

CITY COUNCIL REGULAR SESSION

Resolution authorizing execution of an Amendment to an existing funding Agreement with KidsQuest Children's Museum (KidsQuest) for \$2,000,000 and adds an additional \$500,000 in annual increments of \$250,000 for two years beginning in 2019 with KidsQuest committing to specified community cultural services for an additional five years to the existing 20-year term of the agreement for a total of 25 years from the date of initial execution or approximately until 2040. The executed Amended Agreement shall be substantially in the form of the Amended Agreement in the Council Library.

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Kathy Gerla, City Attorney, 452-7220

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City Attorney's Office

EXECUTIVE SUMMARY

Adopting this Resolution approves an amendment to a funding Agreement with KidsQuest that will provide public benefits by ensuring continued and increased access to museum programming for low income children and families while at the same time providing the City with a security interest in certain assets of KidsQuest. City funding shall be used exclusively for reimbursement of costs incurred by KidsQuest relating to the design, engineering, and construction of the project and exhibits.

RECOMMENDATION

Move to adopt Resolution No. 9659

If approved, effective date: 09/16/2019

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 updated 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.

During the 2017-2018 Mid-biennial Budget process, three arts organizations, including KidsQuest, requested funding support from the City. In response to those requests Council established the Arts and Culture Fund (CIP Plan No. G-112), funded with \$200,000 per year, for a total of \$1 million and

directed staff to evaluate the requests from these organizations and return to Council with recommendations.

In 2007, Council adopted a set of guiding principles for investments in community cultural arts facilities. These principles have been used since that time to guide City investments in cultural arts and community partnerships and provide as follows:

1. Must have a sustainable long-term financial model, including strong private sector financial commitment;
2. 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);
3. Should provide for City involvement in financial oversight; and
4. Must be an investment in a facility, or for support of the operation of the facility. Cannot fund fund-raising activities.

The purpose of the KidsQuest request is for capital improvements related to the recent purchase and renovation of the former Rosalie Whyel Doll House Museum as their new and permanent home in Bellevue. After moving into the new building, KidsQuest realized the need for additional improvements to accommodate children with neuro-diversity and autism—the funds requested from the City's Cultural Arts CIP will help to defray these costs.

In response to the Council's Investment Guidance Principles:

Long Term Financial Sustainability: Staff have been provided access to financial information from KidsQuest to assess whether they meet the principle of long-term financial sustainability. KidsQuest has taken several strong financial steps with restructuring their debt as well as securing additional public funding from Washington State and King County.

Public Benefit: By relocating and expanding its facilities, which opened in February 2018, KidsQuest increased public accessibility to arts, science and technology geared towards children and contributed to the attractiveness and economic vitality of downtown Bellevue. In 2018 alone, KidsQuest offered free or reduced admissions to over 5,000 visitors.

City Financial Oversight: KidsQuest has agreed to financial reporting for the lifetime of the funding agreement, which will be substantially similar to that provided in ongoing agreements with other groups. That oversight would involve:

- Access to their financial records on demand by the City;
- Direct work with the City's Finance and Asset Management 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 monthly basis of copies of financial information, including Balance Sheets, Statement of Cash Flows and Profit & Loss Statement (Budget versus Actual); and
- Provision on an annual basis of 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: KidsQuest is in compliance. See above for use of City's funds.

POLICY & FISCAL IMPACTS

Policy Impact

These funding requests are 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 KidsQuest with annual funding of \$250,000 for two years beginning in 2019, totaling \$500,000. Sufficient funds exist in the 2019-2025 Capital Investment Program (CIP) through the Arts and Culture Fund (CIP Plan No. G-112) to fund this agreement. KidsQuest has committed to providing at least \$100,000 a year in programming services to low income, disadvantaged and disabled children, adults and families through free and reduced admissions to the museum for the 25-year term of the agreement. The City will ensure the services are provided through the museum's regular reporting. Additional guarantees are provided through the City's security interests in various exhibits.

OPTIONS

1. Adopt the Resolution authorizing execution of an Amendment to an existing funding Agreement with KidsQuest Children's Museum (KidsQuest) for \$2,000,000 and adds an additional \$500,000 in annual increments of \$250,000 for two years beginning in 2019 with KidsQuest committing to specified community cultural services for an additional five years to the existing 20-year term of the agreement for a total of 25 years from the date of initial execution or approximately until 2040. The executed Amended Agreement shall be substantially in the form of the Amended Agreement in the Council Library.
2. Do not adopt the Resolution and provide alternative direction to staff.

ATTACHMENTS & AVAILABLE DOCUMENTS

Proposed Resolution No. 9659

AVAILABLE IN COUNCIL LIBRARY

Amended Funding Agreement with KidsQuest