

MLS /Triple A Baseball Task Force
Meeting Notes #6
February 10, 2009

The meeting started with a discussion of the double meeting on February 24. The task force will hold a regular session from 4:00 to 5:30 and will take public comment from 6:00 to 7:30.

Chair Maser mentioned that in order to complete discussions on task force findings and recommendations, we should consider extending the meetings on Feb 17 and March 3 somewhat. March 3 is the final meeting for the task force to complete its report to City Council.

The primary agenda item was a presentation on Shortstop's team financial projections by HVS consultants. A primary question is: Would Shortstop be a successful partner in a landlord/tenant arrangement with the City? Chair Maser gave the bottom line when he said "all we want to know is if they can pay the rent"? To help the task force understand the finances of the teams and assess the viability of Shortstop LLC, HVS gave a presentation regarding the expected revenues and expenses if the project goes forward.

The presentation used projections for revenue and expenses provided by Shortstop and analyzed by HVS. The analysis covered both MLS and Triple A Baseball. .

In general, the projected revenue and expenses seemed in-line with what should be expected, or what other MLS and Triple A teams generate. The state of the economy will likely affect certain revenue sources including stadium naming rights, team jersey sponsorship and general sponsorship and advertising resources. Achieving projected financials requires a skilled operator that can successfully market the business and control costs. Continuation of recent improvements in the finances of MLS will also be necessary to achieve financial goals.

It is likely that baseball will be more successful in a smaller stadium due to the smaller overhead and the increased intimacy of the stadium.

It as noted that only three MLS teams are currently making money. It was important to the task force to know about the ability of Shortstop LLC to handle potential losses. HVS expressed some concerns over certain revenue estimates including club seat sales and exhibition and other non-team events. These are somewhat unpredictable and can not always be secured. HVS opined that MLS ticket sales projection were somewhat conservative and could be exceeded.

A copy of the PowerPoint presentations will be sent to all task force members.

A frequent concern for the task force has been the unanswered question of why PFE failed. Staff gave a summary of some of the factors that may have contributed to PFE's failure. Some of the factors may have been that PFE was a startup partnership; had a short timeframe to acquire professional soccer and baseball teams; were responsible for overseeing the renovation of PGE Park; lacked cost control mechanisms as a start-up; the partnership was undercapitalized and borrowed too much money to underwrite the business.

When PFE went under the City was owed \$2.3 million. \$800,000 of that amount is being recovered through arrangements in subsequent agreements for net revenue loss to the City of \$1.5 million. The City continues to meet all debt service payments on the \$35 million in bonds from hotel taxes and revenues from the Spectator fund.

The existing cost to service PGE Park debt is accounted for in the fund projections reviewed at the January 20 meeting of the task force. .

The task force had a few other questions before the meeting closed. They wanted more detail about the number and type of jobs that will be created from this project. Because most of the focus has been on the financial implications the task force also wanted to know about how doing this project will benefit the community and how the MLS WORKS project will play a role in accomplishing this. These questions will be answered at the next meeting.

Also the task force wanted an outline of how Portland Parks and Recreation felt about the proposed project. There is a possibility that they will ask the City to consider sites that are not currently designated as public land for building a new stadium.

The last question asked was how the Lents neighborhood felt about the project proposal. Cora Potter, the representative from Lents, stated the most of the opinion in Lents was positive. The residents just want assurances about the ability of the project to handle traffic, parking and trash. These issues are typically addressed in good neighbor agreements when any large project is under consideration.