

**Overview and Initial Issues Identification
OFFICE OF ARTS AND CULTURE (OAC)**

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Expenditures/Revenues

	2014 Endorsed Budget	2014 Proposed Budget	% Change Endorsed to Proposed
Expenditures by BCL			
Arts Account	4,730,000	5,362,000	13.4%
Municipal Arts Fund	2,514,000	2,992,000	19.0%
Total Expenditures	\$7,244,000	\$8,354,000	15.3%
Total FTEs	28.09	30.84	9.8%
Revenues			
General Subfund	200,000	401,000	100.5%
Admission Tax	4,439,000	5,301,000	19.4%
1% for Art	1,755,000	3,086,000	75.8%
Other Revenue Sources	356,000	356,000	0.0%
Total Revenues	\$6,750,000	\$9,143,000	35.5%
Use of (Contribution to) Arts Account Operating Reserve	0	(430,000)	
Use of (Contribution to) Municipal Arts Fund Balance	494,000	(359,000)	
Total Resources	\$7,244,000	\$8,354,000	15.3%

Introduction:

The 2014 Proposed Budget for OAC is nearly \$8.4 million and reflects a 15.3% increase (about \$1.1 million) over the 2014 Endorsed Budget. This increase is largely due to the proposed appropriations for the new and expanded programs listed below and described in greater detail in subsequent sections of this memorandum:

- 1) Arts and music education in schools (Creative Advantage) – \$150,000
- 2) Cultural facilities funding – \$145,000
- 3) Historic theater improvements – \$155,000
- 4) Temporary transition leader for the Langston Hughes Performing Arts Institute (LHPAI) – \$70,000
- 5) Increased administrative staff support – \$109,000
- 6) Increased public art expenditures – \$500,000

Of the new and expanded initiatives listed above, only the proposed funding for historic theater improvements would be supported by the General Subfund. The remainder would be funded with either Admission Tax revenues or proceeds from the City's 1% for Art program. Admission Tax revenues and the 1% for Art program are OAC's two primary revenue sources, with less than 5% of OAC's annual budget supported by the General Subfund.

Seattle Municipal Code Section 5.40.120 requires 75% of the City's annual Admission Tax revenues to be directed to OAC; the remainder becomes part of the General Subfund and is used to support a variety of programs in other City departments. The Proposed Budget anticipates \$5.3 million in Admission Tax revenues (collected in 2012) will accrue to OAC in 2014. This reflects a 19.4% increase (\$862,000) over the 2014 Endorsed Budget. The growth in Admission Tax revenues is due, in part, to the 2012 openings of two new major attractions in Seattle: the Great Wheel on the downtown waterfront and the Chihuly Garden and Glass Exhibition at Seattle Center. OAC appropriates the Admission Tax revenues it receives through its Arts Account BCL. Consistent with Resolution 31327, which was adopted by the Council in September 2011, the 2014 Proposed Budget would also increase the balance of the operating reserve in the Arts Account to more than \$400,000 (the base amount established in the legislation).

The Proposed Budget also shows increases in the amount of 1% for Art program revenues that are expected to accrue to OAC in 2014. The 1% for Art program is funded by a 1% set-aside of City capital improvement project funds. OAC then uses the money to commission and purchase artworks for installation at City facilities. A total of \$3.1 million in 1% for Art program revenues is expected to be credited to OAC in 2014. This reflects a 76% increase (\$1.3 million) over the 2014 Endorsed Budget. Much of this increase is due to the current engagement of the Seattle Department of Transportation (SDOT) in significant capital project activity. OAC appropriates the revenues it receives from the 1% for Art program through its Municipal Art Fund BCL.

Four position changes, resulting in a total net add of 2.75 FTE, are also included in OAC's 2014 budget proposal:

- 1) Addition of an Arts Program Specialist (1.0 FTE) to manage OAC's involvement with the Creative Advantage program;
- 2) Restoration of an Administrative Specialist III position (1.0 FTE) that was eliminated during the economic downturn;
- 3) Transition of an existing Accountant position from half-time to three-quarters time (increase of 0.25 FTE); and
- 4) Transition of an existing Strategic Advisor 1 position associated with OAC's cultural facilities funding program from half-time to full-time (increase of 0.5 FTE).

OAC's current FTE count is 28.09; the proposed position changes would bring that total up to 30.84.

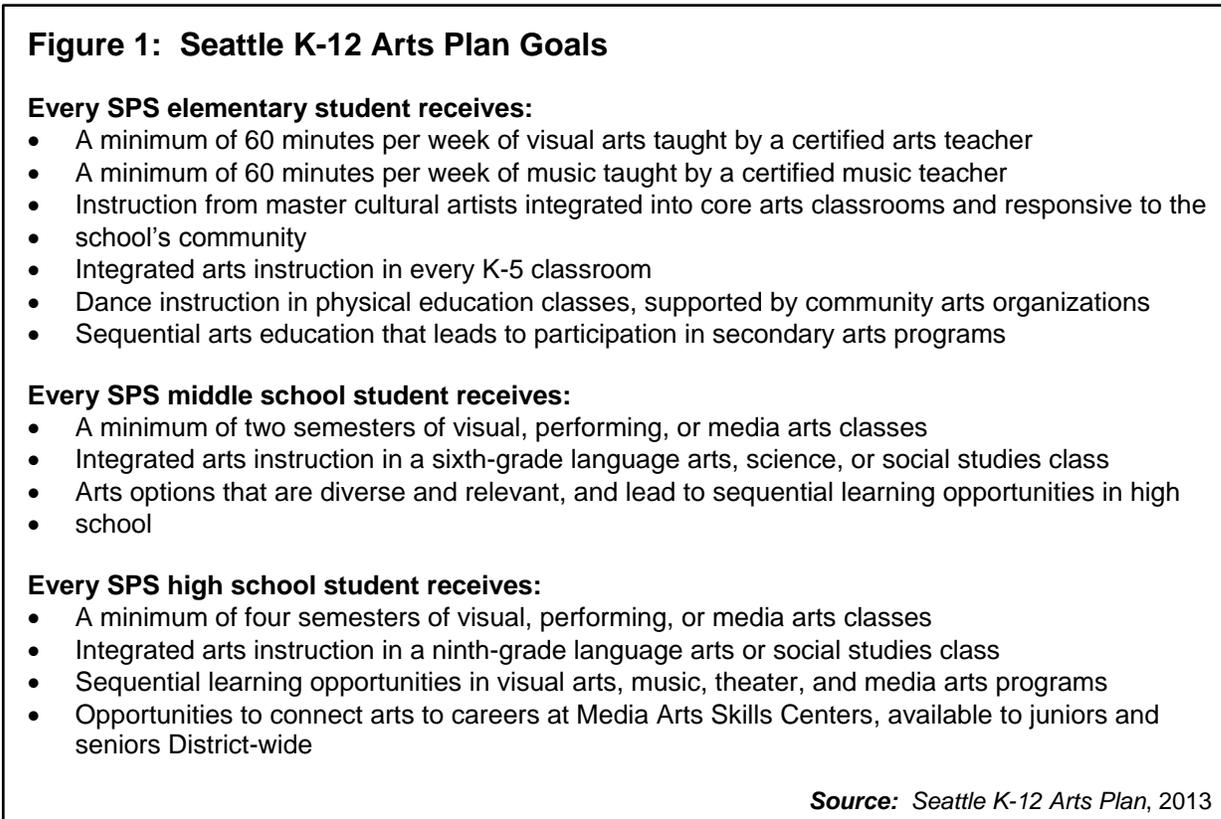
No legislation or capital projects are associated with the 2014 budget proposal for OAC.

Identified Issues:

Central Staff have identified the following elements of OAC's 2014 Proposed Budget for further review by Councilmembers:

1) The Creative Advantage – \$150,000

OAC's budget proposal for 2014 includes \$150,000 to support the implementation of the Creative Advantage, a partnership between Seattle Public Schools (SPS), the Seattle Foundation, and the City of Seattle that seeks to provide every student enrolled in SPS with a K-12 continuum of arts education. The basis for the Creative Advantage is SPS's 2013 K-12 Arts Plan, which was developed by SPS in partnership with OAC and with funding from the Wallace Foundation. The goals of the Arts Plan are printed below in Figure 1.



One strategy espoused by the Creative Advantage is to develop coordinated partnerships with community organizations and teaching artists that can help individual schools meet their arts education needs. OAC's 2014 Proposed Budget includes \$150,000 that would largely be used to help SPS carry out that body of work. The funding is proposed to be spent as follows:

- \$90,000 for a new, full-time Arts Program Specialist position (1.0 FTE) within OAC that would be tasked with directing funding from foundations and individual

donors (the Seattle Foundation would serve as the fiscal agent) to community organizations and teaching artists whose work is aligned with the arts plans of individual schools. The selected community partners would then offer arts instruction that the schools do not currently have the capacity to provide. Initial funding (but no permanent position authority) for the Arts Program Specialist position was provided in the Second Quarter Supplemental Budget Ordinance for 2013; thus, the position is already filled with a temporary employee. Sustaining the position over the long-term will likely require an ongoing commitment of OAC funding resources.

- \$40,000 in one-time funding to provide teachers, principals, and community partners with professional development training in arts education.
- \$20,000 to help fund a two-year evaluation of the Creative Advantage (an additional \$20,000 would be requested in OAC's 2015 Proposed Budget); equivalent funding would be provided by the Seattle Foundation. The intent of the evaluation would be to measure and assess early program outputs, such as the number of SPS students receiving arts education; the number of arts education hours provided; the number of teachers, principals, and community partners receiving professional development training in arts education; and the number of arts organizations and teaching artists leading programs for SPS students. Over the long-term, OAC and SPS have also expressed an interest in evaluating whether investments in the Creative Advantage have a direct impact on high school graduation rates; however, a study of that nature that produces conclusive results could be difficult to structure and costly to conduct.

In addition to the funds that OAC and private donors would provide to support the Creative Advantage, SPS would spend nearly \$600,000 per year to hire more certified arts teachers and cover other program costs (e.g., classroom supplies, curriculum planning).

SPS is currently in the process of launching the Creative Advantage in 14 "Central Pathway" schools, which are roughly defined as the schools that either feed into or receive graduates from Washington Middle School. If the two-year evaluation described above reveals a successful implementation of the Creative Advantage in Central Pathway schools, SPS and OAC believe the initiative will become eligible for additional public funds that are not currently accessible due to the absence of program data. Those funding sources include Seattle's Families and Education Levy and State-level resources available through the Office of the Superintendent for Public Instruction. SPS has set a goal of fully implementing the Creative Advantage in all its schools by 2020.

Admission Tax revenues would support OAC's proposed 2014 investments in the Creative Advantage.

Options (not all are mutually exclusive):

- a) Amend the 2014 Proposed Budget to eliminate or reduce funding for the Creative Advantage.
- b) Amend the 2014 Proposed Budget to make the new Arts Program Specialist position associated with the Creative Advantage a two-year term position. Once the evaluation of the program's implementation in Central Pathway schools is complete, the Council could determine whether the position should be made permanent, eliminated or moved into SPS.
- c) Amend the 2014 Proposed Budget to not create a new Arts Program Specialist position within OAC and instead provide funding to SPS to support a similar staff position there.
- d) Approve funding for the Creative Advantage as requested in the 2014 Proposed Budget.

2) Cultural facilities funding – \$145,000

In late 2010, as part of its 2011 budget review process, the Council established a cultural facilities grant program within OAC. The program was developed to provide one-time capital project support to established nonprofit arts and cultural organizations. During the program's first year (2011), a total of \$275,000 in grant funds was made available to three nonprofits, with each organization receiving between \$75,000 and \$125,000. In 2012, \$150,000 was allocated to OAC to fund smaller grants ranging from about \$3,000 to \$25,000. The 2013-2014 Proposed Budget for OAC also allocated \$150,000 per year for cultural facilities grants; however, the Council augmented that amount by including an additional \$100,000 in the final 2013 Adopted Budget. This brought total 2013 funding for OAC's cultural facilities grant program to \$250,000, which OAC is currently using to fund a variety of awards ranging in size from \$4,000 to \$35,000.

Both 4Culture and Washington State also oversee grant programs that provide capital funding support to arts and cultural organizations. In 2012, 4Culture provided 26 nonprofit and public entities in King County with a total of \$735,000 (annual funding cycle) and Washington State distributed about \$2.4 million to 11 organizations (biannual funding cycle). Seattle nonprofits received about 80% of the 4Culture funding and around 67% of the State's resources. However, according to OAC, significant capital funding needs remain unmet. As was noted during OAC's budget presentation on October 10, Seattle-based arts and cultural organizations are currently engaged in capital campaigns with a combined fundraising goal of more than \$55 million.

The 2014 Proposed Budget would provide \$145,000 in additional funding for cultural facilities. This includes \$100,000 in additional grant funds for capital projects (would bring the total amount available to \$250,000) and \$45,000 to convert an existing Strategic Advisor 1 position within OAC from half-time to full-time (increase of 0.5 FTE). Besides managing the \$250,000 grant program, the Cultural Space Liaison would also be charged with implementing a new online space-finder resource to help artists and

arts and cultural organizations find appropriate and affordable spaces to house their operations. Another new responsibility of the Cultural Space Liaison would be to work with Department of Planning and Development staff to identify policies and regulations that the City could implement to help support the creation of designated Cultural Districts and encourage the preservation and development of affordable spaces for arts and cultural uses. Both the creation of the online space-finder tool and the dedication of OAC staff resources for policy development work were recommended by the City's Cultural Overlay District Advisory Committee.

Admission Tax revenues fund OAC's existing cultural facilities program and would also support the proposed expansion of that initiative in 2014.

Options:

- a) Amend the 2014 Proposed Budget to eliminate or reduce funding for OAC's cultural facilities program.
- b) Approve funding for OAC's cultural facilities program as requested in the 2014 Proposed Budget.

3) Historic theater improvements – \$155,000

OAC's 2014 Proposed Budget includes \$155,000 in one-time General Subfund support for capital improvements to two historic Seattle theaters: the Moore Theater and the Egyptian Theater. Under the proposal, the Moore would receive \$80,000 in City funding and the Egyptian would receive \$75,000. The funding would provide partial support for the following improvements to the two theaters:

- Moore: replace seats, improve HVAC system, paint public areas, and install a new curtaining system that will allow the facility to better accommodate smaller organizations and events.
- Egyptian: upgrade bathrooms, improve access to the facility pursuant to the Americans with Disabilities Act, move walls, replace seats, and make electrical upgrades.

The Moore Theater is owned by the Toulouse family and operated by Seattle Theatre Group under a long-term lease agreement. The Egyptian Theater is owned by the Seattle Community College District (SCCD). SCCD is currently conducting a process to select a new long-term operator for the Egyptian. Should the Council choose to support the proposal to direct City resources to the Moore and the Egyptian, Councilmembers may want to consider placing a proviso on the funding that would go to the Egyptian until SCCD has selected a long-term, nonprofit manager for the facility that agrees to continue operating the space as a historic theater.

Due to the size and timing of the funding allocations proposed for the Moore and Egyptian, OAC is recommending they receive stand-alone awards, as is presented in the 2014 Proposed Budget, rather than support from OAC's cultural facilities grant program. If the proposed awards to the Moore and the Egyptian were provided through

OAC's cultural facilities grant program, they would consume more than 60% of the program's total proposed grant funds for 2014. However, OAC would still subject any grant funds provided to the Moore and Egyptian to the same use restrictions and reporting requirements that it applies under the cultural facilities grant program.

As is noted above, the proposed source of the \$155,000 that would be allocated to the Moore and the Egyptian in 2014 is the General Subfund. This differs from OAC's cultural facilities grant program, which is supported by Admissions Tax revenues.

Options (not all are mutually exclusive):

- a) Amend the 2014 Proposed Budget to eliminate or reduce funding for historic theater improvements.
- b) Place a proviso on the funding that would be allocated to the Egyptian until a long-term, nonprofit manager is selected that agrees to continue operating the facility as a historic theater.
- c) Approve funding for historic theater improvements as requested in the 2014 Proposed Budget.

4) Temporary transition leader for LHPAI – \$70,000

In 2013, responsibility for operating LHPAI was transferred to OAC from the Department of Parks and Recreation. OAC then convened a stakeholder group to identify, among other things, the most appropriate long-term management structure for the facility. The stakeholder group ultimately recommended transitioning LHPAI operations to an independent nonprofit organization and bringing in a consultant to help guide that process. Consistent with those recommendations, the 2014 Proposed Budget includes \$70,000 to fund a 12 to 18 month contract with a temporary transition leader for LHPAI. The specific tasks the transition leader would be charged with include conducting an audit of LHPAI programs to help determine which bodies of work should continue under the new nonprofit operational structure, conducting stakeholder and community outreach, overseeing the facility's filing for 501(c)(3) status, and assembling an initial Board of Directors. OAC's contract with the temporary transition leader would be funded with Admission Tax revenues.

Options:

- a) Amend the 2014 Proposed Budget to eliminate funding for a temporary transition leader for LHPAI.
- b) Approve funding for a temporary LHPAI transition leader as requested in the 2014 Proposed Budget.

5) Increased administrative staffing – \$109,000

OAC has seen a 42% reduction in its administrative and accounting staff over the past four years (from 6.0 FTE in 2009 to 3.5 FTE in 2013) as a result of the economic downturn. However, during that same time, OAC continued to implement new programs and took on the responsibility of operating LHPAI. According to OAC, this

combination of factors has put an unreasonable strain on its remaining administrative and accounting personnel.

The 2014 Proposed Budget would grow OAC's administrative staffing level by 1.25 FTE by adding one new Administrative Specialist III position (1.0 FTE) and increasing an existing part-time Accountant position from half-time to three-quarters time (an increase of 0.25 FTE). The new Administrative Specialist III position would provide dedicated staff support to the OAC Director and Seattle Arts Commission and assist with the Creative Advantage and other OAC programs as needed. The proposed funding source for these personnel increases is Admission Tax revenues.

Options:

- a) Amend the 2014 Proposed Budget to eliminate or reduce funding for the requested increases to OAC's administrative staffing.

- b) Approve funding for increased administrative staffing within OAC as requested in the 2014 Proposed Budget.

Other Changes that Do Not Warrant Analysis as "Issues":

The following technical adjustment to OAC's 2014 Endorsed Budget may also be of interest to Councilmembers:

Increased public art expenditures – \$500,000

Among the technical adjustments reflected in OAC's 2014 Proposed Budget is a \$500,000 increase in public art expenditures from the Municipal Arts Fund. SDOT is currently engaged in significant capital project activity and, as a result, their 2014 contribution to the 1% for Art program is expected to exceed what was projected in the 2014 Endorsed Budget. The proposed \$500,000 increase in expenditure authority is expected to better track 1% for Art program revenues and OAC's ability to expend those revenues in 2014. At the end of 2014, the Municipal Arts Fund is forecast to have a balance of about \$4.9 million. This is about \$345,000 less than the forecast included in the 2014 Endorsed Budget but still a very healthy amount.