METROPOLITAN EXPOSITION-RECREATION COMMISSION

Resolution No. 03-04

For the purpose of Authorizing a budget amendment to the Fiscal Year 02-03 Adopted Budget for the MERC Operating Fund to authorize the expenditure of funds from "Contingency" in the Fiscal Year 02-03 Budget, and approving transmittal of the amendment to the Metro Council.

WHEREAS, Metro Code 6.01.050 provides that the Commission shall annually prepare and approve an annual budget which shall, to the maximum extent permitted by law, consist of one commission-wide series of appropriations in those categories which are required by local budget law, applicable to all buildings, facilities, and programs managed by the Commission; and

WHEREAS, the Commission previously approved and transmitted to the Metro Council the Fiscal Year 02-03 budgets for the MERC Operating Fund, the MERC Pooled Capital Fund and the Convention Center Capital Project Fund,

WHEREAS, the Commission has recently been made aware of the need for the approval of the authorization to spend $743,000 from Contingency for furniture, fixture and equipment needs for the expansion of the Oregon Convention Center.

WHEREAS, this authorization will be effected as follows: first, a transfer from "Contingency" to "Transfer Out" in the MERC Operating Fund, and then, a transfer to the Convention Center Capital Fund.

BE IT THEREFORE RESOLVED:

1. The Metropolitan Exposition-Recreation Commission hereby approves the above budget amendment and submits it to the Metro Council under the Metro Code applicable to FY 02-03; and
2. The Commission grants the authority to MERC staff to prepare and present a Budget Ordinance to the Metro Council to amend the Fiscal Year 02-03 budget to reflect the above change.

Passed by the Commission on February 26, 2003.

Chair

Secretary-Treasurer

Approved As To Form:
Daniel B. Cooper, Metro Attorney

By:

MERC STAFF REPORT

Agenda Item: Approving an amendment to the Fiscal Year 02-03 MERC Operating Fund Budget transmittal of the amendment to the Metro Council.

Resolution No. 03-04

Date: February 26, 2003 **Presented by:** Bryant Enge and Jeff Blosser

Description of Resolution: Resolution 03-04 would approve an amendment to the Fiscal Year 02-03 MERC Operating Fund Adopted Budget by a duly adopted resolution at a regular public meeting of the Commission, and further instruct MERC staff to prepare and present to the Metro Council a budget amendment ordinance to implement the changes.

Background: The Commission previously approved and transmitted to the Metro Council the Fiscal Year 02-03 budgets, including the MERC Operating Fund, the MERC Pooled Capital Fund and the Convention Center Capital Project Fund budgets. Subsequent to that date, staff has become aware of the need for the approval of the authorization to spend $743,000 from Oregon Convention Center Contingency for furniture, fixture and equipment needs for the expansion of the Oregon Convention Center, as described in the accompanying Exhibit A.

Discussion and Analysis: See Exhibit A.

Financial Impact: The amendment proposed for the Fiscal Year 02-03 budget has no impact on total appropriations for that budget year. The amendment will provide MERC the ability to transfer up to $743,000 from the MERC Operating fund to cover the costs furniture, fixtures and equipment related to the convention center expansion project. It is necessary to move this appropriation, from Contingency to Transfer of Resources, in order to be in compliance with Oregon Budget Law.

Recommendation: Staff recommends that the Commission approve the amendment to the Fiscal Year 02-03 MERC Operating Fund Budget.

OCC EXPANSION STATUS
February 2003 MERC Commission Meeting
Exhibit A to Staff Report In Support of Resolution 03-04

1. Summary Financial Information

Base Contract		$ 98,500,000
Change Order 1	(Additional items paid for by savings from bids)	0
Change Order 2 (Revised)	(CIP Funding – for existing bldg. retrofit)	3,570,981
Change Order 3	(Transfer of soft costs for design issues not contemplated in the project or requiring re-design)	1,100,500
Change Order 4	(Transfer for additional design issues, which in turn, placed other items on hold – see #4 below)	0
Total GMP		$103,171,481

2. Revenue Shortfalls

The project budget was established in 2000 which included estimated interest revenue from the bonds at $7,600.000. In late 2000, interest rates fell, which reduced the total interest for the project to an estimated $5,400,000. The reduction of $2,200,000 required the project team to make a reduction of the project scope by value engineering the construction, reducing budgets for furniture and equipment, and tightening the amount of contingency available for the Project Budget to approximately 5%. This allowed for the construction of the designed project without requiring redrawing, kept the project on schedule (which came at a cost), and left funding for furniture and equipment to be found at a later date.

3. Unanticipated Cost Increases

The cost impacts to the project in Change Order 4 are to pay for unanticipated additional work to meet code and operational requirements. This work, not defined in the contract documents and thus not contracted with CM/GC, includes additional work to monitor the smoke control systems, provide code and operational construction in "volunteers," and to correct designs with mechanical systems. This work must be completed to receive occupancy from the City.

4. Items Remaining to be Funded

Signage, Ops Renovation, C Hall Speaker Upgrade, Concession Grill	$ 885,000
Build out of Aramark/Starbuck concessions	930,000
FF&E (estimate- getting bids now)	1,200,000
Estimated Total	3,015,000

5. Sources of Funding for Remaining Items

Extension of Aramark Contract	$ 750,000
Funds in '03 OCC Aramark Reserve	100,000
Potential Settlement with Design Team ($600-$750k)	600,000
Hoffman Construction Savings	500,000
	1,950,000

6. Approximate Estimated Future Shortfall — $ 1,000,000

7. Proposed Solution

A philosophical and strategic decision must be made to provide the funds to finish this important project. It is important to finish the project as completely as possible, to finish it well, and to finish it with as many revenue producing elements in place as possible.

The proposed solution to fund the remaining items is to spend contingency/fund balance, which will require MERC commission and Metro council action. As of December 31, 2002 OCC had a fund balance of approximately $5 million, with a budgeted contingency of $743,000 for FY'03. **We are proposing to authorize the expenditure of $743,000 contingency from the '03 OCC Budget and authorize an additional $260,000 to be spent in '04 if necessary.** OCC is concurrently proposing a pay back plan which is page 2 of this report.

Date: February 7, 2003

From: Jeff Blosser, OCC Facility Director

To: Sheryl Manning, MERC General Manager

Re: Payback Plan for FF&E Purchase Using OCC Contingency

Background

It is estimated that $1 million is required to complete the project. As such, staff is asking the commission to consider and approve amending the fiscal year 2002-03 to move resources from contingency to interfund transfers and revise the fiscal year 2003-04 budget to increase interfund transfers. These funds will be used to purchase necessary furniture, fixtures and equipment to properly equip the expanded facility to create and sustain a competitive advantage and meet OCC's client expectations.

Payback Plan

The following outlines the plan to replenish that portion of fund balance committed to fund the completion of the project:

a. Any funds remaining from the expansion project will be applied to FF&E after the CIP items are reimbursed.
b. Savings from the management of the fiscal year 2002-03 and 2003-04 materials and services budgets will flow to fund balance.
c. Savings from the OCIP banked funds after all claims have been closed will flow into fund balance. This may be a two-three year wait.
d. Revenue generated from Front Row Marketing Program for sponsorship, naming, and advertising related to OCC assets will provide resources to go into fund balance. This is a long term approach but could be the best opportunity to replenish fund balance in the shortest period of time with the most revenue potential.

cc: Bryant Enge