

University of the District of Columbia FY 2021 Proposed Operating and Capital Budgets

PRESENTATION TO THE COMMITTEE OF THE WHOLE OF THE
COUNCIL OF THE DISTRICT OF COLUMBIA

MAY 29, 2020

#DCHOPE



#MYUDC

We are in this together...

- **The financial impact of COVID-19 requires us to make sacrifices while maintaining the critical services our students expect, and protecting the most vulnerable members of the University community.**
- **We have reduced spending by \$2.8 million in the current (2020) fiscal year by implementing a hiring and spending freeze across the University.**
- **We have reduced \$2 million of recurring expenses in the 2021 fiscal year, but will not lose ground on our shared progress in the District.**
- **We will continue to move forward realizing the core vision of the *Equity Imperative*: that all students achieve their highest levels of human potential.**

OUR BUDGET PRIORITIES

A Sustainable Source of Business-Ready Talent



MAINTAIN CORE
FUNCTIONS THAT
SUPPORT STUDENT
SUCCESS



ALLOCATE
RESOURCES TO
CREATE A LOW
HEALTH RISK
CAMPUS
ENVIRONMENT



ALLOCATE
RESOURCES TO
OUR VULNERABLE
STUDENTS



PRIORITIZE HIGH
NEED WORKFORCE
PIPELINES



DON'T LOSE
GROUND ON
EQUITY
IMPERATIVE
IMPLEMENTATION

BASE BUDGET GROWTH

Year to Year Percentage Change

	RECURRING FUNDS	% CHANGE
2015 \$	72,457	
2016 \$	71,900	-0.8%
2017 \$	71,432	-0.7%
2018 \$	78,180	9.4%
2019 \$	82,653	5.7%
2020 \$	85,603	3.6%
	CAGR	3.4%

LOCAL FUNDS BUDGET GROWTH

Year to Year Percentage Change

	<u>DISTRICT FUNDS</u>	<u>% CHANGE</u>
2015	\$ 72,457	
2016	\$ 70,942	-2.1%
2017	\$ 76,680	8.1%
2018	\$ 78,180	2.0%
2019	\$ 87,353	11.7%
2020	\$ 90,303	3.4%
	<i>CAGR</i>	4.5%

FY21 REVISED OPERATING BUDGET

May 2020

\$ in thousands	FY 2019 Approved Budget	FY 2020 Approved Budget	FY 2021 Agency Funding Target (MARC) Revised	% Change FY 2020 – FY 2021 MARC	\$ Change FY 2020 – FY 2021 MARC
Local Budget	\$87,353	\$90,303	\$90,303	0.0%	\$0
Special Purpose Revenue (SPR)	\$35,750	\$35,750	\$36,563	2.3%	\$813
Federal Funding	\$32,223	\$33,492	\$25,000	-25.4%	(\$8,492)
Other Funding*	\$15,983	\$18,162	\$13,925	-23.3%	(\$4,237)
Total	\$171,309	\$177,707	\$165,791	-6.7%	(\$11,916)
Total FTE	968.4	968.4	968.4	2.5%	24

Budget Includes 1.2% Local Funds v 5% National Average

- Fund Balance of \$4.6M is being requested for FY21.
- FY21 restricted budget request is \$31 million. A reduction of \$11.6M from FY20 budget request of \$43M.
 - This reduction is attributed to several grants ending, and the resetting of anticipated grants.
 - Based on the efforts of the Office of Sponsored Programs, the University expects an increase in the number of awards over the next several years.

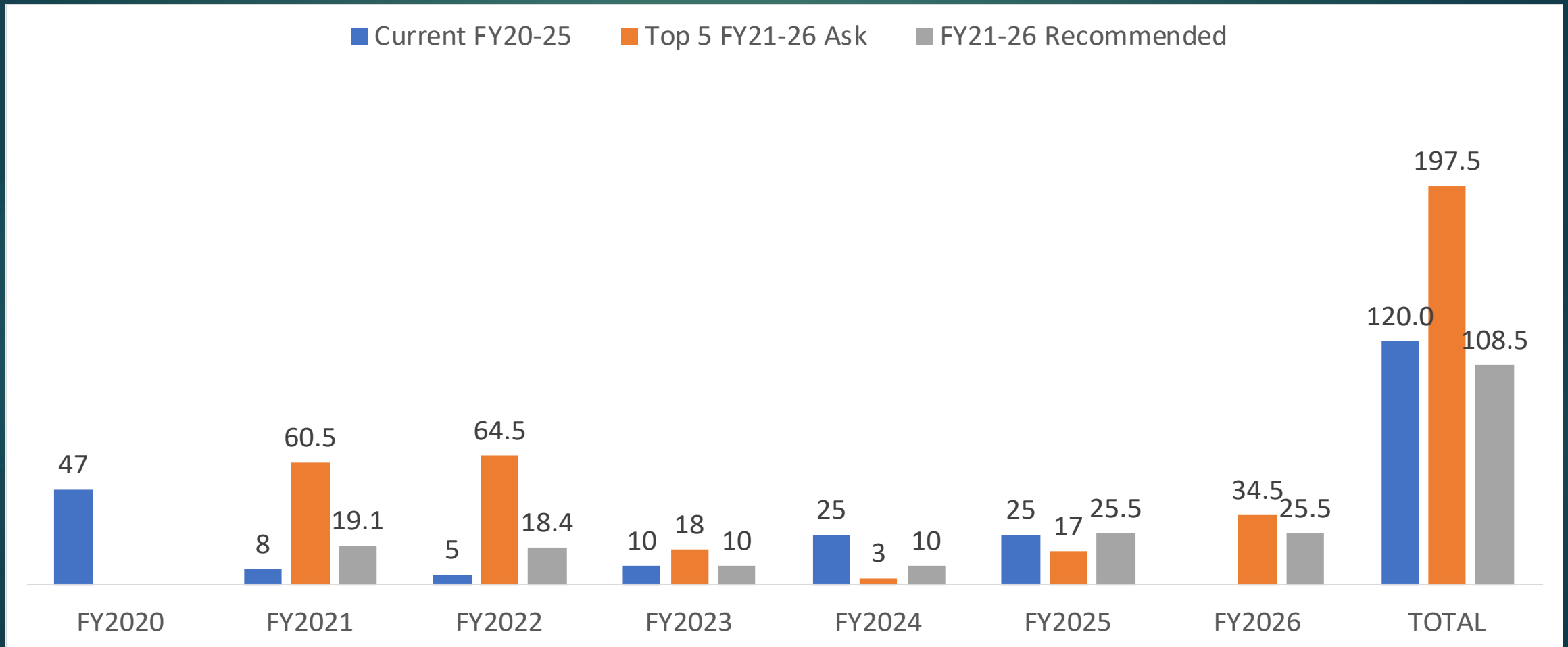
Capital Budget - \$108.5M

FY 21-FY 26

	FY21	FY22	FY23	FY24	FY25	FY26	6 Year Total
1 4250 Connecticut Avenue Renovation (Design: FY '25; Const: FY '26)	\$ 2,500,000	\$ 2,000,000	\$ 1,500,000	\$ 2,000,000	\$ -	\$ 5,000,000	\$ 13,000,000
2 Campus-Wide Infrastructure: MEP, HVAC, Roofs, Windows, Elevators, & IT Upgrades (Design/Const: FY '21 - FY '26)	\$ 4,000,000	\$ 2,500,000	\$ 2,000,000	\$ 2,000,000	\$ 7,000,000	\$ 11,000,000	\$ 28,500,000
3 Backus - Existing Bldg. Upgrades (Design/Const: FY '25)	\$ -	\$ -	\$ -	\$ -	\$ 5,000,000	\$ -	\$ 5,000,000
4 Backus - New Construction (No Funding Allocated)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5 Purchase OCH (No Funding Allocated)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6 Interior Renovations - Multiple Buildings Instructional Spaces / Admin. (Design/Const: FY '23 - '22 & FY '25 - '26)	\$ 1,625,000	\$ 3,500,000	\$ -	\$ -	\$ 4,000,000	\$ 4,000,000	\$ 13,125,000
7 Construct / Relocate Main Library (Const: FY '21)	\$ 8,500,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,500,000
8 Leased Swing Space Improvements (Design/Const: FY '22 - FY '26)	\$ -	\$ 2,200,000	\$ 2,200,000	\$ 2,200,000	\$ 2,200,000	\$ 2,200,000	\$ 11,000,000
9 Firebird Farm Infrastructure / Instructional Space (Design/Const: FY '22 - FY '26)	\$ -	\$ 200,000	\$ 500,000	\$ -	\$ 200,000	\$ 1,000,000	\$ 1,900,000
10 Pedestrian Paver Upgrades / Drainage System Replacement; Bldg. #52 Leaks (Const: FY '22 & FY '25)	\$ -	\$ 2,700,000	\$ -	\$ -	\$ 3,400,000	\$ -	\$ 6,100,000
11 UG706 Pool Projects (Design/Const: FY '21 - FY '26)	\$ 2,500,000	\$ 5,275,000	\$ 3,800,000	\$ 3,800,000	\$ 3,700,000	\$ 2,300,000	\$ 21,375,000
REQUESTED TOTAL:	\$ 19,125,000	\$ 18,375,000	\$ 10,000,000	\$ 10,000,000	\$ 25,500,000	\$ 25,500,000	\$ 108,500,000

CAPITAL REQUESTS COMPARED

\$ millions



TOP FIVE PRE-COVID CAPITAL PRIORITIES: \$197.5M

~~1~~

4250 CONN. AVE RENOVATION

Transform the facility into a modern home for CAS and CAUSES

~~2~~

BACKUS EXPANSION & EXISTING BUILDING UPGRADES

Build a 35-40k space to replace 801 N Capitol

3

VAN NESS CAMPUS ROOFS, ELEVATORS, & WINDOWS

Replace 27 elevators, all roofs and windows in 8 Van Ness facilities

4

VAN NESS INFRASTRUCTURE & IT UPGRADES

Modernization to allow for healthy and conducive learning spaces

~~5~~

3100 MLK PURCHASE

Ownership of Old Congress Heights will solidify our presence in Ward 8

CAPITAL BUDGET FY21-26

... PROGRESS

- ▶ 1 – Develop 4250 into a certified safe learning environment
- ▶ 2 – Renovate and upgrade the environmental infrastructure at Van Ness
- ▶ 3 – Minor improvements to learning environment at Backus (this is not the Backus campus expansion)
- ▶ 6 – Modernize learning environment across all sites
- ▶ 7 – Modernize Van Ness Main Library, creating a digital learning environment
- ▶ 8 – Allow for swing space during several of the construction/renovation projects
- ▶ 9 – Modernization at Firebird Farms
- ▶ 10 – Improvement and extension of Plaza pavers
- ▶ 11 – Small capital projects to maintain 50+ year-old infrastructure until replacement/upgrade effort

SMALL INVESTMENT...PROGRESS

Associates Nursing, Mortuary Science Programs Accredited	Over \$15 Million in Federal Grants	Gallup, Amazon Web Services, Brookings Institute Partnerships	Training Initiative to Improve Police and Community Relations
Council for the Accreditation of Educator Preparation (CAEP) Accreditation Reaffirmed	Acquisition of 4250 Connecticut Ave and lease of 4225 Connecticut Ave and Old Congress Heights	New Doctoral Programs in Computer Science and Engineering and Urban Leadership and Entrepreneurship	Institute of Politics, Policy and History Established
Center for Diversity, Inclusion and Multi-Cultural Affairs Opened	Tops List of HBCUs for Graduate Fellows at Columbia University	NASA's Top 10 for Moon to Mars Challenge	Two Professors Named Fulbright Scholars

#1 Best Affordable Mechanical Engineering Degree Program 2019
AffordableSchools.net

#1 in "The 50 Best Affordable Business Schools 2019"
AffordableSchools.net

#7 Best Affordable Engineering School 2019
AffordableSchools.net

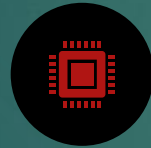
#6 Clinical Law Program in the Nation
[US News and World Report](http://USNewsandWorldReport.com)

MODERNIZING TECHNOLOGY INFRASTRUCTURE

12



Completed \$5.4M upgrade to core communications system, Wi-Fi, inter-site connectivity and security system.



Upgraded 70% of all UDC computers to Windows 10



Purchased more than 350 new computers and 6 new servers



Implemented cloud-based computing including migrating our Learning Management System



Purchased 23 interactive touchscreen whiteboards



Broke ground on new state-of-the-art data center



Began modernizing UDC telephone system

FY21 OPERATING INVESTMENT REQUESTS

...Opportunity Costs

LEARNING ENVIRONMENTS



\$2.5M
RECURRING

\$5 v \$15 sq. ft.

STAFF



\$2.2M
RECURRING

Student
Success

TALENT PIPELINES



\$1.5M
RECURRING

- Healthcare
- Technology
- Teachers

FACULTY



\$1.0M
RECURRING

NEA

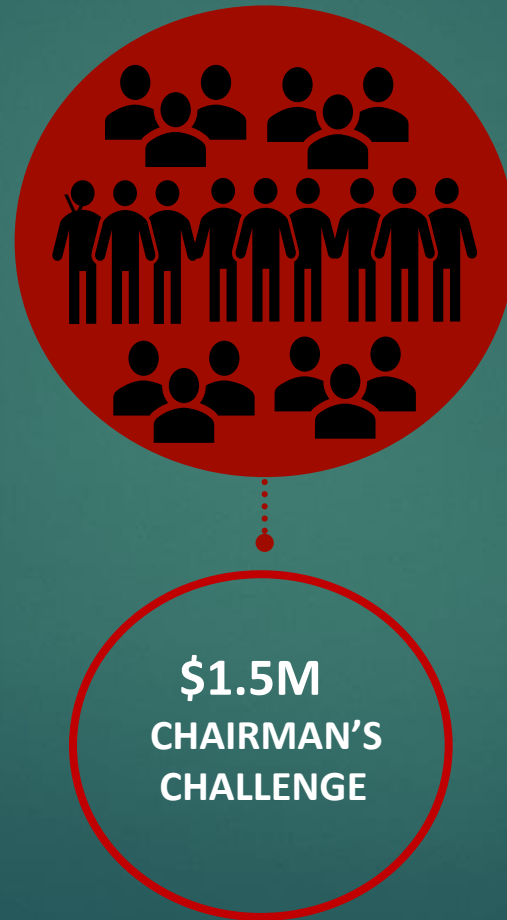
TECHNOLOGY



\$1.5M
ONE-TIME

- Maintenance
- Progress

EQUITY IMPERATIVE ...STUDENTS



OUR POST-COVID VALUE

- Safe and certified learning center
- Hybrid learning model, led by online-certified faculty
- Multiple high-value pathways from "fast-track" industry-recognized credentials to degrees for in-demand fields
- Leveraging new technologies and business processes to meet the support needs of the University in a distributed, telework-based model

We are building a public higher education model of urban student success – a reliable source of business-ready talent

UNIVERSITY OF THE DISTRICT OF COLUMBIA

**The Public Institution of Higher Learning
in and for
the Nation's Capital**

UNIVERSITY OF THE
DISTRICT OF
COLUMBIA
— 1851



GOVERNMENT OF THE DISTRICT OF COLUMBIA
COMMISSION ON THE ARTS AND HUMANITIES

FISCAL YEAR 2021 AGENCY BUDGET OVERSIGHT HEARING

TESTIMONY OF
KAY KENDALL
CHAIRPERSON

BEFORE THE
COMMITTEE OF THE WHOLE
COUNCIL OF THE DISTRICT OF COLUMBIA
PHIL MENDELSON, CHAIRMAN

MAY 29, 2020

CHAIRMAN MENDELSON, MY NAME IS KAY KENDALL, CHAIRPERSON OF THE COMMISSION ON THE ARTS AND HUMANITIES. IT IS AN HONOR TO COME BEFORE THE COMMITTEE OF THE WHOLE TODAY AS YOU CONSIDER THE PROPOSED BUDGET FOR THE COMMISSION FOR FISCAL YEAR 2021. AS WE HAVE PUT TOGETHER PLANS FOR NEXT YEAR, WE HAVE WORKED TO ADDRESS THE FOLLOWING MAJOR POINTS: WHAT IMPACT CAN WE HAVE NOW, AND HOW CAN WE SUPPORT THE RECOVERY OF THE ARTS AND CULTURAL SECTOR WHEN THIS IS OVER? WE HAVE CONCENTRATED OUR FUNDS IN GENERAL OPERATING AND ARTISTS FELLOWSHIPS KNOWING THAT THESE FUNDS WILL HAVE THE GREATEST FLEXIBILITY AND IMPACT. WE HAVE WAIVED MATCHING GRANTS FOR MOST CATEGORIES. AND WE HAVE SCALED BACK BUDGETS FOR OTHER PROGRAMS IN ORDER TO CREATE A RELIEF FUND FOR THE SECTOR.

IT HAS BEEN A ROLLER COASTER FOR THIS AGENCY, AS IT HAS BEEN FOR EVERYONE. FROM NAVIGATING THE CHALLENGES OF WORKING REMOTELY, TO MAKING CONTINGENCY PLANS SHOULD WE BE CONFRONTED WITH A REDUCED BUDGET FROM A SHORTFALL OF SALES TAX REVENUES. THROUGHOUT THIS TIME OUR STAFF HAS WORKED LONG HOURS AND COPEd WITH THE CHANGES. WE ARE INDEBTED TO THEIR COMMITMENT AND UNDERSTANDING OF HOW TO RESPOND TO THE ARTS COMMUNITY. THROUGH OUR COMMITTEE STRUCTURE, THEY HAVE WORKED WITH COMMISSIONERS AS WE ALL STRIVE TO CREATE PLANS TO INVEST IN THE ARTS AND HUMANITIES, ALWAYS KEEPING INCLUSION, DIVERSITY, EQUITY AND ACCESS TOP OF MIND.

I AM SURE ALL OF US HAVE BEEN AMAZED AT THE CREATIVITY SHOWN ON ENDLESS YOUTUBE AND ZOOM BROADCASTS THAT HAVE ENTERTAINED US AND KEPT US SANE, AND PERHAPS MORE IMPORTANTLY, GIVEN US CAUSE TO PAUSE AND REFLECT ON THE WORLD . NEVER HAVE THE ARTS BEEN SO OBVIOUSLY A SOURCE OF CAMARADERIE AND INSPIRATION AND COMMUNITY – WE APPLAUD THE SECTOR THAT WE SERVE FOR THEIR INVENTIVENESS AND THEIR WILLINGNESS TO CONTINUE TO SHARE THEIR TALENTS WITH ALL OF US.

A RECENT NEWS ARTICLE STATED, “WE NEED A VARIETY OF FIELDS TO NAVIGATE OUR WAY THROUGH A GLOBAL HEALTH CRISIS. THEY ALL DESERVE OUR SUPPORT. SCIENCE AND MEDICINE ARE THE DISCIPLINES THAT HELP TO SAVE LIVES — THE HUMANITIES AND THE THE ARTS HELP US UNDERSTAND WHY THEY ARE WORTH SAVING IN THE FIRST PLACE.”

I AM HONORED TO CHAIR A COMMISSION WHOSE MISSION IS TO INVEST IN ARTISTIC EXCELLENCE. NEVER HAS IT SEEMED SO IMPORTANT. THANK YOU FOR YOUR TIME. I WOULD LIKE TO NOW INTRODUCE OUR ACTING EXECUTIVE DIRECTOR, HERAN SEREKE-BRHAN, WHO WILL SPEAK FURTHER ON THE AGENCY’S PROPOSED FISCAL 21 BUDGET.



GOVERNMENT OF THE DISTRICT OF COLUMBIA
COMMISSION ON THE ARTS AND HUMANITIES

FISCAL YEAR 2021 AGENCY BUDGET OVERSIGHT HEARING

TESTIMONY OF
HERAN SEREKE-BRHAN, PhD
ACTING EXECUTIVE DIRECTOR

BEFORE THE
COMMITTEE OF THE WHOLE
COUNCIL OF THE DISTRICT OF COLUMBIA
PHIL MENDELSON, CHAIRMAN

MAY 29, 2020

MR. CHAIRMAN, COMMITTEE MEMBERS AND STAFF, AND MEMBERS OF THE PUBLIC: THANK YOU FOR THIS OPPORTUNITY TO TESTIFY BEFORE YOU TODAY ON THE PROPOSED BUDGET FOR THE COMMISSION ON THE ARTS AND HUMANITIES FOR FISCAL YEAR 2021. MY NAME IS HERAN SEREKE-BRHAN, ACTING EXECUTIVE DIRECTOR FOR THE COMMISSION.

FISCAL YEAR 21 WILL BE THE THIRD STRAIGHT YEAR IN WHICH THE COMMISSION HAS BEEN FUNDED BY A DEDICATED PERCENTAGE OF TAX REVENUES COLLECTED. IN EACH OF THESE YEARS, THE AGENCY'S OPERATING BUDGET HAS INCREASED, EVEN IN THE PROPOSED BUDGET FOR FY21, IN WHICH OUR LOCAL APPROPRIATION HAS BEEN ZEROED OUT.

WE RECOGNIZE THAT WITH THE ONGOING STATE OF EMERGENCY, THOSE LOCAL FUNDS ARE LIKELY NEEDED ELSEWHERE FOR THE DISTRICT'S RESPONSE AND RECOVERY EFFORTS.

WE ALSO KNOW THAT THE DISTRICT'S ARTS AND CULTURAL SECTOR HAS BEEN A SIGNIFICANT DRIVER OF THE CITY'S ECONOMIC GROWTH AND DEVELOPMENT OVER THE YEARS, ACCOUNTING FOR APPROXIMATELY 8.4% OF GROSS STATE PRODUCT. ANY RECOVERY OF THE LOCAL ECONOMY MUST, BY NECESSITY, INCLUDE A RECOVERY OF THE ARTS AND CULTURAL SECTOR.

WE FURTHER BELIEVE THAT THE ARTS AND HUMANITIES WILL BE OF UTMOST NECESSITY IN HELPING OUR RESIDENTS ADJUST MENTALLY AND EMOTIONALLY TO LIFE POST-PANDEMIC, AN INTRINSIC VALUE NOT MEASURED IN DOLLARS AND PERCENTAGES.

THE PROPOSED FY21 BUDGET OF OVER \$38.7 MILLION WILL CERTAINLY BE EXTREMELY NEEDED IN ADDRESSING THESE AREAS OF RECOVERY. IT IS ALSO A TESTAMENT TO OUR CITY'S LEADERS IN LIGHT OF THE FACT THAT CITY AND STATE ARTS AGENCIES IN OTHER PARTS OF THE COUNTRY ARE FACING DRASTIC CUTS TO THEIR BUDGETS, AND IN SOME INSTANCES, ARE AT RISK OF BEING TOTALLY DEFUNDED ALTOGETHER BY THEIR RESPECTIVE GOVERNMENTS.

HOWEVER, WE ALSO UNDERSTAND THAT THIS PROPOSED BUDGET IS ONE BASED ON FORECASTED TAX REVENUES, AND AS SUCH, IS SUBJECT TO VARIATION WITH ACTUAL TAX REVENUES COLLECTED OVER THE COURSE OF THE YEAR. THIS WAS THE CASE IN MARCH, WHEN THE OFFICE OF THE CHIEF FINANCIAL OFFICER EXPRESSED CONCERNS OVER A REVENUES SHORTFALL ACROSS THE DISTRICT, DUE TO THE ECONOMIC IMPACTS RELATED TO COVID-19. THIS AGENCY FOLLOWED THE ADVICE OF THE OCFO AT THE TIME, AND PAUSED ANY NEW SPENDING TO AWAIT UPDATED DATA TO PAINT A MORE ACCURATE PICTURE OF THE AGENCY'S AND THE DISTRICT'S FINANCIAL POSITION.

WHILE THE DISTRICT GOVERNMENT AS A WHOLE IS FACED WITH A SHORTFALL IN EXCESS OF \$700 MILLION IN BOTH THE CURRENT AND UPCOMING FISCAL

YEARS, THE COMMISSION IS ONE OF ONLY A FEW AGENCIES THAT WILL NOT FACE AN IMMEDIATE BUDGETARY REDUCTION, AT LEAST FOR NOW.

FINDING OURSELVES IN SUCH A POSITION OF GOOD FORTUNE DEMANDS AN INCREASED SENSE OF GRAVITAS OF THE AGENCY. WE DO NOT KNOW WHAT LIFE WILL LOOK LIKE POST-PANDEMIC, AND WE DO NOT KNOW WHAT THE ARTS AND CULTURAL SECTOR WILL LOOK LIKE. NOBODY CAN KNOW THAT AT THIS TIME. BUT WE MUST BE THOUGHTFUL, AND EMPIRICAL AS POSSIBLE, IN OUR PLANS.

AS PART OF THE RECENT CARES ACT, THE NATIONAL ENDOWMENT FOR THE ARTS DISTRIBUTED FUNDS TO EACH OF THE STATE ARTS AGENCIES FOR THE PURPOSES OF MAKING RELIEF GRANTS TO THE NONPROFIT ARTS SECTOR. THE COMMISSION, AS THE STATE ARTS AGENCY FOR THE DISTRICT OF COLUMBIA, RECEIVED \$421,300 IN FEDERAL FUNDS FROM THE ARTS ENDOWMENT, WHICH WE ARE IN THE PROCESS OF AWARDING AS GRANTS OF \$2,500 TO INDIVIDUAL ARTISTS AND \$3,000 TO NONPROFIT ORGANIZATIONS WITH ANNUAL BUDGETS UNDER \$250,000 THAT HAVE BEEN IMPACTED FINANCIALLY BY COVID-19.

NEXT WEEK, WE WILL BEGIN THE PROCESS OF SOLICITING APPLICATIONS FOR OUR FY21 GRANT PROGRAMS. THE ENTIRE GRANTMAKING PROCESS TAKES A MINIMUM OF THIRTEEN WEEKS JUST TO MAKE THE AWARD NOTIFICATION TO SELECTED RECIPIENTS, AND IT IS OUR GOAL TO GET FUNDS DISBURSED TO OUR GRANTEES AS SOON AS POSSIBLE AFTER THE START OF THE NEW FISCAL YEAR SO THAT THEY MAY HAVE CASH IN HAND FOR THEIR EXPENSES.

WE HAVE MADE SOME SIGNIFICANT MODIFICATIONS TO OUR GRANT PROGRAMS FOR FY21 IN RESPONSE TO FEEDBACK RECEIVED FROM OUR GRANTEES AND THE ARTS AND CULTURAL SECTOR AT LARGE.

TRADITIONALLY, MOST OF OUR GRANTS TO ORGANIZATIONS HAVE REQUIRED A ONE-TO-ONE FINANCIAL MATCH ON THE PART OF THE GRANTEE. THAT REQUIREMENT WAS WAIVED IN APRIL FOR CURRENT FY20 GRANTEES, AND WILL AGAIN BE WAIVED FOR FY21 GRANT PROGRAMS. THIS WILL ALLOW GRANTEES MORE FLEXIBILITY WITH THEIR ORGANIZATIONAL FUNDS BY NOT ENCUMBERING THEM AS A MATCH FOR A PARTICULAR GRANT OR PROJECT.

WE WILL BE PAUSING THREE GRANT PROGRAMS FROM FY21: SISTER CITIES FOR INDIVIDUALS AND FOR ORGANIZATIONS, AND THE LIFTOFF GRANT. WE WILL ALSO BE REDUCING THE ALLOCATION TO OUR PROJECTS, EVENTS, AND FESTIVALS GRANT. USING THESE SAVINGS, WE WILL BE ABLE TO INCREASE THE ALLOCATION TO OUR ARTS AND HUMANITIES FELLOWSHIP GRANT PROGRAM, WHICH PROVIDES NEAR-UNRESTRICTED GENERAL FUNDS TO INDIVIDUALS, AND RAISE THE MINIMUM AWARD OF THAT PROGRAM FROM \$2,500 TO \$5,000.

AND IN FY21, OUR EAST OF THE RIVER GRANT PROGRAM WILL BE RESTRICTED TO APPLICANT ORGANIZATIONS THAT ARE HEADQUARTERED AND BASED IN COMMUNITIES EAST OF THE ANACOSTIA RIVER.

FINALLY, WE ARE ESTABLISHING A RELIEF FUND WITHIN OUR BUDGET, WHICH WE HOPE WILL ALLOW US TO RESPOND TO FUTURE NEEDS OF THE ARTS AND CULTURAL SECTOR AS WE CONTINUE TO MOVE THROUGH, AND ULTIMATELY PAST COVID-19.

MR. CHAIRMAN, ALL OF THE ABOVE MODIFICATIONS ARE MADE TO GRANT PROGRAMS THAT FALL WITHIN THE ARTS AND HUMANITIES COHORT, LEGISLATIVELY DEFINED IN THE AGENCY'S BUDGET. I BELIEVE THERE MAY BE OTHER POTENTIAL TEMPORARY MODIFICATIONS TO SUPPORT RECOVERY IN BUDGET AREAS SUCH AS IN FACILITIES AND BUILDINGS CAPITAL PROJECTS, WHICH I'D BE HAPPY TO DISCUSS FURTHER WITH YOU.

IN CLOSING, I'D LIKE TO TAKE A MOMENT TO ACKNOWLEDGE ALL OF THE CITY'S ARTISTS AND CULTURAL WORKERS. THIS INDUSTRY HAS BEEN HIT EXTRAORDINARILY HARD BY THIS SITUATION, LIKE SO MANY OTHERS. AND IT MAY BE ONE OF THE LAST ONES TO RETURN TO SOME SENSE OF NORMALCY. THE PERFORMING ARTS IN PARTICULAR MAY NOT BE IN FULL OPERATIONS AGAIN FOR ANOTHER ONE TO TWO YEARS, NOT JUST HERE, BUT ACROSS THE GLOBE. AND SO TO ALL OF THEM, WE AT THE COMMISSION SEE YOU, WE HEAR YOU, AND WE ARE CONTINUING TO WORK FOR YOU.

THANK YOU FOR YOUR TIME CHAIRMAN MENDELSON, I'LL BE HAPPY TO ADDRESS ANY QUESTIONS THAT YOU MAY HAVE.



COUNCIL OF THE DISTRICT OF COLUMBIA
COMMITTEE OF THE WHOLE

COMMITTEE OF THE WHOLE
PUBLIC HEARING
FY21 BUDGET AND FINANCIAL PLAN

May 29, 2020

Testimony of Gregory A. O'Dell
President and Chief Executive Officer
Washington Convention and Sports Authority
t/a Events DC



Good morning Chairman Mendelson, members and staff of the Committee of the Whole. I am Gregory A. O'Dell, president and chief executive officer of the Washington Convention and Sports Authority, also known as Events DC.

Joined with me today are Henry Mosley, our Chief Financial Officer and Nicole Jackson, our General Counsel. I am pleased to testify about the Authority's Fiscal 2021 budget.

As a quick overview, the Authority is an independent agency, organized into three core lines of business: the **Conventions and Meetings Division**, the **Sports and Entertainment Division**, and our **Creative Services Division**.

The Authority owns, operates, and/or serves as landlord for:

- the Walter E. Washington Convention Center
- the Historic Carnegie Library at Mount Vernon Square, which is home to the Global Apple Flagship Store and the Historical Society of Washington
- the Robert F. Kennedy Memorial Stadium
- the RFK Festival Grounds
- The Fields at RFK Campus
- the Skate Park at RFK Stadium
- the non-military portions of the DC Armory
- the Entertainment and Sports Arena on the St. Elizabeths East Campus
- the Gateway DC Pavilion and the R.I.S.E Demonstration Center, both of which are also on the St. Elizabeths East campus, and
- Nationals Park.

As you are aware, at the beginning of each calendar year we identify the Authority's operational and capital budget needs for the coming fiscal year and propose a budget to our Board for their review and approval.

Fiscal Year 2020

Before I detail the Authority's FY21 budget, I would like to address the current fiscal year 2020 budget. The Board approved the FY20 budget on March 14, 2019 in the amount of \$216 million. That amount was revised by the Board on March 12, 2020 to reflect the OCFO's February revenue estimate for dedicated taxes, increasing our budget to \$219 million, and the estimate for dedicated taxes to \$146 million.



Shortly thereafter, we all witnessed and experienced the devastating impact of COVID-19—the hospitality industry as a whole has been severely impacted with travel and tourism coming to a halt. For the Authority, we were directly affected in early March as we learned that some attendees from one of our conventions had tested positive.

With guidance from the Mayor’s team and the Department of Health, we had to make the tough decision to shut down operations at our venues. Since that time, the Mayor proactively issued the Stay-at Home order, and we have all come to learn how this novel coronavirus has affected virtually every facet of our lives.

Given the COVID-19 pandemic, event activity has been cancelled or postponed through the summer months. As a result, we revised our budget and spending plan for FY20. Specifically, the OCFO issued a revised estimate of the Dedicated Taxes in April, reducing the total from \$146 million to \$63 million. In addition, we suspended event-related operations at the Convention Center for the final six months of the fiscal year, projecting a \$17 million loss in operating revenue resulting in over a \$100 million total revenue loss for our organization.

In response to our projected loss in revenue, we reviewed expenses across all divisions to identify cost savings. Further, we reallocated funds to prioritize relief to the hospitality industry, inclusive of relief to hotels, restaurants, and undocumented immigrants. The material highlights of our revised financial spending plan include the following:

- Freezing all vacant positions for the remainder of FY20
- Reducing Capital Expenditures from \$54 million to \$21.6 million
 - \$14.5 million in Maintenance Projects (digital camera system; door and hardware system at the Convention Center; Washington Nationals Stadium maintenance)
 - \$7 million in Strategic Initiatives (portion of Streetscape Project and some pre-construction funding for demolition of RFK Stadium)
- Providing \$18 million in relief and recovery to the District’s Hospitality and Tourism Industry (\$5 million restaurant relief, \$5 million hotel relief, \$3 million destination marketing and \$5 million undocumented workers)
- Providing \$10 million in funding to the District’s Cultural Institutions

Unrestricted Reserves

As part of our financial planning, the Authority developed a three-year budget forecast inclusive of FY20 through FY22. Given the reduction in revenue forecasted for FY20 as well as FY21 and FY22, the Authority anticipates a significant reduction in its unrestricted reserves. As shown in the chart below, we began the fiscal year with an unrestricted reserve balance of \$140 million. For FY20, we project a drawdown of approximately \$79 million from our reserves – this is a result of over \$100 million loss



in revenue but takes into account some cost saving measures as referenced previously.

Further, while the revenue forecast for FY21 and FY22 improves (and many cost saving measures remain), we are still projecting a loss for each of those years, resulting in further reductions of our unrestricted reserves.

Fiscal Year	Use of Reserves
FY 19 Balance	140,098,000
FY 20 (79,250,882)	
FY 21 (21,663,372)	
FY 22 (3,273,788)	
Total Uses	<u>(104,188,043)</u>
Projected FY 22 Balance	<u>35,909,957</u>

Fiscal Year 2021

Now, I would like to review the Authority's Budget for Fiscal Year 2021. The budget remains consistent with our statutory mission and purpose, which is:

- To generate economic and community benefits for District residents and businesses,
- To promote the District as a location for meetings and conventions, entertainment, cultural and sporting events,
- To encourage and support youth sports programming and activities, and
- To market the District as a destination of choice for leisure travelers from around the nation and across the globe.

The capital and operational needs of the Authority for FY21 are wholly supported by our approved budget. A breakdown by Division or Line of Business is as follows:

Conventions and Meetings

For the Conventions and Meetings Division, the FY21 revised operating budget is \$21 million. The Division's portfolio of venues includes the Convention Center and the Historic Carnegie Library.



Prior to the COVID-19 pandemic, the Division had a total of 101 events booked for FY21. As of this month, 16 of those events have cancelled for FY21. While we have seen several cancellations, we have also been able to work with numerous customers to reschedule their events, in hopes of hosting their events when the pandemic-related health concerns have been properly mitigated.

In addition to the event cancellations or postponements, a portion of the convention center has been converted to an alternate care facility – the intent was to supplement the existing hospital system should its capacity be exhausted as a result of the COVID-19 situation. We recognize the critical need and support the Mayor and her team in prioritizing public health as the highest priority. It is our collective hope that the convention center will not be needed for this purpose. We thank the Mayor, the District’s emergency and health management agencies and the U.S. Army Corps of Engineers for their coordination to build the site, as well as MedStar health for their role as the managing healthcare provider.

Also included in the Division’s portfolio is the Carnegie Library, home of the Apple Global flagship retail store, which has been open since May 2019. The retail operation is co-located with the Historical Society of Washington—the partnership has been positive. Currently the Library is closed, and we look forward to re-opening the venue when it is safe to do so.

Sports and Entertainment

For our Sports and Entertainment Division, the FY21 operating budget is \$4.5 million. The Division’s portfolio of venues includes the historic Robert F. Kennedy Memorial Stadium and adjacent Festival Grounds, the Fields at RFK, the non-military portions of the DC Armory, the Skate Park at RFK Stadium, the Gateway DC Pavilion, the R.I.S.E Demonstration Center, and the Entertainment and Sports Arena on the St. Elizabeths East Campus.

Venues and facilities on the Sports and Entertainment Campuses also remain closed at this time. We look forward to bringing some live programming back to those venues once it is safe to do so. We are actively engaging with clients to reschedule previously scheduled events, pursuing bids for major sports events and matches, as well as exploring virtual programming options. Further, we are in constant communications with our partners and tenant at the Arena, Monumental Sports and Entertainment, to discuss their plans for reopening and programming with their professional teams.



Creative Services Division

Our Creative Services Division, once referred to as the special events portfolio, creates in-house events and makes strategic investments in and markets and promotes marquee events and cultural activities across the District.

Prior to COVID-19, we were poised to present the Events DC Embassy Chef Challenge, which would have taken place in May and the DC JazzFest presented by Events DC, which was scheduled for June, just to name a few. We were pleased to still be able to support the National Cherry Blossom Virtual Festival and Parade.

As part of our re-opening strategy, the creative services division is focused on virtual programming and creating event programming that is aligned with the phased reopening of the city, consistent with the Mayor's directive and approach. In the near future, we will announce programming inclusive of community partners across the city.

Capital Projects and Strategic Initiatives

In addition to our lines of business, we continue to focus on our capital program, inclusive of (1) Maintenance Projects and (2) Strategic Initiatives. While our maintenance projects are our first priority in terms of capital spend, our strategic initiatives are also vital – these are key investments in strategic programs and projects that position the Authority for future growth. We have completed several of those key initiatives in previous fiscal years -- some examples include, compete lease-out of the Convention Center's street-facing retail, the redesign of the Center's lobby and public spaces, the development, construction and grand opening of the Entertainment and Sports Arena, and the design, construction and opening of the three new, state-of-the-art artificial turf fields with supporting community amenities at the RFK Campus. Most recently and of note, our Fields at RFK project received a National Recognition Award from the American Council of Engineering Companies for its exceptional achievement in engineering design.

For FY21, our approved capital expenditures budget has been reduced to \$27 million, consistent with our revised financial plan to mitigate the impact of COVID-19. Within the \$27 million, we are projected to spend:

- \$15.2 million on Maintenance Projects, such as restroom replacement and carpet replacement at the Convention Center, and \$5 million for necessary improvements at Nationals Stadium.
- \$11.75 million in Strategic Initiatives, to include a portion of the Streetscape Project, pre-construction work for the demolition of the RFK Stadium, and required technology enhancements such as a new the Human Resources,



Procurement and Financial Management System to replace the current, outdated systems

Overall, the Authority's total approved budget for FY21 is \$164.2 million, which represents a 23.2% decrease over the FY20 approved budget of \$213.8 million.

From the District's perspective, the Authority is covered in two chapters of the budget book. First, under chapter EZ0—the District transfers certain sales-tax revenues to the Authority, for FY21 this totals \$97.35 million, which is approximately \$56 million less than what was reflected in the OCFO's February revenue estimate.

This amount includes \$4.2 million in Special Purpose Revenue Funds, which we show as non-operating revenue for the District's ground-lease payment from the Headquarters Hotel, and \$93.1 million in Dedicated Taxes.

The remainder of our budget, again from the District's perspective, is covered in chapter ES0, which reflects the expenditure side of the Authority's budget.

On the expense side, the \$164.3 million in our approved FY21 budget includes the following:

- \$69.77 million for Operations inclusive of our Convention & Meetings Division, Sports & Entertainment and Creative Services Division;
- \$3.7 million transfer to Destination DC;
- \$49.8 million for debt service on the Convention Center and the Marriott Marquis hotel;
- \$10.6 million allocated to the Marketing Fund, which includes the Authority's funding of Destination DC;
- \$27 million for the FY21 capital budget; and
- \$3 million for the re-open DC Marketing Campaign

A further review of the Authority's FY21 expenditures, using the categories shown in the District's budget documents show:

For Personnel Services, the revised budget is \$32.9 million, which includes full-time, part-time, casual positions and other support-functions across the organization.

The funding allocation for Contractual Services/Other is \$27.7 million to fund services such as security, housekeeping, insurance, escalators/elevators repair, and technology, just to name a few.

The Subsidies and Transfers budget for FY21 is \$18 million, down from \$32.9 million.



Under Land and Buildings, the category for our capital expenditures, the budget decreased by \$27.4 million from FY20's approved budget of \$54.4 million due to adjustments to the Authority's FY20 and FY21 capital plan that supports maintenance, improvement and enhancement of existing Authority assets.

All told, the revised budget before you is reflective of a fiscally responsible approach to address the economic realities of COVID-19 while also continuing to adhere to the Authority's business priorities.

While our financial performance was severely impacted by the pandemic, we are proactively planning for the future as the District works to recover. We look forward to supporting those efforts and to better days ahead.

Chairman Mendelson and Members and staff of the Committee, this concludes my remarks. Thank you for the opportunity to appear before you today. My team and I are happy to answer any questions that you may have.