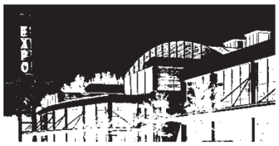
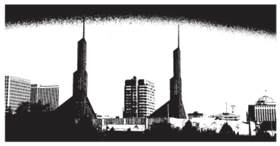
MERC Commission Meeting

August 7, 2013
12:30 pm

Portland Exposition Center
2060 N Marine Drive
Hall E, Meeting Rooms E101-2

600 NE Grand Ave.
Portland, OR 97232
503-797-1780

www.oregonmetro.gov

Metro | *Exposition Recreation Commission*

Agenda

Meeting: Metro Exposition Recreation Commission Meeting

Date: Wednesday, August 7, 2013

Time: 12:30-2:30 p.m.

Place: Portland Exposition Center Hall E, Meeting Rooms E101-2

CALL TO ORDER

12:30	**1.**	**QUORUM CONFIRMED**	
12:35	**2.**	**COMMISSIONER, COUNCIL LIAISON COMMUNICATIONS**	
	2.1	Commission Liaison Appointments, Page 2	**Judie Hammerstad**
12:40	**3.**	**OPPORTUNITY FOR PUBLIC COMMENT ON NON-AGENDA ITEMS**	
12:45	**4.**	**GENERAL MANAGER COMMUNICATIONS**	**Teri Dresler**
	4.1	Financial Report, Pages 4-15	
12:55	**5.**	**MERC VENUES' BUSINESS REPORTS**	**Scott Cruickshank** **Robyn Williams** **Matthew P. Rotchford**
1:10	**6.**	**EXPO HALLS A,B,C FOLLOW-UP REPORT** **EXPO GREENWALL** **SPRING EVENT**	**Matthew P. Rotchford**
1:20	**7.**	**DISCUSSION OF PROPOSED CHANGES TO MERC PERSONNEL POLICIES**, Pages 17-19	**Mary Rowe**
1:40	**8.**	**CONSENT AGENDA**	
	8.1	July 10, 2013 MERC Regular Meeting Record of Actions, Pages 21-25	
1:45	**9.**	**ACTION AGENDA**	
		Resolution 13-19 for the purpose of approving the amended and restated Visitor Facilities Intergovernmental Agreement between Metro, Multnomah county and the City of Portland and recommending approval to Metro Council, Pages 27-48	**Teri Dresler** **Scott Cruickshank**
		Resolution 13-20 for the purpose of approving the Oregon Convention Center Hotel project Term Sheet with Mortenson Development Inc., and recommending approval to Metro Council Pages 27-48	**Teri Dresler** **Scott Cruickshank**
		Resolution 13-21 for the purpose of approving changes to the Capital Asset Policies, Pages 50-57	**Tim Collier** **Brian Kennedy**
2:15	**10.**	**EXECUTIVE SESSION – Update on the status of labor negotiations**	**Mary Rowe**
		ADJOURN	
		OPTIONAL TOUR OF EXPO HALLS A, B, C (Be sure to wear walking shoes)	**Matthew P. Rotchford**

MERC Commission Meeting

August 7, 2013
12:30 pm

2.1 Commission Liaison Appointments

600 NE Grand Ave.
Portland, OR 97232-2736
www.oregonmetro.gov

Metro | *Making a great place*

August 7, 2013

TO: MERC Commissioners

Elisa Dozono
Chris Erickson
Terry Goldman
Cynthia Haruyama
Ray Leary
Karis Stoudamire-Phillips

FROM: Judie Hammerstad, Chair

cc: Venues Executive Team

SUBJECT: **For Approval:** 2013/14 MERC Commission Liaison Appointments

Oregon Convention Center	Elisa Dozono Terry Goldman
Portland Center for the Performing Arts	Chris Erickson Judie Hammerstad
Portland Metropolitan Exposition Center	Cynthia Haruyama Karis Stoudamire-Phillips
**MERC Budget Committee **Per Metro Code, this is a formal Committee with mandatory public meetings	Cynthia Haruyama, Chair Terry Goldman Chris Erickson
MERC Officers	Judie Hammerstad, Chair Terry Goldman, Vice Chair Cynthia Haruyama, Secretary-Treasurer
Metro Audit Committee	Chris Erickson
FOTA Program Advisors	Ray Leary Elisa Dozono Karis Stoudamire-Phillips
Hotel Project Liaisons	Judie Hammerstad Elisa Dozono

MERC Commission Meeting

August 7, 2013
12:30 pm

4.1 Financial Report

JUNE 2013

FINANCIAL INFORMATION

PORTLAND CENTER FOR THE PERFORMING ARTS
A SERVICE OF METRO

PORTLAND expo CENTER

OREGON CONVENTION CENTER
A SERVICE OF METRO

THE merc
METROPOLITAN EXPOSITION RECREATION COMMISSION
A SERVICE OF METRO

Date: July 29, 2013

To:

Commissioner Judie Hammerstad, Chair
Commissioner Terry Goldman, Vice Chair
Commissioner Cynthia Haruyama, Secretary/Treasurer
Commissioner Elisa Dozono
Commissioner Chris Erickson
Commissioner Ray Leary
Commissioner Karis Stoudamire-Phillips

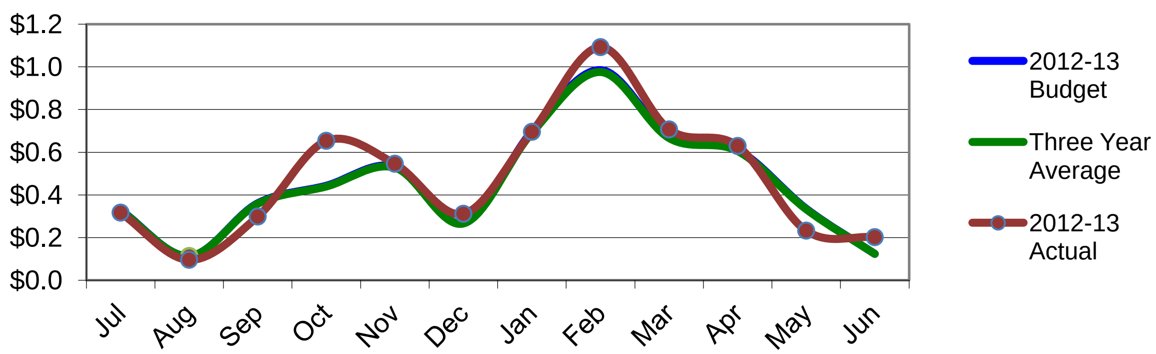
From: Cynthia Hill – Finance Manager

Re: MERC Financial Information June 2013 (preliminary 1st Close)

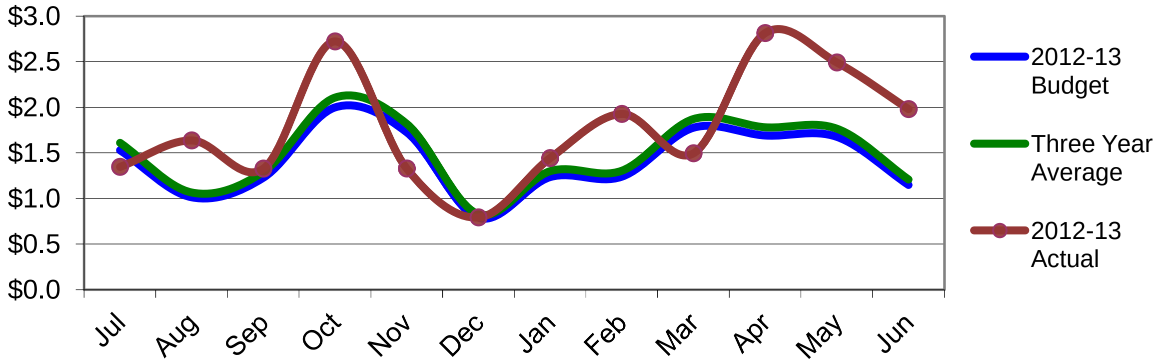
Enclosed please find the monthly financial report for the Metropolitan Exposition Recreation Commission reflecting revenues and expenditures as of June 30, 2013 1st close. The first financial close at year end includes operating revenues and expenditures for the month of June as you would see in any month during the year. While the operating revenues are complete and may have only minor adjustments, this period does not include all of the final year end accruals for expenditures and other non operating revenue and expenditures. Examples of year end accrual entries are the revenue transfers from the Visitor Development Fund (VDF); Bucket #4 OCC Operating Support $2,081,895; Bucket #5 OCC Enhanced Marketing $441,358 and Bucket #8 PCPA Support $630,511. Upon receipt of the VDF transfers we pass through to Travel Portland, the OCC Enhanced Marketing amount of $441,358, and to the Visitor Development Fund, Inc, the VDF 2 amount of $875,000. There will be two additional transfers of Transient Lodging Tax revenue which includes the 4th quarter tax collections. There are many year-end expenditure accruals for materials and services received through June 30th. These examples demonstrate the preliminary status of this report.

Expo- Operating Revenues by Month

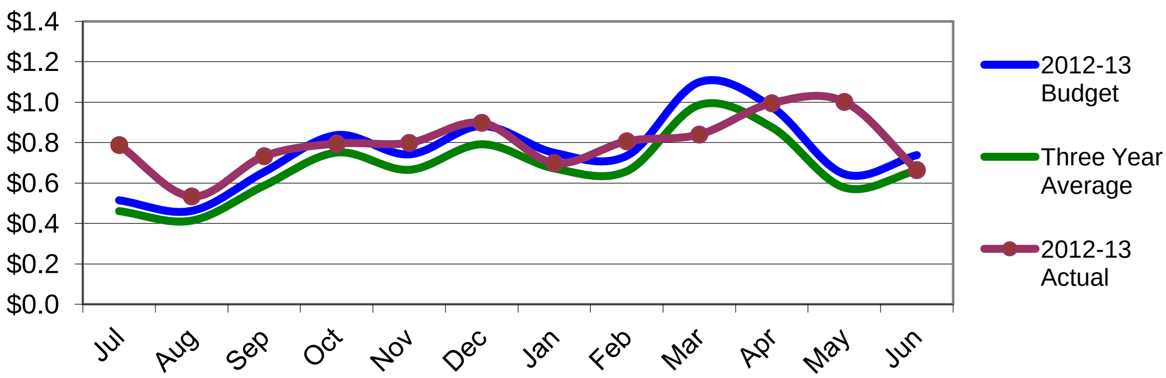
shown in millions



OCC- Operating Revenues by Month
shown in millions



PCPA Operating Revenues by Month
shown in millions

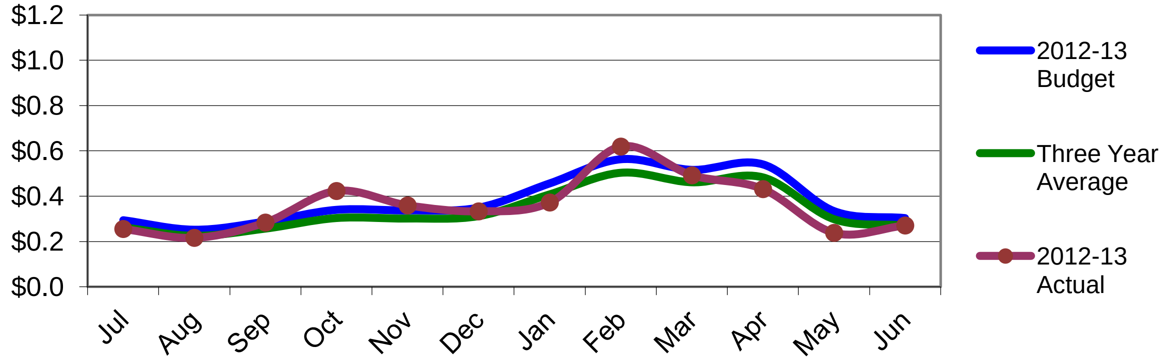


Expo Center's top grossing events in the month of June were the 2013 Vans World Tour ($84 thousand) the Collectors West Gun and Knife Show ($41 thousand); La Fortuna Entertainment LLC Concert ($25 thousand).

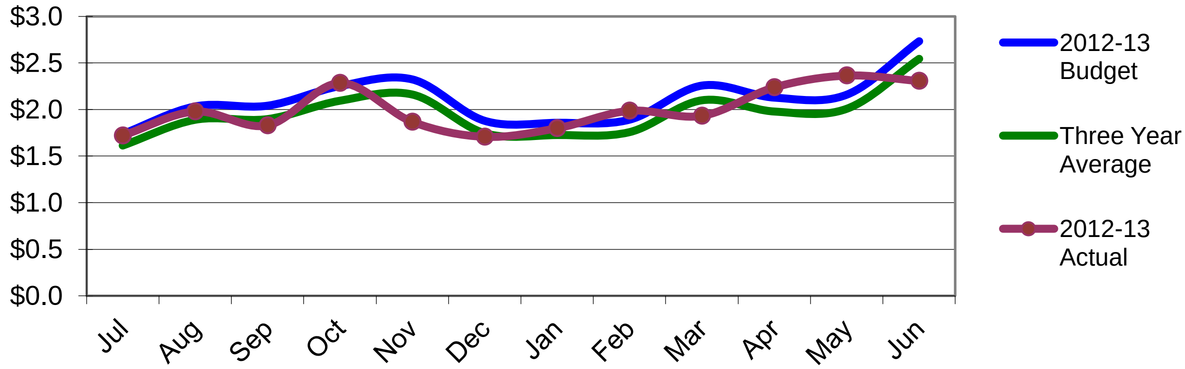
OCC top grossing events in the month of June were IEEE Conference Computer on Vision & Pattern Recognition ($755 thousand); the jQuery Conference ($178 thousand); LeakyCon ($166 thousand) and the Society of Toxicologic Pathology ($124 thousand).

PCPA top grossing events at PCPA included The Addams Family ($114 thousand) Rock of Ages ($54 thousand in June and $146 thousand in the prior month May); Celebrate Balanchine ($53 thousand).

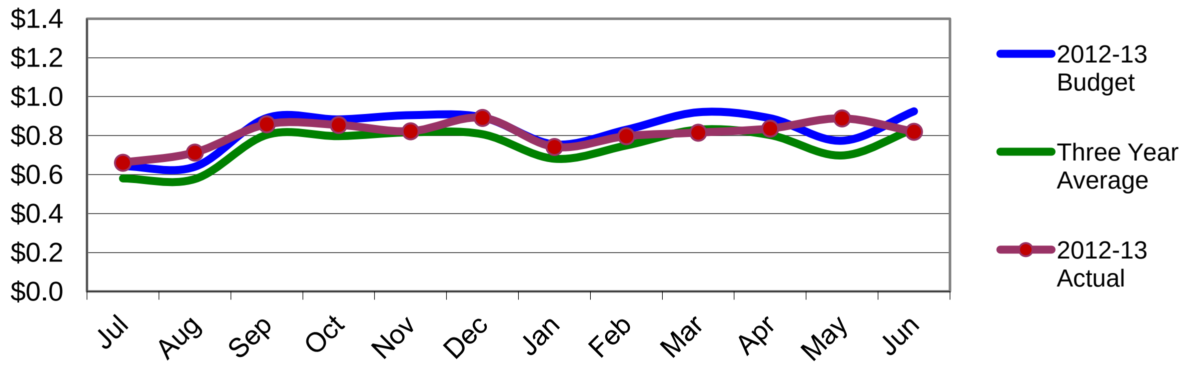
Expo - Operating Expenditures by Month
shown in millions



OCC - Operating Expenditures by Month
shown in millions



PCPA - Operating Expenditures by Month
shown in millions



Operating expenditures are preliminary as of 1st close with outstanding accruals described in the first paragraph. 2nd close, which occurs in August, will reflect a more accurate view of final year-end expenditures, however accounting continues to make entries through final close.

Non Operating Revenues and Expenditures

Transient Lodging Tax (TLT) receipts provide fundamental operating and marketing financial support for OCC and PCPA. The June TLT transfer from the County was $537 thousand. Actuals year to date are greater than prior year by $709 thousand or 8.37%. Two additional transfers of tax collections are expected to be accrued to FY 2012-13.

The City of Portland has delayed invoicing for the Eastside Streetcar Eastside Streetcar local improvement district assessment (LID) levied by the City of Portland on Metro Regional Center and the Oregon Convention Center. The OCC assessment is approximately $2.2 million and is to be paid from an interfund loan from the General Fund repaid by OCC over a ten year period. A budget amendment was approved in June which carried over and re-budgeted all actions approved in the current year to FY 2013-14 to allow for payment of the assessments when received in late July or early August 2013. MERC has chosen to carry over the funding received in FY 2012-13 for the anticipated first year repayment and make two years of payments in FY 2013-14.

MERC Visitor Venues

Events-Performances-Attendance

FY 2012-13 as of June 30, 2013

OCC	Annual 2012		Annual 2013		Net Change from Prior Year	
	Events	Attendance	Events	Attendance	Events	Attendance
Tradeshows/Conventions	80	183,082	95	196,369	15	13,287
Consumer Public Shows	57	395,984	70	329,263	13	(66,721)
Miscellaneous	6	17,637	11	19,106	5	1,469
Miscellaneous -In-House	163	3,725	172	3,263	9	(462)
Meetings	232	80,990	205	60,728	(27)	(20,262)
Catering	103	51,564	101	52,554	(2)	990
Totals	**641**	**732,982**	**654**	**661,283**	**13**	**(71,699)**

Expo Center	Annual 2012		Annual 2013		Net Change from Prior Year	
	Events	Attendance	Events	Attendance	Events	Attendance
Consumer Public Shows	55	370,100	49	378,956	(6)	8,856
OVO by Cirque Du Soleil	*1*	*98,186*	-	-	(1)	(98,186)
Miscellaneous	30	18,847	33	25,282	3	6,435
Cirque Australian Forklift Training	*2*	*336*	-	-	(2)	(336)
Meetings	15	426	16	514	1	88
Catering	1	390	2	2,534	1	2,144
Tradeshows/Conventions	10	18,603	10	22,327	-	3,724
Totals without/Cirque du Soleil	**111**	**408,366**	**110**	**429,613**	**(1)**	**21,247**
Totals with/Cirque du Soleil	**114**	**506,888**	**110**	**429,613**	**(4)**	**(77,275)**

PCPA	Annual 2012		Annual 2013		Net Change from Prior Year	
	Performances	Attendance	Performances	Attendance	Performances	Attendance
Commercial (Non-Broadway)	100	111,026	136	135,341	36	24,315
Broadway	102	226,455	83	152,563	(19)	(73,892)
Resident Company	260	291,097	265	274,214	5	(16,883)
Student	170	85,547	184	96,549	14	11,002
Non-Profit	210	123,092	249	118,043	39	(5,049)
Miscellaneous	36	7,353	35	8,567	(1)	1,214
Totals	**878**	**844,570**	**952**	**785,277**	**74**	**(59,293)**

Metropolitan Exposition-Recreation Commission
MERC Statement of Activity with Annual Budget
All Departments
June 2013
2013-12
FIRST CLOSE

	Current Month Actual	Current Year to Date Actual	Prior Year to Date Actual	% of Prior Year	Annual Budget	% of Annual Budget
	June-13	June-13	June-12		June-13	100%
Operating						
Revenue	1,248,633	20,853,685	19,553,553	107%	18,729,081	111%
Revenue - Food and Beverage	1,596,768	15,774,904	13,730,090	115%	13,660,301	115%
Total Operating Revenue	**2,845,401**	**36,628,588**	**33,283,643**	**110%**	**32,389,382**	**113%**
Costs - Food and Beverage	1,084,815	12,646,512	11,750,818	108%	11,514,085	110%
Personal Services	1,300,835	16,555,134	17,162,904	96%	17,403,962	95%
Goods & Services	923,257	7,662,404	7,133,353	107%	9,057,018	85%
Marketing Travel Portland	225,004	2,700,048	2,642,520	102%	4,014,278	67%
Total Operating Expenses	**3,533,912**	**39,564,098**	**38,689,594**	**102%**	**41,989,343**	**94%**
Net Operating Results Inc (Dec)	**(688,511)**	**(2,935,510)**	**(5,405,951)**	**54%**	**(9,599,961)**	**31%**
Non Operating	-	(0)	-		-	
Transient, Lodging Tax	537,059	9,181,115	8,471,859	108%	9,985,127	92%
Visitor Development Fund (VDF)	-	-	-	-	3,147,506	0%
Government Support City of Portland	-	798,035	774,040	103%	793,408	101%
Non-Operating Revenue	27,392	141,672	169,348	84%	156,412	91%
Non-Operating Expense	-	-	-	-	2,200,000	0%
	564,451	**10,120,821**	**9,415,246**	**107%**	**11,882,453**	**85%**
Support and Risk Management						
MERC Administration	-	-	-	-	-	-
Metro Support Services	207,510	2,498,424	2,164,856	115%	2,498,424	100%
Metro Risk Management	-	729,301	741,765	98%	729,301	100%
	207,510	**3,227,725**	**2,906,621**	**111%**	**3,227,725**	**100%**
Net Increase (Decrease)	**(331,569)**	**3,957,586**	**1,102,674**	**359%**	**(945,233)**	**-419%**
Transfers						
Transfers to (Expense)	13,425	161,056	88,708	182%	392,056	41%
Transfers from (Revenue)	4,163	568,633	114,822	495%	2,768,633	21%
Debt Service (Expense)	-	1,187,132	1,188,632	100%	1,187,132	100%
Net Transfers	**(9,262)**	**(779,555)**	**(1,162,518)**	**67%**	**1,189,445**	**-66%**
Net Operations	**(340,831)**	**3,178,031**	**(59,844)**	**-5311%**	**244,212**	**1301%**
	-	(0)	0		-	
Capital						
Capital Outlay	219,984	2,518,911	1,519,865	166%	3,299,077	76%
Transient, Lodging Tax	-	-	-	-	-	-
Non-Operating Revenue	-	123,833	134,316	92%	295,000	42%
Intrafund Transfers (Exp/Rev)	-	-	-	-	-	-
Transfers from (Revenue)	-	-	480,000	0%	-	-
Net Capital	**(219,984)**	**(2,395,078)**	**(905,549)**	**264%**	**(3,004,077)**	**80%**
Fund Balance Inc (Dec)	**(560,815)**	**782,953**	**(965,392)**	**-81%**	**(2,759,865)**	**-28%**
	-	(0)	0		-	
Food and Beverage Gross Margin	**511,953**	**3,128,392**	**1,979,272**		**2,146,216**	**146%**
Food and Beverage Gross Margin	**32.1%**	**19.8%**	**14.4%**		**15.7%**	
Excise Tax	**160,743**	**2,015,263**	**1,804,266**			
Transient, Lodging Taxes as percent of revenue	**16%**	**20%**	**20%**		**24%**	

	Current Year to Date Actual	Prior Year to Date Actual	Annual Budget
Fund Balance			
Beginning Fund Balance	26,161,717	26,357,848	26,161,717
Fund Balance Inc (Dec)	782,953	(965,392)	(2,759,865)
Ending Fund Balance	**26,944,670**	**25,392,456**	**23,401,852**
Unrestricted Fund Balance			4,955,143
Operating Contingency			652,486
Stabilization Reserve			620,500
Designated for Renewal & Replacement			12,277,072
New Capital/Business Strategy Reserve			4,554,437
Restricted by Agreement - TLT			142,214
Ending Fund Balance			**23,401,852**
			-

Metropolitan Exposition-Recreation Commission
MERC Statement of Activity with Annual Budget
Portland Exposition Center
June 2013
2013-12
FIRST CLOSE

	Current Month Actual June-13	Current Year to Date Actual June-13	Prior Year to Date Actual June-12	% of Prior Year	Annual Budget June-13	% of Annual Budget 100%
Operating						
Revenue	134,903	3,876,352	4,126,169	94%	3,838,186	101%
Revenue - Food and Beverage	67,049	1,904,644	1,981,807	96%	1,811,485	105%
Total Operating Revenue	**201,952**	**5,780,996**	**6,107,975**	**95%**	**5,649,671**	**102%**
Costs - Food and Beverage	102,370	1,668,564	1,777,685	94%	1,569,892	106%
Personal Services	100,171	1,483,695	1,461,042	102%	1,608,478	92%
Goods & Services	68,224	1,142,185	1,290,821	88%	1,392,728	82%
Total Operating Expenses	**270,765**	**4,294,444**	**4,529,548**	**95%**	**4,571,098**	**94%**
Net Operating Results Inc (Dec)	**(68,813)**	**1,486,552**	**1,578,427**	**94%**	**1,078,573**	**138%**
Non Operating						
Non-Operating Revenue	1,125	12,392	18,883	66%	21,290	58%
Non-Operating Expense	-	-	-	-	-	-
	1,125	**12,392**	**18,883**	**66%**	**21,290**	**58%**
Support and Risk Management						
MERC Administration	12,829	153,944	187,337	82%	153,944	100%
Metro Support Services	18,670	224,858	194,837	115%	224,858	100%
Metro Risk Management	-	80,988	85,947	94%	80,988	100%
	31,499	**459,790**	**468,121**	**98%**	**459,790**	**100%**
Net Increase (Decrease)	**(99,187)**	**1,039,153**	**1,129,189**	**92%**	**640,073**	**162%**
Transfers						
Intrafund Transfers	-	-	-	-	-	-
Transfers to	116	1,359	-	-	1,359	0%
Transfers from	375	4,500	7,980	56%	4,500	100%
Debt Service	-	1,187,132	1,188,632	100%	1,187,132	100%
Net Transfers	**259**	**(1,183,991)**	**(1,180,652)**	**100%**	**(1,183,991)**	**100%**
Net Operations	**(98,928)**	**(144,838)**	**(51,463)**	**281%**	**(543,918)**	**27%**
Capital						
Capital Outlay Expense	18,846	468,497	116,322	403%	524,500	89%
Non-Operating Revenue	-	-	4,987	0%	-	-
Intrafund Transfers	-	270,000	-	-	270,000	0%
Net Capital	**(18,846)**	**(198,497)**	**(111,335)**	**178%**	**(254,500)**	**78%**
Fund Balance Inc (Dec)	**(117,774)**	**(343,335)**	**(162,797)**	**211%**	**(798,418)**	**43%**
Food and Beverage Gross Margin	**(35,321)**	**236,080**	**204,122**		**241,593**	**98%**
Food and Beverage Gross Margin %	**-52.7%**	**12.4%**	**10.3%**		**13.3%**	
Excise Tax	**14,511**	**429,442**	**453,167**		**-**	
Fund Balance						
Beginning Fund Balance		4,310,142	4,732,826		4,310,142	
Fund Balance Inc (Dec)		(343,335)	(162,797)		(798,418)	
Ending Fund Balance		**3,966,807**	**4,570,029**		**3,511,724**	
Unrestricted Fund Balance					182,705	
Operating Contingency					242,994	
Stabilization Reserve					186,000	
Designated for Renewal & Replacement					775,000	
New Capital/Business Strategy Reserve					2,125,025	
Ending Fund Balance					**3,511,724**	
		-	-		-	

Metropolitan Exposition-Recreation Commission

MERC Statement of Activity with Annual Budget

Oregon Convention Center

June 2013

2013-12

FIRST CLOSE

Excluding EMP

	Current Month Actual	Current Year to Date Actual	Prior Year to Date Actual	% of Prior Year	Annual Budget	% of Annual Budget
	June-13	**June-13**	**June-12**		**June-13**	**100%**
Operating						
Revenue	638,770	9,574,135	8,584,148	112%	7,798,834	123%
Revenue - Food and Beverage	1,340,412	11,720,482	9,566,955	123%	9,849,862	119%
Total Operating Revenue	**1,979,182**	**21,294,617**	**18,151,103**	**117%**	**17,648,696**	**121%**
Costs - Food and Beverage	816,790	9,248,199	8,266,546	112%	8,260,981	112%
Personal Services	674,730	8,530,045	8,930,547	96%	9,125,317	93%
Goods & Services	590,734	3,539,603	3,550,049	100%	3,884,221	91%
Marketing Travel Portland	225,004	2,700,048	2,642,520	102%	4,014,278	67%
Total Operating Expenses	**2,307,258**	**24,017,895**	**23,389,662**	**103%**	**25,284,797**	**95%**
Net Operating Results Inc (Dec)	**(328,076)**	**(2,723,279)**	**(5,238,559)**	**52%**	**(7,636,101)**	**36%**
Non Operating						
Transient, Lodging Tax	468,207	8,004,071	7,347,829	109%	8,729,303	92%
Visitor Development Fund (VDF)	-	-	-	-	2,520,676	0%
Non-Operating Revenue	3,582	36,577	50,455	72%	46,678	78%
Non-Operating Expense	-	-	-	-	2,200,000	0%
	471,788	**8,040,648**	**7,398,284**	**109%**	**9,096,657**	**88%**
Support and Risk Management						
MERC Administration	79,823	957,878	1,165,651	82%	957,878	100%
Metro Support Services	116,207	1,399,118	1,212,325	115%	1,399,118	100%
Metro Risk Management	-	408,408	397,366	103%	408,408	100%
	196,030	**2,765,404**	**2,775,342**	**100%**	**2,765,404**	**100%**
Net Increase (Decrease)	**(52,318)**	**2,551,966**	**(615,617)**	**-415%**	**(1,304,848)**	**-196%**
Transfers						
Transfers to (Expense)	706	8,450	-	-	239,450	4%
Transfers from (Revenue)	2,326	28,000	66,180	42%	2,228,000	1%
Net Transfers	**1,620**	**19,550**	**66,180**	**30%**	**1,988,550**	1%
Net Operations	**(50,698)**	**2,571,516**	**(549,437)**	**-568%**	**683,702**	**376%**
				-		
Capital				-		-
Capital Outlay Expense	74,326	1,524,062	950,641	160%	2,052,577	74%
Non-Operating Revenue	-	123,833	1,404	8820%	220,000	56%
Intrafund Transfers (Exp/Rev)	-	90,000	-	-	90,000	100%
Transfers from (Revenue)	-	-	480,000	0%	-	-
Net Capital	**(74,326)**	**(1,310,229)**	**(469,237)**	**279%**	**(1,742,577)**	**75%**
Fund Balance Inc (Dec)	**(125,024)**	**1,261,287**	**(1,018,674)**	**-124%**	**(1,058,875)**	**-119%**
Food and Beverage Gross Margin	**523,622**	**2,472,283**	**1,300,408**		**1,588,881**	**156%**
Food and Beverage Gross Margin %	**39.1%**	**21.1%**	**13.6%**		**16.1%**	
Excise Tax	**146,232**	**1,585,820**	**1,350,849**		**-**	
Transient, Lodging Taxes as percent of revenue	**19%**	**27%**	**29%**		**33%**	
Fund Balance						
Beginning Fund Balance		11,058,549	11,552,031		11,058,549	
Fund Balance Inc (Dec)		1,261,287	(1,018,674)		(1,058,875)	
Fund Balance Inc (Dec) for HQH		128,075	-		(100,000)	
Ending Fund Balance		**12,447,911**	**10,533,357**		**9,899,674**	
Unrestricted Fund Balance					2,350,200	
Operating Contingency					258,839	
Stabilization Reserve					260,000	
Contingency for Renewal & Replacement					-	
Designated for Renewal & Replacement					5,685,779	
New Capital/Business Strategy Reserve					1,334,856	
Restricted by Agreement - TLT					10,000	
Ending Fund Balance					**9,899,674**	

Metropolitan Exposition-Recreation Commission
MERC Statement of Activity with Annual Budget
Portland Center for the Performing Arts
June 2013
2013-12

FIRST CLOSE

	Current Month Actual	Current Year to Date Actual	Prior Year to Date Actual	% of Prior Year	Annual Budget	% of Annual Budget
	June-13	June-13	June-12		June-13	100%
Operating						
Revenue	474,960	7,403,198	6,839,633	108%	7,092,061	104%
Revenue - Food and Beverage	189,307	2,149,778	2,181,329	99%	1,998,954	108%
Total Operating Revenue	**664,267**	**9,552,976**	**9,020,962**	**106%**	**9,091,015**	**105%**
Costs - Food and Beverage	165,655	1,729,749	1,706,587	101%	1,683,212	103%
Personal Services	437,779	5,436,383	5,377,952	101%	5,522,476	98%
Goods & Services	216,437	2,532,951	2,045,534	124%	2,748,093	92%
Total Operating Expenses	**819,871**	**9,699,083**	**9,130,072**	**106%**	**9,953,781**	**97%**
Net Operating Results Inc (Dec)	**(155,604)**	**(146,107)**	**(109,111)**	**134%**	**(862,766)**	**17%**
Non Operating						
Transient, Lodging Tax	68,852	1,177,044	1,124,030	105%	1,255,824	94%
Visitor Development Fund (VDF)	-	-	-	-	626,830	0%
Government Support City of Portland	-	798,035	774,040	103%	793,408	101%
Non-Operating Revenue	22,046	85,381	93,629	91%	84,376	101%
Non-Operating Expense	-	-	-	-	-	-
	90,899	**2,060,460**	**1,991,699**	**103%**	**2,760,438**	**75%**
Support and Risk Management						
MERC Administration	49,890	598,674	728,532	82%	598,674	100%
Metro Support Services	72,633	874,448	757,694	115%	874,448	100%
Metro Risk Management	-	239,905	258,452	93%	239,905	100%
	122,523	**1,713,027**	**1,744,678**	**98%**	**1,713,027**	**100%**
Net Increase (Decrease)	**(187,227)**	**201,326**	**137,910**	**146%**	**184,645**	**109%**
Transfers						
Transfers to (Expense)	441	5,281	10,824	49%	5,281	100%
Transfers from (Revenue)	1,462	17,500	28,440	62%	17,500	100%
Net Transfers	**1,021**	**12,219**	**17,616**	69%	**12,219**	**100%**
Net Operations	**(186,206)**	**213,545**	**155,526**	**137%**	**196,864**	**108%**
Capital						
Capital Outlay Expense	86,361	466,134	452,902	103%	675,000	69%
Non-Operating Revenue	-	-	127,925	0%	75,000	0%
Intrafund Transfers (Exp/Rev)	-	-	15,000	0%	-	-
Net Capital	**(86,361)**	**(466,134)**	**(309,977)**	**150%**	**(600,000)**	**78%**
Fund Balance Inc (Dec)	**(272,568)**	**(252,589)**	**(154,450)**	**164%**	**(403,136)**	**63%**
Food and Beverage Gross Margin	**23,652**	**420,029**	**474,742**		**315,742**	**133%**
Food and Beverage Gross Margin %	**12.5%**	**19.5%**	**21.8%**		**15.8%**	
Taxes as percent of revenue	**9%**	**11%**	**11%**		**12%**	
Fund Balance						
Beginning Fund Balance		8,445,301	8,490,410		8,445,301	
Fund Balance Inc (Dec)		(252,589)	(154,450)		(403,136)	
Ending Fund Balance		**8,192,712**	**8,335,960**		**8,042,165**	
Unrestricted Fund Balance					1,380,355	
Operating Contingency					47,754	
Stabilization Reserve					174,500	
Designated for Renewal & Replacement					5,345,000	
New Capital/Business Strategy Reserve					1,094,556	
Ending Fund Balance					**8,042,165**	

Metropolitan Exposition-Recreation Commission
MERC Statement of Activity with Annual Budget
Convention Center Enhanced Marketing Project
June 2013
2013-12
FIRST CLOSE

	Current Month Actual June-13	Current Year to Date Actual June-13	Prior Year to Date Actual June-12	% of Prior Year	Annual Budget June-13	% of Annual Budget 100%
Operating						
Goods & Services	49,786	244,592	-	-	472,667	52%
Meetings Expense	*856*	*1,978*	-	-	*3,800*	52%
Communications Consulting	*3,130*	*21,259*	-	-	*50,000*	43%
Construction Consulting	-	*24,995*	-	-	*35,000*	71%
Financial Consulting	*2,648*	*21,383*	-	-	*72,500*	29%
Legal Consulting	*32,515*	*37,375*	-	-	*105,000*	36%
Management Consulting	*7,000*	*23,000*	-	-	*83,467*	28%
Market Consulting	*3,638*	*114,602*	-	-	*122,900*	93%
Net Operating	**(49,786)**	**(244,592)**	**-**	**-**	**(472,667)**	**52%**
Net Increase (Decrease)	**(49,786)**	**(244,592)**	**-**	-	**(472,667)**	
Transfers						
Transfers to	12,162	145,966	-	-	145,966	100%
Transfers from	-	518,633	-	-	518,633	100%
Net Transfers	**(12,162)**	**372,667**	**-**	-	**372,667**	100%
Net Operations	**(61,948)**	**128,075**	**-**	**-**	**(100,000)**	**-128%**
Fund Balance Inc (Dec)	**(61,948)**	**128,075**	**-**	**-**	**(100,000)**	**-128%**

Metropolitan Exposition-Recreation Commission

MERC Statement of Activity with Annual Budget

MERC Administration

June 2013

2013-12

FIRST CLOSE

	Current Month Actual	Current Year to Date Actual	Prior Year to Date Actual	% of Prior Year	Annual Budget	% of Annual Budget
	June-13	June-13	June-12		June-13	100%
Operating						
Revenue	-	-	3,603	0%	-	-
Personal Services	88,156	1,105,011	1,393,363	79%	1,147,691	96%
Goods & Services	(1,924)	203,073	246,949	82%	559,309	36%
Net Operating Results Inc (Dec)	**(86,232)**	**(1,308,084)**	**(1,636,708)**	**80%**	**(1,707,000)**	**77%**
Non Operating						
Non-Operating Revenue	639	7,322	6,380	115%	4,068	180%
Non-Operating Expense	-	-	-	-	-	-
	639	**7,322**	**6,380**	**115%**	**4,068**	**180%**
Support and Risk Management						
MERC Administration	142,541	1,710,496	2,081,520	82%	1,710,496	100%
	142,541	**1,710,496**	**2,081,520**	**82%**	**1,710,496**	**100%**
Net Increase (Decrease)	**56,948**	**409,733**	**451,192**	**91%**	**7,564**	**5417%**
Transfers						
Transfers to (Expense)	-	-	77,884	0%	-	-
Transfers from (Revenue)	-	-	12,222	0%	-	-
Net Transfers	**-**	**-**	**(65,662)**	0%	**-**	-
Net Operations	**56,948**	**409,733**	**385,530**	**106%**	**7,564**	**5417%**
Capital						
Capital Outlay Expense	40,450	60,218	-	-	47,000	128%
Transient, Lodging Tax	-	-	-	-	-	
Non-Operating Revenue	-	-	-	-	-	-
Intrafund Transfers (Exp/Rev)	-	(360,000)	(15,000)	2400%	(360,000)	100%
Net Capital	**(40,450)**	**(420,218)**	**(15,000)**	**2801%**	**(407,000)**	**103%**
Fund Balance Inc (Dec)	**16,498**	**(10,485)**	**370,530**	**-3%**	**(399,436)**	**3%**
Full Time Employees					**20.0**	
Excise Tax	**-**	**-**	**251**		**-**	
Fund Balance						
Beginning Fund Balance		2,347,725	1,582,581		2,347,725	
Fund Balance Inc (Dec)		(10,485)	370,530		(399,436)	
Ending Fund Balance		**2,337,240**	**1,953,111**		**1,948,289**	
Unrestricted Fund Balance					1,041,883	
Operating Contingency					102,899	
Designated for Renewal & Replacement					471,293	
Contingency for Renewal & Replacement					200,000	
Restricted by Agreement - TLT					132,214	
Ending Fund Balance					**1,948,289**	

MERC Commission Meeting

August 7, 2013
12:30 pm

7.0 Discussion of proposed changes to MERC Personnel Policies

BATCH 3 PERSONNEL POLICIES FOR MERC COMMISSION REVIEW

August 7, 2013

Following is a list of policies that Metro Human Resources has created or recently updated. These proposed policies supersede those listed in the Metro Employee Handbook (EO #88) and the MERC Personnel Policies Handbook (8/1/07). All other policies in those documents remain in force.

Policy	Existing MERC Policy	Existing Metro Policy	Legal Requirement	Policy Summary	Fiscal Impact	Business Impact
Alternative Duty Leave	§ 16.7(B)	E.O. 88 § 31(D)	ORS 652.250; ORS 404.200 (Search and Rescue Leave) ORS 401.378 (Red Cross Disaster Relief Services Leave) ORS 236.040 (Peace Corps Leave)	• Provides leave and outlines procedures and requirements consistent with Oregon law and current MERC and Metro policies. o Peace Corps: 2 years of unpaid leave o Disaster relief: up to 15 work days unpaid leave per 12-month period o Search and rescue: up to 5 days paid leave	N/A (paid leave provisions are legally required and consistent with current policy)	Promotes legal compliance
Charitable Solicitation	N/A	Metro Code § 2.02.050	N/A	• Limits oversolicitation while allowing flexibility to allow fundraisers that benefit or are closely related to Metro. • Provides guidelines for allowing employees to leave solicitation materials for review (e.g. school fundraisers etc.).	N/A	Establishes consistent Metro-wide policy and procedures
Employee Records	§ 10	E.O. 88 § 36	ORS 652.750	• Expands policy to address medical records • Clarifies procedures for maintaining, viewing and copying files	N/A	Promotes legal compliance

Information Technology – Acceptable Use	§ 12.12	E.O. 69; E.O. 76	N/A	• Describes authorized and prohibited uses of Metro technology, including internet and email. *This policy was previously submitted to the MERC Commission for discussion Sept. 5, 2013 and has since been revised.*	Limits risk	Protects Metro's information assets and clarifies employee conduct expectations
Internships	N/A	N/A	Fair Labor Standards Act	• Describes procedures for creating and recruiting for internships. • Outlines legal requirements for unpaid internships to avoid creating an employment relationship.	Limits risk	Promotes legal compliance and consistency in internship management practices across the agency
Job Sharing	§ 16.0(B)	§ 17	N/A	• Outlines procedures for initiating and dissolving job share arrangements and performance expectations for job share partners. • Eliminates option to alter distribution of benefits; benefits will be prorated based on budgeted work hours (FTE). • Changes level of approval required from COO/GM to Department Director and HR Director.	N/A	Establishes consistent Metro-wide policy and procedures
Modified Duty for Non-Occupational Conditions	N/A	N/A	N/A	• Describes limited circumstances in which modified work is available for injuries and medical conditions that were not incurred on the job. • Consistent with current practices.	N/A	Establishes consistent Metro-wide policy and procedures
Performance Management	§ 8	E.O. 88 § 11	N/A	• Outlines timelines and responsibilities for performance management. • Increases emphasis on planning and on-going feedback.	N/A	Establishes consistent Metro-wide policy and procedures

Pregnancy Transfer and Leave	N/A	E.O. 88 § 28	N/A	• Describes limited circumstances in which modified work and leave are available to accommodate risks related to pregnancy in situations that would not be covered by FMLA, ADA, or other laws and policies. • Consistent with current Metro policy.	Limits risk	Establishes consistent Metro-wide policy and procedures
Resignation and Retirement	§ 15.0	E.O. 88 § 35	N/A	• Outlines procedures and responsibilities in the event of resignation and retirement.	N/A	Establishes consistent Metro-wide policy and procedures
Volunteers	N/A	E.O. 88 § 42	Fair Labor Standards Act	• Outlines general guidelines for Metro volunteer programs and applicable legal restrictions.	N/A	Promotes legal compliance and consistency in volunteer management practices across the agency
Whistleblowing	§ 12.2	N/A	ORS 659A.199 – 659A.236 (Oregon Whistleblower Law) ORS 659A.030(1)(f) (prohibiting retaliation for opposing unlawful conduct)	• Outlines legal protections for employees who report unlawful or unethical conduct or engage in legal proceedings in good faith. • Provides options for notifying Metro of unlawful or unethical conduct.	Limits risk	Promotes legal compliance

MERC Commission Meeting

August 7 , 2013
12:30 pm

8.0 Consent Agenda

Metropolitan Exposition Recreation Commission
Record of MERC Commission Actions

July 10, 2013
Oregon Convention Center, C121 – C122
777 NE ML King Jr. Blvd. Portland OR 97232

Present:	Chris Erickson (Chair), Terry Goldman , Ray Leary, Judie Hammerstad, Cynthia Haruyama
Absent:	Karis Stoudamire-Phillips (Excused), Elisa Dozono (Excused)
	A regular meeting of the Metropolitan Exposition Recreation Commission was called to order by chair Chris Erickson at the Oregon Convention Center at 12:30 pm
1.0	**QUORUM CONFIRMED** A quorum of Commissioners was confirmed.
2.0	**COMMISSIONER COUNCIL LIAISON COMMUNICATIONS** • Commissioner Hammerstad reported on the Joint Work Session with Metro Council about the Convention Center Hotel. She commented it was quite beneficial. • Chair Erickson also commented that the meeting was very informative and great opportunity to educate the public about the project. He offered his appreciation for the great work done by Scott Cruickshank, Teri Dresler and Stephanie Soden.
3.0	**OPPORTUNITY FOR PUBLIC COMMENT ON NON-AGENDA ITEMS** • Jeff Miller commented that Travel Portland is happy to have the Customer Advisory Board in town for meetings.

4.0	**GENERAL MANAGER COMMUNICATIONS**
	• Teri Dresler presented to the Commission
	  • T. Dresler reported on the Joint Work Session with Metro Council on the hotel project. Media (Business Journal, The Oregonian, OPB) gave overall favorable reports on the meeting. T. Dresler is very hopeful and optimistic about the project. Soon the amendments to the VDI will be finalized.
	  • Tentative plan for the project is to bring a resolution to the August MERC Commission Meeting. Metro Council public hearing is scheduled for August 8th and a vote on August 15th. Looking at doing an Opt-In survey to get public opinion within two weeks and an Open House is planned on either July 31 or August 1st 2013 to gather any input that we need to address. County has tentatively scheduled a vote during the last week of August. The City's vote will occur during a similar time frame. VDI and term sheet might be approved before Labor Day.
	  • Chair Erickson inquired about voting content. Teri Dresler responded that Metro Council will vote on amendments to the VDI and term sheet as well as authorizing staff to complete the development agreement with developers. The City and the County will vote to approve VDI language only. They don't need to approve the project technically.

5.0 5.1	**CONSENT AGENDA:** **June 4, 2013 MERC Regular Meeting Record of Actions** • A motion was made by Commissioner Goldman and seconded by Commissioner Leary to approve the Consent Agenda. **VOTING:** Aye: 4 (Erickson, Hammerstad, Leary, Goldman)

	Nay: 0
6.0 **6.1**	**ACTION AGENDA** **Resolution 13-13 for the purpose of approving the fiscal year 2013-14 MERC Commission slate of officers** Chris Erickson presented to the Commission • A motion was made by Commissioner Hammerstad and seconded by Commissioner Leary to approve Resolution 13-13 as presented. **VOTING:** Aye: 4 (Erickson, Hammerstad, Leary, Goldman) Nay: 0 Motion Passed • Teri Dresler presented a plaque to commemorate Chair Erickson's service as a Chair of MERC Commission.
6.2	**Resolution 13-14 for the purpose of approving an amendment to the Sales Incentive Policy** Scott Cruickshank and Teri Dresler presented to the Commission • Commissioner Hammerstad inquired for an example of how much the incentive benefits employees. • Scott Cruickshank responded that it is typically around $2,000 per year. **Commissioner Haruyama has arrived and Commissioner Goldman was temporarily excused from the meeting.** A motion was made by Commissioner Leary and seconded by Commissioner Hammerstad to approve Resolution 13-14 as presented. **VOTING:** Aye: 4 (Erickson, Hammerstad, Leary, Haruyama) Nay: 0 Motion Passed
6.3	**Resolution 13-15 for the purpose of approving the sale of certain real property to Union Pacific Railroad Company** Scott Cruickshank and Hope Whitney of OMA presented to the Commission • Commissioner Leary asked for an explanation of the value of protecting the easement. Scott Cruickshank responded that area of the property is probably the last area OCC could expand on . The piece of property inquired about is at the bottom of the hill and creates a buffer between Union Pacific's proposed track and the base of the hill. This is a very small piece of property and is basically unusable. This transaction releases the easement entirely. • A motion was made by Commissioner Hammerstad and seconded by Commissioner Haruyama to approve Resolution 13-15 as presented. **VOTING:** Aye: 4 (Erickson, Hammerstad, Leary, Haruyama) Nay: 0 Motion Passed

6.4	**Resolution 13-16 for the purpose of selecting Billings and Cronn Company for the Antoinette Hatfield Hall, "Exterior Insulation Finishing System Replacement Project – Phase II" and authorizing the General Manager to execute a contract with Billings and Cronn Company** Robyn Williams presented to the Commission • Commissioner Leary asked for clarification of the fact that the amount of $175,000 was budgeted but we are looking at a cost of $156,000 thus the additional amount serves as a contingency as changes come up for additional costs. • Robyn Williams responded affirmatively. • Commissioner Haruyama inquired if Phase I was for identification of this issue. • Josh Limpscomb responded that PCPA had contracted with an architectural firm that specializes in exterior surfaces a couple of years ago to do an investigation to identify problematic areas of the facility. They helped with phasing the work and repairs as needed. Last summer a smaller project for Brunish Hall, which had the most leakage and was considered as Phase I, was completed. This resolution is considered Phase II. Phase III would be larger scale project but probably will not include as many large leaks. • Leary commented that the insurance costs will affect other MWESB bids in future projects. • Chair Erickson inquired what the requirement for insurance needs is. • Nathan Sykes responded that you can't gauge the minimum insurance requirement. It depends on who your insurance company is and scope of the project. A motion was made by Commissioner Hammerstad and seconded by Commissioner Leary to approve Resolution 13-16 as presented. **VOTING:** Aye: 4 (Erickson, Dozono, Stoudamire-Phillips, Haruyama) Nay: 0 Motion Passed
6.5	**Resolution 13-17 for the purpose of selecting Anderson Roofing Company, Inc. for the Portland Expo Center- Hall D Loading Dock Roof Replacement and Hall C spot repair and aluminum "silver coating"** Matthew P. Rotchford presented to the Commission • Commissioner Haruyama inquired whether the timing is going to be deferred for replacement of the bleachers and carpeting or if they would be rolled into 2014. • Matt Rotchford responded that he is proposing doing half of the projects now and deferring the other half to next year. • Commissioner Haruyama inquired if projects already budgeted for 2014 will also get pushed out? • Matt Rotchford responded it is a possibility. • Commissioner Haruyama inquired about the long-term financial viability for Expo. Deferring maintenance projects again with no solution in sight seems to be a bad idea. • Teri Dresler responded that there is discussion with Metro's COO, Martha Bennett, about looking at the Metro Tourism Opportunity Competitive Account(MTOCA) that comes from the general fund and currently is exclusive to support of OCC. The proposal to Metro Council would be to broaden the language for this account to include Expo. The challenge is that this is a very obscure budget item and only two Councilors are familiar with it thus it will take time to educate folks about it. Those dollars

	are funding the hotel project effort. Splitting those dollars between two facilities this fiscal year will not be a total solution. The broader scope of analyzing the business model and looking at a long term solution is our biggest challenge. • Commissioner Haruyama inquired if we need to revisit the CRC issue. • Teri Dresler responded that the master plan will need to be revisited however, the CRC issue was discussed when the master plan was created. The broader discussion will need to include the CRC issue. • Commissioner Leary inquired if $361,000 was the original budget amount? • Matt Rotchford answered it is not. The original amount budgeted for both projects was $265,000. • Commissioner Leary inquired if there is going to be an economic impact with the lack of fulfillment of the bleachers. • Matt Rotchford responded that overall there should be no immediate fiscal impact. • Teri Dresler commented that there is a new program director, Sharon Meross, in the Construction Management office and she will look at better cost estimating in advance of projects – not only for venues but also for the entire Metro agency. A motion was made by Commissioner Leary and seconded by Commissioner Hammerstad to approve Resolution 13-17 as presented. **VOTING:** Aye: 4 (Erickson, Dozono, Stoudamire-Phillips, Hammerstad) Nay: 0 Motion Passed **Commissioner Goldman returned to the meeting.** **Resolution 13-18 for the purpose of ratifying IATSE 28 contract** Betsy Tripi (HR Analyst) and Jason Blackwell (Operations Manager, PCPA) presented to the Commission. A motion was made by Commissioner Goldman and seconded by Commissioner Hammerstad to approve Resolution 13-18 as presented. **VOTING:** Aye: 5 (Erickson, Dozono, Stoudamire-Phillips, Hammerstad, Goldman) Nay: 0 Motion Passed
6.6	
7.0	**PCPA WEBSITE PRESENTATION** Robyn Williams introduced Sockeye representatives, Laurel Burton (Project and Resource Manager), and Maria Janosko (Senior Designer) for their presentation. Chair Erickson inquired if the website is mobile friendly. Maria Janosko responded affirmatively. It is completely mobile friendly, not only for mobile devices but also for iPad. Commissioner Haruyama inquired the name of the new website. Maria Janosko responded it is Portland5.com. Commissioner Leary and Goldman complimented on the great work. Chair Erickson suggested that the final version include a resident company page that would allow a company such as Oregon Ballet Theatre to save significant cost. Maria G. responded that the platform of the website

	makes it possible to do so.
	MEETING ADJOURNED AT 2:05 PM

MERC Commission Meeting

August 7, 2013
12:30 pm

9.0 Action Agenda

MERC Staff Report

Agenda Item/Issue: For the purpose of approving the amended and restated Visitor Facilties Intergovernmental Agreement between Metro, Multnomah County, and the City of Portland, and approval of the Oregon Convention Center Hotel project Term Sheet with Mortenson Development Inc., and recommend to the Metro Council approval of both resolutions.

Resolution No.: 13-19
13-20

Presented By: Teri Dresler & Scott Cruickshank

Date: August 7, 2013

Background and Analysis:

In October of 2011, the Metropolitan Exposition Recreation Commission (MERC) and the Oregon Convention Center (OCC) Advisory Committee requested that Metro Council consider developing a convention center hotel, citing ongoing concerns that the lack of an adjacent convention center hotel continues to be a primary reason the OCC increasingly loses national convention market share to its competitors.

On January 17, 2012, Council convened a joint work session with MERC in which a presentation of the OCC's fiscal year 2010-11 economic impacts concluded that the lack of an adjacent convention center hotel was a significant challenge to the facility's ability to maintain its national convention market share. The two bodies agreed that, as stewards of the public facility, measures to maximize regional economic impact by solidifying its national convention business should be identified and implemented by staff.

On January 26, 2012, Council approved Resolution 12–4327, which directed staff to proceed with an Oregon Convention Center Enhanced Marketing Initiative work program, including Phase I Assessment of pursuing a privately owned, financed, constructed and operated hotel adjacent to the convention center to serve national convention clients, and report back to Council by April 30, 2012.

On April 26, 2012, Council was briefed by staff on Phase I Assessment conclusions which outlined the following completed assignments:

- Documented hotel room block deficiency surrounding the OCC
- Defined desired convention center hotel program
- Convened jurisdictional partners to work together to enhance the regional economic impact of the OCC by increasing the number of national conventions at OCC
- Executed a Statement of Principles – a joint declaration of the public goals for the OCC Hotel project

The Statement of Principles, executed by Multnomah County Chair Jeff Cogen, then Portland Mayor Sam Adams, Portland Development Commission (PDC) Executive Director Patrick Quinton and Metro President Tom Hughes, reflected a common understanding of 1) the OCC's fundamental competitive disadvantage with other comparable-sized facilities and 2) the regional and statewide economic benefits of OCC. It also recognized that public investment would likely be necessary to achieve a convention-quality hotel of the type and scale necessary to "move the needle" in terms of driving additional national convention business to the OCC.

Based on the satisfactory completion of Phase I Assessment, at its April 26, 2012 meeting, Council approved Resolution 12-4346 and authorized implementation of Phase II, directing staff to issue a Request for Proposals (RFP) for the development of an Oregon Convention Center (OCC) Hotel consistent with the goals and public resources identified in the Statement of Principles.

On April 30, 2012, the Portland Development Commission approved Resolution #6942 endorsing Metro's RFP process and authorizing the Executive Director to enter into negotiations with the selected developer, should a feasible development team be selected as a result.

The RFP was issued on May 11, 2012, seeking a private development team to build a privately owned and operated 4-star convention hotel adjacent to the convention center and including a 500-room room block, among other City and Metro construction and operational requirements. Two proposals were received and a public/private RFP evaluation team was convened to carefully assess and forward recommendations to the Council.

On September 13, 2012, staff returned to the Council with recommendations for development team selection and Council adopted Resolution 12-4365, selecting Mortenson Development Company/Hyatt Hotels (Mortenson/Hyatt) as the development team and authorizing staff to begin predevelopment negotiations following the successful completion of a Labor Peace Agreement between Hyatt Hotels and UNITE HERE labor union. Upon confirmation that such agreement had been reached between the two parties, Metro commenced predevelopment negotiations with Mortenson/Hyatt on October 31, 2012.

In the ensuing months, staff worked with the development team on a financing model with the goal of limiting public investment and risk, and an OCC Hotel Term Sheet detailing the essential elements of the project.

On December 4, 2012, Council received a briefing on the status of the predevelopment negotiations and the public bonding tools under consideration to assist in financing construction of the hotel.

Since that time, additional tools and models were explored and developed for Council consideration. Finance and legal staff at Metro, Multnomah County and the City of Portland have also been working on a parallel track creating a set of amendments to the existing Visitor Facilities Trust Fund Intergovernmental Agreement (VF IGA) to facilitate the use of site-specific transient lodging taxes to support the costs associated with construction of the hotel. A summary of both efforts, including the draft OCC Hotel Term Sheet, was presented at a joint Council/MERC work session on July 9, 2013.

<u>Action Items Before Commission</u>

The Commission is being asked to consider and act upon two items:

> Resolution 13-19 which approves the Visitor Facilities Intergovernmental Agreement
>
> Resolution 13-20 which approves the OCC Hotel Project Term Sheet with Mortenson Development Company.

Visitor Facilities Intergovernmental Agreement (VF IGA)

Since March 2013, staff has actively engaged in negotiations with City and County staff to prepare a thorough set of amendments to the existing Visitor Facilities Intergovernmental Agreement (VF IGA). See Attachment 1 (this attachement will be sent to you on Monday as it is still in final review) for the amended and restated VF IGA and Attachment 2 for a Summary of the VF IGA.

The VF IGA was originally approved in 2001 by the City of Portland, Multnomah County and Metro. The VF IGA: 1) authorized collection of a 2.5% transient lodging tax (TLT) surcharge and a 2.5% vehicle rental tax surcharge; 2) established the Visitor Facilities Trust Account (VFTA); 3) provided for distribution of the taxes collected to a variety of uses supporting visitor development and tourism facilities and activities; and 4) called for the creation of the Visitor Development Fund Inc. (VDFI). The VDFI Board is a public/private board comprised of elected officials from Metro, the County, and City, along with representatives from the hospitality industry. Its purpose is to direct the use of certain allocations established by the VF IGA.

The proposed VF IGA amendments before Council reflect updated and new priorities and needs of the governments managing the region's visitor facilities and public/private tourism promotion programs. The amendments include provisions to accommodate a future OCC Hotel Project, including redirection of certain site-specific TLT into the overall VFTA, and an allocation of funding to support hotel revenue bond debt service payments to Metro. Other amendments address: 1) additional new or revised priorities intended to support the tourism and hospitality industry; 2) new management approaches for annual financial reviews, creation of reserves for on-going allocations and early bond repayment; and 3) the creation of a future strategic plan for the industry and visitor facilities. Staff conducted stress tests to ensure that adequate funding would be available for all of the proposed priorities, even under severe and catastrophic economic conditions. It is expected that the City and County will act upon the amendments in September 2013.

Staff believes that the proposed VF IGA amendments represent fair and reasonable updates and revisions for the public and private partners involved in the tourism and convention industry. Metro's priorities in the VF IGA negotiation process were to ensure that: 1) the OCC has long-term and appropriate levels of operating and marketing funding; 2) a viable funding mechanism is created to support Metro's issuance of the OCC Hotel revenue bonds; and 3) efforts on behalf of City and County partners related to the hospitality and tourism industry are supported.

Metro staff and financial advisors, in consultation with City and County financial staff, have also analyzed and defined general OCC Hotel bond underwriting assumptions. The fundamental assumptions employed as part of the VF IGA effort as well as for the OCC Hotel Term Sheet (described below) are that the OCC Hotel bond amount is capped at $70 million and bond repayment is consistent with the projected OCC Hotel site-specific revenues, debt service coverage ratio of 1.05, with approximately a 30-year term (similar to the OCC Expansion Bonds term). The final interest rates and other terms will be based upon these factors and bond market conditions at the time of issuance.

The amendment creates a viable path for the proposed OCC Hotel by enabling the equivalent of 11.5% of the 12.5% visitor-paid, site-specific TLT to be generated by the OCC Hotel to be redirected to the VFTA and used to reimburse Metro for revenue bond debt service payments. The proposal originally submitted by Mortenson/Hyatt was to utilize OCC Hotel site-specific TLT to support private financing of the hotel; however, due to complex state and federal regulations, consultants advise that the most efficient manner is to structure the publicly-issued revenue bonds supported by the VF IGA.

Staff recommends approval of Resolution 13-19 authorizing approval and execution of the amended and restated VF IGA. Upon consideration and approval of the VF IGA by Council and City and County partners, the document will be executed and implemented immediately. Without approval and execution of the VF IGA amendments, Metro will not be able to agree to or perform the responsibilities identified in the OCC Hotel Project Term Sheet. The 2013 VF IGA provides important updated funding and management approaches for the tourism and hospitality industry and staff acknowledges the hard work and efforts of the jurisdictional partners.

OCC Hotel Term Sheet

The OCC Hotel Term Sheet represents a preliminary business deal term agreement with Mortenson/Hyatt. It consists of a description of the project and its programming, projected costs and funding sources, project schedule, site and design attributes of the proposed OCC Hotel and roles and responsibilities of the key team members, including the Portland Development Commission. This document, while not legally binding, is a significant milestone for the OCC Hotel project and reflects a joint understanding of how the project will move forward. It builds on the momentum of the State of Oregon's recent approval of a $10 million grant for the project, which demonstrated a strong commitment to and understanding of the importance of the tourism industry in Oregon.

A general description of the project is as follows:

- 600 (approximately) room Hyatt Regency
- 500 room block commitment
- 36,000 square feet of meeting and ballroom facilities
- On-site restaurant/bar facilities and food and beverage catering services
- Quality amenities of the Hyatt Regency brand
- Commitment to public policy priorities – LEED Silver or higher, City of Portland's Business and Workforce Equity and MWESB policies, and Metro's First Opportunity Target Area (FOTA) program

The OCC Hotel Term Sheet is included in Attachment 3 If approved by Council, it will serve as the basis for continued negotiations of a full development agreement, room block agreement, revenue bond documentations and other project agreements. Staff expects to return to Council for final development approvals in Fall/Winter 2013.

Obtaining approval of both the VF IGA and the OCC Hotel Term Sheet is necessary for predevelopment planning to proceed. Without VF IGA approvals, Metro would not have the financing tools it requires to commit to issuing revenue bonds. As agreed to in 2012, Metro serves as the lead partner for the OCC Hotel Project and the City and County are not parties to the OCC Hotel Term Sheet. Metro anticipates providing $4 million of grant funding to the project and is coordinating with the City of Portland Development Commission on its proposed $4 million of urban renewal financing for the project as well as urban design planning for the site.

The project schedule is another critical element. To take advantage of interest rates and construction costs that remain historically low, Metro and Mortenson Development propose to move forward with the following next steps and decision points:

Staff negotiates development/financing agreement	Fall 2013
Metro Council/PDC final approvals	Winter 2013

Construction begins	Summer 2014
Construction completed	Summer 2016
Hotel Opens	Fall 2016

At this stage of the potential project, there is a group of local hoteliers who have indicated their opposition to this project, similar to the opposition voiced during the 2007-09 publicly-owned hotel effort. There could be concerns from some members of the public who may question whether public investment in private development projects is appropriate. Staff will report on the outcome of the August 1, 2013 Public Open House and comments received. During the next several months of the project, Metro will track issues raised by interested stakeholders and address appropriately. An open and transparent public communication and outreach strategy will be essential to the success of the project.

Fiscal Impact: Budgeted FY 2013-14 funds are expected to be adequate for the project pre-development and development phase.

Approval by all three jurisdictions of the VF IGA will initiate the amended language which does have implications for OCC and PCPA in terms of funding priority and in the case of OCC, places additional requirements on the annual budget deficit funding request. As you are aware, the amendments to the VF IGA have been tested against anticipated performance of the new convention center hotel and potential economic downturns as experienced in the past 12 years. Staff is confident that the amended language and the implications for OCC and PCPA funding will not threaten the budgets of those venues.

These resolutions seek authority to enter into the VF IGA and proceed with further development negotiations, but does not seek authorization of any specific project agreements, nor does it obligate MERC or Metro to commit any funding to the project.

Attachments to Resolution and/or Staff Report:
Please see attached to theis staff report the following attachments;

Attachment 1 - the amended and restated VF IGA (this will be sent to you on Monday)

Attachment 2 - Summary of the VF IGA.

Attachment 3 - OCC Hotel Term Sheet

Recommendation: Staff recommends that the Metropolitan Exposition-Recreation Commission approve Resolution 13-19, for the purpose of approving the amended and restated Visitor Facilties Intergovernmental Agreement between Metro, Multnomah County, and the City of Portland, and approval of Resolution 13-20, Oregon Convention Center Hotel project Term Sheet with Mortenson Development Inc., and recommend to the Metro Council approval of both resolutions.

Attachment 2

Proposed Amended Visitor Facilities Intergovernmental Agreement

Background and description of amendments under consideration – August 1, 2013

The Visitor Facilities Intergovernmental Agreement (VFIGA) was originally approved in 2001 by the City of Portland, Multnomah County and Metro to:1) direct allocation of the 2.5% Transient Lodging Tax surcharge and a 2.5% Vehicle Rental Tax surcharge; 2) establish the Visitor Facilities Trust Account (VFTA); 3) provide for distribution of the taxes collected to a variety of uses supporting visitor development and tourism facilities and activities; and 4) create the Visitor Development Fund Inc. (VDFI). The VDFI Board is a public/private board composed of elected officials from Metro, the County, and the City along with representatives from the hospitality industry and directs the use of certain allocations established by the VFIGA.

In March 2013, City of Portland, Multnomah County and Metro staff re-engaged in a process, begun in 2012, to update the 2001 VFIGA. The proposed amendment package, if approved by the City Council, County Board and Metro Council, will be the first amendment to the Agreement in its 12-year history. The main goals of the VFIGA amendments are:

1. To reflect updated and new priorities of the partners and clarify existing intent and priorities.
2. To provide a mechanism to redirect site-specific Transient Lodging Taxes (SSTLTR) collected at the OCC Hotel Project into the VFTA to support the OCC Hotel Project Bonds.
3. To provide a mechanism for debt service payments on revenue bonds which will be issued by Metro to support the development of the OCC Hotel Project.
4. To provide for long-term stability of the VFTA system and its funding priorities by updating revenue and expenditure projections and creating processes for ongoing financial review.
5. To revise the document structure to provide clearer organization and ease of reading.

The proposed amendments include the following modifications:

1. Recitals – provide more history and clarity regarding purpose and intent
2. Restructure organization of document – consolidate language and reduce redundancy to more clearly describe funding priorities and obligations of parties
3. Create mechanisms to redirect the site-specific City 5% TLT (General Fund), the site-specific 3% Excise Tax Fund TLT, and the equivalent of the site-specific City 1% TLT (Tourism Promotion) into the VFTA.
4. Create mechanism for debt service payments on Metro issued Hotel Project Bonds using equivalent of site-specific Transient Lodging Tax Revenues (SSTLTR) within VFTA, with excess SSTLTRs above debt service payments accruing to the benefit of the VFTA.
5. Revise allocation priorities to reflect 2013 needs and opportunities (see VFTA priorities below).
6. Create process for periodic financial review of VFTA finances by City/County/Metro financial leads including mechanisms for reviewing Hotel Project Bond payment terms, reviewing financial performance of VFTA and providing analysis, as needed, to the VDFI Board.
7. Create reserve requirements to ensure allocations are covered if revenues decline; create a new reserve for early bond redemptions.
8. Create and update a Visitor Development Strategic Plan.

9. Maintain basic legal provisions regarding dispute resolution, termination and remedies.

VFTA Priorities

Allocations 1 – 4 Debt Service for Bonds

1. Convention Center Completion Bonds – no change; refinanced by City in 2011, generating ~$875K/year to VFTA from savings
2. PCPA Bonds – no change; refinanced by City in 2011, generating some savings to VFTA
3. Stadium Bonds – change to facilitate refinancing and savings to City and VFTA
4. Hotel Project Bonds– new; for debt repayment on approximately $60-$70 million revenue bonds sized as supported by projected SSTLTRs generated by the proposed OCC Hotel Project.

Allocations 5 – 11 Support for Operations, Programs, Services, Capital Improvements and Marketing

5. OCC Operating Support – modified; to support Oregon Convention Center to maintain the OCC's competitiveness; changes formula and approval approach for OCC Operating Support allocation up to $1.25M/year escalated, which is automatically approved unless objections are raised; , and allows for Additional OCC Operating Support request for funding beyond the initial request, subject to review by Financial Review Team and approval from the VDFI Board.
6. Multnomah County – new; to provide funding to enhance the visitor experience; at $500K/year escalated ($250K in FY2013-14); step increases up to $1M/year escalated subject to review by Financial Review Team of expected adequacy of VFTA revenues to fund all obligations.
7. Enhanced Convention Center Marketing – modified formula, but funding remains equivalent; amount allocated is reduced to reflect projected equivalent of the site-specific City 1% TLT from the OCC Hotel Project which will continue to flow to Travel Portland per City Charter; at $450K escalated until third fiscal year after the OCC Hotel Project in operation for more than 18 months; then $175K escalated.
8. Convention Visitor Public Transit Passes – modified; change to direct funding to VDF for convention delegate transit passes due to elimination of Fareless Square; up to $390K escalated.
9. Visitor Development Fund – modified; provides funds to the VDFI Board to use for convention and tourism promotion purposes, hosting meeting planners, grants to conventions, etc.; at current $645K escalated, plus an additional fixed $875K/year for remainder of OCC Bond term.
10. PCPA – no change; maintained at current $645K escalated.
11. City of Portland – new; to provide operating and capital improvement funding for Rose Quarter Facilities; at $500k/year escalated ($250K in FY2013-14).

Allocations 12-13 Reserves

12. Restricted Reserve – new; to be sized to cover 1.5x the expected maximum annual amount for allocations 5-11 in the event that VFTA revenues fall short
13. Bond Redemption Reserve – modified concept; to be used to redeem bonds prior to their stated maturity date.

ATTACHMENT 3
OREGON CONVENTION CENTER HOTEL
DEVELOPMENT AND FINANCING AGREEMENT LETTER OF INTENT

________________________, 2013 (the “Effective Date”)

BETWEEN:	Metro 600 NE Grand Avenue Portland, Oregon 97232	(“Metro”)
AND:	Mortenson Development, Inc. M. A. Mortenson Company 700 Meadow Lane North Minneapolis, MN 55422-4899	(“Developer”)

In May 2012, Metro issued a Request for Proposals for a development team to build, own and operate a private convention center hotel (the “Hotel”). The Parties understand that the primary purpose for Metro engaging in the Hotel project is to generate additional economic benefit to the region and the State by enhancing the marketability of the Oregon Convention Center.

In September 2012, the Metro Council selected the Mortenson Development, Inc. team to develop the Hotel adjacent to the Oregon Convention Center in Portland, Oregon. In late October 2012, Metro and the Developer (together, the “Parties”) completed predevelopment activities resulting in the Development and Financing Agreement Term Sheet attached as Exhibit A (“Term Sheet”) for review and approval by the Metro Council and Mortenson Development, Inc.

Metro and Developer intend to enter into a Development and Financing Agreement for the development of a privately-owned convention center Hotel, upon terms and conditions satisfactory to the Parties. The intent of the Term Sheet is to set forth the mutual understandings, intentions and approach of the Parties to plan, finance and develop the proposed Hotel to support the economic development mission of the Oregon Convention Center. The Parties anticipate negotiating and executing a formal, binding Development and Financing Agreement incorporating the general terms set forth in the Term Sheet on a date as soon as feasible within the term of the Term Sheet. Once a formal, binding Development and Financing Agreement has been executed, the Parties will have obligations with respect to the development and financing of the Hotel. The Parties desire to complete predevelopment and due diligence activities with the goal of constructing and opening the Hotel in 2016.

The term of the Term Sheet is 6 months from the Effective Date of this Letter of Intent. The Parties may extend the term upon mutual agreement, which shall not be unreasonably withheld provided the Parties are working in good faith and will be able to perform their expected duties and responsibilities under the Development and Financing Agreement, and will notify each other of substantive changes. If at any time either Party determines that it is unable to proceed, such party shall promptly notify the other, who may then elect to discontinue negotiations or proceed under revised terms.

Both Parties understand that this Term Sheet is non-binding and is intended to define the project approach and general business terms for the Development and Financing Agreement negotiation process. Both Parties commit to work in good-faith.

M.A. Mortenson Company

____

Tom Lander, Vice President and General Manager

Metro

____

Martha Bennett, Metro Chief Operating Officer

EXHIBIT A
OREGON CONVENTION CENTER HOTEL

DEVELOPMENT AND FINANCING AGREEMENT TERM SHEET

This Development and Financing Agreement Term Sheet summarizes the proposed terms under which Mortenson Development, Inc. ("Developer") and Metro ("Metro") intend to plan, finance and develop a privately owned Convention Center Hotel (the "Hotel") to be owned and operated by Hyatt Hotel Corporation ("Manager").

DESCRIPTION OF DEVELOPMENT TEAM	
Developer	Mortenson Development, Inc. will serve as the project developer, assuming all responsibility for the design, entitlement, financing and construction of the Hotel. The Developer is expected to enter into a Development and Financing Agreement with Metro.
Owner	The initial project owner is expected to be a special purpose entity (SPE) to be created for purposes of this project. The Developer will act as managing member or managing partner of the SPE. The SPE will assume the Developer's outstanding rights and responsibilities of the Development and Financing Agreement with Metro. Upon completion of construction, the SPE will be sold to Hyatt Hotels Corporation which shall cause the Hotel to be operated under the Hyatt Regency brand. A subsequent sale of the Hotel by Hyatt Hotels Corporation shall be encumbered with a Hyatt Regency franchise agreement or management contract, or shall be caused to be re-flagged an upper-upscale hotel brand of similar quality to Hyatt Regency. Owner shall notify Metro of a proposed sale and/or change in the Hotel flag. Metro will approve any change in Hotel flag as a condition to the change, with such approval not unreasonably withheld.
Manager	Hyatt Hotels Corporation will manage and operate the Hotel.
Contractor	Mortenson Construction will serve as the general contractor for the project.
Design/Build	The Hotel will be built under a design/build approach, with Mortenson Construction providing cost and completion guarantees.
Architect	Elness Swenson Graham Architects will serve as the lead design firm, with Ankrom Moisan Associated Architects as the local design partner.

Other Consultants	Piper Jaffray & Co. –finance investment banking Jones Lang LaSalle Hotels – market and feasibility studies
Public Partners	Metro, as owner of the Oregon Convention Center, is the lead public participant in the project. Three other public organizations will be required to take actions to facilitate the Hotel: (a) Portland Development Commission (PDC) (b) City of Portland (c) Multnomah County
PROJECT DESCRIPTION	
Hotel Location	The Developer prefers the Hotel be developed on portions of Block 47 and 48, Holladay's Addition, Portland, as depicted in <u>Attachment A</u>. The property is currently owned by (or under the control of) StarTerra, LLC and is expected to be sold to the SPE at closing. The site is 1.85 acres and provides excellent proximity to the Oregon Convention Center and Light Rail along NE Holladay Street. PDC owns a 15,000 square foot parcel on Block 47, Holladay's Addition, Portland, as depicted in Attachment C. This parcel is adjacent to the StarTerra site and will be considered as part of the Hotel design phase. An alternative site available for Hotel development is PDC's property known as Block 43 and 26, Holladay's Addition, Portland, as depicted in Attachment B. Mortenson shall coordinate with PDC on planning efforts for the adjacent, 15,000 square foot parcel on Block 47 currently owned by PDC.
Hotel Description	The Hotel will serve as the flagship convention hotel serving the Oregon Convention Center due to its size and proximity. The Hotel is currently expected to consist of the following facilities and amenities: (1) 600 rentable guest rooms; (2) 35,000 square feet of meeting and ballroom space; (3) a three meal upscale restaurant; (4) a lobby bar; (5) a coffee bar; (6) an indoor pool and whirlpool; (7) an exercise room; (8) a business center; (9) a gift shop; and (10) other additional facilities and amenities agreed upon by the parties, consistent with the high quality

	Hyatt Regency brand.
Hotel Name	For purposes of this Term Sheet and subsequent negotiations, the Hotel will be referred to as the "Convention Center Hotel."
Parking Management	Structured parking shall be provided for the Hotel on Block 49 and shall be managed by StarTerra, LLC.
Operating Standards	The Hotel will be built and operated in conformance with the design, construction and operating standards for the Hyatt Regency brand, in place as of the effective date of the Development and Financing Agreement, and as approved by Hyatt Hotels Corporation.
LEED [Silver] Standards	The parties desire the Hotel to be certified LEED Silver or higher for New Construction by U.S. Green Building Council. Developer intends to construct the Hotel in a manner that would qualify it as LEED Silver or higher.
Operating Agreement with Manager	The Owner will enter into an Operating Agreement with Hyatt Hotels Corporation, with the expectation that Hyatt will operate and manage the Hotel.
UNION LABOR	
Construction **Operations**	As a union signatory contractor, Mortenson routinely builds its projects utilizing union subcontractors and with union labor. Mortenson fully intends to do so for the Hotel project. Hyatt Hotels Corporation, has entered into a labor peace agreement with Unite Here, Local 9, dated October 31, 2012.
NON-BINDING COMMITMENTS AND ROLES OF THE PARTIES	
Development	Developer will serve as project developer and Mortenson Construction will be the construction contractor. Developer will: (a) Manage the predevelopment and construction process, including design/build, financing, permitting and construction management of the Hotel. (b) Provide a guarantee for construction costs and completion to facilitate project financing. (c) Serve as the lead entity in negotiations with the public participants, participating in joint team meetings, negotiating meetings and public

	meetings upon request. (d) Ensure that the project complies with terms and provisions conditions of the Development and Financing Agreements. (e) Provide Metro with copies of design product, budgets, statement of sources and uses of funds, financing commitments, operating pro formas, and other relevant information as mutually agreed upon throughout the Hotel project process.

Hotel Ownership and Operations	Hyatt Hotels Corporation expects to: (a) Participate in the predevelopment process and provide project management oversight to ensure that the project is designed, constructed and equipped to meet the Hyatt Regency brand; (b) Negotiate and enter into a Room Block Agreement with Metro; (c) Acquire the Hotel from SPE upon completion of construction and issuance of a Certificate of Completion by the City; (d) Manage and operate the Hotel to the standards of a Hyatt Regency product upon completion of construction under contract with the ownership entity.
Public Parties	Metro expects to: (a) Serve as the lead public participant and public oversight agent through completion of the Hotel with any ongoing involvement to be addressed in the Room Block Agreement; (b) Coordinate necessary approvals for funding from PDC, City and Council. Negotiate and enter into development and financing agreements, including intergovernmental agreements, Visitor Development Initiative amendments, etc. (c) Negotiate and enter into a Room Block Agreement with Hyatt Hotels Corporation to address required convention room block needs and concerns regarding potential room rate impacts on the market. (d) Negotiate and prepare appropriate intergovernmental agreements to implement the project, including transient lodging tax (TLT) related agreements.

	PDC's expected participation includes: (a) Involvement in the project pre-development process, providing technical assistance as requested. (b) Providing direct financing as described below and potentially selling property for the project, either on Block 46 or Blocks 43/26 as indicated in Attachment B or a portion of Block 47, shown in Attachment C.
CAPITAL STRUCTURE	
Private Financing	Construction Period Mortenson Development, Inc. will structure approximately $119.5 million in private investment through a combination of private equity and private debt accessed through institutional financing sources such as money center banks or life insurance companies.: Hyatt Hotels Corporation will deliver a forward take--out commitment to purchase the Hotel upon completion.
Public Financing	Metro will: (a) Provide direct financing available for use in the construction of the Hotel in the form of a performance grant for an amount up to $4 million, contingent upon negotiation of the Development and Financing Agreement. (b) Amend the Visitor Facilities Trust Account (VFTA) Intergovernmental Agreement, upon approval from the City of Portland and Multnomah County and Metro Council, to create a funding mechanism within the VFTA to support the issuance of revenue bonds for the Hotel, based on the equivalent of 11.5% of the site-specific transient lodging tax (TLT) expected to be generated by the operations of the Hyatt Regency Hotel. (c) Issue, or cause to be issued, a revenue bond in the approximate amount of $60 million ("Metro Revenue Bond") supported by the revenue stream generated from TLT through the Visitor Facilities Trust Account, with proceeds utilized for the construction of the Hotel.

	Metro expects that PDC's participation includes: (a) Direct financing in the form of a loan in an amount up to $4 million, contingent upon budget authority and Board approval of appropriate financing agreements. Metro has received confirmation that the State's participation will be: (a) Direct financing in the form of a grant in an amount of $10 million, contingent uponBoard approval of appropriate financing agreements. ***Note: Public and private financing terms are subject to further negotiation consistent with the intent of this Term Sheet based on the details of the overall financing plan for the Hotel and PDC's terms for its financial participation, and are subject to review and approval by the appropriate public bodies.***
Project Budget	The project is anticipated to have a total budget, inclusive of all hard and soft costs of $197.5 million. See <u>Attachment D</u> for a detailed, preliminary project budget.
Total Sources/Uses Summary	See <u>Attachment E</u>.
SCHEDULE	
Project Schedule	Pre-Development Phase: — Start — Finish Financing Plan — 6.1.2013 — 7.30.2013 Public and Private Development/Financing Agreements — 8.15.2013 — 10.31.2013 Design — 10.15.2013 — 6.1.2014 Entitlements and Permitting — 10.15.2013 — 6.1.2014 Closing — 2.1.2014 — 3.1.2014 Construction Phase — 6.15.2014 — 9.15.2016 Hotel Opening — — 11.15.2016

Performance Goal	The Parties commit to work diligently to achieve the project schedule, with a goal of Hotel Opening in 2016.
MISCELLANEOUS	
Room Block Agreement	As a condition to Metro issuance of the Metro Revenue Bond, Metro and Owner/Hyatt Hotel Corporation shall have executed a Room Block Agreement to be negotiated among such parties which addresses and defines the terms required by Metro and Owner relating to city-wide events, event room blocks of 500 rooms and a mutually agreed upon timeframe, and event block rates, as applicable.
Business and Work Force Equity - ESB/MBE/WBE Programs	Developer will ensure that the development, design, and construction of the Hotel comply with PDC's priorities for Emerging, Minority, and Women-Owned Businesses as set forth in RFP 13-2115 and as available at **www.pdc.us.**
Prevailing Wages and other Labor Requirements	Developer will ensure that all contractors, subcontractors and consultants fully comply with the State of Oregon's BOLI statues and regulations and any other applicable regulations.
First Opportunity Target Area Hiring	Owner will use its best efforts to comply with Metro's First Opportunity Target Area Hiring policy and as available at **www.oregonmetro.gov**.
Public Records	As allowed under Oregon law, Metro intends to use best efforts to maintain confidential documents related to the Hotel development proposal throughout the negotiation process. Upon completion of negotiations and during the final public approval process (at which time the Metro Council would approve issuing an intent to award a contract to Developer), Metro expects to make general project documents, not otherwise exempt from disclosure under Oregon law, available for public review.
Exclusivity	Metro and Mortenson anticipate to negotiate exclusively throughout the term of this Term Sheet.
Contacts	The appropriate representatives and addresses may be used throughout the negotiation process: M.A. Mortenson Company Tom Lander, Vice President and General Manager Nate Gundrum, Senior Development Manager

	700 Meadow Lane North Minneapolis, MN 55422-4899 Metro Attention: Teri Dresler, Visitor Venue General Manager Attention: Cheryl Twete, Senior Development Advisor 600 NE Grand Avenue Portland, Oregon 97232
List of Attachments	A – Developer's Preferred Hotel Site Location B – PDC-owned Site Available for Hotel C – PDC-owned Site Adjacent to StarTerra Property D – Preliminary Total Project Budget E – Financing Sources

* * * * *

ATTACHMENT A

DEVELOPER'S PREFERRED HOTEL SITE LOCATION

ATTACHMENT B

PDC-OWNED SITE AVAILABLE FOR HOTEL

ATTACHMENT C

PDC-OWNED SITE ADJACENT TO STARTERRA PROPERTY

ATTACHMENT D

PRELIMINARY TOTAL PROJECT BUDGET

Uses of Funds		
Land	$	7,300,000
Construction	$	125,000,000
FF&E/OS&E	$	25,200,000
Development	$	30,600,000
Financing	$	9,400,000
Total	**$**	**197,500,000**

ATTACHMENT E

FINANCING SOURCES/USES

Sources of Funds		
Private Investment	$	119,500,000
Metro Revenue Bond	$	60,000,000
State Grant	$	10,000,000
Metro Grant	$	4,000,000
PDC Loan	$	4,000,000
Total	**$**	**197,500,000**

METROPOLITAN EXPOSITION RECREATION COMMISSION

Resolution No. 13-21

For the purpose of adopting changes to the MERC Capital Asset Management Policy.

WHEREAS, the Metropolitan Exposition Recreation Commission (MERC) is authorized to adopt policies regarding the operation of MERC facilities pursuant to Metro Code Section 6.01.040(a), and;

WHEREAS, MERC periodically updates the MERC Capital Asset Management Policy in accordance with agency wide policies.

BE IT THEREFORE RESOLVED, that the Metropolitan Exposition Recreation Commission:

> Approves the changes to the Capital Asset Management Policy in a form substantially similar to the attached Exhibit A.

Passed by the Commission on August 7, 2013.

Approved as to form: Alison Kean Campbell, Metro Attorney	____________________________________ Chair
By:____________________________________ Nathan A. Schwartz Sykes, Senior Attorney	____________________________________ Secretary/Treasurer

MERC Staff Report

Agenda Item/Issue: For the purpose of adopting changes to the MERC Capital Asset Management Policy

Resolution No.: 13-21 **Presented By:** Tim Collier/Brian Kennedy

Date: August 7, 2013

Background and Analysis:

Finance and Regulatory Services staff has been working on drafting updates to Metro's Capital Asset Management Policy in part due to the adoption of Metro's Green Building Policy in 2011, the Metro Auditor's ongoing follow-up to their 2009 audit of Metro's sustainability program, and direction from the COO in the 2013-14 budget process to review budget practices for renewal and replacement and new capital projects.

The new policies represent a major change from the current Capital Asset Management Policy. The draft policy synthesizes elements from the current policy, the existing MERC Capital Asset Policy, various manuals and administrative procedures, and recommendations from a staff working group. The major changes include:

- Incorporating direction for renewal and replacement (R&R) and new capital projects into one policy statement;
- Recognition of Metro's sustainability plan and its relationship to R&R and capital projects;
- Official chartering of a Capital Asset Advisory Committee to guide administration of that program;
- A more transparent process for considering sustainability improvements to R&R projects;
- Recognition of Metro's new Construction Project Management Office and associated process requirements for capital and R&R projects.

The new policies also incorporate and replace the existing MERC Capital Asset Management Policy (adopted by MERC Commission with Resolution 05-09A). This change was made to improve the efficiency of construction project planning as project management staff are now responsible for projects at both MERC and Metro facilities. As MERC policy was also superior to the Metro policy in several respects, including requirements for financial analysis of projects and incorporation of sustainability values, the incorporation in the agency-wide policy will be beneficial to the agency as a whole.

Fiscal Impact: No budget impact.

Recommendation: Staff recommends that the Metropolitan Exposition-Recreation Commission adopt Resolution 13-21, for the purpose of adopting changes to the MERC Capital Asset Management Policy.

Capital Asset Management Policy

Section 1: Purpose

1.1 The Capital Asset Management Policies establish the framework for Metro's overall capital asset planning and management. They provide guidance for current practices and a framework for evaluation of proposals for future projects. These policies also seek to improve Metro's financial stability by providing a consistent approach to fiscal strategy. Metro's adopted financial policies show the credit rating industry and prospective investors (bond buyers) the agency's commitment to sound financial management and fiscal integrity. Adherence to adopted policies ensures the integrity and clarity of the financial planning process and can lead to improvement in bond ratings and lower cost of capital.

1.2 The capital asset planning process applies to projects of $50,000 or more and having a useful life of at least five years. These projects include capital maintenance tasks that increase the life of the asset on assets with values of $50,000 or more. In addition, the planning process includes information technology items over $50,000 that may have a useful life of less than five years.

1.3 Metro's Capital Asset Management Policy shall be governed by the following principles:

1.3.1 Metro shall operate and maintain its physical assets in a manner that protects the public investment and ensures achievement of their maximum useful life. Ensuring the maximum useful life for public assets is a primary agency responsibility. Establishing clear policies and procedures for monitoring, maintaining, repairing and replacing essential components of facilities is central to good management practices.

1.3.2 Metro shall prepare, adopt and update at least annually a five-year Capital Improvement Plan (CIP). The Plan will identify and set priorities for all major capital assets to be acquired or constructed by Metro.

1.3.3 Metro shall establish a Renewal and Replacement Reserve account for each operating fund responsible for major capital assets. Renewal and Replacement includes any activity that serves to extend the useful life or increase the efficiency of an existing asset, while retaining its original use. Ensuring that the public receives the maximum benefit for its investments in major facilities and equipment requires an ongoing financial commitment.

1.3.4 Capital and renewal and replacement projects shall support Metro's MWESB procurement goals, including the Sheltered Market and FOTA program and the goals of Metro's Diversity Action Plan.

1.3.5 To the extent possible, improvement projects and major equipment purchases will be funded on a pay-as-you-go basis from existing or foreseeable revenue sources. Fund Balances above established reserve requirements may be used for one-time expenditures such as capital equipment or financing of capital improvements. Debt financing should be utilized only for new projects or complete replacement of major capital assets.

1.3.6 Capital and renewal and replacement projects should support implementation of Metro's Sustainability Plan.

1.3.7 Projects shall be analyzed 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.

1.3.8 All approved capital projects shall be consistent with relevant goals and strategic plans as adopted by departments, the Metropolitan Exposition-Recreation Commission ("MERC"), or the Metro Council.

1.3.9 A financial feasibility analysis shall be performed before any capital project, regardless of cost, is submitted to the Metro Council, MERC Commission, Chief Operating Officer, or General Manager of Visitor Venues for approval. The financial feasibility analysis shall include an analysis of the financial impact on the operating fund balance, return on investment, the availability and feasibility of funding sources, and cost estimates for the capital project. The analysis shall also identify the financial impact of the following requirements:

1.3.9.1 Any public art funding requirements imposed by the Metro Code, the facility's owner, or any other applicable law;

1.3.9.2 All required licenses, permits, certificates, design approval documents, and similar documents required by any authority; and

1.3.9.3 Any contractual or legal requirements that apply to the proposed capital project.

1.3.10 In the capital project planning and review process, the Metro Council, MERC Commission, Chief Operating Officer, and General Manager shall be guided by the following financing principles:

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

1.3.10.2 Funds shall be expended only on capital projects for which an analysis of funding options has been conducted. This analysis shall include evaluation of all funding options (donations, revenue generation by the project, intrafund transfers, proposed borrowing), and an analysis of the capital project's strategic priority, useful life, revenue sources, and repayment options.

1.3.10.3 Funds shall be expended only on new 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.

1.3.10.4 Funds shall be expended only on projects for which a funding source for operational requirements has been identified.

1.3.10.5 Metro's Adopted Budget should include undesignated contingency funds to permit MERC and other departments with capital project responsibilities to respond to unexpected events or opportunities.

Section 2: Definitions

2.1 Capital asset – An item permanent in nature with future service capacity and used in operations, having an initial useful life of over one year, tangible or intangible, and held for purposes other than investment or resale with a cost (or fair market value if donated) equal to or greater than the capitalization threshold established for the asset category included later in this policy.

2.2 Capital maintenance – Expenditures for repair and maintenance services not provided directly by Metro personnel. These costs are relatively minor alterations, ordinary and routine repair or effort necessary to preserve or repair an asset due to normal wear and tear so that it achieves its initial planned useful life. While not capitalized, significant capital maintenance projects (those with costs equal to or greater than $50,000) must be included in the CIP and obtain Council authorization.

2.3 Total cost accounting – An analysis that includes the total initial acquisition cost of an asset as well as all operating costs for the expected useful life of the asset.

2.4 Renewal and replacement – Construction, reconstruction or major renovation on capital assets. Renewal and replacement does not include relatively minor alteration, ordinary repair or maintenance necessary to preserve or repair an asset.

2.5 Return on investment (ROI) – A calculation of the financial gains or benefits that can be expected from a project. ROI is represented as a ratio of the expected financial gains (benefits) of a project divided by its total costs.

Section 3: New Capital Projects

3.1 All new capital projects over $50,000 must be approved as part of the annual budget process. New project requests must comply with any other applicable Metro program or process requirements, including all Construction Project Management Office requirements and Metro's Green Building Policy.

3.2 New projects over $50,000 identified during the course of the fiscal year require approval as follows:

- 3.2.1 If the project does not require additional budgetary authority, the project may be approved by the Chief Operating Officer, or their designee;
- 3.2.2 If the project requires additional budgetary authority, the project must be approved by the Metro Council.
- 3.2.3 For Capital projects with a total anticipated cost of less than $100,000 at the MERC venues, the General Manager of Visitor Venues may approve the project if sufficient budgetary authority is available.
- 3.2.4 Any capital project at the MERC venues with a total anticipated cost of $100,000 or more also requires approval by the MERC Commission.

3.3 Emergency capital projects may be approved as follows:

- 3.3.1 The Chief Operating Office or their designee may approve capital projects with a total anticipated cost of $50,000 or more.
- 3.3.2 The MERC Commission delegates to the General Manager or their designee the authority to approve capital projects with a total anticipated cost of $100,000 or more.
- 3.3.3 In the event an emergency capital project is approved, that approval shall be reported as follows:
  - 3.3.3.1 The Chief Operating Officer shall report the approval to the Metro Council.
  - 3.3.3.2 The General Manager shall report the approval to the MERC Commission at the next regular Commission Meeting.

Section 4: Renewal and Replacement

4.1 The intent of Renewal and Replacement reserves is to ensure that sufficient resources are available for capital maintenance or replacement so that Metro's capital assets meet or exceed their estimated useful life. The Renewal and Replacement Reserve for each operating fund with major capital assets should initially be established based on the value of the asset and consideration of known best asset management practices.

4.2 General Guidelines – Renewal and replacement reserves and projects should be managed according to the following guidelines:

- 4.2.1 Renewal and replacement reserves are not intended to fund major capital assets such as building replacements or significant structural upgrades.
- 4.2.2 Renewal and replacement reserves are not intended to fund routine maintenance activities. Routine maintenance should be included in facility operating budgets. If routine maintenance costs for an asset are increasing, renewal and replacement projects may be moved forward in the schedule if the project can be shown to reduce operating and/or maintenance costs.
- 4.2.3 Facility managers should perform annual facility assessments to review renewal and replacement schedules.
- 4.2.4 All renewal and replacement projects should incorporate sustainability features that support Metro's sustainability goals, support adopted policies such as the Green Building Policy and Sustainable Procurement Policy and be evaluated on a total cost accounting basis relative to less sustainable options.
- 4.2.5 New capital projects should be added to renewal and replacement lists upon completion. Asset replacement costs shall initially be based on original asset costs. In future revisions, replacement costs shall be based on acquiring a new asset of equal utility. Increased sustainability features such as efficiency improvements or design changes (e.g. green roof vs. traditional roof design) are not increases in asset utility. Increased estimated replacement costs based on new or improved sustainability features shall be considered in the budget process.
- 4.2.6 On an annual basis, the Finance and Regulatory Services Director shall determine the minimum asset value for projects to be included in renewal and replacement reserves.
- 4.2.7 For General Fund assets, the renewal and replacement reserves should be managed to ensure sufficient funding is available to complete all projects for the next 10 years. Enterprise fund renewal and replacement accounts should be managed to ensure that annual contributions are sufficient to fund renewal and replacement projects on an ongoing basis.

4.3 Budget Process – During the annual budget process, Department Directors shall submit a list of proposed renewal and replacement projects as part of the annual budget process. The renewal and replacement project lists shall include:

- 4.3.1 Cost estimates for all renewal and replacement projects (including projects carried forward from the prior year) that can be reasonably expected to be completed in the following fiscal year.

- 4.3.2 Cost estimates for design and/or engineering work necessary to develop the scope and cost of construction project estimates for future renewal and replacement projects.
- 4.3.3 Any projects with cost estimates above previous replacement cost estimates based on the inclusion of sustainability features in the project design that increase the initial cost of the project.

4.4 Renewal and replacement projects shall be included in aggregate in the Capital Improvement Plan for the Proposed Budget for Council Review.

4.5 Capital Asset Advisory Committee

- 4.5.1 The Capital Asset Advisory Committee is responsible for providing recommendations to the Director of Finance and Regulatory Services and the Financial Planning Division on the ongoing management of the renewal and replacement reserves for each major fund. The Advisory Committee shall be composed of the following positions (or Designee):
  - Capital Budget Coordinator, Finance and Regulatory Services (Chair)
  - Finance Manager, Oregon Zoo
  - Finance Manager, MERC Venues
  - Finance Manager, Parks and Environmental Services (PES)/Sustainability Center
  - Program Director, Parks and Property Stewardship (PES)
  - Program Director, Solid Waste Operations (PES)
  - Program Director, Natural Areas Program (Sustainability Center)
  - Deputy Director, Oregon Zoo Operations
  - cPMO Manager, Agency Construction Projects
  - Director, Information Services Department
- 4.5.2 The Committee's responsibilities shall include:
  - 4.5.2.1 Reviewing project lists, changes to project lists and requests for unfunded sustainability improvements to existing projects not already approved by a Budget Committee or other formal advisory group.
  - 4.5.2.2 Providing a recommended renewal and replacement list to the Finance and Regulatory Services Director for inclusion in the Proposed Budget.
  - 4.5.2.3 Providing an annual recommendation to the Finance and Regulatory Services Director for the minimum asset value for the following year.
  - 4.5.2.4 Reviewing the Capital Asset Management Policies annually.

Section 5: Capital Improvement Plan (CIP)

5.1 Metro will prepare, adopt and update at least annually a five-year Capital Improvement Plan (CIP). The plan will identify and set priorities for all major capital assets to be acquired or constructed by Metro. The first year of the adopted CIP shall be included in the Proposed Budget. The CIP includes all Capital and Renewal and Replacement projects with a budget of $100,000 or more.

5.2 Updates to the CIP may be made at any point during the fiscal year. Updates are required under the following circumstances:

- 5.2.1 New projects (over $100,000) that are identified during the fiscal year and need to be initiated prior to the next fiscal year;

5.2.2 Actual or anticipated expenses for projects included in the current year adopted budget increase more than 20% above the original project budget if the original budget amount is less than or equal to $1,000,000 or 10% if the original budget amount is greater than $1,000,000 ;

5.2.3 Actual or anticipated expenses for projects included in the current year adopted budget require an increase in budget appropriation, regardless of the amount of increase above the original project budget.

Section 6: Sustainability

6.1 All project proposals for new capital projects and renewal and replacement projects shall describe how the project supports Metro's Sustainability Plan in its efforts to reduce the environmental impact of Metro operations. When assessing capital or renewal and replacement projects for funding or prioritization, the following sustainability criteria should be applied:

6.1.1 Use total cost of ownership to create project budget projections that consider the costs of operating the asset for its entire useful life, not just the initial costs.

6.1.2 Utilize the prioritization criteria in Metro's Sustainability Plan:

6.1.2.1 Strong impacts on Metro's sustainability goals (greenhouse gas emissions, toxics, waste, water quality and habitat)

6.1.2.2 Provide a strong foundation for future sustainable operations work

6.1.2.3 Leverage other investments (internal or external)

6.1.2.4 Present a strong return on investment (ROI)

6.1.2.5 Reduce operations and maintenance costs over time

6.1.2.6 Provide strong public visibility and/or public education opportunity

6.1.2.7 Support the region's economy

6.1.3 Support the requirements and preferred qualifications of Metro's Green Building and Sustainable Procurement administrative procedures.

6.1.4 Prioritize projects that, through their implementation, support Metro's MWESB procurement goals, including the Sheltered Market and FOTA programs and related goals of Metro's Diversity Action Plan.

6.1.5 Consider economic benefits or return on investment (i.e. simple payback) on projects that have a financial benefit to Metro over the life of the investment.

6.2 Capital and renewal and replacement projects should be incorporated into the site-specific work plans developed for each facility that indicate how the Sustainability Plan will be implemented.

Section 7: Reporting

7.1 Capital project budget and actual reporting and status reports shall be provided as follows:

7.1.1 Departments shall report to the Chief Operating Officer or designee quarterly;

7.1.2 The General Manager shall report to the MERC Commission quarterly;

7.1.3 The Director of Finance and Regulatory Services shall report to the Metro Council twice annually.