

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: