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Jane Morris
ARTS Fin Policy Revisions RES
February 18, 2014
Version #1a

CITY OF SEATTLE
RESOLUTION 31507

A RESOLUTION modifying financial policies for the Arts Account of the General Subfund and superseding Resolution 31327.

WHEREAS, Resolution 31327 states that the City Council shall receive a report from the Office of Arts and Cultural Affairs (OACA), assessing the financial policies related to the Arts Account and make recommendations or amendments to these policies, and;

WHEREAS, in June 2013 OACA submitted a written report and made recommendations; NOW, THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SEATTLE, THE MAYOR CONCURRING, THAT:

Section 1. Resolution 31327 is superseded.

Section 2. The Council adopts the following modified financial policies concerning the retention of revenues deposited into the Arts Account Subfund, consistent with the recommendations submitted to the Council:

1. Retention of Admission Tax revenues: The Office of Arts and Cultural Affairs (OACA) shall establish an operating reserve of \$400,000 using Admission Tax revenues, deposited into the Arts Account Subfund, that are for the sole use of OACA. This reserve shall be retained to address any short-term fluctuations in Admission Tax revenues that undermine OACA's ability to fund those programs and activities outlined in Seattle Municipal Code (SMC) Section 5.40.120.
2. Timing and reserve amount: The reserve fund balance shall grow over time until a balance of \$400,000 is achieved by January 1, 2015. After January 1, 2015, if the



1 operating reserve drops below the minimum reserve amount of \$400,000, it shall be
2 replenished within a 2 year time period. The reserve amount, set at \$400,000 for the 2015
3 budget, will be adjusted annually by CPI beginning with the 2016 budget.

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5 3. Use of the reserve: The reserve shall be maintained solely for the purposes of supporting
6 OACA programs outlined in SMC 5.40.120 and shall not be used or directed to any other
7 program or account.

8 Adopted by the City Council the ____ day of _____, 2014, and
9 signed by me in open session in authentication of its adoption this ____ day
10 of _____, 2014.

11
12 _____
13 President _____ of the City Council

14 THE MAYOR CONCURRING:

15
16 _____
17 Edward B. Murray, Mayor

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19 Filed by me this ____ day of _____, 2014.

20
21 _____
22 Monica Martinez Simmons, City Clerk

23 (Seal)



FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	CBO Analyst/Phone:
Office of Arts and Cultural Affairs (OACA)	Randy Engstrom 684-7173	Greg Shiring 386-4085

Legislation Title: A RESOLUTION modifying financial policies for the Arts Account of the General Subfund.

Summary of the Legislation: This proposed resolution establishes an operating reserve of \$400,000, adjusted annually by CPI beginning with the 2016 budget, for the Arts Account Subfund. The primary purpose of the reserve is to limit the impact of the volatility of Admissions Tax revenues, the Subfund's sole source of revenue, on arts programming from year to year.

Background: In 2011, Council passed Resolution 31327, establishing financial policies for OACA. The Resolution included a request for feedback from OACA, which was provided on May 31, 2013. OACA, along with CBO, noted that the financial policies had a contradiction regarding the reserve amount that needed clarification. This resolution is intended to supersede Resolution 31327 and includes language clarifying the target fund balance.

As written, Resolution 31327 established two contradictory minimum reserves. Policy one of the resolution requires that OACA "retain a minimum of 8 percent of Admission Tax revenues," while policy two states that "a minimum reserve fund balance of \$400,000 shall be retained." The 8 percent reserve requirement would, in 2014, require a reserve of \$424,000 rather than \$400,000. The modified resolution sets the reserve at \$400,000, to be adjusted annually, beginning with the 2016 budget, for CPI. This adjustment removes the contradiction in the policies and sets the minimum balance at the lower amount, which allows the department to both:

- provide adequate funding to maintain operations and grant programs during fluctuations in Admission Tax revenues, and
- maximize funding to local artists by not locking up revenues that are in excess of the necessary amount to accommodate Admission Tax fluctuations.

X **This legislation has financial implications.**

Note: While this Resolution does not include any changes in appropriations or revenue, the Resolution modifies fiscal policies for the Arts Account Subfund.



Other Implications:

- a) **Does the legislation have indirect financial implications, or long-term implications?**
In future years, the Reserve established within the Arts Account Subfund may not be underfunded for more than two consecutive years. As a result, the City may need to adjust appropriation levels to retain sufficient funding in the Reserve to meet the \$400,000 target.
- b) **What is the financial cost of not implementing the legislation?**
Reserves may be set at a level that is higher than necessary to maintain OACA programming, thereby limiting the office's ability to maximize funding to other arts programs.
- c) **Does this legislation affect any departments besides the originating department?**
No.
- d) **What are the possible alternatives to the legislation that could achieve the same or similar objectives?**
Reserve could be established at an amount other than \$400,000, and the policy for replenishing the reserve could be adjusted.
- e) **Is a public hearing required for this legislation?**
No.
- f) **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**
No.
- g) **Does this legislation affect a piece of property?**
No.
- h) **Other Issues:**
None.

List attachments to the fiscal note below:



City of Seattle
Edward B. Murray
Mayor

February 11, 2014

Honorable Tim Burgess
President
Seattle City Council
City Hall, 2nd Floor

Dear Council President Burgess:

I am pleased to transmit the attached proposed Resolution that amends the financial policies for the Arts Account Subfund as recommended in the June 2013 report from the Office of Arts and Cultural Affairs (OACA), required by Resolution 31327. This new Resolution establishes an operating reserve at \$400,000. The reserve amount will be adjusted annually by CPI beginning with the 2016 budget.

In September 2011, Resolution 31327 established financial policies for the Arts Account Subfund, and required that OACA provide a written report in June 2013 assessing the policies and making recommendations or amendments to the policies where appropriate. The June 2013 report noted a contradiction in the original financial policies and this new Resolution modifies the policies to remove any contradictions.

This Resolution provides a small but necessary clarification to the current financial policy for the Arts Account, and at the same time, does not interfere with the intent for the use of these funds as outlined in Seattle Municipal Code Section 5.40.120. This adjustment will allow the department to provide funding for arts-related programming into the future.

Should you have questions, please contact Jane Morris at 684-8362.

Sincerely,

Edward B. Murray
Mayor of Seattle

cc: Honorable Members of the Seattle City Council

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www.seattle.gov/mayor

