

**Major League Soccer/Triple-A Baseball Task Force
Report and Recommendations
March 2009**

Background:

For the past couple years, Major League Soccer (MLS) has been in an expansion mode. MLS returned to San Jose in 2008. Seattle was awarded the 15th team franchise in early 2008 and will begin play this year. Also in 2008, MLS awarded the 16th franchise to Chester, Pennsylvania, a suburb of Philadelphia. The Chester team will start play in 2010.

In the spring of 2008, MLS announced that it intended to take proposals for two additional expansion franchises which would begin play in 2011. Merritt Paulson, the owner of the Portland Timbers and Portland Beavers, approached the City and indicated he wanted to submit a proposal to MLS for one of the available expansion franchises.

The franchise fee paid to MLS for an expansion team has increased dramatically during the recent expansion period. The Toronto team began play in 2007 and paid a fee of \$10 million. The next year, the San Jose team began play and paid a fee of \$20 million. In 2008, Seattle and Chester paid \$30 million for their expansion teams. The announced fee for the two franchises to be awarded in 2009 is \$40 million.

Shortstop LLC is the name of the business entity formed by Mr. Paulson for the operation of the teams. The current Portland Timbers are a First Division team in the United Soccer League. This league shares an affiliation with Major League Soccer (MLS) and with the international soccer governing body FIFA. MLS is the highest level of competitive soccer played in the United States. The Timbers play their home games at PGE Park from April through September and share the facility with the Beavers baseball team.

The Portland Beavers are a Triple-A baseball franchise affiliated with the Pacific Coast League. The Beavers are under contract as a farm team for Major League Baseball's (MLB) San Diego Padres. MLB is the highest level of competitive baseball played in the United States.

Summary of Initial Proposal

Shortstop LLC has indicated that it is willing to pay the \$40 million franchise fee to bring an MLS team to Portland. MLS typically requires its games be played in soccer-specific stadiums. Shortstop LLC's proposal includes an extensive remodeling of PGE Park to meet MLS stadium requirements. The preliminary cost estimate developed by Shortstop LLC for this renovation is \$40 million. The remodel would include permanent seating along the east side of the field necessitating the relocation of the baseball team. Shortstop has assumed that it would be less costly to modify PGE Park for soccer and construct a new minor league baseball stadium than to leave baseball at PGE Park and develop a soccer-specific stadium for the MLS team elsewhere. In addition, Shortstop believes that a baseball park smaller than PGE Park would be more appropriate for the Beavers and their fans.

The proposal would also require the construction of a new Triple-A baseball stadium seating 8,000 to 9,000 and the preliminary cost estimate provided by Shortstop is \$40 to \$45 million. The initial site for the baseball park forwarded by Shortstop was the existing baseball facility, Walker Stadium, located in Lents Park in Southeast Portland.

Shortstop's proposal seeks public financing for the estimated \$85 million in facility costs.

Task Force Process

In November 2008, Mayor-elect Sam Adams and Commissioner Randy Leonard formed a citizen's task force to advise them on the proposal to bring MLS to Portland. The eighteen member task force was a cross section of the community and included neighborhood representatives, sports industry representatives, parks and open space advocates, university officials and business and finance experts. A roster of task force members can be found in the Appendix to this report.

The purpose of the task force was set out in a "charge" document discussed at the initial meeting. The "charge" document was later revised and a copy of the final document is attached to this report. At the outset a set of Guiding Principles was developed by the City Council and confirmed by the task force that articulated a set of community values that would need to be reflected in a successful MLS project. These Guiding Principles can be found in the Appendix to the report.

At the first meeting the task force heard a presentation by Merritt Paulson, owner of Shortstop LLC, the business entity which includes the Portland Beavers and Timbers. Don Garber, Commissioner of Major League Soccer, made a presentation as well. The presenters outlined the plan to bring MLS to Portland and listed a number of attributes which made Portland an attractive expansion candidate. Specifically, they noted the reputation Portland has for supporting soccer, the potential rivalry with Seattle, the size and positive demographics of the Portland metro area, and the fact that Portland is the largest U.S. city with a single major league team. The one drawback mentioned by Mr. Garber is PGE Park which is currently an inadequate facility for an MLS team. In his remarks, Mr. Paulson emphasized the positive impact MLS would have on Portland economically, socially and culturally.

Over the course of some nine meetings, the task force heard a series of presentations by City staff and by consultants for both the City and Shortstop LLC. The City's consultant team consisted of its financial advisor, Public Financial Management, working with HVS Consulting as a subcontractor. The presentations were designed to provide the task force with information to complete a critical review of the proposal.

Representatives of the proponent presented information in support of the project including a discussion of economic and public benefits, a presentation on long-term team financials, and presentations on the facility projects. The proponents also provided a comparison of attributes which Portland shares with other MLS cities which suggests that Portland would have a good chance of having a successful MLS franchise. Examples of these attributes include the low ratio

of professional sports teams to population, the large number of youth and adults participating in soccer, as well as the benefit that bringing a team would provide to the community through outreach and skills camps. The task force considered this information during its deliberations. The task force requested but did not receive from Shortstop LLC – and did not have time to obtain on its own – a market research survey measuring demand for MLS within the Portland area.

The task force spent a considerable amount of time on the financial aspects of the proposal including reviewing long-term projections for the Spectator fund, analyzing team financial projections with assistance from City consultants and evaluating options for financing the facility improvements. To meet the tight timeframe for the task force's work, a finance subcommittee was formed as a forum for more detailed discussions and analysis of financial information.

Documents the task force reviewed on the Spectator Fund are included in the Appendix to the report. HVS Consulting presented a detailed analysis of team financials. The consultants based their analysis on Shortstop LLC's 20 year financial projections. The consultant's analysis started with Shortstop LLC's preliminary numbers and the consultants used their experience and knowledge of the professional sports industry to indicate where estimates were reasonable and where they might be conservative or aggressive. Copies of the consultant's presentation and final report are available on CD by contacting the Office of Management and Finance.

Evaluating options for funding the required facility improvements was an essential charge to the task force. The finance committee met several times to identify and evaluate funding options. The list of sources considered included the Spectator Fund, urban renewal funds, State sources, hotel taxes, government economic stimulus programs, new market tax credits, various business license surcharge mechanisms, and bonds authorized by public referendum. The subcommittee and task force focused on four primary revenue options: the Spectator Fund, State sources, urban renewal funding and a private capital contribution. The other options were deemed to be infeasible following subcommittee and task force discussions.

The various presentations and discussions have prepared the task force to make the following findings and recommendations which are reflective of the Guiding Principles that shaped the work of the task force.

Findings

Summary of Community Benefits

The proposal requires significant investments in PGE Park and development of a new minor league baseball park. Construction jobs are estimated to be in the 650 range and the construction period will approach two years. A construction project of this scale will benefit a sector of the economy greatly impacted by the current recession. The economic impact report prepared by

Shortstop LLC also forecasts the creation of 300 permanent jobs as a result of the project. There are also several non-economic benefits the City may derive from having an MLS team.

The exposure Portland receives through MLS - both nationally and internationally – will raise Portland’s profile and could attract additional business and tourism activity. Soccer is the most popular sport worldwide and Portland’s entry into MLS will reinforce Portland’s moniker as “Soccer City USA”. Portland’s reputation as “Soccer City USA” is the result of the success of the Portland franchise in the late 1970’s during the years of the North American Soccer League (NASL); the success of World Cup and U.S. National Team events at PGE Park; the strong participation rates by area youth and adults in soccer teams and clubs; and the stellar performance of the University of Portland soccer program.

The presence of MLS in Portland should also provide other tangible benefits for the community. Shortstop LLC already has a community foundation that supports youth soccer and baseball programs in the region. MLS will increase interest in professional soccer and stimulate interest in the sport generally. MLS has a program that requires teams to be involved in the community and actively support youth soccer programs. Shortstop LLC has a goal to grow its foundation work; this coupled with the MLS program, MLS WORKS, should result in a significant increase in support for youth soccer programs. The community will benefit from the increase in outreach and support for youth sports.

Findings on Project Costs and Sites for Baseball Facility

Preliminary cost estimates have been provided by the proponent. The initial estimate advanced during the summer of 2008 was \$40 million for the PGE Park remodel and \$45 million for a minor league baseball facility. In early February, Shortstop LLC provided an updated estimate that indicated a range for PGE Park improvements at \$35 to \$37 million and a range of \$43 to \$48 million for the baseball facility. These estimates did not include bond issuance costs and other city management expenses. The high end of the range for baseball was for a site in the Rose Quarter and the low end range for the Lents Park site.

It was understood by the task force that these were very preliminary estimates and firmer cost estimates would require that preliminary design work be undertaken. At the February 3 task force meeting representatives from Shortstop LLC indicated that their general contractor was prepared to enter into a construction contract for a guaranteed maximum price in line with the revised cost estimates.

The discussion on baseball siting and what criteria should be considered in making a decision on siting the baseball stadium is contained in the recommendations section of this report. The Task Force had an extended discussion on the use of parkland for the project and expressed concern that parkland not be treated as “free” but rather as an asset to the community that increases in value as the population of Portland grows. The task force does not want this project to set a precedent that public projects can absorb parkland, thereby diminishing the amount of parkland available for public use, without compensating actions consistent with the plans and policies of the Portland Parks Board and the Bureau of Parks and Recreation.

Financial Findings

A draft funding scheme was prepared and discussed following the presentations on the Spectator Fund projections and the analysis of team financial projections performed by HVS. The long-term financial projections for the Spectator Fund are in the Appendix to the report. The presentations by HVS and the combined final report from PFM and HVS are available on CD by contacting the Office of Management and Finance.

A major concern of the task force in its deliberations on project financing options was potential risk to the City's General Fund. As the recommendations indicate, the task force would not support a plan to use General Fund resources or expose the General Fund to financial risks through back stopping bonds without some additional form of private guarantee. The position of the task force on general fund risk is consistent with the Guiding Principles that directed the work of the task force.

The Spectator Fund has a limited capacity to support the proposal. The fund has about \$50 million in outstanding bonded indebtedness from the Rose Quarter project and the 2001 PGE Park renovation. Long range forecasts show modest net income until 2017 when Rose Quarter debt is fully retired. Net income takes a second jump in 2024 once existing debt on PGE Park is retired. In general, the Spectator Fund can support about 20% of the expected project costs, assuming agreements with Shortstop LLC that are in line with figures provided in the team pro formas.

\$18 million was identified as the bonding capacity of the Spectator Fund assuming bonds are backed by the General Fund and carrying a 1.25 coverage factor. Bond coverage provides a measure of security by holding back some of the projected net income as "coverage". In this case with a 1.25 coverage factor, only 80% of projected income is committed to debt payments; the other 20% of projected income provides the coverage. This initial estimate was based on renovations to PGE Park and a new baseball facility at Lents Park. Following the analysis of team financial projections by City consultants, revised estimates of team revenues flowing to the City were prepared resulting in a revised estimate of \$20 million in aggregate bonding ability for this scenario. Additional analytical work was also done to forecast Spectator Fund net revenues and bonding capacity assuming renovations to PGE Park and the replacement of Memorial Coliseum with a minor league baseball facility. Significant savings to the fund would occur if MC was replaced. This analysis resulted in an aggregate bonding estimate of \$25 million, assuming 1.25 coverage and General Fund backing. Finally, the bonds that could be issued based on Spectator Fund revenues are assumed to be taxable. The net income of the fund remains modest until some of the existing debt is retired in 2017. This ascending revenue structure requires that a large share of the bonds be sold as taxable deferred interest bonds, which there is an uncertain market for. There is a possibility that the Spectator Fund bonds may not be saleable in the public bond market.

The limitations of the Spectator Fund require that the vast majority of capital resources would need to come from the other primary sources: urban renewal, State sources and private capital. The urban renewal values are estimates based on task force discussions with input from the Portland Development Commission and City financial staff. The State source requires an

amendment to an existing statute that would allow income taxes paid by MLS players and officials to be used to support the cost of building an MLS facility. The following table summarizes the potential sources for the project as discussed with the task force. The decision on siting the new baseball facility will have a material affect on project funding options as illustrated in the table. This draft finance scheme does not identify sufficient resources to fully fund the project and is based on the initial proposal by Shortstop LLC, and task force discussions.

The task force realizes that funds used for refurbishing PGE Park will be required before bonds associated with Tax Increment Financing, which is based upon including PGE Park within an urban renewal area, can be sold. The City can, as it has in similar situations in the past, apply a procedure the draws upon the General Fund but reimburses the General Fund once the tax increment bonds have been sold. The task force acknowledges a slight risk involved in this procedure, largely in the form of interest payments, should PGE Park not be incorporated into an urban renewal area.

The task force recognizes that project cost estimates and the draft finance scheme are still very preliminary. The upper end of the revised cost estimates provided by Shortstop are displayed in the table. Two million dollars has been added to these estimates to account for public debt issuance costs which could be reduced if the bonds are placed privately. Considerable work will need to be done on project costing and finance prior to binding commitments being made by the City and Shortstop LLC.

The task force would encourage the City and Shortstop to continue to explore both private and public funding options as long as the City’s general fund resources are not used or otherwise placed at risk.

| MLS at PGE Park/Triple A Baseball at Rose Quarter | |
|----------------------------------------------------------|--------------|
| Project Cost: (\$38m for PGE Park/\$49m for Triple A) | \$87 Million |

| | |
|------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|
| Resources: Urban Renewal (\$15m from PGE Park/\$5m from Rose Quarter) Spectator Fund State of Oregon (HB 2531) | \$20 Million \$25 Million \$5 Million |
| Funding Gap | \$37 Million |

| | |
|----------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|
| MLS at PGE Park/Triple A Baseball at Lents Park | |
| Project Cost: (\$38m for PGE Park/\$45m for Triple A) | \$83 Million |
| Resources: Urban Renewal (\$15m from PGE Park/\$25m from Lents) Spectator Fund State of Oregon (HB 2531) | \$40 Million \$20 Million \$5 Million |
| Funding Gap | \$18 Million |

Summary of Public Comments

The task force took comments from the public on February 24th. Twenty-eight participants registered to speak in favor of the proposal to bring MLS to Portland; five registered to speak against it.

A few individuals believed it would be fiscally irresponsible to use money to build a soccer stadium right now because the City currently has no way to fund the entirety of the project. Also, much of the money that the City plans on earmarking for stadium construction would come from urban renewal funds, and several questioned if this was the best use for those funds. These individuals believed that the city needs to reassess its priorities given the current negative economic climate.

Several veterans attended the forum to express their displeasure at the possibility of Memorial Coliseum being torn down. One veteran felt unfairly excluded from Memorial Coliseum by previous management. Veterans indicated they felt the building was supposed to be for them. They want to make sure they have a place to meet, and that any new facility would be designated as a replacement memorial.

Those who spoke in favor of the proposal gave many reasons for their support, most of which had already been discussed by the task force.

PGE Park is not an ideal facility for minor league baseball. It is too large, which detracts from the fan experience and stifles the sale of season tickets and multi-game packages. MLS would attract many more fans creating a better environment.

Coaches and representatives from the largest soccer organizations in the City and state spoke about the benefit to youth of being able to attend games and see soccer played at its highest level. Youth participating in sports develop beneficial attributes that last a lifetime. Also, informal research showed that parents of these youths would be willing to go to games with them. Some of the testimony indicated that parents who previously had no interest in soccer got hooked on the atmosphere and became great supporters.

The Timber's Army contends that their success makes them a recognizable part of Portland's international identity. If Portland were to get an international exhibition match (as Seattle has attracted with Chelsea FC) people would potentially attend from across the world to interact with supporters here. More than just attracting fans from across the globe, if another "major league" team came to Portland, the team would belong to all of Oregon, not just to the City, and attract supporters from across the state.

On a more practical level the USL, the league the Timbers currently play in, is very volatile. As more USL teams are granted MLS franchises there is no guarantee that the USL will continue to be a competitive league. MLS is a more stable league that has learned from previous mistakes. MLS has a sustainable business model in place, and is well on its way to becoming a long term entity in the US.

There were also people who supported the proposal to bring in MLS, but were more interested in the baseball aspect of the proposal. Specifically there were conflicting viewpoints expressed on whether Lents or Memorial Coliseum would be the best site for the baseball park. A representative from the Lents neighborhood association indicated that, in response to a survey the neighborhood association sent out, two-thirds of the respondents are in favor of building a

new stadium in Lents Park. They seemed optimistic about being able to draw people to games, and thought that their more “rural” atmosphere would appeal to baseball fans.

Those who support baseball being located at Memorial Coliseum believe that there is potential for year round activity at the Rose Quarter, and that the synergy of the two teams would make it possible for year round shopping and amenities at the Rose Quarter to flourish. They also believe that the Rose Quarter location would draw larger audiences because of its central location and easy access. Some felt that a new baseball stadium with an appropriate relocation of the memorial would be a much more fitting veteran’s memorial.

Several representatives from “Jobs-with-Justice” spoke in support of living wage jobs for workers at these sports facilities.

Recommendations

In preparing to deliberate on the project and shape its recommendations, the task force discussed the following series of questions.

1. Would the City benefit from having an MLS team? In what ways?
2. What non-financial concerns are associated with bringing MLS to Portland?
3. Does the task force have issues and concerns over the proposal to convert PGE Park into a soccer/football venue?
4. What are the preliminary views of the task force on the two proposed sites for the minor league baseball park?
5. Shortstop provided very general preliminary cost estimates to the task force for the PGE Park renovations and a baseball park at the two sites. Shortstop indicated that their contractor was willing to enter into a guaranteed maximum price agreement based on these estimates. In that these estimates are preliminary and the facilities have not been designed, what findings does the task force want to make in regards to estimated project costs?
6. Shortstop presented their long-term financial projections and City consultants provided an analysis of team finances. Is the task force satisfied with the teams’ financial projections? If not, why not?
7. The task force reviewed and discussed the long-term projections of the City’s spectator facilities fund. These projections were also reviewed by the City’s consultant team. Is the task force satisfied with the spectator fund projections? If not, why not?
8. The task force has reviewed a draft financing plan in which the PGE Park remodel (assuming cost estimate of approx. \$35 to \$40 million proves accurate) could potentially be accomplished with \$15 million in tax increment funds from the planned new urban

renewal district, approximately \$20 million from bonds supported by the Spectator fund, and \$5 million from the potential State legislation on MLS income tax collections. Is the task force satisfied with the plan? If not, why not?

9. At this time, the resources to fully fund the baseball park have not been identified. Tax increment funding at the two sites could be available and working estimates for this resource are: \$25 million for Lents Park and \$5 to \$10 million for the Rose Quarter site. No other sources have been identified to complete project funding, leaving a gap of \$20 to 35 million [the revised gap based on Shortstop updated cost estimate was \$18 - \$37 million]. Relative to the March proposal for MLS, how should this issue be addressed?

10. The amount of risk the City assumes for this project has been a concern throughout task force discussions. What risks does the task force see in this draft plan? What strategies can be used to manage and reduce risks to the City?

11. Based on the information and projections the task force has reviewed, should the City pursue this proposal, and if so, under what parameters and conditions should this potential project be pursued?

Following the discussion of these questions a draft tentative recommendation was prepared and distributed to the task force. At its final meeting the task force made final changes to the recommendation and voted on each condition of the recommendation. There was universal support for all of the conditions of the recommendation, except for conditions 7 and 8. One member abstained on the condition of retaining the AAA baseball team. The use of park land for the baseball facility and related cost and land replacement issues generated considerable debate and a split vote. A final vote was taken on the entire package of recommendations and all task force members voted in the affirmative.

The following recommendations are provided to guide the Portland City Council in its deliberations on this proposal.

The Task Force recommends that the City Council support a proposal by Shortstop LLC to bring Major League Soccer to Portland, with the City refurbishing PGE Park and developing an alternative site for AAA Baseball, under the conditions outlined below.

Commitment to Protect the General Fund:

1. There will be no risk to the basic services of the City. No budgets for programs or projects supported by the General Fund, including basic City services, will be reduced to fund the MLS/AAA Baseball facilities.
2. The General Fund should not be exposed to risk associated with the City's selling revenue or other forms of bonds to support the project. The City should require a financial guarantee from Shortstop LLC that bonds supported by payments to the City's Spectator Fund under new operating agreements will be repaid. This guarantee can be, for example, by Shortstop LLC providing a letter of credit or personal guarantee and by

the City requiring Shortstop to have adequate working capital to sustain projected operating loss and remain viable for a period of time mutually agreed upon.

3. Shortstop LLC should bear the primary responsibility of identifying private, non-public sources to fill a gap of \$20-\$40 million dollars between projected bonding ability (from Spectator Fund, TIF, and State funds) and estimated project costs.
4. The City will be protected from project cost overruns. The cost estimates for the project are preliminary and are subject to change during design and construction. The Task Force's recommendation is based upon projected costs presented by Shortstop prior to March 3, 2009 and on Shortstop's representation that contractors will enter into guaranteed maximum price contracts. Any change orders not generated by the City should be born by the proponents.
5. Shortstop LLC should commit to assisting in a private placement of the Spectator Facility bonds should the bonds not be marketable through a public offering. If the bonds cannot be marketed at reasonable rates and terms, the City is not obligated to fund the project.

Commitment to Neighborhood Involvement in Urban Renewal Areas

6. Financial support for the MLS/AAA Baseball project based on locating it in established and potential urban renewal areas should take into consideration other programs and projects that have been identified and prioritized in each of those areas. Other programs and projects anticipated for a new urban renewal district in the Central City, including those related to Portland State University, the downtown retail core and various neighborhoods, merit funding. Dedicating urban renewal dollars to the project will result in tradeoffs. The Task Force based its recommendation upon projections that tax increment funding (TIF) will not exceed \$15 million for refurbishing PGE Park. If a new stadium is sited in Lents Park, funds requested in the form of TIF must not cause exclusion of community and economic development programs and projects in the Lents Town Center URA before, during or after the stadium project timeline. Similar consideration should be made in the Convention Center URA in the context of the Memorial Coliseum site. Requests for TIF should be reviewed and subject to the recommendation of the urban renewal advisory bodies to the Portland Development Commission for each URA with representation from public and private property owners, neighborhood associations, and for the downtown district, Portland State University.

Commitment to retain AAA Baseball in Portland

7. Shortstop LLC commits to retaining Triple A baseball in the Portland area. Losing the baseball team is not an acceptable tradeoff for gaining a Major League Soccer team.

Commitments on Siting of an AAA Baseball Stadium

8. Open space land for public parks should not be diminished for use in this project. If open space land for public parks is used in this project, the project costs will include funds to

purchase or develop and to maintain equivalent open space land for public use in the same area of the City.

9. The Task Force does not recommend a specific site. It recommends that the City consider the following criteria when selecting a site:
 - Ease of financing: lower cost is better. The value of city-owned land, including the cost of acquiring and developing replacement parkland if necessary, should be treated as a cost and incorporated into the assessment of alternative sites.
 - Social equity: areas of the City underserved by public investment with economic development potential merit significant consideration.
 - Access: The baseball stadium should be located in an area of the City easily reached by light rail, bus and other alternative modes for people who attend baseball games to reduce reliance on the automobile and to maximize attendance.
 - Highest and best use of the land from the City's land use and urban design perspective: Consider all feasible sites, public and private; construction of the AAA stadium preferably would not preclude construction of a MLB stadium
 - Impact on traffic, ingress and egress from parking: Acceptable after exhaustive evaluation
 - Memorializing veterans: If the project involves Memorial Coliseum, the City will continue to memorialize veterans through measures such as naming of the site or facility, preferential use of the facility for veterans' programs, and design of an appropriate monument.
 - The operating agreement should continue public use of the facilities.

Commitment to Jobs

10. The Guiding Principles for the project emphasized several important State and City laws and policies dealing with employment and job training issues. With appropriate flexibility to allow sound and responsible business decisions that promote the enterprise's success the task force wants to reinforce the importance of employment issues through the following recommendations:
 - Ensure compliance with applicable State Prevailing Wage laws
 - Pursue "First Source Hiring Agreement" to further the goal of "skilling-up" unemployed and dislocated workers

- Attracting additional vendors and related projects
- Implement the current Fair Wage Policy

Report Appendix – Document List

Task Force Roster

The “Charge” to the task force by Mayor Adams and Commissioner Leonard

Project Guiding Principles

Spectator Fund Five Year History

Spectator Fund Financial Projections

Several additional documents related to this report are available on CD by contacting the Office of Management and Finance (823-5288).

Major League Soccer//Triple-A Baseball Task Force Membership

Steve Maser, PhD, Task Force Chair

Steve is Professor of Public Management and Public Policy at the Atkinson Graduate School of Management at Willamette University. He teaches MBA courses on business-government relations and on conflict management. Now living in Portland, Steve has served on the boards of two social service nonprofit organizations.

Jackie Thomas, Task Force Vice-Chair

Jackie is currently the Global Brand Marketing Director for NIKE Basketball. She has received numerous professional awards including an advertising Emmy and the prestigious EFFIE for marketing excellence in 2006. Jackie currently sits on the Board of Trustees of The Athenian School in Danville, California.

William (“Billy”) Barquin

Billy is a member of the Eastern Shoshone and Oglala Lakota Tribes and was raised on the Wind River Indian Reservation in Wyoming. He is the Attorney General for the Kootenai Tribe headquartered in northern Idaho and manages their Portland Office. He resides in the Sabin Neighborhood in NE Portland.

John Bradley

John is Chair of the Land Use Committee for the Northwest District Association and has served on the Oversight Committee for PGE Park since the 2001 remodel. John was a member of Mayor Katz Turnaround Team for PGE Park and represented the northwest neighborhood in the development of the Good Neighbor Agreement for PGE Park. John is a medical researcher at Oregon Health Sciences University.

Lindsay A. Desrochers, PhD

Lindsay is Vice President of Finance and Administration at Portland State University. She has led Portland State efforts in collaboration with the City and private partners to expand the urban campus to meet the demands of student growth, academic research and economic development for the region. Lindsay has extensive experience in public-private partnerships.

Elisa Dozono

Elisa is an attorney with the Miller Nash law firm in Portland and currently serves as Multnomah County's appointee to the Metropolitan Exposition and Recreation Commission (MERC), which oversees the regional convention and performing arts facilities. Elisa was the Communications Director for Mayor Vera Katz, and Corporate Media Manager for the Port of Portland.

Mike Houck

Mike is the Executive Director of the Urban Greenspaces Institute and has been active in Oregon environmental and open space issues for over two decades. Mike served on the Portland Parks Board for eight years and currently serves on the Portland/Multnomah County Sustainable Development Commission.

Mike Jones

Mike is a member of the Lloyd District Community Association and is an architect with LRS Architects.

Drew Mahalic

Drew is CEO of the Oregon Sports Authority (OSA), a non-profit membership organization focused on growing the sports industry in Oregon. Under Drew's leadership OSA has helped secure world class sporting events for Oregon including two Women's World Cups, US Figure Skating National Championships and the Davis Cup. He is the founder of Pacific University Humanitarian Center and is an active fundraiser for Portland Public Schools' sports programs.

Brad Malsin

Brad is with Bean Development, a Portland development company.

Chris McGuire

Chris is Director of U.S. Sports Marketing for adidas America and a member of the Oregon Sports Authority.

John Mohlis

John is Executive Secretary-Treasurer of the Columbia Pacific Building Trades Council and a member of the Portland Development Commission

Conrad Myers

Conrad is principal of Myers & Company, a Portland based consulting firm specializing in business turnarounds. Conrad was born in England and is an avid Arsenal fan. Conrad was an advisor to Mayor Vera Katz on PGE Park and a part of the Turnaround Team for that facility.

Cora Potter

Cora is Chair of the Lents neighborhood Urban Renewal Advisory Committee. She is also active in the Lents neighborhood association and lives near Lents Park. She is a transportation specialist for a nonprofit company, Ride Connection.

Jerry Powell

Jerry is Chair of the Planning Committee for the Goose Hollow Neighborhood Association where PGE Park is located.

Tony Stacy

Tony is Managing Partner of ONE WOLF SOCCER an organization whose mission is to promote the development of professional, amateur and youth soccer in Oregon and the Pacific Northwest. Tony is a member of Vietnam Veterans of America, the Cherokee Nation Veterans Association and is a member of AMVETS, a legislative advocacy group for veterans' issues.

Keith Thomajan

Keith is the President and CEO of Campfire USA, a co-educational youth development organization. Keith is also the Chair of the Portland Parks Board, Vice Chair of Hands On Greater Portland, and served as a member of VisionPDX. His sporting adventures include telemark skiing, mountaineering, and rock climbing.

Mark B. Williams

Mark is an Associate Vice President with Oregon Health Sciences University for Campus Planning, Development, and Real Estate. Mark is the former CEO of the Metropolitan Exposition and Recreation Commission (MERC). In that capacity Mark had executive responsibility for a variety of spectator and visitor facilities, including Memorial Coliseum and then Civic Stadium when these facilities were under public control.

Major League Soccer/Triple A Baseball – Guiding Principles

Revised per 01/06/09 Meeting

Financial Principles

1. Existing and planned City programs and projects will not be cut to help fund the project.
2. Taxpayers should receive a guaranteed return on the public investment commensurate with the risk it accepts.
3. To the extent possible, revenues from the MLS/baseball enterprise will be used to finance the project.
4. The City should have mechanisms in the agreements that provide a financial upside to the City should the teams' profitability exceed projections. The City should also build in mechanisms to protect the City's financial position on the downside.
5. The City will identify any amenities or program expenditures it wants the project to address at the front-end of the discussions with the proposer
6. Financial data and projections developed by the proposer and given to the City will be a public record. All meetings of the task force will be open to the public. The task force will take public testimony prior to finalizing any recommendations.

Social Principles

1. MLS and baseball facilities will be required to enter into Good Neighbor Agreements to assess and minimize impacts on surrounding neighborhoods due to activities at these facilities. The City and the proposer will define strategies and funding sources to minimize any impacts. The City and proponent will initiate discussions with adjacent neighborhoods and properties over the project and keep affected parties informed over the course of project development and execution.
2. The City will work with Portland Statue University to ensure that changes to PGE Park meet the needs of the university.
3. The City and proponent will strive to find ways to benefit area youth, high school and college sports activities and facilities for both genders and bring attention and support to these activities.
4. There will be no net loss of outdoor athletic fields, park space and/or open space within the neighborhood (s) where the project is developed. The responsibility to mitigate for any impacts on public lands will be the responsibility of the proponent.

5. City goals and requirements for M/W/ESB participation and for Workforce Training and Hiring will apply to the project
6. State Prevailing Wage requirements will apply to project construction activities
7. The City and project proponents will make efforts called for in the Local Business Initiative to promote the growth and economic health of locally based businesses.
8. The City's Fair Wage policy will apply to employees at PGE Park and the new baseball park.
9. The City and proponents will evaluate positive and negative impacts on the community from the project and document the results as part of project planning.

Environmental Principles

1. For any remodeling of existing facilities, every effort will be made to reuse and/or recycle all materials removed from the facilities.
2. The project will strive to meet the City's Green Buildings Policies and will meet a LEED Silver Certification and strive to achieve a LEED Gold Certification.
3. The team owner/stadium operator will commit to implementing sustainable practices for facility management and operations.

MLS Soccer /Triple A Baseball Task Force

Task Force Charge *Revised February 3, 2009*

Financial: Funding

Provide critical review of team financial projections to assess Shortstop LLC's viability as a partner and tenant in City facilities– ask the tough questions, test assumptions behind the projections. Review and comment on analysis of team financial projections by City consultant team.

Provide critical review of financial projections for City's spectator fund – ask the tough questions, test assumptions behind the projections. Review and comment on analysis of City spectator fund projections by City consultant team.

Review and comment first on funding options and strategies to complete the financing of modifications to PGE Park for soccer. Review and comment second on general options for future funding of a new baseball stadium appropriate for Triple A baseball. Preliminary cost estimate is \$85 million which includes the remodel costs for PGE Park and assumes Lents Park – for cost estimating purposes only - as the site for the baseball stadium. Define conditions under which task force would recommend proceeding with each project.

Review and comment on consultant's report on how other MLS facilities have been developed.

Prepare set of findings and recommendations on financial aspects of the PGE remodel phase of the project. Prepare a general set of findings on approaches to financing a new baseball park. Take public testimony on draft findings and recommendations and prepare a final set of findings and recommendations and present to City Council – planned for March 11, 2009.

Financial: Costs

Review and comment on plans and cost estimates for the remodel of PGE Park for MLS play. Identify any additional cost analysis work that should be undertaken to insure cost estimates for PGE Park are comprehensive and accurate, given that final design and engineering work have not been completed. Review and comment on preliminary costs for development of the baseball venue.

Take public testimony on the draft findings and recommendations on the PGE Park remodel and the generic cost estimates for the baseball park. Prepare a final set of findings and recommendations and present to City Council.

Miscellaneous Tasks

Review draft Project Guiding Principles, discuss and amend and supplement based on Task Force discussions.

Consult these principles throughout the work of the Task Force and insure the findings and recommendations of the Task Force are consistent with the principles document.

NOTE: Following submission on the MLS proposal in mid-March, the City would like the TF to evaluate the site options for baseball and provide an evaluation and possible recommendation.

Major League Soccer/Triple A Baseball Project Spectator Fund Projections for 2009-2033

Introduction

Long term financial projections for the Spectator Fund have been developed in order to estimate the capacity of this fund to support the capital costs of the MLS project. Project capital costs would include modifications to PGE Park for MLS soccer and the development of a new Triple A baseball park. In forecasting fund performance out twenty five years an important set of assumptions had to be made in order to complete the forecast.

Key Assumptions

1. The Trail Blazers continue on a successful path and City revenues continue to grow moderately over the long-term from Rose Quarter events. The Trail Blazers extend the current Arena Ground Lease in 2025.
2. Memorial Coliseum (MC) continues to operate and the City enters into a new management agreement with the Trail Blazers under similar terms as the current agreement (current agreement expires in 2013). Modifications to this forecast would need to be made if the MC site was chosen for the baseball park.
3. The City continues to invest \$500,000 (inflated annually) in improvements to MC. Major building systems (plumbing, electrical, HVAC, ice floor) continue to function with minor annual investments.
4. New operating agreements for PGE Park and a new baseball park are entered into and have the following features that exist in the current PGE Park agreement:
 - a. The Operator, Shortstop LLC, pays the City an annual license fee (lease payment) for each facility and a 6% tax on all tickets sold for events in both facilities.
 - b. The operator manages and operates the facilities and covers all operating, maintenance and some repair costs.
 - c. The City is responsible for some level of repairs and is responsible for all capital improvements at the facilities
5. The Spectator Fund Operating Reserve is maintained and added to incrementally each year as program revenues increase.
6. One-third of annual net income from all operations (Rose Quarter, PGE Park and new baseball stadium) are segregated into a Capital Reserve Account to pay for needed

improvements over time to these facilities. (See attached discussion on reserve accounts for more details.)

This analysis makes all net income from the Spectator Fund available for the MLS project after Operating and Capital Reserve Account requirements are satisfied. Consequently, the fund would not be able to contribute to any other project until the debt for the MLS project is retired.

The long-range projections detailed on the attached spreadsheets are qualified by the assumptions detailed above and the following:

Rose Quarter Projections

The attached spread sheet titled “Rose Quarter Projection” provides a 25 year projection of Rose Quarter revenues and expenses.

Revenue Summary

Blazer revenues have grown substantially the past two years due primarily to increased ticket sales and now make up over 40% of City revenues generated in the Rose Quarter. City revenues (6% ticket tax and City parking) from NBA are close are nearing their maximum – i.e. sold out games and full garages. Therefore, revenues are forecast to grow at a modest 3% to account for ticket and parking price increases over time. MC events and non-Blazer events at the Rose Garden are assumed to remain stable and these revenues grow by 3% in this projection.

Expense Summary

Two-thirds of Rose Quarter expenses are bond payments. Outstanding debt on RQ improvements is \$23 million. For 2009, the annual payment is \$2.8 million and annual payments increase by about \$110,000 per year until the debt is fully retired in 2017/2018. The investment in MC (\$500,000 @ year plus inflation) is the second largest expense. Operating costs for City garages and City management and overhead make up most of the remaining expenditures.

Rose Quarter Net Income

The Rose Quarter operations are expected to generate, on average, about \$500,000 in net income per year for the period 2009-2016. Beginning in 2017, the Rose Quarter operation is expected to generate significant net income when existing debt is retired. Beyond 2017, annual net income is expected to exceed \$4 million.

PGE Park/New Baseball Projections

The attached spreadsheet titled “M LS/Triple A Baseball Proposal” provides a 25 year projection of City revenue and expenditures for PGE Park and a new baseball venue.

Revenue Summary

The City revenue projections for MLS at PGE Park and relocated baseball are based on the preliminary proforma provided by Shortstop LLC. Under current assumptions, the current 6% ticket tax would apply to PGE Park and the new baseball park and the operator would pay to the City annual lease amounts for both facilities. In addition, there is the potential to generate parking revenues depending on the site for the new baseball facility.

Based on the Shortstop proforma, the City would see revenue growth from the 6% ticket tax of about \$300,000 per year in the early years of MLS play when compared to current ticket tax revenues from PGE Park. This increase is due to higher attendance and higher ticket prices for MLS games and increased baseball attendance at a right-sized Triple A venue. In addition, Shortstop projections forecast additional concert and exhibition game activities at the two venues. The projections developed by Shortstop forecast a 3 to 4 percent annual increase in gross ticket sales and the Spectator fund projection includes those growth rates.

Under the current agreement for PGE Park, the 2009 License Fee (annual lease) is \$825,000. The Shortstop proforma shows a lease payment for PGE Park of \$1,000,000 in 2011, when the MLS team would begin play. In addition, the City would receive an annual lease payment for the new baseball park. The Shortstop projections include an initial lease payment of \$666,000 in 2011. Shortstop's forecast includes a 3% growth rate for these lease payments. The Spectator Fund projection incorporates this flow of funds to the City for annual lease payments.

The Pacific Coast League has a parking requirement for new Triple A facilities. Until a site is selected, parking developments and potential revenues can not be determined. In order to account for this potential revenue source, the operator has made projections based on a baseball facility in Lents and a revenue sharing agreement between the City and operator. The Shortstop projections include a transfer of parking revenues to the City of approximately \$140,000 per year.

In summary, Major League Soccer and relocated Triple A baseball will generate significant additional income to the fund based on the preliminary team projections and the set of assumptions outlined in this report. In total, this revenue increase is projected to be about \$1.3 million in the initial year and growing at 3%.

Multnomah County on an annual basis transfers funds from the Visitor Development Initiative (VDI) to the City to help pay the debt on the 2001 PGE Park improvements. The transfer for 2009 will be \$1.88 million. The VDI transfer decreases by 4% each year.

Expense Summary

As stated in the assumptions section, this analysis assumes that the new agreements for PGE Park and the new baseball park would require the Operator to pay for all operating and maintenance expenses of the two facilities. The City does incur some operating costs related to the facilities, and the primary expense is in paying off existing bonds.

The City's debt payment for PGE Park improvements is approximately \$3.1 million per year, making up about 90% of City expenses for PGE Park. Currently, \$28.5 million in bonds are outstanding. The bonds will be fully paid off in 2023.

The VDI transfer now pays about 60% of the annual debt payment; the Spectator Fund pays the balance or about \$1.2 million in 2009. The debt payment obligation the City must cover increases by about \$50,000 per year for the near term.

Repairs to the park, capital improvements, property insurance and the City Directed Wage payments make up the balance of annual expenditures. These expenditures increase with the opening of the new baseball venue and \$300,000 in increased operating expenses are forecast.

Note that any new debt obligations incurred by the City for the project are not included in this expenditure summary.

PGE Park/ New Baseball Net Income Summary

Based on this initial forecast, the PGE Park/ New Baseball enterprise produces a modest net income (\$400k to \$500k per year) once MLS play starts in 2011. Net income increases substantially in 2024 once the existing PGE Park debt is paid off.

Spectator Funds Available for Project Financing

The third attached spreadsheet titled "*Spectator Fund Projections - Summary*" summarizes the revenues, expenses and net income projections for all programs within the fund. In keeping with fund reserve policies, annual amounts are transferred to keep the Operating Reserve fully funded and one-third of annual net income is allocated to the Capital Reserve account.

The line titled "Annual Net Income for New Project" shows the annual amounts of net income that could be used to help finance the MLS/Triple A Baseball project. Net income available for the project averages about \$430,000 per year until 2017 when Rose Quarter debt is paid off. For the period 2018-2023 the net income is expected to average about \$3.2 million. For the years beyond 2023, net income increases again as existing PGE Park debt is paid off.

Capital Funding Capacity Estimate

Based on Shortstop team projections and this preliminary forecast of Spectator Fund finances, the fund will have capacity to help finance the MLS/Triple A baseball project. At this time, it is difficult to forecast the financing capacity of Spectator Fund cash flows due to the unprecedented instability in the capital markets. Consequently, this estimate must be viewed as very preliminary and could change significantly as capital markets recover from the 2008 melt down.

The following estimate should be viewed as a “best case” under current market conditions. This estimate assumes that the General Fund is pledged to guarantee repayment of the bonds; the bonds are taxable; all available net income is used for bond repayments, meaning there is no coverage factor; the bond is structured to maximize the financing capacity of the fund cash flows.

The estimate based on the factors summarized above is approximately \$23 million.

Spectator Fund Reserve Accounts Attachment

Operating Reserve Account

The Spectator Fund carries an operating reserve equal to one year's revenue from NBA games and the City's portion of one year's debt service for PGE Park bonds. This reserve account would be drawn on if an NBA, baseball or soccer strike results in the cancellation of games. Damage to the Rose Garden or PGE Park could result in lost revenue to the City and this reserve account would be used to meet expense obligations during such an event.

Spectator Fund debt is backed by the City's General Fund and maintaining this reserve protects the General Fund and insures the Spectator Fund can meet annual expense obligations. Consequently, keeping this reserve account fully funded is the top priority for the allocation of fund net income. The attached spreadsheet titled "Spectator Fund Projections – Summary" shows the activity in this account. The line labeled "Operating Reserve Contribution" shows the annual amount added to the reserve. The "Total Operating Reserve" shows the total amount of dollars in this reserve account in each year of the forecast period.

Capital Reserve Account

The Spectator Fund maintains a capital reserve to be able to cash finance major repairs and improvements to the City's spectator facilities. Historically, this reserve has been in the \$3-4 million range. Two years ago, based on cost estimates to modernize the systems within Memorial Coliseum, a capital reserve goal of \$10 million was established.

The recent lean years for the Blazers and the early struggles at PGE Park have precluded the build-up of the capital reserve and, in fact, the reserve has been reduced to \$2.4 million in the 2009 budget. For financial planning purposes, one-third of annual net income amounts are being transferred to this capital reserve account in this forecast. The attached spreadsheet titled "Spectator Fund Projections – Summary" shows the activity in this account. The line labeled "Capital Reserve Contribution" shows the annual amount added to the reserve. The "Total Capital Reserve" shows the accumulation of funds in this reserve account over the years.

Over the 25 years of this forecast, significant investments in City spectator facilities will likely be needed. These facilities now include Memorial Coliseum, PGE Park, parking garages at the Rose Quarter, and the public plaza in the Rose Quarter. The development of a new baseball park would add to the facilities inventory. In addition, there is the potential for the Rose Garden to become a City owned facility, should the Blazers choose to not extend the Arena Ground Lease in 2025.

By way of example, in the past three years about \$25 million has been spent on Rose Garden improvements by the Trail Blazers. In 1982, then Civic Stadium received a \$9.5 million upgrade and in 2001 another \$35 million was spent on PGE Park. A major reinvestment program in Memorial Coliseum has not occurred since the building opened nearly fifty years ago. Plumbing, electrical, HVAC, ice floor, etc are original systems. A major upgrade to these

systems alone would cost up to \$10 million. It would, therefore, be prudent for the fund to build-up the Capital Reserve account.

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Major League Soccer/Triple A Baseball Project Background Document on Spectator Fund

Introduction

The Spectator Fund is a financial fund of the City, separate from the General Fund. All revenues and expenses for PGE Park and the City's business interests in the Rose Quarter are segregated in this fund. The Spectator Fund is expected to be self-supporting and does not receive general tax dollars to support its operations.

Rose Quarter

Background

Beginning in 1992, the City and Oregon Arena Corporation, a Trail Blazers subsidiary, entered into a series of agreements for the development of the Rose Garden arena, creation of the Rose Quarter campus (plazas, transit hub, and new streets), development of City-owned parking structures and for the remodeling of Memorial Coliseum. (A new Trail Blazers subsidiary, Rip City Management is now the operating entity for the Rose Quarter.)

The City provided most of the land for the project. The City's financial contribution to the project totaled \$44 million and included Memorial Coliseum improvements, plaza and street construction, development of two City parking garages, staff and consulting costs, and interim financing costs. Direct investment in public facilities totaled \$37 million.

OAC contributed approximately \$230 million (84%) towards the project and managed all design and construction work for the project. The Rose Garden is owned by the Trail Blazers organization.

Summary of Agreements and Business Terms

Development Agreement – provided the framework for project financing and construction. Includes authority for City user fee of 6% on all tickets sold for Rose Quarter events. This agreement also grants certain development rights to OAC for public parcels in the Rose Quarter. This agreement has a thirty year term (expires in 2023) and may be extended by Rip City for three ten year terms.

Memorial Coliseum Agreement – under this agreement Rip City manages and operates the MC. Operating losses are covered by Rip City and profits are shared – 40% for Rip City and 60% to the City. Most years MC loses money, and over the past five years, losses have averaged \$175,000. This agreement runs through June 30, 2013 and Rip City may elect to extend for two five-year terms.

Ground Leases (Arena, Entertainment Complex, Plaza) – These leases allowed OAC to construct the project elements on City owned properties. Minor lease payments are made under these leases. The primary payment to the City for use of City property is the 6% user fee.

Parking Agreement – Under this agreement Rip City operates the City garages. The City reimburses Rip City Management for operating expenses and all revenue comes to the City.

Rose Quarter Debt

The outstanding principal on Rose Quarter debt stands at \$23 million. The annual payments increase each year and have averaged about \$2.5 million per year over last five years. Rose Quarter debt is fully paid off in 2017.

Recent Financial Performance

The attached financial table, Rose Quarter History, shows revenues, expenses and net income for the past five fiscal years. Net income has ranged from a low of \$153,400 in 2005 to a high of \$1,055,069 last fiscal year. The five year average is a positive \$572,000.

Trail Blazer ticket tax and parking revenues are the largest component of Rose Quarter revenues, making up over 40% of total revenues

PGE Park

Background

In 2001, then Civic Stadium underwent a \$40 million renovation and the City entered into a long-term agreement with Portland Family Entertainment (PFE) under which PFE was obligated to operate the facility and was required to obtain a Triple-A baseball team and a professional soccer team. PFE contributed \$5 million to the capital fund. In late 2003, the PFE agreement was terminated due to the non-payment of monies owed the City.

In 2004 and 2005 the teams and PGE Park were operated by the Pacific Coast League (PCL) under one year agreements with the City.

In 2006, a new multi-year agreement was entered into with the Pacific Coast League. The league subsequently sold the teams to a California-based ownership group which assumed the agreement with the City. The current owner, Shortstop LLC, purchased the business in the spring of 2007.

Summary of Agreement and Business Terms

The term of the current agreement began January 1, 2006 and ends on December 31, 2010. At the sole discretion of the Operator, the agreement can be extended through 2012 at terms specified below.

The operator pays an annual License Fee (Rent) to the City as follows:

| | | | | | |
|------|-----------|------|-----------|------|------------------|
| 2006 | \$700,000 | 2009 | \$825,000 | 2012 | <i>\$900,000</i> |
| 2007 | \$775,000 | 2010 | \$850,000 | | |
| 2008 | \$800,000 | 2011 | \$875,000 | | |

The License Fee is secured by an annual letter of credit in the amount of the annual License Fee. The letter of credit also covers the Past Due Payment. The City can draw on the letter of credit in any year if there is a non-payment of a license fee or past due payment.

The City receives 6% of all ticket revenues for events at the park. For Portland Beavers and Portland Timbers regular season games only, there is an annual guaranteed fixed payment based on projections for the ticket tax. The standard 6% ticket tax applies to all other ticketed events held at the park.

The annual guaranteed payments for Beavers and Timbers regular season games are as follows:

| | | | | | |
|------|-----------|------|------------------|------|------------------|
| 2006 | \$175,000 | 2009 | \$190,000 | 2012 | <i>\$205,000</i> |
| 2007 | \$180,000 | 2010 | \$195,000 | | |
| 2008 | \$185,000 | 2011 | <i>\$200,000</i> | | |

A portion of what was owed to the City after the PFE default in late 2003 is being recouped under the current Operating Agreement as follow:

| | | | |
|------|-----------|------|-----------|
| 2006 | \$60,000 | 2009 | \$125,000 |
| 2007 | \$90,000 | 2010 | \$292,000 |
| 2008 | \$100,000 | | |

The Operator is responsible for all operating and maintenance costs as specified in the Operating Agreement. The City is financially responsible for capital improvements necessary to maintain the facility in proper operating condition.

By addendum to the agreement, the City pays a wage supplement (called City Directed Wage) to direct employees of the operator who make less than the City's Fair Wage. The difference between the employee's normal wage rate and the City's established Fair Wage rate is paid bi-weekly by the City to Shortstop. For calendar year 2007, the City paid approximately \$150,000 to Shortstop, LLC employees that earn less than the City Fair Wage rate.

PGE Park Debt

The City's debt payment for PGE Park improvements is approximately \$3.1 million per year. In 2007, \$2 million of the debt was paid by the Visitor Development Initiative (VDI) and the City's Spectator Fund paid \$1.1 million. The City's share grows by 4% annually over the life of the debt and the VDI transfer to the City is reduced by 4% each year. Currently \$28.5 million in bonds are outstanding. The bonds will be fully paid off in 2023.

Recent Financial Performance

The attached financial table, PGE Park History, shows the revenues and expenses for the past five fiscal years. PGE Park revenues do not cover City costs resulting in a significant annual deficit, even with the annual VDI transfer of \$2 million. In 2003, PFE was behind in required payments to the City and subsequently went out of business. In 2004 and 2005, the teams and facility were operated by the PCL under difficult circumstances. Revenues to the City reflected the precarious state of the teams and stadium operations.

Under the current agreement, revenues are significantly higher when compared to 2003-2005. Losses before capital expenses have declined and continue to decline. Over the five years in this analysis, the operating deficit has averaged around \$400,000 per year.

City capital costs are the only significant variable on the cost side. The large loss in 2006 is due to the replacement of the scoreboard (\$500,000+). The \$1.3 million loss in 2008 is due to the \$1 million project to replace the artificial turf.

Spectator Fund Summary

A recap of the overall Spectator Fund performance can be seen at the bottom of the Rose Quarter financial table. The cash balance of the fund has been reduced by about \$1 million over the past five years and stood at \$6.6 million as of June 30, 2008. Capital costs at PGE Park were a major factor in the 11% deterioration in fund balance.

| | Rose Quarter History | | | | |
|-------------------------------|-----------------------------|-------------------|------------------|------------------|------------------|
| | <u>2003-04</u> | <u>2004-05</u> | <u>2005-06</u> | <u>2006-07</u> | <u>2007-08</u> |
| | <u>Results</u> | <u>Results</u> | <u>Results</u> | <u>Results</u> | <u>Results</u> |
| Fund Revenues | | | | | |
| User Fees | 2,982,979 | 2,835,970 | 2,832,910 | 2,704,551 | 3,277,312 |
| Parking Fees | 1,072,431 | 1,000,412 | 1,078,178 | 1,087,161 | 1,212,340 |
| Rents and Reimbursements | 20,515 | 307,817 | 9,841 | 85,464 | 10,751 |
| Interest | 143,442 | 210,022 | 293,104 | 403,236 | 352,311 |
| Plaza | 68,151 | 64,793 | 65,951 | 57,510 | 53,875 |
| Sale of Assets | 0 | 0 | 0 | 0 | 647 |
| Bond Sales/PCPA | 0 | 30,101,935 | 0 | 0 | 711,375 |
| Total Revenues | 4,287,518 | 34,520,949 | 4,279,984 | 4,337,921 | 5,618,611 |
| Fund Expenses | | | | | |
| Debt Service | 2,864,348 | 32,965,162 | 2,443,555 | 2,530,848 | 2,721,651 |
| Professional Services | 111,317 | 300,135 | 12,010 | 36,274 | 0 |
| Capital Outlay | 97,456 | 27,864 | 0 | 175,273 | 0 |
| Internal Services | 315,104 | 344,290 | 312,271 | 228,844 | 212,245 |
| General Fund Overhead | 41,491 | 79,805 | 99,145 | 15,473 | 35,259 |
| Other Cash Transfers | 268,009 | 90,000 | 97,733 | 107,193 | 109,120 |
| Miscellaneous Services | 136,394 | 184,706 | 208,551 | 4,932 | 768,195 |
| Other External Services | 95,464 | 89,047 | 207,658 | 839,237 | 852,424 |
| Miscellaneous | 397 | 286,540 | 5,580 | 806 | 14,022 |
| Total Expenses | 3,929,980 | 34,367,549 | 3,386,503 | 3,938,880 | 4,712,916 |
| Rose Quarter Gain/Loss | 357,538 | 153,400 | 893,481 | 399,041 | 905,694 |
| Total Fund Revenue | 6,758,775 | 37,344,740 | 7,195,643 | 7,435,576 | 8,783,873 |
| Total Fund Expenses | 7,341,192 | 37,684,133 | 7,246,395 | 7,461,249 | 9,263,108 |
| Fund Net | (582,417) | (339,393) | (50,752) | (25,673) | (479,236) |
| Prior Audit Correction | 0 | 0 | 0 | 400,097 | 0 |
| Fund Balance | 7,069,721 | 6,730,328 | 6,679,577 | 7,054,001 | 6,574,765 |

| | PGE Park History | | | | |
|---------------------------|-------------------------|------------------|------------------|------------------|--------------------|
| | <u>2003-04</u> | <u>2004-05</u> | <u>2005-06</u> | <u>2006-07</u> | <u>2007-08</u> |
| | <u>Results</u> | <u>Results</u> | <u>Results</u> | <u>Results</u> | <u>Results</u> |
| Fund Revenues | | | | | |
| User Fees | 165,807 | 259,660 | 186,295 | 220,363 | 262,260 |
| Rents and Reimbursements | 120,180 | 391,545 | 624,333 | 814,750 | 883,250 |
| VDI Revenue | 2,155,412 | 2,117,728 | 2,075,173 | 2,032,684 | 1,989,895 |
| Interest | 29,858 | 29,858 | 29,858 | 29,858 | 29,858 |
| Sale of Assets | 0 | 25,000 | 0 | 0 | 0 |
| Total Revenues | 2,471,257 | 2,823,791 | 2,915,659 | 3,097,655 | 3,165,263 |
| Fund Expenses | | | | | |
| Debt Service | 3,133,055 | 3,134,380 | 3,132,405 | 3,132,105 | 3,132,711 |
| Professional Services | 137,247 | 18,758 | 403 | 981 | 0 |
| Internal Services | 16,320 | 35,695 | 45,994 | 30,770 | 36,835 |
| Miscellaneous Services | 102,855 | 4,740 | 116,009 | 200,629 | 281,951 |
| Other External Services | 0 | 3,538 | 95,429 | 52,333 | 227,183 |
| Other Cash Transfers | 20,000 | 40,000 | 0 | 0 | 0 |
| Miscellaneous | 1,734 | 79,472 | 6,599 | 0 | 0 |
| Capital Outlay | 0 | 0 | 463,052 | 105,551 | 871,512 |
| Total Expenses | 3,411,212 | 3,316,583 | 3,859,893 | 3,522,369 | 4,550,192 |
| PGE Park Gain/Loss | (939,955) | (492,792) | (944,233) | (424,714) | (1,384,929) |