

METROPOLITAN EXPOSITION RECREATION COMMISSION

Resolution No. 03 - 23

For the purpose of approving Construction Fund expenditures for staff identified projects.

WHEREAS, the Metropolitan Exposition Recreation Commission has the authority to designate expansion construction funds to complete the Oregon Convention Center, and;

WHEREAS, staff has identified projects and additional funds from the project for the Commission's consideration, and;

WHEREAS, the project identified are within the scope of the project budget and will have long term financial and operational benefit to the Oregon Convention Center.

BE IT THEREFORE RESOLVED that the Metropolitan Exposition Recreation Commission directs staff to proceed with the list of identified projects, attached as "Exhibit A", to be completed with the remaining construction funds.

Passed by the Commission on May 28, 2003.

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

By: 
Kathleen Pool
Sr. Assistant Counsel



Chair


Secretary/Treasurer

MERC STAFF REPORT

Agenda Item/Issue: CIP Reconciliation and approval of construction projects

Resolution No.: 03 - 23

Date: May 28, 2003

Presented by: Jeffrey A. Blosser

Background and Analysis: the construction of OCC's expansion was substantially completed on March 31, 2003. With this completion came a better costing of final construction expenditures and a surplus of \$1.4 which has been determined to be available for additional projects to be completed. With projected shortfalls due to the economy, project design issues, the project team put many projects on hold and utilized the CIP funding to be the bank to complete necessary items until funds were available from ZGF and ARAMARK for design settlement and concession stand improvements, respectively. MERC has received these funds and now is proceeding with authorizing staff to add projects back which were originally approved in the CIP process for the OCC expansion project.

Two items are necessary to have these additional projects approved. A reconciliation of the CIP projects to budget and a prioritization of the items that were placed on hold due to projected project fund shortfalls related to construction costs, design errors and the economy.

The CIP Reconciliation is attached as part of this report and the list of projects staff is requesting to be approved by the Commission is also attached. Explanations of each project and its return to OCC are listed in priority order. Staff is also recommending a transfer of \$400,000 of these funds back in to the OCC fund balance to offset the FF&E expenditures.

Financial Impact: Potential revenue generation from advertising and concession stand completion estimated at \$350,000 annually. The fiscal year 2003-04 will have a fund balance savings of \$400,000 and funds requested for next year will not be needed.

Recommendation: Staff recommends that the Metropolitan Exposition Recreation Commission approve the listed items as projects to be completed and direct staff to complete these additional projects with the construction funds remaining in the Oregon Convention Center Expansion Project Fund. Additionally, staff recommends that only \$340,000 of the previously approved \$740,000 be spent this fiscal year from the OCC fund balance to offset the costs related to furniture, fixtures and equipment (FF&E) for the expanded facility.

May 28, 2003

C.I.P. Projects To Be Completed – Listed by Priority

1. Concession Stand E: This would consist of building and completing the operational aspects of making Hall E concession stand a working food court. The concession stand is currently shelled with no permanent equipment. This project would consist of equipment installation, counters being installed, signage, seating area, and all necessary utilities being added. Estimated cost of this CIP item is \$250,000 with a two year payback. It is anticipated that operational cost savings for operating a permanent stand vs. a portable and revenue generated is between \$100,000 and \$200.00 per year.
2. Operational Office Remodel Phase 2: This would complete the full operations office remodel and allow for management staff to be located in the operations area. Phase I of the office remodel eliminated managers' offices to make way for a larger break room and expanded locker rooms for the additional 35 staff as well as the additional part time event custodians, audio visual crew and any other departmental additions. This will enhance the overall coordination and management of the operations team by having the management staff located where their departmental individuals are housed. It will also free up the old OCC administration offices for future development in to revenue producing meeting space.
3. Hall C Speaker Upgrade: The rationale for this project is paramount. The expansion of Hall D now allows OCC to utilize approximately 120,000 sq. ft. of space for large planning seminars/concerts, and/or other shows but requires a sound system that works in conjunction with both halls. Currently, Hall D is on the new system and Hall C is on the old system. Quality of sound, management of two systems will not be conducive to top quality production and will be more expensive to set up and run during show times. The estimated costs for this speaker upgrade and connection to the new system is \$180,000 and will allow OCC to sell it for concerts and new types of business as well as cut down on setup and tech time of events using both halls. Estimated savings and potential new business is projected to be \$50-\$75,000 per year.
4. Exterior Signs at Holladay: This would complete the upgrade to the exterior signage package by making all of the signs look the same and putting the new graphics reader board in place. This would allow staff to run off of one system, program all signs together and sell advertising via the ad panels and the reader board. There is also a design review requirement that the sign be replaced with the current technology and sign standard by 2006. The cost for complete installation is \$150,000. Advertising potential is estimated to be around \$30,000 to \$40,000 per year.
5. OCC (old) Administration Office Remodel: This was contemplated, with the move of the OCC Administrative office to the new Administration offices, to increase OCC meeting capabilities by adding space to be sold. These new meeting rooms will support the Oregon Ballroom, add additional break-out space and could be used as high end conference space.

This would be an interior remodel with developing wall construction, audio visual additions, carpet replacement, equipment and furniture and dressing room construction. Total cost would be \$450,000. Potential annual revenue for leasing this space is \$750 per day minimum based on current rental rates. At a 60% occupancy, that would generate a minimum of \$164,250 plus food and beverage and audio visual fees. OCC feels this could be worth \$200,000 per year.

6. Existing AV Headend System Upgrade: This project is extensive and would bring the entire building AV system into the digital world. It would also allow for better programming controls by AV staff. We are having difficulty with replacement parts for some of our boards now, and this replacement will need to be done within the next 4-5 years maximum. The cost of \$500,000 has no real payback associated with it other than easier maintenance and a savings in the labor area.
7. Digital Interior Signage: This is bringing video capabilities to our directional signs throughout the facility. The \$265,000 cost would be for installation of 36-40 screens and the controls to manage it. OCC is looking to make this a Front Row Marketing deal with costs for the system to be paid with advertising dollars generated over a three year period. This would not be part of these project costs and would be a stand-alone project.

Staff is also recommending that \$400,000 of these funds be dedicated to reimburse the OCC fund balance for the purchase of FF&E (furniture, fixtures and equipment) items. This would improve OCC's fund balance for this fiscal year and provide for a much lower buyback threshold for the remaining unanticipated fund balance expenditures for the construction project.