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Greg Shiring  
CEN Cash Flow Loan ORD  
October 8, 2012  
Version #2

**CITY OF SEATTLE**  
**ORDINANCE \_\_\_\_\_**

COUNCIL BILL 117614

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AN ORDINANCE relating to the Seattle Center Department; amending Ordinance 123644 to increase and extend the term of an interfund loan to the Seattle Center Operating Fund; and ratifying and confirming certain prior acts.

WHEREAS, Seattle Municipal Code Section 5.06.030.C requires City Council approval by ordinance of any interfund loan of a duration of more than 90 days; and

WHEREAS, due to current economic conditions, Seattle Center's cash receipts are not sufficient to maintain a consistently positive cash balance in the Seattle Center Operating Fund and will require an interfund loan for a period of longer than 90 days; and

WHEREAS, the Seattle Center Operating Fund is a special revenue fund, receiving some of its funding from the General Subfund; and

WHEREAS, in the normal course of business the City may temporarily lend cash between funds to maintain required balances; NOW, THEREFORE,

**BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:**

Section 1. Sections 1 and 3 of Ordinance 123644, which authorized an interfund loan to be repaid by December 31, 2012, are amended as follows:

Section 1. A loan of not more than ~~(((\$3))~~ \$3.5 million of principal and interest outstanding at any one time is hereby authorized to be made from the City's Consolidated (Residual) Cash Pool, or its participating funds, to the Seattle Center Operating Fund ~~((((11410)))~~ (11400), and / or any of the funds, subfunds and reserve funds designated as part of the Seattle Center Operating Fund. This loan is to be repaid no later than December 31, ~~((2012))~~ 2017, with interest on the loan at the rate of return of the City's Consolidated (Residual) Cash Pool.



\* \* \*

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2                   Section 3. The Director of Finance may effectuate the loan authorized in Section 1  
3 by transferring cash from one or more of the funds participating in the City's  
4 Consolidated (Residual) Cash Pool to the Seattle Center Operating Fund, or by carrying  
5 the Seattle Center Operating Fund in a negative cash position in an amount not to exceed  
6 ~~((\\$3))~~ \$3.5 million through December 31, ~~((2012))~~ 2017.

\* \* \*

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9                   Section 2. Any act consistent with the authority and prior to the effective date of this  
10 ordinance is hereby ratified and confirmed.

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12                   Section 3. This ordinance shall take effect and be in force 30 days after its approval by  
13 the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it  
14 shall take effect as provided by Seattle Municipal Code Section 1.04.020.



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Passed by the City Council the \_\_\_\_ day of \_\_\_\_\_, 2012, and  
signed by me in open session in authentication of its passage this  
\_\_\_\_ day of \_\_\_\_\_, 2012.

\_\_\_\_\_  
President \_\_\_\_\_ of the City Council

Approved by me this \_\_\_\_ day of \_\_\_\_\_, 2012.

\_\_\_\_\_  
Michael McGinn, Mayor

Filed by me this \_\_\_\_ day of \_\_\_\_\_, 2012.

\_\_\_\_\_  
Monica Martinez Simmons, City Clerk

(Seal)



**2013 BUDGET LEGISLATION FISCAL NOTE**

<b>Department:</b>	<b>Contact Person/Phone:</b>	<b>CBO Analyst/Phone:</b>
Seattle Center	Tom Israel / 684-72998	Greg Shiring / 386-4085

**Legislation Title:** AN ORDINANCE relating to the Seattle Center Department; amending Ordinance 123644 to increase and extend the term of an interfund loan to the Seattle Center Operating Fund; and ratifying and confirming certain prior acts.

**Summary of the Legislation:** Ordinance 123644 approved in June 2011 authorized a loan to provide Seattle Center with a positive cash flow while the Department worked to bring cash payments and cash receipts into balance. The legislation authorized a loan of up to \$3 million to the Seattle Center Operating Fund (SCF) through December 31, 2012. This legislation amends the previous legislation to increase the maximum amount of the loan to \$3,500,000 and extends the repayment period until December 31, 2017. Current economic conditions will prevent Seattle Center from bringing cash receipts into balance with cash outlays during the period of time specified in the original legislation.

**Background:** The SCF is a special revenue fund. Funding for approximately 65% of Seattle Center's \$34 million operating budget is generated through "earned revenues," (e.g., parking fees, concessions, ticket sales, and facility rentals). The remaining 35% of the Department's revenues comes from the General Subfund. The SCF is used to support the operation and maintenance of Seattle Center. The fund includes the Key Arena Subfund (11420) and the McCaw Hall Subfund (11430), which are segregated within the SCF in order to track the operational expenses and earnings of Key Arena and McCaw Hall, respectively.

Seattle Center has more than 75 sources of earned revenue. The largest sources are parking fees, facility rentals, programming at McCaw Hall, and sales of tickets and suites at Key Arena. Long-term facility leases are another large source of revenue (\$2,500,000 budgeted in 2012), mostly from theaters, museums and other arts groups that are collectively referred to as "resident tenants" of Seattle Center. The recent downturn in the national and local economies have had a significant impact on the expenditure of discretionary income by arts patrons and donated income from funders. Consequently, the revenue earned by these groups has also suffered. As a result, some resident tenants have been unable to pay the full amount of their contractual lease payments. This situation has resulted in Seattle Center receiving less in cash receipts than it recognizes in revenue. This negative cash position is usually temporary, but in this case, it is not certain that all expected revenues will be collected.

The Department's overall revenue collections have suffered as a result of the economic impacts on nonprofit tenants. The Department believes it is representing the wishes of both the public and elected officials, as well as the long-term interest of the City, by working with these nonprofits to develop payment plans, rather than terminating their leases. As of July 29, 2012, the SCF balance was (\$2,360,000), including reserves. The Department has been working with all the affected arts organizations to arrange payment plans or modify leases to reimburse amounts due to Seattle Center. In one example, Ordinance 123791 approved in December 2011, addressed a significant source of negative cash flow by modifying the lease with The Children's Museum, Seattle.



Nevertheless, current economic conditions have not allowed the Department to generate the surplus cash necessary to repay the loan within the time frame specified in the original ordinance. We are requesting an additional \$500,000 in loan authority, giving a total of \$3,500,000 to provide for planned expenditures from the McCaw Hall reserve funds which will reduce the Department's available cash balances in 2013 and 2014

As noted above, the most significant reason for the negative cash position is the non-payment of leases by nonprofit tenants affected by the economic downturn. In addition, it is not uncommon for the Department's cash expenditures to exceed its cash receipts periodically during the fiscal year. This is due to normal time lag between client billing and payment, accentuated by the uneven timing of events held in Seattle Center facilities. When the SCF has moved into a negative cash position in the past, temporary loans from the City's Consolidated Cash Pool have provided the cash necessary to bring the Department back out of its negative position. In addition, during 2002, 2003, 2005, and 2007, the Department of Finance advanced the transfer of a portion of Seattle Center's General Fund allocation to the SCF in order to provide a positive cash flow balance and delay triggering the Seattle Municipal Code (SMC) requirements that loans longer than 90 days must be authorized by ordinance.

The second issue addressed by the ordinance is repayment of the proposed loan. The original legislation specified that the loan was to be repaid in full no later than December 31, 2012. In April 2012, a report to Council (SLI response) indicated that Seattle Center would not be able to generate sufficient cash surplus in 2012 to fully repay the loan without deep cuts in service or a fundamental restructuring of its core lines of business. Accordingly, the legislation proposed here seeks to extend the period granted for loan repayment by five years until December 31, 2017. The Department is meeting regularly with the City Budget Office and Council Central Staff to develop a long-term strategy for addressing the negative cash position situation in addition to the plan for repaying this interfund loan.

Please check one of the following:

This legislation does not have any financial implications.

This legislation has financial implications.

**Anticipated Total Revenue from Entire Program, Including Changes Resulting from this Legislation:**

Fund Name and Number	Revenue Source	Total 2013 Revenue	Total 2014 Revenue
Seattle Center Fund (11400)	General Fund Consolidated Cash Pool (00100)	\$500,000	\$0
<b>TOTAL</b>		<b>\$500,000</b>	<b>\$0</b>

Total Revenue Notes: To pay back the loan, cash receipts must exceed cash payments by the amount of the loan by the end of 2017.



**Other Implications:**

- a) Does the legislation have indirect financial implications, or long-term implications?  
None identified.
- b) What is the financial cost of not implementing this legislation?  
Without this loan, the SCF will be in a negative cash position (receiving a de facto loan) for more than 90 days. SMC Section 5.06.030.C requires City Council approval by ordinance of any interfund loan for a duration of more than 90 days.
- c) Does this legislation affect any departments besides the originating department?  
No other departments are affected by this legislation.
- d) What are the possible alternatives to the legislation that could achieve the same or similar objectives?  
Alternatives to this legislation include subsidizing the SCF with additional General Fund resources or "advancing" General Fund allocations. In this latter case, the City could temporarily restore the SCF to a positive cash position by advancing a portion or all of the Department's budgeted monthly General Fund support to cover the losses incurred in 2011 and 2012. The Executive does not recommend this approach in the current economic climate.
- e) Is the legislation subject to public hearing requirements?  
No.
- f) Other Issues:

Please list attachments to the fiscal note below: None.





City of Seattle  
Office of the Mayor

September 24, 2012

Honorable Sally J. Clark  
President  
Seattle City Council  
City Hall, 2<sup>nd</sup> Floor

Dear Council President Clark:

I am transmitting the attached proposed Council Bill for consideration with the 2013 Proposed and 2014 Endorsed Budget. This legislation amends the interfund loan to the Seattle Center Operating Fund (SCF) authorized by Ordinance 126344. The loan is increased from \$3 million to \$3.5 million. Additionally, the term of the loan is extended through December 31, 2017.

The SCF, which is a special revenue fund used to support the operation and maintenance of the Seattle Center, holds earned revenue that accounts for approximately 65% of Seattle Center's \$34 million annual operating budget. The remaining 35% of the Center's operating budget comes from the General Subfund.

Seattle Center has more than 75 sources of earned revenue. The largest sources are parking fees, facility rentals, programming at McCaw Hall, and sales of tickets and suites at KeyArena. In addition, the department has a number of leases with nonprofit organizations which are intended to generate income. The continued downturn in the national and local economies has had a significant impact on the ability of the nonprofits to meet their lease payments in a timely fashion. These delayed payments have caused a negative cashflow situation which the department is working to resolve. The department has been meeting regularly with representatives from the Mayor's Office, City Budget Office and Council central staff to review various opportunities to increase revenues and decrease expenses. Seattle Center will develop a plan to repay the loan by the end of 2017.

Thank you for your consideration of this legislation. Should you have questions, please contact Tom Israel at 684-7334.

Sincerely,

Michael McGinn  
Mayor of Seattle

cc: Honorable Members of the Seattle City Council

Michael McGinn, Mayor  
Office of the Mayor  
600 Fourth Avenue, 7<sup>th</sup> Floor  
PO Box 94749  
Seattle, WA 98124-4749

Tel (206) 684-4000  
Fax (206) 684-5360  
TDD (206) 615-0476  
mike.mcgin@seattle.gov

