

BUDGET DELIBERATIONS

SEATTLE CENTER
 Brian Goodnight, Dan Eder
 Friday, October 13, 2017

Budget Summary (\$ in 000's)

| | 2017 Adopted | 2018 Endorsed | 2018 Proposed | % Change 2018 Endorsed to Proposed |
|-----------------------------------|-----------------|------------------|------------------|--|
| Appropriations by BCL | | | | |
| Access | \$1,194 | \$1,225 | \$1,228 | 0.2% |
| Administration-SC | \$9,460 | \$9,289 | \$9,259 | (0.3%) |
| Campus Grounds | \$13,493 | \$13,773 | \$14,297 | 3.8% |
| Commercial Events | \$1,668 | \$1,710 | \$1,714 | 0.2% |
| Community Programs | \$2,275 | \$2,329 | \$2,439 | 4.8% |
| Cultural Facilities | \$256 | \$264 | \$265 | 0.3% |
| Debt | \$125 | \$126 | \$126 | 0.0% |
| Festivals | \$1,486 | \$1,531 | \$1,534 | 0.2% |
| Judgment and Claims | \$223 | \$194 | \$194 | 0.0% |
| KeyArena | \$8,034 | \$8,719 | \$8,908 | 2.2% |
| McCaw Hall | \$4,659 | \$4,797 | \$4,811 | 0.3% |
| Operating Subtotal | \$42,875 | \$43,956 | \$44,775 | 1.9% |
| Armory Rehabilitation | \$1,343 | \$1,185 | \$1,185 | 0.0% |
| Campuswide Improvements & Repairs | 1,583 | \$1,655 | \$2,455 | 48.3% |
| Monorail Improvements | \$1,555 | \$1,255 | \$1,905 | 51.8% |
| Other | \$8,592 | \$3,245 | \$2,945 | (9.2%) |
| Capital Subtotal | \$13,073 | \$7,340 | \$8,490 | 15.7% |
| Total Appropriations | \$55,948 | \$51,296 | \$53,265 | 3.8% |
| Total FTEs | 242 | 242 | 243 | 0.4% |
| Revenues | | | | |
| Bond Proceeds | \$4,800 | \$0 | \$0 | 0.0% |
| Capital Reserves | \$1,056 | \$1,072 | \$1,572 | 46.6% |
| Cumulative Reserve Subfund | \$7,217 | \$6,268 | \$6,918 | 10.4% |
| General Subfund | \$12,150 | \$12,350 | \$12,105 | (2.0%) |
| KeyArena | \$8,764 | \$9,494 | \$9,544 | 0.5% |
| McCaw Hall | \$4,659 | \$4,852 | \$4,852 | 0.0% |
| Other | \$11,027 | \$10,985 | \$11,999 | 9.2% |
| Parking | \$6,276 | \$6,276 | \$6,276 | 0.0% |
| Total Revenues | \$55,948 | \$51,296 | \$53,265 | 3.8% |

Totals may not exactly reflect sum of line items due to rounding.

Interactive Budget Page Link: <http://www.seattle.gov/city-budget/2018-proposed-budget/seattle-center>

BACKGROUND:

The 2018 Proposed Budget for Seattle Center is approximately \$53.3 million, an increase of almost four percent relative to the 2018 Endorsed Budget.

Seattle Center maintains a 74-acre campus that is home to over 30 arts, culture, and science organizations, including KEXP, Pacific Northwest Ballet, Pacific Science Center, Seattle Children's Museum, Seattle Opera, and Seattle Repertory Theatre. The campus hosts more than 12,000 events, festivals, and community programs each year, many of which are free to the public.

Seattle Center is funded by a combination of General Fund and revenue earned from commercial operations. Commercial operation revenues include facility rentals and leases, parking fees, monorail fares, concessions, and sponsorships.

The proposed budget is largely consistent with the 2018 Endorsed Budget, and it includes relatively few significant changes. Some of the proposed changes are:

- \$500,000 for Monorail ORCA Integration – The proposed budget would use \$500,000 in Seattle Department of Transportation Vehicle License Fees to cover one-time equipment and start-up costs to enable the Seattle Monorail to accept the One Regional Card for All (ORCA) card for fare payment. In August, Council received a report from the Executive analyzing the use of ORCA cards for the monorail ([Clerk File 320381](#)), including projections of ridership and revenue impacts. The report estimates that if the monorail began accepting ORCA cards for fare payment, ridership would increase between 150,000 and 350,000 boardings per year. The report also estimates that annual revenue for the monorail would likely decrease by approximately \$96,000 per year, unless offset by fare increases. Under the City's current agreement with the monorail operator, net profits generated by the system are split: two-thirds for the City, and one-third for the operator.
- \$500,000 for a Master Plan Update – The proposed budget increases spending on an update to the Seattle [Center Century 21 Master Plan](#) and other long range planning activities, including a new position for project management support. See the discussion below for additional information.
- \$100,000 for Seattle Storm Contract – This proposed increase would cover new costs associated with an updated facility use agreement with the owners of the Seattle Storm (Force 10 Hoops, LLC) for use of KeyArena for professional women's basketball through the 2028 season ([Ordinance 125323](#)). Council authorized a facility use agreement with the Storm in May that includes a provision for annual \$100,000 payments to the Storm in consideration of lost opportunities and intangible impacts of KeyArena redevelopment. The funding for this payment in 2018 comes from existing KeyArena revenues.
- \$75,000 for KeyArena Infrastructure Support – This proposal provides increased appropriation authority to allow for the use of an on-call vendor to help manage and coordinate technology needs for KeyArena events. Most KeyArena clients have a complex set of requirements for communications, video broadcasts, and internet connectivity; and these functions must be arranged individually for each event. Funding for the on-call contract will come from existing KeyArena revenues.

ISSUE IDENTIFICATION:

1. KeyArena Redevelopment (Dan Eder)

Issue A: Appropriations

The KeyArena redevelopment construction project is scheduled to begin in October 2018 under the [proposed MOU](#). The Seattle Center’s 2018 proposed budget assumes that KeyArena would have a full year of normal operations, costs, and associated revenues during 2018. However, in anticipation of a major redevelopment project, Seattle Center will be canceling all existing bookings after September 30, 2018.

Assuming construction will begin in October 2018, Table 1 indicates that KeyArena operating costs would decrease by approximately \$2.2 million below appropriations included in the 2018 Proposed Budget.

Table 1: KeyArena 2018 Operating Costs

| Major Expenditure Categories | Proposed Budget | Assume Construction Begins in October 2018 ¹ | Difference |
|------------------------------|--------------------|---|----------------------|
| Labor | \$6,354,063 | \$4,765,547 | \$(1,588,516) |
| Non-labor | \$2,003,618 | \$1,502,714 | \$(500,905) |
| Utilities | \$550,197 | \$412,648 | \$(137,549) |
| Total Expenditure | \$8,907,878 | \$6,680,909 | \$(2,226,970) |

¹ The City’s lease with the Seattle Storm commits the City to pay up to \$2.6 million for tenant relocation costs. The Storm’s 2018 season will have ended by October 2018, therefore, there will be no Storm-related relocation costs in 2018. However, the City could owe the Storm up to \$2.6 million annually during construction beginning in 2019.

Issue B: Revenues

Assuming construction begins in October 2018, the City would see a \$2.7 million decrease in 2018 revenues as outlined in Table 2 below. This would result in a negative fiscal impact of \$500,000 to the Seattle Center’s budget (after accounting for the \$2.2 million reduction in spending discussed above). The \$2.7 million is expected to grow by an unknown amount due to additional anticipated reductions in both parking and Commercial Parking Tax revenues during construction. Beginning in 2019, the fiscal impact could grow by up to an additional \$2.6 million annually due to the City’s commitments to pay for relocation costs and lost revenues for the Storm during construction.

Table 2: 2018 Operating Revenues Flowing from KeyArena Activities

| Major Revenue Categories ¹ | Assuming No Construction of KeyArena ² | Assuming Construction Begins in October 2018 ³ | Difference ⁴ |
|--|---|---|-------------------------|
| Operating revenues (rental income, sponsorships, etc.) | \$9,543,827 | \$7,157,870 | \$(2,385,957) |
| City's share of Sales & Use Tax (Retail Sales) | \$53,000 | \$39,750 | (\$13,250) |
| Business & Occupation Tax | \$105,000 | \$78,750 | (\$26,250) |
| Admissions Tax | \$1,279,000 | \$959,250 | (\$319,750) |
| Total Revenues | \$10,980,827 | \$8,235,250 | (\$2,745,457) |

^{1.} Major Revenue Categories – Parking revenues and Commercial Parking Tax (CPT) would continue to flow at the City's three garages (Mercer, 1st Ave., 5th Ave.) with or without construction, but the City does not track parking revenues or CPT revenues by facility or by event. Parking activity and associated revenues would decline during construction.

^{2.} No Construction – Information reflects estimated of tax revenues that would flow from KeyArena events with a full year of KeyArena operations, but it is not tracked exactly this way in the proposed budget. Data from CBO and reflects estimated four-year historical averages.

^{3.} Construction in October – Data comes from the CBO and reflects estimated four-year historical averages.

^{4.} Difference – Reflects a 25% reduction of impacted revenues (operating and tax) in 2018 to show closure from October-December.

In that the Council's Select Committee on Civic Arenas is not expected to consider action on the MOU until after the Council passes the 2018 Adopted Budget, this issue could be addressed in various ways in a supplemental budget ordinance:

- (a) increase use of unreserved fund balance in the Seattle Center Operating Fund;
- (b) increase General Fund support for Seattle Center;
- (c) reduce planned spending or appropriations to the Seattle Center operating budget; or
- (d) use other equivalent approaches to balance the budget.

The budget book (page 179) states: "In anticipation of financial impacts associated with KeyArena redevelopment, [the Seattle] Center is maintaining an unreserved fund balance of \$2.5 million to mitigate potential short-term revenue losses if KeyArena is closed for renovation." The City anticipates that the impact to Seattle Center's finances could be significantly higher than \$2.5 million during an estimated two-year construction period including but not limited to Storm relocation obligations.

Option: TBD. Some temporary loss of revenue may be necessary for significant renovation or redevelopment. The Central Staff Director and the Council's financial consultant intend to report on this multi-year perspective more thoroughly when the Select Committee meets in November.

2. Master Plan Update (Brian Goodnight)

The 2018 Proposed Budget would use \$500,000 of fund balance from the Seattle Center Operating Fund to support an update of the Seattle Center Century 21 Master Plan. This would double the amount of resources provided in the Council's 2018 Endorsed Budget and bring the total proposed appropriation for 2018 to \$1 million. The 2018-2023 Proposed Capital Improvement Program also adds new projected spending amounts of \$500,000 and \$115,000 to 2019 and 2020, respectively. The department estimates that total spending for the Master Plan Update project will not exceed \$2.5 million.

Since 2015, Seattle Center has engaged in planning efforts focused on the Northeast Quadrant of the campus, an area that includes KCTS, Memorial Stadium, Mercer Garage, the site of the former Mercer Arena, and the block adjacent to the Mercer Garage known as the "K" block. Recent activities include a community and stakeholder working session in September 2016 to begin developing a vision for the future of Seattle Center, and the release of an Uptown and Seattle Center parking study in January.

In addition to activities in the Northeast Quadrant, other parts of campus and the Uptown neighborhood are expected to have major changes in the coming years. Some of the efforts being discussed include the redevelopment of KeyArena, the preliminary siting of Sound Transit 3 light rail stations, and the redevelopment of Memorial Stadium by Seattle Public Schools. Earlier this month, as a companion to the Uptown rezone legislation, Council adopted a resolution requesting Seattle Center to update the Century 21 Master Plan and engage the public throughout the updating process. In recognition of these events, Seattle Center has proposed to broaden the scope of its long-range planning activities in 2018.

Planning activities funded in the Proposed Budget include: an interdepartmental directors' leadership group to provide policy direction and oversight, joint planning and design work with Seattle Public Schools, updating the Century 21 Master Plan, coordination with the Uptown community, environmental studies, financial sustainability analysis, and public involvement and communications.

To support these efforts, the proposed budget adds a new full-time Strategic Advisor 1. The position, which is proposed to sunset at the end of 2020, would be responsible for assisting with project management planning and execution, tracking and reporting progress, and convening meetings and maintaining project records. The position would also participate in several work teams involving City staff and consultants.

Options:

- A. Remove or reduce the \$500,000 of additional funding contained in the proposed budget for the Master Plan updating project, thereby retaining the fund balance for other priorities as they arise. The planning project could either be reduced in scope or project work could be shifted into future years.
- B. Approve the Mayor's budget as proposed.