

CITY COUNCIL REGULAR SESSION

Resolution authorizing execution of a funding Agreement with Pacific Northwest Ballet (PNB) (and other necessary associated agreements, if any) in annual increments of \$100,000 for five years beginning in 2018 with PNB committing to specified community cultural services for the 2018-2028 term of the Agreement. The executed Agreement shall be substantially in the form of the Agreement in the Council Library.

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EXECUTIVE SUMMARY

Adopting this Resolution approves a funding Agreement with PNB which will insure continued and increased access to PNB programming by low income families, seniors and persons with disabilities while at the same time providing the City with a security interest in certain assets of the PNB. City funding shall be used exclusively for reimbursement of costs incurred by PNB relating to the design, engineering, and construction of the Francia Russel Center.

RECOMMENDATION

Move to adopt Resolution No. 9515
If approved, effective date: 12/10/2018

BACKGROUND/ANALYSIS

As early as 2004, Council had the vision for Bellevue to be the cultural hub of the eastside. Council worked with the Arts Commission to develop and adopt the Cultural Compass, Bellevue's cultural plan. The plan set out to develop Bellevue's cultural sector so that it reached adulthood by 2015, emphasizing strengthening arts and cultural organizations, developing a mix of cultural facilities, and generating a mix of stable and sustainable public and private funding mechanisms. Council reaffirmed this vision in 2014 with their update Council Vision and recognizes the role of culture in making "great places where you want to be" in Bellevue. Council's vision focuses City efforts on "supporting cultural strengths including arts, heritage, and culture," in addition to parks, recreation, and community events.

In late 2017, three arts organizations, including PNB, requested funds from the City during the 2017-2018 Mid-biennial budget process. In response to those requests, Council established the Arts and Culture Fund within the 2017-2023 General Capital Investment Program (CIP) (CIP Plan No. G-112),

funded with \$200,000 per year from 2018 through 2022, for a total of \$1 million. Further, the recently adopted 2019-2025 General CIP continued funding for this project, adding an additional \$200,000 for the years 2023 through 2025, bringing the new total up to \$1.6 million. In 2017 Council also directed staff to evaluate the requests from these organizations and return to Council with those evaluations.

Previously, in 2007 Council adopted a set of guiding principles for distribution of \$4.5 million set aside as an earmark for cultural arts. These principles have been used since that time to guide Council's investments in cultural arts and community partnerships as follows:

- 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; and
- Must be an investment in a facility, or for support of the operation of the facility. Cannot fund fund-raising activities.

PNB requested \$500,000 (\$100,000/year for five years) during the 2017-2018 Mid-biennial budget process. The purpose of the PNB request is to seek reimbursement for capital improvements expended as a result of the ballet school being required to relocate to facilitate the Eastlink Light Rail project. Although Sound Transit did pay relocation costs to PNB for this project, the organization took the opportunity to expand and upgrade its teaching and performance spaces and include additional meeting rooms in the new location. As a result, the cost of the new facility was greater than what Sound Transit was obligated to pay for the relocation. PNB engaged in a fund-raising campaign to close the gap—the funds requested from the Arts and Culture Fund within the CIP will help to retire that debt.

In terms of the Council's Investment Guidance Principles:

Long Term Financial Sustainability: Staff have been provided access to financial information from PNB in order to assess whether they meet the principle of long-term financial sustainability. PNB is a financially healthy organization. The organization has established an endowment fund for long-term sustainability. While PNB has an open line of credit, it is accessed only periodically such as during the recession and when the construction of the new Bellevue dance school was underway, and currently carries no outstanding balance. Their business model provides 75 percent of their income from earned sources, with robust private sector financial commitments.

Public Benefit: PNB proposes to offer public benefit through a variety of programming which aims to provide access to its facilities, services and programming by low income, disadvantaged and disabled children, adults and families through reduced fees, scholarships and free admission to performances in an amount totaling not less than \$50,000 per year for the duration of this agreement.

City Financial Oversight: PNB has agreed to financial reporting for the lifetime of the funding agreement entered into, which is substantially similar to other similar agreements. That oversight would involve:

- Access to their financial records on demand by the City;
- Direct work with the City's Finance department to ensure that the City's investment in their programming and facilities is appropriately managed, including interactive sessions regarding revisions to internal financial controls where appropriate;
- Provision on a quarterly basis copies of Balance Sheets, Statement of Cash Flows and Profit & Loss Statement (Budget versus Actual); and
- Provision on an annual basis an Independent Auditor's Report, an Independent Auditor's Management Letter, a copy of their IRS Form 990 (Return of Organization Exempt from Tax) and Updated three-year projections.

No Fundraising Activities: PNB in compliance. See above for use of City's funds.

POLICY & FISCAL IMPACTS

Policy Impact

This funding request is supported by the following adopted City policies in the Comprehensive Plan and the Cultural Compass, the City's adopted cultural plan, that support nonprofit arts organizations and public investment in private cultural facilities.

Comprehensive Plan:

ED-14. Recognize the economic development benefits of city and private sector investments in urban amenities like arts and culture, open space and recreational facilities, and high quality urban design. Strengthen the city's assets in these areas as an explicit component of the city's economic development strategy.

PA-8. Develop partnerships with other public agencies and the private sector to provide parks, open space, and cultural and recreation facilities in the city.

PA-11. Encourage privately funded recreational and cultural facilities throughout the city, especially in major employment centers.

PA-24. Collaborate with school districts and private and non-profit providers to deliver a coordinated array of recreation, athletic instruction, arts, gathering spaces and community services.

UD-15. Support and encourage the development of a wide array of cultural facilities throughout the city and the Eastside through local and regional strategies.

UD-19. Support artists and arts groups working in the community through city programs and private partnerships.

UD-20. Support and encourage the development of affordable space for artists and arts groups to practice, create, teach, perform, and present their art.

Cultural Compass:

GOAL 1. Strengthen Bellevue's arts and cultural organizations and opportunities for artists, both professional and avocational.

GOAL 5. Develop a mix of flexibly designed, quality visual and performing arts spaces to serve Bellevue and Eastside organizations, artists, and residents.

GOAL 7. Develop a mix of stable and sustainable public and private sector funding and support mechanisms to strengthen Bellevue's arts and cultural sector.

Fiscal Impact

The City of Bellevue will provide PNB with annual funding of \$100,000 for the first five years of the agreement. The funds will come from the 2017-2023 General CIP (CIP Plan No. G-112 "Arts and Culture Fund") which contained \$200,000 in each year from 2018-2022. Further, the recently adopted 2019-2025 General CIP Plan has continued funding for this project by adding an additional \$200,000 for each year from 2023 through 2025. PNB has committed to providing at least \$50,000 a year in programming services to low income, disadvantaged and disabled children, adults and families through reduced fees, scholarships and free admission to performances for the ten-year term of the agreement. Additionally, the City has a security interest in certain equipment and fixtures of PNB whose estimated value is \$691,000.

OPTIONS

1. Adopt the Resolution authorizing execution of a funding Agreement with Pacific Northwest Ballet (PNB) (and other necessary associated agreements, if any) in annual increments of \$100,000 for five years beginning in 2018 with PNB committing to specified community cultural services for the 2018-2028 term of the Agreement. The executed Agreement shall be substantially in the form of the Agreement in the Council Library.
2. Do not adopt the Resolution and provide alternative direction to staff.

ATTACHMENTS & AVAILABLE DOCUMENTS

A. CIP Project Description (G-112)
Resolution No. 9515

AVAILABLE IN COUNCIL LIBRARY

Funding Agreement with PNB substantially in the form of the Agreement to be executed by the parties