

Metropolitan Exposition-Recreation Commission

Resolution 01-38

For purpose of approving MERC's Capital Improvement Plan and Recommended Adoption by Metro Council

Whereas, Metro engages in an annual Capital Improvement Plan (CIP) process,
and

Whereas, the Commission participates in this process, and

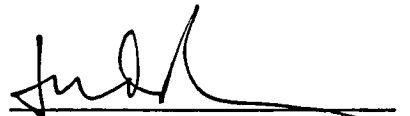
Whereas, Commission staff have prepared a proposed CIP in conformance with Metro requirements,

Whereas, Commission staff have reviewed the proposed CIP with Metro staff and the Metro Executive Officer, and have reached agreement on the proposed projects,

THEREFORE BE IT RESOLVED:

1. The Commission approves the Capital Improvement Plan attached as Exhibit A.
2. The Commission recommends that the Metro Council adopt this Capital Improvement Plan.

Passed by the Commission October 24, 2001.


Chair


Secretary-Treasurer

APPROVED AS TO FORM:
Daniel B. Cooper, General Counsel

BY: 
Senior Assistant Counsel

Capital Improvement Plan

Background

One of the most important and fundamental responsibilities of MERC is to maintain the integrity of its facilities. MERC's competitiveness relies on its well-maintained facilities and systems that support services that attract international, national, and regional clients and patrons. Good facilities are vital to the success of MERC and the metropolitan region.

Annually an inventory is prepared of MERC capital assets. A plan is developed as a guide to enhance and/or preserve these assets. The plan, Capital Improvement Plan (CIP), is a financial planning tool that reflects MERC's capital priorities and realistically depicts the resources available to finance improvements and expansion to MERC's buildings and systems. The plan reflects a technical assessment of the conditions of the MERC facilities and this assessment is incorporated in the plan.

The CIP is designed to achieve the following objectives:

- Mandated projects that are required by MERC to satisfy federal, state, or local regulatory requirements or to meet general public safety standards.
- Repair and maintenance projects that are necessary to prevent facilities and systems from deteriorating.
- Replacement projects that correct existing deficiencies by replacing worn out parts of the facilities.
- Expansion projects that expand the facilities' current service level to meet unmet demands.
- Efficiency projects aimed at making the system more efficient through the use of technological improvements or other means.

The projects are evaluated based on the following categories:

- Mandated
- Return on investment
- Safety oriented
- Economic development impact
- Energy savings
- Facilities plans

The plan is prepared and updated each year to reflect the latest information on available resource and changes needed. Therefore, during the annual budget review process, the CIP will be evaluated to confirm funding availability for pay-as-you-go capital projects and assess project priority and the reality of proposed project scheduling. The first year of the five-year CIP is the foundation for the Capital Budget and becomes part of the agency's budget for the ensuing year. Action by the Commission to adopt the Capital Budget establishes the first year of the CIP. The MERC Pooled Capital Fund budgets and accounts for those projects authorized and funded through MERC's capital planning process, except for unique projects such as the Oregon Convention Center Expansion project that require a specialized accounting procedure. The remaining four years in the CIP serve as a general planning guide on the impact of undertaking this plan and are subject to revision in subsequent CIPs.

FY 2002-03 through 2006-07 Capital Program

While the FY 2002-03 through 2006-07 plan does not provide the total amount of capital investment needed to complete all projects, it does provide an adequate level of capital investment to protect investments, to minimize future replacement and maintenance costs and to continue, and in some cases enhance, service levels.

The Oregon Convention Center is currently in the construction phase of its expansion project that will nearly double the square footage of the existing building. The FY 2000-01 marked the ground breaking for the expansion project. In February 2001, the OCC broke ground on the expansion project that will nearly double the size of the facility, offering greater flexibility and more options regarding use of this facility. The expansion of the convention center is a \$116 million project and is scheduled to be completed in the spring of 2003. The expansion is projected to increase revenue and attendance by 60 percent. In accordance with an intergovernmental agreement, the Convention Center Capital Project Fund received the proceeds from a \$100 million bond sale by the City of Portland. In addition, the project received \$10 million, a \$5 million contribution from both the Portland Development Commission and MERC (MERC operating fund and the MERC Pooled Capital Fund) to provide additional funding for the project. The balance of project costs to come from projected interest earnings. The project budget for FY 2002-03 is \$24 million. When compared to FY 2001-02 budget, significant changes in spending will occur due to changes in the construction of the project. Whereas the budget for FY 01-02 was primarily capital for permits, materials and labor for construction of the parking garage, the primary expenses in FY 02-03 will be for the construction and finish completion of the Project.

In addition, the Oregon Convention Center has planned its capital spending for the next two years towards completing portions of the expansion project that are not in the expansion construction budget. This budget encompasses enhancing and upgrading the existing building and systems so that it will seamlessly integrate with the new facility and systems and compliment the new addition. The project budget for FY 2002-03 is \$3,798,000. The project's major resource is the fund's beginning fund balance.

Expo Center is midway in its transition into a modern exhibition complex. Expo has recently completed over \$30 million in construction to replace Halls D&E. The new Exhibit Hall D was opened on time and on budget in April 2001 and has been a major attraction for new and long-standing events. This is Phase II of a multi-phase plan to develop, replace and improve the functionality of the Expo Center facilities. Phase I of the multi-phase plan, Hall "E" development, was completed in March of 1997 just in time for the opening of the America's Smithsonian 150 Year Anniversary Traveling Exhibition. Phase II consists of replacing the existing Hall D with a 112,000 square foot enhanced exhibit hall facility, including expanded meeting and food service capabilities. Funded through a combination of infrastructure and facility construction loans from the Oregon Economic and Community Development Department (OECDD), the cost of Phase II is \$15.8 million. The loan proceeds and the expenditures thereof are accounted for in the General Revenue Bond Fund. A 10-year master plan was approved in June 2001, setting the stage for completing the long-term vision of Expo Center, including replacement of halls A, B and C. Phase III, which is slated to be approved early next year, will be initiated as funding become available. Since the majority of the Expo facilities have been recently improved, the CIP does not include significant investments in upgrading existing buildings and systems other than the plan to reconstruct Halls A, B & C. Depending on the scale and scope of the reconstruction, the cost of this project could exceed \$20 million.

The Portland Center for the Performing Arts planned capital projects include improving, upgrading, and replacing the building elements and systems to address safety and security issues, meet the needs of lessees, improve service and comfort levels, enhance revenues and hold or lower operating costs. Projects in FY'03 include elevator code compliance modifications, exterior lighting upgrades, replacement of the Keller pit lifting system, construction of additional women's restroom facilities at the Keller as well as enhanced concession areas, implementation of energy conservation initiatives, interior repainting and upgrades at Keller, stage floor replacement in the Newmark Theater, carpet replacement in the New Theater Building. Staff will continue to monitor industry technology to see if future upgrades are becoming an industry standard and necessary to maintain current client base or attract future clients. These improvements will be funded from the balance of the \$2 million of City bond proceeds that MERC received. After all bond proceeds are exhausted, PCPA will use the \$3 million dollars in private donations it has received over the last several fiscal years.