METROPOLITAN EXPOSITION-RECREATION COMMISSION

RESOLUTION NO. 98-8

Adopting the MERC Summary Business Plan including appended Business Plans for the Portland Center for the Performing Arts, the Oregon Convention Center, and the Portland Metropolitan Exposition Center.

The Metropolitan Exposition-Recreation Commission finds that:

1. The Metropolitan Exposition-Recreation Commission, pursuant to Metro Code Sections 6.01.100, is required to prepare Business Plans for each of the facilities managed by the Commission, update those plans as needed, and provide all Metro elected officials with copies of the Business Plans.

2. The 1998 Business Plans provide a valuable framework for the conduct of business by MERC and the facilities over the next three years.

3. The 1998 Business Plans build on the accomplishments made under the 1994 Business Plans, primarily the achievement of financial stability, and capitalize on the new opportunities for entrepreneurial operations under Metro ordinance No. 97-677B.

4. The Business Plans have been formulated in a public, participatory process, with input from the Advisory Committees, facility users, business and community leaders, elected officials and citizens in the region.

5. The Business Plans chart a course for MERC and the facilities that best serves the interests of citizens in the region.

BE IT THEREFORE RESOLVED that the Commission adopts the Summary Business Plan and appended Business Plans for the Portland Center for the Performing Arts, the Oregon Convention Center and the Portland Metropolitan Exposition Center, attached as Exhibit A.

BE IT FURTHER RESOLVED that Commission staff are directed to provide copies to all Metro elected officials as required by the Metro Code.

Passed by the Commission on February 11, 1998

Chair

Secretary/Treasurer

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

By: Kathleen A Pool
Kathleen Pool
Senior Assistant Counsel

EXHIBIT A

METROPOLITAN EXPOSITION RECREATION COMMISSION

Oregon Convention Center ◆ Portland Metropolitan Exposition Center
Portland Center for the Performing Arts ◆ Portland Civic Stadium

Summary Business Plan

1998-2001

February 1998

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I. EXECUTIVE SUMMARY

The 1998 Business Plan charts the course for the Metropolitan Exposition-Recreation Commission (MERC) for the next three years (1998-2001). MERC's role is to provide direction and support to the four regional facilities under its management: The Oregon Convention Center (OCC), the Portland Center for the Performing Arts (PCPA), Portland Civic Stadium and the Metropolitan Exposition Center (Expo). The MERC Business Plan is the overall framework for each of the four facility plans, and provides for leadership and support for the facilities' goals, under the guidance of the MERC mission statement.

The MERC and facility Business Plans have been shaped by a public, participatory process. Public meetings have been held on each of the plans; the facility advisory committees and Users have been involved in formulating the facility plans; the MERC Commission in the MERC plan. The final plans have been refined over a period of months to reflect public input.

This is the second Business Plan process for MERC and the facilities. The chief goal of the 1994 plan was to achieve financial stability. It was formulated to forestall the financial crises and risk of closure of PCPA and Stadium; and sought to ensure that OCC and Expo remained competitive, secured profitable business and generated maximum economic benefits for the region.

MERC fully met this goal, by slashing costs and boosting net earnings within a market-based framework. MERC functions were streamlined and consolidated, and MERC administrative costs contained. For PCPA and Stadium, capital improvements not essential to keep the facilities running or generate new revenue were deferred. Major efforts were undertaken to attract new business. In late 1996, MERC obtained dedicated funding for PCPA and Stadium operations from the City of Portland and Multnomah County under an agreement with Metro that granted MERC more autonomy and independence, in order to foster more entrepreneurial operations.

The context in which this Business Plan has been formulated is therefore fundamentally different from that which existed three years ago. The facilities are now on a sound financial footing and business is thriving. PCPA and OCC are operating at capacity, with virtually no available dates. Expo has a new building, an expanded clientele, and a capacity to attract new and different types of business. A high-level Advisory Committee is working on a rehabilitation and funding plan for Civic Stadium.

This Business Plan is a strategic plan to meet the new challenges, opportunities and responsibilities now facing MERC. Effective stewardship of the public facilities in this context requires goals that are broader and more far-reaching. Chief among these is the goal to realize the full potential for a more efficient and entrepreneurial operation afforded by MERC's new autonomy from Metro. This plan also calls for a new MERC leadership role in planning for new facilities; expanding and upgrading existing buildings; promoting public awareness of the regional facilities; renewing efforts to provide superior customer service, and realizing MERC's broader community mission.

Under this Business Plan, MERC will concentrate upon the following four main goals:

1. Enhance financial stability and establish a more entrepreneurial, customer service oriented operation.
2. Expand public awareness of the community value and services provided by the regional facilities managed by MERC.
3. Plan for additional regional facilities and funding to meet future needs.
4. Realize the goals specific to each facility.

A set of specific objectives has been developed for each main Business Plan goal. Measures have been established for each objective to evaluate progress in concrete terms. An annual internal work plan will be developed for each year of the three-year plan with the strategies and timetables to meet these goals and their accompanying objectives. The goals, objectives and strategies for each facility are detailed in their individual Business Plans. Those Plans comprise an integral part of this Summary Business Plan and are attached in their entirety in Appendix 1.

II. INTRODUCTION

MERC, a subsidiary of Metro, operates, manages, develops and promotes the four regional public assembly and convention facilities: PCPA, OCC, Expo, and Stadium. The MERC Business Plan sets out the goals and objectives for MERC and the facilities for the next three years.

A. Background: Accomplishments under the 1994 plan

This is the second 3-year Business Plan for MERC. The chief goal of the first plan (1994-1997) was to reach financial stability for PCPA, Stadium, OCC, Expo and MERC. MERC was successful in meeting this goal. In all of the MERC facilities financial stability was achieved through a combination of cost-cutting and revenue-generating measures (see tables 1-5):

- The looming financial crisis at PCPA was averted and dedicated funding for operations secured from the City of Portland and Multnomah County. PCPA will now focus upon neglected capital needs and its broader mission in the community.
- OCC exceeded all projections for attendance, sales and revenue, and economic benefits to the region; reduced costs without sacrifice to current service levels; met all

financial targets and achieved capacity occupancy in 1994. OCC will now focus on completing the original plans of the Center.

- Expo reduced costs, achieved operational efficiencies, garnered new business through aggressive booking, marketing, and coordination with OCC; and enhanced its competitive position significantly with the construction of Hall E and the success of the *America's Smithsonian* exhibit.
- Civic Stadium made initial progress towards financial stability through cost-cutting and revenue enhancement measures – and reached a break-even operation in fiscal year 1996/97 – one year ahead of schedule. This was done, however, at the expense of capital investments which are now urgent, and improvements which are necessary to market the facility to profitable tenants. The financial situation at Stadium today remains precarious: under current conditions the fund balance will be exhausted within the next two years.
- Costs were reduced and efficiencies achieved through MERC-wide measures within a market-based framework, including: consolidation or elimination of redundant or obsolete functions and containment of MERC administrative and support costs.
- MERC gained greater ability to foster more entrepreneurial operations under the funding agreement concluded by the City of Portland, Multnomah County and Metro.

More detailed discussion of the accomplishments made under the 1994 plans by each facility are provided in the facilities' individual Business Plans (see Appendix 1).

MERC also made major progress in accomplishing the secondary goal in the 1994 plan to attain consistency in public policy objectives for MERC and the four facilities. In addition, major progress was made in ensuring consistency in operating procedures among the facilities in areas such as ticketing and catering.

B. Transition Deliberations

The period covered by the 3-year Business Plan period was unexpectedly characterized by protracted deliberations o n the future of MERC and the facilities. Two main committees, comprised of business and community leaders and elected officials, were established during this period to determine the future of MERC. The City/Metro Regional Facilities Consolidation Committee was appointed in 1995 to review, report and make recommendations regarding the Consolidation Agreement between the City of Portland and Metro that established regional management of the facilities under MERC. The committee issued its final report in January 1996, recommending that regional facilities "be managed through a contract with a private, nonprofit organization and governance structured to allow operation in an independent and entrepreneurial manner."

The Transition Team on Regional Facilities Consolidation was appointed by Metro in July 1996 and completed its work in October of that year. Its charge was to implement the recommendations of the Regional Facilities Consolidation Committee. The Transition Team revisited some of the Consolidation Committee's conclusions and considered a range of options for management of the facilities – from establishing an independent non-profit corporation, to returning PCPA and Stadium back to their owners, the City of Portland and operating the Metro-owned OCC and Expo through a Metro department. Throughout this period, a considerable amount of staff time was spent on transition issues, while the future of MERC and the facilities remained in limbo.

The transition period ended with an agreement approved in early 1997 by Multnomah County, the City of Portland, and Metro. That agreement kept the facilities together under MERC; provided dedicated funding from the City and County for PCPA, Civic Stadium and a MERC-wide renewal and replacement fund; clarified responsibility between the City of Portland and Metro for major capital projects; and enhanced MERC's ability to foster more entrepreneurial operations (under Metro Ordinance No. 97-677-B).

C. The Current Business Plan: 1998-2001

The context in which the 1998 Business Plan has been formulated is therefore fundamentally different from that which prevailed during the first Business Plan process in 1993-94. The goals and objectives of this Business Plan reflect the combination of: improved financial conditions and resulting new challenges facing the facilities; the responsibilities and opportunities associated with MERC's greater autonomy; the need to raise revenue and continue to adequately meet public demand when OCC and PCPA are operating at capacity; and the continuing financial problems facing Civic Stadium. While the scope of the 1994 Business Plan was of necessity narrow – focusing on financial stability – the scope of this Business Plan is wider, focusing on MERC's broader role and mission. Chief among the new goals is to realize the full potential for a more efficient and entrepreneurial operation afforded by MERC's new autonomy from Metro. This plan also calls for a new MERC leadership role in planning for new facilities, as well as expanding and upgrading existing facilities.

The major goals of this Business Plan are to:

1. Enhance financial stability and establish a more entrepreneurial, customer service oriented operation.
2. Expand public awareness of the community value and services provided by the regional facilities managed by MERC.
3. Plan for additional regional facilities and funding to meet future needs.
4. Realize the goals specific to each facility.

III. MERC'S MISSION – THE CURRENT CONTEXT

A. MERC's Mission and Operational Stages

MERC's mission statement has been revised to more accurately reflect its new responsibilities and expanded role pursuant to Metro ordinance No. 97-677-B.

The mission of the Metropolitan Exposition-Recreation Commission (MERC) is to provide quality stewardship in the operation, management, development, and promotion of the region's public assembly and convention facilities.

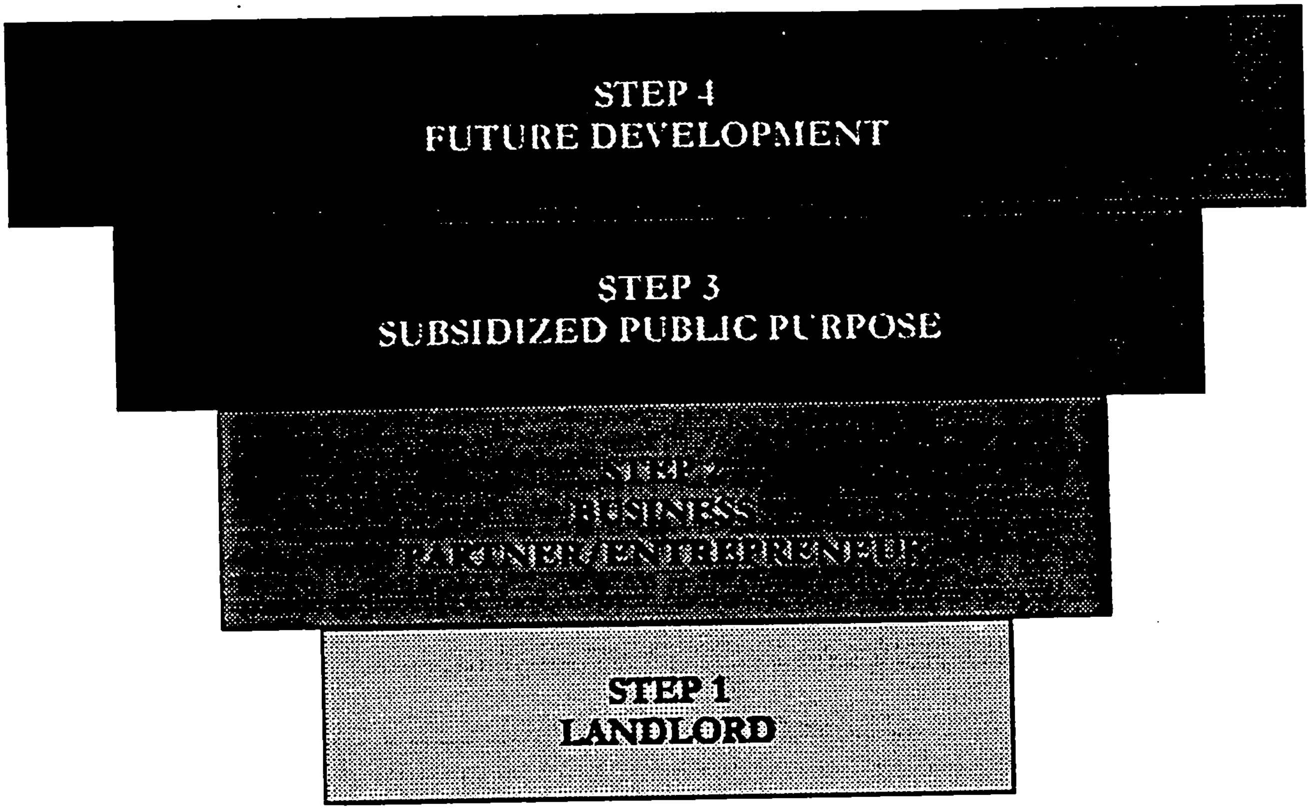
MERC shall:

- *Promote and honor diversity in all of its operations*
- *Provide cost-effective, entrepreneurial management accountable to public purposes and regional governments*
- *Maximize the opportunities for financial return to the community*
- *Serve as an advocate for regional and public investment in its facilities*
- *Serve as the lead planning agency for current and future facility development, expansion or renovation*
- *Provide high quality events and services to the metropolitan community, customers, and visitors*

The 1994 Business Plan for MERC set out four steps for MERC's operational function (see Illustration 1). This remains a valid framework:

Illustration 1

MERC'S Operational Stages



- The first step is MERC's primary duty: to keep the facilities open and operating. At this step space is rented and few services provided. If MERC is financially successful at this stage, it can move to the next.
- The second step is to attract business through sales and marketing; engage in service enterprises that will serve the tenants and bring in additional revenue.
- If the second step is successful, the additional revenue can be used to move on to step three, to provide a subsidized public service according to the definition in the facility's own mission.
- Finally, when finances allow, MERC can move to step four at the top of the pyramid, to future development and expansion.

The 1994 Business Plan noted that each MERC facility need not proceed through each of these steps one by one if it is given sufficient funding to perform at a higher level from the outset.

The main focus of the 1994 MERC plan was on step one – to keep the facilities open and operating. Activities in step two were undertaken for some facilities as a means to achieve step one. Limited progress was also made for PCPA in step three through reduced user fees and streamlined rental rates for non-profit Principal Tenants. The facilities started at different steps and remain at different steps. However all facilities, with the exception of Civic Stadium, reached higher operational steps under the guidance of the 1994 plan. This Business Plan therefore concentrates more fully on goals and strategies in steps three and four.

B. Financial Analysis

Financial performance under the 1994 Business Plans

As shown in tables 1-5, the overall financial picture of MERC and the facilities improved significantly under the last Business Plan. Table 1 shows that total **MERC** operating revenues increased steadily increased during the three year period, growing from $13.2 million in fiscal year 1993/94 to $19.9 million in 1996/97. Largely due to the growth in hotel/motel tax revenue (levied by Multnomah County and dedicated to OCC operations), total non-operating revenues grew from $4.5 million in fiscal year 1993/94 to $7.3 million in 1996/97. The MERC Operating Fund ending fund balance grew from $13.5 million in 1993/94 to $18.9 million in 1995/96, reflecting the success of the 1994 Business Plan in meeting its goals to raise revenue and contain costs, combined with healthy growth in hotel/motel tax revenues. In 1996/97, the ending fund balance decreased to $10.2 million due to the $11.3 million invested in the construction of Expo's Hall E.

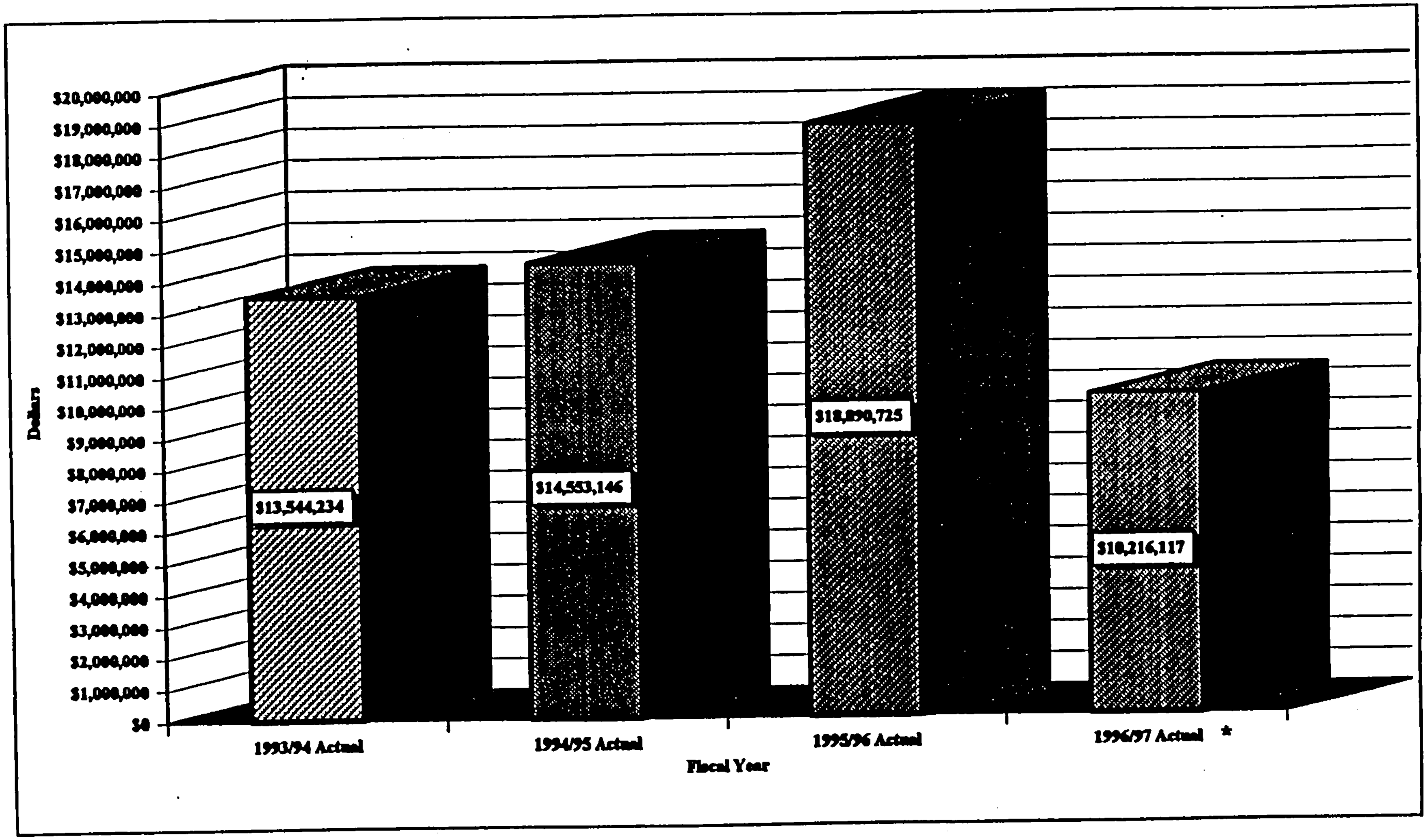
Table 2 shows that total **PCPA** operating revenues also increased steadily during the three year period, growing from $3.3 million in fiscal year 1993/94 to $5.7 million in 1996/97. The steady growth in total non-operating revenues is due to the $600,000 in hotel/motel tax revenues that was diverted to PCPA from OCC beginning in 1994/95. In addition, combined support from the City of Portland and Metro increased from $250,000 in 1995/96 to $500,000 in 1996/97, enabling PCPA to begin undertaking selected investments in deferred capital projects. Attendance at PCPA facilities grew from 966,000 in 1993/94 to 1.1 million in 1996/97. PCPA's ending fund balance increased from $1.7 million in 1993/94 to $2.6 million in 1996/97.

Total **Civic Stadium** operating revenues (table 3) showed some modest growth over the three year period, growing from $1.6 million in fiscal year 1993/94 to $1.8 million in 1996/97. Fiscal year 1993/94 included 33 games of Triple A baseball. Fiscal year 1994/95 shows a drop to $1.2 million in operating revenues, primarily due to the fact that this was the first season of Single A Baseball and included only 8 games before the conclusion of the fiscal year. The increase in fiscal years 1995/96 and 1996/97 reflect the full seasons of Single A Baseball (approximately 38 games) in those years. Stadium's ending fund balance declined from $1.4 million in 1993/94 to $1.1 million in 1996/97.

Total **OCC** operating revenues increased steadily over the 1994 Business Plan period, as shown in table 4. operating revenues grew from $7.3 million in fiscal year 1993/94 to $8.6 million in 1996/97. Hotel/motel tax revenue increased from $4.2 million in fiscal year 1993/94 to $5.6 million in 1996/97. OCC's ending fund balance also grew, from $9.4 million in 1993/94 to $11.9 million in 1995/96. In 1996/97, the ending fund balance decreased to $5.7 million due to the $9 million that was invested in the construction of Expo's Hall E.

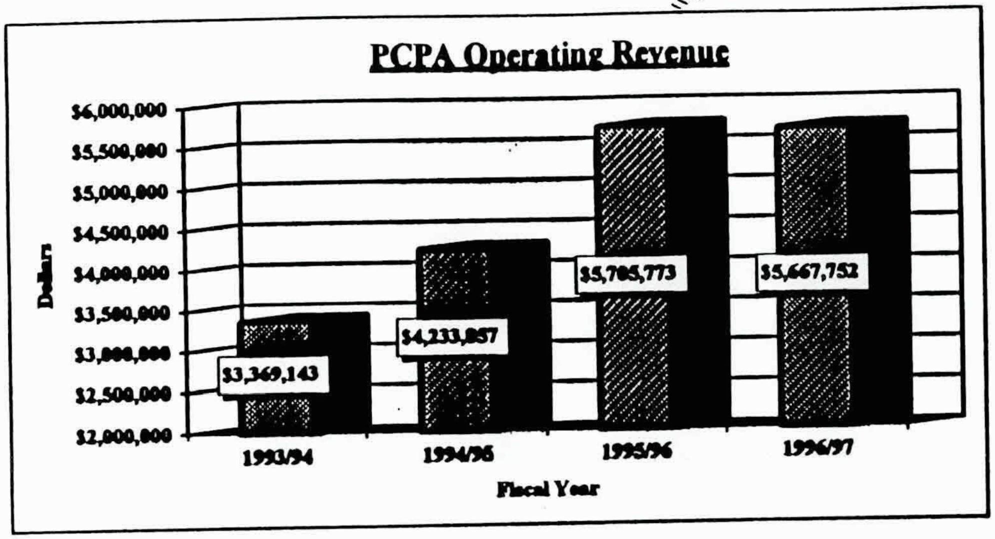
Table 5 shows that total operating revenues for **Expo** also increased steadily under the 1994 Plan, from $913,122 in fiscal year 1993/94 to $3.9 million in 1996/97. Expo's non-Operating Resources for the period includes $2.9 million in revenue bonds from Intel Corporation that was used toward the construction of Hall E. In 1996/97, OCC transferred $9 million from its ending fund balance to complete the financing for the new hall. The Metro Council terminated $325,000 in previously required subsidy from Expo Center to the Metro Regional Parks in order to use these funds for early retirement of the Intel revenue bond debt. Expo's ending fund balance during the period reflected peaks and valleys due to receipt and expenditure of construction funds to build Hall E. However, Expo's ending fund balance, before resources and expenditures for the new hall are taken into account, showed growth from $998,714 in 1993/94 to $3 million in 1996/97. The actual ending fund balance, after construction related expenditures, was $734,582 in 1996/97.

Table 1
MERC Operating Fund
Ending Fund Balance



* - Fund Balance decreased by $11,348,198 investment in Construction of Expo Center Hall E.

Table 2
PCPA
Financial Performance



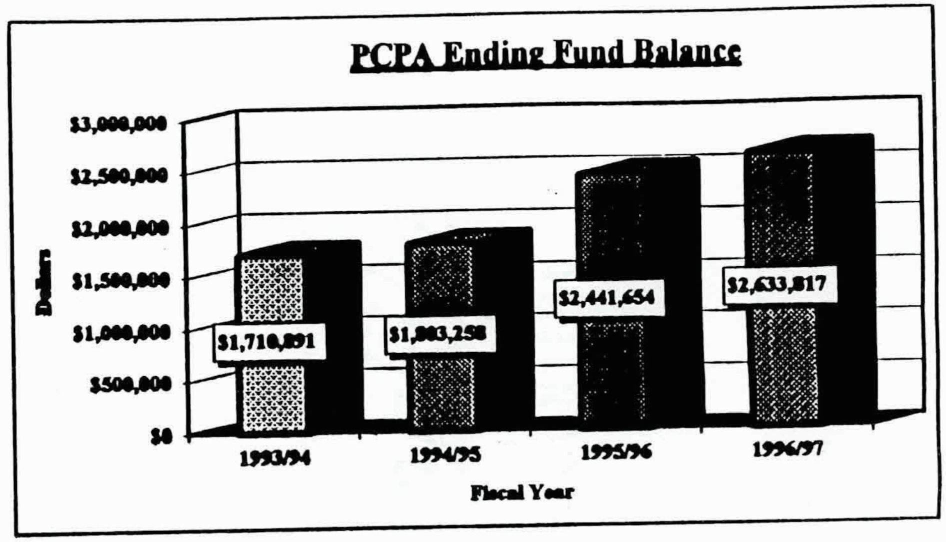
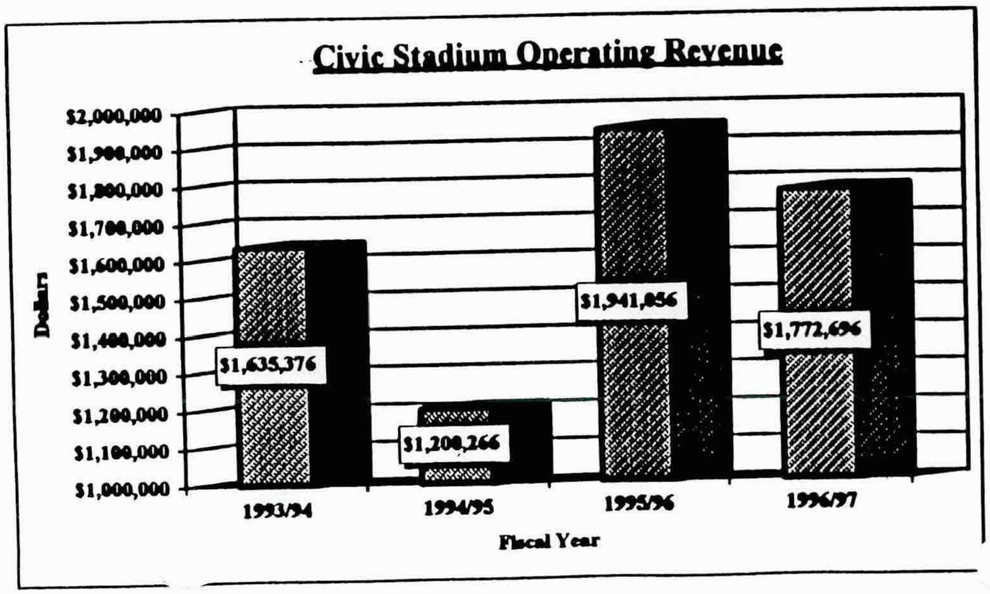


Table 3
Civic Stadium
Financial Performance



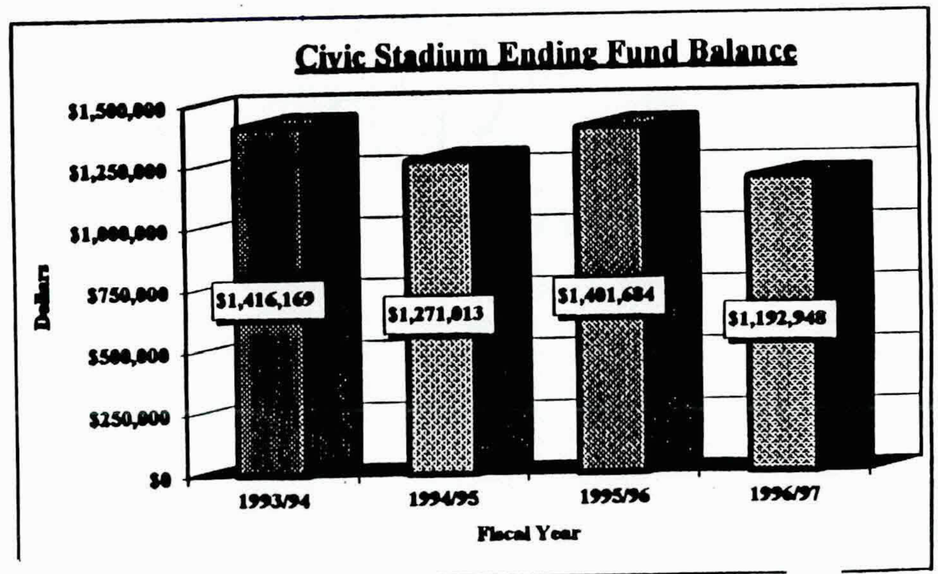
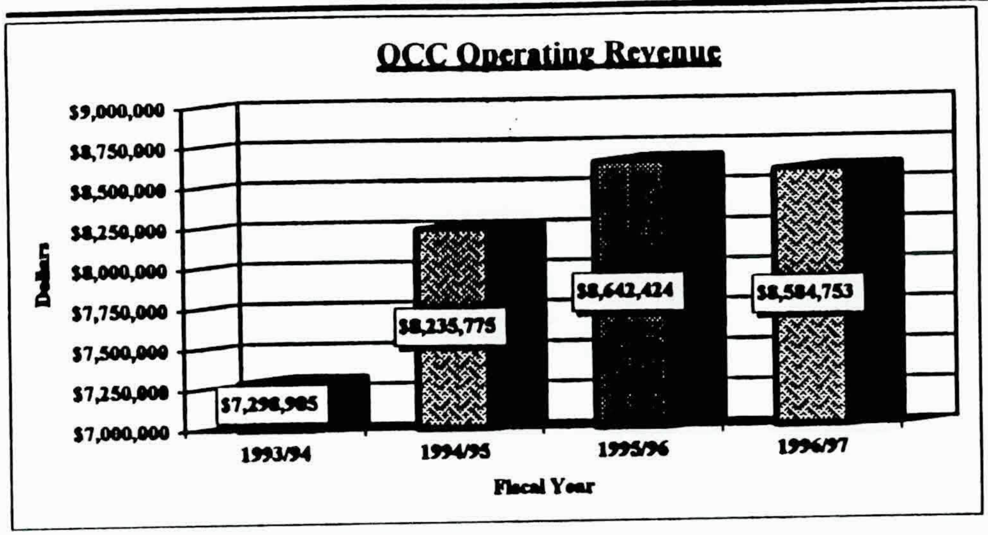


Table 4
OCC
Financial Performance



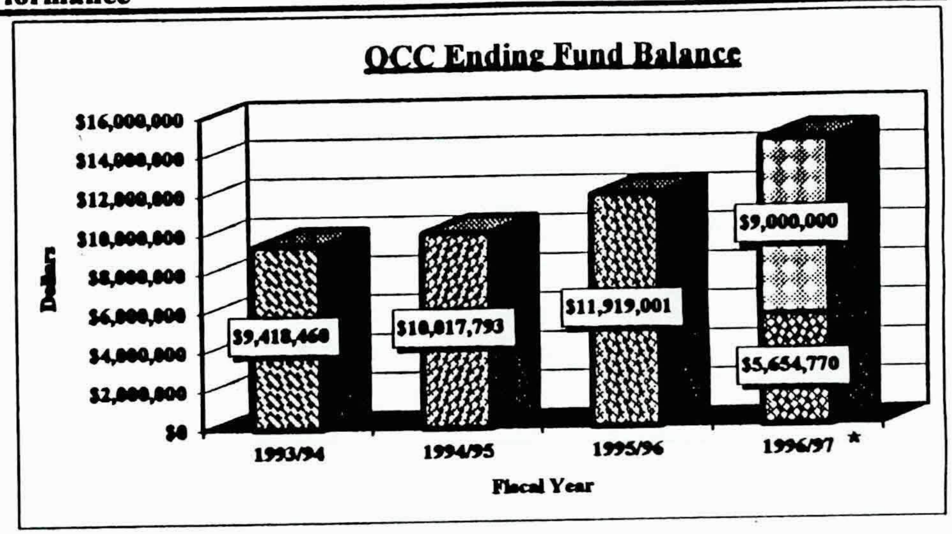
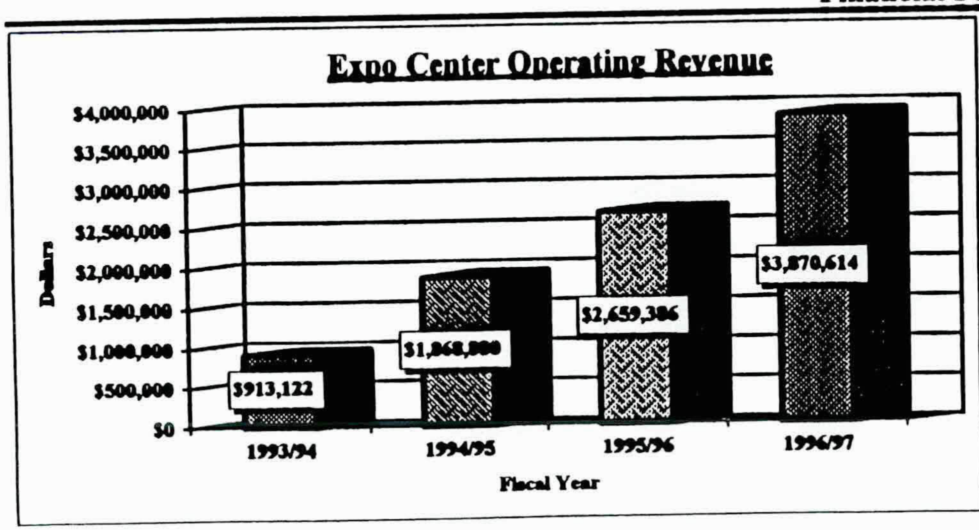
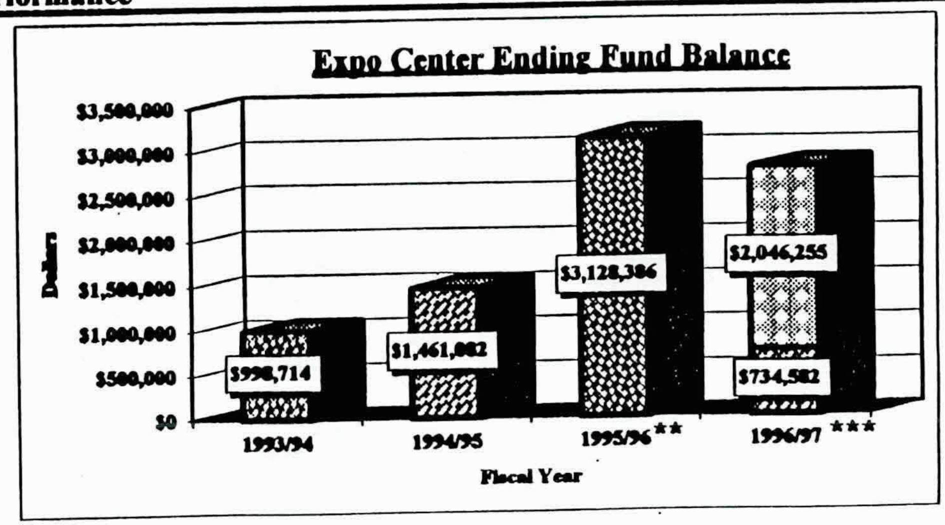


Table 5
Expo Center
Financial Performance





* - Fund Balance Includes $9 million transfer for Expo Center Expansion

** - Fund Balance Includes $1.07 million in excess Revenue Bonds.

*** - Fund Balance ... $2,046,255 investment in Construction of Hall E

Merc support and administrative costs

The 1994 MERC Business Plan addressed the goal of reducing or holding flat support and administrative costs. While these total actual costs have increased in actual dollars over the period covered by the Business Plan, the total costs for Metro support services and MERC Central Administrative Costs as a percentage of operating revenues have steadily decreased from 12.78% in fiscal year 1993/94 to 9.70% in fiscal year 1996/97 (see table 6).

In response to requests from the facilities, MERC Administration has enhanced its administrative services, and the fiscal year 97/98 and 98/99 budgets for MERC Administration reflect commensurate increases. To improve efficiency in purchasing, bring consistency to administrative policies and procedures and enhance support services for information systems, two new positions, a Director of Administration and an Information System Computer Support position, have been created. The costs of these additional services have been offset by reductions in the cost of support services provided by Metro. These combined total costs of support services provided by MERC and Metro have been kept below 10% of MERC-wide operating revenues.

Budget and funding changes made to enhance MERC's ability to foster more entrepreneurial operations

1. MERC Operating Fund (Global Budget)

In order to promote the entrepreneurial operation of the facilities pursuant to Metro Ordinance No. 97-677B, in fiscal year 1997/98 a change was made to the MERC budget to combine MERC Administration and all of the MERC facilities into one global budget called the MERC Operating Fund. In previous years, facilities' operations were budgeted in four separate funds. In addition to combining operating revenues, changes were made to budget appropriation categories combining materials and services and personal services into one appropriation classification called operating expenses. These budget changes give MERC management more flexibility to respond to changing business needs in a more efficient manner.

2. MERC Pooled Capital Fund

The 1997 agreement between the City of Portland, Multnomah County and Metro that ended the Transition deliberations resulted in a new funding formula for the MERC facilities. The formula includes a redistribution of the portion of hotel/motel tax levied by Multnomah County that in the past has been dedicated to operations at the Oregon Convention Center.

Table 6

Budgeted Metro Support Services, Insurance and MERC Administration charges

Description	Actual 93-94	Actual 94-95	Actual 95-96	Actual 96-97	Est. FY 97-98	Proposed 98-99
Total Metro Support Services	1,121,729	1,201,955	1,315,565	1,296,327	1,135,066	940,365
Total MERC Administration	567,105	546,286	544,139	632,796	927,644	1,099,060
Total ALL Charges	**1,688,834**	**1,748,241**	**1,859,704**	**1,929,123**	**2,062,710**	**2,039,425**

Actual Allocation of Support Service & MERC Admin .Charges by Facility

Description	Actual 93-94	Actual 94-95	Actual 95-96	Actual 96-97	Est. FY 97-98	Proposed 98-99
Performing Arts	438,003	450,989	483,522	578,737	674,268	632,222
Civic Stadium	222,592	154,437	176,674	173,621	190,144	183,548
Convention Ctr.	941,569	938,614	1,041,432	1,022,436	1,029,281	999,318
Expo Center	86,670	204,201	158,076	154,329	169,016	224,337
Total Allocation	**1,688,834**	**1,748,241**	**1,859,704**	**1,929,123**	**2,062,710**	**2,039,425**
Total MERC Operating Revenue	13,216,626	15,538,778	18,948,639	19,895,815	19,501,145	20,792,953
Allocation as a % of Operating Revenue	12.78%	11.25%	9.81%	9.70%	10.58%	9.81%

The new Multnomah County allocation provided for the following distribution of hotel/motel tax revenue in fiscal year 1997/98: $3.8 million to the Oregon Convention Center; $1.2 million to go to the Portland Center for the Performing Arts, $200,000 to support cultural tourism and $200,000 to the Regional Arts and Culture Council to be used for neighborhood arts and to broaden participation in arts programs for outlying areas. Any funds remaining after this formula is applied in fiscal year 97/98 are designated for MERC's Pooled Capital Fund – to be used for capital needs of all MERC facilities.

The Adopted Capital Improvement Plan for fiscal year 1998-99 through 2002-03 includes 27 projects for MERC facilities. Of the 27 projects in the five year capital plan, 13 of these projects will be funded from hotel/motel taxes budgeted in the MERC Pooled Capital Fund.

IV. GOALS AND OBJECTIVES: 1998-2001

The major goals of this Business Plan are to:

1. Enhance financial stability and establish a more entrepreneurial, customer service oriented operation.

MERC's specific objectives for this goal are therefore as follows:

1. *Achieve financial targets (global) for 1998/1999, 1999/2000, 2000/2001.*
   The benchmark financial target for MERC and the facilities is the achievement of an average ending fund balance of approximately 35% of operating revenues.
   Measure: Annual budget

2. *Develop new business.*

   Measure: New business analysis

3. *Achieve efficient utilization of facilities.*

   Measure: Analysis

4. *Provide central services at higher quality and lower price*

   Hold the total costs of MERC central administrative and Metro support service costs below 10% of the total operating revenues earned by MERC facilities.

   Measure: Budget

5. *Enhance customer service quality.*

Measure: Customer satisfaction surveys

MERC's mission is to "provide cost effective, entrepreneurial management accountable to public purposes and regional governments" and "maximize the opportunities for financial return to the community." While the financial crises facing MERC in 1994 have been averted, this Business Plan retains the emphasis on maintaining financial stability to fulfill this mission and ensure responsible stewardship of public facilities.

The major new challenge facing MERC is to realize the potential for a more entrepreneurial and cost-effective operation under the new autonomy granted MERC by Metro. MERC will capitalize upon this new flexibility to ensure that all of the facilities operate in a more entrepreneurial, cost effective manner and that MERC provides central services at a price and level of quality necessary to achieve this goal.

Providing superior customer service is imperative to keep the facilities competitive and ensure repeat and new business. Ensuring quality service to the customer is also a priority of MERC's public mission; as stated in the mission statement to "provide high quality events and services to the metropolitan community, customers, and visitors." MERC's improved financial position, as well as the flexibility and efficiency engendered by MERC's new autonomy, facilitates this new customer service orientation.

To maintain long-range financial stability, MERC and its facilities will focus efforts on maintaining Division ending fund balances in both the Operating and Pooled Capital Funds for future capital improvements, operations in an economic downturn, emergencies, and expansion planning (see table 7). The MERC target for ending fund balance based on the average ending fund balance targets set for the individual facilities is approximately 35% of operating revenues.

Now that OCC and PCPA are operating at capacity with virtually no available dates, the challenge for these next three years will be to maintain fund balances through a combination of increased operating efficiencies and booking higher income producing events to reduce operating deficits. At PCPA, because the halls are at capacity with quality (e.g. high income producing) activities, and because opportunities for achieving more efficient utilization of the facilities are limited due to the achievements made under the 1994 Business Plan, the main opportunity for revenue growth lies in increased attendance. The emphasis for the next three years at PCPA is therefore upon marketing to develop audiences in order to fill the halls at all PCPA performances and increase ticket and user fee revenue. Expo and OCC will realize further efficiencies through more closely coordinated booking.

OCC and Expo have considerable potential to develop new business. With completion of the Center, OCC will expand marketing activities targeted towards national and international conventions. The *America's Smithsonian* exhibit demonstrated that with the new Hall E Expo has the potential to attract world class mega-exhibits that generate considerable revenue for the region. Expo will target marketing efforts towards new industrial trade shows and other non-traditional clients. The potential to attract new business will be considerably greater with refurbishment / replacement of the older Expo buildings.

MERC will focus on marketing to garner new business and raise ancillary revenue. In addition, efforts will continue to secure additional funds for capital maintenance and improvements of all MERC facilities to avoid any further erosion of the ending fund balance.

The specific facility strategies to maintain financial stability over the course of the next three years are as follows:

PCPA

Long-term financial projections for annual PCPA operations show relatively steady operating revenue along with stabilized public financial support; at the same time, costs of operations are shown to increase steadily over the 5 to 10 year projections. Careful management of expenditures is essential to preserving the benefits of the financial stabilization effort.

To achieve financial stability, PCPA has established a long-range target for its ending fund balance at 25% of the annual operating budget. Due to deferred capital needs, this goal will not likely be achievable over the next three years. However, to assure that the ending fund balance continues to provide protection against possible economic and business downturns, the ending fund balance target for the next three years is set approximately 30% of total annual operating revenues.

CIVIC STADIUM

A new Business Plan for Civic Stadium was completed in June 1996. MERC will support the new Civic Stadium Advisory Committee in its effort to develop and secure funding for a viable rehabilitation plan.

During the course of the next three years, the goal for Civic Stadium is to minimize the erosion of its ending fund balance as much as possible until additional funding sources are identified by the Civic Stadium Advisory Committee to rehabilitate the facility.

OREGON CONVENTION CENTER

Oregon Convention Center will be faced with special operating challenges during the next three years as 1) the growth in attendance and in events witnessed during the 1994 Business Plan period is beginning to flatten as OCC's customers require larger spaces and the Center is operating at practical capacity; and 2) OCC embarks on a major expansion project to increase the Center by 60 percent. In order to achieve the targets for Center's ending fund balance, careful planning will be essential to diminish the impact on operations of the current facility during construction.

To maintain long-range financial stability, OCC has established a long-range target for its ending fund balance at approximately 45% of annual operating revenues. Due to the combined constraints of operating a facility that is being utilized at practical maximum capacity, and the planned decreases in operating revenues during the expansion project, this target may not be achievable during the next three years. To assure that the ending fund balance continues to provide protection against possible economic downturns, the minimum ending fund balance for the next three years is set at approximately 25% of total annual operating revenues.

It is important to note that once the Center is expanded, the requirements for both long-term operating subsidies and capital repair and replacement will need to be reassessed. It will be critical to preserve any growth in the ending fund balance as an investment for future needs.

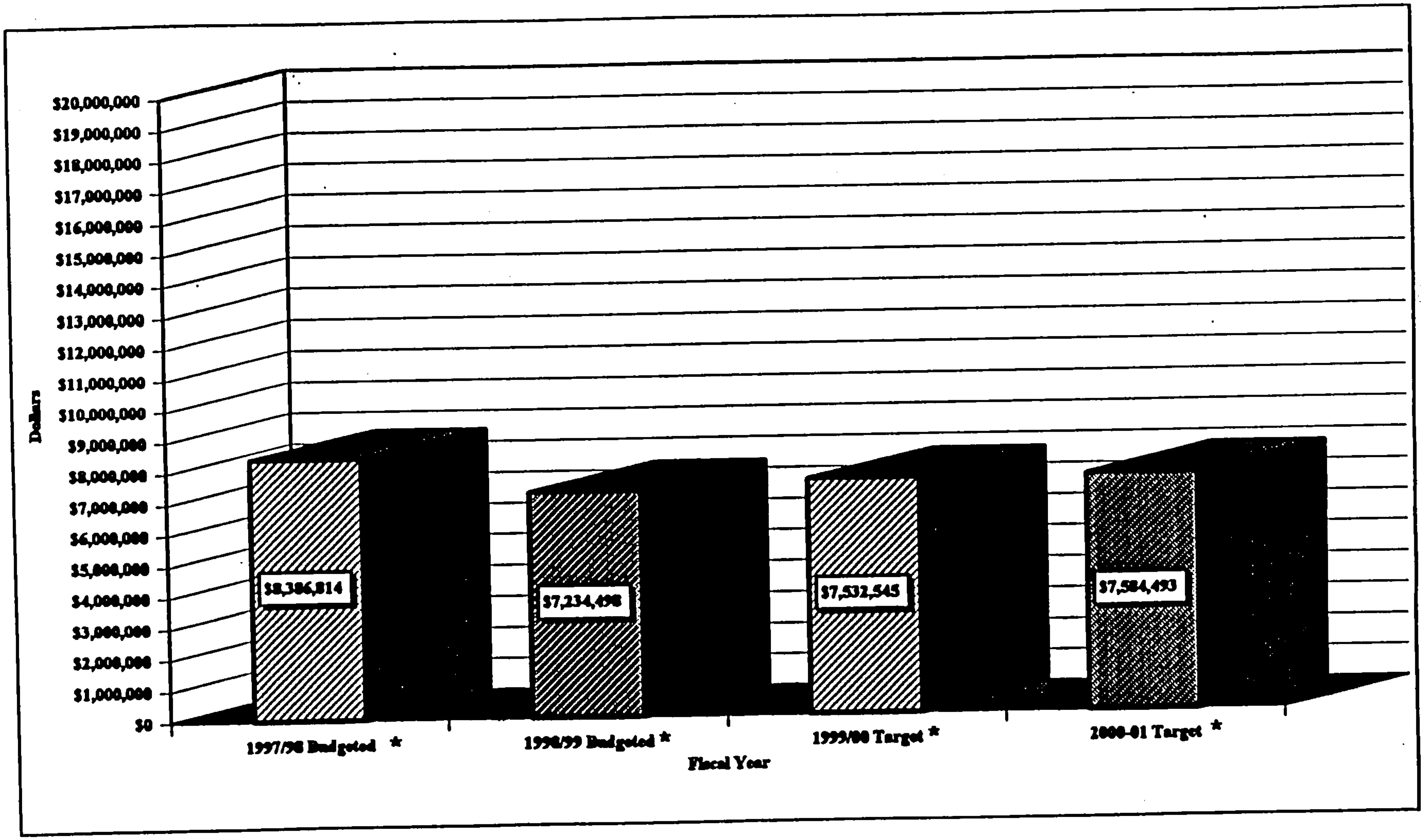
EXPO

Expo's competitive position increased dramatically with the construction of Hall E. However, Expo's challenge over the course of the next three years will be to adapt to the changing nature of the facility. With an aggressive marketing campaign, Expo has the potential to generate higher operating revenue from increased bookings of consumer shows, trade shows and others outside of Expo's traditional clientele. Along with these revenue opportunities comes increases in the administrative expense of running and staffing a larger facility.

Expo's long-range plan includes addressing the facility's neglected capital needs. A Master Plan will be prepared in fiscal year 1998/99 that addresses Expo's long-range rehabilitation and expansion needs. As noted in the fiscal year 1998/99 through 2002/03 Capital Improvement Plan, planned investment in Expo's ending fund balance will be an important component of the funding for Expo's long-range capital needs.

To maintain long-range financial stability, EXPO has established a long-range target for its ending fund balance at approximately 30% of annual operating revenues. To ensure that the ending fund balance continues to provide protection against possible economic downturns, the minimum ending fund balance for the next three years is set at approximately 25% of total annual operating revenues.

Table 7
MERC Operating Fund
Projected Ending Fund Balance



* - Beginning in 1997/98 growth in Hotel/Motel tax accounted for in a separate pooled Capital Fund Balance.

2. Expand public awareness of the community value and services provided by the regional facilities managed by MERC.

The specific objectives in support of this goal are as follows:

1. *Achieve regional facility identity (in cooperation with Metro's efforts).*

    Measure: Benchmark assessment

2. *Develop a strategic marketing communications plan for MERC and the facilities, including continuation of existing and development of new communications mechanisms for regular reporting by the commission to elected officials at the City, County, State, and regional levels.*

    Measure: Strategic marketing communications plan

3. *Assess and allocate resources necessary to implement public awareness goals and strategic marketing communications plan, including funding, establishment of MERC public relations department, position(s) or functions.*

    Measure: Assessment and implementation completed

Under the budgetary austerity of the previous Business Plans, budgetary resources for public relations and public awareness were severely curtailed. Now that financial stability has been achieved, MERC is in a position to undertake the comprehensive public awareness effort consistent with its role as steward of public facilities. The new autonomy granted to MERC by Metro brings the responsibility for greater accountability to the public; including improved mechanisms for regular reporting to elected officials.

A concerted public awareness program will help to ensure public understanding of the need for expansion, renovation and planning for future facilities, and to garner public support for such efforts.

MERC's role will be to achieve a regional identity that will benefit all of the facilities, and to support and serve as a point of coordination for individual facility efforts. The public awareness effort will underpin MERC's marketing efforts as well as its mission to "serve as an advocate for regional and public investment in its facilities."

3. Plan for additional regional facilities and funding to meet future needs.

The specific objectives in support of this goal are as follows:

1. *Initiate the planning process for expansion/rehabilitation/renovation and establish strategic timetable for action.*

    Measure: Strategic work plan

2. *Pursue regional funding plan approved by regional stakeholders.*

    Measure: Progress in obtaining plan

MERC is now in a position to exercise a needed leadership role consistent with its mission to "serve as the lead planning agency for current and future facility development, expansion, or renovation." MERC has a public obligation to ensure first class facilities that are adequate to meet public demand and to "maximize the opportunities for financial return to the community. Part and parcel of this leadership role is MERC's advocacy role for regional and public investment in its facilities.

It is the appropriate time for MERC to address neglected capital needs, facility development and future facilities:

- *At PCPA*, the demand by both audiences for performances and presenters for dates exceeds current capacity. Congestion on the calendar impedes PCPA's ability to meet its public mission to nurture local performing arts companies. Capital improvements at PCPA postponed under the 1994 Business Plan have become urgent.
- *OCC* is turning away convention business and losing existing conventions that would generate further economic benefits for the region due to size constraints.
- *Expo*, with the construction of Hall E, has demonstrated that there is considerable demand by new and existing clients for renovated or new facilities.
- *Civic Stadium* is in urgent need of renovation to attract the new business necessary to enable that facility to operate in the black.

4. Support the goals specific to each facility.

The facility objectives may be summarized into the following categories:

- *Individual financial targets.*
- *Maximizing efficiencies.*
- *Customer service orientation.*

- *Public awareness.*
- *Facility expansion and renovation plans.*
- *Facility marketing objectives.*
- *Serving missions.*

This Business Plan synthesizes the goals and objectives of each MERC facility. Reflecting the new context, these are broader in scope than those of the 1994 plan and require a greater leadership role by MERC. MERC's role is to provide the framework and support for these goals, under the guidance of the MERC mission statement. The goals, objectives, and strategies for each facility comprise an integral part of this Summary Business Plan. They are attached in their entirety in Appendix 1.

The goals for each facility are as follows:

A. Portland Center for the Performing Arts

1) Continue to refine operational structure, procedures and services to enhance revenue and cost-effectiveness, meet user needs, and maintain an entrepreneurial operation.
2) Establish multi-year renewal, replacement and facility enhancement plan to bring all facilities to first class condition.
3) Meet growing demand and future needs: Examine facility requirements.
4) Enrich our youth: Expand and ensure excellence in arts education programs.
5) Establish outreach activities that help to carry the performing arts into our communities.

B. Oregon Convention Center

1) Expand the Center by 60 percent by completing the original facility design, and upgrade the physical structure to maintain a first class facility.
2) Provide superior customer service through an employee-based approach and establishment of a values-oriented operation.
3) Refine operational structure to enhance financial stability, efficiency and establish an entrepreneurial operation.
4) Enhance marketing through implementation of new three year marketing plan that capitalizes upon the completed OCC and expanded Expo.
5) Increase public awareness of the community and economic benefits generated by OCC and Expo.

C. Expo

1) Enhance financial stability and an entrepreneurial operation by attracting new business, achieving more efficient utilization of the facility, realizing new operational efficiencies and initiating the long term preservation of funds.
2) Adapt service types and levels to meet the changing nature of business and user demand.
3) Lay the groundwork for expansion/renovation.
4) Establish an ongoing public awareness program.
5) Establish a formal Expo Advisory Committee consistent with other MERC facilities.

D. Civic Stadium:

A new Business Plan for Civic Stadium was completed in June 1996. MERC's current goal is to support the new Civic Stadium Advisory Committee in its effort to develop and secure funding for a viable rehabilitation plan. (The current Civic Stadium Business Plan will be attached as an exhibit).

◆◆◆◆

PORTLAND CENTER FOR THE PERFORMING ARTS

Portland Civic Auditorium ◆ Arlene Schnitzer Concert Hall

Newmark Theatre ◆ Dolores Winningstad Theatre

Business Plan

1998-2001

February 1998

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EXECUTIVE SUMMARY

The 1998 Business Plan charts the course for PCPA for the period 1998-2001. The Plan reflects the improvement in PCPA's financial position resulting from the achievements made under the first Business Plan and the dedicated operational funding obtained from Multnomah County and the City of Portland, beginning July 1, 1997. In addition, due to success in attracting new business under the 1994 Plan, all four venues are operating at approximately 140% efficiency, with virtually no available dates for additional performances. This Business Plan is tailored to the new conditions facing PCPA. Utilizing the PCPA mission statement as its framework, this Plan moves beyond the survival emphasis that characterized the first Business Plan and provides the road map for PCPA to meet new challenges and fulfill its broader mission in the community. The three major new areas of emphasis in this Plan may be summarized as follows:

- Creative marketing and outreach for audience development.
- Expansion of PCPA's role in youth arts education.
- Planning for additional facilities to meet growing demand and future needs.

This Business Plan retains the priority goal to maintain an entrepreneurial, cost-effective operation. The full set of goals in this Business Plan are:

1) Continue to refine operational structure, procedures and services to enhance revenue and cost-effectiveness, meet user needs, and maintain an entrepreneurial operation.
2) Establish a multi-year renewal, replacement and facility enhancement Plan to bring all facilities to first class condition.
3) Meet growing demand and future needs: Examine facility requirements.
4) Enrich our youth: Expand and ensure excellence in arts education programs.
5) Establish outreach activities that help to carry the performing arts into our communities.

The PCPA Business Plan has been shaped by a participatory, public process. The PCPA Advisory Committee was involved at every stage of the drafting process. Following its approval by the Advisory Committee and the MERC Commission in June 1997, the first draft outline of the Plan was circulated to PCPA Users and partners for comment in August. Two public meetings were held, in October and November; the feedback received in those meeting was incorporated into the draft Plan. Summaries of the public meeting discussions are attached in Appendices I & II. Following those meetings, the draft was then again circulated to the PCPA constituency for further review and refinement. The MERC Commission adopted the Business Plan at a public Commission meeting on February 11, 1998.

INTRODUCTION

The 1998 Portland Center for the Performing Arts (PCPA) Business Plan sets out the goals and objectives of the Center for the next three years, as well as the strategies to achieve these goals.

This is the second 3-year Business Plan for PCPA. The overriding goal of the first Plan (1994-1997) was to achieve financial stability and to avert the financial crisis that threatened to close the Center. That goal has been achieved, through a successful combination of cost-cutting and revenue enhancement measures, as well as the attainment in 1997 of dedicated public funding from Multnomah County and the City of Portland.

The context in which this Business Plan has been formulated is therefore fundamentally different from that of 1994. PCPA is operating at 140% efficiency by industry standards, and is turning away business due to lack of available booking dates. Revenue is at an all-time high, costs are contained, and a more entrepreneurial operation has been achieved. Capital improvements that were deferred under the first Business Plan are gradually being undertaken. PCPA is now in a position to look beyond simple survival.

This Business Plan charts a course for the realization of PCPA's broader purpose in the community, utilizing the mission statement as the guiding framework. The Plan continues the emphasis on maintaining an entrepreneurial, financially viable operation as the best means for serving the community. The major goals of this Business Plan are to:

1) **Continue to refine operational structure, procedures and services to enhance revenue and cost-effectiveness, meet user needs, and maintain an entrepreneurial operation.**

2) **Establish a multi-year renewal, replacement and facility enhancement Plan to bring all facilities to first class condition.**

3) **Meet growing demand and future needs: Examine facility requirements.**

4) **Enrich our youth: Expand and ensure excellence in arts education programs.**

5) **Establish outreach activities that help to carry the performing arts into our communities.**

BACKGROUND: ACHIEVEMENTS UNDER THE 1ST BUSINESS PLAN (1994-1997)

Three years ago, PCPA faced a severe financial crisis and possible closure. Through a public, participatory process launched in September 1993, a three year Business Plan was developed for PCPA. The overriding objective of the Plan, adopted in March 1994, was to keep PCPA doors open and to achieve a financially stable operation.

PCPA achieved this objective. Over the period 1994-97, the Center successfully implemented the combination of cost-cutting and revenue enhancement measures and achieved financial stability through the following accomplishments:

- Obtained interim funding of $600,000 per year for 3 years, stabilizing operations in the short term while longer term support funding was sought and secured.
- Increased earned revenue through the following:
    - Implemented 3-year, streamlined rental rate schedule, adjusted on market rates as well as 'ability to pay' basis, with rates targeted to cover actual costs.
    - Raised percentage rents on commercial events including concerts and other commercial attractions.
    - Increased the number of touring Broadway shows and mega-hits; adopted rent and profit-sharing agreements with the series.
    - Improved efficiency of hall utilization: reduced number of non-use days; achieved above average utilization and higher quality activity where possible; made more intensive use of large halls (Civic Auditorium and ASCH); instituted price incentives to reduce load-in / load-out days.
    - Improved the profitability of concessions operations.

- Contained costs:
    - Froze staff annual merit pay increases for 3 years. Only COLA increases were given and a one-time reward for efficient performance in June 1996.
    - Eliminated Ticket Services Phone Room (part-time staff).
    - Eliminated marketing department and administrative support (3 full-time staff).
    - Deferred non-critical capital projects.

In December 1996, PCPA obtained long term, dedicated operational funding when Multnomah County adopted legislation to allocate annually out of lodging tax revenues $1.2 million to PCPA and $200,000 to market the PCPA and support the region's cultural tourism efforts. The City of Portland pledged at the same time $300,000 to support PCPA non-profit tenant user fee reduction and $300,000 for PCPA and Stadium operations for a minimum 5 years.

MEETING THE MISSION – THE CURRENT CONTEXT

Now that the financial crisis has been averted and a financially stable operation achieved, PCPA is ready to concentrate on fulfilling its broader purpose in the community, as outlined in the adopted PCPA mission statement:

> *The Portland Center for the Performing Arts exists to foster an environment where artists and audiences gather to enrich the human spirit.*
>
> *It shall:*
>
> - *Stimulate, entertain, educate and challenge Portland metropolitan area audiences.*
> - *Encourage the development of a diverse range of performing arts events and audiences.*
> - *Assist and nurture existing, as well as developing, performing artists and organizations.*
> - *Provide and preserve superior, well maintained and managed performance spaces.*

Provided that a financially viable and stable operation is maintained, the ability of PCPA to fulfill all components of its mission is dependent upon its success in *providing and preserving superior, well-maintained and managed performance spaces.* The Center's facilities must be adequate in quality and quantity in order to meet its other goals.

The 1994 Business Plan set out four stages for realization of the PCPA mission. These remain valid for the current Plan:

First Stage: simple rental operation with few services and minimal management.
Second Stage: increase services and management to ensure that the spaces are well maintained and used.
Third Stage: subsidize and nurture local arts organizations.
Fourth Stage: possible full service operation providing many outreach activities, an extensive education program, and access for a broad range of citizens.

PCPA fulfilled the mission of the **First Stage** under the 1994 Business Plan, and began to build the services and undertake the repairs and urgent capital projects to realize Stage **Two.** With implementation of reduced user fees and streamlined rental rates, initial progress was made in the **Third Stage.** The emphasis of the current Business Plan is to complete **Stage Two,** and concentrate more fully on **Stages Three** and **Four.** Transcending all four stages is a continued emphasis on maintaining an entrepreneurial, financially viable operation.

GOALS, OBJECTIVES AND STRATEGIES: 1998-2001

To achieve its goals, PCPA will focus on the following key areas over the next three years:

1. **Continue to refine operational structure, procedures and services to enhance revenue and cost-effectiveness, meet user needs, and maintain an entrepreneurial operation.**

   a. **Pursue audience and revenue growth**
   b. **Adopt regular 3-year, market-based rental rate structures**
   c. **Implement new operational structure for stage labor**
   d. **Utilize volunteers more effectively**
   e. **Examine concessions, catering, merchandising fees, and other revenue sources**

2. **Establish a multi-year renewal, replacement and facility enhancement Plan to bring all facilities to first class condition.**

3. **Meet growing demand and future needs: Examine facility requirements.**

4. **Enrich our youth: Expand and ensure excellence in arts education programs.**

5. **Establish outreach activities that help to carry the performing arts into our communities.**

The following section sets out these goals in greater detail as well as the strategies to achieve them.

1. *CONTINUE TO REFINE OPERATIONAL STRUCTURE, PROCEDURES AND SERVICES TO ENHANCE REVENUE AND COST-EFFECTIVENESS, MEET USER NEEDS, AND MAINTAIN AN ENTREPRENEURIAL OPERATION.*

Long term financial projections for annual PCPA operations show relatively steady operating revenue along with stabilized public financial support; at the same time, costs of operation are projected to increase steadily over the 5 to 10 year period. Careful management of expenditures is essential to preserve the benefits of the financial stabilization effort. Analysis of the proposed PCPA budget for FY 1998-99 illustrates that approximately 55% of budgeted expenditure is for personnel costs; 30% for materials and services; and 10% for capital projects and related expense. Because such a high percentage of the expense for annual operation is tied to salaries and wages for full-time, part-time and event-related personnel, it is of the utmost importance that MERC and PCPA give high priority to containment and management of these costs.

A. Pursue audience and revenue growth. Audience growth is a means both to realize the PCPA mission by reaching a broader base of the community and to increase revenue to the User and the Center.

Under the 1994 Plan, PCPA achieved more efficient utilization of the halls by reducing the number of non-use days, as shown in the chart below, and by achieving above average utilization and higher quality activity where possible. More intensive use of the large halls was made by contracting Broadway Series concentrated at Civic Auditorium and shifting more commercial events to the ASCH. Price incentives were instituted to reduce the number of load-in / load-out days. PCPA attracted a significant number of profitable commercial events, especially the two Broadway Series, which both benefited Portland metropolitan audiences and increased earned revenue for the Center. As shown on the chart on page 9, approximately 60 percent of the events at PCPA are presented by local, non-profit Principal and Featured Tenants, and 23 percent are commercial attractions; however, 38 percent of annual revenue is derived from the latter important category of business.

YEAR TO YEAR COMPARISON NON-USE DAYS

	CIVIC	ASCH	NEWMARK	WINNIE	YEARLY AVG.
1992-93 % of Efficiency**	58 140%	106 118%	77 131%	144 100%	122%
1993-94 % of Efficiency**	130 107%	115 114%	56 140%	121 111%	118%
1994-95 % of Efficiency**	100 120%	103 119%	61 138%	87 126%	126%
1995-96 % of Efficiency**	46 145%	80 130%	50 143%	60 138%	139%
1996-97 % of Efficiency**	41 147%	82 129%	39 148%	68 135%	140%

** In the business of the Performing Arts, 220 use days per year is considered 100% efficiency.

ANNUAL ATTENDANCE & EVENTS BY VENUE

	Civic Auditorium		ASCH		Newmark		Winningstad		Lobby		Total	
Year	Evts	Attend	Evts	Attend	Evts	Attend	Evts	Attend	Evts	Attend	Evts	Attend
1990-91	210	452,451	179	351,369	262	155,830	215	25,238	47	15,515	913	1,000,403
1991-92	177	393,928	205	345,733	243	136,823	184	28,383	71	19,305	880	914,252
1992-93	206	493,597	244	296,020	256	120,083	212	31,140	32	12,466	950	1,053,306
1993-94	170	411,815	233	397,955	267	131,841	203	30,588	15	7,166	888	979,365
1994-95	193	441,286	250	415,232	261	115,064	236	36,568	20	4,792	960	1,012,942
1995-96	231	517,134	260	442,791	267	135,357	233	31,111	36	7,907	1,027	1,134,300
1996-97	243	537,408	242	397,153	266	129,433	190	28,971	18	4,540	959	1,097,505

Because the halls are full with quality activity, the opportunity for revenue growth lies in increased attendance. The objective for the current Plan is to build on this positive momentum and to increase attendance at each performance to meet or exceed the National Standard of 70%. See the chart on page 9 for detailed historical data (the period 1991-96) on capacity attendance.

Civic Auditorium: 75% attendance achieved. **Goal:** Maintain high percentage of use days. **Strategy:** Support efforts to increase ticket sales and attendance.

ASCH: Currently at 58% attendance. **Goal:** Strive for national average. **Strategy:** Tighten leasing standards to book events of 60% or greater attendance; reduced capacity events served less often.

Newmark Theatre: Currently at 60% attendance. **Goal:** Strive for national average. **Strategy:** Research and targeted efforts to increase attendance at weekday evening and matinee performances.

Winningstad Theatre: Currently at 50% attendance. **Goal:** Strive for national average. **Strategy:** Refine attendance capacity data for different configurations of the hall. Research and targeted efforts to increase weekday evening and matinee performances.

4 YEAR COMPARISON BY CATEGORY

REVENUES - REIMBURSEMENTS - EVENTS

	92-93	93-94	94-95	95-96
REVENUES				
Principal	$ 797,571 32%	$ 939,115 49%	$ 947,824 32%	$ 988,817 29%
Featured	-	-	-	$ 127,397 4%
Non-Profit	$ 221,627 9%	$ 152,596 8%	$ 216,416 4%	$ 142,039 4%
Commercial	$ 1,458,033 59%	$ 674,480 35%	$ 1,152,670 38%	$ 1,307,733 38%
Non-allocated	-	$ 148,579 8%	$ 776,559 26%	$ 836,846 25%
TOTAL REVENUE	$ 2,477,231 100%	$ 1,914,770 100%	$ 3,003,469 100%	$ 3,402,832 100%
REIMBURSEMENTS				
Principal	$ 796,624 42%	$ 974,002 64%	$ 1,122,971 56%	$ 1,238,291 54%
Featured	-	-	-	$ 96,372 4%
Non-Profit	$ 160,908 9%	$ 147,630 9%	$ 123,904 6%	$ 140,365 6%
Commercial	$ 913,493 49%	$ 410,531 27%	$ 767,233 38%	$ 832,272 36%
TOTAL REIMBURSEMENTS	$ 1,871,025 100%	$ 1,532,163 100%	$ 2,014,108 100%	$ 2,311,466 100%
EVENTS				
Principal	61%	70%	66%	60%
Featured	-	-	-	3%
Non-Profit	16%	14%	11%	14%
Commercial	23%	16%	23%	23%
TOTAL EVENTS	100%	100%	100%	100%

4/4/97

PCPA ATTENDANCE AND EVENTS BY YEAR

	Civic Aud.	ASCH	Newmark	Winningstad	PCPA Total*
1990-91					
Number of Events	210	179	262	215	866
Attendance	452,451	351,369	112,830	25,238	941,888
Average Attendance	2,154	1,963	431	117	1,088
Capacity**	3,000	2,776	916	292	1,746
Average % Capacity	72%	71%	47%	40%	62%
1991-92					
Number of Events	177	205	243	184	809
Attendance	393,928	345,733	126,823	28,383	894,947
Average Attendance	2,226	1,687	522	154	1,106
Capacity**	3,000	2,776	916	292	1,746
Average % Capacity	74%	61%	57%	53%	63%
1992-93					
Number of Events	206	244	256	212	918
Attendance	493,597	396,020	120,083	31,140	1,040,840
Average Attendance	2,396	1,623	469	147	1,134
Capacity**	3,000	2,776	916	292	1,746
Average % Capacity	80%	59%	51%	50%	65%
1993-94					
Number of Events	170	233	267	203	873
Attendance	411,815	397,955	131,841	30,588	972,199
Average Attendance	2,422	1,708	494	151	1,114
Capacity**	3,000	2,776	916	292	1,746
Average % Capacity	81%	62%	54%	52%	64%
1994-95					
Number of Events	193	250	261	236	940
Attendance	441,286	415,232	115,064	36,568	1,008,150
Average Attendance	2,286	1,661	441	155	1,073
Capacity**	3,000	2,776	916	292	1,746
Average % Capacity	76%	60%	48%	53%	61%
1995-96					
Number of Events	243	260	267	233	991
Attendance	517,134	442,232	135,357	31,111	1,126,393
Average Attendance	2,239	1,703	507	134	1,137
Capacity**	3,000	2,776	880***	292	1,737
Average % Capacity	75%	61%	58%	46%	65%
1996-97					
Number of Events	243	242	266	190	941
Attendance	537,408	397,153	129,433	28,971	1,092,965
Average Attendance	2,212	1,641	487	153	1,162
Capacity**	3,000	2,776	880***	292	1,737
Average % Capacity	74%	59%	55%	52%	67%

* PCPA totals do not include event/attendance figures for lobbies and studio space.

** Hall capacity listed is standard maximum. Events are often contracted for less than total capacity, i.e. a main floor only event. Thus, average percentage capacity is somewhat lower than actual. A survey of arts "presenters" conducted by the Association of Performing Arts Presenters showed that the national average attendance at events during the 1990-91 season was 69.6%. PCPA total capacity is average of the 4 theatres.

*** Seating capacity of the Newmark Theatre was reduced to 880 to accommodate ADA seating requirements.

9/19/97

Overall Strategies:

- Achieve remaining efficiencies in use of halls:
    - Refine booking policies for each of the four halls.
    - Manage scheduling to maximize number of events and total attendance per year.
- Collaborate with users to identify means for expanding awareness, attendance, and ticket sales.
- Strengthen and capitalize on FRIENDS efforts to expand awareness, attendance and ticket sales (calendar of events, speakers bureau, performance events).
- Work with POVA on Cultural Tourism to promote performing arts and ticket sales:
    - Pursue improved convenience for ticket sales (same-day discount center, all purpose ticket center, etc.).
    - Complete development of PCPA web site to improve awareness, promote events, promote major users and subscription series.
- Increase attendance at existing array of no-cost / low-cost performances through better packaging, publicity, and promotion.
- Reach new audiences through collaboration with the Cultural District.

B. Adopt regular 3-year, market-based rental rate structures

Under the 1994 Business Plan, PCPA streamlined rental rates into fewer categories and brought commercial rates in line with the actual cost of operation in each hall and with market rates in comparable facilities. The discount schedule for non-profit users was revised wherever possible to bring rates into line with the actual cost of operation. A new four-tier schedule of rents was adopted for fiscal years 1995-96, 1996-97, and 1997-98.

Since rental income is a significant revenue source for PCPA, it is important to keep pace with market conditions and to set fair rates for all users. Predictability of rates for at least 3 years is critical to PCPA and its users in developing Plans and budgets for performance seasons.

STRATEGIES:

- Continue 4-tier rental rate structure with annual increases as follows:
  - Increase Commercial Rate (Tier 1) by approximately 4% per annum.
  - Set Recognized Tenant Rate (Tier 2) at approximately 90% of Tier 1.
  - Set Featured Tenant Rate (Tier 3) at approximately 50% of Tier 1.
  - Set Principal Tenant Rate (Tier 4) at approximately 20% of Tier 1.
- MERC to adopt new 3-year schedule no later than January, 1998, including qualification of specific organizations for Tiers 3 and 4.
- Continue existing rate for User Fee charges based on ticket prices.
- Implement City of Portland "buy down" of User Fee for Principal Tenants.
- Attain additional rental, user fee or profit participation income wherever possible, consistent with prevailing market conditions.
- Examine existing waivers on fees and charges.

C. Implement new operational structure for stage labor

Effective July 1997, PCPA no longer serves as the "middleman" by providing all stage labor to the users of its facilities. The new operational structure is drawn from other successful facilities of comparable size. The structure ensures adequate stage supervision, safety, continuity of labor, maintenance and repair of PCPA equipment and facilities, while permitting Management to concentrate greater resources on its critical roles as landlord and steward of the properties.

As bargained with IATSE Local #28, PCPA will directly employ Stage Hand Department Heads for each of the theatres, for a total of 15 highly skilled and experienced professionals. Positions are set for each theatre, creating team units that work consistently in the specific venue, and that know the needs of major users. These are part-time employees of MERC, called for work shifts on scheduled performance events (costs reimbursed by users), and for PCPA maintenance (house expense). Fiscal year 1997-98 will be a transition year to pursue opportunities for improvement and make refinements to address unforeseen circumstances.

Under the new structure, presenters contract directly with the union for the balance of the labor required to support each performance event. Since the presenters are responsible for the quality and character of each production, and related budget, it is essential that they have more direct management authority over the stage labor – as established in the new structure.

D. Involve volunteers more effectively.

The Volunteer Program has grown from a small crew giving tours of the renovation in the Arlene Schnitzer Concert Hall in 1983-84, to more than 600 people today committing significant time and energy to multiple activities in both PCPA and Oregon Convention Center facilities. In 1997, volunteers perform as ushers in the Newmark and Winningstad Theatres, are greeters in the Civic Auditorium and Arlene Schnitzer Concert Hall, operate the New Theatre Building Gift Shop, and conduct tours of PCPA facilities. In 1996-97, Volunteers contributed approximately 47,000 hours of service, and many have been involved throughout the full ten years of the program.

The volunteers are a significant resource for providing customer service to more than 1,000,000 attendees per year at PCPA events, and their non-compensated work brings substantial savings to the annual budget for PCPA and for the major non-profit users of the smaller venues. To sustain and build on this important resource, it is necessary to examine additional areas of involvement that generate enthusiasm for the group, and that expand their beneficial impact on the performing arts community. PCPA should work with the Volunteer Coordinating Council and major users of the facilities to identify areas for meaningful change and growth in the Volunteer Program.

E. Examine concessions, catering, merchandising fees, and other revenue sources.

Although these enterprise areas comprise slightly less than 10% of annual operating revenue, it is important to the attainment of overall financial stability that earnings be maximized wherever possible. Business tracking shows that PCPA per capita sales for concessions are comparable to those in other arts centers; i.e., $1.50 to $2.00 per person at popular concerts with multiple acts and intermissions; more than $1 per person for Broadway, opera and ballet performances; $.50-.70 per person for smaller theatres, symphony, lectures, and shorter programs without intermissions. The demographic profile of the audience varies by event category – translating into standard consumption patterns.

PCPA waives its 20% standard commission on merchandise sales for Principal and Featured Tenants, in order to ensure that they reap full benefit of promotional goods sold by their support organizations. The greatest merchandise sales occur for extended-run commercial shows (Phantom of the Opera, The Beauty and the Beast) and popular concerts with multiple acts and intermissions. Thus annual fee income to PCPA is tied to the book of business for any given season. Insofar as PCPA is successful in booking popular Broadway shows and touring concerts, merchandise earnings can increase.

Concessions Strategies

- Strive for a reasonable balance between level of service for customers and net operating income to PCPA.
- Continue adjustment of offerings, prices and services with Fine Host, Inc. through the end of the current contract in 1999.
- Continue contracting MERC-wide for concessions services in order to attain cost-effective management and operation for concessions at PCPA facilities.
- Continue capital investment for renewal, replacement and maintenance to sustain efficient operation and quality standards.
- Where feasible and cost-effective, expand the number of concessions sales locations in building lobbies, or in ancillary indoor and outdoor spaces.
- Monitor market trends and implement changes which maximize sales per capita at each venue and for each type of event in the facilities.

Catering Strategies

- Continue existing open catering program with limited list of providers, reviewed annually.
- Continue existing schedule of fees and commission charges, reviewed annually.
- Continue exemptions to list and requirements to meet user needs on a case-by-case basis.
- Monitor market conditions and adjust program as necessary to attract business in conjunction with scheduled performances as well as special events (receptions, parties, weddings, galas).

Merchandise Strategies

- Continue existing policies and commission rates for sale of event-related commercial merchandise, with adjustments as necessary to meet prevailing market conditions.
- Continue commission fee exemptions for Principal and Featured Tenants in order to support their traditional fund-raising activity and attainment of financial health.
- Establish guidelines for the sale of merchandise in each building, with reasonable standards for the number of sales locations, maximum floor area for sales activity, and placement of such sales areas within each lobby.
- Investigate alternatives for establishing temporary or permanent installations in PCPA facilities (e.g., Rotunda Gift Shop) for expanding direct retail sale of PCPA, FRIENDS, and related performing arts items.
- To improve effective use of the limited floor area of the Civic Auditorium lobbies, investigate development of PCPA-owned merchandise units (display and sales cabinets, mobile sales carts) as building-standard equipment.
- To expedite and enhance merchandise sales, investigate installation of permanent electrical and telephone connections or portable units to support credit card usage.

2. ESTABLISH A MULTI-YEAR RENEWAL, REPLACEMENT, AND FACILITY ENHANCEMENT PLAN TO BRING ALL FACILITIES TO FIRST CLASS CONDITION.

Ongoing renewal and replacement is critical to the ability of PCPA to fulfill its central mission of providing and preserving superior, well maintained performance spaces. For more than a decade, all except emergency capital expenditures have been deferred; This was a deliberate strategy for conserving the reserve fund balance under the 1994 Plan. Now that long-term support funding is in place, Management can Plan and budget for reinvestment in buildings, stages, equipment and furnishings.

Strategies

- Strive to attain balanced investment in (1) integrity of the building envelope and systems [structure, heating/cooling, plumbing, elevators]; (2) public areas and furnishings [entries, lobbies, seating, restrooms]; (3) stage/backstage areas and equipment [lighting, sound, and fly systems, dressing facilities & furnishings, stage curtain/drapes].
- <u>Maintenance and Repair</u> The annual Operations Budget of PCPA for maintenance and repair should be indexed to the Portland BOMA annual experience report for mid-size commercial properties, to have adequate resources to address ordinary wear and tear on the 3 buildings and 4 theatres.
- There should be high priority for preventive maintenance and for prompt repairs to extend the useful life of existing facilities, furnishings and equipment.
- <u>Minor Capital Projects</u> PCPA Management should make regular inspections of all aspects of each building to establish an on-going listing of action projects in the range of $1,000 to $50,000 to maintain, repair, replace and renew the buildings, systems, furnishings and equipment in excellent condition.
- <u>Major Capital Projects</u> In conjunction with the Metro CIP Program, Management should develop long-range Plans for major projects greater than $50,000 for repair, replacement and renewal of assets.
- <u>Fund Balance</u> On a long-term basis, MERC should strive to maintain a PCPA reserve fund balance for emergencies [business downturn, natural disaster, unplanned capital requirement] at a level approximately 25% of the average annual operating budget.
- On an intermediate basis, it may be necessary to draw down the reserve fund in order to make urgently needed investments in major and minor capital projects which will extend the useful life of the assets. Efforts should be made to maintain the fund balance at approximately 30% of total annual operating revenues.
- <u>Contributed Funding</u> To the extent feasible, MERC should pursue contribution of funds to PCPA through naming opportunities, gifts and grants towards capital projects and building enhancements which cannot be funded in full or in part from operating revenues, public source support or reserve fund balance.
- For major upgrades (e.g., earthquake retrofit) or expansion of existing buildings with costs in the millions of dollars, identify other public and private funding sources – to meet capital investment requirements.

CAPITAL OUTLAY
PROJECTS LESS THAN $50,000

CIVIC AUDITORIUM

Exterior Metals Prep & Paint	$ 15,000
Replace Controls Chiller Unit B	12,000
Replace Air Compressor	5,000
Star Dressing Room Heat Pump	4,000
Replace Group Dressing Room Sinks	15,000
Elevator ADA Upgrades & Replacements	25,000
FOH Drapes & Controls Replaced	45,000
Balcony & Stairs Carpet Replacement	45,000
Fly System Safety Replacement	20,000
Music Stand Carts	1,000
Spot Blocks Replaced	1,000
Production Communications System Replacement	10,000
Outboard Audio Processing Equipment	4,500
Road Power Distributions Safety Switches (3)	4,500
Subtotal	$ 207,000

ASCH

Elevator ADA Upgrades & Replacements	$ 20,000
Park Street Marquee Repair	15,000
Orchestra Riser System Replacement	10,000
Music Stand Carts	1,000
Spot Blocks Replaced	1,000
Production Communications System Replacement	10,000
Road Power Distribution Safety Switches (2)	3,000
Stage Masking Draperies Replace and Supplement	5,000
Subtotal	$ 65,000

NTB

Replace Pair Washer/Dryer Units (Gas)	$ 1,500
Add Pair Washer/Dryer Units (Gas)	1,500
Elevator ADA Upgrade & Replacement	15,000
Winningstad: Electric Winches Replaced (10)	20,000
Newmark: Music Stand Carts 1,000	
Winningstad & Newmark: Production Communications Systems Replacement	15,000
Portable PA System Replacement	2,000
Antique Piano Rebuilt (Lobby)	4,000
Subtotal	$ 60,000
Winningstad: Main Curtain Replacement	$ 7,000
Winningstad: Masking Drapery Replacement	10,000
Winningstad: Seating Riser Repair & Replacement	30,000
Winningstad: Audio Amplifiers & Speakers Replacement	25,000
Newmark: Audio Amplifiers & Speakers Replacement	20,000
Subtotal	$ 92,000

ALL

Stage Microphones Replacement (15-20)	$ 9,000
Portable Sight Impaired Communication System	1,500
Cassette Tape Player Equipment Replaced (8)	6,500
Elevator Upgrade & Replacement	35,000
Subtotal	$ 52,000
TOTAL	$ 476,000

PCPA CAPITAL PROJECTS SUMMARY

PCPA	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	Total	Funding Source
ASCH: Exterior Rehabilitation	$ 75,000	$ 75,000					$ 150,000	Fund Balance
ASCH: Safety Railing System	$ 55,000						$ 55,000	Fund Balance
ASCH: Sound Board Replaced	$ 75,000						$ 75,000	Fund Balance
ASCH: West Entry Remodel	$ 95,000						$ 95,000	Fund Balance
CIVIC: Cooling Tower	$ 100,000						$ 100,000	Fund Balance
NTB: ADA Restroom Const.	$ 75,000						$ 75,000	Fund Balance
SUBTOTAL 1997-98	$ 475,000							
ASCH: Stage Dimmer Controls		$ 200,000					$ 200,000	Fund Balance
CIVIC: Plumbing Replacement III		$ 75,000					$ 75,000	Fund Balance
NTB: Winnie Theatre Seats		$ 85,000					$ 85,000	Fund Balance
NTB: Rehearsal Hall Completion		$ 75,000	$ 750,000				$ 825,000	Donations
SUBTOTAL 1998-99		$ 510,000						
CIVIC: Stage Dimmer Controls			$ 225,000				$ 225,000	Fund Balance
ASCH: Sound System Upgrade			$ 120,000				$ 120,000	Fund Balance
NTB: Newmark Stage Rebuild			$ 130,000				$ 130,000	Fund Balance
SUBTOTAL 1999-2000			$ 1,225,000					
CIVIC: Exterior Rehabilitiation				$ 150,000			$ 150,000	Fund Balance
ASCH: Replace Carpet				$ 255,000			$ 255,000	Fund Balance
NTB: Reupholster Newmark Seats				$ 55,000			$ 55,000	Fund Balance
SUBTOTAL 2000-01				$ 460,000				
CIVIC: Restroom Expansion					$ 275,000		$ 275,000	Fund Balance
NTB: Replace Carpet					$ 550,000		$ 550,000	Fund Balance
SUBTOTAL 2001-02					$ 825,000			
ASCH: Reupholster Seats						$ 175,000	$ 175,000	Fund Balance
SUBTOTAL 2002-03						$ 175,000		

3. *MEETING GROWING DEMAND AND FUTURE NEEDS: EXAMINE FACILITY REQUIREMENTS.*

The central mission of PCPA is to provide superior performance spaces for the cultural life of the community. PCPA must ensure that these spaces are adequate in size and type to fulfill other elements of its mission, namely, to assist and nurture existing, as well as developing, performing artists and organizations; to stimulate and develop Portland metropolitan area audiences; and to develop a diverse range of performing arts events.

Over the past decade, the Portland metropolitan area has experienced an unprecedented boom across the full spectrum of the visual and performing arts. The region now boasts a thriving and vibrant arts scene, particularly in music, dance and theatre. Artists and local presenting organizations have mounted works of increasing depth and variety – including challenging, experimental, cutting-edge works. Audiences have responded with enthusiasm and have become increasingly sophisticated, creating a corresponding growth in demand for high quality performances. Portland has attracted national attention as a strong market – as demonstrated by the 1997 process which resulted in a 5-year agreement for Broadway Series, with the nation's top commercial presenting organizations.

PCPA has been a critical ingredient in propelling the current arts boom. As Bob Hicks pointed out in The Oregonian, September 14, 1997 "Art breeds art" – critical mass created in the center downtown core by the performance facilities of PCPA have provided a focus for the cultural life of the community and helped to spur expansion in all areas of the arts, both geographically and qualitatively. In addition to hosting an increasing number of shows for metropolitan audiences, PCPA has provided the framework necessary for local performing arts companies to grow and thrive.

The demand created by the arts boom – both by audiences for shows and by performing artists and companies for performance dates – exceeds PCPA's current capacity. PCPA is now operating in all four venues at approximately 140% efficiency, which cannot be sustained on a long term basis. The subscriber base and annual season offerings for local performing arts companies have grown to the point where these companies now need more dates for performances, and desire facilities that are more appropriate in size and character to meet their evolving technical and audience requirements. The current overload situation stifles rather than nurtures the progress of local companies. PCPA's success in attracting touring Broadway shows has also resulted in demand for dates that outstrips current capacity. In addition, the lack of available dates has caused PCPA to turn away new promoters who seek to present innovative and challenging performances that would further enrich the cultural scene.

If it is to continue to sustain a critical mass of professional activity and serve as a catalyst for a flourishing arts scene throughout the region, the community must maintain its capacity to meet demand in this market for quality theatre spaces. At 100-125% utilization it is standard practice to begin Planning for additional facilities. PCPA should devote significant time and effort over the next three years to the examination of alternatives for new facilities.

Major users of Civic Auditorium have recently been examining their future requirements for dates and facilities appropriate to their respective artistic visions. The relocation of two Principal Tenants from Civic Auditorium could create anchor tenants for a new 1,800-2,200 seat facility that is better suited to their re uirements for stage facilities as well as for audience amenities. Such moves would free up blocks of dates at the larger Civic Auditorium for more Broadway shows and concerts. Securing an additional theatre in the system would give PCPA the capacity to take advantage of the market and revenue potential resulting from the current Broadway Series agreement with major national presenters. These presenters have estimated that this market could expand from the current level of 10-12 performance weeks per year to 20 performance weeks – increasing more than 60 percent in activity and revenue.

It appears that an ideal expansion pattern would ensure that the larger halls generate maximum revenue so that the smaller halls may be devoted to nurturing artists and companies that present challenging, experimental, riskier works. Expansion would require funding for both capital construction and for operation and maintenance of a larger complex.

Strategies:

To begin laying the groundwork for future facilities, MERC should take action consistent with its mission as the lead Planning agency for current and future facility development, expansion or renovation. In conjunction with MERC, PCPA should convene discussions with current and potential users, leaders of the arts and business communities, as well as elected officials, to examine the following areas:

- The optimum pattern and scope of expansion for financial health of the companies and PCPA halls, user needs, audience service and fulfillment of PCPA mission.
- Ideal theatre size to manage operating costs in balance with fulfillment of artistic vision, production standards and audience service requirements.
- Assessment of development and construction costs with potential funding options, including dedicated support for operations.
- Location and schematic design alternatives.

In cooperation with its partners, MERC and PCPA should propose a strategic timetable for decisions and action. At the appropriate time, MERC should secure funding and proceed with necessary feasibility studies for new facilities. As part of the research, there should be examination of the expansion sequence for comparable performing arts centers.

4. ENRICH OUR YOUTH: EXPAND AND ENSURE EXCELLENCE IN ARTS EDUCATION PROGRAMS

Discussions in the Business Plan process reaffirmed that youth arts education is an important part of the PCPA mission – in achieving community outreach and exposure, as well as the means to build future audiences for the performing arts. Having secured stabilized funding, PCPA is in a better position to assume a greater leadership role in this area. PCPA has the unique position in the community as a place to enrich the spirit of young people by providing opportunities both for exposure to quality live performances, and for direct experience of the joy and magic of creating art on stage.

PCPA initiated arts education programs for youth in 1992, devoting summer dark (non-use) days in the New Theatre Building to a positive purpose. PCPA created the framework by making the facilities available and providing registration and marketing support. The Center asked resident companies (Tygres Heart Shakespeare Company, Tears of Joy and Oregon Children's Theatre) to formulate the curriculum and select faculty to deliver the classes. When PCPA financial resources were subsequently reduced in 1993 and 1994, the initiative for the summer program shifted to the resident companies and to Niel DePonte, who had conceived and developed the inter-disciplinary Metro Arts Kids Camp. In recent years, the PCPA role has been limited to providing the framework of the performance spaces as well as in-kind staff support for these programs. To the extent that resources have permitted, rent and other charges have been waived for the programs. The classes have steadily increased in quality and enrollment, with many return participants.

For the future, PCPA should pursue a two-phase strategy to resume a more active role in youth arts education. In the first phase, PCPA should take steps to strengthen summer youth and teachers arts classes at the Center; and foster special low-cost initiatives that complement and reinforce theses classes. Attention should be given to year-round linkages in youth arts education, particularly by pursuing efforts to increase youth attendance at performances in PCPA facilities during the Season and School year. In the second phase, PCPA should explore ways to promote youth arts education programs in the Cultural District. Initiatives in the second phase should be undertaken to the extent that adequate PCPA resources (financial and staff) are available.

A lean, financially prudent approach is appropriate; one that capitalizes upon the Center's unique attributes and strengths. In all youth arts education activities, PCPA should collaborate closely with its non-profit Principal Tenant organizations, specialized arts education entities and partner organizations. Such partnerships serve to leverage scarce resources and to strengthen, rather than duplicate or compete with, their youth arts initiatives. PCPA should be open to exploring other opportunities that present themselves in the course of this collaboration, in areas where it becomes clear that the Center can fulfill a distinct need in a financially prudent manner.

Youth Arts Education Philosophy and Guidelines

All activities should be provided within the framework of a shared youth arts education philosophy – based on the principle that the arts have the power to transform young lives. Research shows that teaching youth to think and to express themselves creatively builds self-confidence and self-esteem, while developing communications, analytical, and problem-solving skills.

The following guidelines embody a consistent youth arts education philosophy. PCPA should adopt these guidelines, and arts organizations using PCPA facilities should identify how their respective programs address the guidelines.

1. Classes and activities shall aim to teach the creative *process* through a multi-disciplinary approach, rather than teaching a single craft or art form. The aim is to deepen innate creative abilities and imaginative thinking that youth can apply to every area of academic learning, work and life.

2. The content focus shall be multi-cultural, to expose young minds to a variety of different cultures, ways of thinking, and types of creative expression. A multicultural approach broadens minds and fosters understanding, appreciation for and celebration of differences.

3. Programs shall embrace cultural, ethnic, and socio-economic diversity – in the student body, the faculty, and the program content. Diversity enriches the programs and helps to ensure that programs reach youth who may not otherwise have the opportunity to benefit from arts education.

4. Teacher-training programs shall be encouraged, due to their multiplier effect which spreads the training to a larger number of youth throughout the region.

5. Programs at the Center shall maintain financial viability and operate on a lean, entrepreneurial basis, utilizing resources effectively to reach the maximum number of young people, with quality educational experiences.

6. Programs shall provide for assessment of results at the end of each summer season. PCPA shall work with the programs to develop evaluation tools.

Phase I: Youth Arts Education Programs at PCPA

A. PCPA Summer Youth Arts Education Program at the New Theatre Building

The New Theatre building should be devoted to youth arts education in the summer months. Youth education classes and activities should be given first priority in booking all areas of the NTB during the July-August period, with guaranteed space and dates for these programs throughout the 3-year period of the Business Plan. To the extent that programs can occur during June when the Newmark Theatre is in full use, they should be encouraged. If successful, this primary focus for the New Theatre Building in summer months could be extended for the long term.

All existing programs at the Center should be given priority opportunity to propose classes and activities in the NTB. These are: Metro Arts Kids Camp and Metro Arts Academy for Teachers, and the classes of : Oregon Children's Theatre, Tears of Joy Theatre and Tygres Heart Shakespeare Company. If time and space allow, other organizations may be invited to propose classes or activities. Particular attention should be given to expanding teacher training classes due to the significant multiplier effect of these programs.

Devoting the New Theatre Building solely to youth arts education during the summer months creates critical mass and vitality which improve program quality; facilitates marketing and fund-raising due to the assured dates and enhanced credibility through higher visibility in association with PCPA; and is more financially prudent for PCPA due to lower operating costs and the freeing up of the larger halls for high-revenue commercial productions.

PCPA should coordinate and support these classes through low-cost, no-cost measures including:

- Continued rent waiver and provision of staff support (house managers, volunteers).
- Marketing/promotion support, in cooperation with other organizations, including FRIENDS, through appropriate means.
- Support for broad participation through scholarships, targeted marketing to social service agencies, financial and logistical support, in cooperation with others, including FRIENDS.
- Linkage of youth activities to the proposed annual September open house, providing enhanced opportunity for student performances on stage. (see below)

B. Special Initiatives in Youth Arts Education at the Center: Annual Performing Arts Celebration Open House

One possible initiative to complement formal education classes at the Center is to host, in cooperation with others, an annual performing arts open house modeled on the September 1997 10th Anniversary Celebration Open House. That event featured multi-disciplinary and multi-cultural arts activities for families and youth, and spread activity throughout the many levels and performance areas of the building. It exposed youth to short, sample performances by a range of professional companies and priority tenants, as well as young artists. More than 2,000 people participated in the 1997 open house, of which a large percentage were families and youth.

The open house may be expanded to serve as the culmination of the Center's summer arts classes and activities, featuring performances by program participants. The event should also serve as the season opener for PCPA Principal Tenants and other presenters, providing a showcase of their upcoming productions. These organizations could, therefore, tie the event into their marketing and audience development efforts.

Scarce financial resources could be leveraged by organizing this event on a collaborative basis with FRIENDS, PCPA Principal Tenant companies and specialized youth arts organizations. The event would help achieve youth arts education goals as well as outreach and audience development goals for all of these entities. Specialized youth arts organizations have expressed a strong interest in co-sponsoring this annual event and incorporating it into their marketing efforts.

Phase II: PCPA Leadership in the Cultural District

Over the longer term, it may be appropriate for PCPA to assume a greater role in promoting youth arts education in the Cultural District, which includes Portland Art Museum, Oregon History Center, downtown churches and Portland State University, among others. PCPA could examine ways to build linkages in summer youth activities with many other institutions – creating an enlarged critical mass in the Cultural District. PCPA could also support production of promotional materials to include all summer youth arts education programs in the Cultural District (e.g. "Summer in the Cultural District") in cooperation with FRIENDS and other organizations. Additional areas in which PCPA may be well positioned to fill a gap may emerge during the course of collaboration with these many partners. Any initiatives would be undertaken to the extent that resources are available to support them.

5. *DEVELOP OUTREACH ACTIVITIES THAT HELP TO CARRY THE PERFORMING ARTS INTO OUR COMMUNITIES*

At a time when PCPA is operating at full capacity, taking the performing arts into communities of the region is a key means to realize the PCPA mission to stimulate, entertain, educate and challenge Portland metropolitan area audiences; and to encourage the development of a diverse range of performing artists, arts organizations, events and audiences. Research, including surveys and focus groups conducted by NW Business Committee for the Arts, indicates that there is strong demand from citizens, organization representatives and community leaders to have the arts come to their respective neighborhoods in an accessible manner.

Many small theatres have recently been added to the region's existing stock of performance spaces. Colleges, schools and neighborhood centers throughout the community are building and renovating performance facilities. Many of these theatres are operating well below capacity and are equipped to handle a variety of productions. At the same time, PCPA is operating at 140% practical capacity. Demand by audiences for performances and by healthy and fledgling theatre companies for performance space cannot be met at PCPA facilities.

PCPA should explore with partner and constituent organizations no-cost and low-cost mechanisms to link the talent that has been centered downtown to facilities throughout the region. Among other options that may be identified, there appear to be opportunities to build a network that stimulates collaborative programming and scheduling. PCPA should work closely with Principal Tenants, the Broadway Series presenters, RACC and other partner organizations to develop mechanisms that build upon and strengthen their existing community outreach programs.

Mechanisms should be developed that will help bring to community venues the performances of: 1) PCPA Principal Tenants, 2) Commercial presenters, and 3) Arts events that cannot be accommodated in PCPA facilities. The aim is to create a region-wide cooperating system of stages that will:

- Benefit Portland audiences by bringing more (and different) performances into the community, as well as reaching under-served segments of the population;
- Nurture emerging performing artists and organizations by giving them access to performance space and greater exposure to audiences;
- Benefit community venues by raising their profiles, developing their audiences, and increasing their financial return;
- Build future audiences for PCPA facilities and the major presenting companies.

PCPA should play a facilitating role with its partners, in the following ways:

- Cooperate with RACC in its current assessments of progress made in meeting regional arts facility needs as called for in ArtsPlan 2000 and identifying next steps.

- Work with RACC to inventory facilities in the region, including their technical characteristics and availability, and identify potential cooperating stages/community centers. (The Center has singular expertise to contribute in assessing the technical capabilities of theatres in the region).
- Work with RACC to establish a computerized database of available theatre space in the region that meets agreed quality standards.
- Develop, in cooperation with RACC, a referral service for users that helps match their performance needs (technical standards, dates) with available facilities in the community.
- Work with potential cooperating stages to increase awareness of the benefits of bringing performances to their facilities.
- Assist with promotion of performances in community venues, in appropriate ways.
- Inventory existing efforts of principal tenants and identify ways to build upon them.
- Pursue other opportunities that may emerge in the course of collaboration for which PCPA is equipped to make a contribution to cooperative outreach efforts.

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PCPA Business Plan **Appendix I**

Notes from Public Session I, October 20, 1997

<u>**Discussion topic: Business Plan Goal # 1.1 Audience & Revenue Growth**</u>

Business Plan goal: Increase attendance at each performance to meet or exceed the National Standard of 70%

⇒ Is there anything PCPA can do to help users to sell more tickets / put more people in seats? Are there cooperative no-cost, low-cost initiatives? Changes to the event mix?

⇒ What are realistic numerical targets for each hall?

Ideas:

- Establish group sales director position to sell all performances at the Center to conventions (tap into cultural tourism funds for this?)
- Find ways to give more exposure in the halls to all companies/performances coming up in all of the facilities:
  - Readerboard at Civic Auditorium
  - Opportunity to hang banners/etc. on Civic Auditorium at reasonable cost
  - Take out page in all show programs for PCPA calendar of events/ list of PCPA facilities, perhaps historical feature on the PCPA facilities (also helps to educate public that PCPA is full)
  - Produce take-away literature – or provide printing support for those companies already doing this to enable them to expand to include all other PCPA programs
  - Produce youth calendar / small brochure for kids
- Establish visible, promotional PCPA box office inside the Oregon Convention Center (always open when OCC open; with ability to handle event ticketing)
- Help companies get access to lists of kids in schools for their marketing efforts
- Produce a single PCPA newsletter/official calendar on all programs at the Center to send out to local community newspapers, hotels, schools, other organizations
- Sponsor 'festival of the arts' in the summer months in the NTB to include principal tenants and other presenters, offer reduced charges
- Institute cooperative schemes such as 'Tuesday night specials' for low attendance nights, same day discount ticket outlet, and sampler series (taste of dance, music, drama)
- Get more and better quality visibility in hotels (e.g. framed promotional posters) of current shows playing and greater cooperation with concierge desks in providing ticket services; get better visibility at airport
- Get Internet presence up and running – with hot links to all resident companies, Broadway series, POVA, other presenters (note: this is in progress under the auspices of FRIENDS)

Concerns:

- Quantitative criteria (number of seats filled) may not be appropriate in smaller halls – an important part of PCPA's mission is to foster the production of challenging, experimental, innovative performance art that is risky and may not be popular.

- How far can you realistically/legitimately push the percentage attendance? 70 percent is the national average/standard. How can you increase the number of seats filled in performances without more available dates, marketing and resources? The low-cost and no-cost initiatives have been exhausted by the resident companies – and these companies are already putting a tremendous amount of money into marketing. If users are appropriate for the facility, it may not be possible to achieve a higher percentage attendance – especially at the Civic Auditorium where 70 percent has been achieved. The mix of users is correct for the current facilities – given limitations of ASCH and Winningstad theatres, only Civic Auditorium and Newmark Theatre meet minimum technical and audience requirements of many users.

Other:

- OCT interested in expanding season into the summer months at the Newmark Theater if PCPA would share the risk
- OCT already doing outreach to get untapped portions of the community into the halls – e.g. contacting social service agencies, etc. - would be interested in working with PCPA cooperatively to expand this.

PCPA Business Plan **Appendix II**

Notes from Public Session II, November 3, 1997

Summary of concerns and recommendations

Discussion Topic: Business Plan goal # 3: Examine facility requirements needed to meet growing demand and future needs

- Valeria Ramirez, Opera: Civic suits us well, however, look to integrate all that we do: set up shop, rehearsal space, administrative office; also, need more stage area, so may need same amount of real estate for a new, smaller hall in order to accommodate all of these components.
- Tony Beadle, Symphony: Re the Arlene Schnitzer Concert Hall (ASCH) – the job was left unfinished – especially shortcomings in the acoustics department; may wish to include re-engineering / repairing original Plan of ASCH in Planning process for new facilities.
- Paul Barthelemy, Portland Youth Philharmonic (PYP): 1800 seat hall preferable, more realistic size to try to fill.
- Niel DePonte: What halls are going to be tailored to what kinds of events? Multi-use creates problems; Ballet/Opera – equipment, characteristics of hall must be tailored for them and uses of dates; may wish to keep Civic Auditorium as Broadway House – look at next logical step in progression of facilities development as a whole.
- Mark B. Williams, MERC: taking lessons from current facilities, in Planning be sure to ensure dedicated funding source for ongoing operations.
- Alberto Rafols, RACC: Portland is changing, RACC received an unprecedented number of project grant applications this year – RACC is incubating companies that may grow into users of PCPA – must be taken into account when Planning future facilities.
- Sondra Pearlman, OCT: would like opportunity to use smaller space; parents and teachers want more intimate space – but Civic Stadium is practical economically – can sell large number of tickets at low price.
- James Canfield, OBT: Over the long term – how to fix existing facilities is just as important as building new facilities; having said that, OBT desperately needs more dates; amount of time spent on rehearsals requires longer run of performances; 1200 - 2200 seats would be ideal size; OBT needs blocks of 3-4 weeks four times per year for performances.
- David Maltby, PCPA: Take into account labor costs of halls in Planning size of subsidy for operations.
- Walter Jaffe, White Bird: Presuming that new facility will be located downtown?
- Janet Bradley, Tears of Joy: Tears of Joy has experienced difficulties in holding performances in facilities outside the city center.
- Sondra Pearlman: Should be in central city but not necessarily downtown, e.g. Lloyd Center, OMSI area, Civic Stadium locations acceptable.

- Cynthia Fuhrman, Portland Center Stage: Campus stages, other facilities may not be equipped to stage professional shows, need to have minimum standards to assure presenting companies that a given facility has the technical capability to stage professional shows.
- Niel DePonte: Marketing is so important – commitment to marketing funds for new facilities is just as important as operations/maintenance support. Need to look at how to promote the facilities as a "destination resort."
- Jan Powell - Tygres Heart: Have reached critical mass of confusion regarding the identity of the facilities – find ways to encourage audiences to experience all of the PCPA stages.
- Robert Sylvester, PSU: Critical difference between 1) companies creating and presenting and 2) presenters only (e.g. Broadway) – need to focus on the distinction between the two and the local value/benefit of those local companies creating world-class performance art.
- Niel DePonte: Agree – need a PCPA philosophy; seems like now those who manage the facilities have a 'bottom line' philosophy; hope Business Plan will strike a blow for what PCPA supports: overall philosophy, youth education philosophy; marketing philosophy – PCPA needs to stand for something – can't make everyone happy no matter what it does, need to have the courage to take less cautious stance.

Discussion Topic: Business Plan goal # 4: Expand and ensure excellence in youth education programs

- James Canfield, OBT: Concern over proposed potential PCPA fundraising role for programs at the Center: confusion/competition for resources with other legitimate arts education programs of principal tenants like OBT.
- Robert Sylvester, PSU: In seeking the increased visibility for PCPA in arts education will need an education department – missing link in proposed efforts.
- Sondra Pearlman, OCT: Thanks to PCPA for past support – OCT has a wonderful program that has grown exponentially and would currently meet PCPA's proposed guidelines. Concern about potential scheduling problems at NTB – how much can the building accommodate – if add new programs and consolidate ones currently in ASCH in NTB and, regarding the physical space of NTB – the rehearsal space isn't great – where will all of the breakout groups be held, painting sets, etc.– is it really possible to take on additional programs or expand on what exists.
- Jan Powell, Tygres Heart: Sound leakage is a problem in the NTB in the summer – especially from the rehearsal hall and this space; concern re: adding more programs would worsen this problem.

- Paul Barthelemy, PYP: Concern re: summer programs with no follow-up during the year; if education is a priority for the Center, then need to do much beyond a summer program; also noted focus on teachers, that is essential for multiplier effect; would also need education director if serious about program; for summer programs should try to take advantage of artists here during the summer – e.g. Chamber Music NW.
- David Maltby, PCPA: Concern may be jumping to stage 4 before get done with stages 1-3, especially nurturing local arts groups; by devoting this building (NTB) to youth arts education in the summer months PCPA is denying access to local arts groups; this isn't a classroom facility and isn't safe for children; maybe could do all other aspects outside the facility; primary purpose of this building should be for experimental groups/artists.
- Janet Bradley, Tears of Joy: None of us [Principal Tenants that have education programs at the Center] have production facilities safe enough for kids; theatre home spaces are in very short supply – they don't exist – NTB is a lot safer for kids than alternative spaces.
- Niel DePonte: Need to emphasize reaching greatest number of kids possible – teacher training does this. Must disagree with previous argument that youth education should not be priority for NTB or PCPA – given lack of arts education in schools this should be important PCPA role. PCPA shouldn't duplicate existing programs, rather should guide people to those programs and look to reach groups not being reached; help ensure access. Agree that PCPA needs ongoing youth education philosophy that goes throughout the year, also agree that PCPA will need an educational director or coordinator, to develop a pool of knowledge.
- Jan Powell, Tygres Heart: Believe some evening performances could co-exist with youth programs in the NTB in the summer.
- James Canfield, OBT: Will need to find a balance between youth education and presenters, especially new companies given growing number of local arts companies and PCPA's mission to nurture these companies.
- Alberto Rafols, RACC: Need to define arts education – menu that includes all kinds of activities – long term programs are important, but keep in mind that one performance can change a life. The education program should be comprehensive, and synergistic, not competitive.

Discussion Topic: Business Plan goal #5: Develop 'Beyond the Walls' – outreach programs that carry the performing arts into our communities.

- Sondra Pearlman, OCT: The proposed database would be invaluable to users.
- Martha Richards, OBT: Be very careful with the "brand name" – many potential problems. Some of the steps in this area will essential to building the case and laying the groundwork for new facilities.
- Alberto Rafols, RACC: Database can be very helpful – RACC has a guide to small performing arts centers on the east side that was prepared by a RACC grantee which was very helpful – listed centers that even RACC wasn't aware of.

OREGON CONVENTION CENTER

Business Plan

1998-2001

February 1998

OREGON CONVENTION CENTER BUSINESS PLAN 1998-2001

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I. EXECUTIVE SUMMARY

The 1998 OCC Business Plan sets out the goals and objectives for the Oregon Convention Center (OCC) over the next three years (1998/99, 1999/2000, 2000/2001). It has been formulated in a public, participatory process, with the involvement of the OCC Advisory Committee and the MERC Commission.

This is the second Business Plan for OCC. The main goal of the first Plan was to achieve financial stability. In addition, the Plan called for OCC to conduct analysis and planning for investments in expanded capabilities.

OCC successfully met these goals. The Center has exceeded all projections for attendance, sales and revenue, and generation of economic benefits to the region; reduced costs without sacrifice to current service levels; met all financial targets; and began to lay the groundwork for expansion.

OCC has been operating at capacity for the past three years. The Center is losing existing convention clients that have outgrown the facility and is turning away convention business that would further benefit the regional economy.

OCC's challenge now is to remain competitive in the convention business in order to continue generating benefits to the region. This Business Plan charts the course for OCC to meet this challenge.

The chief priority over the next three years is to expand the Center by 60 percent by completing the original facility plan. The expanded Center will generate growth in hotel/motel tax revenue, an estimated 3400 new permanent jobs and other indirect economic benefits for the Tri-county region. Without expansion, OCC will become the smallest convention center in the West for a city of Portland's size, and will continue to lose business. The result will be a decline in the economic benefits, including tax receipts, generated by the center in the region.

This Plan sets out four other main goals that are designed to enhance OCC's competitive position – with or without expansion. Foremost among those is the emphasis upon customer service. OCC has an outstanding track record and reputation for providing superior customer service. An intensified effort, based on an employee and values-oriented approach, is a sound business priority in the highly competitive convention market. A renewed emphasis on marketing and public awareness/public relations will underpin ...

Underlying all measures is the continued emphasis on maintaining a financially stable and entrepreneurial operation. OCC will capitalize on MERC's new ability to function in a more autonomous, entrepreneurial manner.

OCC will focus upon the following main goals over the next three years:

1) Expand the Center by 60 percent by completing the original facility plan, and upgrade the existing physical structure to maintain a first class facility.
2) Provide superior customer service through establishment of an employee- and values-oriented operation.
3) Refine the operational structure to enhance financial stability, efficiency, and entrepreneurial operations.
4) Enhance marketing through implementation of a new three year marketing plan and preparation of new plan to capitalize upon the completed OCC and expanded Expo.
5) Increase public awareness of the economic and community benefits generated by OCC and Expo.

II. INTRODUCTION

The Oregon Convention Center's three-year Business Plan sets out the goals and objectives of the Center for the next three years and the strategies to accomplish these goals. The Business Plan covers fiscal years 1998-1999, 1999-2000 and 2000-2001.

This is the second Business Plan for OCC. In 1994, when MERC began the first Business Plan process, the Oregon Convention Center (OCC) could count three full years of outstanding performance. The Center was nearing capacity and faced growing demand.

The principal goal of the first Business Plan was to achieve a financially stable operation. In addition, the Plan called for OCC to conduct analysis and planning for investments in expanded capabilities.

OCC fully met the 1994 Business Plan goals, while continuing to surpass expectations in every area of performance: attendance, revenue, customer service and generation of economic benefits to the region. OCC has become a source of community pride, and has helped to make Portland an attractive tourist destination.

The Center has been operating at capacity for two years and is turning away convention business that would further benefit the regional economy. OCC's competitors are expanding, and convention business trends indicate that growth in the industry will continue unabated.

This Business Plan sets a course for OCC to continue its outstanding performance and fulfill its mission in the context of the rapidly changing and highly competitive convention business market.

The major goals of this Business Plan are to:

1) Expand the Center by 60 percent by completing the original facility plan, and upgrade the existing physical structure to maintain a first class facility.
2) Provide superior customer service through establishment of an employee- and values-oriented operation.
3) Refine the operational structure to enhance financial stability, efficiency, and entrepreneurial operations.
4) Enhance marketing through implementation of a new three year marketing plan and preparation of new plan to capitalize upon the completed OCC and expanded Expo.
5) Increase public awareness of the economic and community benefits generated by OCC and Expo.

III. BACKGROUND

A. The Facility

The Oregon Convention Center opened in September 1989. OCC is a 500,000 square foot facility consisting of 150,000 square feet of column-free exhibit space; a 25,000 square foot ballroom dividable into four separate rooms; 28 breakout/meeting rooms with a total of 30,000 square feet and 55,000 square feet of lobby and pre-function space; parking on site for 1,040 vehicles and kitchen facilities capable of serving up to 5,000 meals. A staff of 95 full time employees provides in-house services including utilities, security, admissions, audio-visual and other event-related services. Parking and food and beverage services are provided through outside contractors. OCC is managed by the Metropolitan Exposition Recreation Commission (MERC), a subsidiary of Metro, along with the Portland Metropolitan Exposition Center (Expo), the Portland Center for the Performing Arts (PCPA) and Portland Civic Stadium.

B. Accomplishments made under the 1994 Business Plan

The principal goal of the first Business Plan was to achieve a financially stable operation. This was defined as realizing the Center's potential for cost-cutting and revenue enhancement, without any sacrifice to outstanding service. The Plan called for a $500,000 annual contribution to renewal and replacement; full funding of marketing and advertising programs; and maintenance of an adequate reserve to cover unanticipated economic downturns, capital needs, future development and other contingencies.

The first Business Plan concluded that additional economic benefits of the convention business could only be realized with investments in expanded capabilities, including hotel rooms, exhibit space, meeting rooms, transportation, and parking. The Plan called for OCC to conduct analysis and planning for these investments.

OCC fully met the 1994 Business Plan goals, while continuing to surpass expectations in every area of performance. OCC exceeded all projections regional economic impact as well: in job creation, higher incomes, and tax revenue, and service as a community venue.

OCC's chief accomplishments over the three year Business Plan period include the following:

Increased earned revenue

- Exceeded all projections for attendance, sales and revenue (see table 1); achieved capacity occupancy in 1994.
- Achieved efficiencies in facility utilization by coordinating bookings with Expo, transferring consumer events to that facility and freeing up space for more profitable trade shows and conventions. Realized the enhanced opportunities for business retention and new business development provided by the construction of Hall E at Expo.
- Fully funded marketing and advertising programs and instituted new advertising initiatives, which brought in new business.
- Rented outside banners to OCC users which provided a new revenue stream.
- Established business center which brought in revenue and improved customer service.

Table 1

ACTIVITY	ORIGINAL PROJECTION	1996	CUMULATIVE 1990-1996
Attendance	350,000	628,774	4.3 million
Employment	3,300 annually	5,179	N/A
Annual Sales	$137.0 million	$377.9 million	$2.2 billion
Annual Tax Contribution	$ 4.3 million	$ 18.9 million	$107,771,000

Table compiled from data provided by CIC Research Inc. 1996

Reduced costs efficiently without sacrifice to current service levels

- Froze staff's annual merit pay increases for 3 years. Only COLA increases were given and a one-time reward for efficient performance in June 1996.
- Achieved efficiencies/streamlined operations, continued electrical consumption reduction using different lighting controls and equipment.
- Continued to improve recycling program to reduce waste costs with cardboard, pallet/wood recycling.

Met financial goals

- Achieved $500,000 annual contribution to Renewal and Replacement; maintained goal of $2.5 million and maintained a minimum reserve of $3.5 million every fiscal year. (The Center's renewal and replacement fund was $2.78 million as of June 30, 1997; current reserve levels are nearly $5 million).

Allocated $600,000/year out of hotel/motel tax allocation to subsidize PCPA operations and $100,000 per year for RACC

This was possible due to the success of the facility and the growth in hotel/motel tax receipts.

Generated major economic benefits to the region in the form of tax revenue, job creation, and income for area residents (see table1)

- OCC generated a total of $2.2 billion in economic activity in the tri-county region over the period 1990-1996 (see table 2).
- Commissioned a comprehensive economic impact study by CIC Research and Dean Runyan Associates that documented these major economic benefits.

Table 2

Annual Summary of Total Economic Impacts
Generated by OCC Operations

Economic Measures	Year 1990	1991	1992	1993	1994	1995	1996
	$13.7	$326.0	$345.4	$341.8	$430.2	$389.9	$377.9
	$ 8.2	$141.7	$150.6	$150.7	$188.6	$175.0	$164.9
	$ 5.5	$184.3	$194.8	$191.1	$241.6	$214.9	$213.0
	$ 1.5	$ 88.9	$ 93.8	$ 91.1	$115.7	$101.2	$102.9
	102	5,578	5,632	5,285	6,539	5,463	5,179

Source: CIC Research, Inc. 1996

Achieved optimum event mix

- Ensured that the facility served local community needs and generated maximum economic impact through convention and trade show bookings.

Began to lay the groundwork to complete the original OCC plans for an additional 120,000 square feet for a total of 270,000 square feet of exhibit space, 30,000 - 40,000 square feet meeting rooms and a 35,000 square feet ballroom

- Commissioned feasibility study by Price Waterhouse to examine the market for expansion.
- Obtained commitment from Metro to consider a bond measure for completion.
- Launched a public awareness program around the theme 'OCC-At the Center of Success.'
- Engaged an architecture firm to complete preliminary design and cost evaluation for completion.
- Initiated Hospitality and Arts Industry efforts to mobilize support for completion of the Center.

Maintained staff excellence in operating, managing, and marketing the facility within the framework of the OCC mission and created an atmosphere of superior customer service and satisfaction conducive to superior event production

- Achieved high degree of repeat annual business.
- Attracted national and regional convention and trade show business, which has the greatest economic impact.

IV. THE OCC MISSION

The first Business Plan set out the OCC mission as follows:

The Oregon Convention Center is the primary facility for diverse usage by conventions, trade shows and local events. The mission of the Center is to provide a framework to generate economic benefit in the State of Oregon and the Metropolitan Region of Portland through the following:

- *Provide the highest degree of cost effective tenant and patron services;*
- *Maximize the use of the Center through a mix of national convention and local event marketing efforts;*
- *Maintain a commitment of quality to the facility and its services for all users and attendees;*
- *Generate maximum economic benefits for the Metropolitan Region and the State through convention and trade show business.*

The mission statement remains a valid framework for moving forward to realize the goals and objectives of this Business Plan. However, to reflect this Business Plan's emphasis on customer service and on ensuring an employee-oriented and values-driven operation, the following has been added to the mission statement:

- *Ensure ongoing investment in and training and development of OCC staff to provide superior customer service and a quality workplace environment.*

V. THE CURRENT CONTEXT

A. Financial History and Analysis

The financial history of OCC has been one of complete success. The Center has consistently surpassed financial projections and has operated in the black each year since its opening, generating surpluses of up to $2 million in some years (see table 3). OCC is funded by enterprise funds of the operation supplemented by an 3% allocation of the Multnomah county hotel/motel tax.

Under a 5-year agreement reached in December 1996 by Multnomah County and the City of Portland, $1.6 million of the total 3% hotel/motel tax now goes to the Portland Center for the Performing Arts for operational and capital needs and to cultural tourism, RACC and neighborhood arts programs. The Oregon Convention Center's share of the hotel/motel tax dollars was capped at $3.8 million for the 1997-1998 fiscal year, with increases of up to 7% over the next four years limited to the percentage growth of this tax. The remainder of the growth in hotel/motel tax receipts are earmarked for a MERC-wide fund for capital improvements for all facilities. Marketing efforts for the Portland Oregon Visitor's Association will be increased in fiscal year 1998/99.

The amount of hotel/motel income, though reduced from $5.6 million in 1996/97 to an estimated $3.8 million in 1997/98, will be sufficient to maintain financial stability over the next three years. The financial needs of the newly expanded Center will need reevaluation in the year 2001-2002, the first full year of operations for the newly completed facility.

Table #3 reflects actual financial results for years 1994-1996. Throughout this period, the Center generated a positive cash flow averaging $1.5 million. MERC diverted $9 million from the OCC fund balance to help finance the construction of Hall E at the Expo Center, which lowered the fund balance to$5.7 million for fiscal year 1996-97. The combined OCC and pooled capital fund balance will be preserved to help finance the planned OCC completion package if the latter is approved by the voters.

The Center has experienced a flattening of the event schedule due to being at capacity and as competition grows. This is expected to continue over the next three years, and may cause a decline in the positive cash flow experienced over the last seven years.

Capital outlays are projected to remain stable each fiscal year with facility needs and support costs having been reduced and held steady due to the anticipated Metro/MERC agreement for contracted support services.

Reserves will continue to be the source of OCC construction contributions and renewal and replacement funding. It is anticipated that reserves will be about $7.5-$8 million by the year 2000 and that the renewal and replacement fund will be completely exhausted by the year 2001 due to facility-wide expansion/completion needs and the projected operational losses during the two year construction period of completion.

Revenue enhancement measures outlined in Goals and Objectives section IV. #3 below are designed to maintain appropriate levels of income.

Table 3

OREGON CONVENTION CENTER
FINANCIAL RESULTS
1995-1997

	Actuals 1994-95	Actuals 1995-96	Actuals 1996/97
Operating Revenues:			
Rental	$ 1,373,480	$ 1,488,797	$ 1,582,309
Reimbursed Labor	247,858	263,837	271,710
Concessions/Catering	5,100,628	5,148,875	4,811,299
Merchandising	14,706	24,678	16,960
Utility Services	812,221	968,094	1,027,757
Parking	590,160	631,784	697,097
User Fee	3,286	9,032	10,227
Sales Commission	38,798	40,541	38,560
Retail Sales		43,494	73,401
Administrative Fee			
Advertising Fee		23,293	25,973
Other	54,638	65,017	51,460
Total Operating Revenues	8,235,775	8,707,442	8,584,753
Other Revenues:			
Hotel/Motel Taxes	3,840,473	4,314,827	5,610,761
Interest on Investments	485,796	651,267	226,087
Total Other Revenues	4,326,269	4,966,094	5,836,848
Total Revenues	12,562,044	13,673,536	14,421,601
Expenditures:			
Personal Services	3,465,682	3,620,445	4,010,030
Materials and Services	1,295,960	1,648,912	1,671,930
Concessions/Catering	3,107,065	3,130,597	2,902,155
Parking	53,426	44,585	38,722
Marketing Contract	1,518,382	1,552,540	1,596,442
Capital Spending	183,582	333,816	446,117
Renewal/Replacement	1,400,000	400,000	
Metro Support Svcs/Ins	651,727	736,715	687,053
MERC Administration	286,887	304,718	335,383
Transfer/Loan			9,000,000
Total Expenditures	11,962,711	11,772,328	20,685,832
Net Cash Flow	599,333	1,901,208	(6,264,231)
BEGINNING FUND BALANCE	9,418,460	10,017,793	11,919,001
ENDING FUND BALANCE	$ 10,017,793	$ 11,919,001	$ 5,654,770
Net Cash Flow before Transfer to Expo Center:	599,333	1,901,208	2,735,769

B. Business Environment Analysis

OCC is considered a "National Convention Center." National center convention and trade show occupancy grew to 31% on average in 1994; occupancy at OCC has been consistently higher than national averages. It is estimated that growth in convention and trade shows for OCC and its competitors will be approximately 3% per year over the next five years.

OCC competes with other Centers in the Western United States including Denver, Reno, Salt Lake City, Phoenix, Long Beach, Seattle and San Jose. The growth in the number and size of trade shows and conventions has increased demand for space and high technology infrastructure. All of OCC's competitors are either planning to or have recently expanded. Portland's main Pacific Northwest competitor, the Washington State Convention and Trade Center, is doubling its exhibition space. This is expected to have a negative impact on OCC's ability to maintain current occupancy levels.

Portland's basic tourism infrastructure is undergoing significant expansion, in areas including hotel room inventory, airport facilities, and mass transit. OCC needs this increase in community assets in order to maintain its market share. Lloyd District improvements – including new construction (office buildings, housing, retail), transportation, retail, services, street and sidewalk upgrades and safety/security – are also important in making the Center more attractive to potential users. Transportation costs and convenience are particularly significant factors to potential clients and attendees. The Center's expansion, in turn, is a crucial part of the equation in the rehabilitation of the Lloyd District and in boosting Portland's attractiveness as a tourist destination.

The lack of sufficient hotel inventory on the Eastside near the Center remains a constraint to OCC's ability to generate more convention dollars for the region, with or without completion. Portland still finds itself at a distinct competitive disadvantage when battling for citywide conventions. Other communities are adding hotel rooms near their expanded facilities (i.e. Seattle and Salt Lake). Hotel inventory expansion is essential for current business needs, marketing for future business. OCC should continue to work for expansion of hotel rooms proximate to the Center.

Resolution of the hotel room constraint is not, however, a prerequisite for OCC completion. Nearly 1400 rooms are currently being added to the city's hotel inventory; another 475 (in downtown Portland) are on the drawing board . As documented in the 1996 feasibility study conducted by Price Waterhouse, even without a headquarters hotel the completed Center will capture a greater share of convention business and generate a significantly higher level of benefits to the region. The additional planned hotel rooms and maximum use of the expanded Expo will enhance the Center's ability to do this. Without completion, the amount of economic benefits generated by the Center will continue the decline witnessed in the past year.

Given the increased competition in the convention and trade show business, OCC will need to be exceptionally aggressive in marketing its facilities and providing superior customer service.

VI. GOALS, OBJECTIVES AND STRATEGIES OF THE 1998-2001 BUSINESS PLAN

This section outlines the major goals, objectives, and strategies of this Business Plan in greater detail.

1. **Expand the Center by 60 percent by completing the original facility plan, and upgrade the existing physical structure to maintain a first class facility.**

Expansion of the Center to complete the original facility plan is the first priority of this Business Plan – it is a prerequisite to OCC's continued ability to fulfill its mission. Portland is in danger of losing several large repeat customers to other cities because their shows have outgrown the facility. Trends in the convention business and at comparable / competitive centers and client responses demonstrate that completion of the Center is essential for OCC to remain competitive, attract its fair share of convention business, provide adequate space for the growth of current annual events and generate maximum economic benefits to the region.

OCC has been operating at capacity since 1994; occupancy has remained steady at 70-73%. The Center is heavily booked through the year 2001. In 1996, OCC turned away events that would have brought an estimated $274 million in economic benefits to Portland because the facility either wasn't large enough to handle the events or was too small to handle multiple events running concurrently.

The process to complete the Center began in earnest in 1996. In 1996-97, OCC and MERC launched an OCC public awareness program; conducted polling of general voters and community/business leaders; secured support of the hospitality/hotel community for a ½% increase in the lodging tax to finance completion; gained Multnomah County approval for the tax measure; and held meetings with elected officials to provide information on the project. Work will continue up to November 1998 to generate support for the project and ensure passage of a viable funding plan by regional voters. If approved, construction will commence in mid-1999, with opening projected for mid-2001.

OCC and MERC will intensify efforts to ensure expansion of the facility through the following measures:

- Complete development of layered funding package
- Request Metro in early 1998 to refer the completion funding measure to the voters on the November 1998 ballot.

- Work with public and private sector partners to ensure measure approved by voters in November 1998, with the hospitality/hotel community taking the lead.
- Continue ongoing public awareness program to educate the public about the benefits OCC has generated for the region, and the fact that the Center is operating at capacity and needs more space to continue to realize existing and potential economic benefits to the community.

Provided the measure is approved by the voters, OCC will undertake the 2-year construction process and prepare for the expanded facility by recruiting and training staff. Marketing and promotion strategies will be re-defined.

As the existing facility continues to age, OCC will undertake capital upgrades to maintain the facility in first class condition. With completion, renovation and upgrading of the present facility will be necessary to match the state of the art expanded space.

A five-year capital project plan has been developed (see Annex 1) that includes both the expansion/completion facilities as well as current facility deficiencies. OCC will utilize a major portion of its renewal and replacement fund to accomplish the items outlined in this Capital Improvements plan (C.I.P.)

2. Provide superior customer service through establishment of an employee- and values-oriented operation.

To remain competitive, OCC must improve its service levels and devote its staff to the achievement of superior customer service and satisfaction. OCC's goal is to build the best staff in the industry, and the Center has embarked upon a program to become more employee-oriented. The program aims to provide training, incentives for outstanding performance and a values framework for operations as well as to ensure that all OCC staff understand their duties and how they pertain to the achievement of the goal to provide superior customer service. The recent engagement of a MERC human resources specialist will enhance this effort by providing better service for and improved communication with employees. The chief components of this program are:

a. Training:
Ongoing education and training leads to better performers and more satisfied employees – which translates into superior service for the customer. OCC will make upgrading of staff skills a top priority and will devote more funding and time to education, vocational training and cross-training. Employee retreats every six months will focus on total quality service.

b. Global standards program:
OCC is establishing a global standards program to define job duties and expectations. A clear understanding by staff of what is expected from them facilitates improved performance and goal fulfillment. Staff has established

standards, duties, and rules for each OCC position; these will be finalized shortly. These standards will provide the foundation for evaluation under the performance-based compensation system under development by MERC.

c. Incentives and recognition for outstanding performance:
An Employee Recognition Program called the "OCC Circle of Excellence" has been established to reward performance with quarterly employee awards and recognition for excellence in Administration, Operations and Customer Service. Employee peers determine selection on the basis of established criteria.

A performance-based compensation system, under development by MERC and scheduled for implementation in fiscal year 1998/1999 will tie compensation increases directly to performance.

d. The Values Initiative
The Values Initiative establishes a set of OCC Values for business and staff. The values statement is under development and will be provide the guiding principles for OCC's continued growth as an employee-oriented organization. The draft statement in Box #1 includes those values deemed essential to OCC.

Box #1:

DRAFT OCC VALUES STATEMENT

Our Customer

We always act in ways that demonstrate that customer service and satisfaction is our NUMBER ONE PRIORITY.
We are committed to knowing and understanding our customers' needs, and to fulfilling those needs, so that they want to return again and again.
We understand that superior customer service and satisfaction are the keys to achieving our goal to be the "Best Convention and Meeting Facility on the West Coast".

Ourselves

We have "0" tolerance for any form of discrimination or harassment in the work place.
We believe our diversity is a business advantage and we treat each other with dignity and respect.
We all take responsibility for making the facility a better place to work.
We will live up to the high standards of the Oregon Convention Center and we will recognize and reward employees whose contributions and accomplishments help achieve our mission.
We take time to develop good working relationships with each other.
We believe in teamwork and support open and honest communication.

Public Trust

We are honored to serve the public interest and we demonstrate that by holding ourselves to the highest standards of integrity and ethical behavior.
We value the trust that the public places in us by being effective in our work, being open and honest in our public contacts and by honoring the commitments we make.
We direct our resources efficiently and responsibly to maintain the financial trust placed in our facility.

In addition to training and rewarding employees, emphasis will be placed on hiring highly qualified people with a "can-do" attitude.

3. Refine the operational structure to enhance financial stability, efficiency and entrepreneurial operations.

A key challenge for OCC over the next three years will be to maintain financial stability under the new funding structure and flattened event schedule that have reduced the Center's operating income.

To maintain long-range financial stability, OCC has established a long-range target for its Ending Fund Balance at approximately 45% of annual operating revenues. Due to the combined constraints of operating a facility that is being utilized at practical maximum capacity, and the planned decreases in operating revenues during the planned expansion project, this target may not be achievable during the next three years. To assure that the Ending Fund Balance continues to provide protection against possible economic downturns, the minimum Ending Fund Balance for the next three years is set at approximately 25% of total annual operating revenues.

OCC will accomplish its financial goals by honing its competitive edge and marketing the facility aggressively to capture new and retain existing business. OCC will also achieve greater operational efficiency to reduce costs.

The new building at Expo and planned expansion/refurbishment of that facility; additional hotel room inventory; expanded airport facilities; improved mass transit, and the expansion of OCC present opportunities for capturing new convention and trade show business and retaining existing business. The OCC/Expo management structure facilitates cross marketing and sales, cross-training of staff and sharing of expertise. There is considerable potential for cost reductions and efficiencies through consolidation of selected OCC/Expo functions. MERC's new autonomy from Metro presents additional opportunities to realize efficiencies and cost savings.

The objectives and strategies outlined below capitalize on these new opportunities and are designed to keep OCC competitive in the convention business, which generates 95 percent of the economic benefits to the region.

1) <u>Increase Revenue</u>.

- Identify and pursue potential revenue sources such as on-site advertising and promotion, new rental packages, new services, means of selling existing services more effectively.
- Implement the Premier Package for high yield corporate users – designed to increase rental revenue while providing enhanced customer service and meeting options.

- Continue and refine booking coordination with Expo to take advantage of new Hall E; expand the current practice of moving consumer shows to Expo to free up dates and space at OCC for conventions.
- Continue to expand business collaboration with the Oregon Arena Corporation and the Rose Quarter in order to pursue joint and package bids on larger and new types of events, such as sporting events (NBA All-Stars game, NCAA Tournament, etc.)
- Prepare packages and pricing to meet growing demand for shorter term, smaller scale local corporate meeting and banquet packages.
- Undertake measures to remain competitive in order to capture new business and retain existing business
    - Complete the Center
    - Provide first class services, facilities and cutting-edge technology; keep abreast of developments at comparable / competitor centers.
    - Continually upgrade equipment, including communications, electrical, computer, and telecommunications capabilities to service events and customers.
    - Develop value added on-site services.
    - Support Lloyd District improvements, including: new construction (i.e. hotels, restaurants, retail, office towers and housing); better management of transportation, policy/safety, and marketing; and the achievement of a comprehensive District approach to business.
    - Continue to support the expansion of the light rail system to the airport and the extension of Fareless Square to include the Lloyd District.
    - Support City's East Bank Esplanade Development from OAC to OMSI.
- Pursue aggressive marketing (See goal # 4 below) (Note: OCC's three year marketing plan spells out detailed strategies for remaining competitive and for new business development).

2) <u>Contain costs</u>.

- Assess contracted vs. in-house services; identify potential savings.
- Allocate staff more efficiently.
- Identify expense areas to target for potential reduction.

3) <u>Identify and implement other measures to ensure an efficient and entrepreneurial operation</u>.

- Asses potential for and implement merger of selected OCC/Expo services and operations. Improve the synergy between Expo and OCC relating to staffing, management, service contracts, and equipment usage.
- Coordinate with MERC, Expo, PCPA and Civic Stadium to achieve more entrepreneurial operations in areas including global budgeting, services, contracting, management and communications.

4. Enhance marketing through implementation of a new three year marketing plan and preparation of new plan to capitalize upon the completed OCC and expanded Expo.

Aggressive marketing both nationally and locally is essential to ensure OCC's continued success. The current marketing plan (see OCC Three Year Marketing plan, August 1997) lays out four main strategies to ensure that OCC retains near current market share as it moves into the completion phase:

A) *Operational Excellence* - providing high quality products at competitive prices
B) *Responsiveness to Customers* - providing superior customer service
C) *Product Leadership* - developing innovative product differentiation
D) *Brand/Image Leadership* - national advertising and awareness campaigns promoting OCC's product

The strategies and tactics in the marketing plan overlap with the five main goals of this Business Plan. Marketing strategies that are not discussed in other sections of this Plan include expansion of the OCC web site to promote and facilitate sales, customer satisfaction surveys for all market segments, and development of new sales collateral material for OCC and Expo. The marketing plan will be revised and expanded to capitalize on the newly expanded facility once this project is approved by the voters.

OCC conducts national convention marketing services through a contract with the Portland Oregon Visitors Association (POVA), at a cost of approximately $1.7 million annually. A marketing component targeted to minority conventions through the Oregon Convention and Visitors Services Network (OCVSN) was added three years ago to the POVA contract and is now starting to pay dividends for Portland and OCC. This will continue to be a high priority in OCC's marketing efforts. OCC and POVA have worked together to continue to increase funding for OCC's national campaign, and, as noted above, POVA will now receive an additional $300,000-450,000 annually out of hotel motel tax proceeds for its marketing efforts.

POVA is developing a comprehensive advertising campaign to 'brand' Portland, which will ultimately provide an overall strategy for marketing to a wider variety of businesses, including: conventions, trade shows, tourism, sports events, minority events and business travelers. Expansion of OCC will enhance POVA's ability to market Portland to larger groups who generate a higher economic impact in the region. Expansion and refurbishment of Expo facilities will strengthen Portland's marketing position for convention/trade show business as well as for public/consumer shows.

5. **Increase public awareness of the community and economic benefits generated by OCC and Expo.**

Public opinion polls conducted in September/October 1997 for the completion project revealed a widespread lack of awareness among regional citizens of OCC's success, its contributions to the region, the fact that the Center is operating at capacity, and that this is jeopardizing future contributions to the region.

OCC does not have an organized public awareness program or public relations staff, and has lacked the tools for ongoing dissemination of information to the public. Since the Center's opening public relations has been contracted out on an ad hoc, project-specific basis. OCC publications, the OCC newsletter, and limited media relations have been handled by the OCC multimedia services department. There is no dedicated MERC public relations staff to provide this service to the facilities.

A public awareness program around the theme "OCC - At the Center of Success" was launched in November 1996 to lay the groundwork for completion. It is conducted by a MERC/OCC team including John Pihas and Partners as the main contractor and F.M. Burch & Associates as the subcontractor. The public awareness program is designed to: create a high-profile and positive image of OCC, promote a sense of community pride in OCC and its accomplishments, and foster public commitment to maintaining the competitiveness of OCC as a key to ensuring the competitiveness/marketability of the region. The program aims to increase regional public awareness of:

- The successes and accomplishments of the OCC;
- The fact that OCC is operating at capacity and has been turning away business that would further benefit the regional economy;
- OCC's primary role in enhancing Oregon's attractiveness as a tourist destination, and the key role of tourism in region's future prosperity and high quality of life.

A pro-active public relations program beyond the completion phase is needed to provide timely information to the public on the status and achievements of the expansion effort and post-expansion performance of the Center. A program is needed to disseminate ongoing information on OCC's return on investment, economic impact on the region and contribution to the quality of life in the region; and more generally about the importance of the tourism/convention/hospitality industry to the region. This continuing public relations program is important for business development, marketing, and promotion, and to OCC's success in relations with clients, governments, public constituencies and the region's electorate.

An OCC Public Relations Department should be established with adequate budgetary resources and staff. The current public awareness program should be taken in-house and expanded into an ongoing public education program. The MERC Business Plan calls for a program to promote public awareness of the community value and services provided by the regional facilities managed by MERC, including the achievement of regional facility identity and the development of a strategic marketing communications plan for MERC and the facilities. OCC should coordinate its efforts with MERC to ensure efficient and effective delivery of public awareness services, and to avoid any duplication of efforts.

An important component of the public awareness effort should be to encourage public officials to recognize the hospitality industry as a significant source of tax dollars for priority government services: education, police, fire, housing and social services. The message is that a healthy convention industry returns dollars to the local community for these quality of life services. An ongoing, continuous investment by the governments in this industry is needed to keep Portland competitive and thereby ensure maximum returns.

Tools of the program will include development of collateral materials for OCC and Expo; research, design and installation of new on-site information and advertising kiosks; news coverage and strategic placement of articles in influential publications; and development of the Web site as an important public information center. The public awareness effort will be designed to reinforce marketing strategies, in areas including promotion of OCC and Portland coverage in trade publications and magazines.

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Annex 1
OCC
5 Year Capital Project Plan

Oregon Convention Center	Prior Years	98-99	99-00	00-01	01-02	02-03	Total	Funding Source
OCC-Completion/Expansion		3,000,000	52,500,000	29,000,000	5,500,000		90,000,000	RR Fund Bal;Rev./GO Bonds
Fire Suppresssion System Pump			150,000				150,000	Fund Balance
Box Office Remodel			55,000				55,000	Fund Balance
Exterior/Interior Signage	100,000	100,000					200,000	
Purchase of 65' Boom Lift		55,000					55,000	Fund Balance
Subtotal	100,000	3,155,000	52,705,000	29,000,000	5,500,000	-	90,460,000	
Systems Upgrade and Expansion				300,000			300,000	OCC R&R Fund
Lobby Furniture Replacement				200,000			200,000	OCC R&R Fund
Upgrade/Replacemnt- Exterior signage				750,000			750,000	OCC R&R Fund
Carpet Replacement				1,150,000			1,150,000	OCC R&R Fund
Replacement of Condenser Pipe			340,000				340,000	OCC R&R Fund
Subtotal	-	-	340,000	2,400,000	-	-	2,740,000	
Total	100,000	3,155,000	53,045,000	31,400,000	5,500,000	-	93,200,000	