

To help facilitate the MERC Capital Budget discussion on Friday December 12th, below are high level summaries and explanatory narrative of key elements of MERC's 5 – Year Capital Plan.

MERC Historical Capital Expenditures to Budget

MERC venues have averaged over an 80% expenditure rate compared to Budget over the previous two years and are on track to invest over \$16 million in the local economy in four years time. Achieving an over 80% Capital Plan expenditure ratio to Budget is very good compared to many other government agencies.

**MERC Capital Projects
Actual Expenditures to Budget
FY 2012 - 2015**

	2012	2013		2014		2012-14	2015		
	Actual	Actual	% Budget	Actual	% Budget	Subtotal	Budget	Actual	% Budget
MERC Admin	-	60,218	0%	286,959	98%	347,177	92,800	-	0%
OCC	1,301,110	1,750,440	82%	2,712,266	79%	5,763,816	4,258,000	1,560,865	37%
Portland 5	523,252	493,423	73%	643,700	70%	1,660,375	1,938,000	885,158	46%
Expo	219,917	494,638	94%	962,510	82%	1,677,065	955,500	367,983	39%
Merc Total	2,044,279	2,798,719	83%	4,605,435	79%	9,448,433	7,244,300	2,814,006	39%

MERC Proposed 5 – Year Capital Plan Summary

Below is a summary of the proposed MERC 5-Year Capital Plan representing over \$30 million investment in the local economy. Included in each Venue's section of this packet is a detailed list of proposed Capital projects for FY 2016 – 2020.

**MERC 5 - Year Capital Plan
Summary**

	2015-16	2016-17	2017-18	2018-19	2019-20	Total
OCC	3,050,000	4,060,000	3,350,000	2,125,000	3,725,000	20,423,000
Portland 5	2,583,000	2,295,000	1,600,000	1,255,000	700,000	8,085,000
Expo	1,032,500	775,000	1,021,000	855,000	1,000,000	4,683,500
MERC Total	6,665,500	7,130,000	5,971,000	4,235,000	5,425,000	33,191,500

MERC Proposed Capital Funding FY 2015 – 16

The MERC Fund has three major reserve accounts and two major external funding sources from which to fund capital projects. Included in each Venue's section of this packet is a detailed list of FY 2016 projects and proposed funding from the following sources.

Renewal & Replacement Reserve

Each Venue has a dedicated Renewal and Replacement reserve within its individual fund. The Renewal and Replacement reserve is the general funding source for replacing equipment such as vehicles and facility elements such as roofs & HVAC systems that have fulfilled their useful life. The R&R reserve is funded with 90% of any net operating revenues at the end of each fiscal year.

Business Strategy Reserve

The Business Strategy funds are dedicated to each venue individually and reserved for specific new (non replacement) capital items or strategic business opportunities requiring seed funding. The Business Strategy Reserve is funded by 10% of any net operating revenue the end of each fiscal year.

Transient Lodging Tax (TLT) Pooled Capital

The TLT Pooled Capital reserve is held collectively at the MERC Fund level and allocated annually to the venues each year for specific projects. The MERC Commission decides how much TLT Pooled Capital to allocate to venues each year during the Budget process. TLT Pooled Capital is funded by any excess of TLT receipts over OCC and Portland's 5 year over year increase caps of 7% and CPI(*) respectively. In Fiscal Year 2013-14 this excess was \$1,923,697 and in Fiscal Year 2012-13 it was \$1,066,283. The TLT Pooled Capital Reserve balance is currently \$3.2 million. (*Portland-Salem, June – December, Consumer Price Index (CPI), two years prior)

Aramark Capital Contribution

Part of the negotiated five-year agreement with Aramark is a cash capital contribution. MERC renewed its partnership with Aramark in 2014, negotiating a phased capital contribution as follows: \$1 million – September 2014, \$750,000 – July 2015, \$750,000 – July 2016, and \$250,000 – January 2017 if OCC Hotel construction begins.

Metropolitan Tourism Opportunity and Competitiveness Account (MTOCA)

The MTOCA is an annual transfer from the General Fund to OCC and Expo for specific projects that will yield demonstrable marketing advantages like sustainability, the OCC Hotel Project and facility enhancements. The Metro Council has full discretion to allocate any amount to either or both OCC and Expo each fiscal year. The MTOCA transfer amount has been budgeted at \$600,000 the prior two years and is tentatively planned to be \$600,000 in FY 2016 as well. OCC traditionally receives \$420,000 annually and uses this funding for Capital projects. Expo traditionally receives \$180,000 annually and uses it for operational maintenance and marketing programs and for this reason is not included in the Capital Budget discussion.

Below is a summary of how each venue proposes to fund FY 2016 Capital projects by funding source explained above. The Budgeted Balance at the bottom of the table represents the budgeted amount for each reserve account and external funding contribution, assuming zero net operations at the end of FY 2015 and FY 2016. The 2016 Forecasted Balance represents the FY 2016 ending account balance assuming zero net operations and the proposed Capital Plan is 100% expended.

**MERC Capital Funding Matrix
FY 2016**

	MERC Funds			External Funding		Total
	Renewal Replacement	Business Strategy	TLT Pooled	Aramark Capital	MTOCA (General Fund)	
OCC	1,300,000	150,000	230,000	950,000	420,000	3,050,000
Portland 5	2,170,000	65,000	-	348,000	-	2,583,000
Expo	467,500	-	280,000	285,000	-	1,032,500
MERC Total	3,937,500	215,000	510,000	1,583,000	420,000	6,665,500
Budgeted Balance	20,857,464	6,152,143	3,014,867	1,750,000	420,000	32,194,474
2016 Forecasted Balance	16,919,964	5,937,143	2,504,867	167,000	-	25,528,974

Impact to the MERC 5 – Year Forecast

At the November 5, 2014 MERC Budget Retreat, the MERC Finance Manager shared with Commission the 5 – Year Financial Forecast for each venue. Included in each Venue’s section of this packet is an updated 5 – Year Forecast with revised 5 – Year Capital Plan expenditures. Below is a summary of the impact the proposed 5 – Year Capital Plan has on each Venue’s fund balance.

**MERC 5 - Year Forecast
Ending Fund Balance**

	Budget					
	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
OCC	11,380,000	7,220,000	6,220,000	5,930,000	7,820,000	8,310,000
Portland 5	8,040,000	5,550,000	3,430,000	1,880,000	670,000	(210,000)
Expo	2,750,000	1,890,000	1,260,000	1,060,000	630,000	-
MERC Total	22,170,000	14,660,000	10,910,000	8,870,000	9,120,000	8,100,000

**Oregon Convention Center
5 - Year Capital Plan
FY 2016 - 2020**

	2015-16	2016-17	2017-18	2018-19	2019-20	Total
Telecommunications System Replacement / VOIP	300,000					300,000
Facility Master Plan - Design/Consulting (Carpeting, Oregon Ballroom, Restrooms, VIP B, Meeting Room Digital Signage, etc.)	150,000					150,000
Audio/Visual Equipment	150,000					150,000
Parking Management System & Equipment	550,000					550,000
Integrated Door Access Controls	325,000					325,000
Meeting Room Risers/Performance Stage Supports	75,000					75,000
32' Scissor Lift	50,000					50,000
MLK/OBR/Holladay Plaza Landscape/Entrance	1,000,000					1,000,000
Stir Lounge Annex	100,000					100,000
Portable Concession Kiosks	50,000					50,000
Cucina Rossa Concession Remodel	300,000					300,000
Facility Carpet Replacement - (Ballrooms, Meeting		2,300,000				2,300,000
Meeting Room/Ballroom Chair Replacement - (10,000		960,000				960,000
Meeting Room & Ballroom Digital Signage		350,000				350,000
Orbit Café Concession Remodel		350,000				350,000
Built in Catering Bars		100,000				100,000
HVAC System Replacement - Design/Consulting			200,000			200,000
Public Circulation Furniture Replacement			250,000			250,000
SkyView Remodel			400,000			400,000
Original Facility Restroom Renovation			1,500,000			1,500,000
Oregon Ballroom Renovation			1,000,000			1,000,000
Boiler Replacement				950,000		950,000
Table Replacement (Expansion Side of Facility)				575,000		575,000
External Digital Signage Replacement				600,000		600,000
Chiller Unit Replacement (one 250 ton and three 800					1,650,000	1,650,000
Cooling Tower Replacement (four cooling towers)					975,000	975,000
Exhibit Hall Folding Chair Replacement - (12,000 chairs)					1,100,000	1,100,000
OCC Total	3,050,000	4,060,000	3,350,000	2,125,000	3,725,000	20,423,000

**MERC CIP Funding Matrix
FY 2016**

	MERC Funds			External Funding		Total
	Renewal Replacement	Business Strategy	TLT Pooled	Aramark Capital	MTOCA (Gen. Fund)	
OCC						
Telecommunications System	300,000					300,000
Parking Management System & Integrated Door Access Controls	550,000					550,000
Meeting Room Risers/Performance	325,000					325,000
Scissor Lift - 32'	75,000					75,000
Audio/Visual Equipment	50,000	150,000				150,000
Facility Master Plan - MLK/OBR/Holladay Plaza			150,000			150,000
Stir Lounge Annex			80,000	500,000	420,000	1,000,000
Portable Concession Kiosks				100,000		100,000
Cucina Rossa Concession Remodel				50,000		50,000
				300,000		300,000
OCC Subtotal	1,300,000	150,000	230,000	950,000	420,000	3,050,000
2015 Budgeted Balance	13,060,015	1,699,078	485,535	905,000	420,000	16,569,628
Forecasted Balance 2016	11,760,015	1,549,078	255,535	(45,000)	-	13,519,628

**Oregon Convention Center
5 - Year Forecast**

	CAGR	Budget					CAGR	
	2009-2014	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2015-2020
Beginning Fund Balance	5.0%	14,770,000	11,380,000	7,090,000	5,960,000	5,540,000	7,300,000	-13.1%
Event Revenue	4.2%	20,450,000	21,470,000	22,550,000	23,220,000	24,620,000	26,090,000	5.0%
TLT	4.5%	9,800,000	10,000,000	10,500,000	11,020,000	11,570,000	12,150,000	5.0%
Other	11.3%	1,550,000	1,590,000	1,630,000	1,690,000	1,740,000	1,800,000	3.0%
Operating Revenues	7.4%	31,800,000	33,060,000	34,680,000	35,930,000	37,930,000	40,040,000	4.7%
Operating Expenditures	5.2%	31,020,000	31,780,000	32,790,000	34,130,000	35,250,000	36,740,000	3.4%
Net Operating (A)		780,000	1,280,000	1,890,000	1,800,000	2,680,000	3,300,000	33.4%
Capital								
Grants & Other		60,000	-	-	-	-	-	
Aramark Capital Contrib.		130,000	240,000	400,000	480,000	560,000	130,000	
MTOCA		320,000	420,000	420,000	420,000	420,000	420,000	
TLT Pooled Capital		360,000	230,000	230,000	230,000	230,000	230,000	
Total Capital Revenue		870,000	890,000	1,050,000	1,130,000	1,210,000	780,000	
Total Capital Expenditures		4,430,000	3,050,000	4,060,000	3,350,000	2,130,000	3,730,000	
Net Capital (B)		(3,560,000)	(2,160,000)	(3,010,000)	(2,220,000)	(920,000)	(2,950,000)	
Hotel Development Exp. (C)		600,000	3,400,000	-	-	-	-	
Fund Balance Inc./Dec (A+B-C)		(3,390,000)	(4,280,000)	(1,130,000)	(420,000)	1,760,000	360,000	
Ending Fund Balance		11,380,000	7,090,000	5,960,000	5,540,000	7,300,000	7,660,000	

**Portland 5 Centers For the Arts
5 - Year Capital Plan
FY 2016 - 2020**

	2015-16	2016-17	2017-18	2018-19	2019-20	Total
Roof & Drains--full tear off and replacement	300,000	300,000				600,000
HVAC Controls Updates	275,000					275,000
Backstage Elevator Overhaul	235,000					235,000
IP Phone System	215,000					215,000
Stage Door/Backstage/Box Office Area/Reh Hall	200,000					200,000
Lighting System Overhaul Phase III (Theatrical)	130,000					130,000
Main Speakers	100,000					100,000
Stage Floor	100,000					100,000
Storage Racking Systems - Basement & NMK	100,000					100,000
Building Re-Key + key controls software	80,000					80,000
Lighting Controls & Theatrical LED fixture upgrades	75,000					75,000
LED Cyclorama Light Fixtures	75,000					75,000
Riser Replacement Project	65,000					65,000
Chiller/Cooling Tower & Associated Piping	50,000		350,000			400,000
Sound Console	50,000					50,000
Soft goods-legs, borders, main curtain	50,000					50,000
Water Closet/Urinal replacement	40,000					40,000
Stairs/Guardrail replacement	40,000					40,000
Follow spots	30,000					30,000
Sound Console	25,000					25,000
14 Grab & Go Portables	168,000					168,000
North Concessions Stand Remodel - Keller	150,000					150,000
1st Balcony concessions stand remodel	30,000					30,000
Portland Sign--assessment/scoping; re-painting, re-		100,000	100,000			200,000
Operations Dept/NMK Improvements/Renovations		150,000				150,000
FOH Elevators Overhaul (2)		480,000				480,000
Seat cushion/fabric replacement (Phase I)		60,000				60,000
Main Curtain		50,000				50,000
Roof Drains		100,000				100,000
Spot Booth Cooling Unit		15,000				15,000
Access Control/CCTV replacement		150,000				150,000
Amplifiers		50,000				50,000
Main Speakers		125,000				125,000
Backstage Dressing Tower Elevator Overhaul		260,000				260,000
Main Switchgear		300,000				300,000
Entry Door Replacement		50,000				50,000
Monitors		25,000				25,000
Monitors & Associated Equipment		35,000				35,000
LED PAR Theatrical fixtures		15,000				15,000
Artbarista remodel		30,000				30,000
Roof			200,000			200,000
Stage Pit Lifts Overhaul (2)			250,000			250,000
Carpet--Front of House			150,000			150,000
Stage HVAC Improvements			100,000			100,000
Audience Chamber Lighting Update to LED			75,000			75,000
Seat cushion/fabric replacement (Phase II)			60,000			60,000
Backstage Dressing Tower Elevator Overhaul			240,000			240,000
Aerial Work Platform (Genie Lift)			20,000			20,000
Aerial Work Platform (Genie Lift)			20,000			20,000
Aerial Work Platform (Genie Lift)			20,000			20,000
Demand Control Ventilation/Variable Air Volume			15,000			15,000
FOH Lobby Carpet Tile				125,000		125,000
HVAC Controls Upgrades				350,000		350,000
EIFS Replacement Phase III (Rooftop parapets & Fly				350,000		350,000
Demand Control Ventilation/Variable Air Volume				100,000		100,000
Freight Elevator Overhaul				80,000		80,000
FOH Elevators Overhaul (2)				250,000		250,000
Backstage Elevator Overhaul					180,000	180,000
FOH Elevators Overhaul (2)					520,000	520,000
Portland 5 Total	2,583,000	2,295,000	1,600,000	1,255,000	700,000	8,085,000

**MERC CIP Funding Matrix
FY 2016**

	MERC Funds			External Funding		Total
	Renewal Replacement	Business Strategy	TLT Pooled	Aramark Capital	MTOCA (Gen. Fund)	
Portland 5						
Telecommunications System Replacement	215,000					215,000
Roof & Drains--full tear off and replacement	300,000					300,000
Backstage Elevator Overhaul - AHH	235,000					235,000
Building Re-Key + key controls software	80,000					80,000
Storage Racking Systems - Basement & Chiller/Cooling Tower & Associated Piping	100,000					100,000
HVAC Controls Updates - ASCH	50,000					50,000
HVAC Controls Updates - ASCH	275,000					275,000
Water Closet/Urinal replacement - ASCI	40,000					40,000
Soft goods-legs, borders, main curtain - Stage Door/Backstage/Box Office Area/ Follow spots - Keller	50,000					50,000
Lighting Controls & Theatrical LED fixtures	200,000					200,000
LED Cyclorama Light Fixtures - Newmark	30,000					30,000
Sound Console - Keller	75,000					75,000
Sound Console - Newmark	75,000					75,000
Sound Console - Winningstad	50,000					50,000
Sound Console - Winningstad	25,000					25,000
Stairs/Guardrail replacement - Keller	40,000					40,000
Main Speakers - Newmark	100,000					100,000
Stage Floor - Newmark	100,000					100,000
Lighting System Overhaul Phase III (The Riser Replacement Project - Winningstad)	130,000					130,000
14 Grab & Go Portables	-	65,000				65,000
North Concessions Stand Remodel - 1st Balcony concessions stand remodel				168,000		168,000
				150,000		150,000
				30,000		30,000
Portland 5 Subtotal	2,170,000	65,000	-	348,000	-	2,583,000
2015 Budgeted Balance	6,595,668	1,857,049	-	435,000	-	8,887,717
Forecasted Balance 2016	4,425,668	1,792,049	-	87,000	-	6,304,717

Portland'5 Centers For The Arts
5 - Year Forecast

	CAGR 2009-2014	Budget 2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	CAGR 2015-2020
Beginning Fund Balance	3.0%	9,840,000	8,040,000	5,900,000	3,780,000	2,220,000	1,020,000	-36.4%
Event Revenue	2.2%	9,680,000	9,970,000	10,270,000	10,580,000	10,890,000	11,220,000	3.0%
TLT	0.5%	1,310,000	1,350,000	1,380,000	1,420,000	1,460,000	1,510,000	2.8%
City of Portland Support	2.1%	830,000	850,000	880,000	900,000	930,000	960,000	2.8%
Other	-13.7%	300,000	310,000	320,000	330,000	340,000	350,000	2.9%
Operating Revenues	3.0%	12,130,000	12,480,000	12,850,000	13,230,000	13,620,000	14,030,000	3.0%
Operating Expenditures	4.2%	12,120,000	12,540,000	12,900,000	13,400,000	13,810,000	14,350,000	3.4%
Net Operating (A)		10,000	(60,000)	(50,000)	(170,000)	(190,000)	(320,000)	
Capital								
Portland'5 Foundation		100,000	100,000	100,000	100,000	100,000	100,000	
Aramark Capital Contribution		30,000	60,000	100,000	110,000	140,000	30,000	
Total Capital Revenue		130,000	160,000	200,000	210,000	240,000	130,000	
Total Capital Expenditures		1,940,000	2,240,000	2,270,000	1,600,000	1,260,000	700,000	
Net Capital (B)		(1,810,000)	(2,080,000)	(2,070,000)	(1,390,000)	(1,020,000)	(570,000)	
Fund Balance Inc./ (Dec) (A+B)		(1,800,000)	(2,130,000)	(2,120,000)	(1,550,000)	(1,200,000)	(880,000)	
Ending Fund Balance		8,040,000	5,900,000	3,780,000	2,220,000	1,020,000	140,000	

**Portland Expo Center
5 - Year Capital Plan
FY 2016 - 2020**

	2015-16	2016-17	2017-18	2018-19	2019-20	Total
Roof Repair - ABC minor repairs \$7,500, DE	467,500					467,500
Parking Lot Asphalt Repairs - Survey and	60,000					60,000
HVAC - analysis of all units and recommended	35,000					35,000
Scissor Lift - 30' trim with varied access to all	30,000					30,000
Wi-Fi Telecommunications Upgrade - expand	30,000					30,000
Voice Over IP (VoIP) Phone System - (Phase 2 of	50,000					50,000
Security Camera / Access Controls - (Phase 2 of	50,000					50,000
Plastic / Flat Stacking Chairs - (Phase 2 of 3) 500	25,000					25,000
Connector - Glass Roll Up or option, 3 Matching	115,000					115,000
Electronic Signage - inside and outside (Phase 2)	170,000					170,000
Roof Repair - Hall D - Barrel - \$350K complete		350,000				350,000
Parking Lot Asphalt Repairs - per report		60,000				60,000
Tractor		35,000				35,000
HVAC replace/repair - per report		50,000				50,000
Plastic / Flat Stacking Chairs - (Phase 3 of 3)		25,000				25,000
Sign Tower Painting		25,000				25,000
Concession equipment upgrade - Hall D or E,		230,000				230,000
Roof Repair - Hall C recoat \$120K +Marine Drive			125,000			125,000
Roof Repair - Hall E - Loading Dock			350,000			350,000
Parking Lot Asphalt Repairs -per report			60,000			60,000
Hall D Air Handlers - All 6			486,000			486,000
Roof Repair - Hall E Lobby, Connector, barrel				305,000		305,000
Parking Lot Asphalt Repairs -per report				60,000		60,000
Hall E Air Handlers - Possible ETO incentive? -				440,000		440,000
Table Replacements - 6' rounds / 8' longs				50,000		50,000
Roof Repair - Hall E barrel roof					500,000	500,000
Parking Lot Asphalt Repairs - per report					60,000	60,000
Hall E Air Handlers - Possible ETO incentive? -					440,000	440,000
Expo Total	1,032,500	775,000	1,021,000	855,000	1,000,000	4,683,500

**MERC CIP Funding Matrix
FY 2016**

	MERC Funds			External Funding		Total
	Renewal Replacement	Business Strategy	TLT Pooled	Aramark Capital	MTOCA (Gen. Fund)	
Expo						
\$7,500, DE \$30,000 - D barrel start						
\$75,000 design + \$350,000 barrel	467,500					467,500
Parking Lot Asphalt Repairs - Survey			60,000			60,000
HVAC - analysis of all units and			35,000			35,000
Scissor Lift - 30'			30,000			30,000
Wi-Fi Telecommunications Upgrade -			30,000			30,000
Voice Over IP (VoIP) Phone System -			50,000			50,000
Security Camera / Access Controls -			50,000			50,000
Plastic / Flat Stacking Chairs - (Phase 2			25,000			25,000
Connector - Glass Roll Up or option, 3				115,000		115,000
Electronic Signage - inside and outside				170,000		170,000
Expo Subtotal	467,500	-	280,000	285,000	-	1,032,500
2015 Budgeted Balance	1,201,781	2,596,016	4,747	410,000	-	4,212,544
Forecasted Balance 2016	734,281	2,596,016	(275,253)	125,000	-	3,180,044

Portland Expo Center
5 - Year Forecast

	CAGR 2009-2014	Budget 2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	CAGR 2015-2020
Beginning Fund Balance	-8.3%	3,370,000	2,750,000	1,890,000	1,260,000	1,060,000	630,000	-28.4%
Event Revenue	1.7%	6,170,000	6,360,000	6,540,000	6,740,000	7,000,000	7,280,000	3.4%
Other	-7.2%	240,000	90,000	80,000	80,000	80,000	70,000	9.4%
Operating Revenues	2.1%	6,420,000	6,450,000	6,630,000	6,820,000	7,080,000	7,350,000	2.8%
Operating Expenditures	2.6%	5,310,000	5,450,000	5,640,000	5,880,000	6,090,000	6,360,000	3.7%
Net Operating (A)		1,110,000	1,000,000	990,000	940,000	990,000	990,000	-2.1%
Debt Service (until 2024)		1,190,000	1,190,000	1,180,000	1,180,000	1,180,000	1,180,000	
Operating Net of Debt Service (B)		(80,000)	(190,000)	(190,000)	(240,000)	(190,000)	(180,000)	
Capital								
Grants & Other		10,000	-	-	-	-	-	
TLT Pooled Capital		360,000	280,000	195,000	896,000	550,000	500,000	
Aramark Capital Contrib.		50,000	90,000	140,000	170,000	70,000	50,000	
Total Capital Revenue		420,000	370,000	340,000	1,070,000	620,000	550,000	
Total Capital Expenditures		960,000	1,030,000	780,000	1,020,000	860,000	1,000,000	
Net Capital (C)		(540,000)	(670,000)	(440,000)	50,000	(240,000)	(460,000)	
Fund Balance Inc./Dec (A+B+C)		(620,000)	(860,000)	(630,000)	(200,000)	(430,000)	(640,000)	
Ending Fund Balance		2,750,000	1,890,000	1,260,000	1,060,000	630,000	-	