

IMPACT STATEMENT

Legislation title: Authorize Intergovernmental Agreement with Metro to provide special appropriation operating support for Portland's Centers for the Arts not to exceed \$1,600,000 (Ordinance)

Contact name: Karl Lisle

Contact phone: 503 823 5876

Presenter name: Karl Lisle

Purpose of proposed legislation and background information:

- This Intergovernmental Agreement (IGA) authorizes the City of Portland to issue a one-time Special Appropriation from the General Fund of \$1.6 million to Metro in emergency support for operations at the Portland's Centers for the Arts.
- This funding was recommended by the City Budget Office (CBO) and approved by City Council in the Fall BMP (Ordinance 190195, November 12, 2020).
- The Portland's facilities are in downtown Portland and include the Arlene Schnitzer Concert Hall, the Keller Auditorium, Antoinette Hatfield Hall and the Brunish, Newmark and Winningstad Theatres.
- While the City of Portland owns the Portland's facilities, Metro operates them on behalf of the City through its longstanding Consolidation Agreement with the Metropolitan Exposition Recreation Commission (MERC).
- Each year, the City sends an annual appropriation to Metro for operating Portland's as part of its agreement with MERC. In the 2020-2021 Adopted Budget, the City allocated \$981,000. That required annual Special Appropriation is the only ongoing financial obligation of the City for Portland's operations under the terms of the Consolidation Agreement.
- With event revenue making up over 80% of Portland's's operating budget, Portland's venues have been under financial stress since March 2020 when the venues had to immediately close their doors.
- Portland's has implemented an aggressive cost-reduction program including staff reductions, furloughs, deferring projects and other actions, but without additional funding support, Portland's's cash reserves would have been exhausted by September 2020.
- Emergency financial support from State and City CARES Act allocations as well as Metro have stabilized Portland's's financial situation and should be sufficient to last through the spring of 2021, but additional support is needed to allow the organization to last until events can resume, currently anticipated to be Fall 2021.
- Allowing Portland's to shut down would cause irreparable harm to the City's performing arts sector and could result in a significant unfunded liability for the City as it would have to resume control of the buildings without an operator or a clear path to reopening after the COVID-19 pandemic.
- With this \$1.6 million funding in operating support from the City, Metro estimates that Portland's should be able to successfully reopen the theaters in the Summer or Fall of

2021. If the venue closure extends beyond fall 2021, or if the return to theaters is slow, additional operating support may be needed in FY 2021-2022.

- Operating support is defined under this agreement as any expense that will maintain stewardship over the City's assets, such as insurance, maintenance, security, utilities, engineering, ground lease, and Portland's staff hours.

Financial and budgetary impacts:

- Taking the cuts outlined above into account, Portland's operating costs are approximately \$500,000 a month.
- Metro increased its operational support to Portland's venues by \$150,000 per month.
- Assuming Portland's will remain closed until summer 2021, Metro estimates that together with the \$1.6 million funding from the City, the \$150,000 a month support from Metro, and the \$2.6 million Portland's received in CARES funding (\$1 million from Metro and \$1.6 million from the City) this would bring Portland's ending fund balance to \$2.5 million by June 2021.
- This would provide Portland's with a small operating reserve to draw from in FY 2021-2022 and FY 2022-2023 for what is expected to be a slow recovery.
- If additional operating support is not provided to Portland's, Metro may exhaust existing funds to manage the operations and could return the venues to the City to operate.
- If this were to occur, the City would have to assume ongoing building ownership costs including security, insurance, utilities, maintenance, engineering, land lease costs and would eventually have to find a new operator to run the venues or decommission and dispose of the buildings. These unavoidable building-related costs are estimated to be approximately \$200,000 per month.
- The City's special appropriation of \$1.6 million will be enough to cover these costs for the eight months between November 2020 and June 2021.
- The special appropriation also brings the added benefit of ensuring that asset management related costs are not cut during the closure and that the buildings continue to be professionally maintained during the period with no event revenue, providing some security for the City's assets.

Community impacts and community involvement:

- The Portland's venues provide economic and cultural benefits to the City and Metro region and will play an important role in the region's recovery.
- Portland's venues generate 790 jobs in the region and directly support the community with close to 20 nonprofit organizations performing in theatres at subsidized rates.
- Portland's education program is the largest in the region, serving 16,000 Title-1 students covering 100% of the transportation, curriculum and lunches with diverse artists and community members.
- This effort to support minimal operations at all Portland's facilities is in the best interest of the community so that once events can safely take place again the facilities can open their doors without delay.
- Allowing the Portland's organization to dissolve would be devastating for the local performing arts and cultural sector as that would all but guarantee an extended period

during which the venues would be closed and not available to support the City in its economic and social recovery period.

100% Renewable Goal:

- Not Applicable

Budgetary Impact Worksheet

Does this action change appropriations?

- ☐ YES: Please complete the information below.
- ☒ NO: Skip this section

Fund	Fund Center	Commitment Item	Functional Area	Funded Program	Grant	Sponsored Program	Amount