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Metro | *Exposition Recreation Commission*

Agenda

Meeting: Metro Exposition Recreation Commission Budget Retreat

Date: Wednesday, October 26, 2011

Time: 1:00 – 5:00 p.m.

Place: Oregon Convention Center, VIP B Suite

- Introduction and goals for the retreat.

- Reserves Policy 101 – review information sent out prior to retreat.
  - ✓ Gain general understanding of how the policy is implemented.
  - ✓ How do we handle required annual contributions to Renewal & Replacement account from venues when revenues fall short?

- Venues funding and expense matrix.
  - ✓ Review handout and gain understanding of how venues are funded and what expenses are required annually.

- OCC
  - ✓ Headquarter Hotel, update on progress since Feb. joint work session. Is it time for a recommendation to the Metro Council to formalize project?
  - ✓ Metro Tourism Opportunity and Competitiveness Account funding review information sent prior to retreat and gain understanding about funding source.
  - ✓ Visitor Development Fund bucket #4, new funds from bond refinancing create opportunity for funding requests, discuss and gain understanding of changes.
  - ✓ Roof repair project and Oregon ballroom upgrades, discuss projects and strategy for moving forward.
  - ✓ Street Car LID Assessment payment options.

- Expo
  - ✓ Discuss debt payment and excise tax options for Expo.
  - ✓ Overview of Master Plan and how halls A, B, and C come into play in planning for Phase III.
  - ✓ Long-range revenue outlook for Expo – where are we and what needs to be done to finish analysis?

- PCPA
  - ✓ Strategy for long-range maintenance and repair liability.
  - ✓ PCPA Foundation support appears unstable; discuss strategy for stabilization of relationship.
  - ✓ TLT funding for PCPA – update on where we are and what needs to be done.

- Other discussion, adjourn.

Reserves Policy 101

Reserve Definitions

- Restricted Reserves (Priority level one)
  - Set aside to satisfy external obligations or restrictions on how funds may be used.
  - Example: Transient Lodging Tax designated for Capital Improvement, Multnomah County Tax Code restricts the use of funds.

- Contingency Reserves (Priority level two)
  - The Operating Contingency is a fixed amount, establish in the reserve policy. It replaces the general contingency, previously calculated at a minimum of 4 percent of annual expenditures. It provides annual operating insurance to cover unexpected, within the fiscal year, revenue shortfalls or cost spikes.

- Contingency Reserves (Priority level three)
  - Stabilization Reserve (new) is a fixed amount, established in the reserve policy. The source of funds to replenish the operating contingency the year following a revenue or cost shock, thereby avoiding the need to dip into next years budget to fund the operating contingency.

- Accumulation Reserves (Priority Level four)
  - The Renewal & Replacement is the source of funds for renewal & replacement capital outlay.
  - Requires an annual contribution with periodic, independent assessment of the assets.
  - Reserve Study recommended annual deposits:
    - Expo Center $85 thousand
    - OCC $875 thousand
    - PCPA $240 thousand

- Accumulation Reserves (Priority Level five)
  - Business Strategy Reserve is the source of funds available for non recurring cost of pursuing business strategies, business continuity, and new capital investment.
  - Overlaps the concept of the "Strategic Fund Balance"

FY 2011-12 Adopted Budget Reserve Targets

Reserve Type	Expo	OCC	PCPA	Admin	Total
Contingency:					
Operating	364,000	1,540,000	300,000	95,335	2,299,335
Stabilization	186,000	260,000	174,500	n/a	620,500
Accumulation:					
Renewal & Replacement	925,000	5,325,779	300,000	932,416	7,483,195
Available for:					
Business Strategy	2,952,328	653,815	1,728,238	n/a	5,334,381
Sum of Reserve Targets	**4,427,328**	**7,779,594**	**2,502,738**	**1,027,751**	**15,737,411**

Reserves Policy 101

- Accumulation Reserves (Priority Level four)
  - Options to consider when revenues fall short of the required annual contributions to the Renewal & Replacement Account
    - Reduce operating expenditures to fund Renewal & Replacement contribution
    - Delay Renewal & Replacement projects if possible
    - Reclassify Business Strategy Reserve funds to Renewal & Replacement Reserve
    - Suspend contribution for one year

Venue Funding and Expense Matrix

	Expo Center	OCC	PCPA	Admin
Resources				
Operating				
Operating	X	X	X	X
Transient Lodging Tax		X	X	
Visitor Development Fund		X	X	
Visitor Development Fund Pass Through to Travel Portland		X		
Contractual Support			X	
Investment Earnings & Other Miscellaneous Revenue	X	X	X	X
PCPA Foundation - Donations			X	
Metro Tourism and Opportunity Account (MTOCA)		X		
Grants	X	X	X	
Transient Lodging Tax Designated for Capital (increase greater than 7% from year to year)	X	X	X	
Expenditures				
Operating				
Operating Expenditures	X	X	X	X
National Marketing Contract		X		
Support Services	X	X	X	
Debt				
Hall D Replacement (Transfer to Expo Bond Fund)	X			
Capital	X	X	X	X
Taxes				
Excise Tax Paid to Metro	X	X		X
(Paid on Gross Revenue with exceptions for Grants; Donations; Sponsorships; Advertising)				

X = Venue receives the revenue source

X = Venue responsible for the expenditure category

METRO TOURISM OPPORTUNITY AND COMPETTIVENESS ACCOUNT

POLICY AND GUIDELINES

Purpose: The purpose of Metro's Tourism Opportunity and Competitiveness Account (MTOCA) is to maximize the competitiveness, financial viability, economic impact, and continued success of the Oregon Convention Center.

Background: In fiscal year 2002-03, the $116 million expansion of the Oregon Convention Center came in on time and under budget. The expansion almost doubled the size of the center, positioning Portland to compete for a much larger share of the national and international convention market, and add jobs to the region's economy. At the time the funding package was assembled for the facility's expansion, operating funds were identified to sustain the facility in the short term, with the recognition that the Metro Council, along with public and private sector stakeholders, would develop a longer term solution.

A recent study performed by a national consultant confirmed that the Oregon Convention Center is under funded. The study by C. H. Johnson and Associates shows that the Convention Center is operating at a fraction of the average subsidy that its competitors enjoy. The lack of additional funding to help pay for the operation and maintenance of the expanded Convention Center has resulted in MERC being required to operate a facility which has been doubled in size with only 5 additional staff persons. Staffing levels now are insufficient to meeting the building's operational and maintenance needs, and no funds are available to contribute to renewal and replacement—thus putting this important public asset at risk for the future.

Since the events of September 11, 2001 and the downturn in the national travel and meeting industries, competition for scarce visitor dollars has become intense. Now, the Metro region must compete with much larger "Tier One" locations such as Las Vegas or San Francisco---parts of the country that never used to compete for the smaller events that typically consider the Portland metro region. These factors led the Council to create the Metro Oregon Convention Center Advisory Committee last year, with representatives from the local hospitality community and civic leaders. That Committee advised Metro to examine the possibility of dedicated excise tax dollars to help fund the Center, so as to keep it competitive with other, better funded jurisdictions.

On May 20, 2004, the Metro Council passed Ordinance No. 04-1052. This ordinance increased the excise tax on solid waste by $.50 per ton. Proceeds from the tax are allocated to the Metro Tourism Opportunity and Competitiveness Account, and are intended to contribute to the long term viability and competitiveness of the Oregon Convention Center, helping to enable the center to achieve its intended economic benefits for the region. The Tourism Opportunity and Competitiveness Account will create a fund that will assist the Convention Center in maintaining its competitive position in an increasingly difficult convention and meeting business. The funds generated from the proposed excise tax will be available for specific proposals that will assist with Convention Center operation, maintenance, and marketing.

Process: Proposed expenditures from the MTOCA will take place in accordance with the Metro Code and State Budget Law, which require formal supplementary budget proceedings. The

MERC Commission will be required at the outset to conduct public proceedings of its Budget Committee, with proper notice and opportunity for public testimony, in order to determine initial proposals for expenditures from the fund. Any proposals will then be subject to a formal MERC Commission resolution recommending such expenditures to the Metro Council. The Metro Council is the ultimate budget authority and final decisions on the recommendations received from MERC will be made as Supplementary Budget actions by the Council with the required notice, public hearings, and opportunity for public testimony and input.

Priorities: The top priority of the MTOCA is to ensure that OCC is successful in order to preserve the public investment in the facility, generate the maximum economic return for the community, and maintain OCC in first class condition.

Goals and Strategies: The following goals and strategies are identified as major priorities to ensure the greatest returns on investment and success of OCC. Actual ranking of priorities and specific funding proposals for particular years will be made on an annual basis through public meetings of the MERC Budget Committee, the full MERC Commission, and the Metro Council:

Goal #1: Targeted capital investments in the Oregon Convention Center's physical plant that yield demonstrable marketing advantages.

Strategy A: **Green Building (LEEDS) Certification**.
Funds could be expended to obtain official LEEDS certification for OCC. This certification could be used to enhance OCC's marketing advantages, particularly in conjunction with the Portland Oregon Visitor's Association (POVA's) "It's Not Easy Being Green" marketing plan for Portland. Such certification would enhance OCC and Portland's distinctive reputation for environmental quality and build on the State's "Brand Oregon" campaign.

Strategy B: **Oregon Convention Center Operational Advantages.**
Funds could be expended for targeted capital investments that enhance the visitor experience at OCC, permit OCC to differentiate or brand itself in the national marketplace, or otherwise enhance marketability. Examples could include remodeling old OCC office space into a high tech meeting center desirable for many new potential clients, or creating additional Oregon branded sales points consistent with the State's "Brand Oregon" campaign.

Strategy C: **Headquarters Hotel Related Investments**

Given the anticipated costs of Headquarters Hotel development, MTOCA funds will be insufficient to make a major contribution. However, certain targeted Improvements in OCC itself will be necessary in the event of successful hotel development, i.e., pedestrian connections, signage changes, security related issues, etc. Funds could be expended to assist with some of these projects.

Goal #2: Assist the Visitor Development Fund with Oregon Convention Center facility costs.

Strategy A: MTOCA could provide the ability to offset all or a portion of the Oregon Convention Center facility costs in order to secure business in years in which the Visitor Development Fund does not receive its full allocation of funding from the Visitor Development Initiative. MTOCA is insufficient for and should not be used as a wholesale substitute for the VDF. It can however provide some needed help for this purpose in years in which VDF receives less than a full allocation. In order to qualify for this strategy the OCC Director and POVA Executive Director should certify to the MERC General Manager that the proposed use of funds meets the Return on Investment criteria ordinarily utilized by the VDF board and also constitutes significant usage of OCC exhibit space, or otherwise presents adequate return to both the community and the facility.

Goal #3: Maintain the Oregon Convention Center in First Class Condition

Strategy A: **Ensure sufficient funds for basic OCC cleaning, maintenance, and event service.**

MTOCA could be used to support basic OCC cleaning, maintenance, and event service. Lack of sufficient operational support has forced OCC to cut basic programs beyond a level which is prudent or sustainable in the long term. Adding back some of these programs will keep OCC competitive in the long run by avoiding additional deferred maintenance and keeping the building clean, attractive, marketable and events well serviced.

ORDINANCE NO. 06-1116 Amending Excise Tax Code
Adopted by Metro Council March 30, 2006

This action removed the .50 per ton designation for MTOCA

SECTION 2. Metro Code Section 7.01.023 is amended as follows:

Commencing September 1, ~~2004,~~ 2006, the additional excise tax authorized in Section 7.01.020(c) shall be ~~$3~~ $3.14 per ton. ~~Of such additional excise tax, $2.50 per ton shall be dedicated to funding Metro's Regional Parks and Greenspaces programs, and $0.50 per ton shall be dedicated to funding Metro's Tourism Opportunity and Competitiveness Account.~~ For each fiscal year following fiscal year ~~2004-05~~ 2006-07, the additional excise tax ~~dedicated to Metro's Regional Parks and Greenspaces programs and Metro's Tourism Opportunity and Competitiveness Account~~ shall be not less than the amount of the additional excise tax in the previous fiscal year increased by a percentage equal to (a) the annualized rate of increase in the Consumer Price Index, All Items, for Portland-Salem (All Urban Consumers) reported for the first six (6) months of the federal reporting year as determined by the appropriate agency of the United States Government or (b) the most nearly equivalent index as determined by the Metro Council if the index described in (a) is discontinued, or such lesser amount as the Chief Operating Officer deems appropriate and shall be effective as of September 1st each year unless another effective date is adopted by the Metro Council.

Metro Tourism Opportunity and Competitiveness Account

Metro Tourism Opportunity and Competitiveness Account

Oregon Convention Center

(Actuals as of 6-30-11 and FY 11-12 Budget)

	Total
Resources - MTOCA Transfers from Metro	
Total Resources (FY 04-05 annual transfer year 1 was $504 K, highest amount $746 K in FY 08-09)	4,386,582
Project Expenditures	
Goal 1 Strategy A Green Building LEED Certification	
Retrofit existing building to meet LEED standards - Metro Ordinance 04-1064	
Rebuild chiller units and ventilation noise abatement	430,544
Replace Toilets/Urinals-Sloan uppercut flush valve	69,479
Variable Frequency Drives	129,148
Green Building LEED Certification	60,945
Automatic Hand Dryers in Restrooms	157,009
Recycling Containers	50,000
Electrical Sub Metering	200,000
Subtotal Goal 1 Strategy A	1,097,125
Goal 1 Strategy B OCC Operational Advantage	
Audio Visual Control Room - Replace analog system in original building	1,138,348
Permanent Audio Visual Screens in meeting Rooms	195,000
Subtotal Goal 1 Strategy B	1,333,348
Goal 1 Strategy C Headquarter Hotel	
2007-08 MTOCA Funding Developer Agreement	669,720
2008-09 MTOCA Funding HQH project costs	462,656
2009-10 MTOCA Funding HQH carryover project costs	4,750
Subtotal Goal 1 Strategy B	1,137,126
Goal 3 Strategy A Maintain Oregon convention Center in First Class Condition	
Refurbish Divider Air Walls	635,821
VAV Controller/C02 Upgrade	69,246
Lighting & Ballast Replacement /retrofit (Grant match $125,000)	125,000
Cooling Tower Process Loop	35,000
Subtotal Goal 3 Strategy A	865,067
Total Project Expenditures	4,432,666
Ending Balance (Resources less Total Project Expenditures)	(46,084) *

** Additional project costs funded from OCC Operating Funds*

MTOCA Goals

Goal 1 Targeted capital investments in the Oregon Convention Center's physical plant that yield demonstrable marketing advantages.
- Strategy A -- Green Building LEED Certification
- Strategy B -- OCC Operational Advantage
- Strategy C -- Headquarters Hotel Related Investments

Goal 2 Assist the Visitor Development Fund with Oregon Convention Center Facility Costs.
- Strategy A -- Offset Facility Costs when VDI allocation not fully funded

Goal 3 Maintain the Oregon Convention Center in First Class Condition
- Strategy A -- Ensure sufficient funds for basic OCC cleaning, maintenance, and event service