

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

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Expenditures/Revenues

	2014 Adopted Budget	2015 Proposed Budget	% Change '14 to '15	2016 Proposed Budget	% Change '15 to '16
Expenditures by BCL					
Arts Account	\$5,512,000	\$5,905,000	7.1%	\$5,813,000	-1.6%
Municipal Arts Fund	\$2,992,000	\$3,065,000	2.5%	\$3,119,000	1.8%
Total Expenditures	\$8,504,000	\$8,970,000	5.5%	\$8,932,000	-0.4%
Total FTEs	30.84	31.59	2.4%	31.59	0.0%
Revenues					
Admission Tax	\$5,301,000	\$5,953,000	12.3%	\$6,124,000	2.9%
1% for Art	\$3,086,000	\$3,564,000	15.5%	\$3,329,000	-6.6%
General Subfund	\$551,000	\$0	-100.0%	\$0	0.0%
Other Revenue Sources	\$356,000	\$325,000	-8.6%	\$336,000	3.3%
Total Revenues	\$9,293,000	\$9,842,000	5.9%	\$9,789,000	-0.5%
Use of (Contribution to) Arts Account Fund Balance	(\$430,000)	(\$99,000)	-76.9%	(\$364,000)	266.9%
Use of (Contribution to) Municipal Arts Fund Balance	(\$359,000)	(\$773,000)	115.2%	(\$494,000)	-36.1%
Total Resources	\$8,504,000	\$8,970,000	5.5%	\$8,932,000	-0.4%

Introduction:

The Proposed Budget provides OAC with nearly \$9 million for 2015, reflecting a 5.5% increase (about \$466,000) over the 2014 Adopted Budget. For 2016, the Proposed Budget also provides OAC with about \$9 million in total resources. Admission Tax revenues and the 1% for Art program are OAC's two primary revenue sources. The 2015-2016 Proposed Budget does not include any General Subfund support for OAC.

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. To assure accurate budgeting, Admission Tax revenues are allocated to City departments two years after they are collected. In recent years, the Admission Tax revenues collected by the City have

increased markedly, growing by hundreds of thousands of dollars annually. This change is due to post-recession economic growth as well as the opening of new, ticketed attractions that are subject to the Admission Tax, namely the Great Wheel on the downtown waterfront and the Chihuly Garden and Glass exhibition at Seattle Center. Admission Tax forecasts prepared by the City Budget Office show OAC's Admission Tax allocations continuing to outpace inflation (CPI) through at least 2018. Attachment 1 to this memorandum provides a snapshot of the City's use of Admission Tax revenues since 2006. OAC appropriates the Admission Tax revenues it receives through its Arts Account BCL.

OAC's other major revenue source, the 1% for Art program, is funded by a required 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 \$3.6 million in 1% for Art program revenues is expected to be credited to OAC in 2015. This reflects a 15.5% increase (about \$478,000) over the 2014 Endorsed Budget. Much of this increase is due to the current engagement of the Seattle Department of Transportation in significant capital project activity. In 2016, 1% for Art program revenues are expected to drop to \$3.3 million. OAC appropriates the revenues it receives from the 1% for Art program through its Municipal Art Fund BCL.

Position Changes

Two position changes, resulting in a net add of 0.75 FTE, are included in OAC's budget proposal:

- 1) Addition of a half-time Public Relations Specialist position (0.5 FTE) to provide communications and event support for a variety of OAC program areas, including arts education, grant-making initiatives, and the Langston Hughes Performing Arts Institute (LHPAI) – \$51,500 in 2015 and \$52,500 in 2016; and
- 2) Increasing an existing Senior Accountant position from three-quarters time to full-time (increase of 0.25 FTE) to provide additional accounting support for new and growing OAC program areas, including LHPAI and its future transition to a separate nonprofit organization, which is expected to take several years (the City will continue to own the building) – \$25,600 in both 2015 and 2016.

OAC's current FTE count is 30.84; the proposed position changes would bring that total up to 31.59.

Legislation

One proposed ordinance is associated with OAC's budget proposal. The legislation would authorize the OAC Director to set fees and charges for the use of LHPAI. This authority was previously provided to the Superintendent of the Department of Parks and Recreation; however, since 2013, LHPAI has been managed by OAC. OAC expects to begin transitioning LHPAI to a separate nonprofit organization in 2016.

Identified Issues:

Central Staff have identified the below elements of OAC's 2015-2016 budget proposal for further review by Councilmembers. All are proposed to be funded with Admission Tax revenues.

1) New investments in arts programming that advance racial equity and social justice – \$165,000 in 2015 and \$160,000 in 2016

The 2015-2016 Proposed Budget for OAC includes new funding for arts initiatives that support the City's racial equity and social justice goals. The proposed uses of these funds are as follows:

- ***Arts Mean Business grant program – \$100,000 in 2015 and \$75,000 in 2016***

Last fall, the Council added \$150,000 to OAC's 2014 budget to fund a one-year continuation of the Arts Mean Business grant program. Arts Mean Business grants were first awarded in 2012 with the goal of helping to create and sustain pivotal staff positions at nonprofit arts, cultural, and heritage organizations. In 2014, at the request of the Council, OAC gave funding priority to organizations that serve economically disadvantaged populations. Arts Mean Business has three key components:

- 1) Providing direct investments to support job growth in the local arts community;
- 2) Supporting training opportunities to help arts organizations develop greater economic resiliency; and
- 3) Bringing the City's arts leaders together to develop new approaches to arts entrepreneurship, innovative arts practices, and more equitable ways of doing business.

OAC used the \$150,000 in 2014 funding for Arts Mean Business to award grants to six organizations: Deaf Spotlight, Densho, the Eritrean Association in Greater Seattle, the Northwest African American Museum, the United Indians of All Tribes Foundation, and the Wing Luke Museum. OAC is now proposing to allocate these same organizations \$100,000 in 2015 and \$75,000 in 2016. Through the provision of additional funding support, OAC hopes to supply the selected organizations with additional time to successfully and sustainably implement the new staff positions they initiated with their 2014 grant allocations.

- ***Reimbursement funding for staff position the Office of Civil Rights (OCR) – \$45,000 in 2015 and 2016, 0.5 FTE increase***

OAC's 2015-2016 budget proposal includes \$45,000 per year to reimburse OCR for staff work associated with the development of an arts and culture workplan for the City's Campaign for Racial Equity. Reflecting this plan, an existing half-time staff position in OCR is proposed to be increased from 0.5 FTE to 1.0 FTE. According to payroll data obtained from the City Budget Office, the incumbent OCR staffer whose salary is proposed to be partially covered by OAC has worked an average of 33 hours per week in 2014. With OCR already paying this

individual to work more than three-quarters time, Councilmembers may want to consider reducing the annual amount of OAC reimbursement funding available for this position from \$45,000 to \$22,500.

- **Artists Up – \$15,000 in 2015 and 2016**

Artists Up is an outreach and professional networking program for artists of color that was developed by OAC, 4Culture and Artist Trust in 2012. OAC's proposed monetary investments in Artists Up for 2015 and 2016 would be matched by 4Culture. Artist Trust has not yet pledged any 2015 or 2016 funding support for the program.

- **New OAC-OCR grant program – \$5,000 in 2015 and \$25,000 in 2016**

OAC and OCR propose to work together over the course of the biennium to develop a new, small grant program that would support community-based arts initiatives that advance the City's racial equity and social justice goals. Individual grant awards would average around \$1,000 each. OCR's budget proposal does not include any funding for the program.

Options

Note: Options (a) and (b) are not mutually exclusive.

- a) Amend the 2015-2016 Proposed Budget to eliminate or reduce the amount of funding available for the Arts Means Business program.
- b) Amend the 2015-2016 Proposed Budget to eliminate or reduce the amount of OCR reimbursement funding included in OAC's budget.
- c) Approve new funding for arts programming that advances racial equity and social justice as requested in the 2015-2016 Proposed Budget.

2) Creative City – \$75,000 in 2015 and \$30,000 in 2016

Creative City is a new partnership between OAC, the Office of Economic Development (OED), and the Office of Film and Music (OFM; housed within OED) that focuses on the role Seattle's creative industries play in the City's economy. OAC, OED, and OFM propose to use the requested 2015-2016 program funds as follows:

- \$30,000 in 2015 and \$15,000 in 2016 to hire a consultant (Community Attributes) to develop a series of interactive maps that help illustrate the economic impacts of the City's creative sector;
- \$30,000 in 2015 only to support 4Culture's effort to develop a Regional Cultural Plan; and
- \$15,000 in both 2015 and 2016 to support Music and Career Day (includes funding for instructors, participating musicians, event promotion, and space and equipment rentals).

OED's 2015-2016 budget proposal does not include any funding for Creative City.

Options

- a) Amend the 2015-2016 Proposed Budget to eliminate or reduce funding for the Creative City initiative.
- b) Approve funding for the Creative City initiative as requested in the 2015-2016 Proposed Budget

3) Increased funding for public relations support – \$72,500 in 2015 and \$73,500 in 2016; 0.5 FTE

OAC's budget proposal includes approximately \$52,000 per year to fund the half-time Public Relations Specialist position described on page 2 of this memorandum, as well as \$21,000 per year for the production of additional events and collateral materials associated with new and growing OAC program areas.

Options

- c) Amend the 2015-2016 Proposed Budget to eliminate or reduce new funding for public relations support.
- d) Approve new funding for public relations support as requested in the 2015-2016 Proposed Budget

4) Arts Activations – \$40,000 in 2015 and \$50,000 in 2016

This proposed new funding for arts activations would support temporary public art installations, pop-up galleries, special events, and other short-term activities. OAC estimates this level of funding will support 10-12 projects per year.

Options

- a) Amend the 2015-2016 Proposed Budget to eliminate or reduce funding for arts activations.
- b) Approve funding for arts activations as requested in the 2015-2016 Proposed Budget

Potential Issues Under Assessment:

Central Staff is also reviewing the following issues, which have been raised by Councilmembers:

1) Increase to Arts Account Operating Reserve – Licata

Consistent with Resolution 31327, which was adopted by the Council earlier this year, OAC maintains a minimum reserve balance of \$400,000 in the Arts Account to address short-term fluctuations in Admission Tax revenues that undermine OAC's ability to fund its ongoing programs. Beginning in 2016, the Resolution calls for the minimum reserve balance to be adjusted annually by CPI. In the event the reserve remains underfunded for more than two years, the policies outlined in the Resolution call for OAC appropriations to be adjusted to allow the reserve fund to be replenished.

With the City currently experiencing healthy increases in annual Admission Tax revenues, Councilmember Licata has expressed interest in raising the minimum balance for the Arts Account operating reserve, potentially to \$600,000. This would have the effect of further shielding OAC programs from Admission Tax revenue declines that could occur in the future. Councilmembers should be aware that increasing the reserve balance during the course of the 2015-2016 biennium would require cuts to some existing and/or proposed OAC programs.

2) Funding for Youth Music Programs – Rasmussen

Through its Youth Arts grant program, OAC provides funding support to artists, arts and cultural groups, and community-based organizations that offer arts education to Seattle's middle and high school students outside the regular school day. Funding priority is given to applicants that serve youth with limited access to arts education or other cultural programming. Earlier this year, OAC awarded a total of \$175,000 in Youth Arts grant funds to 34 organizations, for an average grant size of \$5,147. Around five of those grants were awarded to artists and organizations whose primary educational focus is music. Councilmember Rasmussen has expressed interest in directing OAC to use a portion of the 2015 unreserved fund balance in the Arts Account (i.e., the balance that remains unallocated after all required reserves are funded) to provide additional Youth Arts grant support to music education programs. The Proposed Budget shows the Arts Account to have an unreserved fund balance of nearly \$80,000 in 2015.

Other Proposed Changes to OAC's Baseline Budget:

The following elements of OAC's 2015-2016 budget proposal are not referenced elsewhere in this memorandum but may still be of interest to Councilmembers. All are proposed to be funded with Admission Tax revenues.

1) Increased support for Creative Advantage (ongoing arts and music education partnership with Seattle Public Schools) – \$150,000 in 2015 and \$122,500 in 2016

OAC's 2015-2016 budget proposal includes \$120,000 in annual baseline funding for Creative Advantage, as well as new program funding totaling \$150,000 in 2015 and \$122,500 in 2016. For the next two years, the City's investments in Creative Advantage will continue to support pilot programs in the Central Pathway. Central Pathway schools are defined as those that feed into and out of Washington Middle School. In 2015 and 2016, OAC funding for Creative Advantage is proposed to support the following activities:

- \$100,000 (baseline budget; provided in 2015 and 2016) for art supplies, musical instruments, and school-based arts education planning;
- \$20,000 (baseline budget; provided in 2015 only) for a program evaluation;
- \$27,500 (new funding; provided in 2015 only) to fund a thematic arts education program that would be applied in all Central Pathway schools and address a specific gap in arts learning to be identified by Central Pathway principals;

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- \$25,000 (new funding, provided in 2015 and 2016) to fund a professional development institute for artists-in-residence that will provide arts instruction to Central Pathway students; and
- \$97,500 (new funding, provided in 2015 and 2016) to provide teachers and artists-in-residence with training in the provision of culturally relevant arts education.

Seattle Public Schools and the Seattle Foundation are also major funders of Creative Advantage. Starting with the 2015-2016 school year, the resources provided through those organizations will be used to help expand the program beyond Central Pathway schools.

- 2) One-time funding to upgrade the sound and lighting systems at the Langston Hughes Performing Arts Institute – \$40,000 in 2015**
- 3) Funding for departmental IT equipment upgrades and licensing costs – \$14,000 in 2015 and \$10,000 in 2016**

Attachment 1: Distribution of Admission Tax Revenues, 2006-2018 (Forecast)

Year	Total Admission Tax Allocations*	OAC Share - 20%	Available to Address Other City Needs - 80%	OAC Share - Total Change From Previous Year	OAC Share - % Change From Previous Year	CPI (Inflation)	General Subfund support for OAC**
2006	\$5,592,605	\$1,118,521	\$4,474,084	\$200,321	21.8%	3.7%	\$2,160,345
2007	\$6,366,085	\$1,273,217	\$5,092,868	\$154,696	13.8%	3.9%	\$2,286,247
2008	\$5,745,405	\$1,149,081	\$4,596,324	-\$124,136	-9.7%	4.2%	\$3,684,464
2009	\$5,902,650	\$1,180,530	\$4,722,120	\$31,449	2.7%	0.6%	\$3,039,757
		OAC Share - 75%	Available to Address Other City Needs - 25%				
2010	\$5,015,265	\$3,761,449	\$1,253,816	\$2,580,919	218.6%	0.3%	\$0
2011	\$5,568,191	\$4,176,143	\$1,392,048	\$414,694	11.0%	2.7%	\$0
2012	\$6,623,103	\$4,967,327	\$1,655,776	\$791,184	18.9%	2.5%	\$0
2013	\$5,864,305	\$4,398,229	\$1,466,076	-\$569,098	-11.5%	1.2%	\$405,000
2014	\$7,067,603	\$5,300,702	\$1,766,901	\$902,473	20.5%	1.3%	\$550,000
2015	\$7,937,771	\$5,953,328	\$1,984,443	\$652,626	12.3%	2.1%	\$0
2016***	\$8,165,760	\$6,124,320	\$2,041,440	\$170,992	2.9%	2.3%	\$0
2017***	\$8,428,359	\$6,321,269	\$2,107,090	\$196,949	3.2%	2.3%	TBD
2018***	\$8,688,296	\$6,516,222	\$2,172,074	\$194,953	3.1%	2.3%	TBD

* Admission Tax revenues are allocated to City departments two years after they are collected.

** OAC also collects large annual revenues through the 1% for Art program; however, those revenues are generally derived from dedicated funding sources for 1% for Art and are not spent on other projects. All of OAC's other revenue sources are fairly minor (e.g., interest income, rental income from Langston Hughes Performing Arts Center) and fund a very small share of its budget.

*** City Budget Office forecast.