

METROPOLITAN EXPOSITION-RECREATION COMMISSION

Resolution No. 03-49

For the Purpose of approving and transmitting the MERC Operating Fund and the MERC Pooled Capital Fund for Fiscal Year 2004-2005.

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, Multnomah County Ordinance No. 870, adopted January 2, 1997, allowed an allocation of transient lodging taxes to be used for the replacement, renewal, expansion and other capital needs of the facilities managed jointly under MERC; and

WHEREAS, Multnomah County Ordinance No. 941, adopted February 17, 2000, increased transient lodging and motor vehicle rental taxes to be used for visitor facilities: including repaying the Convention Center Completion Bonds; repaying Portland Center for the Performing Arts Bonds; operation of the Oregon Convention Center, and to the Portland Center for the Performing Arts; facilities managed jointly under MERC;

BE IT THEREFORE RESOLVED that the Metropolitan Exposition Recreation Commission approves and transmits to the Metro Council the following budgets attached as Exhibit A and B for the Fiscal Year beginning July 1, 2004 and ending June 30, 2005 for inclusion as part of the total Metro budget for this period:

- MERC Operating Fund
- MERC Pooled Capital Fund

Passed by the Commission on December 17, 2003.



Gary Conkling, Chair



Don Trotter, Secretary-Treasurer

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

By: 

Kathleen Pool
Senior Assistant Counsel

MERC STAFF REPORT

Agenda Item: Approving and transmitting the MERC Operating Fund and the MERC Pooled Capital Fund budgets for the Fiscal Year 2004-2005.

Resolution No. 03-49

Date: December 10, 2003

Presented by: Bryant Enge

Description of Resolution: Resolution 03-49 would approve the attached proposed budgets for submission to the Metro Council by a duly adopted resolution at a regular public meeting of the Commission.

Background: Operationally, MERC is organized into several departments, the Oregon Convention Center, Expo Center, the Portland Center for the Performing Arts, and MERC Administration. The operations of these departments are budgeted in the MERC Operating Fund. The spreadsheet "Proposed FY 04-05 Operating Budget" includes the operating budgets for each department and the budget of the MERC Operating Fund. The MERC Operating Fund is the official accounting entity containing the operating resources and requirements of the departments managed by MERC.

MERC also manages its major capital and its renewal and replacement needs in the MERC Pooled Capital Fund. Beginning in FY 2003-04, the MERC Pooled Capital Fund will be organized by departments, too. The spreadsheet "Proposed FY 04-05 Capital Budget" includes the capital budgets for each department and the capital budget of the MERC Pooled Capital Fund. The MERC Pooled Capital Fund is the official accounting entity containing the capital and the renewal and replacement resources and requirements of the departments managed by MERC.

Discussion and Analysis: The Budget Committee consisting of Commissioners Trotter (Chair), Conkling and Manning reviewed each of the facilities and capital budgets in detail. Based on current economic conditions, MERC's Strategic Plan, and necessary cost reduction measures, and based on the outcome of the review staff developed the proposed MERC budget attached as Exhibit A and B. The proposed budgets are forwarded to the full Commission for consideration, comment and passage.

The Budget Committee will be apprised and convened, if required, to review any information that may materially impact and may amend this budget anytime prior to Metro FY 2004-05 budget.

Financial Impact: In terms of operations, FY 2004-05 budget represents a 2.0% increase in Operating Expenditures while Operating Revenues are slightly down from the revised FY 03-04 budget. As a result, FY 04-05 Net Operating Expenditures are \$792,000 greater than the revised FY 03-04 budget. With respect to Non-Operating resources and requirements, resources are 5.3% less than the revised FY 03-04 budget, while requirements are 4.6% greater. Therefore, FY 04-05 Net Non-Operating Resource is \$670,000 less than the revised FY 03-04 budget. Overall, FY 04-05 Net Decrease in Fund Balance is \$1.5 million greater than the revised FY 03-04 budget. This is primarily the result of nearly \$1.3 million in subsidy reduction, \$530,000 at PCPA due to the lack of available vehicle and lodging taxes and \$750,000 due to the planned reduction in OCC VDI subsidy.

MERC is requesting \$1.3 million for MERC Administration, \$5.8 million for Expo, \$18.7 million for OCC, and \$7.8 million for PCPA. Based on projected revenue this will result in a negative net cash flow of \$510,000. MERC's total budget for FY 2004-05, excluding ending fund balance and contingency, is approximately \$32.3 million, an increase of about \$850,000 from the FY 2003-04 revised budget. This budget-to-revised budget increase reflects increases in the cost of Personal Services, Concessions and Catering, Materials and Services and support costs. The increase in the cost of Personal Services represents increases for merit pay and a 12% increase in medical premiums.

In terms of capital, FY 2004-05 MERC Pooled Capital Budget represents a 3.0% increase, or \$79,000 increase, in capital related expenditures from the revised FY 03-04 budget. OCC completed the expansion in April 2003 and the next five years concentrates on replacing and resurfacing current inventory to continue to provide an attractive facility for our public. OCC's budget includes \$450,000 for insurance associated with the expansion project. In addition, the convention center's budget includes a \$354,000 transfer to the convention center operating fund. PCPA's budget includes improving, upgrading and replacing building elements and systems to address safety issues, improving sound systems, and upgrading furnishings and draperies. PCPA will be drawing on its \$3.0 million in donated capital to fund these capital projects.

Another main component of the capital plan includes a potential project to install an in-house electrical system at the Exposition Center. The current estimation to complete this project is \$750,000. A feasibility study of this project is currently underway to assess the project's return on investment.

For complete details see Exhibit A and B.

Recommendation: Passage of the MERC Proposed Operating and Capital Budgets for FY 04-05.