

July 6, 2015

CITY COUNCIL AGENDA MEMORANDUM

SUBJECT

Resolution No. 8945 authorizing execution of a Funding Agreement with KidsQuest Children's Museum in the amount of \$2,000,000 from the Community Partnership Project (CIP Plan No. P-AD-99) in the 2015-2016 General Capital Investment Program (CIP) Budget.

FISCAL IMPACT

This action would expend \$2,000,000 specifically earmarked for the purpose of providing funding in response to a request from this cultural arts organization. The monies were set aside in the 2015-2021 General CIP Budget by Council in CIP Plan No. P-AD-99 (Partnership Projects). Since the recommendation for this organization involves phased payments based upon meeting certain conditions, the fiscal impact may be spread out over several months of the 2015-2016 Budget period.

STAFF CONTACTS

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POLICY CONSIDERATION

In order to qualify for the earmarked funds, each cultural arts organization is required to demonstrate that it is able to meet the Council's investment principles. Staff's analysis was presented to Council on June 15, 2015 along with a draft proposed Funding Agreement.

BACKGROUND

As you will recall, a number of funding requests from local organizations were made to Council during the 2015-2016 Budget process in late 2014. Council had previously adopted a set of guiding principles for distribution of \$4.5 million set aside for similar funding requests as an earmark for cultural arts in the 2007-2008 biennial budget. For the 2015-2016 budget, Council created a Community Partnership CIP line item with \$3.5 million set aside for this new round of funding requests, but did not give direction on whether to continue to apply the guiding principles used for cultural arts organization funding requests. However, because the guiding principles incorporate the state constitutional test for avoiding gifts of public funds, and because KidsQuest is a cultural arts organization, staff recommended once again using those principles to guide the terms of a proposed funding agreement. Council agreed to that proposal on June 15, 2015 when directing that the draft funding agreement be finalized and brought forward for Council approval. Those principles are as follows:

Principles to guide investment:

- Must have a sustainable long-term financial model, including strong private sector financial commitment.
- Must clearly define public benefit to be received in exchange for investment (for example, ownership interest in an asset, scholarships, public access to the facility at low or no cost to low income and disabled persons).
- Should provide for City involvement in financial oversight.
- Must be an investment in a facility, or for support of the operation of the facility. Cannot fund fund-raising activities.

As noted above, on June 15, 2015 staff presented their analysis of KidsQuest's ability to meet the funding principles and recommendation to Council that the Funding Agreement with Kidsquest be finalized and brought forward for Council approval. Staff believe KidsQuest has demonstrated that it meets the Council's funding principles. This Funding Agreement will supersede and replace the existing Amended Funding Agreement from 2007, and will provide up to \$2 million in reimbursement for capital expenditures on the construction of new exhibits at KidsQuest's new facility, the former Rosalie Whyel Doll Museum. In exchange for the City's investment in this new facility, the City will receive security interests in the new exhibits and KidsQuest has committed to providing up to \$100,000 per year in free and reduced cost access to low income children and their families for admission and programs at the Museum for a period of 20 years. As with prior funding agreements, KidsQuest also has committed to providing the City with access to financial records to document continuing financial viability as well as compliance with the requirement to provide access to low income and disabled children and their families.

OPTIONS

1. Adopt the Resolution directing the City Manager or his designee to execute the KidsQuest Funding Agreement.
2. Do not adopt Resolution and provide alternate direction.

RECOMMENDATION

Option 1.

MOTION

Move to adopt Resolution No. 8945 directing execution of the KidsQuest Funding Agreement.

ATTACHMENTS

KidsQuest 2015-2025 Funding Agreement
Exhibit A – Reimbursement Documents
Exhibit B – Valuation and Life Cycle of Secured Assets
Exhibit C – Insurance Requirements
Proposed Resolution