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| 57  | 1      | A      | 1       |

**Budget Action Title:** Pass C.B. 117614 -- Seattle Center Interfund Loan Extension Ordinance

**Councilmembers:** Budget Committee

**Staff Analyst:** Sara Belz

**Council Bill or Resolution:** C.B. 117614

| Date |         | Total | SB | BH | TR | RC | TB | NL | JG | SC | MO |
|------|---------|-------|----|----|----|----|----|----|----|----|----|
|      | Yes     |       |    |    |    |    |    |    |    |    |    |
|      | No      |       |    |    |    |    |    |    |    |    |    |
|      | Abstain |       |    |    |    |    |    |    |    |    |    |
|      | Absent  |       |    |    |    |    |    |    |    |    |    |

**Budget Action description:**

This green sheet recommends passage of C.B. 117614, which would increase the value of Seattle Center’s current loan from the City’s Consolidated Cash Pool from \$3 million to \$3.5 million and extend the term of the loan by an additional five years, to December 31, 2017. Approval is necessary in order to keep Seattle Center in a positive cash position and in compliance with codified City loan policies. Passage of C.B. 117614 would have no effect on the projected revenues and expenditures included in the 2013-2014 Proposed Budget for Seattle Center.

**Background:**

In June 2011, the City Council passed Ordinance 123644, which authorized a \$3 million loan to Seattle Center from the City’s Consolidated Cash Pool. The legislation specified that full repayment of the loan would be due by no later than December 31, 2012. The loan was intended to place Seattle Center in a positive cash position after some of its 2010 and 2011 collected revenues fell short of budgeted amounts. Some of the factors contributing to Seattle Center’s financial challenges included the following:

- Nonpayment of rent by nonprofit tenants affected by the economic downturn;
- Loss of title sponsorship revenue for KeyArena; and
- Reduced rent revenues for the portion of the campus previously occupied by the Fun Forest. (These revenues increased when the Chihuly exhibition opened to the public in the spring of 2012.)

During the 2012 budget process, the Council passed a Statement of Legislative Intent (SLI) that called on Seattle Center to work with the City Budget Office to develop a repayment plan for the interfund loan and provide updates to the Council on repayment progress. The repayment plan was delivered to the Council in April 2012 and the first of two repayment progress reports was submitted in

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September. The second progress report is due by December 31.

In its responses to the SLI, Seattle Center has made clear it will not be in a position to repay its loan by the end of the 2012 calendar year. And, in addition to the \$3 million already borrowed, the loan repayment progress report presented to the Council in September projects Seattle Center will end 2012 with a budget shortfall estimated at \$420,000, including \$262,000 that would be set aside for the McCaw Hall reserve fund. This expected shortfall is due to the negotiated write-off of a portion of the Seattle Children's Museum's accumulated back rent (approved by the Council via Ordinance 123791), expenses related to The Next 50 celebration, costs associated with rebranding and bringing multiple new vendors to the Armory, and other expenditures that were not accounted for in the 2012 Adopted Budget.