

**BEFORE THE COUNCIL OF THE  
METROPOLITAN SERVICE DISTRICT**

<b>FOR THE PURPOSE OF DIRECTING THE</b>	)	<b>RESOLUTION NO. 92-1648A</b>
<b>METROPOLITAN EXPOSITION-RECREATION</b>	)	
<b>COMMISSION TO PREPARE A PLAN FOR</b>	)	<b>INTRODUCED BY THE</b>
<b>THE FINANCIAL MANAGEMENT OF THE</b>	)	<b>FINANCE COMMITTEE</b>
<b>FINANCE COMMITTEE SPECTATOR</b>	)	
<b>FACILITIES FUND</b>	)	

WHEREAS, Metro is responsible for the operation and management of the Portland Center for the Performing Arts (PCPA), Civic Stadium, and Memorial Coliseum (City facilities) under the terms of the December 19, 1989 Consolidation Agreement with the City of Portland; and

WHEREAS, The Consolidation Agreement stipulates that Metro's responsibility for management of City facilities is delegated to the Metropolitan Exposition-Recreation Commission (MERC); and

WHEREAS, The City facilities will operate out of the Spectator Facilities Fund through June 30, 1992; and

WHEREAS, Beginning July 1, 1992, Memorial Coliseum will operate out of a separate Coliseum Fund, and the PCPA and Civic Stadium will operate out of the Spectator Facilities Fund; and

WHEREAS, The July 1, 1992 Beginning Balance in the Spectator Facilities Fund is projected to be approximately \$4 million; and

WHEREAS, The 1992-93 budgeted operating deficit for the Spectator Facilities Fund is approximately \$1.5 million; and

WHEREAS, The Metro E-R Commission approved Resolution #183 on June 10, 1992, which establishes a three-tiered rental structure for PCPA; and

WHEREAS, The projected financial impact of the new PCPA rent structure is \$1.4 million for the FY 1991-92 through 1993-94 period; and

WHEREAS, Metro Council Resolution No. 92-1590B authorized creation of a Funding Task Force for Regional Facilities and Programs, whose principal charge is to recommend adequate long-term funding for the region's arts and entertainment facilities and programs; and

WHEREAS, The Funding Task Force is expected to present its recommendations to the Metro Council in the winter of 1992-93; and

WHEREAS, Metro does not now have the authority to levy certain regionwide taxes to support the capital and operational requirements of the Spectator Facilities Fund facilities; and

WHEREAS, The City of Portland has requested Metro to prepare a financial plan for the Spectator Facilities Fund which identifies how the Fund will be managed to maximize the time it will continue to support the PCPA and Civic Stadium; and

WHEREAS, The Council's Finance Committee on June 18, 1992 reviewed the effect of MERC Resolution #183 on the Spectator Facilities Fund and concluded that a plan for management of the Fund was necessary; now, therefore,

**BE IT RESOLVED,**

That the Council of the Metropolitan Service District directs the Metropolitan Exposition-Recreation Commission to prepare;

1. A Five-Year Financial Plan for the financial management of the Spectator Facilities Fund, to be integrated with Metro's five-year financial planning process and presented to the Metro Council in accordance with the schedule for the five-year financial planning process and in any case no later than November 24, 1992, and which includes:

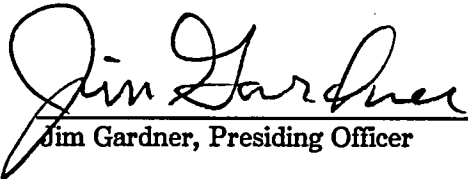
- a. A recommended beginning fund balance for the Fund as of July 1, 1994, and justification for the amount recommended;
- b. Actions recommended to achieve the recommended July 1, 1994 fund balance, through expenditure reductions, revenue increases, or a combination of the two;
- c. Alternative actions recommended to manage the Fund in the following circumstances:
  - No additional source of operational funding is implemented by June 30, 1994;

- A partial source of operational funding is implemented by June 30, 1994, which would be sufficient to continue operations at or near current levels for MERC facilities but which is insufficient for capital needs.

2. A long-term capital plan detailing the projected capital outlay and equipment maintenance requirements for the facilities in the Spectator Facilities Fund that encompasses at least ten years and can be used to estimate annual funding requirements necessary to sustain the facilities in serviceable condition.

3. That the Council of the Metropolitan Service District directs the Metropolitan Exposition and Recreation Commission to provide for participation of staff representatives from the City of Portland Bureau of Financial Planning in preparation of the Five-Year Financial Plan and the long-term capital plan, including a review of the proposed methodology, assumptions, definitions and draft reports.

ADOPTED by the Council of the Metropolitan Service District this 23rd day of July, 1992.

  
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Jim Gardner, Presiding Officer



**METRO**

2000 S.W. First Avenue  
Portland, OR 97201-5398  
503/221-1646

# Memorandum

DATE: July 9, 1992  
TO: Council Finance Committee  
FROM: Casey Short, <sup>CS</sup> Council Analyst  
RE: Resolution No. 92-1648

The Finance Committee's July 16 agenda includes consideration of Resolution No. 92-1648, which would direct MERC to prepare a plan for the financial management of the Spectator Facilities Fund. Your agenda packet includes a copy of the draft resolution, a cover memo from me dated June 25 which outlines the points in the resolution, and my June 17 memo to the Finance Committee which discusses the issues concerning the status of the fund. These materials were all distributed at the June 25 Council meeting.

In addition to the above documents, this packet contains a memo to me from Tim Grewe, the City of Portland's Financial Planning Manager. I provided Mr. Grewe with a copy of the draft resolution early in the week of June 29, so he could review it and suggest changes. His July 6 memo suggests adding three directives to the resolution:

1. Have MERC prepare a five year financial plan which estimates annual requirements and resources for the Spectator Facilities Fund.
2. Have MERC prepare a five-year capital plan for the facilities operated out of the Spectator Facilities Fund.
3. Provide for participation by City and Metro staffs in preparation of the financial management plan.

I have not incorporated Mr. Grewe's suggestions into the draft resolution, primarily because they go beyond the scope of my direction from the Committee. I do, however, think these suggestions warrant the Committee's consideration, and have asked Mr. Grewe to come to the Committee meeting on July 16 to discuss them with you if he is available.



CITY OF

# PORTLAND, OREGON

OFFICE OF FINANCE AND ADMINISTRATION

**J.E. Bud Clark, Mayor**  
Stephen C. Bauer, Director  
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July 6, 1992

To: Casey Short  
From: Tim Grewe *JA*  
Subject: Metro Resolution

I have reviewed the proposed resolution directing MERC to prepare for the Metro Council's review financial forecast information pertaining to the Spectator Facilities Fund. In general the directives as presently written should serve to provide base information for assessing alternatives for extending the duration of the fund's balance during the period in which an alternative revenue source is sought to support the operations of the Performing Arts Center and the Civic Stadium. However, I believe the directives can be strengthened by specifically requesting both a five year financial plan and a long-range capital plan. Preparation of this information will be necessary in order for MERC to fully respond to the directives as presently provided for in the resolution.

Specifically, I would suggest the additional of the following directives:

-MERC shall prepare for the Metro Council's review a five year financial plan estimating annual requirements and resources assuming no change in planned revenues, operating expenditures, and capital projects. The plan shall document the methodology and assumptions by major revenue and expenditure category used in developing the forecast. The plan shall also present forecast ranges based upon modifications to assumptions including a worse case, most likely, and best case scenario.

Discussion: Preparation of this plan will provide the base data which is necessary for examining alternative options for extending the fund balance. It should also serve to document growth in operational and capital deficits for the facilities. In this manner, the plan should assist in "pin pointing" the timing and amount of additional resources which will be required to sustain operations in future years. Finally it will give a snapshot of the future funding requirements that will need to be addressed in securing an alternative revenue source. Such a plan is absolutely necessary in order to respond to the directives as presently included within the Metro Council resolution.

-MERC shall prepare for Council review a five year Capital maintenance and improvement plan for all facilities operated out of the Facilities Fund. The plan shall document the methodology used in identifying capital requirements as well as the basis

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for prioritizing and scheduling the identified projects over the five year period.

Discussion: Based upon our recent meeting it is apparent that the MERC has already developed some type of capital plan. Therefore, responding to this directive should be a matter of documenting already completed work. Such a plan is an integral part of preparing the aforementioned five year financial forecast. That is the forecast cannot be completed without consideration of capital requirements. Similarly the plan will assist in assessing long term requirements for use in assessing alternative revenues sources. Delaying non-critical capital requirements also represents one alternative for extending the life of the Spectator Facility Fund balance.

During our recent meeting there appeared to be agreement that MERC should involve representatives from the City Bureau of Financial Planning, Metro Council staff, and Metro Executive staff in developing the methodology to be used in developing the financial forecast. The theory being if we are involved as full participants at the front end of the process it is more likely that the product will meet our collective expectations. To this end inclusion of the following directive may also be in order:

-In preparing the Five Year Financial and Capital Plans, MERC shall provide for the participation of staff representatives from the City of Portland Bureau of Financial Planning, the Metro Council, and the Metro Executive. This participation shall include review of the proposed methodology, assumptions, definitions and draft reports.

Discussion: Participation at the front end of this process should provide the MERC staff with an opportunity to discuss the forecasting methodology and format at a time when changes can be still be made. It provides an opportunity to constructively test assumptions to be incorporated into the forecast. Participation at the front end of the process should assist in building consensus and insuring that the final product meets the expectations of both the City and Metro. The Bureau of Financial Planning is prepared to fully participate in this effort and as necessary provide staff support and consultation.

I believe that the addition of these or similar directives will serve to strengthen the resolution and insure that the final product is responsive to the concerns of all involved parties. It should again be emphasized that the preparation of the financial and capital plans are in my estimation imperative in order for MERC to fully respond to the directive as presently contained within the Metro Council resolution.

Please do not hesitate to contact me if you have questions or require and additional clarification on these recommendations.

c.c. Steve Bauer  
Chrystella Byers  
Kathleen Johnson-Kuhn



**METRO**

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# Memorandum

DATE: June 25, 1992  
TO: Council Finance Committee  
FROM: Casey Short,<sup>CS</sup> Council Analyst  
RE: Draft Resolution No. 92-1648

Attached for your consideration is draft Resolution No. 92-1648, Directing the Metropolitan Exposition-Recreation Commission to Prepare a Plan for the Financial Management of the Spectator Facilities Fund.

At the Finance Committee's June 18, 1992 meeting I presented a report which outlined a series of issues related to the status of the Spectator Facilities Fund. The substance of that report is contained in the attached June 17 memo to the Finance Committee.

The result of the Committee's consideration of the report was unanimous approval of Councilor Gardner's motion to have staff prepare a resolution directing the Metro E-R Commission (MERC) to prepare a plan for the financial management of the Spectator Facilities Fund. That plan is to be prepared and delivered to Council for its consideration by November 1, 1992.

The attached Draft Resolution No. 92-1648 implements the Committee's direction. It calls for MERC to prepare a plan for the financial management of the Spectator Facilities Fund which addresses the following issues:

- recommends a minimum fund balance which should be retained in the Fund at the beginning of FY 1994-95, with justification for the amount recommended;
- describes how that recommended fund balance is to be achieved;
- recommends alternative actions for management of the Fund in two different circumstances: no source of operational funding is implemented by June 30, 1994; and a source of operational funding is implemented which is sufficient for operations but not for capital needs.

I will be available at the Committee meeting to discuss the issues and answer questions you may have. If you have any questions in the meantime, please do not hesitate to contact me.

cc: Metro Council  
Metro E-R Commission



METRO

2000 S.W. First Avenue  
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# Memorandum

DATE: June 17, 1992

TO: Council Finance Committee

FROM: Casey Short, Council Analyst

RE: MERC Budget

The Finance Committee's June 18 agenda includes consideration of MERC Resolution #183, which establishes a new, three-tiered rent structure for PCPA. The purpose of this memo is to provide background information on this resolution and its potential effect on the Spectator Facilities Fund, and to outline actions the Council may wish to consider.

### MERC RESOLUTION #183

The Metropolitan Exposition-Recreation Commission approved Resolution #183 on June 8, establishing a three-tiered rent structure for the Portland Center for the Performing Arts (PCPA) facilities. These rental rates are for Fiscal Year 1992-93, and retroactively for FY 1991-92.

The existing rent structure at PCPA has only one rate, which all tenants are charged. Under the terms of MERC Resolution #183, that single rate will be charged to commercial, for-profit organizations. Rates for non-profit, non-resident groups will reflect a 15% discount from the commercial rate, and resident companies will receive a 67% discount for 91-92 and an 80% discount in 92-93, as shown below.

<u>Type of Tenant</u>	<u>Rental Rate, as percentage of full rate</u>	
	<u>91-92</u>	<u>92-93</u>
Commercial	100%	100%
Non-profit, non-resident	85%	85%
Resident Company	33%	20%

The impetus for this significant change in the rates came from the four major arts organizations (Oregon Symphony, Oregon Shakespeare Festival - Portland, Portland Opera, and Oregon Ballet Theater). Beginning in August, 1991, these groups have paid only one-third of rent and user fee charges to PCPA. Negotiations have continued sporadically since the "rent strike" began, leading to the rent structure in MERC Resolution #183.



The justification for the major arts organizations to take this dramatic step lay in their strongly-held belief that PCPA's rent was unjustifiably high. Most public performing arts facilities throughout the country offer reduced rates for resident companies, in an effort to recognize their value to the community and to help them survive financially. Arts groups such as symphonies, theater companies, and the like do not operate at a profit, and indeed require some form of subsidy to break even. There is also a concern about the structure of the user fee, which is a graduated, three-step surcharge on tickets. As indicated in the attached letter from Jerry Drummond on behalf of the arts organizations, this issue is still a concern but a process to resolve it is being developed. Exacerbating their discontent about PCPA's rent structure was their perception that certain for-profit organizations using other MERC facilities (i.e., the Portland Beavers and Trail Blazers) have gotten better deals than the non-profits.

It should also be noted that several local arts organizations of various sizes have significant operating deficits. Representatives of these groups point out, however, that reducing the rent will not solve their deficit problems. It will help, and is probably a necessary component of solving their financial problems, but it is not a bail-out. The driving factor behind the rent strike and the insistence on revising the rental charges was that PCPA's rent was simply out of line in comparison with similar facilities across the nation.

The projected effect of the new rates on Spectator Facilities Fund revenues is a decrease of \$400,000 in the current (91-92) fiscal year, and a decrease of \$500,000 in FY 92-93. If continued through FY 93-94, as envisioned in MERC's proposal to the arts organizations, the rates and revenues for that year would be the same as projected for 1992-93.

#### STATUS OF SPECTATOR FACILITIES FUND

MERC staff projects the balance in the Spectator Facilities Fund to be approximately \$4 million to start FY 92-93, up some \$500,000 from the budgeted amount of \$3.5 million. (This \$4 million balance includes an expected shortfall in PCPA rental revenues of \$400,000, reflecting the impact of the new rent structure.) The Approved 92-93 Budget shows the fund operating at a deficit of \$1.5 million: the budgeted beginning balance is \$3.5 million, and budgeted ending balance is \$2.0 million. The budget does not reflect the new rent structure, which would increase the deficit to \$1.8 million.

<u>Spectator Facilities Fund</u>	<u>Budget</u>	<u>Projected*</u>
Beginning Balance 7/1/92	\$ 3,500,000	\$ 4,000,000
Operating Deficit 92-93	( <u>1,500,000</u> )	( <u>2,000,000</u> )
Projected Fund Balance 7/1/93	\$ 2,000,000	\$ 2,000,000
Operating Deficit 93-94	n/a	(1.8 - 2.0 mil.)
Projected Fund Balance 7/1/94		\$ 0 - 200,000

\*Projected deficit figures reflect MERC's proposed rent structure. PCPA budgeted revenues are \$980,000 in FY 91-92, and \$882,000 for 92-93; the latter number is \$200,000 lower than the original figure of \$1,082,000, because it deducts Metro's General Fund contribution to rent relief. Projected reductions are as follows:

<u>Year</u>	<u>Spectator Facilities Reduction</u>	<u>Metro General Fund Offset</u>	<u>Total Proposed Reduction</u>
1991-92	(\$ 400,000)	\$ 0	(\$ 400,000)
1992-93	(500,000)	200,000	(300,000)
1993-94	( <u>500,000</u> )	<u>200,000**</u>	( <u>300,000</u> )
Totals	(\$ 1,400,000)	\$ 400,000	(\$ 1,000,000)

\*\* The 1993-94 figures include a second year of Metro General Fund support for arts organizations at \$200,000. While this number is included in the assumptions, MERC has made it clear to the arts organizations that a second year of such support has not been committed and the 1993-94 rent relief figures are subject to the availability of funds.

As the above tables indicate, the Spectator Facilities Fund will be in danger of running out of money by the end of FY 93-94, and will certainly not be able to operate at current levels in FY 94-95 without additional revenues or reduced expenditures, or both. The proposed rent relief package has a significant role in changing the financial picture for the fund, reducing revenues by a million dollars over the three years, 1991-92 through 1993-94. In addition to this change, there is uncertainty regarding the Coliseum Fund's finances for FY 92-93. Under the terms of the Memorandum of Understanding on the new arena, any shortfall in the Coliseum Fund in its one year of existence must be covered by the Spectator Facilities Fund at year end.

CITY OF PORTLAND ISSUES

The Portland City Council has approved two resolutions concerning the MERC budget. The first approved the Proposed Budget with conditions, and the second disapproved the Council's Approved Budget until Metro responded to the conditions stated earlier. The Executive Officer has informed the City that she deems the budget approved because the City's disapproval does not conform to the terms of the Consolidation Agreement.

The City requested Metro to fulfill the following three conditions:

1. Presentation by Metro of a long-range financial plan to City Council identifying: a) plans for future expansion of revenues to support facilities after the Coliseum Fund balance is expended; b) actions taken to limit expenditures in order to lengthen the amount of time the Coliseum fund balance will subsidize the Stadium and PCPA and c) financial implications related to an alternative rent structure and revenue loss associated with ticket service revenues.
2. Presentation by Metro of long-range plans for the transfer of MERC staff to Metro and the expected impact on the autonomy of MERC.
3. Amendment of the Consolidation Agreement to transfer the Coliseum back to City jurisdiction in conjunction with the construction of the new Trailblazer Arena by OAC.

Regardless of the status of City approval or disapproval of the MERC budget, the City has a valid concern that a financial plan be developed for the Spectator Facilities and Coliseum Funds. While current Metro policy supports consolidated regional management of the system of regional facilities, the question looming on the horizon is how the system will be affected if operational funding is not secured before the fund balance is exhausted. One of the more viable options in that case would be to terminate the Consolidation Agreement and return the City-owned facilities to City management.

Nobody, least of all the City of Portland, is interested in facing the prospect of funding PCPA and the Stadium with General Funds, or having to shut down or severely curtail their operations. The City is therefore justifiably concerned that plans be made to address the financial viability of those facilities, in order to avoid the potential of their getting them back with no source of operational funding.

FACILITIES FUNDING TASK FORCE

The Metro Council established a Funding Task Force through adoption of Resolution No. 92-1590B in April, 1992. The Task Force's principal charge is "to recommend adequate long-term funding for the region's arts and entertainment facilities and programs."

The Funding Task Force expects to complete its work and make its recommendations to the Council and Executive Officer in late fall or winter of 1992-93. Their recommendations will likely propose a funding source that requires one or more of the following:

- Inclusion of broad financial authority in the Metro charter for Metro to levy a tax dedicated to operating the regional facilities system, and voter approval of such a charter;
- Changes in statute in the 1993 legislative session giving Metro authority to levy the recommended tax;
- Voter approval of a proposed tax.

Implicit in the assumptions regarding the imposition of a tax for the regional facilities system is Metro Council's approval, which is, of course, a decision for the Council to make in the future. Should Council decide to act on a financing plan - and the authority were in place - the opportunity to do so would be sometime in the 12 - 15 month period between the winter of 1993 and the May, 1994 primary election.

It is clear the system cannot continue to operate at or near current levels without new funds for ongoing operations. The Council has acknowledged that by establishing the Funding Task Force. It cannot be guaranteed, however, that any proposal from the Funding Task Force will be implemented. The uncertainty surrounding a funding proposal raises the question of whether the Council wants to address that uncertainty by establishing a policy governing Spectator Facilities Fund expenditures over the next two years and into FY 94-95.

SUMMARY

Funding is inadequate to sustain the operations of the PCPA and Civic Stadium through FY 1994-95. The MERC resolution on PCPA rental rates is justified as a measure of support for local arts organizations and to bring those rates into line with those of comparable facilities, but its effect on the Spectator Facilities Fund is to commit approximately 20-25% of the Fund's available

reserves through FY 1993-94. Projected operating deficits for the facilities operated through this fund will consume most, if not all, of those reserves in that period. The uncertain future of Memorial Coliseum and its uncertain financial picture for next year pose the potential for additional strain on this fund.

Establishment of a dedicated source of operational funding for the facilities is a priority of this agency, but it is not certain that such funding can be secured within the two years the reserves can be expected to last. This is not only a problem for Metro, but is also a concern to the City of Portland. The City still owns the facilities, and could again become responsible for them in the event funding does not become available.

The change in PCPA rental policy is a legitimate policy issue on its own, one which the Council may have wanted to examine under any circumstances. However, in the existing situation in which there is only a narrow window of opportunity to secure dedicated operational funding for the facilities before the fund reserves are exhausted, MERC's adoption of that policy serves as an appropriate vehicle to get the Council involved in the policy issues surrounding the Spectator Facilities Fund.

#### OPTIONS AND RECOMMENDATION

The following are the options Council staff has identified for the Council to consider:

1. Do nothing.

This option would allow MERC Resolution #183 to be implemented without Council review, and would have the Council take no action on the mid-range (2-3 years) budget issues of Civic Stadium and PCPA. It would implicitly acknowledge that no planning needs to be done to promote the financial viability of the Spectator Facilities Fund. This in turn leads to the following conclusions:

- The fund reserves will support the facilities until operational funding is secured, or
- The question of extending the life of the fund can be delayed until the 1993-94 budget process, or
- Failure to secure operational funding will not affect Metro, because the facilities could be returned to City of Portland management, and the City would have to solve the problem.

2. Request immediate Council review of MERC Resolution #183.

Review of the resolution would serve to involve the entire Council in the policy discussion surrounding both the rental policy and the broader fiscal policy. It would also serve to

delay implementation of the new rent structure until such time as the Council was satisfied that it could be implemented without placing undue strain on the Spectator Facilities Fund, or the rent structure could be modified to decrease its impact on the fund.

There are two drawbacks to this course of action that readily come to mind. First, it places the arts organizations in the middle of a policy debate among Metro, MERC, and, to some extent, the City of Portland. It is not those organizations that have caused the facilities financing problem, and they should not suffer because it is their issue that has happened to raise the problem to the policy level. Second, one could reasonably expect that failure to implement a more rational PCPA rental policy would only stiffen the arts organizations' resolve to continue withholding rent and user fees, and would probably make ultimate resolution of the problem more difficult. This could lead to a tenant-landlord confrontation that would hurt the community, and likely make it more difficult to get the funding the facilities need.

3. Terminate the Consolidation Agreement.

This option would return management responsibility for the City-owned facilities to the City, on July 1, 1993 or earlier if mutually agreed. It would imply that the issue is ultimately a City issue, and the City should have the authority to resolve it as it sees fit.

Such an action would undermine the very notion that there are advantages to managing spectator and performing arts facilities on a regional basis, and would effectively undo Metro's efforts to establish a system of regional facilities. It would also do nothing to resolve the problems, only transfer them to another jurisdiction.

Recommended Option

4. Direct MERC to prepare a financial plan which addresses the issues surrounding the Spectator Facilities Fund, and bring a recommended plan to the Council for review and approval; allow MERC Resolution #183 to go into effect.

This action would authorize implementation of the PCPA rent structure, arrived at through good faith negotiations between the affected parties and making a needed change to MERC policy. It would give Council the opportunity to establish policy direction for management of the fund, in conformance with the City's request for policy clarification and in cooperation with the Metro E-R Commission. It would allow Council to examine whether adjustments to its approved MERC budget might be necessary to accommodate changed financial circumstances and to increase the fund's flexibility to accommodate the uncertain future.

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Components of the financial plan should include a target figure for a balance to begin FY 94-95, with justification for the target number proposed. It would then establish acceptable operating deficits which allow the target figure to be reached while maintaining adequate service levels. It should also propose contingency plans for adapting to different circumstances, including passage of a funding measure that addresses all the system's needs, implementation of a less comprehensive funding measure (such as a revision to the Multnomah County hotel/motel tax which would allow it to be used to support the regional facilities system, rather than just the Convention Center), and failure to secure additional funding. The financial plan should be ready within two months, which would give the Council the flexibility to adjust the budget if necessary.

Attachments:   MERC Rent Structure Proposal (June 4, 1992)  
                  Drummond Letter (June 8)  
                  MERC Resolution #183 (June 10)

## FINANCE COMMITTEE REPORT

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RESOLUTION NO. 92-1648A, DIRECTING THE METROPOLITAN EXPOSITION-RECREATION COMMISSION TO PREPARE A PLAN FOR THE FINANCIAL MANAGEMENT OF THE SPECTATOR FACILITIES FUND

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Date: July 20, 1992

Presented by: Councilor Wyers

**COMMITTEE RECOMMENDATION:** At its July 16, 1992 meeting the Finance Committee voted 5-0 to recommend Council adoption of Resolution No. 92-1648A. Voting were Councilors Van Bergen, Devlin, Gardner, Hansen, and Wyers.

**COMMITTEE DISCUSSION/ISSUES:** Council Analyst Casey Short presented the staff report. He gave background on the development of the resolution, saying the Committee had approved a motion at its June 18 meeting to have staff prepare a resolution directing MERC to prepare a plan for the financial management of the Spectator Facilities Fund. That motion was the result of committee discussion of MERC Resolution #183, adopting new rental rates for the facilities of the Portland Center for the Performing Arts. MERC Resolution #183 commits \$1 million of the Spectator Facilities Fund's \$4 million reserve to rent relief for arts organizations over the next two years, and the committee wants the Council to have the opportunity to review MERC's plans for managing that fund.

Mr. Short summarized the major points of the resolution as originally drafted, saying it directs MERC to bring a financial plan back to the Council for its review by November 1. That plan will include a recommended fund balance to begin FY 1994-95, justification for that recommendation, and actions needed to achieve that fund balance. It also calls for an examination of alternatives in case full funding for the facilities is not achieved by the end of FY 1993-94.

Mr. Short then referred to an amended version of the resolution, which included additional points requested by the City of Portland. He introduced Tim Grewe, the City's Manager of Financial Planning, to discuss those amendments. Those amendments call for MERC to develop a five-year financial plan, a plan for capital expenditures, and consultation with the City as well as representatives from the Metro Council and Executive Officer in developing those plans. Mr. Grewe explained that his recommended amendments stem from the need to develop a longer-range plan for management of the Fund, and that consultation with the listed parties would help ensure the final plan was consistent with the policies and interests of the City, the Metro Council, and the Executive Officer. Councilor Gardner asked why the amendment called for establishment of a ten-year capital plan rather than the five-year plan requested in Mr. Grewe's memo to Mr. Short. Mr. Short responded, saying that change was at the request of the Finance & Management Information Department to be



consistent with their capital planning program. He added that the submittal date was also changed from November 1 to November 24, 1992, to conform with the Department's schedule.

Councilor Van Bergen asked whether this resolution would be affected by the proposal outlined in a memo from City Commissioner Mike Lindberg, which he had received just prior to the meeting. That memo proposed amending the Consolidation Agreement, pursuant to discussions Executive Officer Cusma had with Commissioner Lindberg. Following consultation with interested staff, Mr. Short said the issues were only slightly related, and that discussions regarding possible amendments to the Consolidation Agreement would not decrease the need for a comprehensive plan for the Spectator Facilities Fund.



CITY OF  
**PORTLAND, OREGON**  
OFFICE OF PUBLIC AFFAIRS

Mike Lindberg, Commissioner  
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July 14, 1992

**MEMORANDUM**

**TO:** Mayor J.E. Bud Clark  
Commissioner Earl Blumenauer  
Commissioner Dick Bogle  
Commissioner Gretchen Kafoury  
City Auditor Barabara Clark

**FROM:** Commissioner Mike Lindberg *MLC*

**RE:** Amendment Options to the Consolidation Agreement for the Management of Regional Convention, Trade, Spectator and Performing Arts Facilities between the City of Portland and the Metropolitan Service District

The City of Portland's publicly-owned Memorial Coliseum, Civic Stadium, and Portland Center for the Performing Arts have been managed by the Metropolitan Exposition-Recreation Commission for several years. The proposed City of Portland agreement with the Oregon Arena Corporation (OAC) will provide for a private/public partnership to build a new arena, entertainment complex, plaza, parking structures and upgrade the Memorial Coliseum which will be managed by the OAC. Therefore, it is necessary to amend the Consolidation Agreement between the City and the Metropolitan Service District (METRO).

There are several options that have been discussed informally with METRO. All parties agree that the City must have clear title and management control of the Memorial Coliseum in that its revenues are tied into retiring the City bonds for this project. METRO's Executive Director, Rena Cusma has asked that in exchange, the City no longer have budgetary oversight over the Metropolitan Exposition-Recreation Commission. In addition, METRO would like the authority to restructure the Metropolitan Exposition-Recreation Commission if there are direct cost savings. The ramifications of these requests are significant and will need to be evaluated and a consensus developed.

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Another option discussed is to withdraw the Memorial Coliseum from the Consolidation Agreement and then move directly to implementing Phase II of the current Consolidation Agreement. This would give deed and ownership of the three buildings which constitutes the Portland Center for the Performing Arts as well as the Civic Stadium to METRO. In exchange, METRO would be asked to help retire the bond debt which currently only City residents pay. This could be part of the operational cost of running regional facilities.

Obviously, these options need to be fully explored and evaluated from a political and legal position. I would appreciate your perspective on this matter. There may be other options which need to be discussed as well. I propose initiating negotiations with METRO immediately to amend the Consolidation Agreement. The City's negotiating team would be staffed by Steve Bauer, Director of the Office of Finance and Administration; Jeff Rogers, City Attorney; David Kish, Executive to the Mayor; and Kathleen Johnson-Kuhn, Commissioner's Assistant, from my office. It is my intent to complete this task within four weeks and bring an amended agreement to Council for your ratification.

MDL:KJK

cc: Steve Bauer  
Jeff Rogers  
David Kish

**DRAFT**

BEFORE THE COUNCIL OF THE  
METROPOLITAN SERVICE DISTRICT

FOR THE PURPOSE OF DIRECTING THE ) RESOLUTION NO. 92-1648  
METROPOLITAN EXPOSITION-RECREATION )  
COMMISSION TO PREPARE A PLAN FOR ) INTRODUCED BY THE  
THE FINANCIAL MANAGEMENT OF THE ) FINANCE COMMITTEE  
SPECTATOR FACILITIES FUND )

WHEREAS, Metro is responsible for the operation and management of the Portland Center for the Performing Arts (PCPA), Civic Stadium, and Memorial Coliseum (City facilities) under the terms of the December 19, 1989 Consolidation Agreement with the City of Portland; and

WHEREAS, The Consolidation Agreement stipulates that Metro's responsibility for management of City facilities is delegated to the Metropolitan Exposition-Recreation Commission (MERC); and

WHEREAS, The City facilities will operate out of the Spectator Facilities Fund through June 30, 1992; and

WHEREAS, Beginning July 1, 1992, Memorial Coliseum will operate out of a separate Coliseum Fund, and the PCPA and Civic Stadium will operate out of the Spectator Facilities Fund; and

WHEREAS, The July 1, 1992 Beginning Balance in the Spectator Facilities Fund is projected to be approximately \$4 million; and

WHEREAS, The 1992-93 budgeted operating deficit for the Spectator Facilities Fund is approximately \$1.5 million; and

WHEREAS, The Metro E-R Commission approved Resolution #183 on June 10, 1992, which establishes a three-tiered rental structure for PCPA; and

WHEREAS, The projected financial impact of the new PCPA rent structure is \$1.4 million for the FY 1991-92 through 1993-94 period; and

WHEREAS, Metro Council Resolution No. 92-1590B authorized creation of a Funding Task Force for Regional Facilities and Programs, whose principal charge is to recommend adequate long-term funding for the region's arts and entertainment facilities and programs; and

WHEREAS, The Funding Task Force is expected to present its recommendations to the Metro Council in the winter of 1992-93; and

WHEREAS, Metro does not now have the authority to levy certain regionwide taxes to support the capital and operational requirements of the Spectator Facilities Fund facilities; and

WHEREAS, The City of Portland has requested Metro to prepare a financial plan for the Spectator Facilities Fund which identifies how the Fund will be managed to maximize the time it will continue to support the PCPA and Civic Stadium; and

WHEREAS, The Council's Finance Committee on June 18, 1992 reviewed the effect of MERC Resolution #183 on the Spectator Facilities Fund and concluded that a plan for management of the Fund was necessary; now, therefore,

BE IT RESOLVED,

That the Council of the Metropolitan Service District directs the Metropolitan Exposition-Recreation Commission to prepare a plan for the financial management of the Spectator Facilities Fund, to be presented to the Metro Council no later than November 1, 1992, and which includes:

1. A recommended beginning fund balance for the Fund as of July 1, 1994, and justification for the amount recommended;

2. Actions recommended to achieve the recommended July 1, 1994 fund balance, through expenditure reductions, revenue increases, or a combination of the two;

3. Alternative actions recommended to manage the Fund in the following circumstances:

- No additional source of operational funding is implemented by June 30, 1994;

- A partial source of operational funding is implemented by June 30, 1994, which would be sufficient to continue operations at or near current levels for MERC facilities but which is insufficient for capital needs.

ADOPTED by the Council of the Metropolitan Service District  
this \_\_\_\_\_ day of \_\_\_\_\_, 1992.

Jim Gardner, Presiding Officer

**BEFORE THE COUNCIL OF THE  
METROPOLITAN SERVICE DISTRICT**

<b>FOR THE PURPOSE OF DIRECTING THE</b>	)	<b>RESOLUTION NO. 92-1648A</b>
<b>METROPOLITAN EXPOSITION-RECREATION</b>	)	
<b>COMMISSION TO PREPARE A PLAN FOR</b>	)	<b>INTRODUCED BY THE</b>
<b>THE FINANCIAL MANAGEMENT OF THE</b>	)	<b>FINANCE COMMITTEE</b>
<b>FINANCE COMMITTEE SPECTATOR</b>	)	
<b>FACILITIES FUND</b>	)	

WHEREAS, Metro is responsible for the operation and management of the Portland Center for the Performing Arts (PCPA), Civic Stadium, and Memorial Coliseum (City facilities) under the terms of the December 19, 1989 Consolidation Agreement with the City of Portland; and

WHEREAS, The Consolidation Agreement stipulates that Metro's responsibility for management of City facilities is delegated to the Metropolitan Exposition-Recreation Commission (MERC); and

WHEREAS, The City facilities will operate out of the Spectator Facilities Fund through June 30, 1992; and

WHEREAS, Beginning July 1, 1992, Memorial Coliseum will operate out of a separate Coliseum Fund, and the PCPA and Civic Stadium will operate out of the Spectator Facilities Fund; and

WHEREAS, The July 1, 1992 Beginning Balance in the Spectator Facilities Fund is projected to be approximately \$4 million; and

WHEREAS, The 1992-93 budgeted operating deficit for the Spectator Facilities Fund is approximately \$1.5 million; and

WHEREAS, The Metro E-R Commission approved Resolution #183 on June 10, 1992, which establishes a three-tiered rental structure for PCPA; and

WHEREAS, The projected financial impact of the new PCPA rent structure is \$1.4 million for the FY 1991-92 through 1993-94 period; and

WHEREAS, Metro Council Resolution No. 92-1590B authorized creation of a Funding Task Force for Regional Facilities and Programs, whose principal charge is to recommend adequate long-term funding for the region's arts and entertainment facilities and programs; and

WHEREAS, The Funding Task Force is expected to present its recommendations to the Metro Council in the winter of 1992-93; and

WHEREAS, Metro does not now have the authority to levy certain regionwide taxes to support the capital and operational requirements of the Spectator Facilities Fund facilities; and

WHEREAS, The City of Portland has requested Metro to prepare a financial plan for the Spectator Facilities Fund which identifies how the Fund will be managed to maximize the time it will continue to support the PCPA and Civic Stadium; and

WHEREAS, The Council's Finance Committee on June 18, 1992 reviewed the effect of MERC Resolution #183 on the Spectator Facilities Fund and concluded that a plan for management of the Fund was necessary; now, therefore,

BE IT RESOLVED,

That the Council of the Metropolitan Service District directs the Metropolitan Exposition-Recreation Commission to prepare;

1. A Five-Year Financial Plan for the financial management of the Spectator Facilities Fund, to be integrated with Metro's five-year financial planning process and presented to the Metro Council in accordance with the schedule for the five-year financial planning process and in any case no later than November 1 24, 1992, and which includes:

- a. A recommended beginning fund balance for the Fund as of July 1, 1994, and justification for the amount recommended;
- b. Actions recommended to achieve the recommended July 1, 1994 fund balance, through expenditure reductions, revenue increases, or a combination of the two;
- c. Alternative actions recommended to manage the Fund in the following circumstances:
  - No additional source of operational funding is implemented by June 30, 1994;



- A partial source of operational funding is implemented by June 30, 1994, which would be sufficient to continue operations at or near current levels for MERC facilities but which is insufficient for capital needs.

2. A long-term capital plan detailing the projected capital outlay and equipment maintenance requirements for the facilities in the Spectator Facilities Fund that encompasses at least ten years and can be used to estimate annual funding requirements necessary to sustain the facilities in serviceable condition.

3. That the Council of the Metropolitan Service District directs the Metropolitan Exposition and Recreation Commission to provide for participation of staff representatives from the City of Portland Bureau of Financial Planning in preparation of the Five-Year Financial Plan and the long-term capital plan, including a review of the proposed methodology, assumptions, definitions and draft reports.

ADOPTED by the Council of the Metropolitan Service District this \_\_\_\_\_ day of \_\_\_\_\_, 1992.

\_\_\_\_\_  
Jim Gardner, Presiding Officer