the metropolitan region hosting a variety of performances and entertainment events in its multiple theatres; and
- Oregon Zoo is the State's most popular attraction whose mission is to inspire visitors to learn about endangered species protection and take action towards native habitat restoration.

The individual and aggregate contributions each makes towards the region's economy is powerful and significant. Combined, the venues hosted more than 1,400 events/performances in FY 2011 that attracted nearly 3.3 million people and offered a wide range of experiences for visitors and residents – contributing to the quality of life for the region and beyond.

Through market-driven best practices, the Metro visitor venues have been financially successful, even despite the economic downturn, and are positioned to achieve long-term financial success by pursuing the following strategies:

- Exceeding customers' expectations and providing a consistent, enjoyable visitor experience;
- Building and maintaining alliances with community and business partners;
- Effectively marketing the venues to retain existing customers and attract new business;
- Establishing and achieving annual benchmarks in sustainable business operations;
- Employing prudent financial measures that protect the public investment and minimize debt; and
- Pursuing strategic initiatives to meet long-term business objectives and client needs.

The primary purpose of this study is to estimate the economic and fiscal impacts associated with on-going operations of the Portland Expo Center. Economic impacts are estimated in terms of spending, jobs and earnings which create fiscal impacts which are reflected as changes in tax revenues.

General Methodology Overview

An estimate of the economic benefits that occur in the region as a result of on-going operations of the Portland Expo Center can be approached in several ways. The approach used in this analysis considers expenditures generated from facility operations from items such as personal services, food/beverage, goods and services, MERC/Metro administration and capital outlay as well as spending by attendees, sponsoring organizations/event producers and exhibitors outside the facility on items such as lodging, restaurants, retail, entertainment and transportation as the initial measure of economic activity in the marketplace. Once the amount for direct spending is estimated, a calculated multiplier is applied to generate the indirect and induced effects. The sum of direct, indirect and induced effects equals total economic impact which is expressed in terms of spending (output), employment (jobs), and personal earnings.

This analysis also estimates the fiscal impacts generated from on-going operations of the Portland Expo Center. The governmental entities considered in this fiscal analysis are Metro, Multnomah County and the State of Oregon. Revenues generated from personal income tax, corporate excise and income tax, business income tax, Metro excise tax and transient lodging tax were estimated.

The number of events and attendance, event mix, origin of attendees, facility financial operations, industry trends, economic conditions, direct spending categories used, per person spending amounts, distribution of spending, multipliers and specific taxes quantified are all variables that influence the economic and fiscal impact estimates.



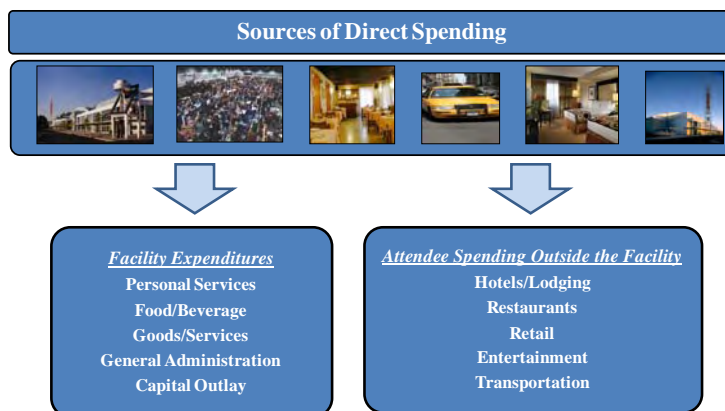
All dollar amounts depicted in this report are rounded to the nearest thousand and are presented in current dollars unless otherwise noted.

Methodology – Economic Impact Analysis

Regional input-output models are typically used by economists as a tool to understand the flow of goods and services among regions and measure the complex interactions among them given an initial spending estimate.

Direct Spending

Estimating direct spending is the first step in calculating economic impact. Direct spending represents the initial change in spending that occurs as a direct result of Portland Expo Center operations. This spending occurs both inside and outside of the facility. Direct spending related to Portland Expo Center operations is generated from facility expenditures (including capital outlay) as well as attendees, event producers and exhibitors.



Indirect/Induced Impacts

The economic activity generated by Portland Expo Center operations affects more than just the facility itself. In preparation for new spending in the economy, several other economic sectors are impacted and jobs are created. Indirect effects reflect the re-spending of the initial or direct expenditures or the business-to-business transactions required to satisfy the direct effect. Induced effects reflect changes in local spending on goods and services that result from income changes in the directly and indirectly affected industry sectors. The model generates estimates of these impacts through a series of relationships using local-level average wages, prices and transportation data, taking into account commute patterns and the relative interdependence of the economy on outside regions for goods and services.

Multiplier Effect

In an effort to quantify the inputs needed to produce the total output, economists have developed multiplier models. The estimation of multipliers relies on input-output models, a technique for quantifying interactions between firms, industries and social institutions within a local economy. This analysis uses IMPLAN software and databases which are developed under exclusive rights by the Minnesota IMPLAN Group, Inc. IMPLAN, which stands for *Impact Analysis for Planning*, is a computer software package that consists of procedures for estimating local input-output models and associated databases. The IMPLAN software package allows the estimation of the multiplier effects of changes in final demand for one industry on all other industries within a defined economic area. Its proprietary methodology includes a matrix of production and distribution data among all counties in the U.S. As such, the advantages of this model are that it is sensitive to both location and type of spending and has the ability to provide indirect/induced spending, employment and earnings information by specific industry category while taking into account the leakages associated with the purchase of certain goods and services outside the economy under consideration.

Once the direct spending amounts are assigned to a logical category, the IMPLAN model estimates the economic multiplier effects for each type of direct new spending attracted to or retained in the local area resulting from Portland Expo Center operations.

For purposes of this analysis, the following industry multipliers were used:

Tri-County Region Multipliers			
Category	Spending	Employment*	Earnings
Hotels	1.7532	16.0	0.5660
Eating & Drinking Places	1.7273	21.9	0.6111
Retail Trade	1.5902	21.1	0.7474
Entertainment	1.8781	31.4	0.7365
Transportation	1.7603	13.6	0.6700
Business Services	1.7076	12.2	0.6729
New Construction	1.7521	13.6	0.6847

Note: *Indicates the number of jobs per \$1 million in spending.

Source: IMPLAN.

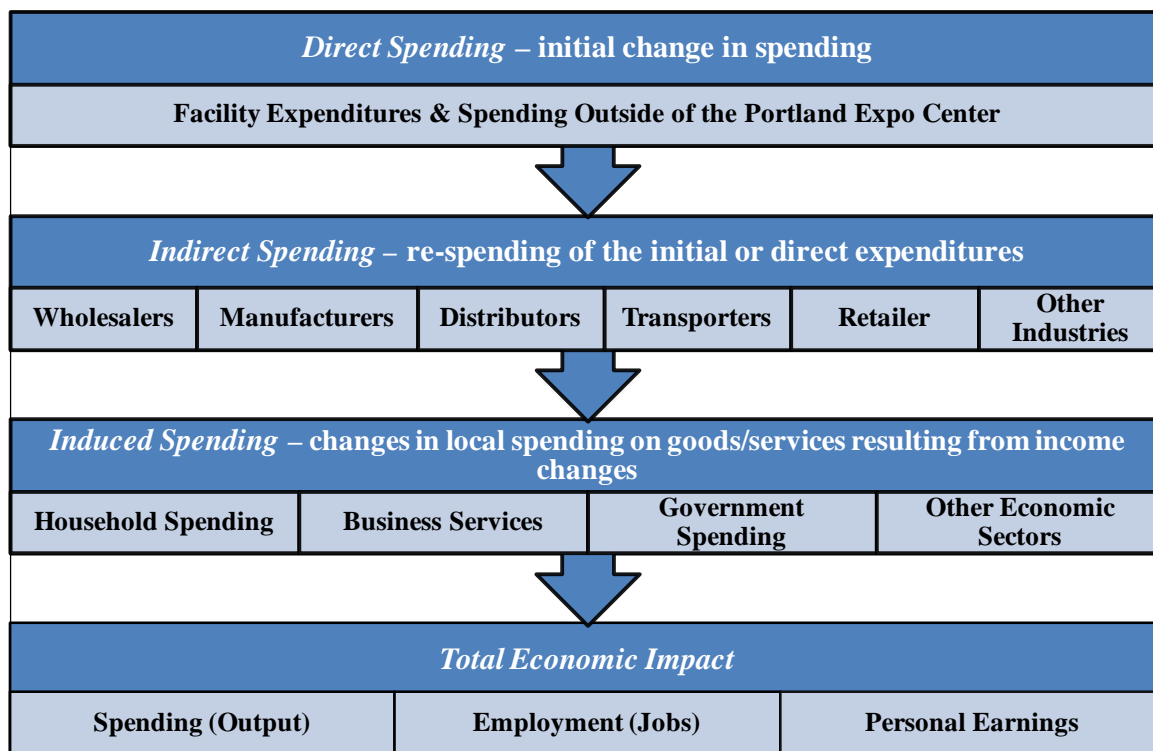
These multipliers reflect IMPLAN's latest available economic data reflecting 2009 transactions and the complex interactions among regions.

Total Economic Impact

The calculated multiplier effect is then added to the direct impact to quantify the total economic impact in terms of spending, employment and earnings which are defined below:

- **Spending (output)** represents the total direct, indirect and induced spending effects generated by Portland Expo Center operations. This calculation measures the total dollar change in spending (output) that occurs in the local economy for each dollar of output delivered to final demand.
- **Employment (jobs)** represents the number of full and part-time jobs supported by Portland Expo Center operations. The employment multiplier measures the total change in the number of jobs supported in the local economy for each additional \$1.0 million of output delivered to final demand.
- **Personal earnings** represent the wages and salaries earned by employees of businesses associated with or impacted by Portland Expo Center operations. In other words, the multiplier measures the total dollar change in earnings of households employed by the affected industries for each additional dollar of output delivered to final demand.

The following graphic illustrates the multiplier effects for calculating total economic impact.



Methodology - Fiscal Impact Analysis

The estimated spending generated by the on-going Portland Expo Center operations creates tax revenues for area municipalities and the State. Experience in other markets suggests that while a significant portion of the direct spending likely occurs near the facility, additional spending occurs in other areas within the State, particularly spending on items such as business services and everyday living expense of residents. Major tax sources impacted by facility operations were identified and taxable amounts to apply to each respective tax rate were estimated. Although other taxes, such as property taxes, may also be positively impacted by the on-going operations of the Portland Expo Center, this analysis estimated the revenues generated from the following taxes based on the direct and indirect/induced spending amounts previously defined:

State of Oregon

- Personal Income Tax
- Corporate Excise and Income Tax
- Transient Lodging Tax

Multnomah County

- Transient Lodging Tax
- Business Income Tax

Metro

- Excise Tax

Economic/Fiscal Impact Analysis

General Overview of the Portland Expo Center

This section of the report summarizes the estimated economic impacts and tax revenues to the Tri-County region as a result of on-going Portland Expo Center operations and other business activity that supported the facility for the 12 months ending June 30, 2011.

The Portland Expo Center is a multi-purpose exhibition facility that serves as the region's primary destination for public events and consumer shows. As far back as 1921, the Portland Expo Center site has presented some of the largest exhibitions in the Northwest. In 1994, MERC took over management of the aging complex from Multnomah County. With the initial support of the Intel Corporation, a new exhibition hall opened in 1997. Subsequent to expansion, several event producers were able to increase and enhance their offerings. By 2001, the modernization of the campus continued with an additional facility offering meeting rooms, a spacious lobby and a full-service commercial kitchen.

The campus currently includes a complex of five interconnected buildings offering the following components:

- 333,000 square feet of multi-use exhibition space
- 10 meeting rooms
- Professional catering facilities
- On-site parking for 2,200 vehicles
- Acres of outdoor exhibition space
- Convenient access to mass transit including the TriMet Interstate Max Light Rail

The modernization and expansion of the Portland Expo Center have allowed the venue to continue to accommodate a variety of consumer shows, some of which have been serving the public for over 50 years. These events exemplify the unique business-to-consumer relationship that is made possible by the Portland Expo Center. In addition, the facility also hosts corporate events, banquets, concerts and community events.

The region benefits from the on-going operations of the Portland Expo Center in a number of ways, including such tangible and intangible benefits as:

- Providing a means for Statewide wholesale and retail businesses to showcase their merchandise in an efficient manner;
- Supporting smaller, local businesses by bringing a critical mass of buyers together to see their products;
- Providing a venue for show producers to supply related industry educational sessions that are often funded by local municipalities elsewhere;

- Enhancing show spin-off spending on related items (e.g., fuel, life-jackets and trailers for boat sales);
- Generating public awareness and funding of non-profit organizations' missions for related industries (e.g., several show producers spend a portion of their gate revenue on related non-profit groups and/or educational scholarships);
- Providing an alternative venue within Portland and the State of Oregon for larger consumer shows indirectly freeing exhibition space and dates at the Oregon Convention Center for conventions/tradeshows which generate more economic impact;
- Providing an alternative entertainment option for residents and visitors, including OCC convention attendees;
- Promoting the industries that host their events at the venue as well as enhancing business for other area companies involved in related services (e.g., advertising, transportation, printing, security, etc.); and
- Generating additional economic activity and enhanced fiscal revenues.

While the value of some of these benefits is difficult to measure, the economic activity generated by the Portland Expo Center can be quantified in terms of spending, employment and earnings. Based on information from a variety of sources including, but not limited to, representatives from area municipalities, Portland Expo Center management, event producers, exhibitors and attendees, this analysis summarizes the estimated economic benefits and tax revenues generated from Portland Expo Center operations in FY 2011.

Summary of Event Activity at the Portland Expo Center

The Portland Expo Center's mission is to provide facilities and services to host consumer and trade shows as well as generate maximum financial return and economic benefits. In FY 2011, the Portland Expo Center hosted 93 events that drew more than 390,000 people. Consumer/public shows account for approximately 53% of events, 77% of total use days and 94% of total attendance.

Summary of Event Activity at the Portland Expo Center - FY 2011						
Event Type	Events	Move-in/ Move-out days	Event Days	Total Use Days	Total Attendance	Average Attendance
Consumer/Public	49	141	146	287	365,832	7,500
Miscellaneous/Other	17	13	33	46	16,851	1,000
Meeting	22	1	22	23	1,059	50
Tradeshow/Convention	4	8	6	14	5,791	1,400
Food & Beverage/Catering	1	-	1	1	800	800
Total	93	163	208	371	390,333	

Note: Miscellaneous/Other includes events such as Roller Derby, Celebrate Portland, Islamic Center of Portland, etc.
Source: Expo Center Management.

Summary of Estimated Economic Impacts from Portland Expo Center Operations

The table below summarizes the estimated economic impacts generated from on-going Portland Expo Center operations in terms of spending, jobs and earnings and is followed by a discussion of each component.

Estimated Economic Benefits From Portland Expo Center Operations - FY 2011	
Category	Amount
Spending	
Direct Spending	\$19,610,000
Indirect/Induced Spending	14,117,000
Total Spending	<u>\$33,727,000</u>
Total Jobs	380
Total Earnings	\$12,875,000

Note: Earnings represent the wages and salaries earned by employees of businesses associated with or impacted by the facility.

Direct Spending

As mentioned previously, the first step in calculating economic impact is estimating the direct spending. The benefits generated in the Tri-County region result from the impact of direct spending both by attendees and activities that support events held at the Portland Expo Center. Direct spending impacts are annually recurring in nature. The primary types of spending quantified in this analysis include:

- Attendee spending outside the facility;
- Event producer spending outside the facility;
- Exhibitor spending outside the facility; and
- Budgetary spending and capital outlay by the Portland Expo Center.

In order to assist with developing an estimate of direct spending generated by Portland Expo Center events, surveys were conducted with event attendees, exhibitors and producers to obtain input on their spending patterns both inside and outside of the facility. This research does not represent a statistically valid survey effort.

Attendee and Exhibitor Surveys

Between FY 2008 and FY 2010, on-site surveys were conducted with nearly 2,800 attendees and 2,100 exhibitors from a total of 24 consumer shows held at the Portland Expo Center. Results were tabulated using a web-based survey system and analyzed to gain an understanding of where respondents reside, their length of stay in Portland, travel party size, where overnights stay (e.g. hotel, private residence, etc.) as well as estimated daily spending inside and outside the Portland Expo Center.

Consumer Show Producer Surveys

In 2008, direct interviews were also conducted with 11 event producers representing 21 consumer shows, one tradeshow and the Rose City Rollers. Most of these events are held annually at the Portland Expo Center. Combined these events accounted for approximately 55% to 60% of annual attendance for FY 2008 through FY 2010. Discussions with producers sought to understand the origin and daily spending of production personnel, exhibitors and attendees. Key findings of these discussions were used to estimate the spending generated by Portland Expo Center event activity and are included, where relevant, on the pages that follow.

The three categories that comprise direct spending are attendee spending, event producer/exhibitor spending and budgetary spending by the Portland Expo Center.

Attendee Spending Outside the Portland Expo Center

Based on information provided by management, input from event producers as well as on-site surveys conducted at Portland Expo Center events, attendees were categorized as high impact, defined as those that stay overnight in a hotel room, or low impact, generally local patrons attending events.

Approximately 10% of attendees at consumer shows, 10% of attendees at miscellaneous/other events and 5% of convention/tradeshow attendees were estimated to be high impact and the remaining attendees were assumed to be low impact.

Based on on-site surveys conducted by Portland Expo Center management as well as interviews with production companies discussed previously and inflated to reflect current dollars, a per day spending amount of \$80 was applied to high impact attendees and \$20 was applied to low impact attendee days. Spending by attendees inside the Portland Expo Center is taken into account by the facility's budgetary spending.

Event Producer & Exhibitor Spending

Consumer and trade show producers make substantial investments in the events that they host. These organizations purchase goods and services from either the Portland Expo Center or from outside sources. Items such as exhibit space and various event services are typically provided by the Portland Expo Center which are reflected as revenues for the venue. Since this spending is eventually reflected in the budgetary spending by the Portland Expo Center, these amounts are excluded from event producer spending to avoid double counting. Further, producer spending with external vendors that takes place before or during a show such as advertising, printing, security, transportation, etc. is considered part of the induced/indirect spending that is generated by Portland Expo Center operations.

Based on the previous on-site surveys of Portland Expo Center exhibitors and interviews with event producers and inflated to reflect current dollars, an estimate of exhibitor personnel per event attendee was calculated and applied to estimated spending per exhibitor personnel per day. Similar to event producer spending, estimates were made for spending by exhibitors outside the facility to

avoid double counting of items purchased inside the Portland Expo Center. Event producer and exhibitor spending per personnel per day are shown in the following table.

Per Day Spending	High Impact	Low Impact
Producer Personnel	\$94	\$40
Exhibitor Personnel	\$72	\$30

Budgetary Spending and Capital Outlay for the Portland Expo Center

Budgetary spending refers to the expenditures generated by the Portland Expo Center. Regardless of the source or magnitude of the revenues that the building produces, this analysis focused on the operating expenditures occurring in the area economy. Based on information provided by management, Portland Expo Center operating expenditures (including capital outlay) were approximately \$4.8 million in FY 2011.

Summary of Direct Spending Inputs

Based on the previously described assumptions, the total direct spending related to Portland Expo Center attendees, event producers and exhibitors outside the facility as well as Portland Expo Center operating expenditures was estimated to be approximately \$19.6 million in FY 2011. The table below summarizes the breakdown of estimated direct spending among these groups.

Estimated Direct Spending From Portland Expo Center Operations - FY 2011	
Category	Amount
Attendee Spending	\$10,116,000
Event Producer/Exhibitor Spending	4,648,000
Budgetary Spending/Capital Outlay by Facility	4,846,000
Total	\$19,610,000

Finally, these direct spending amounts estimated to be generated from Portland Expo Center operations were applied to the multipliers previously shown in order to calculate estimates for total spending, total jobs and total earnings.

Indirect and Induced Impacts

The IMPLAN model is used to generate the indirect and induced impacts spawned from the estimated economic activities within the Tri-County region. The indirect impacts represent inter-industry trade from business to business. Likewise, the induced impacts represent the economic activity spurred by the household trade that occurs when employees make consumer purchases with their incomes. According to the IMPLAN model, direct spending spurred by Portland Expo Center operations was estimated to generate \$14.1 million in indirect/induced spending.

Total Spending

Outputs from the IMPLAN model indicate that total spending (i.e., direct, indirect and induced) from Portland Expo Center operations was estimated to be \$33.7 million in FY 2011.

Total Jobs

Based on the IMPLAN model, which calculates the number of jobs per \$1.0 million in direct spending, the economic activity associated with Portland Expo Center operations in FY 2011 was estimated to support approximately 380 total jobs. These jobs are created in many sectors of the economy, which both directly and indirectly support the increased level of business activity in the area.

Total Earnings

Outputs from the IMPLAN model indicate that total earnings generated from Portland Expo Center operations in FY 2011 were estimated to be \$12.9 million.

Summary of Estimated Fiscal Impacts from Portland Expo Center Operations

As summarized in the table below, Portland Expo Center operations in FY 2011 were estimated to generate approximately \$1.0 million in tax revenues.

Estimated Fiscal Benefits From Portland Expo Center Operations - FY 2011	
Municipality/Tax	Amount
State of Oregon	
Personal Income Tax	\$339,000
Corporate Excise & Income Tax	39,000
Transient Lodging Tax	25,000
Total	\$403,000
Metro	
Excise Tax	\$330,000
Total	\$330,000
Multnomah County	
Transient Lodging Tax	\$284,000
Business Income Tax	9,000
Total	\$293,000
GRAND TOTAL	\$1,026,000

Note: Although Multnomah County collects the Transient Lodging Tax, a portion of this tax is distributed to the City of Portland's general fund and to Travel Portland.

The following outlines significant assumptions utilized in this analysis.

State of Oregon

Personal Income Tax – The State of Oregon imposes a personal income tax which is calculated on a graduated scale. Personal income tax is the State of Oregon's largest source of revenue. Based on information from the State of Oregon Department of Revenue, the Statewide effective tax rate for personal income is 5.6%. This effective tax rate was applied to 47% of total earnings estimated to be generated by Portland Expo Center operations, which represents the State's average taxable income as a percentage of total income.

Corporate Excise and Income Tax – Corporate excise and income tax is the second largest source of revenue for the State. All corporations doing business in Oregon pay excise tax while corporations not doing business in the State but having income from an Oregon source pay income tax. The corporate tax rate is 6.6% of Oregon taxable income up to \$250,000 and 7.6% on taxable income greater than \$250,000. For purposes of this analysis and based on information from the State of Oregon Department of Revenue, the 6.6% tax rate (which applies to approximately 95% of the 2008 tax returns filed) was applied to 3.0% of direct spending estimated to be generated by Portland Expo Center operations in order to reflect net taxable income.

Transient Lodging Tax – Public and private lodging providers began paying a 1% State transient lodging tax in 2004. This tax is in addition to, not in place of, any local transient lodging tax. This tax continuously appropriates funds to the Oregon Tourism Commission to promote tourism programs in the State. The 1% tax rate was applied to 100% of direct hotel spending estimated to be generated by Portland Expo Center operations.

Metro

Excise Tax – Metro imposes an excise tax of 7.5% of total earned revenues of MERC facilities. The tax is remitted on a monthly basis to Metro and is a General Fund Revenue dedicated to the funding of general government activities as well as various planning, parks and green spaces activities. This line item reflects the actual excise tax amount paid by the Portland Expo Center.

Multnomah County

Transient Lodging Tax – Multnomah County imposes a tax of 11.5% of the rent charged by the operator of any structure or any portion of any structure which is occupied or intended or designed for transient occupancy for 30 days or less for dwelling, lodging or sleeping purposes.

This tax is generally allocated as follows:

- Five points of the tax collected by Multnomah County goes to the individual city where the establishment is located
- One point of the tax is allocated to the City of Portland to contract with a not-for-profit agency to promote the destination (i.e., OCC)
- A three point surcharge rate of the tax is allocated to the excise tax fund of which hotel operators can deduct 5% of the three points for administrative costs. The remaining amount is dedicated to various projects such as the OCC, the Portland Center for the Performing Arts, and the Regional Arts and Culture Council
- A 2.5 point surcharge rate of the tax is allocated to the Visitors Facilities Trust Account (VFTA) of which hotel operators can deduct 5% of the 2.5 points for administrative costs

For purposes of this analysis, the 11.5% tax rate was applied to 100% of direct hotel spending estimated to be generated in Multnomah County by Portland Expo Center's operations.

Business Income Tax – A business income tax is imposed on each business within Multnomah County equal to 1.45% of the net income from that business within the County. This tax is administered by the City of Portland. For purposes of this analysis, the 1.45% tax rate was applied to 3.0% of total direct spending in the County in order to reflect net taxable income estimated to be generated by Portland Expo Center operations.

Other Jurisdictions

In addition to those jurisdictions previously described, other area governments could potentially benefit from the Portland Expo Center's operations which generate patron spending at regional business establishments. Conversations with management at a sample of hotels and restaurants suggest event activity at the Portland Expo Center positively impacts their business as well as that of other nearby establishments.

Summary of Estimated Economic and Fiscal Impacts for the Portland Expo Center – FY 2011

The Portland Expo Center is a unique business entity that generates significant economic activity to metropolitan Portland and the State of Oregon. In FY 2011, the Portland Expo Center hosted 93 events that attracted more than 390,000 in total attendance. This activity was estimated to generate direct spending of approximately \$19.6 million. Outputs from the IMPLAN model indicate that Portland Expo Center operations in FY 2011 generated total spending (i.e., direct, indirect and induced impacts) of \$33.7 million which was estimated to support 380 jobs that created \$12.9 million in personal earnings. These transactions were subject to taxes that were estimated to generate approximately \$1.0 million in FY 2011.



Oregon Zoo

Fiscal Year 2010-11 Economic and Fiscal Impact Analysis Report

January 2012



January 11, 2012

Ms. Teri Dresler, General Manager
Metro Visitor Venues
600 NE Grand Avenue
Portland, OR 97232

Dear Ms. Dresler:

In accordance with our agreement, Crossroads Consulting Services LLC has completed its economic and fiscal impact analysis associated with operations of the Oregon Zoo in Fiscal Year 2011. The report presented herein includes the summary of our analysis.

The findings and assumptions contained in the report reflect analysis of secondary sources of information including data that was obtained from the Metro Visitor Venues department as well as management at the Oregon Zoo. We have utilized sources that are deemed to be reliable but cannot guarantee their accuracy. We have no obligation, unless subsequently engaged, to update our report or revise the information contained therein to reflect events and transactions occurring after the date of this report.

In accordance with the terms of our engagement letter, the accompanying report is restricted to internal use by Metro and may not be relied upon by any third party for any purpose including financing. Notwithstanding these limitations, it is understood that this document may be subject to public information laws and as such can be made available to the public upon request.

Our analysis does not constitute an examination, compilation or agreed upon procedures in accordance with the standards established by the American Institute of Certified Public Accountants.

Although you have authorized reports to be sent electronically for your convenience, only the final hard copy report should be viewed as our work product.

We have enjoyed our on-going relationship and look forward to providing you with continued services in the future. If you have any questions about our analysis, please feel free to contact Susan Sieger at 813.281.1222.

Sincerely,

Crossroads Consulting Services LLC

Table of Contents

1	Executive Summary	1
2	Introduction and General Methodology Overview	3
3	Economic/Fiscal Impacts Analysis	9

Executive Summary

The Oregon Zoo is a unique business entity that generates significant economic activity to the Portland area. The primary purpose of this study is to estimate the economic and fiscal impacts associated with the on-going operations of the Oregon Zoo and the Oregon Zoo Foundation (OZF) to the area. Economic impacts are estimated in terms of spending, jobs and earnings which create additional fiscal impacts and are reflected as changes in tax revenues.

In FY 2011, the Oregon Zoo admitted more than 1.5 million visitors, approximately 700,900 of which were admissions paid at the gate and 682,300 were purchased through membership fees. As shown in the table to the right, this activity was estimated to generate approximately \$72.0 million in total spending which supported 760 full and part-time jobs and created \$30.2 million in personal earnings.

Estimated Economic Benefits From Oregon Zoo Operations - FY 2011	
Category	Amount
Spending	
Direct Spending	\$43,109,000
Indirect/Induced Spending	28,922,000
Total Spending	<u>\$72,031,000</u>
Total Jobs	760
Total Earnings	\$30,192,000

Note: Earnings represent the wages and salaries earned by employees of businesses associated with or impacted by the zoo.

Tax revenues generated from zoo-related activities were estimated to be approximately \$1.2 million in FY 2011.

Estimated Fiscal Benefits From Oregon Zoo Operations - FY 2011	
Municipality/Tax	Amount
State of Oregon	
Personal Income Tax	\$795,000
Corporate Excise & Income Tax	85,000
Transient Lodging Tax	22,000
Total	<u>\$902,000</u>
Multnomah County	
Transient Lodging Tax	\$258,000
Business Income Tax	19,000
Total	<u>\$277,000</u>
GRAND TOTAL	\$1,179,000

Notes: No excise tax is collected from the Oregon Zoo.

Although Multnomah County collects the Transient Lodging Tax, a portion of this tax is distributed to the City of Portland's general fund and to Travel Portland.

The following table compares Oregon Zoo admissions, financial operations and capital improvements as well as OZF financial operations for the last two fiscal years. Paid and member admissions decreased by 3% and 9% respectively between FY 2010 and FY 2011 which was likely attributable to economic conditions. The net operating results for the Oregon Zoo improved by 3% in FY 2011 over the prior fiscal year. Capital improvements nearly doubled over the prior fiscal year which had a positive effect on economic and fiscal benefits in FY 2011. OZF revenues primarily consist of membership revenues, contributions, planned giving, event revenues, and other income while operating costs include those related to personnel, materials/supplies, equipment/technology, communications and event-related expenditures. Zoo program support expenditures encompass both OZF program and donor program support.

Summary of Key Comparative Data - Oregon Zoo		
Category	FY 2010	FY 2011
Admissions		
Paid	719,307	700,877
Members	751,087	682,256
Free	164,584	153,170
Total Admissions	1,634,978	1,536,303
Zoo Financial Operations		
Operating Revenues	\$19,084,000	\$19,654,000
Operating Expenses	24,695,000	25,075,000
Net Operating Results	<u>(\$5,611,000)</u>	<u>(\$5,421,000)</u>
Zoo Capital Improvements		
	\$4,795,000	\$9,559,000
OZF Operations		
Revenues	\$7,752,000	\$6,755,000
Operating Costs	2,099,000	2,305,000
Zoo Program Support	4,666,000	2,875,000
Net Operating Results	<u>\$987,000</u>	<u>\$1,575,000</u>

As a point of reference, the Oregon Zoo had 157 full-time equivalent employees (excluding temporary and seasonal staff) and the OZF had 14 full-time and one part-time employee (excluding volunteers) in FY 2011.

The next section of the report includes an overview of Metro and its visitor venues as well as the general methodology used to estimate the economic and fiscal impacts associated with the Oregon Zoo's on-going activities.

Introduction and General Methodology Overview

Introduction

Metro, the regional government, crosses city limits and county lines to build a resilient economy, keep nature close by and respond to a changing climate. Representing a diverse population of 1.5 million people in 25 cities and three counties, Metro's directly elected council gives voters a choice in decisions about how the region grows and communities prosper. In addition to its charter responsibilities established nearly 30 years ago – to provide planning, policy making and services to preserve and enhance the region's quality of life – Metro operates a family of visitor venues that provide a diverse range of cultural and educational activities and experiences; memorable gathering places for celebrations and business events; and significant economic return by hosting conventions, trade/consumer shows, art performances and live exhibits.

Metro's visitor venues group is comprised of the Oregon Zoo, Oregon Convention Center (OCC), Portland Center for the Performing Arts (PCPA) and Portland Expo Center. Formed in July 2010 to enhance collaboration on operational issues, the team actively works towards a common mission of maintaining world-class gathering and entertainment spaces for residents and visitors.

Through its Metropolitan Exposition Recreation Commission (MERC), Metro benefits from business and community leaders whose expertise and guidance set the strategic business direction for three of the venues: OCC, Portland Expo Center and PCPA. Commission members are nominated by Clackamas, Multnomah and Washington Counties and the City of Portland and appointed by the Metro Council to serve four-year terms.

The Oregon Zoo also benefits from a key public/private partnership through the OZF which is comprised of business and community leaders. The OZF's mission is to foster community pride and involvement in the Oregon Zoo and to secure financial support for the zoo's conservation, education and animal welfare programs.

The Metro visitor venues are varied in building type, history, business focus and client mix:

- Oregon Zoo is the State's most popular attraction whose mission is to inspire visitors to learn about endangered species protection and take action towards native habitat restoration.
- OCC is designed to maximize economic benefit for the State and region by attracting out-of-town visitors to conventions and local residents to special events and trade shows;
- PCPA is the cultural hub for the metropolitan region hosting a variety of performances and entertainment events in its multiple theatres; and
- Portland Expo Center is the region's primary destination for public events and consumer shows, some of which have been held there for 50 years.

The individual and aggregate contributions each makes towards the region's economy is powerful and significant. Combined, the venues hosted more than 1,400 events/performances in FY 2011 that attracted nearly 3.3 million people and offered a wide range of experiences for visitors and residents – contributing to the quality of life for the region and beyond.

Through market-driven best practices, the Metro visitor venues have been financially successful, even despite the economic downturn, and are positioned to achieve long-term financial success by pursuing the following strategies:

- Exceeding customers' expectations and providing a consistent, enjoyable visitor experience;
- Building and maintaining alliances with community and business partners;
- Effectively marketing the venues to retain existing customers and attract new business;
- Establishing and achieving annual benchmarks in sustainable business operations;
- Employing prudent financial measures that protect the public investment and minimize debt; and
- Pursuing strategic initiatives to meet long-term business objectives and client needs.

The primary purpose of this study is to estimate the economic and fiscal impacts associated with on-going operations of the Oregon Zoo. Economic impacts are estimated in terms of spending, jobs and earnings which create fiscal impacts which are reflected as changes in tax revenues.

General Methodology Overview

An estimate of the economic benefits that occur as a result of on-going operations of the Oregon Zoo can be approached in several ways. The approach used in this analysis considers expenditures generated from Oregon Zoo and OZF operations from items such as personal services, contracted services, materials/supplies, utilities, food, repairs/maintenance, general administrative and capital improvements as well as spending by visitors outside the zoo on items such as lodging, restaurants, retail, entertainment and transportation as the initial measure of economic activity in the marketplace. Once the amount for direct spending is estimated, a calculated multiplier is applied to generate the indirect and induced effects. The sum of direct, indirect and induced effects equals total economic impact which is expressed in terms of spending (output), employment (jobs), and personal earnings.

This analysis also estimates the fiscal impacts generated from on-going operations of the Oregon Zoo (including OZF operating costs but excluding program and donor program support). The governmental entities considered in this fiscal analysis are Multnomah County and the State of Oregon. Revenues generated from personal income tax, corporate excise and income tax, business income tax and transient lodging tax were estimated.

The number and type of admissions, origin of visitors, financial operations, industry trends, economic conditions, direct spending categories used, per person spending amounts, distribution of spending, multipliers and specific taxes quantified are all variables that influence the economic and fiscal impact estimates.



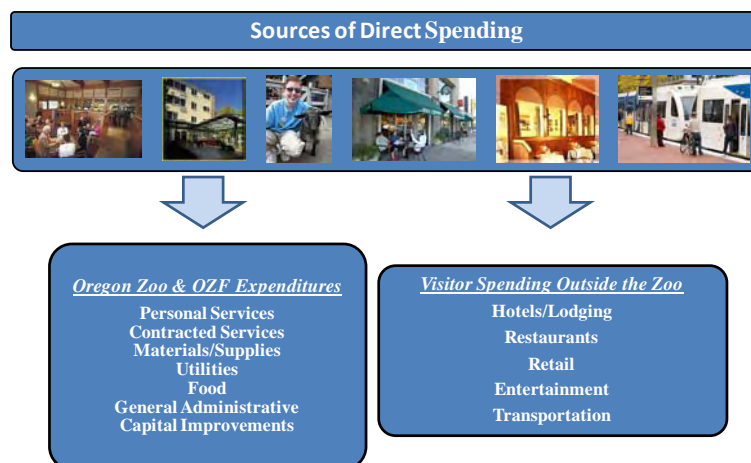
All dollar amounts depicted in this report are rounded to the nearest thousand and are presented in current dollars unless otherwise noted.

Methodology – Economic Impact Analysis

Regional input-output models are typically used by economists as a tool to understand the flow of goods and services among regions and measure the complex interactions among them given an initial spending estimate.

Direct Spending

Estimating direct spending is the first step in calculating economic impact. Direct spending represents the initial change in spending that occurs as a direct result of Oregon Zoo operations. This spending occurs both inside and outside of the facility. Direct spending is generated from Oregon Zoo and OZF expenditures (including capital improvements) as well as from visitors.



Indirect/Induced Impacts

The economic activity generated by Oregon Zoo operations affects more than just the attraction itself. In preparation for new spending in the economy, several other economic sectors are impacted and jobs are created. Indirect effects reflect the re-spending of the initial or direct expenditures or the business-to-business transactions required to satisfy the direct effect. Induced effects reflect changes in local spending on goods and services that result from income changes in the directly and indirectly affected industry sectors. The model generates estimates of these impacts through a series of relationships using local-level average wages, prices and transportation data, taking into account commute patterns and the relative interdependence of the economy on outside regions for goods and services.

Multiplier Effect

In an effort to quantify the inputs needed to produce the total output, economists have developed multiplier models. The estimation of multipliers relies on input-output models, a technique for quantifying interactions between firms, industries and social institutions within a local economy. This analysis uses IMPLAN software and databases which are developed under exclusive rights by the Minnesota IMPLAN Group, Inc. IMPLAN, which stands for *Impact Analysis for Planning*, is a computer software package that consists of procedures for estimating local input-output models and associated databases. The IMPLAN software package allows the estimation of the multiplier effects of changes in final demand for one industry on all other industries within a defined economic area. Its proprietary methodology includes a matrix of production and distribution data among all counties in the U.S. As such, the advantages of this model are that it is sensitive to both location and type of spending and has the ability to provide indirect/induced spending, employment and earnings information by specific industry category while taking into account the leakages associated with the purchase of certain goods and services outside the economy under consideration.

Once the direct spending amounts are assigned to a logical category, the IMPLAN model estimates the economic multiplier effects for each type of direct new spending attracted to or retained in the local area resulting from Oregon Zoo operations.

For purposes of this analysis, the following industry multipliers were used:

Tri-County Region Multipliers			
Category	Spending	Employment*	Earnings
Hotels	1.7532	16.0	0.5660
Eating & Drinking Places	1.7273	21.9	0.6111
Retail Trade	1.5902	21.1	0.7474
Entertainment	1.8781	31.4	0.7365
Transportation	1.7603	13.6	0.6700
Business Services	1.7076	12.2	0.6729
New Construction	1.7521	13.6	0.6847

Note: *Indicates the number of jobs per \$1 million in spending.

Source: IMPLAN.

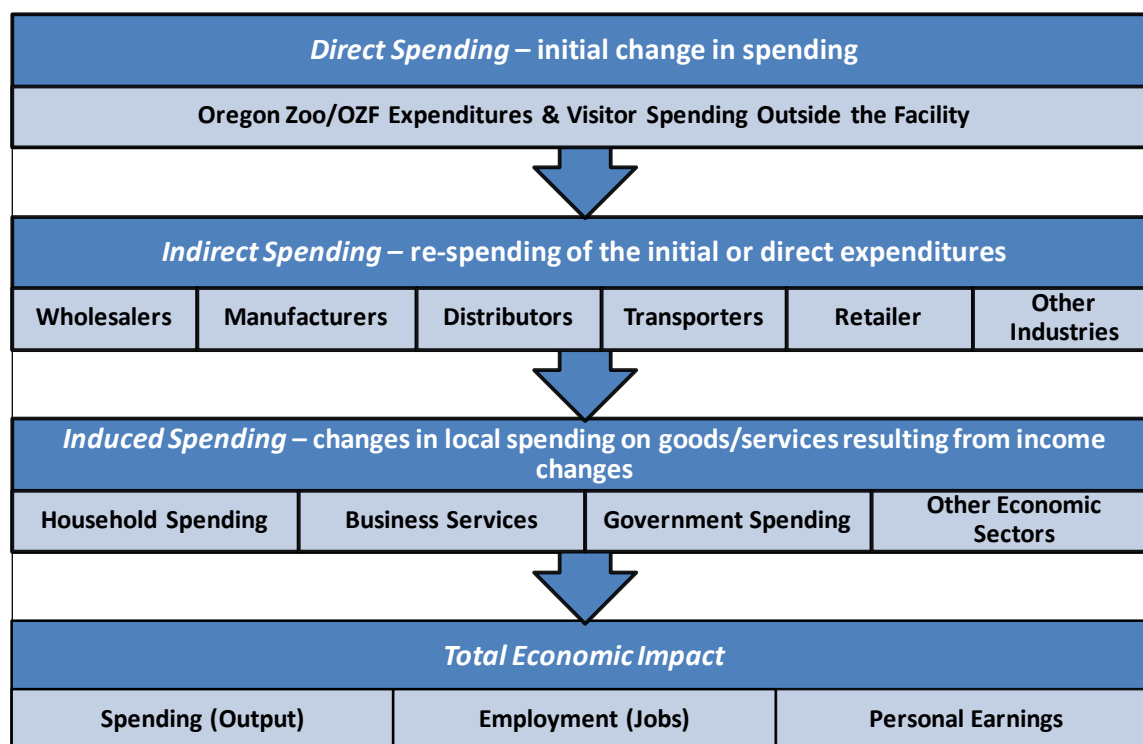
These multipliers reflect IMPLAN's latest available economic data reflecting 2009 transactions and the complex interactions among regions.

Total Economic Impact

The calculated multiplier effect is then added to the direct impact to quantify the total economic impact in terms of spending, employment and earnings which are defined below:

- **Spending (output)** represents the total direct, indirect and induced spending effects generated by Oregon Zoo operations. This calculation measures the total dollar change in spending (output) that occurs in the local economy for each dollar of output delivered to final demand.
- **Employment (jobs)** represents the number of full and part-time jobs supported by Oregon Zoo operations. The employment multiplier measures the total change in the number of jobs supported in the local economy for each additional \$1.0 million of output delivered to final demand.
- **Personal earnings** represent the wages and salaries earned by employees of businesses associated with or impacted by Oregon Zoo operations. In other words, the multiplier measures the total dollar change in earnings of households employed by the affected industries for each additional dollar of output delivered to final demand.

The following graphic illustrates the multiplier effects for calculating total economic impact.



Methodology - Fiscal Impact Analysis

The estimated spending generated by the on-going Oregon Zoo operations creates tax revenues for Multnomah County and the State. Experience in other markets suggests that while a significant portion of the direct spending likely occurs near the attraction, additional spending occurs in other areas within the State, particularly spending on items such as business services and everyday living expenditures of residents. Major tax sources impacted by Oregon Zoo operations were identified and taxable amounts to apply to each respective tax rate were estimated. Although other taxes, such as property taxes, may also be positively impacted by the on-going operations of the Oregon Zoo, this analysis estimated the revenues generated from personal income tax, corporate excise and income tax, and transient lodging tax at the State level as well as business income tax and transient lodging tax in Multnomah County.

Economic/Fiscal Impact Analysis

General Overview of the Oregon Zoo

This section of the report summarizes the estimated economic impacts and tax revenues as a result of on-going Oregon Zoo operations and other business activity that supported the attraction for the 12 months ending June 30, 2011.

In 1887, Richard Knight, a local pharmacist who collected animals as a hobby, officially presented his menagerie to the City of Portland and the oldest zoo west of the Mississippi was created. The 64-acre Oregon Zoo is home to approximately 2,200 specimens representing 260 species of birds, mammals, reptiles, amphibians and invertebrates. Of these, 21 species are endangered and 33 are threatened. The Oregon Zoo displays animals from all corners of the world, including Asian elephants, Humboldt penguins and polar bears. From the mist-filled Africa Rain Forest to the majestic Great Northwest exhibit, the zoo encourages visitors to understand and experience the natural world.

Committed to conservation of endangered species and their habitats – both locally and around the globe – the zoo is a center for wildlife conservation and field research. The Oregon Zoo's award-winning education programs serve nearly 700,000 people both at the zoo and at schools, senior and community centers around the region. A summer concert series, seasonal events and the zoo railway help this popular Oregon attraction draw approximately 1.5 million visitors each year. The Oregon Zoo is also a leader in sustainable business practices, but most importantly, it is a safe place for families to share moments of discovery and fun.

The zoo is currently engaged in a master planning effort to map out the vision for the next 20 years. This master plan will provide designs for the nine current 2008 bond projects as well as future direction for the zoo campus. The zoo is leveraging the master plan to become a game-changing zoo dedicated to animal welfare and sustainable infrastructure.

In FY 2011, approximately 71% of the Zoo's financial resources were derived from business enterprise operations including revenues from admission fees, food/beverage sales, tuition/lecture ticket sales, temporary exhibits, train admissions and parking. Seven percent (7%) was generated from contributions, grants and memberships and by a conservation surcharge of \$0.25 per admission dedicated towards conservation efforts. Combined, these revenues accounted for 78% of the Zoo's FY 2011 operating expenses.

The OZF was created in 1997 by the merger of the private, non-profit support organization (Friends of the Zoo) with the Zoo's development office. Annual OZF support funds a large portion of zoo capital projects. In FY 2011, OZF contributed \$2.9 million.

Objectives of the OZF include identifying and retaining a diverse range of private funders to support the overall vision and mission of the zoo. These objectives fall into several categories, such as donors, members, restricted gifts, grants and sponsorships. In addition, the OZF partners with zoo staff to provide funding for conservation, education and endangered species recovery programs.

The Oregon Zoo is home to several primary exhibits including, but not limited to, the following:

- The Great Northwest
- Primates, including the Red Ape Reserve
- Asian Elephants
- Pacific Shores
- Predators of the Serengeti
- Africa

The Oregon Zoo is located in the 400-acre Washington Park area which includes other attractions such as the Portland Children's Museum, World Forestry Center Discovery Museum, Hoyt Arboretum, Portland Japanese Garden and International Rose Test Garden. The Oregon Zoo's unique offerings contribute to the vibrancy of Portland and the surrounding region.

The region benefits from the on-going operations of the Oregon Zoo in a number of ways, including such tangible and intangible benefits as:

- Supporting the vibrancy of the Tri-County metro area by attracting residents and visitors to surrounding business establishments;
- Providing a regional conservation education destination and resource promoting environmental stewardship;
- Providing a venue for lectures, symposiums, banquets and other unique engagements;
- Generating public awareness of endangered species, environmental issues and sustainability;
- Providing a recreational destination for tourists, families and community members; and
- Supporting local businesses through its operations such as generating additional economic activity and enhanced fiscal revenues and services as a major regional employer, from internal staff to contractors for projects such as exhibit construction and general maintenance.

While the value of some of these benefits is difficult to measure, the economic activity generated by the Oregon Zoo can be quantified in terms of spending, jobs and earnings. Based on information from a variety of sources including, but not limited to, representatives from area municipalities, Oregon Zoo management and the OZF, this analysis summarizes the estimated economic benefits and tax revenues generated from Oregon Zoo operations in FY 2011.

Summary of Attendance at the Oregon Zoo

In FY 2011, the Oregon Zoo admitted more than 1.5 million visitors, approximately 700,900 of which were admissions paid at the gate and 682,300 were purchased through membership fees. These paid visitors contribute to the economic impact by attracting overnight attendees from out-of-town that generate spending on items such as lodging, restaurants, entertainment and transportation.

Summary of Admissions at the Oregon Zoo - FY 2011	
Category	Number
Paid	700,877
Members	682,256
Free	153,170
Total Admissions	1,536,303

Source: Oregon Zoo management.

Summary of Estimated Economic Impacts from Oregon Zoo Operations

The table below summarizes the estimated economic impacts generated from the on-going Oregon Zoo operations in terms of spending, jobs and earnings and is followed by a discussion of each component.

Estimated Economic Benefits From Oregon Zoo Operations - FY 2011	
Category	Amount
Spending	
Direct Spending	\$43,109,000
Indirect/Induced Spending	28,922,000
Total Spending	<u>\$72,031,000</u>
Total Jobs	760
Total Earnings	\$30,192,000

Note: Earnings represent the wages and salaries earned by employees of businesses associated with or impacted by the zoo.

Direct Spending

As mentioned previously, the first step in calculating economic impact is estimating the direct spending. The benefits generated in the area result from the impact of direct spending both by visitors and activities that support events held at the Oregon Zoo. Direct spending impacts are annually recurring in nature. The primary types of spending quantified in this analysis include:

- Attendee spending outside the Oregon Zoo;
- Oregon Zoo budgetary spending;
- Oregon Zoo capital improvement spending; and
- OZF operating expenditures (excluding OZF program and donor program support).

Attendee Spending Outside the Oregon Zoo

Based on information provided by management, as well as Oregon travel industry research, a portion of attendees were categorized as high impact, defined as those staying overnight. In FY 2011, approximately 15% of Oregon Zoo paid admissions were generated from residents outside the State of Oregon or Vancouver, Washington. Further, the Oregon Zoo commissioned a visitor intercept survey of attendees during the summer 2010. More than 300 surveys were collected with 20% of respondents coming from greater than one-hour drive. For purposes of this analysis, 10% of paid admissions were assumed to be high impact. In addition, spending estimates from the 2011 Dean Runyan Travel Impacts study were adjusted to avoid double counting spending that is accounted for in the zoo's budgetary spending. Based on these assumptions, a spending amount of \$88/day was applied to high impact attendees. Non-overnight attendee spending outside the zoo is not accounted for in this analysis as it is assumed that this spending would occur within the region without operation of the zoo. Spending by attendees inside the Oregon Zoo is taken into account by the facility's budgetary spending.

Oregon Zoo Budgetary Spending

Budgetary spending refers to the expenditures generated by the Oregon Zoo. Regardless of the source or magnitude of the revenues that the venue produces, this analysis focused on the operating expenditures occurring in the area economy. Based on information provided by management, operating expenditures for the Oregon Zoo were approximately \$25.1 million in FY 2011.

Oregon Zoo Capital Improvement Spending

The Oregon Zoo incurred approximately \$9.6 million in capital improvement expenditures during FY 2011 which was double the amount spend in FY 2010. Capital improvement projects included work on the veterinary medical center, the Penguin Filtration project as well as the Zoo Master Plan. Some capital projects, such as the veterinary medical center, are funded by the recent zoo improvement bond issue.

Oregon Zoo Foundation Operating Expenditures

The OZF incurred approximately \$2.3 million in operating costs during FY 2011. In order to avoid double-counting and provide a more conservative estimate, expenditures related to OZF program and donor program support are excluded as some of these funds flow directly to zoo operations.

Summary of Direct Spending Inputs

Based on information provided by Oregon Zoo management, visitor intercept surveys, travel research, the total direct spending related to Oregon Zoo attendees as well as Oregon Zoo and OZF operating expenditures was estimated to be \$43.1 million in FY 2011. The table below summarizes the breakdown of estimated direct spending by these three categories.

Estimated Direct Spending from Zoo Operations - FY 2011	
Category	Amount
Attendee Spending	\$6,167,000
Zoo Operations & Capital Improvements	34,637,000
Zoo Foundation Operations	2,305,000
Total	\$43,109,000

Finally, these direct spending amounts estimated to be generated from Oregon Zoo operations were applied to the multipliers previously shown in order to calculate estimates for total spending, total jobs and total earnings.

Indirect and Induced Impacts

The IMPLAN model is used to generate the indirect and induced impacts spawned from the estimated economic activities within the area. The indirect impacts represent inter-industry trade from business to business. Likewise, the induced impacts represent the economic activity spurred by the household trade that occurs when employees make consumer purchases with their incomes. According to the IMPLAN model, direct spending spurred by Oregon Zoo operations was estimated to generate \$28.9 million in indirect/induced spending in FY 2011.

Total Spending

Outputs from the IMPLAN model indicate that total spending (i.e., direct, indirect and induced) from Oregon Zoo operations was estimated to be \$72.0 million in FY 2011.

Total Jobs

Based on the IMPLAN model, which calculates the number of jobs per \$1.0 million in direct spending, the economic activity associated with Oregon Zoo operations in FY 2011 was estimated to support approximately 760 total jobs. These jobs are created in many sectors of the economy, which both directly and indirectly support the increased level of business activity in the area.

Total Earnings

Outputs from the IMPLAN model indicate that total earnings generated from Oregon Zoo operations in FY 2011 were estimated to be \$30.2 million.

Summary of Estimated Fiscal Impacts from Oregon Zoo Operations

As summarized in the table below, Oregon Zoo operations in FY 2011 were estimated to generate approximately \$1.2 million in tax revenues.

Estimated Fiscal Benefits From Oregon Zoo Operations - FY 2011	
Municipality/Tax	Amount
State of Oregon	
Personal Income Tax	\$795,000
Corporate Excise & Income Tax	85,000
Transient Lodging Tax	22,000
Total	<u>\$902,000</u>
Multnomah County	
Transient Lodging Tax	\$258,000
Business Income Tax	19,000
Total	<u>\$277,000</u>
GRAND TOTAL	\$1,179,000

Notes: No excise tax is collected from the Oregon Zoo.

Although Multnomah County collects the Transient Lodging Tax, a portion of this tax is distributed to the City of Portland's general fund and to Travel Portland.

The following outlines significant assumptions utilized in this analysis.

State of Oregon

Personal Income Tax – The State of Oregon imposes a personal income tax which is calculated on a graduated scale. Personal income tax is the State of Oregon’s largest source of revenue. Based on information from the State of Oregon Department of Revenue, the Statewide effective tax rate for personal income is 5.6%. This effective tax rate was applied to 47% of total earnings estimated to be generated by Oregon Zoo operations, which represents the State’s average taxable income as a percentage of total income.

Corporate Excise and Income Tax – Corporate excise and income tax is the second largest source of revenue for the State. All corporations doing business in Oregon pay excise tax while corporations not doing business in the State but having income from an Oregon source pay income tax. The corporate tax rate is 6.6% of Oregon taxable income up to \$250,000 and 7.6% on taxable income greater than \$250,000. For purposes of this analysis and based on information from the State of Oregon Department of Revenue, the 6.6% tax rate (which applies to approximately 95% of the 2008 tax returns filed) was applied to 3.0% of direct spending estimated to be generated by Oregon Zoo operations in order to reflect net taxable income.

Transient Lodging Tax – Public and private lodging providers began paying a 1% State transient lodging tax in 2004. This tax is in addition to, not in place of, any local transient lodging tax. This tax continuously appropriates funds to the Oregon Tourism Commission to promote tourism programs in the State. The 1% tax rate was applied to 100% of direct hotel spending estimated to be generated by Oregon Zoo operations.

Multnomah County

Transient Lodging Tax – Multnomah County imposes a tax of 11.5% of the rent charged by the operator of any structure or any portion of any structure which is occupied or intended or designed for transient occupancy for 30 days or less for dwelling, lodging or sleeping purposes.

This tax is generally allocated as follows:

- Five points of the tax collected by Multnomah County goes to the individual city where the establishment is located.
- One point of the tax is allocated to the City of Portland to contract with a not-for-profit agency to promote the destination (i.e., OCC).
- A three point surcharge rate of the tax is allocated to the excise tax fund of which hotel operators can deduct 5% of the three points for administrative costs. The remaining amount is dedicated to various projects such as the OCC, the Oregon Zoo, and the Regional Arts and Culture Council.
- A 2.5 point surcharge rate of the tax is allocated to the Visitors Facilities Trust Account (VFTA) of which hotel operators can deduct 5% of the 2.5 points for administrative costs



For purposes of this analysis, the 11.5% tax rate was applied to 100% of direct hotel spending estimated to be generated in Multnomah County by Oregon Zoo operations.

Business Income Tax – A business income tax is imposed on each business within Multnomah County equal to 1.45% of the net income from that business within the County. This tax is administered by the City of Portland. For purposes of this analysis, the 1.45% tax rate was applied to 3.0% of total direct spending in the County in order to reflect net taxable income estimated to be generated by Oregon Zoo operations.

Summary of Estimated Economic and Fiscal Impacts for Oregon Zoo – FY 2011

The Oregon Zoo is a unique business entity that generates significant economic activity to the region. In FY 2011, the Oregon Zoo attracted more than 1.5 million in total attendance. This activity was estimated to generate direct spending of approximately \$43.1 million. Outputs from the IMPLAN model indicate that total spending (i.e., direct, indirect and induced impacts) was \$72.0 million in FY 2011 which was estimated to support approximately 760 jobs that created \$30.2 million in personal earnings. These transactions were subject to taxes that were estimated to generate approximately \$1.2 million in FY 2011.



Oregon Convention Center

Fiscal Year 2010-11 Economic and Fiscal Impact Analysis Report

January 2012



January 11, 2012

Ms. Teri Dresler, General Manager
Metro Visitor Venues
600 NE Grand Avenue
Portland, OR 97232

Dear Ms. Dresler:

In accordance with our agreement, Crossroads Consulting Services LLC has completed its economic and fiscal impact analysis associated with operations of the Oregon Convention Center in Fiscal Year 2011. The report presented herein includes the summary of our analysis.

The findings and assumptions contained in the report reflect analysis of secondary sources of information including data that was obtained from the Metro Visitor Venues department as well as management at the Oregon Convention Center. We have utilized sources that are deemed to be reliable but cannot guarantee their accuracy. We have no obligation, unless subsequently engaged, to update our report or revise the information contained therein to reflect events and transactions occurring after the date of this report.

In accordance with the terms of our engagement letter, the accompanying report is restricted to internal use by Metro and may not be relied upon by any third party for any purpose including financing. Notwithstanding these limitations, it is understood that this document may be subject to public information laws and as such can be made available to the public upon request.

Our analysis does not constitute an examination, compilation or agreed upon procedures in accordance with the standards established by the American Institute of Certified Public Accountants.

Although you have authorized reports to be sent electronically for your convenience, only the final hard copy report should be viewed as our work product.

We have enjoyed our on-going relationship and look forward to providing you with continued services in the future. If you have any questions about our analysis, please feel free to contact Susan Sieger at 813.281.1222.

Sincerely,

Crossroads Consulting Services LLC

Table of Contents

1	Executive Summary	1
2	Introduction and General Methodology Overview	4
3	Economic/Fiscal Impacts Analysis	10

Executive Summary

The Oregon Convention Center (OCC) is a unique business entity that generates significant economic activity to downtown Portland and the Tri-County region. The primary purpose of this study is to estimate the economic and fiscal impacts associated with the on-going operations of the OCC to the region. Economic impacts are estimated in terms of spending, jobs and earnings which create fiscal impacts and are reflected as changes in tax revenues.

In Fiscal Year (FY) 2011, the OCC hosted 469 events that attracted approximately 570,400 in total attendance and generated 866,100 attendee days. As shown in the table below, this activity was estimated to generate \$449.6 million in total spending which supported 4,260 full and part-time jobs and created \$167.6 million in personal earnings in the Tri-County region in FY 2011.

Estimated Economic Benefits to the Tri-County Region From OCC Operations in FY 2011	
Total Economic Benefits:	Tri-County Region
Direct Spending	\$261,451,000
Indirect/Induced Spending	188,128,000
Total Spending	\$449,579,000
Total Jobs	4,260
Total Earnings	\$167,618,000
Total Economic Benefits:	Clackamas County
Direct Spending	\$26,531,000
Indirect/Induced Spending	19,026,000
Total Spending	\$45,557,000
Total Jobs	430
Total Earnings	\$17,157,000
Total Economic Benefits:	Multnomah County
Direct Spending	\$199,755,000
Indirect/Induced Spending	143,812,000
Total Spending	\$343,567,000
Total Jobs	3,260
Total Earnings	\$127,886,000
Total Economic Benefits:	Washington County
Direct Spending	\$35,164,000
Indirect/Induced Spending	25,288,000
Total Spending	\$60,452,000
Total Jobs	570
Total Earnings	\$22,574,000

Notes: Tri-County Region amounts represent the sum of the three counties.

There may be slight differences due to rounding.

Earnings represent the salaries/wages earned by employees of businesses associated with or impacted by the facility.

Tax revenues generated from OCC-related activities were estimated to be \$15.5 million in FY 2011, of which approximately \$5.6 million or 36% occurred at the State level.

Estimated Fiscal Benefits From OCC Operations - FY 2011	
Municipality/Tax	Amount
State of Oregon	
Personal Income Tax	\$4,412,000
Transient Lodging Tax	655,000
Corporate Excise & Income Tax	518,000
Subtotal	<u>\$5,585,000</u>
Metro	
Excise Tax	\$1,275,000
Subtotal	<u>\$1,275,000</u>
Clackamas County	
Transient Room Tax	\$466,000
Subtotal	<u>\$466,000</u>
Multnomah County	
Transient Lodging Tax	\$5,963,000
Motor Vehicle Rental Tax	1,346,000
Business Income Tax	87,000
Subtotal	<u>\$7,396,000</u>
Washington County	
Lodging Tax	\$767,000
Subtotal	<u>\$767,000</u>
GRAND TOTAL	\$15,489,000

Note: Although Multnomah County collects the Transient Lodging Tax, a portion of this tax is distributed to the City of Portland's general fund and to Travel Portland.

The following table summarizes key comparative data for OCC operations for the last four fiscal years. In general, utilization attributes as well as economic and fiscal impacts have fluctuated during this period.

Summary of Key Comparative Data - OCC				
Category	FY 2008	FY 2009	FY 2010	FY 2011
Utilization:				
Events	588	521	424	469
Total Use Days	1,244	1,128	1,050	1,134
Total Attendance	614,900	548,300	521,200	570,400
Total Attendee Days	1,000,300	854,100	953,200	866,100
Financial Operations:				
Operating Revenues	\$16,862,000	\$15,194,000	\$16,645,000	\$19,007,000
Operating Expenses	23,131,000	24,171,000	24,983,000	29,039,000
Net Operating Results	<u>(\$6,269,000)</u>	<u>(\$8,977,000)</u>	<u>(\$8,338,000)</u>	<u>(\$10,032,000)</u>
Economic/Fiscal Impacts:				
Direct Spending	\$252,763,000	\$236,803,000	\$305,658,000	\$261,451,000
Indirect/Induced Spending	188,749,000	184,554,000	220,221,000	188,128,000
Total Spending	<u>\$441,512,000</u>	<u>\$421,357,000</u>	<u>\$525,879,000</u>	<u>\$449,579,000</u>
Total Jobs	4,760	4,410	5,000	4,260
Total Earnings	\$171,453,000	\$165,747,000	\$195,319,000	\$167,618,000
Total Fiscal Benefits	\$15,417,000	\$15,228,000	\$19,085,000	\$15,489,000

Between FY 2010 and FY 2011, the total number of events and attendance increased by 11% and 9%, respectively. Although attendee days increased for meetings (41%) and other events (27%), total overall attendee days decreased by 9% over last fiscal year which was driven by a 34% decrease in attendee days at conventions/tradeshows. Attendee days are defined as total attendance multiplied by the event length. For example, a three-day convention with 600 delegates equates to 1,800 attendee days which reflects that the same delegates return to the event each of the three days. Convention and tradeshow activity is the primary driver of OCC-related economic impact since these events draw overnight visitors that generate spending which supports area businesses. As such, this shift in business between FY 2010 and FY 2011 resulted in lower economic and fiscal impacts.

As a point of reference, the OCC had 110 full-time, benefitted employees in FY 2011.

The next section of the report provides an overview of Metro and its visitor venues as well as the general methodology used to estimate the economic and fiscal impacts associated with the OCC's on-going activities.

Introduction and General Methodology Overview

Introduction

Metro, the regional government, crosses city limits and county lines to build a resilient economy, keep nature close by and respond to a changing climate. Representing a diverse population of 1.5 million people in 25 cities and three counties, Metro's directly elected council gives voters a choice in decisions about how the region grows and communities prosper. In addition to its charter responsibilities established nearly 30 years ago – to provide planning, policy making and services to preserve and enhance the region's quality of life – Metro operates a family of visitor venues that provide a diverse range of cultural and educational activities and experiences; memorable gathering places for celebrations and business events; and significant economic return by hosting conventions, trade/consumer shows, art performances and live exhibits.

Metro's visitor venues group is comprised of the OCC, Portland Center for the Performing Arts (PCPA), Portland Expo Center and Oregon Zoo. Formed in July 2010 to enhance collaboration on operational issues, the team actively works towards a common mission of maintaining world-class gathering and entertainment spaces for residents and visitors.

Through its Metropolitan Exposition Recreation Commission (MERC), Metro benefits from business and community leaders whose expertise and guidance set the strategic business direction for three of the venues: OCC, PCPA and Portland Expo Center. Commission members are nominated by Clackamas, Multnomah and Washington Counties and the City of Portland and appointed by the Metro Council to serve four-year terms.

The Oregon Zoo also benefits from a key public/private partnership through the Oregon Zoo Foundation (OZF) which is comprised of business and community leaders. The OZF's mission is to foster community pride and involvement in the Oregon Zoo and to secure financial support for the zoo's conservation, education and animal welfare programs.

The Metro visitor venues are varied in building type, history, business focus and client mix:

- OCC is designed to maximize economic benefit for the State and region by attracting out-of-town visitors to conventions and local residents to special events and trade shows;
- PCPA is the cultural hub for the metropolitan region hosting a variety of performances and entertainment events in its multiple theatres;
- Portland Expo Center is the region's primary destination for public events and consumer shows, some of which have been held there for 50 years; and
- Oregon Zoo is the State's most popular attraction whose mission is to inspire visitors to learn about endangered species protection and take action towards native habitat restoration.

The individual and aggregate contributions each makes towards the region's economy is powerful and significant. Combined, the venues hosted more than 1,400 events/performances in FY 2011 that attracted nearly 3.3 million people and offered a wide range of experiences for visitors and residents – contributing to the quality of life for the region and beyond.

Through market-driven best practices, the Metro visitor venues have been financially successful, even despite the economic downturn, and are positioned to achieve long-term financial success by pursuing the following strategies:

- Exceeding customers' expectations and providing a consistent, enjoyable visitor experience;
- Building and maintaining alliances with community and business partners;
- Effectively marketing the venues to retain existing customers and attract new business;
- Establishing and achieving annual benchmarks in sustainable business operations;
- Employing prudent financial measures that protect the public investment and minimize debt; and
- Pursuing strategic initiatives to meet long-term business objectives and client needs.

The mission of the OCC is to maximize economic benefit for the region and the State of Oregon while protecting public investment in the facility. As such, OCC management and marketing policies are aimed at attracting out-of-town visitors and creating new jobs to stimulate economic development while also accommodating local users.

The primary purpose of this study is to estimate the economic and fiscal impacts associated with the on-going operations of the OCC to the region. Economic impacts are estimated in terms of spending, jobs and earnings which create fiscal impacts which are reflected as changes in tax revenues.

General Methodology Overview

An estimate of the economic benefits that occur in area municipalities and the State of Oregon as a result of on-going operations of the OCC can be approached in several ways. The approach used in this analysis considers expenditures generated from facility operations from items such as personal services, food/beverage, goods/services, marketing, MERC/Metro administration and capital outlay as well as spending by attendees, sponsoring organizations/event producers and exhibitors outside the facility on items such as lodging, restaurants, retail, entertainment and transportation as the initial measure of economic activity in the marketplace. Once the amount for direct spending is estimated, a calculated multiplier is applied to generate the indirect and induced effects. The sum of direct, indirect and induced effects equals total economic impact which is expressed in terms of spending (output), employment (jobs), and personal earnings.

This analysis also estimates the fiscal impacts generated from on-going operations of the OCC. The governmental entities considered in this fiscal analysis are Clackamas, Multnomah and Washington Counties as well as Metro and the State of Oregon. Revenues generated from transient lodging tax, excise tax, motor vehicle rental tax, business income tax and personal income tax were estimated.

The number of events and attendance, event mix, origin of attendees, facility financial operations, industry trends, economic conditions, direct spending categories used, per person spending amounts, distribution of spending, multipliers and specific taxes quantified are all variables that influence the economic and fiscal impact estimates.



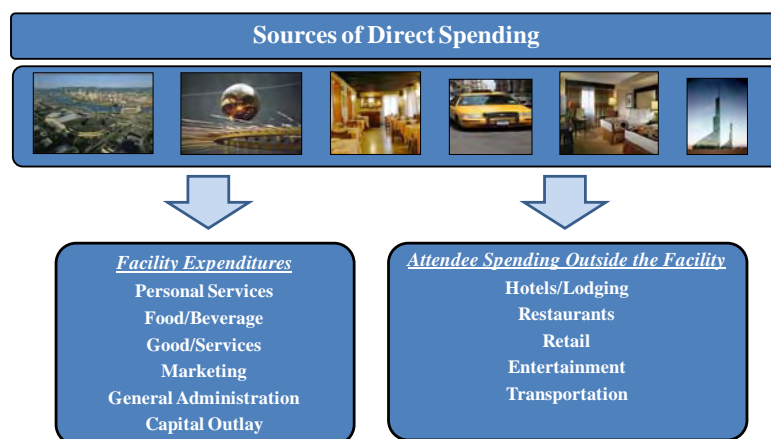
All amounts depicted in this report are presented in current dollars unless otherwise noted.

Methodology – Economic Impact Analysis

Regional input-output models are typically used by economists as a tool to understand the flow of goods and services among regions and measure the complex interactions among them given an initial spending estimate.

Direct Spending

Estimating direct spending is the first step in calculating economic impact. Direct spending represents the initial change in spending that occurs as a direct result of OCC operations. This spending occurs both inside and outside of the convention center. Direct spending related to OCC operations is generated from facility expenditures (including capital outlay) as well as spending by attendees, sponsoring organizations/event producers and exhibitors.



Indirect/Induced Impacts

The economic activity generated by OCC operations affects more than just the facility itself. In preparation for new spending in the economy, several other economic sectors are impacted and jobs are created. Indirect effects reflect the re-spending of the initial or direct expenditures or the business-to-business transactions required to satisfy the direct effect. Induced effects reflect changes in local spending on goods and services that result from income changes in the directly and indirectly affected industry sectors. The model generates estimates of these impacts through a series of relationships using local-level average wages, prices and transportation data, taking into account commute patterns and the relative interdependence of the economy on outside regions for goods and services.

Multiplier Effect

In an effort to quantify the inputs needed to produce the total output, economists have developed multiplier models. The estimation of multipliers relies on input-output models, a technique for quantifying interactions between firms, industries and social institutions within a local economy. This analysis uses IMPLAN software and databases which are developed under exclusive rights by the Minnesota IMPLAN Group, Inc. IMPLAN, which stands for *Impact Analysis for Planning*, is a computer software package that consists of procedures for estimating local input-output models and associated databases. The IMPLAN software package allows the estimation of the multiplier effects of changes in final demand for one industry on all other industries within a defined economic area. Its proprietary methodology includes a matrix of production and distribution data among all counties in the U.S. As such, the advantages of this model are that it is sensitive to both location and type of spending and has the ability to provide indirect/induced spending, employment and earnings information by specific industry category while taking into account the leakages associated with the purchase of certain goods and services outside the economy under consideration.

Once the direct spending amounts are assigned to a logical category, the IMPLAN model estimates the economic multiplier effects for each type of direct new spending attracted to or retained in the Tri-County region resulting from OCC operations.

For purposes of this analysis, the following industry multipliers were used:

Tri-County Region Multipliers			
Category	Spending	Employment*	Earnings
Hotels	1.7532	16.0	0.5660
Eating & Drinking Places	1.7273	21.9	0.6111
Retail Trade	1.5902	21.1	0.7474
Entertainment	1.8781	31.4	0.7365
Transportation	1.7603	13.6	0.6700
Business Services	1.7076	12.2	0.6729
New Construction	1.7521	13.6	0.6847

Note: *Indicates the number of jobs per \$1 million in spending.

Source: IMPLAN.

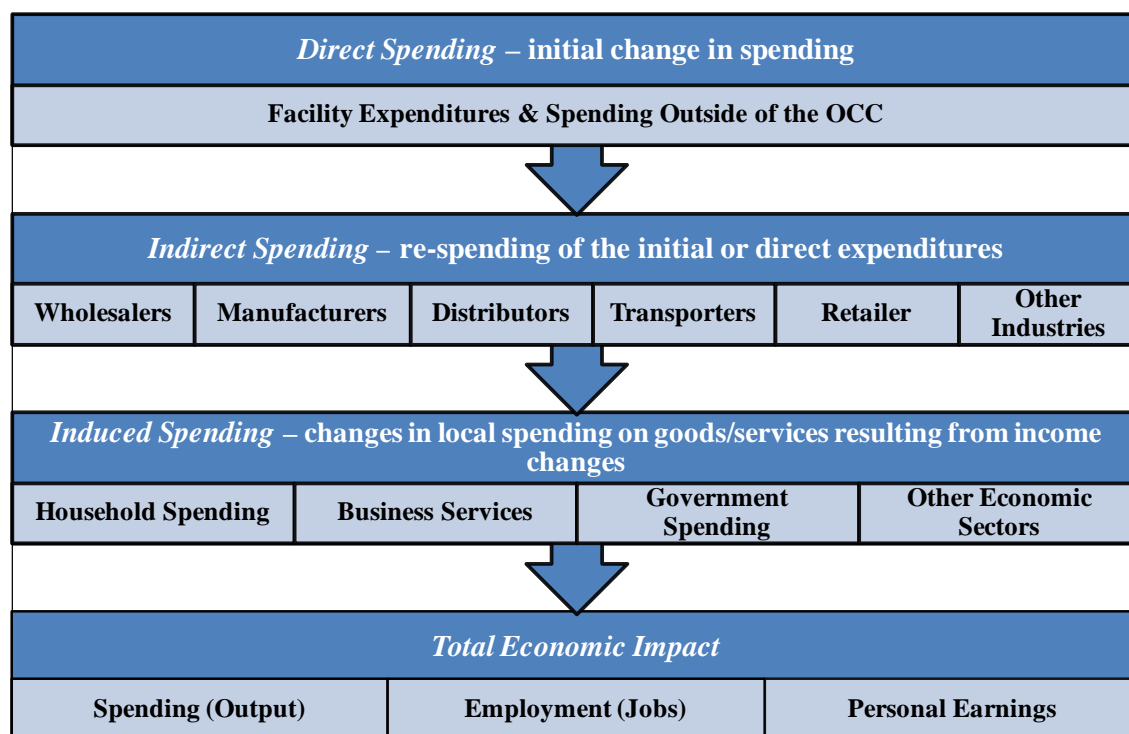
These multipliers reflect IMPLAN's latest available economic data reflecting 2009 transactions and the complex interactions among regions.

Total Economic Impact

The calculated multiplier effect is then added to the direct impact to quantify the total economic impact in terms of spending, employment and earnings which are defined below:

- *Spending (output)* represents the total direct, indirect and induced spending effects generated by OCC operations. This calculation measures the total dollar change in spending (output) that occurs in the local economy for each dollar of output delivered to final demand.
- *Employment (jobs)* represents the number of full and part-time jobs supported by OCC operations. The employment multiplier measures the total change in the number of jobs supported in the local economy for each additional \$1.0 million of output delivered to final demand.
- *Personal earnings* represent the wages and salaries earned by employees of businesses associated with or impacted by OCC operations. In other words, the multiplier measures the total dollar change in earnings of households employed by the affected industries for each additional dollar of output delivered to final demand.

The following graphic illustrates the multiplier effects for calculating total economic impact.



Methodology - Fiscal Impact Analysis

The estimated spending generated by the on-going OCC operations creates tax revenues for the area municipalities and the State. Experience in other markets suggests that while a significant portion of the direct spending likely occurs near the facility, additional spending occurs in other areas within the State, particularly spending on items such as business services and everyday living expense of residents. Major tax sources impacted by facility operations were identified and taxable amounts to apply to each respective tax rate were estimated. Although other taxes, such as property taxes, may also be positively impacted by on-going OCC operations, this analysis estimates the revenues generated from the following taxes based on the direct and indirect/induced spending amounts previously defined:

State of Oregon

- Corporate Excise and Income Tax
- Personal Income Tax
- Transient Lodging Tax

Metro

- Excise Tax

Clackamas County

- Transient Room Tax

Multnomah County

- Business Income Tax
- Motor Vehicle Rental
- Transient Lodging Tax

Washington County

- Lodging Tax

Economic/Fiscal Impact Analysis

General Overview of the OCC

This section of the report summarizes the estimated economic impacts and tax revenues to the Tri-County region as a result of on-going OCC operations and other business activity that supported the facility for the 12 months ending June 30, 2011.

OCC's mission is to maximize economic benefit for the region and the State while protecting public investment in the facility. Originally opened in September of 1990 and expanded in April of 2003, the OCC offers the following components:

- *Exhibit Space:* 255,000 square feet of contiguous space divisible into six exhibit halls
- *Ballroom Space:* 59,400 square feet of total space, which includes a 25,200-square foot ballroom and a 34,200-square foot ballroom
- *Meeting Space:* 50 rooms totaling 52,330 square feet of meeting space
- *Lobby/Pre-Function:* Over 100,000 square feet
- *Skyview Terrace:* 7,000 square feet
- *Parking:* 800-space underground parking garage on-site and 2,500 parking spaces within walking distance

Over the last several years, the Portland Development Commission (PDC), in conjunction with MERC and OCC, has actively sought the development of a headquarters hotel adjacent to the OCC. A Development Team was selected, Phase 1 of the project was completed, and several consultants were engaged to prepare pro formas, impact reports, employment numbers and costs of the headquarters hotel. In September 2009, the City of Portland, Multnomah County, and Metro agreed that the current development agreement for the headquarters hotel should be allowed to expire.

The potential headquarters hotel site is now home to a 30,000-square-foot, fully landscaped, multi-use outdoor space located directly across the street from the OCC's main lobby, although other adjacent and nearby sites could potentially serve as the future site of a hotel servicing the OCC. Opened in winter 2012, the OCC Plaza is fully functional with power and water hook-ups and includes an 11,000 square foot paved area, perfect for booth set-ups and open-air receptions. When not in use for an OCC event, the space is open to the public and offers an urban setting to convention delegates.

The Tri-County region benefits from the on-going OCC operations in a number of ways, including such tangible and intangible benefits as:

- Enhancing the area's image as a business, meetings and tourist destination;
- Receiving regional and national exposure through destination marketing and visitation;
- Providing a first-class meeting venue for area residents and out-of-town delegates/attendees;

- Unifying the market area and creating a more distinct identity;
- Serving as a catalyst for urban redevelopment initiatives; and
- Generating additional economic activity and enhanced fiscal revenues.

Each of these benefits is important in assessing the overall impacts of on-going OCC operations to the region. While the value of some of these benefits is difficult to measure, the economic and fiscal benefits can be quantified. Based on information from a variety of sources including, but not limited to, representatives from area municipalities and OCC management, this analysis summarizes the estimated economic benefits and associated tax benefits generated from OCC operations in FY 2011 to the entire Tri-County region as well as to each individual county.

Summary of Event Activity at the OCC

The following table summarizes the event activity at the OCC for FY 2011.

Summary of OCC Event Activity - FY 2011								
Event Type	Events	Move-in/ Move-out Days	Event Days	Total Use Days	Total Attendance	Average Attendance	Total Attendee Days	Average Attendee Days
Conventions/Tradeshows	73	139	220	359	126,853	1,738	381,851	5,231
Meetings	240	52	329	381	71,043	296	100,536	419
Other	156	135	259	394	372,509	2,388	383,748	2,460
Total	469	326	808	1,134	570,405		866,135	

Note: Other events include public shows and food and beverage functions.

Source: OCC Management.

The number of attendee days is an important component in the methodology used to calculate economic impact. For all event types other than food functions and other events, an attendee day is defined as total attendance multiplied by the event length. For example, a three-day convention with 600 delegates equates to 1,800 attendee days which reflects that the same delegates return to the event each of the three days. Attendee days for food functions and other events are the same as total attendance since these attendees generally attend only once during the event. As shown in the table above, the OCC generated more than 866,100 attendee days in FY 2011.

Although the total number of events and attendance at the OCC increased by 11% and 9%, respectively, between FY 2010 and FY 2011, the average attendance at conventions/tradeshows decreased by 25%. In addition, total attendee days at convention/tradeshows decreased by 34% between FY 2010 and FY 2011 which had a direct effect on the OCC's estimated economic and fiscal impacts.

Summary of Estimated Economic Impacts from OCC Operations

The table below summarizes the estimated economic impacts generated from on-going OCC operations in terms of spending, jobs and earnings and is followed by a discussion of each component.

Estimated Economic Benefits to the Tri-County Region From OCC Operations in FY 2011	
Total Economic Benefits:	Tri-County Region
Direct Spending	\$261,451,000
Indirect/Induced Spending	188,128,000
Total Spending	\$449,579,000
Total Jobs	4,260
Total Earnings	\$167,618,000
Total Economic Benefits:	Clackamas County
Direct Spending	\$26,531,000
Indirect/Induced Spending	19,026,000
Total Spending	\$45,557,000
Total Jobs	430
Total Earnings	\$17,157,000
Total Economic Benefits:	Multnomah County
Direct Spending	\$199,755,000
Indirect/Induced Spending	143,812,000
Total Spending	\$343,567,000
Total Jobs	3,260
Total Earnings	\$127,886,000
Total Economic Benefits:	Washington County
Direct Spending	\$35,164,000
Indirect/Induced Spending	25,288,000
Total Spending	\$60,452,000
Total Jobs	570
Total Earnings	\$22,574,000

Notes: Tri-County Region amounts represent the sum of the three counties.

There may be slight differences due to rounding.

Earnings represent the salaries/wages earned by employees of businesses associated with or impacted by the facility.

Direct Spending

As mentioned previously, the first step in calculating economic impact is estimating the direct spending. The benefits generated in the Tri-County region result from the impact of direct spending both by attendees and activities that support events held at the OCC. Direct spending impacts are annually recurring in nature. The primary types of spending quantified in this analysis include:

- Attendee spending outside the facility;
- Sponsoring organization/event producer spending outside the facility;
- Exhibitor spending outside the facility; and
- Budgetary spending and capital outlay by the OCC.

The spending amounts for each of these categories were based on data provided by several secondary sources including OCC management, Travel Portland as well as other industry resources such as Destination Marketing Association International (DMAI).

Attendee Spending Outside the Facility

Event data provided by OCC management was used to calculate attendee spending. Daily spending amounts were assigned to high impact attendees who stay overnight in a hotel and low impact attendees who likely originate from the area. For purposes of this analysis, all attendees at regional/national/international events were classified as high impact. A per day spending amount of \$330 was used for these attendees. In addition, 30% of State/local convention/tradeshow attendees and 5% of attendees at all other State/local events were assumed to be high impact and an average daily spending amount of \$269 was applied to these attendees. All remaining attendees were classified as low impact and an average daily spending amount of \$31 was used.

Sponsoring Organization/Event Producer & Exhibitor Spending Outside the Facility

Sponsoring organizations/event producers have substantial investments in the events that they host. These organizations purchase goods and services from either the OCC or from outside sources. In addition, exhibitors often spend money outside of the facility to entertain existing and potential clients. Items such as exhibit space and equipment rental are typically provided by the facility, which are reflected as revenues for the provider. Since this spending is eventually reflected in the budgetary spending by the OCC, these amounts are excluded from sponsoring organization/event producer and exhibitor spending to avoid double counting. Based on data from secondary sources including DMAI, the following table summarizes the average spending amounts per delegate day by scope of event used in this analysis to reflect spending by sponsoring organizations/event producers and exhibitors.

Per Day Spending Per Delegate	State/ Local	Regional/ National/ International
Sponsoring Organization/Event Producer ¹	\$17	\$18
Exhibitor ²	\$130	\$83

Notes: ¹ Per day spending amounts are applied to convention/tradeshow attendees.

² Per day spending amounts are applied to convention/tradeshow/public show attendees.

Source: DMAI.

Based on conversations with DMAI representatives, exhibitor spending at State/local events can be higher than that at regional/national/international events since these exhibitors are more likely from the local area. Thus, they tend to spend a greater portion of their exhibit-related expenditures within their own community. Conversely, exhibitors attending regional/national/international events are likely to spend a greater portion of their expenditures where they are based as opposed to the event location.

Budgetary Spending and Capital Outlay for the OCC

Budgetary spending refers to the expenditures generated by the OCC. Regardless of the source or magnitude of the revenues the building takes in, this analysis focused on the operating expenditures occurring in the Tri-County economies. Based on information provided by management, OCC operating expenditures (including capital outlay) were approximately \$29.0 million in FY 2011.

Summary of Direct Spending Inputs

Based on event and financial operating data provided by management and the DMAI spending estimates, the total direct spending related to OCC attendees, sponsoring associations/event producers, exhibitors and budgetary spending was estimated to be \$261.5 million in FY 2011. As a point of comparison, the FY 2011 direct spending estimates are 14% lower than FY 2010.

Estimated Direct Spending From OCC Operations - FY 2011	
Category	Amount
Attendee Spending	\$149,858,000
Sponsoring Organization/Event Producer/Exhibitor Spending	82,554,000
OCC Budgetary Spending/Capital Outlay	29,039,000
Total	\$261,451,000

Notes: Amounts are rounded to the nearest thousand.

Once the total economic impact for the Tri-County region was estimated, a percentage of the total spending was allocated to each of the three counties. Allocations for hotel spending were based on the historical transient lodging tax receipts for each county as a percentage of the total collections within the Tri-County region. Allocations for all other spending were calculated in the same manner based on historical information on travel spending as provided by Dean Runyan Associates to the Oregon Tourism Commission. The table below summarizes the allocations for hotel and all other spending used in this analysis.

County	% Allocation	
	Hotel Spending	All Other Spending
Clackamas	7.9%	10.9%
Multnomah	79.1%	75.5%
Washington	13.0%	13.6%
Total	100.0%	100.0%

Finally, these direct spending amounts estimated to be generated from OCC operations were applied to the multipliers previously shown in order to calculate estimates for total spending, total jobs and total earnings.

Indirect and Induced Impacts

The IMPLAN model is used to generate the indirect and induced impacts spawned from the estimated economic activities within the Tri-County region. The indirect impacts represent inter-industry trade from business to business. Likewise, the induced impacts represent the economic activity spurred by the household trade that occurs when employees make consumer purchases with their incomes. According to the IMPLAN model, direct spending spurred by OCC operations in FY 2011 was estimated to generate \$188.1 million in indirect/induced spending.

Total Spending

Outputs from the IMPLAN model indicate that total spending (i.e., direct, indirect and induced) from OCC operations in FY 2011 was estimated to be \$449.6 million.

Total Jobs

Based on the IMPLAN model, which calculates the number of jobs per \$1.0 million in direct spending, the economic activity associated with OCC operations in FY 2011 was estimated to support approximately 4,260 total jobs. These jobs are created in many sectors of the economy, which both directly and indirectly support the increased level of business activity in the area.

Total Earnings

Outputs from the IMPLAN model indicate that total earnings generated from OCC operations in FY 2011 were estimated to be \$167.6 million.

Summary of Estimated Fiscal Impacts from OCC Operations

As summarized in the table that follows, OCC operations in FY 2011 were estimated to generate approximately \$15.5 million in tax revenues of which \$5.6 million (36%) occurred at the State level and \$7.4 million (48%) occurred in Multnomah County.

Estimated Fiscal Benefits From OCC Operations - FY 2011	
Municipality/Tax	Amount
State of Oregon	
Personal Income Tax	\$4,412,000
Transient Lodging Tax	655,000
Corporate Excise & Income Tax	518,000
Subtotal	\$5,585,000
Metro	
Excise Tax	\$1,275,000
Subtotal	\$1,275,000
Clackamas County	
Transient Room Tax	\$466,000
Subtotal	\$466,000
Multnomah County	
Transient Lodging Tax	\$5,963,000
Motor Vehicle Rental Tax	1,346,000
Business Income Tax	87,000
Subtotal	\$7,396,000
Washington County	
Lodging Tax	\$767,000
Subtotal	\$767,000
GRAND TOTAL	\$15,489,000

Note: Although Multnomah County collects the Transient Lodging Tax, a portion of this tax is distributed to the City of Portland's general fund and to Travel Portland.

The following outlines significant assumptions utilized in this analysis.

State of Oregon

Personal Income Tax – The State of Oregon imposes a personal income tax which is calculated on a graduated scale. Personal income tax is the State of Oregon's largest source of revenue. Based on information from the State of Oregon Department of Revenue, the Statewide effective tax rate for personal income is 5.6%. This effective tax rate was applied to 47% of total earnings estimated to be generated by OCC operations, which represents the State's average taxable income as a percentage of total income.

Corporate Excise and Income Tax – Corporate excise and income tax is the second largest source of revenue for the State. All corporations doing business in Oregon pay excise tax while corporations not doing business in the State but having income from an Oregon source pay income tax. The corporate tax rate is 6.6% of Oregon taxable income up to \$250,000 and 7.6% on taxable income greater than \$250,000. For purposes of this analysis and based on information from the State of Oregon Department of Revenue, the 6.6% tax rate (which applies to approximately 95% of the 2008 tax returns filed) was applied to 3.0% of direct spending estimated to be generated by OCC operations in order to reflect net taxable income.

Transient Lodging Tax – Public and private lodging providers began paying a 1% State transient lodging tax in 2004. This tax is in addition to, not in place of, any local transient lodging tax. This tax continuously appropriates funds to the Oregon Tourism Commission to promote tourism programs in the State. The 1% tax rate was applied to 100% of direct hotel spending estimated to be generated by OCC operations.

Metro

Excise Tax – Metro imposes an excise tax of 7.5% of total earned revenues of MERC facilities. The tax is remitted on a monthly basis to Metro and is a General Fund Revenue dedicated to the funding of general government activities as well as various planning, parks and green spaces activities. This line item reflects the actual excise tax amount paid by the OCC.

Clackamas County

Transient Room Tax – Clackamas County imposes a 6% transient room tax on hotels, defined as any structure or any portion of any structure which is occupied or intended or designed for transient occupancy for 30 days or less for dwelling, lodging or sleeping purposes. Revenues generated by this source are allocated as follows: two points are used for administration purposes, a flat fee is allocated to help fund the County Fair and the remaining amount goes to the Tourism Development Council Fund which is used to promote tourism. The flat fee allocated to the County Fair was originally set at \$250,000 per year and is adjusted by CPI annually. As a point of reference, the flat fee was approximately \$402,000 in FY 2011.

In addition to the 6% tax rate imposed by Clackamas County, several cities in the County also impose additional transient room taxes, which range from 3% to 5%. A tax rate of 9% was applied to 100% of direct hotel spending in the County. Although all tax revenue is generated within the County, the County only retains six of the nine points while the various cities within the County receive the remaining amount. This tax was only estimated for OCC-related event activity given this venue's relatively higher room night generation and impact to surrounding counties.

Multnomah County

Transient Lodging Tax – Multnomah County imposes a tax of 11.5% of the rent charged by the operator of any structure or any portion of any structure which is occupied or intended or designed for transient occupancy for 30 days or less for dwelling, lodging or sleeping purposes.

This tax is generally allocated as follows:

- Five points of the tax collected by Multnomah County goes to the individual city where the establishment is located
- One point of the tax is allocated to the City of Portland to contract with a not-for-profit agency to promote the destination (i.e., OCC)
- A three point surcharge rate of the tax is allocated to the excise tax fund of which hotel operators can deduct 5% of the three points for administrative costs. The remaining amount

is dedicated to various projects such as the OCC, the Portland Center for the Performing Arts, and the Regional Arts and Culture Council

- A 2.5 point surcharge rate of the tax is allocated to the Visitors Facilities Trust Account (VFTA) of which hotel operators can deduct 5% of the 2.5 points for administrative costs

The 11.5% tax rate was applied to 100% of direct hotel spending estimated to be generated in Multnomah County by OCC operations.

Motor Vehicle Rental Tax – Multnomah County levies a 17% tax on the rental of motor vehicles from a commercial establishment doing business in the County if the rental is for a period of 30 days or less. The tax is remitted to the County on a quarterly basis. The collections from the base rate of 14.5% are allocated to the County's general fund while the remaining 2.5% is allocated to the Visitors Facilities Trust Account (VFTA). The 17% tax rate was applied to 50% of direct local transportation spending in Multnomah County estimated to be generated by OCC operations.

Business Income Tax – A business income tax is imposed on each business within Multnomah County equal to 1.45% of the net income from that business within the County. This tax is administered by the City of Portland. For purposes of this analysis, the 1.45% tax rate was applied to 3.0% of total direct spending in the County in order to reflect net taxable income estimated to be generated by OCC operations.

Washington County

Lodging Tax – Washington County imposes a 9% tax on short term stays in hotels, motels and RV parks. For purposes of this analysis, this tax rate was applied to direct hotel spending in Washington County. This tax was only estimated for OCC related event activity given this venue's relatively higher room night generation and impact to surrounding counties. The allocation of collections is as follows:

- One point is dedicated to the Visitor's Association
- One point is dedicated to the Fair Board to support the County Fair
- Two points are granted to the promotion of tourism and are no longer automatically given to the County's Visitor's Association; rather all interested parties must submit proposals to the County for an allocation of this portion, including the Visitor's Association
- The remaining five points are split between the County and cities and are primarily used to fund functions such as public safety, public health, transportation and other local government services.

Other Jurisdictions

In addition to those jurisdictions previously described, other area governments may benefit from OCC operations which generate patron spending at regional business establishments. Conversations with management at a sample of hotels and restaurants suggest event activity at the OCC positively impacts their business as well as that of other establishments nearby.

Summary of Estimated Economic and Fiscal Impacts for OCC – FY 2011

The OCC is a unique business entity that generates significant economic activity to metropolitan Portland and the State of Oregon. In FY 2011, the OCC hosted 469 events that attracted over 570,400 in total attendance and 866,100 attendee days which was estimated to generate approximately \$261.5 million in direct spending to the Tri-County region. Outputs from the IMPLAN model indicate that OCC operations in FY 2011 generated total spending (i.e., direct, indirect and induced impacts) of \$449.6 million which was estimated to support 4,260 jobs that created \$167.6 million in personal earnings. These transactions were subject to taxes that were estimated to generate approximately \$15.5 million in FY 2011 which compares favorably to the OCC's operating deficit of \$10.0 million.