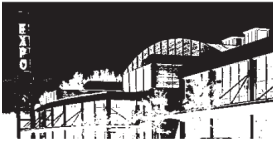

MERC Budget Committee Meeting

February 10, 2014
1:00 pm

Oregon Convention Center
777 NE Martin Luther King Jr. Blvd
King Board Room



600 NE Grand Ave.
Portland, OR 97232
503-797-1780

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Metro | *Exposition Recreation Commission*

Agenda

Meeting: MERC Budget Committee
Date: Monday, February 10, 2014
Time: 1 to 2:30 p.m.
Place: Oregon Convention Center, King Boardroom

1:00 p.m.	Opening Remarks	Dresler
1:05 p.m.	MTOCA	B. Rowe/Collier
1:15 p.m.	Venue Budget Updates <ul style="list-style-type: none">• Approved budget add requests• Sustainability project results - savings and environmental impacts• Portland's Foundation engagement	Rotchford Cruickshank Williams
1:45 p.m.	FY 14-15 MERC budget review	Rowe
2:00 p.m.	New reserves policy <ul style="list-style-type: none">• Updated language• Effect of reserve policy on FY 13-14	Rowe/Collier
2:10 p.m.	Expo project update	Fortney
2:30 p.m.	Adjourn	

MERC Statement of Activity with Annual Budget

Metropolitan Exposition-Recreation Commission

All Departments

2015

Revised

	2011-12 Actual	2012-13 Actual	2013-14 Budget	2014-15 Budget	Change in Annual Budget	
					\$	%
Operations						
Charges for Services	19,142,345	20,769,934	18,770,762	21,098,321	2,327,559	12%
Contributions from Governments	774,040	798,035	816,020	831,905	15,885	2%
Contributions from Private Sources	4,828	-	-	-	-	-
Enhanced Marketing VDF	431,435	441,358	455,268	463,702	8,434	2%
Food and Beverage Revenue	13,625,011	15,777,579	12,079,725	15,202,929	3,123,204	25.85%
Grants	24,415	12,073	-	-	-	-
Interest Earnings	155,883	99,479	76,142	57,750	(18,392)	-24%
Interfund Loans	-	-	2,200,000	-	(2,200,000)	-100%
Lodging Tax	9,627,880	9,339,666	10,280,593	11,131,163	850,570	8%
Miscellaneous Revenue	124,969	114,815	81,805	84,542	2,737	3%
Transfers-R	114,822	568,633	418,633	936,187	517,554	124%
Visitor Development Fund Alloc	1,576,336	2,712,406	2,965,634	1,931,633	(1,034,001)	-35%
Total Revenues	45,601,965	50,633,978	48,144,582	51,738,132	3,593,550	7%
Capital Outlay	153,390	298,992	218,274	-	(218,274)	-100%
Food & Beverage Services	11,675,824	12,563,460	10,199,704	12,871,802	2,672,098	26.20%
Materials and Services	10,163,897	11,756,869	14,021,980	12,443,476	(1,578,504)	-11%
Personnel Services	17,202,907	16,558,158	17,741,183	18,474,677	733,494	4%
Transfers-E	6,137,175	4,548,947	5,131,804	5,664,126	532,322	10%
Visitor Development Marketing	431,435	441,358	1,330,719	463,702	(867,017)	-65%
Total Expenditures	45,764,627	46,167,784	48,643,664	49,917,783	1,274,119	2.62%
Net Operations	(162,662)	4,466,194	(499,082)	1,820,349		0.00%
	6,722,000	5,289,297	6,680,797	6,127,828	(552,969)	-8%
Capital						
Contributions from Private Sources	375,871	-	75,000	-	(75,000)	-100%
Grants	99,159	410,072	494,003	70,000	(424,003)	-86%
Lodging Tax	902,391	-	-	-	-	-
Other Financing Sources	-	-	-	-	-	-
Transfers-R	480,000	-	-	-	-	-
Total Revenues	1,857,421	410,072	569,003	70,000	(499,003)	-88%
Capital Outlay	1,890,890	2,488,547	5,109,343	6,606,300	1,496,957	29%
Total Expenditures	1,890,890	2,488,547	5,109,343	6,606,300	1,496,957	29%
Net Capital	(33,469)	(2,078,475)	(4,540,340)	(6,536,300)		
Fund Balance	(196,131)	2,387,719	(5,039,422)	(4,715,951)		
Food & Beverage Margin \$	1,949,187	3,214,119	1,880,021	2,331,127		
Food & Beverage Margin %	14%	20%	15.6%	15.3%		
Fund Balance						
Beginning Fund Balance (Budgeted)			24,595,519	33,314,365		
Fund Balance Inc. (Dec.)			(5,039,422)	(4,715,951)		
Ending Fund Balance	26,161,716	30,414,365	19,556,097	28,598,414		
Operating Contingency			2,299,335	2,645,000		
Capital Contingency			254,605	-		
Stabilization Reserve			620,500	-		
Renewal & Replacement			10,934,764	18,963,183		
New Capital / Business Strategy			5,640,167	6,152,143		
TLT Pooled Capital			-	838,088		
			19,749,371	28,598,414		
Beginning Fund Balance (Actual)			30,414,365			
Fund Balance Inc. (Dec.) (Projected)			2,900,000			
Ending Fund Balance (Projected)			33,314,365			

MERC Statement of Activity with Annual Budget

Metropolitan Exposition-Recreation Commission

Convention Center Operating Fund

2015

	Revised				Change in Annual Budget	
	2011-12	2012-13	2013-14	2014-15	\$	%
	Actual	Actual	Budget	Budget		
Operations						
Charges for Services	8,574,250	9,556,536	7,749,264	9,446,977	1,697,713	22%
Enhanced Marketing VDF	431,435	441,358	455,268	463,702	8,434	2%
Food and Beverage Revenue	9,469,592	11,722,033	8,300,000	11,002,827	2,702,827	33%
Grants	1,440	-	-	-	-	
Interest Earnings	57,495	31,130	23,890	14,500	(9,390)	-39%
Interfund Loans	-	-	2,200,000	-	(2,200,000)	-100%
Lodging Tax	8,393,560	8,142,295	8,978,088	9,803,384	825,296	9%
Miscellaneous Revenue	17,884	23,422	11,000	11,000	-	0%
Transfers-R	66,180	546,633	(223,432)	(66,841)	156,591	-70%
Visitor Development Fund Alloc	960,000	2,081,895	2,315,251	1,281,250	(1,034,001)	-45%
Total Revenues	27,971,836	32,545,302	29,809,329	31,956,799	2,147,470	7%
Capital Outlay	144,632	276,685	193,274	-	(193,274)	-100%
Food & Beverage Services	8,218,907	9,220,424	7,050,225	9,363,294	2,313,069	33%
Materials and Services	6,452,621	7,724,506	9,351,393	7,743,570	(1,607,823)	-17%
Personnel Services	8,950,462	8,531,668	9,674,777	9,969,668	294,891	3%
Transfers-E	2,610,944	1,934,976	2,470,795	2,701,291	230,496	9%
Visitor Development Marketing	431,435	441,358	1,330,719	463,702	(867,017)	-65%
Total Expenditures	26,809,001	28,129,618	30,071,183	30,241,525	170,342	1%
Net Operations	1,162,835	4,415,685	(261,854)	1,715,274		0%
Capital						
Grants	17,812	406,640	60,000	60,000	-	0%
Other Financing Sources	-	-	-	-	-	
Transfers-R	480,000	90,000	615,000	360,000	-	0%
Total Revenues	497,812	496,640	675,000	420,000	-	0%
Capital Outlay	1,156,478	1,473,773	2,731,540	4,193,000	1,461,460	54%
Total Expenditures	1,156,478	1,473,773	2,731,540	4,193,000	1,461,460	54%
Net Capital	(658,666)	(977,133)	(2,056,540)	(3,773,000)		
Fund Balance	504,169	3,438,552	(2,318,394)	(2,057,726)		
Food & Beverage Margin \$	1,250,685	2,501,609	1,249,775	1,639,533		
Food & Beverage Margin %	13%	21%	15%	15%		
Fund Balance						
Beginning Fund Balance (Budgeted)			10,467,977	16,415,732		
Fund Balance Inc. (Dec.)			(2,318,394)	(2,057,726)		
Ending Fund Balance	11,058,553	14,415,732	8,149,583	14,358,006		
Operating Contingency			1,540,000	1,630,000		
Stabilization Reserve			260,000	-		
Renewal & Replacement			5,127,779	11,028,928		
New Capital / Business Strategy			1,415,078	1,699,078		
			8,342,857	14,358,006		
Beginning Fund Balance (Actual)			14,415,732			
Fund Balance Inc. (Dec.) (Projected)			2,000,000	-		
Ending Fund Balance (Projected)			16,415,732			

MERC Statement of Activity with Annual Budget

Metropolitan Exposition-Recreation Commission

Portland's 5 Centers for the Arts Fund

2015

	2011-12	2012-13	2013-14	Revised 2014-15	Change in Annual Budget	
	Actual	Actual	Budget	Budget	\$	%
Operations						
Charges for Services	6,477,930	7,356,297	6,969,394	7,454,065	484,671	7%
Contributions from Governments	774,040	798,035	816,020	831,905	15,885	2%
Contributions from Private Sources	4,828	-	-	-	-	-
Food and Beverage Revenue	2,170,470	2,152,136	1,911,562	2,225,102	313,540	16%
Grants	16,634	12,073	-	-	-	-
Interest Earnings	64,635	48,489	39,420	31,000	(8,420)	-21%
Lodging Tax	1,234,320	1,197,371	1,302,505	1,327,779	25,274	2%
Miscellaneous Revenue	87,028	72,049	50,260	51,302	1,042	2%
Transfers-R	28,440	17,500	(388,603)	(428,413)	(44,402)	11%
Visitor Development Fund Alloc	616,336	630,511	650,383	650,383	-	0%
Total Revenues	11,474,662	12,284,461	11,350,941	12,143,123	787,590	7%
Capital Outlay	8,758	-	-	-	-	-
Food & Beverage Services	1,703,974	1,698,887	1,647,214	1,857,227	210,013	13%
Materials and Services	2,129,071	2,618,474	2,821,985	2,827,238	5,253	0%
Personnel Services	5,377,505	5,437,387	5,623,884	5,997,702	373,818	7%
Transfers-E	1,629,668	1,119,634	1,145,036	1,303,741	158,705	14%
Total Expenditures	10,848,976	10,874,381	11,238,119	11,985,908	747,789	7%
Net Operations	625,687	1,410,080	112,822	157,215	-	0%
Capital						
Contributions from Private Sources	375,871	-	75,000	-	(75,000)	-100%
Grants	76,360	3,432	-	-	-	-
Transfers-R	15,000	-	-	-	-	-
Total Revenues	467,231	3,432	75,000	-	(75,000)	-100%
Capital Outlay	514,494	482,225	916,000	1,653,000	737,000	80%
Total Expenditures	514,494	482,225	916,000	1,653,000	737,000	80%
Net Capital	(47,264)	(478,793)	(841,000)	(1,653,000)	-	-
Fund Balance	578,423	931,287	(728,178)	(1,495,785)	-	-
Food & Beverage Margin \$	466,497	453,250	264,348	367,875	-	-
Food & Beverage Margin %	21%	21%	14%	17%	-	-
Fund Balance						
Beginning Fund Balance (Budgeted)			7,971,363	9,820,156	-	-
Fund Balance Inc. (Dec.)			(728,178)	(1,495,785)	-	-
Ending Fund Balance	8,445,298	9,020,156	7,243,185	8,324,371	-	-
Operating Contingency			300,000	600,000	-	-
Stabilization Reserve			174,500	-	-	-
Renewal & Replacement			4,729,000	5,867,322	-	-
New Capital / Business Strategy			2,039,685	1,857,049	-	-
			7,243,185	8,324,371	-	-
Beginning Fund Balance (Actual)			9,020,156		-	-
Fund Balance Inc. (Dec.) (Projected)			800,000		-	-
Ending Fund Balance (Projected)			9,820,156		-	-

MERC Statement of Activity with Annual Budget

Metropolitan Exposition-Recreation Commission

Expo Fund

2015

	Revised					
	2011-12 Actual	2012-13 Actual	2013-14 Budget	2014-15 Budget	Change in Annual Budget	
					\$	%
Operations						
Charges for Services	4,108,511	3,857,101	4,052,104	4,197,279	145,175	4%
Food and Beverage Revenue	1,984,949	1,903,409	1,868,163	1,975,000	106,837	6%
Grants	6,341	-	-	-	-	-
Interest Earnings	24,576	12,484	9,082	8,500	(582)	-6%
Miscellaneous Revenue	19,793	19,344	20,545	22,240	1,695	8%
Transfers-R	7,980	4,500	(111,875)	171,851	283,726	-254%
Total Revenues	6,152,151	5,796,838	5,838,019	6,374,870	536,851	9%
Capital Outlay	-	22,306	25,000	-	(25,000)	-100%
Food & Beverage Services	1,752,943	1,644,149	1,502,265	1,651,281	149,016	10%
Materials and Services	1,333,232	1,184,962	1,305,721	1,383,262	77,541	6%
Personnel Services	1,469,086	1,484,027	1,655,148	1,725,972	70,824	4%
Transfers-E	1,644,306	1,494,337	1,515,973	1,636,094	120,121	8%
Total Expenditures	6,199,567	5,829,782	6,004,107	6,396,609	392,502	7%
Net Operations	(47,416)	(32,943)	(166,088)	(21,739)		0%
Capital						
Grants	4,987	-	434,003	10,000	(424,003)	-98%
Transfers-R	-	270,000	165,000	360,000	195,000	118%
Total Revenues	4,987	270,000	599,003	370,000	(229,003)	-38%
Capital Outlay	219,917	472,332	1,169,003	667,500	(501,503)	-43%
Total Expenditures	219,917	472,332	1,169,003	667,500	(501,503)	-43%
Net Capital	(214,930)	(202,332)	(570,000)	(297,500)		
Fund Balance	(262,347)	(235,275)	(736,088)	(319,239)		
Food & Beverage Margin \$	232,006	259,260	365,898	323,719		
Food & Beverage Margin %	12%	14%	20%	16%		
Fund Balance						
Beginning Fund Balance (Budgeted)			3,831,492	4,035,353		
Fund Balance Inc. (Dec.)			(736,088)	(319,239)		
Ending Fund Balance	4,310,141	3,935,353	3,095,404	3,716,114		
Operating Contingency			364,000	350,000		
Stabilization Reserve			186,000	-		
Renewal & Replacement			360,000	770,098		
New Capital / Business Strategy			2,185,404	2,596,016		
			3,095,404	3,716,114		
Beginning Fund Balance (Actual)			3,935,353			
Fund Balance Inc. (Dec.) (Projected)			100,000			
Ending Fund Balance (Projected)			4,035,353			

MERC Statement of Activity with Annual Budget

Metropolitan Exposition-Recreation Commission

MERC Admin Sub Fund

2015

				Revised		
	2011-12	2012-13	2013-14	2014-15	Change in Annual Budget	
	Actual	Actual	Budget	Budget	\$	%
Operations						
Charges for Services	(18,347)	-	-	-	-	
Interest Earnings	9,176	7,376	3,750	3,750	-	0%
Miscellaneous Revenue	264	-	-	-	-	
Transfers-R	12,222	-	1,142,543	1,259,590	130,548	11%
Total Revenues	3,316	7,376	1,146,293	1,263,340	130,548	11%
Materials and Services	248,973	228,927	542,881	489,406	(53,475)	-10%
Personnel Services	1,405,853	1,105,077	787,374	781,335	(6,039)	-1%
Transfers-E	252,257	-	-	23,000	23,000	
Total Expenditures	1,907,084	1,334,004	1,330,255	1,293,741	(36,514)	-3%
Net Operations	(1,903,768)	(1,326,628)	(183,962)	(30,401)		0%
Capital						
Lodging Tax	902,391	-	-	-	-	
Transfers-R	(15,000)	(360,000)	(780,000)	(720,000)	60,000	-8%
Total Revenues	887,391	(360,000)	(780,000)	(720,000)	60,000	-8%
Capital Outlay	-	60,218	292,800	92,800	(200,000)	-68%
Total Expenditures	-	60,218	292,800	92,800	(200,000)	-68%
Net Capital	887,391	(420,218)	(1,072,800)	(812,800)		
Fund Balance	(1,016,376)	(1,746,846)	(1,256,762)	(843,201)		
Fund Balance						
Beginning Fund Balance (Budgeted)			2,324,687	3,043,124		
Fund Balance Inc. (Dec.)			(1,256,762)	(843,201)		
Ending Fund Balance	2,347,724	3,043,124	1,067,925	2,199,923		
Operating Contingency			95,335	65,000		
Capital Contingency			254,605	-		
Renewal & Replacement			717,985	1,296,835		
TLT Pooled Capital			-	838,088		
			1,067,925	2,199,923		
Beginning Fund Balance (Actual)			3,043,124			
Fund Balance Inc. (Dec.) (Projected)			-			
Ending Fund Balance (Projected)			3,043,124			

MERC Venues Reserve Policy and Procedures Changes Proposal

Finance and Regulatory Services proposes the following MERC reserve policy changes for increased clarity and efficiency in administration:

- (1) **Transition the annual operating contingency contribution from a lump sum amount to 5% of operating budget.**

Current:

Annual operating contingencies are sized to withstand a 10-year event at a 90% (6.4% of operating budget) or 95% confidence level (9.7% of operating budget).

Proposed:

Annual operating contingencies shall be budgeted at 5% of operating revenue net of Excise Tax.

- (2) **Allocate 90% of end of year budget savings to the Renewal & Replacement Reserve and the remaining 10% to the New Capital and Business Strategy Reserve.**

Current:

The reserves are sized to meet two criteria: (1) each year's beginning account balance should be sufficient to cover that year's expected outlays including a contingency for cost overruns; and (2) the periodic deposits should be relatively stable or at least predictable, and feasible.

Proposed:

Venues shall allocate 90% of end of year budget savings to the Renewal and Replacement Reserve until such time its five-year CIP is fully funded. Venues shall allocate 10% of end of year budget savings to the New Capital and Business Strategy Reserve.

- (3) **Discontinue the stabilization reserve.**

Current:

A stabilization reserve is used to restore any shortfall in the operating contingency in the subsequent year. Operating and stabilization reserves together are sized to withstand a combination of cost spikes and revenue slumps that amount to a "twenty year event" spread over two fiscal years.

Proposed:

Discontinue the stabilization reserve policy.

CURRENT
FY 2014 Contingencies & Reserves

	OCC	P5	Expo	Admin	MERC	
Beginning Fund Balance (Actual)	14,415,732	9,020,156	3,935,353	3,043,124	30,414,365	(2)
Contingencies						
Operating	1,540,000	300,000	364,000	95,335	2,299,335	(1)
Stabilization Reserve	260,000	174,500	186,000		620,500	(3)
New Capital-Business Strategy	7,487,953	3,816,656	3,025,353		14,329,962	(2)
Renew & Replacement	5,127,779	4,729,000	360,000	2,693,184	12,909,963	
TLT Contingency				254,605	254,605	
Total	14,415,732	9,020,156	3,935,353	3,043,124	30,414,365	

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PROPOSED
FY 2014 Contingencies & Reserves

Beginning Fund Balance (Actual)	14,415,732	9,020,156	3,935,353	3,043,124	30,414,365	(2)
Contingencies						
Operating	1,524,215	571,297	315,351	57,315	2,468,178	(1)
New Capital-Business Strategy	3,950,758	2,775,945	2,980,527		9,707,230	
Renew & Replacement	8,940,759	5,672,914	639,475	2,731,204	17,984,352	(2), (3)
TLT Contingency				254,605	254,605	
Total	14,415,732	9,020,156	3,935,353	3,043,124	30,414,365	

**Materials following this page are
attachments to the public record.**

**Metropolitan Exposition Recreation Commission
Record of MERC Commission – Budget Committee Meeting**

February 10, 2014
Oregon Convention Center, King Board Room

Present:	Terry Goldman, Chris Erickson, Cynthia Haruyama (via conference phone)
Absent:	None
	A meeting of the Metropolitan Exposition Recreation Commission Budget Committee was opened by Chair Haruyama at the Oregon Convention Center at 1:00 pm
	<p>Teri Dresler provided opening remarks including background on MTOCA and the proposal to use funds to help fund the Expo Center.</p> <ul style="list-style-type: none"> • Commissioner Erickson inquired how the act was originally conceived. • Dresler responded that it was conceived by Rod Park who was a supporter of the OCC, a convention center hotel and the convention business in general. He made the proposal in 2004 that part of the tax on the solid waste fund be used to help fund the OCC. Brian Kennedy added that prior to 2008 the solid waste tax was figured as a dollar “per ton” basis and at that time was changed to “yield-based” and at that time the amount was separated from regional tonnage and is now a bucket that receives an amount Now OCC makes an ask and Council considers how much can be used from the general fund to go into the bucket.
	<p>Venue Budget Updates:</p> <p>Each venue director reported on the additional budget asks they have requested and have been approved as well as providing a report on sustainability projects and how much money was or is forecasted to be saved by investing in such projects. Robyn Williams of Portland’s also reported on her plan for expanding the PCPA Foundation’s engagement in fund-raising. She will continue to study the project for the next few months and will propose a realistic timeline.</p> <ul style="list-style-type: none"> • Commissioner Erickson asked if it made sense to request that the City of Portland provide more funds to support the hiring of an FTE. • Williams noted that there are other local organizations who could fund for a limited time and said she may be able to check with them as well. • Commissioner Goldman commented that there is frustration that the City owns the building but doesn’t offer much help. • Williams noted there may be a long-term capital funding request that will need to be brought up with the City. • Goldman suggested that there be a 20-year strategy for funds and capital expenses.
	<p>Ben Rowe provided a summary of the FY14-15 Budget including the approved additional asks.</p> <ul style="list-style-type: none"> • Commissioner Haruyama asked for confirmation that the Expo budget is not balanced. • Rowe answered that Expo’s budget has a deficit of \$20,000 for 2015. • Commissioner Haruyama commented that this has been happening for 5 years and it’s time to come to terms with the situation. • Commissioner Erickson remarked that this does put Expo in the spotlight that a long-term fix is needed. • Dresler added that there are wheels in motion; that David Fortney will update the Commission soon on a plan to uncover new markets to generate new revenue – such as Cirque du Soleil. But it won’t happen overnight. Dresler also offered that a newly hired shared (between Expo and Portland’s) Food & Beverage sales person will bring new revenue for Expo. And she is working to come up with a collaborative relationship with OCC and Expo – particularly in ways to generate new revenue for Expo

	<p>– especially in sales and marketing overall.</p> <ul style="list-style-type: none"> • Haruyama noted that the pattern is going in the right direction for Expo. But this is a good conversation and we are working on ways to balance the Expo budget. • Dresler noted that her Budget Memo will put together an itemization some of the things that can be leveraged in 2015 that could offset the deficit. • Haruyama stated that she wanted it on the record that the Commission does not believe in a deficit budget and that they are looking for a long-term solution to address it. • Rotchford noted that we don't want to drive away the core business – that we should focus on new business to improve the revenue side.
	<p>Ben Rowe presented the new reserves policy with updated language and how it would have affected the FY14 budget if it had been in place at that time.</p> <ul style="list-style-type: none"> • Cruickshank inquired what the Stabilization Reserve is used for. • B. Kennedy replied that if there isn't enough in the fund balance to fund contingencies at the end of the year, the stabilization fund from the year prior can be used – however it cannot be accessed in the current year. Since the venues work on a shorter time horizon, it makes more sense to have that money in a renewal and replacement fund so it can be used more flexibly.
	<p>David Fortney presented an overview of the Expo project.</p> <ul style="list-style-type: none"> • Commissioner Erickson offered thoughts on software (IDEAS) and reports (TAP Report) that might aid in pricing shows at Expo to increase events during downtimes. • Cruickshank offered that if Expo has usual downtimes each year, it would make sense to look for events that could fill the space during those times. • Commissioner Haruyama inquired when the Market Study would be available. • Fortney replied that it will be ready at the end of June.
	<p>Meeting adjourned at 2:30 p.m.</p>