

Metropolitan Exposition-Recreation Commission
Resolution 98-43

For the purpose of Approving a Capital Improvement Plan and Budget Policy for the Metropolitan Exposition-Recreation Commission.

WHEREAS, in keeping with its mission to provide quality stewardship in the operation, management and fiscal planning for the region's public assembly and convention facilities, MERC recognizes the need to prepare a long-range plan estimating the timing and scale of its investment in major capital assets; and

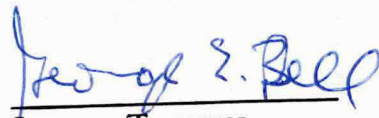
WHEREAS, MERC recognizes the need for a policy which provides guidelines for capital planning and budgeting; prioritization of competing capital needs and use of the MERC Pooled Capital Fund consistent with applicable state and federal law, Metro code and accounting policies and procedures.

BE IT THEREFORE RESOLVED:

1. That the Metropolitan Exposition-Recreation Commission hereby adopts the Capital Improvement Plan and Budget Policy, attached hereto, for the purpose of providing policy and guidelines to govern capital planning, budgeting and investment at all MERC facilities;
2. The General Manager is directed to include funding in the FY 1999/00 MERC Budget for the development of a Master Facility Plan - Major Capital Assets Renewal and Replacement Schedule for MERC facilities.

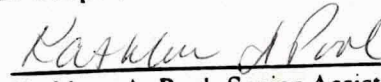
Passed by the Commission on October 21, 1998.


Chair


Secretary/Treasurer

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

By:


Kathleen A. Pool, Senior Assistant Counsel
Senior Assistant Counsel

Metropolitan Exposition-Recreation Commission Capital Improvement Plan and Budget Policy

I. PURPOSE

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.

This document reflects MERC's adopted policy regarding capital planning and budgeting for MERC. It is assumed in the policy that allocation and spending of capital improvement dollars shall be in accordance with applicable state and federal law, Metro code and accounting policies and procedures.

II. GENERAL-POLICY FRAMEWORK

A. DEFINITIONS

Capital Improvement Plan (CIP) - The CIP is a long-range plan prepared annually to identify the capital projects to be funded over a five-year period. It identifies each project to be undertaken, the year in which it will be started or acquired, the amount to be expended on the project each year and the proposed method of financing these expenditures. The CIP is reviewed and approved by the General Manager, the Commission and Metro Executive Officer and Council. Projects approved for the first year of the plan become part of the operating budget for the ensuing year, where they may be modified. Projects in years 2 through 5 of the Plan are subject to revisions in subsequent CIP's.

Capital Improvement Project - A capital improvement project is any physical asset acquired, constructed or financed by MERC with a total capital cost of \$50,000 or more and a useful life of at least 5 years. It can include land, facilities, major equipment and parts thereof. It can include replacement and renewal projects as well as new acquisitions and construction projects.

Acquisition or construction of a capital improvement project may be staged over several years. All elements of the original project should be included in the total project cost even if individual elements do not meet the cost and useful life criteria. For example, the acquisition of a computer system may involve over several years the purchase of individual workstations which cost less than \$50,000 each and have a useful life of less than 5 years. The project cost of the computer system should include the acquisition of all individual workstations originally planned as the part of the system. The cost to replace individual workstations, however, would not be considered a capital project unless replacement occurred as part of a major system replacement.

CIP Document - The official document presenting MERC's five-year capital improvement plan. It also contains information on MERC's capital funding capacity, an inventory of existing major capital assets, unfunded capital needs and a status report on current capital projects. Like the annual operating budget document, the CIP document is presented to the Commission by the

General Manager for its consideration and approval. Appropriations for capital projects continue to be made through the operating budget.

Process for Amending Commission Approved CIP - Before a MERC Division will expend funds for a capital project not included in MERC's existing capital improvement plan, it will seek approval from the Commission to amend the current CIP. Amendments to the CIP will not be required for canceled projects or projects which exceed estimated costs so long as adequate appropriation authority exists.

Approval to amend the CIP will be secured in the form of a resolution and may be submitted separately or as part of any other resolution required for the project such as a request for proposals/bids or contracts.

Pooled Capital Fund - In January 1997, Multnomah County adopted Ordinance 870 which amended the formula for the allocation of hotel/motel tax revenues to the operations of Oregon Convention Center (OCC), Portland Center for the Performing Arts (PCPA), Portland Oregon Visitors Association (POVA) and Regional Arts and Culture Commission (RACC). Ordinance 870 also designated hotel/motel tax revenues collected over the above allocation formula to be remitted to MERC for capital needs of all of its facilities. During the FY 1998/99 Operating Budget process, the Pooled Capital Fund was designated as the fund to account for these moneys.

The Pooled Capital Fund has two components:

1. **Pooled Resources** - Fund balance remaining from hotel/motel taxes distributed to MERC in accordance with Multnomah County Ordinance 870. These funds are available for Capital Improvement Projects with a total cost of \$100,000 or more for all MERC facilities. The approval for appropriation of these funds will be recommended by the MERC General Manager and approved by the Commission.
2. **Dedicated Renewal and Replacement Funds** - Separate Divisions will be maintained within the Pooled Capital Fund to account for future Renewal and Replacement Funds dedicated to each MERC facility. In all cases, these moneys will represent operating transfers from the facility's operating fund balance. Operating transfers and appropriations will be annual and approved by the Commission.

B. PURCHASING AND CONTRACT POLICY

In accordance with Resolution 97-37, all capital purchases and related contracts in the amount of \$75,000 or more are considered formal purchases and require Commission authorization by Resolution to solicit bids, approval of contract award, and approval of the written contract. The Commission may, however, at the time it approves the Bid Document, waive the requirements for Commission approval of contract award subject to conditions established by the Commission, such as authorizing the General Manager to enter into a contract.

III. CAPITAL IMPROVEMENT PLANNING AND PROJECT PRIORITIZATION

Master Facility Plan: In accordance with MERC's mission to provide quality stewardship in the management and maintenance of its facilities, a Master Facility Plan will be prepared to determine long-range capital renewal and replacement needs of all MERC facilities. The Master Facility Plan should be updated periodically as determined by the MERC General Manager. This document will be used to guide the long-range financial planning for capital maintenance and investment in all MERC facilities.

Assumption: This ranking system will be used in conjunction with the Master Facility Plan to determine the order in which capital improvement projects will be funded, given the limited funding for the annual CIP. Facilities are presumed to fund capital projects which cost less than \$100,000 from the facility's operating fund balance, grants or donations. Projects with a cost of \$100,000 or more may be funded from the Pooled Capital Fund based on funding availability.

Priority Points System: Each capital improvement project will accumulate points based on the characteristics listed below. Available funds will be assigned first to the highest-scoring projects.

- Priority 1:** Immediately necessary to protect safety of the public or employees.
- Priority 2:** Immediately necessary to maintain facility business.
- Priority 3:** Immediately necessary to avoid additional damage or deterioration.
- Priority 4:** Enhances revenue and has a reasonable payback period.
- Priority 5:** Desirable to enhance operation of the business and competitive position in the market.

MERC STAFF REPORT

Agenda Item: Approval of MERC Capital Improvement Plan and Budget Policy

Resolution No: 98-43

Date: October 21, 1998

Presented by: Mark B. Williams
Faye Brown

Background: MERC has participated in Metro's Capital Improvement Plan (CIP) process for the past three years, most recently with the FY 1999-00 through 2003-04 CIP approved by the Commission on September 16, 1998. The purpose of the CIP is to:

- identify timing, financing and scale of major capital needs;
- estimate potential impact on operating budgets;
- assess fiscal capacity and set priorities among competing projects; and
- provide longer lead time for major capital spending decisions

In January 1997, Multnomah County's Ordinance 870 created a new funding mechanism for major capital needs of all MERC facilities. This funding mechanism is provided by the growth in hotel/motel taxes that exceeds the operating allocation to OCC, PCPA, POVA and RACC. These moneys are accounted for in the MERC Pooled Capital Fund.

The purpose of the Capital Improvement Plan and Budget Policy is to establish a mechanism for prioritizing competing projects to be funded from MERC's limited resources, including the Pooled Capital Fund, in accordance with the Commission's mission to provide quality stewardship in the operation and management of all MERC facilities.

In addition to providing a prioritization system for capital spending decisions, the policy also provides for a Master Facility Plan to be prepared and periodically updated to identify long-term funding requirements for major capital renewal and replacement needs for MERC facilities.

Fiscal Impact: The approval of a Capital Improvement Plan and Budget Policy for MERC will not have a direct fiscal impact but will ensure future capital improvement planning and spending for MERC will be done in a fiscally prudent manner.

Recommendation: Staff recommends the Commission approve Resolution 98-43 approving a Capital Improvement Plan and Budget Policy for MERC.