MERC Commission Budget Retreat

November 6, 2019
1:00 pm

Oregon Convention Center
Holladay Suite

Metro

Metropolitan Exposition Recreation Commission

PORTLAND expo CENTER

OREGON Oregon Convention Center

PORTLAND'5 CENTERS FOR THE ARTS

Karis Stoudamire-Phillips
Chair

John Erickson
Vice chair

Deidra Krys-Rusoff
Secretary-treasurer

Damien Hall

Ray Leary

Dañel Malán

Deanna Palm

Budget Retreat Agenda

November 6, 2019
1:00 to 3:00 p.m.
Oregon Convention Center – Holladay Suite

1:00 p.m. **Introduction**
Commissioner Krys-Rusoff

1:05 **Goals for the day**
Rachael Lembo

1:10 **Oregon Convention Center**
Matt Uchtman, Director of Operations

- OCC fund forecast and reserves (Lembo)
- Status report: FY 2019-20 budget objectives
- Future Opportunities and challenges

Expo Center
Matthew P. Rotchford, Executive Director

- Expo fund forecast and reserves (Lembo)
- Status report: FY 2019-20 – budget objectives
- Future opportunities and challenges

Portland'5 Centers for the Arts
Julie Bunker, Director of Operations

- P'5 fund forecast and reserves (Lembo)
- Status report: FY 2019-20 budget objectives
- Future Opportunities and challenges

2:45 **Commission budget process review**
Rachael Lembo

Metropolitan Exposition Recreation Commission

Memorandum

Date: November 6, 2019
To: Commissioner Karis Stoudamire-Phillips, Chair
Commissioner John Erickson, Vice Chair
Commissioner Deidra Krys-Rusoff, Secretary-Treasurer
Commissioner Damien Hall
Commissioner Ray Leary
Commissioner Dañel Malán
Commissioner Deanna Palm
From: Rachael Lembo – MERC Finance Manager
Subject: FY20-21 through FY24-25 Five Year Forecast

Metro uses many important tools in building the budget, and one of the most important is the five-year forecast. Each budget cycle begins with a review of how the venues are performing, what known changes are coming in the next five years, and what challenges and opportunities could arise in that time.

The following pages highlight the major assumptions for each venue, and present the five year forecast financially and graphically. These forecasts start the conversation about goals for the FY20-21 budget, and are a tool to help with budget decisions. They assume status quo, no new positions or programs. Some of the forecasts predict negative fund balances in the later years – this indicates to staff that planning and changes need to happen now to avoid that future.

One of the major assumptions included in the five year forecast is the financial impact of potential salary adjustments to compensate employees equitably for the work they do and to expand employee benefits to variable hour staff. Metro is currently conducting an in-depth pay equity study. The final recommendations are not expected until spring 2020 and the amounts included in the forecast are estimates.

During the Budget Retreat each venue will present their five year forecast and discuss the implications on net operations and ending fund balance, as well as provide an update on their current year budget objectives and future opportunities and challenges.

Oregon Convention Center

FY20-21 Five Year Forecast

Strategic Goals

FISCAL RESPONSIBILITY - Maintain 100% coverage of our operating budget with zero utilization of our reserves each year.

ECONOMIC IMPACT - Drive revenues that generate regional and statewide taxes that exceed OCC TLT subsidies by a 2 to1 ratio and annually exceed historical average of $500M in economic impact.

PROGRESSIVE LEADERSHIP/EMPLOYER OF CHOICE - Implement Council Employer of Choice Initiative and increase the 2019 Employee Survey mean score of 3.4 to 3.7 in 2020.

MAINTAIN HIGH QUALITY PUBLIC ASSET - Invest available capital funding and human resources effectively and efficiently to maintain a world class facility.

Budget Assumptions

Event revenues are projected to increase slightly in FY20-21, then see 5% annual increases through FY24-25. Parking rates will increase every other year. The food and beverage margin is expected to stay steady at 22%. Materials and services are expected to increase at 3% a year.

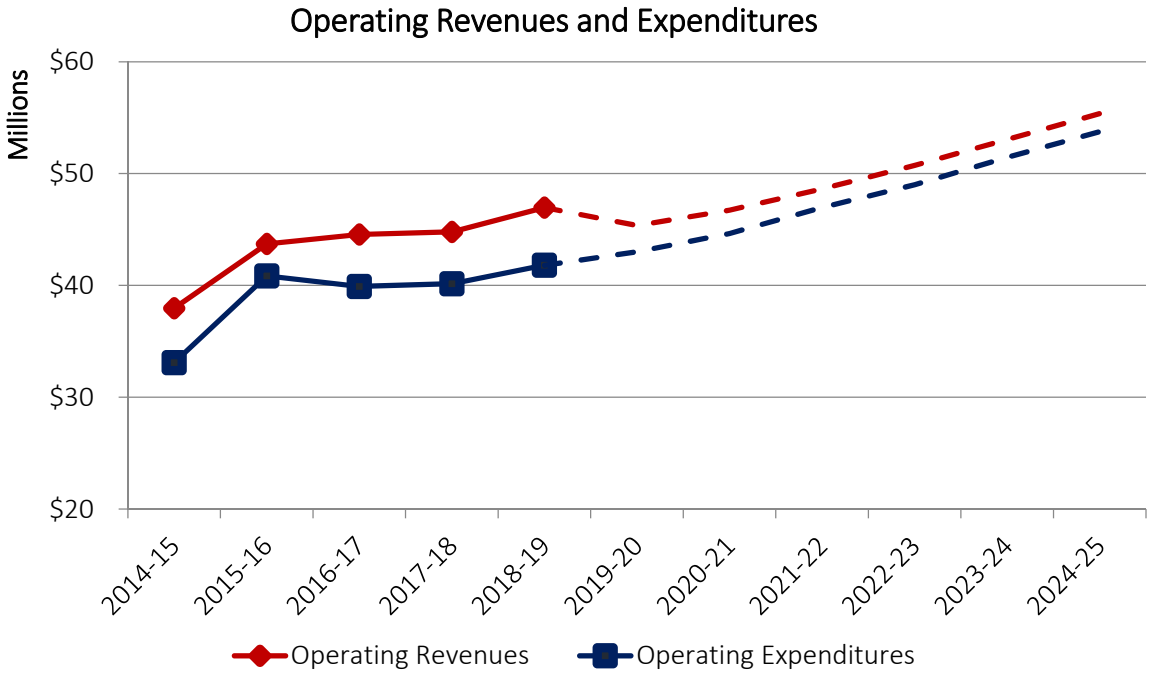
Personnel costs will see increases of 5-9% a year, due to wages, PERS and increased business. In addition, Metro expects salary adjustments to compensate employees equitably for the work they do, and is in the process of expanding employee benefits to variable hour staff. These new costs are estimated to be $325,000 starting in FY20-21 and follow personnel cost increases thereafter.

Forecast Summary

The FY20-21 five year forecast for the Oregon Convention Center (OCC) is similar to last year's forecast. Event revenues are expected to increase steadily, though at a slightly slower rate than the increase in operating expenditures. As a result the OCC net operating surplus decreases over the five years, but remains positive each year. The operating surplus and TLT pooled capital revenue are sufficient to fund projected capital expenditures, and OCC maintains a healthy fund balance over the five years.

5 Year Forecast Summary (in thousands)

	CAGR FY15-FY19	FY20	FY21	FY22	FY23	FY24	FY25	CAGR FY20-FY25
Beginning Fund Balance		20,430	10,810	11,390	9,830	11,020	10,950	
Event Revenue	5.6%	30,270	31,120	32,630	34,160	35,820	37,500	4.4%
Other Revenue	5.1%	15,090	15,620	16,010	16,590	17,240	17,880	3.4%
Operating Revenues	**5.5%**	**45,360**	**46,740**	**48,640**	**50,750**	**53,060**	**55,380**	**4.1%**
Operating Expenditures	**6.0%**	**43,010**	**44,640**	**46,970**	**49,010**	**49,010**	**51,460**	**4.6%**
Net Operating		**2,350**	**2,100**	**1,670**	**1,740**	**1,600**	**1,620**	
Capital Revenue		6,920	7,290	7,770	8,110	8,460	8,830	
Capital Expenditures		18,890	8,810	11,010	8,660	10,140	10,140	
Net Capital		**(11,970)**	**(1,520)**	**(3,240)**	**(550)**	**(1,680)**	**(1,310)**	
Fund Balance Inc/(Dec)		(9,620)	580	(1,570)	1,190	(80)	310	
Ending Fund Balance		**10,810**	**11,390**	**9,830**	**11,020**	**10,950**	**11,260**	


Operating Revenues and Expenditures
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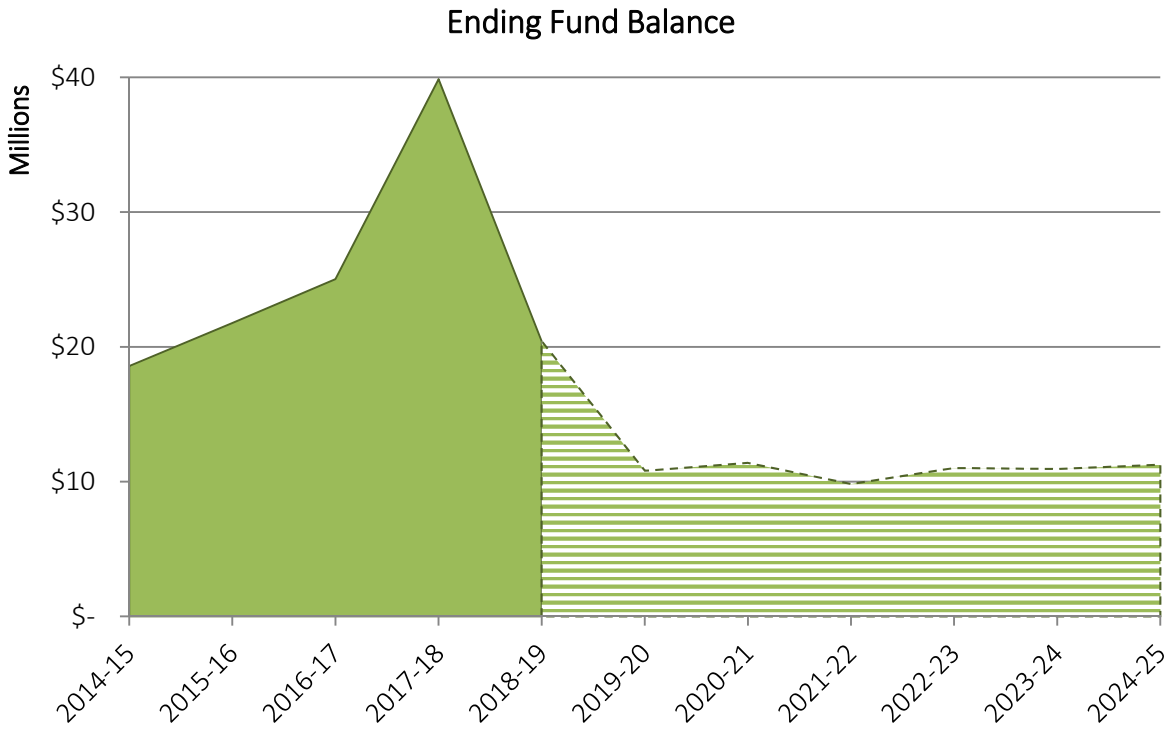
Operating Revenues
Operating Expenditures


Ending Fund Balance
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Portland Expo Center

FY20-21 Five Year Forecast

Strategic Goals

FISCAL RESPONSIBILITY - Increase revenues and manage expenses each year through consistent review, educated risk assessment and short and long-term fiscal strategies as measured by annual budget review.

STAFF ENGAGEMENT AND LEADERSHIP - Create opportunities, welcoming spaces and safe environments to grow staff capacity for equitable learning, development and relationship building as measured by MLC involvement and the yearly Metro Employee Engagement Survey.

FACILITY STEWARDSHIP – Enhance our outstanding stewardship of the event facility through strategic investment, diverse partnerships, and ongoing campus improvements as measured by annual capital budget review and COBID utilization.

CUSTOMER / COMMUNITY RELATIONSHIPS - Amplify our customer service by developing supportive and inclusive community relationships as measured by annual customer service reviews and Metro Diversity and Equity survey and community participation.

Budget Assumptions

Event related revenue is projected to increase 3% annually and parking rates increase every other year. Cirque du Soleil will return in FY 2020-21 and is forecasted again in FY 2023-24. The food and beverage margin has varied in recent years, and the prior two-year average of 14% was used in the forecast. Metro support of $400,000 annually is expected to continue, and Visitor Facility Intergovernmental Agreement funding has not been included. Materials and services are expected to increase at 3% a year, with additional increases in Cirque du Soleil years. Debt payments are included through final payment in FY 2024-25.

Personnel costs will increase by 5-9% a year, due to wages, PERS and increased business. In addition, Metro expects salary adjustments to compensate employees equitably for the work they do, and is in the process of expanding employee benefits to variable hour staff. These new costs are estimated to be $80,000 starting in FY20-21 and increase by 5-9% a year.

Forecast Summary

The FY20-21 five year forecast for the Portland Expo Center (Expo) predicts an increase in event revenues each year, but the rate is below the expected increase in operating expenditures. This condition is similar to last year's forecast. Expo had positive net operations in FY18-19, but does expect an operating deficit in each year of the forecast. The deficit is smaller in years Cirque du Soleil is expected, FY21 and FY24.

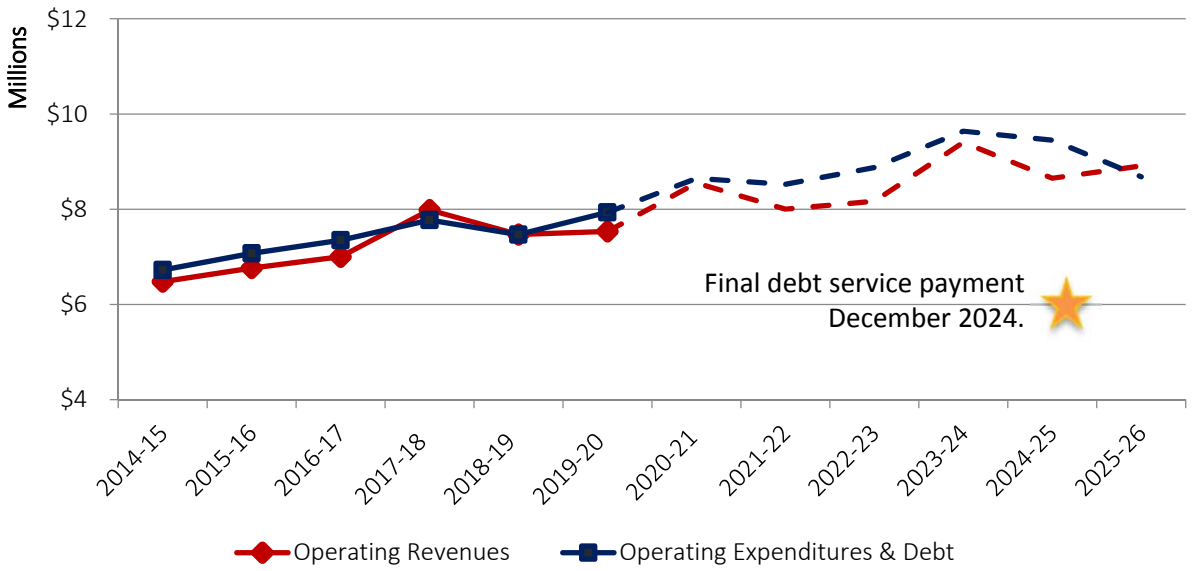
The forecast for TLT pooled capital revenue is greater than current planned capital expenditures, resulting in a net capital surplus. This surplus accumulates in fund balance but is restricted to capital expenditures. As a result, ending fund balance is over $2 million in each year of the forecast, but the portion available for operations becomes negative in FY24-25, the year of the final debt payment. This is shown in the chart below, Ending Fund Balance – Operations. Net operations are projected to be positive after the debt is paid off, which would bring the operations fund balance positive again.

5 Year Forecast Summary (in thousands)

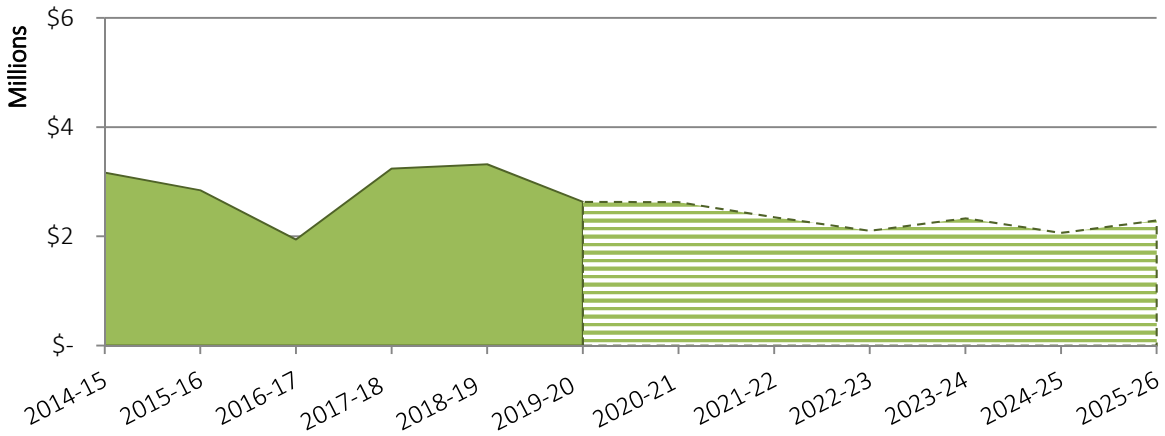
	CAGR FY15-FY19	FY20	FY21*	FY22	FY23	FY24*	FY25	CAGR FY20-FY25
Beginning Fund Balance		3,320	2,630	2,630	2,350	2,100	2,330	
Event Revenue	3.2%	7,030	8,020	7,470	7,640	8,880	8,120	2.9%
Other Revenue		500	530	530	530	530	530	
Operating Revenues	**3.6%**	**7,530**	**8,550**	**8,000**	**8,170**	**9,410**	**8,650**	**2.8%**
Operating Expenditures	**3.9%**	**6,910**	**7,630**	**7,500**	**7,850**	**8,630**	**8,430**	**4.0%**
Net Operating before debt		**620**	**920**	**500**	**320**	**780**	**220**	
Debt Service		1,020	1,020	1,020	1,030	1,010	1,020	
Net Operating		**(400)**	**(100)**	**(520)**	**(710)**	**(230)**	**(800)**	
Capital Revenue		1,200	1,290	1,370	1,430	1,490	1,560	
Capital Expenditures		1,490	1,190	1,130	970	1,030	1,030	
Net Capital		**(290)**	**100**	**240**	**460**	**460**	**530**	
Fund Balance Inc/(Dec)		(690)	0	(280)	(250)	230	(270)	
Ending Fund Balance		**2,630**	**2,630**	**2,350**	**2,100**	**2,330**	**2,060**	

**Includes Cirque du Soleil*

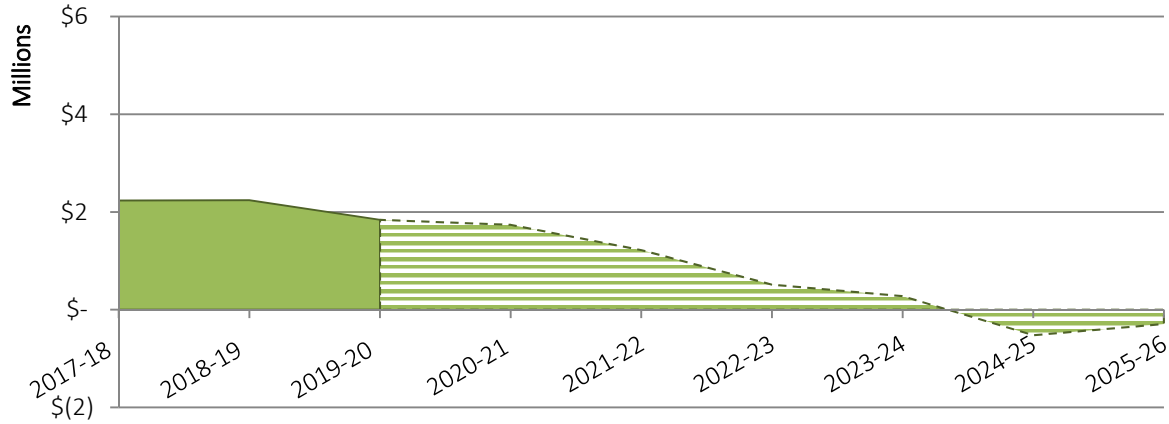
Operating Revenues and Expenditures



Total Ending Fund Balance



Ending Fund Balance - Operations



Portland'5 Centers for the Arts

FY20-21 Five Year Forecast

Strategic Goals

COMMUNITY ENGAGEMENT - We build and engage with our diverse communities as THEIR performing arts center.

CUSTOMER SERVICE - We create welcoming safe spaces for our staff and entire community.

PEOPLE - We cultivate an environment based on Metro values to promote diversity and engagement among our staff and volunteers.

PUBLIC ASSETS - We protect the venues through sound stewardship and fiscal responsibility.

Budget Assumptions

Event related revenue is projected to increase 3.5% a year, with the exception of FY 2021-22 which anticipates the return of Hamilton. The food and beverage margin is expected to stay steady at 26%. Materials and services are expected to increase at 2% a year, with some additional costs in FY 2021-22 with the return of Hamilton. Portland'5 is currently negotiating the land lease with First Congregational Church, which is expected to increase significantly due to the increase in market value since the last renewal. The forecast assumes the annual rent will increase from $200,000 in FY19-20 to $350,000 in FY20-21.

Current personnel costs will increase by 5-7% a year, due to wages, PERS and increased business. In addition, Metro expects salary adjustments to compensate employees equitably for the work they do, and is in the process of expanding employee benefits to variable hour staff. These new costs are estimated to be $400,000 starting in FY20-21 and increase by 5-7% a year.

Forecast Summary

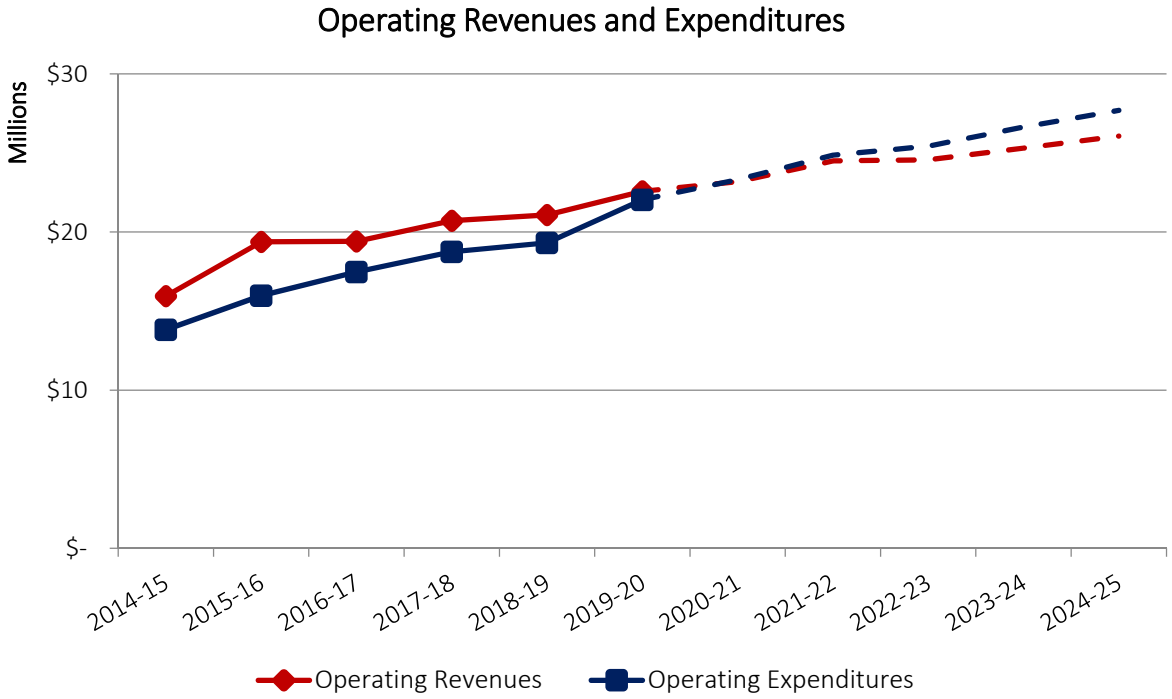
The FY20-21 five year forecast for Portland'5 Centers for the Arts (Portland'5) predicts an increase in event revenues each year, but the rate is below the expected increase in operating expenditures. This condition existed in last year's forecast, but net operating deficits were not predicted until FY23-24. With the forecasted increases in personnel and lease expense, net operating deficits are now predicted starting in FY20-21, and a negative ending fund balance in FY22-23.

This imbalance will be addressed in the FY20-21 budget development process. Portland'5 has already begun identifying areas to examine more closely in that process, including opportunities to increase revenues and evaluation of program costs.

Portland'5 does not receive restricted capital revenue like OCC and Expo; capital expenditures are funded entirely by fund balance and net operations. Major projects currently in progress will use much of the accumulated fund balance. Without positive net operations there is no funding for the significant capital needs of our facilities. This will also be addressed in the FY20-21 budget development process.

5 Year Forecast Summary (in thousands)

	CAGR FY15-FY19	FY20	FY21	FY22	FY23	FY24	FY25	CAGR FY20-FY25
Beginning Fund Balance		13,030	9,730	920	560	(300)	(1,630)	
Event Revenue	8.0%	18,950	19,620	20,990	20,990	21,720	22,480	3.5%
Other Revenue	3.6%	3,620	3,560	3,510	3,590	3,590	3,590	-0.2%
Operating Revenues	**7.2%**	**22,570**	**23,180**	**24,500**	**24,580**	**25,310**	**26,070**	**2.9%**
Operating Expenditures	**8.7%**	**22,040**	**23,310**	**24,860**	**25,430**	**26,640**	**27,700**	**4.7%**
Net Operating		**530**	**(130)**	**(360)**	**(850)**	**(1,330)**	**(1,630)**	
Capital Revenue		5,500	0	0	0	0	0	
Capital Expenditures		9,330	8,680	0	0	0	0	
Net Capital		**(3,830)**	**(8,680)**	**0**	**0**	**0**	**0**	
Fund Balance Inc/(Dec)		(3,300)	(8,810)	(360)	(850)	(1,330)	(1,630)	
Ending Fund Balance		**9,730**	**920**	**560**	**(300)**	**(1,630)**	**(3,250)**	


Operating Revenues and Expenditures
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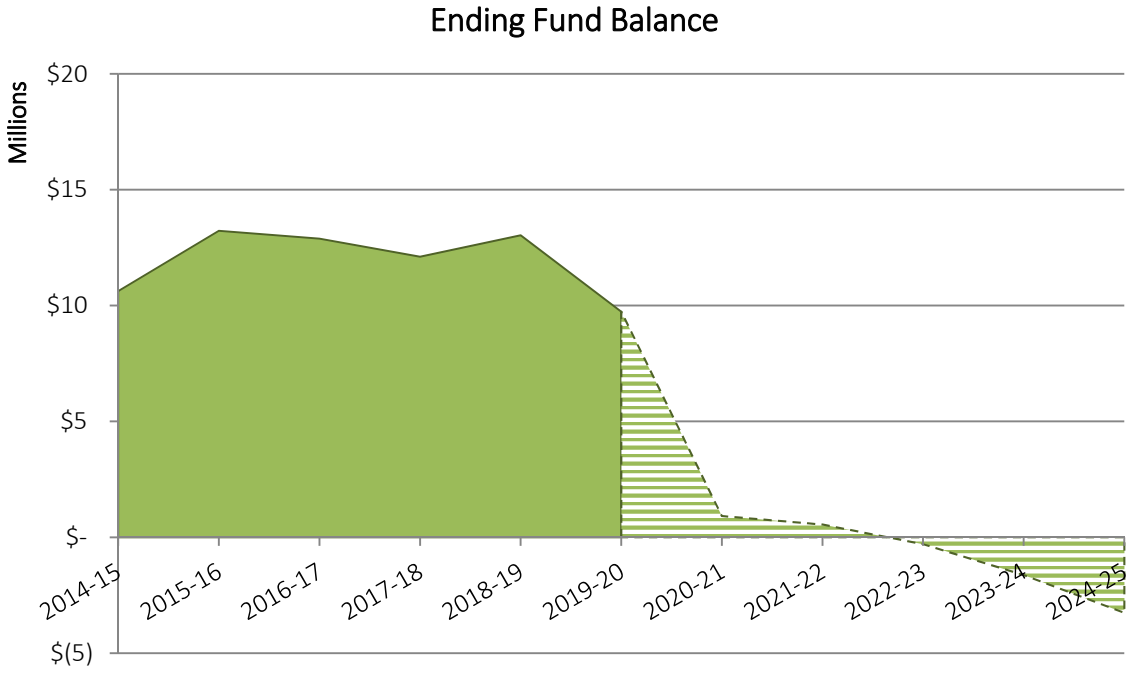
Operating Revenues
Operating Expenditures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