

**METROPOLITAN EXPOSITION-RECREATION COMMISSION**

**Resolution No. 05-09A**

**For the purpose of adopting the MERC Capital Asset Management Policy.**

WHEREAS, pursuant to Metro Code Section 6.01.040(a), the Metropolitan Exposition-Recreation Commission has the authority to renovate, equip, maintain, and repair the convention, trade and spectator facilities for which the Commission is responsible; and

WHEREAS, the facilities for which the Commission is currently responsible include capital assets valued at over \$208 million; and

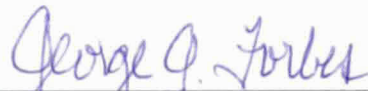
WHEREAS, the adoption of a capital asset management policy will demonstrate the Commission's commitment to sound fiscal and financial management.

**BE IT THEREFORE RESOLVED** that the Metropolitan Exposition-Recreation Commission adopts the Capital Asset Management Policy attached as Exhibit "A."

Passed by the Commission on April 27, 2005.



Chair



Secretary-Treasurer

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

By:



Lisa M. Umscheid  
Senior Attorney

## MERC STAFF REPORT

**Agenda Item:** For the Purpose of Adopting MERC Capital Asset Management Policy.

**Resolution No.:** 05-09A    **Date:** April 27, 2005    **Presented By:** Kathy Taylor

### **Background:**

In order to enhance MERC's oversight of capital projects, MERC has developed a Capital Policy to approve, acquire and dispose of capital assets in an orderly manner. Currently, MERC does not have a Capital Asset Management Policy of its own and MERC has been relying on various Metro Capital and Purchasing Policies to govern its Capital Projects. The existing Metro policies do not adequately address MERC's capital policy needs. As a result, MERC facilities have had difficulty following the capital policies and it has also been difficult for MERC staff to enforce these capital policies. In the past, the following policies, rules, and processes collectively formed MERC's Capital Management Policy.

- Metro's Capital Asset Management Policies (C.A.M.P.)
- Metro's Capital Improvement Plan
- Contracting and Purchasing rules
- The annual budget process
- State laws that govern public Purchasing and Contracting

The proposed Capital Asset Management Policy contains the following significant provisions:

- The rules require the General Manager to promulgate a MERC Capital Procedures Manual, which will contain the specific procedures that implement these policies, and which may be amended without Commission approval in order to maintain purchasing flexibility and efficiency.
- A thorough financial feasibility analysis shall be performed before a capital project is submitted to the Commission or the General Manager. The Analysis shall include financial impact on the operating fund balance, return on investment, funding sources, and cost estimates.
- All capital projects costing \$100,000 or more require Commission approval either (a) as part of the annual budget process, or (b) by an adopted resolution.
- Capital projects costing less than \$100,000 require facilities to obtain the General Manager's approval.
- In an event of an emergency, the commission delegates to the General Manager the authority to approve capital projects with a total cost of \$100,000.00 or more. The General Manager shall report to the Commission at the next meeting.

**Fiscal Impact:** There will be no fiscal impact.

**Recommendation:** The staff recommends that the Commission adopt the proposed Capital Asset Management Policy.

## METROPOLITAN EXPOSITION-RECREATION COMMISSION

### CAPITAL ASSET MANAGEMENT POLICY

#### I. INTENT

The Metropolitan Exposition-Recreation Commission ("MERC") is committed to a centrally managed comprehensive capital asset planning process to provide a clear policy framework to guide its decision-making. This Capital Asset Management Policy (hereinafter "Capital Policy") recognizes that the management of capital assets is a shared responsibility of facility management and MERC's central administration management, subject to oversight by the MERC Commission and the Metro Council.

In the capital project planning and review process, the Commission and the General Manager shall analyze proposed capital projects in light of environmental, regulatory, economic, historical and cultural perspectives, as well as the capacity of the infrastructure and the availability of resources for ongoing maintenance needs. All approved capital projects shall be consistent with MERC's strategic goals, as outlined in the MERC Strategic Plan.

#### II. DEFINITIONS

The following words have the following meanings:

- a. **"Asset"** means an item that has value to MERC and to the facility.
- b. **"Capital Asset"** means tangible property, such as land, buildings, or equipment, and intangible property, such as software, owned or managed by MERC costing \$10,000 or more and having a useful life of no less than one year. For purposes of this Capital Policy, capital assets include capital projects.
- c. **"Capital Improvement Project"** means a project for construction, reconstruction, or major renovation that costs \$10,000 or more and that extends the estimated useful life of an asset. A capital improvement project does not include operating repair and maintenance, regardless of cost.
- d. **"Capital Management Procedures"** means the procedures adopted by the General Manager to implement this Capital Policy.
- e. **"Capital Project"** means a capital improvement project or a project involving the acquisition of a capital asset.
- f. **"Emergency"** means circumstances that (a) could not have been reasonably foreseen; (b) create a substantial risk of loss, damage or

interruption of services or a substantial threat to property, public health, welfare or safety; and (c) require a prompt capital project to remedy the condition.

- g. **“Facility” or “Facilities”** means the Oregon Convention Center, the Portland Center For The Performing Arts, the Expo Center, and such other facilities as may be added to MERC’s management responsibilities from time to time.
- h. **“Facility Director”** means the MERC employee with the management responsibility for an individual facility.
- i. **“General Manager”** means the MERC General Manager.
- j. **“Operating Repair And Maintenance”** means routine maintenance and repair of any cost that addresses the normal wear and tear of the facility and that is required on a regular basis to achieve the original estimated useful life of the capital asset.

### **III. AUTHORITY TO APPROVE CAPITAL PROJECTS**

#### **a. Capital Projects Of \$100,000 Or More**

Any capital project with a total anticipated cost of \$100,000 or more requires Commission approval either (a) by inclusion in the capital improvement plan list approved by the Commission as part of the annual budget process, or (b) by duly adopted resolution.

For purposes of this Section III, a capital project has a total anticipated cost of \$100,000 or more if the total cost associated with the capital project (including but not limited to the cost of the asset itself, the cost of all services contracts associated with the project, and the cost of all associated contracts for planning, feasibility, or similar studies) is \$100,000 or more, regardless of the number of individual contracts involved.

#### **b. Capital Projects Of Less Than \$100,000**

The Commission delegates to the General Manager the authority to approve any capital project with a total anticipated cost of less than \$100,000. The General Manager may approve a capital project provided that budgeted funds are available and the project complies with this policy and the Capital Management Procedures.

**c. Emergency Capital Projects**

**i. Approval Authority**

The Commission delegates to the General Manager the authority to approve capital projects with a total anticipated cost of \$100,000 or more when a capital project is required by an emergency. The General Manager may sub-delegate this emergency approval authority in the Capital Management Procedures.

**ii. Reporting**

In the event that a capital project costing \$100,000 or more is approved by the General Manager or designee because of an emergency, the General Manager shall report the approval to the Commission at the next regular Commission meeting.

**IV. CAPITAL ASSET PLANNING AND REVIEW**

**a. Financial Analysis Required**

**i. Financial Feasibility Analysis**

A thorough financial feasibility analysis shall be performed before a capital project, regardless of cost, is submitted to the Commission or the General Manager for approval. The financial feasibility analysis shall include an analysis of the financial impact on the operating fund balance, the return on investment, the availability and feasibility of funding sources, and the cost estimates for the capital project.

The analysis shall also identify the financial impact of the following requirements:

1. Any public art funding requirements imposed by the Metro Code, the facility's owner, or any other applicable law;
2. All required licenses, permits, certificates, design approval documents, and similar documents required by any authority; and
3. Any contractual or legal requirements that apply to the proposed capital project.

**ii. Financing And Funding Analysis**

In the capital project planning and review process, the Commission and the General Manager shall be guided by the following financing principles:

1. Funds shall be expended only on capital projects that meet identified strategic priorities.

2. Funds shall be expended only on capital projects for which a complete and thorough analysis of funding options has been conducted. This analysis shall include evaluation of all funding options (donations, revenue generated by the project, intrafund transfers, proposed borrowing), and an analysis of the capital project's strategic priority, useful life, revenue sources, and repayment options.
3. Funds shall be expended only on projects that include identified and protected funding sources for a renewal and replacement reserve to ensure that the value of the capital asset can be maintained.
4. Funds shall be expended only on projects for which a funding source for operational requirements has been identified.
5. To the extent practicable, the Commission shall include contingency funds, not designated for specific projects, in its proposed capital budget submitted to the Metro Council in order to permit MERC to respond to unexpected events or opportunities as they arise.

## **V. REPORTING**

The General Manager or designee shall present capital project budget information, forecasts, and status reports to the Commission on a quarterly basis.

The Commission or designee shall present capital project budget information, forecasts, and status reports to the Metro Council on an annual basis, or more frequently if requested by the Council.

## **VI. CAPITAL MANAGEMENT PROCEDURES**

The General Manager shall develop, and may amend from time to time, Capital Management Procedures to implement this Capital Policy. The Capital Management Procedures do not require Commission approval.

**METROPOLITAN EXPOSITION-RECREATION COMMISSION**

**Resolution No. 05-09**

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#### **V. REPORTING**

The General Manager or designee shall present capital project budget information, forecasts, and status reports to the Commission on a periodic basis, as requested by the Commission. *add Quarterly*

#### **VI. CAPITAL MANAGEMENT PROCEDURES**

The General Manager shall develop, and may amend from time to time, Capital Management Procedures to implement this Capital Policy. The Capital Management Procedures do not require Commission approval.