

METROPOLITAN EXPOSITION-RECREATION COMMISSION

Resolution No. 96-12

Authorizing a budget amendment to the FY 1995-96 Adopted Budget for the Civic Stadium and Expo Center (Spectator Facilities and Regional Parks and Expo Funds).

The Metropolitan Exposition-Recreation Commission finds that the following budget amendment is necessary:

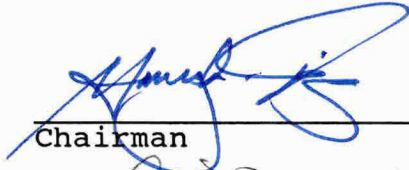
	<u>Adopted Budget</u>	<u>Amendment</u>	<u>Revised Budget</u>
Civic Stadium:			
Mat'ls & Services	\$1,076,950	\$ 180,000	\$1,256,950
Capital Outlay	\$ 370,075	\$ (82,399)	\$ 287,676
Contingency	\$ 97,601	\$ (97,601)	\$ 0
Expo Center:			
Mat'ls & Services	\$1,233,245	\$ 241,000	\$1,474,245
Capital Outlay	\$ 191,450	\$ 35,000	\$ 226,450
Contingency	\$ 539,924*	\$ (276,000)	\$ 263,924

*Subject to adoption of Ordinance No. 96-632 (Supplemental Budget) before the Metro Council.

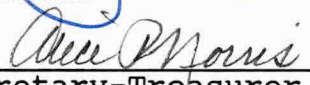
BE IT THEREFORE RESOLVED:

That the Metropolitan Exposition-Recreation Commission approves the above budget amendment and submits it to the Metro Council.

Passed by the Commission on February 14, 1996.



Chairman



Secretary-Treasurer

Approved as to Form:
Daniel B. Cooper, General Counsel

By: 
Mark B. Williams
Senior Assistant Counsel

STAFF REPORT

Agenda/Item Issue: Approval of amendment to the FY 95-96 budget for Civic Stadium and Expo Center.

Resolution No. 96-12

Date: February 14, 1996

Presented by: Heather Teed

BACKGROUND AND ANALYSIS:

At the time the FY 95-96 budget was prepared, contract negotiations were on-going for the Concessions/Catering contractor for the Stadium and Expo. The budget estimates for Concessions/Catering were based on past experience, the contract proposals and our estimate of terms that would be included in the final contract.

As a result of those contract negotiations, Fine Host was awarded the contract for the Stadium and Expo. The Expo had previously been serviced by a different contractor. Additionally, the contract contained a provision whereby the Contractor would pay for needed Concessions capital improvements (\$100,000 for Stadium and \$450,000 for Expo) and would be reimbursed through operations over a 6 year period. This new expense necessitates, in part, an adjustment to the budgeted expenditures.

For the Stadium, Concessions/Catering revenues are expected to increase approximately \$250,000 over the budgeted amount. That increase is due mainly to the Portland Rockies' success experienced in the summer of 1995 as well as the projected continued success of their season in June 1996, which affects this fiscal year. Because of this increase in revenue, and to recognize the impact of the amortization of the capital improvements pay-back, an increase in Concessions/Catering expenditures of \$180,000 is necessary. This amount will be taken from a combination of Contingency and Capital Outlay appropriations.

For Expo, Concessions/Catering revenues are projected to remain as budgeted. However, due to the capital improvements pay-back as well as other increased costs in the operations, an increase in Concession/Catering expenditures of \$230,000 is required.

When the Expo budget was prepared, we had assumed expenditures as a percentage of revenues for Concessions/Catering would be 63%. The capital improvements amortization has an impact of adding another 10%. Additionally, the operational costs are higher than projected. We now expect the percentage of expenditures to revenues to be 82%.

Staff has met with Fine Host to discuss the increase in operational costs. It appears that the increase is due primarily to increased staffing costs. Because Fine Host was unfamiliar with Expo operations and in an attempt to keep the promoters "happy" during this transition to a new vendor, additional staff have been used during events. MERC staff will continue to monitor this situation and work with Fine Host to bring costs down to an acceptable level. In the mean time, given the number of months remaining in the fiscal year, combined with the number of events remaining, we believe this budget amendment is conservative, yet appropriate.

Additionally, the Expo has experienced an increase in parking revenues over budget of approximately \$112,000. The associated costs of this increase is 10% or \$11,000. We request that an increase of \$11,000 be appropriated to Parking expenditure.

One additional budget change is to increase Capital Outlay \$35,000 for the purchase and installation of new parking houses. There are currently four parking houses at Expo: three located at the front entrance to the parking lot and one at the rear. These parking houses are 2X4 framing with plywood covering, have no security, are drafty, wet and visually offensive. In late fall of 1995, one of the parking houses was destroyed and another heavily damaged by fire from an arsonist. We have been substituting a portable box office for the house that was destroyed. Additionally, a third house was recently hit by a vehicle. The parking contractor has discussed this situation with the Expo Manager and strongly encourages replacing these houses.

Because of these unforeseen events, staff has determined that replacement of these parking houses is necessary. The costs of four houses is approximately \$30,000, with another \$5,000 for installation materials.

The total, then, for expenditure increases for Expo total \$276,000, to be taken from Contingency.

As a point of clarification, the Adopted Budget for Expo appropriated \$184,190 for Contingency; the Supplemental Budget for Expo adds \$355,734 to Contingency, for a total of 539,924. Therefore, assuming the eventual adoption of the Supplemental Budget by Metro Council, there will be sufficient Contingency to effect this expenditure increase.

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FISCAL IMPACT:

Because the effect of these expenditure increases is to move monies among existing appropriations, there is no fiscal impact to the budgeted bottom-line for either facility.

RECOMMENDATION:

Staff recommends that the Commission approve the 1995-96 budget amendment for Civic Stadium and Expo Center and forward it to the Metro Council for their consideration and approval.



METRO

*FAX to
MERC CUSRS
return*

April 18, 1996

TO: Metro Council
FROM: Mike Burton, Executive Officer
RE: MERC Resolution Number 96-12

Mike Burton

I have reviewed MERC Resolution Number 96-12 and have the following issues and concerns.

1. In the contract with Fine Host for concessions/catering services, MERC has included a loan from Fine Host for \$550,000 for improvements to the food and beverage operation at both the Civic Stadium and at Expo. The terms of this loan are 9% simple interest on the unpaid balance and the "repayment of the loan, on a straight line, monthly basis, shall be taken out of the operation as an expense item, to be amortized over six (6) years. Any remaining unpaid balance shall be repaid by Commission as a buy out of this Agreement is (sic) terminated for any reason, or if Concessionaire is not selected as the contractor for the period following June 30, 1999." (Fine Host contract, pg. 12)

This issue raises the following concerns:

- a. Metro General Counsel has informed me that Metro E-R Commission is not authorized to issue debt and this provision in the contract constitutes the issuance of debt.
- b. the interest rate is at 9% compared with 5-6% currently being charged through the special district capital lease program which Metro utilizes for capital lease needs.

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TIME: 10:00 AM
METROPOLITAN EXPOSITION
RECREATION COMMISSION

2. The MERC staff report cites increased labor costs for concessions at Expo. MERC has stated that this increase was due to the change in contractor and the new contractor did not understand the business at Expo and was trying to build goodwill with event promoters.

This issue raises the following concerns:

- a. Although MERC has provided me with explanations as to what happened, I still question why this overage was not discovered and brought in line prior to January.
- b. Even though Fine Host was not the previous contractor at Expo, they have been providing concessions/catering services for MERC for several years and had more access to information on Expo operations than others. The operations at Expo should not have been a surprise of this magnitude.
- c. If this overage is a result of a error in a business decision made by Fine Host, is it MERC's responsibility to absorb the cost of the error made by Fine Host?

In conclusion, I do not recommend the adoption of Ordinance No. 96-641. I recommend that the Council discuss business practices with the Metro E-R Commission and, if the Council feels it is warranted, institute policies and procedures that better control this type of expenditure and/or make managers of the MERC operations more accountable to current policies and procedures.