



Meeting Agenda

Finance Committee

City Hall
601 4th Avenue E
Olympia, WA 98501

Information: 360.753.8244

Wednesday, April 13, 2016

5:00 PM

Room 207

1. ROLL CALL

2. CALL TO ORDER

3. APPROVAL OF MINUTES

3.A [16-0455](#) Approval of March 2, 2016 Finance Committee Meeting Minutes

Attachments: [Minutes](#)

4. COMMITTEE BUSINESS

4.A [16-0452](#) Review of Washington Center for the Performing Arts (WCPA) Audit

Attachments: [2013-2014 WCPA Audit](#)

4.B [16-0461](#) Approval of the Establishment of an Economic Development Capital Facilities Plan (CFP) Project Account

4.C [16-0472](#) Update on Olympia Westside Police Station Repairs

4.D [16-0463](#) Discussion of Potential Financing for Land Acquisitions

5. ADJOURNMENT

The City of Olympia is committed to the non-discriminatory treatment of all persons in employment and the delivery of services and resources. If you require accommodation for your attendance at the City Council Committee meeting, please contact the Council's Secretary at 360.753-8244 at least 48 hours in advance of the meeting. For hearing impaired, please contact us by dialing the Washington State Relay Service at 7-1-1 or 1.800.833.6384.



City Hall
601 4th Avenue E.
Olympia, WA 98501
360-753-8244

Finance Committee

Approval of March 2, 2016 Finance Committee Meeting Minutes

Agenda Date: 4/13/2016
Agenda Item Number: 3.A
File Number: 16-0455

Type: minutes **Version:** 1 **Status:** In Committee

Title

Approval of March 2, 2016 Finance Committee Meeting Minutes



Meeting Minutes - Draft

Finance Committee

City Hall
601 4th Avenue E
Olympia, WA 98501

Information: 360.753.8244

Wednesday, March 2, 2016

5:00 PM

Room 207

Special Meeting

1. ROLL CALL

Present: 3 - Chair Jim Cooper, Committee member Jessica Bateman and Committee member Jeannine Roe

2. CALL TO ORDER

Chair Cooper called the meeting to order at 5:00 p.m.

3. APPROVAL OF MINUTES

3.A [16-0190](#)

Approval of the January 13, 2016 Finance Committee Meeting Minutes

The minutes were approved.

4. COMMITTEE BUSINESS

4.A [16-0167](#) Approval of the 2016 Finance Committee Work Plan

Administrative Services Director Jane Kirkemo presented the draft work plan. The Committee discussed the plan, added a couple of items, and reviewed meeting dates.

The work plan was approved as amended.

4.B [16-0180](#) Sustainable Budget Recap

City Manager Steve Hall gave a recap of the 2015 budget in terms of sustainability and a preview of the direction the City will take in 2016 to continue working toward sustainability.

The information was received.

4.C [16-0175](#) Review of 2015 Preliminary Year-End Numbers

Ms. Kirkemo reviewed the preliminary 2015 year-end General Fund balance, indicating there should be \$1.6 million above the required 10 percent reserve available. Ms. Kirkemo noted that while City Council may spend this balance, it is not a requirement. A larger fund balance would give us a better credit rating if/when the City wants to issue debt and it would help in delivering a sustainable budget. Ms.

Kirkemo explained where the excess fund balance came from and why these excess revenues are not sustainable.

Mr. Hall and Chair Cooper presented their joint spending recommendations for the excess fund revenue. The other Committee members were given an opportunity to ask questions or make alternative recommendations. Committee member Roe expressed a preference for allocating a larger sum to sidewalk repair and downtown restrooms and reducing the amount for hazard trees. Ms. Roe agreed to support the joint recommendations with the stipulation that her comments be noted.

Ms. Kirkemo indicated the \$1.6 million General Fund recommended allocations will be outlined to the City Council on March 22 with opportunities for comment. If the Council approves the recommendations, the funds will be allocated in the quarterly budget amendments submitted in April 2016.

The General Fund balance spending recommendations were agreed upon and forwarded to the City Council for approval on 3/22/2016.

4.D [16-0287](#) Oral Report - Business Tax and Licensing

Fiscal Services Supervisor Bill Sampson reviewed the current state of the City's Business & Occupation (B&O) licensing. Staff recommended changing licensing to a flat \$30 per year, eliminating the \$25 fee for new business registration and the \$25 fee for B&O tax registration. The fee decrease will force a loss of approximately \$90,000. Fiscal Services Manager Dean Walz noted he expects this will likely have a positive impact on our Parks Department because instructors and artists are reluctant to teach class or participate in the Percival Plinth process because of the current cost of business licensing.

Chair Cooper would like to look at raising tax rates in B&O. He would also like to raise the threshold for paying B&O tax to \$250,000 (currently \$20,000) in gross receipts and wondered if an exemption could be given to a particular industry as incentive to remain in Olympia (auto dealers). He asked staff to analyze the effects of these possible changes. The Committee would also like to hear from local businesses and our Economic Development Director.

The report was completed and the Committee agreed to forward the issue of changing the business license fee to City Council under Other Business.

5. ADJOURNMENT

Chair Cooper adjourned the meeting at 6:50 p.m.



Finance Committee

Review of Washington Center for the Performing Arts (WCPA) Audit

Agenda Date: 4/13/2016
Agenda Item Number: 4.A
File Number: 16-0452

Type: report **Version:** 1 **Status:** In Committee

Title

Review of Washington Center for the Performing Arts (WCPA) Audit

Recommended Action

Committee Recommendation:

Information only. No action requested.

City Manager Recommendation:

N/A

Report

Issue:

Review the 2013/2014 WCPA audit. In addition, representatives from the Center will introduce their new development director.

Staff Contact:

Jane Kirkemo, Administrative Services Director, 360.753.8499

Presenter(s):

Jill Barnes, WCPA Executive Director

Jane Kirkemo, Administrative Services Director

Background and Analysis:

The City's contract with the Washington Center requires a financial audit to be performed. The 2013/2014 audit is attached (a paper copy will be distributed to the Committee at the meeting.) Representatives from the Center will be present to answer any questions.

Neighborhood/Community Interests (if known):

N/A

Options:

N/A

Financial Impact:

Type: report **Version:** 1 **Status:** In Committee

N/A

Attachments:

2013/2014 Washington Center for the Performing Arts

THE WASHINGTON CENTER
FOR THE PERFORMING ARTS
COMPARATIVE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2014 AND 2013

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INDEPENDENT AUDITORS' REPORT

October 30, 2014

Board of Directors
The Washington Center for the Performing Arts
Olympia, Washington

We have audited the accompanying comparative financial statements of The Washington Center for the Performing Arts (a nonprofit organization), which comprise the comparative statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Washington Center for the Performing Arts as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

As discussed in the Revenue Recognition note to the financial statements, management has changed the revenue recognition criteria for certain donations. Our opinion is not modified with respect to that matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 8 is presented for purposes of additional analysis and is not a required part of the financial statements. The comparative "Total Program and Supporting Services" from the year ended June 30, 2013 is included only for comparative purposes and does not represent a complete presentation. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

MR
Smith & Associates PS
Certified Public Accountants

THE WASHINGTON CENTER FOR THE PERFORMING ARTS
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
Current assets		
Cash	\$ 165,121	\$ 97,676
Accounts receivable	16,644	54,406
Concessions inventories	3,138	2,563
Prepaid expenses	<u>102,704</u>	<u>79,197</u>
Total current assets	<u>287,607</u>	<u>233,842</u>
Investments	<u>224,947</u>	<u>178,053</u>
Collectibles, non-depreciating assets	<u>190,188</u>	<u>190,188</u>
Property and equipment	1,762,134	938,208
Less accumulated depreciation	<u>(836,997)</u>	<u>(741,468)</u>
Total property and equipment	<u>925,137</u>	<u>196,740</u>
	<u>\$ 1,627,879</u>	<u>\$ 798,823</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 43,844	\$ 53,227
Accrued liabilities	47,763	32,785
Gift certificates	26,153	30,587
Deferred income	164,620	90,980
Notes payable	<u>-</u>	<u>100,000</u>
Total current liabilities	282,380	307,579
Net assets	<u>1,345,499</u>	<u>491,244</u>
	<u>\$ 1,627,879</u>	<u>\$ 798,823</u>

The accompanying notes are an integral part of these financial statements.

THE WASHINGTON CENTER FOR THE PERFORMING ARTS
COMPARATIVE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>Current</u>			<u>Total</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2014</u>	<u>2013</u>
Revenue and other support	\$ 3,224,308	\$ 22,897	\$ -	\$ 3,247,205	\$ 2,278,475
Net assets released from restrictions	42,302	(42,302)	-	-	-
Program service expenses					
Center events	1,022,966	-	-	1,022,966	922,125
User events	827,833	-	-	827,833	828,709
Total program service expenses	1,850,799	-	-	1,850,799	1,750,834
Supporting service expenses					
General and administrative	512,616	-	-	512,616	414,213
Fundraising	50,355	-	-	50,355	126,625
Total supporting service expenses	562,971	-	-	562,971	540,838
Total expenses	2,413,770	-	-	2,413,770	2,291,672
Excess (deficiency) of revenue over expenses before realized and unrealized gain on investments	\$ 852,840	\$ (19,405)	\$ -	\$ 833,435	\$ (13,197)
Unrealized and realized gain and loss on investments	4,686	16,134	-	20,820	15,186
Total changes of net assets	\$ 857,526	\$ (3,271)	\$ -	\$ 854,255	\$ 1,989

The accompanying notes are an integral part of these financial statements.

THE WASHINGTON CENTER FOR THE PERFORMING ARTS
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	Balance <u>June 30, 2012</u>	Excess (deficiency) <u>of income over expenses</u>	Reclassification <u>of net assets</u>	Balance <u>June 30, 2013</u>	Excess (deficiency) <u>of income over expenses</u>	Reclassification <u>of net assets</u>	Balance <u>June 30, 2014</u>
Unrestricted net assets							
General fund	\$ 90,742	\$ (16,199)	\$ 207,621	\$ 282,164	\$ 857,526	\$ (37,213)	\$ 1,102,477
Haase caring trust	15,209		(15,209)	-	-	-	-
Unrestricted board designated net assets							
Panorama performance fund	78,170	(59)	(73,158)	4,953	-	(4,953)	-
Piano fund	2,248	-	(2,248)	-	-	-	-
Equipment repairs and replacement	-	-	-	-	-	27,162	27,162
Operation reserves	-	-	-	-	-	15,004	15,004
Total unrestricted net assets	<u>186,369</u>	<u>(16,258)</u>	<u>117,006</u>	<u>287,117</u>	<u>857,526</u>	<u>-</u>	<u>1,144,643</u>
Temporarily restricted net assets							
Equipment repair and replacement fund	65,164	(5,263)	(59,453)	448	6,086	-	6,534
Organ repair and maintenance fund	2,597		(2,597)	-			
Lehne organ use	135,000	(9,363)	(67,903)	57,734	(297)	-	57,437
Anacker fund	25,125	1,736	-	26,861	2,044	-	28,905
PSE grant	-	25,000	-	25,000	(25,000)	-	-
Andy Crow Wurlitzer organ	-	-	18,684	18,684	13,896	-	32,580
Total temporarily restricted net assets	<u>227,886</u>	<u>12,110</u>	<u>(111,269)</u>	<u>128,727</u>	<u>(3,271)</u>	<u>-</u>	<u>125,456</u>
Permanently restricted net assets							
Andy Crow Wurlitzer organ	75,000	6,137	(5,737)	75,400	-	-	75,400
Total Net Assets	<u>\$ 489,255</u>	<u>\$ 1,989</u>	<u>\$ -</u>	<u>\$ 491,244</u>	<u>\$ 854,255</u>	<u>\$ -</u>	<u>\$ 1,345,499</u>

The accompanying notes are an integral part of these financial statements.

THE WASHINGTON CENTER FOR THE PERFORMING ARTS
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Cash received from patrons	\$ 1,332,108	\$ 1,159,184
Cash received from government support	1,053,094	264,033
Cash received from donations	188,997	189,306
Cash received from private support	33,500	101,893
Cash received from city held endowment	200,000	-
Cash received from interest and dividends	6,734	5,238
Cash received from gain on investments	20,121	4,533
Cash paid to suppliers and employees	<u>(1,796,987)</u>	<u>(1,753,025)</u>
Cash provided (used) by operating activities	<u>1,037,567</u>	<u>(28,838)</u>
Cash flows used in investing activities		
Purchase of improvements and equipment	(823,926)	(15,073)
Purchase of investments	(104,833)	(1,467)
Proceeds from sale of investments	<u>58,637</u>	<u>7,880</u>
Cash used in investing activities	<u>(870,122)</u>	<u>(8,660)</u>
Cash flows from financing activities		
Principal payments on short-term debt	(100,000)	(80,000)
Proceeds from issuance of short-term debt	<u>-</u>	<u>80,000</u>
Cash used by financing activities	<u>(100,000)</u>	<u>-</u>
Increase (decrease) in cash	67,445	(37,498)
Cash, beginning of year	<u>97,676</u>	<u>135,174</u>
Cash, end of year	<u>\$ 165,121</u>	<u>\$ 97,676</u>

Supplemental disclosure of non cash activities:

The Center occupies, without charge, The Washington Center for the Performing Arts, under an agreement to manage the facility for the City of Olympia. The fair market value of the donated use of the facility is \$456,600 and \$456,600 for 2014 and 2013, respectively.

The Center received a donation of goods and professional services in 2014 and 2013 valued at \$83,142 and \$74,907, respectively.

The Center had unrealized gains of \$699 and \$10,653 in 2014 and 2013, respectively.

The accompanying notes are an integral part of these financial statements.

THE WASHINGTON CENTER FOR THE PERFORMING ARTS
COMPARATIVE STATEMENTS OF CASH FLOWS (continued)
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Reconciliation of (deficiency) excess of revenue over expenses to net cash (used) provided by operating activities		
Excess of revenue over expenses	\$ 854,255	\$ 1,989
Adjustments to reconcile (deficiency) excess of revenue over expenses to net cash (used) provided by operating activities		
Depreciation	95,529	55,321
Decrease (increase) in accounts receivable	31,159	(33,056)
Decrease in government support receivable	3,032	-
Decrease in contributions receivable	3,571	9,312
(Increase) decrease in concessions inventories	(575)	345
(Increase) decrease in prepaid expenses	(23,508)	1,563
(Decrease) increase in accounts payable	(9,383)	12,810
Increase (decrease) in accrued liabilities	14,978	(887)
Decrease in gift certificates	(4,434)	(218)
Increase (decrease) in deferred income	73,642	(65,938)
Loss on sale of equipment	-	574
Unrealized gain on investments	(699)	(10,653)
Total adjustments	<u>183,312</u>	<u>(30,827)</u>
Net cash provided (used) by operating activities	<u>\$ 1,037,567</u>	<u>\$ (28,838)</u>

The accompanying notes are an integral part of these financial statements.

THE WASHINGTON CENTER FOR THE PERFORMING ARTS
STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2014
COMPARED TO THE YEAR ENDED JUNE 30, 2013

	Program Services			Supporting Services			Total Program and Supporting Services		
	Center Event Production	User Event Production		Total Program Services	General and Administrative	Fundraising	Total Supporting Services	2014	2013
		WCPA	SPSCC						
Salaries, wages, benefits	\$ 92,513	\$ 74,920	\$ 33,105	\$ 200,538	\$ 225,097	\$ 24,583	\$ 249,680	\$ 450,218	\$ 324,176
Artist fees	471,018	-	-	471,018	-	-	-	471,018	471,362
Rent	-	447,285	-	447,285	9,315	-	9,315	456,600	456,600
Stagehand fees	58,744	78,595	35,388	172,727	28,562	-	28,562	201,289	230,106
Professional fees	56,334	3,198	2,621	62,153	66,625	-	66,625	128,778	151,189
Advertising	203,812	1,350	-	205,162	21,470	-	21,470	226,632	138,069
Repair and maintenance	21,468	57,707	1,219	80,394	13,114	-	13,114	93,508	85,135
Postage and printing	61,458	1,265	-	62,723	1,973	7,224	9,197	71,920	80,682
Telephone and utilities	8,563	44,439	-	53,002	20,295	-	20,295	73,297	74,454
Office supplies	25,334	19,720	4,408	49,462	14,679	3,381	18,060	67,522	64,181
CenterFest costs	-	-	-	-	-	-	-	-	57,479
Depreciation	-	-	-	-	95,529	-	95,529	95,529	55,321
Concessions	11,977	11,646	2,783	26,406	656	-	656	27,062	29,506
Miscellaneous	3,487	-	-	3,487	8,975	3,330	12,305	15,792	20,633
Insurance	1,259	8,184	-	9,443	3,148	-	3,148	12,591	14,351
Travel	6,999	-	-	6,999	1,574	-	1,574	8,573	12,725
Interest expense	-	-	-	-	1,604	-	1,604	1,604	3,466
Other fundraising costs	-	-	-	-	-	11,837	11,837	11,837	22,237
	<u>\$ 1,022,966</u>	<u>\$ 748,309</u>	<u>\$ 79,524</u>	<u>\$ 1,850,799</u>	<u>\$ 512,616</u>	<u>\$ 50,355</u>	<u>\$ 562,971</u>	<u>\$ 2,413,770</u>	<u>\$ 2,291,672</u>

The accompanying notes are an integral part of these financial statements.

THE WASHINGTON CENTER FOR THE PERFORMING ARTS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

Description of Organization

Organization

The Washington Center for the Performing Arts (The Center) is a not-for-profit corporation organized under the laws of the State of Washington for the purpose of managing and operating The Washington Center for the Performing Arts (The Facility) owned by the City of Olympia.

The Facility is the principal performing arts resource for the South Puget Sound region. The Facility is a well-maintained performing arts facility used for renting and presenting a selection of professional arts performances to meet the community needs.

The Center acknowledges the importance of arts education for all ages. The Center has a community partnership with South Puget Sound Community College to manage its performing arts theatre, The Kenneth J. Minnaert Center for the Arts.

City of Olympia

An ordinance established by the City of Olympia in 1985 created a fund called "The Washington Center for the Performing Arts Endowment Fund." Section one of the ordinance stated that the fund consisted of all proceeds from the sale of real property previously owned by the City of Olympia, located in West Olympia. Any outside contributions to the City of Olympia for The Facility shall likewise be placed in the fund, unless otherwise designated by the donor. Any interest or dividends accruing from monies in the fund shall be retained in the fund.

Section two of the ordinance stated that all monies within the endowment fund shall be used to broaden the use of The Center; and to that end, the fund shall be used only for the maintenance, operation, repair, upkeep or improvement of The Center. Disbursement from the fund shall be made by appropriation of the City Council directly for The Center's purposes or pursuant to an agreement with the The Center's Board of Directors.

The ordinance may be modified at the direction of the City Council of Olympia. The City Council having the authority to modify or revoke the ordinance at their discretion prevented The Center from accounting for the endowment funds as revenue or contribution of capital in the year established. The balance of the Washington Center for the Performing Arts Endowment Fund at June 30, 2014 was \$1,221,291 with no outstanding inter-fund loans.

The earnings of the endowment fund are to meet operations with principal being left intact. Exceptions have been allowed to meet emergency operational needs. For the year ended June 30, 2014, \$200,000 was withdrawn from the endowment to meet operating needs.

In January 2006, The Center renegotiated the contract for The Facility with the City of Olympia. The contract continues through the year 2017. However, either party may terminate the agreement after giving the other party one year written notice, except that The Center can terminate the agreement with six months written notice if The Facility cannot be operated within a balanced budget.

THE WASHINGTON CENTER FOR THE PERFORMING ARTS
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

Within the contract is an agreement that The Center can collect a ticket service charge. Part of this service charge must be deposited in a separate account for major repairs and replacements. The Center must also carry a comprehensive hardware and software maintenance agreement for the box office and data base computer system.

The City of Olympia must compensate The Center during each calendar year of the agreement an amount equal to the 2% lodging tax authorized by R.C.W. 67.28.180 and collected by the City from specific lodging establishments indicated in the contract. The amounts awarded for the years ending June 30, 2014 and 2013 were \$258,154 and \$259,173, respectively.

The Center also received support from the Cities of Lacey and Tumwater. The amount awarded from these other entities was \$18,098 and \$19,070 for the fiscal years ended June 30, 2014 and 2013, respectively.

Summary of Significant Accounting Policies

Advertising

The Center capitalizes advertising costs for the upcoming season and expenses the costs after each performance. Included in prepaid expenses are advertising costs of \$39,286 and \$33,893 at June 30, 2014 and 2013, respectively.

Commitments

The Center has commitments with artists for future performances. At June 30, 2014, the commitments totaled \$267,512 of which \$190,400 is contracted.

Revenue Recognition

Contributions are recognized as increases in unrestricted net assets when the donor makes an unconditional promise to give to The Center or if the restriction expires in the year of contribution. All other donor-restricted contributions are recognized as increases in temporarily or permanently restricted net assets, depending on the restriction. When a restriction expires, temporarily restricted net assets are released to unrestricted net assets. The Center has \$75,400 of permanently restricted net assets at June 30, 2014 for organ maintenance.

Prior to 2013, the organization recognized certain donations as revenues during the period the donor obtained a benefit related to the donation. For those years The Center had a future obligation to provide tickets and other benefits to the donors. The organization has changed the benefits provided to donors and now recognizes the donations when received. The change increased donations \$40,410 in 2013.

The Center benefited from 6,577 and 6,008 volunteer hours for the years ended June 30, 2014 and 2013, respectively that were not reflected in these financial statements.

THE WASHINGTON CENTER FOR THE PERFORMING ARTS
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

Summary of Significant Accounting Policies (continued)

Revenue and Other Support

Revenue and support consisted of the following for the years ended June 30, 2014 and 2013:

	<u>Unrestricted</u>		<u>Temporarily</u>	<u>Permanently</u>	<u>Total</u>	<u>Total</u>
	<u>WCPA</u>	<u>SPSCC</u>	<u>Restricted</u>	<u>Restricted</u>	<u>2014</u>	<u>2013</u>
Center event income	\$ 659,356	\$ -	\$ -	\$ -	\$ 659,356	\$ 553,606
Theatre rental and usage	199,695	103,864	-	-	303,559	333,944
Box office service charges	115,414	21,315	11,911	-	148,640	171,208
Concessions sales	41,691	2,964	-	-	44,655	41,327
Government grant	791,520	-	-	-	791,520	-
Local government support	258,542	-	-	-	258,542	264,033
City held endowment	200,000	-	-	-	200,000	-
Donations	182,725	-	2,700	-	185,425	179,994
Private support	33,500	-	-	-	33,500	75,500
In-kind contributions	538,629	-	-	-	538,629	519,185
Special event income	52,151	-	-	-	52,151	107,735
Contributed Services	1,113	-	-	-	1,113	12,322
Interest income	1,048	-	5,686	-	6,734	5,238
Miscellaneous income	<u>20,478</u>	<u>303</u>	<u>2,600</u>	<u>-</u>	<u>23,381</u>	<u>14,383</u>
	<u>\$3,095,862</u>	<u>\$128,446</u>	<u>\$ 22,897</u>	<u>\$ -</u>	<u>\$3,247,205</u>	<u>\$2,278,475</u>

The government grant obtained in 2014 was for capital improvements and is not expected to be a recurring revenue source.

Contributed Facilities

The Center occupies, without charge, The Washington Center for the Performing Arts under an agreement to manage the facility for the City of Olympia. For the year ended June 30, 2014 The Center recognized, as an in-kind donation, \$456,600 as the fair market value of the donated use of the facility. This is calculated based on a percentage of the current assessed value of the building.

Fair Value Measurement

Management has elected to report their investments and collectibles at fair value. The investments use a level I measurement and collectible assets use a level III measurement.

THE WASHINGTON CENTER FOR THE PERFORMING ARTS
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

Summary of Significant Accounting Policies (continued)

Fair Value Measurement (continued)

Level I - By definition these are assets stated at market value based on current trading markets. Income or losses from changes in market value are reported as income under the statements of activities.

Level III - By definition, these are assets that do not have a ready market to determine current value. Collectible assets are valued at the contributed amount to The Washington Center for the Performing Arts and carried at that value. No additions or transfers occurred during the years ended June 30, 2014 and 2013.

Tax Status

The Center is exempt from federal income tax under the Internal Revenue Code as an organization described in Section 501(c)(3).

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications and Prior Year Comparison

Certain amounts in the financial statements for 2013 have been reclassified to facilitate a comparative format with 2014. Total Program and Supporting Services for 2013 is presented for informational purposes only and does not represent a complete presentation of 2013 expenses by program.

Subsequent Events

Management has evaluated subsequent events through October 30, 2014, the date that the financial statements were available to be issued. Management has identified significant events that would require disclosure in the accompanying financial statements.

THE WASHINGTON CENTER FOR THE PERFORMING ARTS
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

Cash

Included in cash are amounts that are restricted or designated for specific use. The following represent the balances as of June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Temporarily restricted cash	\$ 19,376	\$ 1,074
Board designated cash	-	4,953
Undesignated cash	<u>145,745</u>	<u>91,649</u>
	<u>\$ 165,121</u>	<u>\$ 97,676</u>

The cash balance includes \$34,379 which is currently held in investment accounts as money market funds or cash equivalents. Temporarily restricted cash includes monies held for scholarships and organ support. The organization at times has cash accounts which exceed Federal Deposit Insurance Corporation insured limits. No losses have been suffered by the organization in their bank accounts.

Investments

Investments consist of monies invested and carried at market value. The investments in 2014 were held as follows:

The Community Foundation of South Puget Sound (Foundation) holds and invests the funds for the Andy Crow Wurlitzer Organ Endowment Fund. The Foundation holds the funds and their board determines how much of the temporarily restricted funds will be released from restriction. The composition of the investments held at the Foundation are not known.

The investments of mutual funds are temporarily restricted as part of the Lehne Organ and Anacker Fund.

The certificate of deposit is temporarily restricted for emergency repairs and operation reserves although \$1,300 of the balance is from unrestricted funds.

	<u>2014</u>	<u>2013</u>
Community Foundation Investments	\$ 107,981	\$ 94,084
Mutual Funds	66,966	83,969
Certificate of Deposit	<u>50,000</u>	<u>-</u>
Investment total	<u>\$ 224,947</u>	<u>\$ 178,053</u>

THE WASHINGTON CENTER FOR THE PERFORMING ARTS
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method based on estimated useful lives, which range from 3 to 30 years. Depreciation expense was \$95,529 and \$55,321 for the years ended June 30, 2014 and 2013, respectively.

Contributed property and equipment are recorded at fair market value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Certain property having long-term artistic value including the Wurlitzer organ have been determined not to decrease in value with the passage of time and are reported as collectible, non-depreciating assets. The Steinway Piano, which is included as a collectible non-depreciating asset, has been pledged as collateral to secure a line of credit.

The following is a summary of property and equipment at June 30, 2014 and 2013, at cost, less accumulated depreciation:

	<u>2014</u>	<u>2013</u>
Technical equipment	\$ 239,209	\$ 239,209
Office equipment	277,475	245,069
Leasehold improvements	<u>1,245,450</u>	<u>453,930</u>
Total property and equipment	1,762,134	938,208
Accumulated depreciation	<u>(836,997)</u>	<u>(741,468)</u>
	<u>\$ 925,137</u>	<u>\$ 196,740</u>

Additions of equipment during the years ended June 30, 2014 and 2013 were \$823,926 and \$15,073, respectively.

Accrued Liabilities

Accrued liabilities consist of the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Payroll	\$ 3,981	\$ 3,099
Taxes and benefits	18,532	12,351
Compensated absences	23,699	17,336
Royalties	<u>1,551</u>	<u>-</u>
Total accrued liabilities	<u>\$ 47,763</u>	<u>\$ 32,785</u>

The Center uses a 501(c) agency trust to manage its unemployment claims. The Center has a prepaid balance at the end of 2014 of \$11,006 in the trust and has recorded an estimated

THE WASHINGTON CENTER FOR THE PERFORMING ARTS
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

Accrued Liabilities (continued)

contingent liability of \$13,703 for estimated claims. Future events beyond the date of the financial statements may cause a greater liability.

Employee Benefit Plan

On January 1, 2004, The Center adopted a SIMPLE IRA plan. All employees expected to earn gross wages of \$5,000 or more in the current year or in the prior year are eligible. The Center will match up to 3% of the employee's elective deferral per year not to exceed \$9,000. The Center contributed \$6,826 and \$7,176 for the years ended June 30, 2014 and 2013, respectively.

Deferred Income

Revenue from the advance ticket sales for events to be shown in the subsequent year are reported as deferred income. Revenue from the Friends Campaign was reported as a deferred revenue in 2013, but was no longer deferred starting in 2014 (see Revenue Recognition above). Costs relating to events to be shown in the subsequent year have been reflected as prepaid expenses at June 30, 2014 and 2013 (see Advertising above).

	<u>2014</u>	<u>2013</u>
Advanced ticket sales	\$ 94,100	\$ 19,250
Friends donations	-	69,845
Corporate and municipal support	66,500	1,885
Other	<u>4,020</u>	<u>-</u>
Total deferred income	<u>\$ 164,620</u>	<u>\$ 90,980</u>

Net Assets

Net assets are released from donor restriction by incurring expenses satisfying the restricted purposes or by the occurrence of events specified by the donors. For the year ended June 30, 2014, \$42,302 was released.

Unrestricted Net Assets

The Washington Center for the Performing Arts Board of Directors authorized the establishment of an operating reserve fund. It is intended to be used for the management of cash flow and to allow for the advancement of The Center's artistic purpose. Expenditures from the fund require advance notification of a Board Officer and Board notification at the next regularly scheduled Board meeting.

In addition to the operating reserve fund, the Board of Directors has authorized the establishment of an emergency repairs and replacement fund. The expenditure of funds for repairs and replacement may be paid out of this fund with approval of a Board Officer and Board

THE WASHINGTON CENTER FOR THE PERFORMING ARTS
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

Net Assets (continued)

Unrestricted Net Assets (continued)

notification at the next regularly scheduled Board meeting. Deposits and withdrawals are determined as appropriate by the Board.

Temporarily Restricted Net Assets

In agreement with the City of Olympia, The Center imposes a per ticket service charge to be used for the purchase of stage equipment and other major repairs and replacement. The current service charge established by The Center is \$3.00, of which \$0.25 is retained for major repair and replacement.

In 2002, the Leslie L. Lehne Estate contributed to The Washington Center for the Performing Arts assets to be used to promote organ music through The Center for marketing, promotion, and performance of such music.

The Anacker fund was established to provide a scholarship each year to a graduating Thurston County high school senior who is gaining further education in the field of arts.

Permanently Restricted Net Assets (see Endowments below)

In 2000, the Andy Crow Wurlitzer Organ Endowment Fund was established. Its purpose is to apply earnings from such fund to the maintenance and preservation of the Andy Crow Wurlitzer Organ. The total principal amount is \$75,400. The earnings which are temporarily restricted totaled \$32,581.

Endowments

The Washington Center for the Performing Arts' endowment consists of individual funds established for the purpose of the maintenance and use of the organ. Its endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Washington Center for the Performing Arts has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair market value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, The Washington Center for the Performing Arts classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent

THE WASHINGTON CENTER FOR THE PERFORMING ARTS
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

Endowments (continued)

Interpretation of Relevant Law (continued)

endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure. In accordance with UPMIFA, The Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation or deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires The Center to retain as a fund of perpetual duration.

Return Objectives and Risk Parameters

The Washington Center for the Performing Arts has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain, preserve, and protect its endowment assets. Endowment assets include those assets of donor-restricted funds that The Center must hold in perpetuity or for a donor-specified period(s) as well as Board-designated funds.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, The Center relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Center targets a diversified asset allocation that places a greater emphasis on equity-based investment to achieve its long-term objectives within prudent risk constraints.



Finance Committee

Approval of the Establishment of an Economic Development Capital Facilities Plan (CFP) Project Account

Agenda Date: 4/13/2016
Agenda Item Number: 4.B
File Number: 16-0461

Type: decision **Version:** 1 **Status:** In Committee

Title

Approval of the Establishment of an Economic Development Capital Facilities Plan (CFP) Project Account

Recommended Action

Committee Recommendation:

Move to approve the creation of an Economic Development Capital Facilities Plan (CFP) Project account and forward it to the full Council for approval.

City Manager Recommendation:

Move to approve the Finance Committee recommendation to create an Economic Development Capital Facilities Plan (CFP) Project account and forward it to the full Council for approval.

Report

Issue:

Whether to establish an Economic Development CFP Project account.

Staff Contact:

Jay Burney, Assistant City Manager, Executive Department, 360.753.8740

Presenter(s):

Jay Burney, Assistant City Manager

Background and Analysis:

In 2007, as part of an effort to develop a vacant City lot on the corner of 4th and Columbia, Council set aside approximately \$500,000 in a Downtown Mixed Use Enhancements Fund to be used for purposes of remediation and/or development incentives. A prior potential development partner relocated utilities and did some initial remediation on the site. The current developer of the 123 4th Avenue project utilized a portion of the funds for its remediation work. \$100,000 in funding from the sale of the State Avenue lot to the Low Income Housing Institute (LIHI) was added to the fund balance. The current fund balance is \$358,286. \$120,000 of that balance is committed to the Water Street Redevelopment Area for site remediation. \$238,286 is available and staff is proposing utilizing the balance of funds to establish an Economic Development CFP Project Account.

An Economic Development CFP Project Account would provide staff and Council with a tool to assist in remediation and site preparation or marketing of properties that are candidates for public/private partnerships or sale for economic development purposes. It could also aid in assisting a development partner with site analysis, feasibility studies, or frontage improvements to move development projects forward. Any funds recovered from City efforts involving past polluters of City-owned properties could be added to the project account. Further options will be explored with the Finance Committee.

Neighborhood/Community Interests (if known):

Creation of the Economic Development CFP Project Account will provide flexibility for staff in working with potential private partners to develop properties throughout the City, advancing City Economic Development goals.

Options:

- 1) Move to approve the creation of an Economic Development CFP Project Account and forward it to the full Council for approval.
- 2) Do not approve the creation of an Economic Development CFP Project Account and provide direction to staff on use of funds available in the Downtown Mixed Use Enhancements CIP Fund (317).

Financial Impact:

\$358,286 is currently available in the General Government CIP Fund (317) for use on Downtown Mixed-Use Enhancements. \$120,000 is currently committed to the Water Street Redevelopment Area remediation work, leaving a balance of \$238,286 available for creation of the Economic Development CFP Project Account.

Attachments:

None.



Finance Committee

Update on Olympia Westside Police Station Repairs

Agenda Date: 4/13/2016
Agenda Item Number: 4.C
File Number: 16-0472

Type: information **Version:** 1 **Status:** In Committee

Title

Update on Olympia Westside Police Station Repairs

Recommended Action

Committee Recommendation:

Briefing only. No action requested.

City Manager Recommendation:

Briefing only. No action requested.

Report

Issue:

Whether to proceed with repairs to the Olympia Westside Police Station.

Staff Contact:

Debbie Sullivan, Deputy Director, Public Works, 360.753.8494

Presenter(s):

Debbie Sullivan, Deputy Director, Public Works, 360.753.8494

Background and Analysis:

The Westside Police Station located at 221 N Perry has been vandalized several times over the last few months. Public Works and the Olympia Police designed a project that will potentially reduce the amount of time and money needed to respond to future vandalism. Staff will share the project and the associated costs with Finance Committee.

Neighborhood/Community Interests (if known):

The Northwest Neighborhood Association is pursuing a neighborhood matching grant to paint a mural on the Westside Station. The project is requesting funds and support to have parents and 5th grade students paint the exterior of the building. It would be a collaboration between the City, the Northwest Neighborhood Association, and Garfield Elementary school.

Options:

Various options will be discussed with Finance Committee.

Financial Impact:

The financial impact will be dependent on the option(s) chosen.

Attachments:

No attachments



Finance Committee

Discussion of Potential Financing for Land Acquisitions

Agenda Date: 4/13/2016
Agenda Item Number: 4.D
File Number: 16-0463

Type: discussion **Version:** 1 **Status:** In Committee

Title

Discussion of Potential Financing for Land Acquisitions

Recommended Action

Committee Recommendation:

Not referred to a committee.

City Manager Recommendation:

Receive the information and provide guidance

Report

Issue:

Whether to discuss financing options for future land acquisitions.

Presenter(s):

Jane Kirkemo, Administrative Services Director, 360.753.8499

Background and Analysis:

In order to exercise some of the City's property acquisitions, the City will need both some short-term and long-term financing. This discussion is about various options.

Attachments:

None.