

**Overview and Initial Issues Identification
OFFICE OF ARTS AND CULTURAL AFFAIRS (OACA)**

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Date Prepared: October 14, 2011

Expenditures/Revenues

	2012 Endorsed Budget	2012 Proposed Budget	% Change from 2012 Endorsed to 2012 Proposed
Expenditures by BCL – ARTS ACCOUNT			
<i>Administrative Services</i>	349,000	385,000	10.3%
<i>Cultural Partnerships</i>	2,657,000	2,754,000	3.7%
<i>Community Development and Outreach</i>	462,000	469,000	1.5%
<i>Fund DPR for Arts-related programming</i>	1,033,000	1,144,000	10.7%
Total Expenditures	4,501,000	4,752,000	5.6%
Total FTEs	20.6	19.9	(3.6%)
Revenues			
Admission Tax	4,769,000	4,967,000	4.2%
Interest Earning	12,000	12,000	0
Use of Admission Tax Fund Balance	(280,000)	(227,000)	(18.9%)
Total Revenues	4,501,000	4,752,000	5.6%

Introduction:

The table shows a 4.2% increase in Admission Tax revenues between the 2012 Endorsed and 2012 Proposed budgets. The Arts Account BCL is funded by Admission Tax revenues. Admission Tax revenues are estimated based on actual receipts for two years prior; for example, 2012 revenues are based on 2010 receipts. This is a partial summary of OACA's two BCL's; the Municipal Arts Fund BCL is not reflected here.

As part of the 2011-2012 budget review, Council approved a two-year program by which 25% of OACA's Admission Tax revenues are diverted to fund arts-related programming at the Department of Parks and Recreation (DPR).

Abrogation of a part-time (0.75 FTE) Arts Program Specialist position is proposed; the position is currently vacant.

Identified Issue:

1. Should Council authorize DPR to 1) use unspent 2011 Admission Tax revenue and 2) receive additional 2012 Admission Tax revenue, as proposed in the 2012 budget?

For 2011, Council authorized diverting approximately \$1.02 million in Admission Tax revenue to DPR to fund three arts-related programs – Downtown Parks programming, Outdoor Neighborhood Parks programming, and the Langston Hughes Performing Arts Center (LHPAC). In the 2012 Endorsed 2012 Budget, the authorization increases to approximately \$1.033 million.

For 2011, DPR used approximately \$933,000 of its authorized Admission Tax revenues, underspending by approximately \$87,000. DPR attributes these reduced expenses to overestimated labor costs when contracts were developed with OACA for the fund transfer. The Mayor is proposing that these unspent 2011 funds be combined with approximately \$24,000 in additional Admission Tax revenues from OACA¹, for a total of **\$111,000** in new Admission Tax revenues for DPR in 2012. This results in a 2012 Proposed budget of \$1,144,000 for the three DPR programs:

The following table provides specific expenditures comparing 2012 Parks budget with the proposed Admission Tax fund transfer:

DPR Arts Programs	2012 Parks Budget	2012 Proposed transfer	% of Total Budget
Downtown Parks programming	\$368,490	\$368,490	100%
LHPAC	\$721,327 ^{2,3}	\$640,907	89%
Outdoor Neighborhood Parks programming	\$134,501	\$134,501	100%
Total	\$1,224,318	\$1,143,898	91%

DPR and CBO staff has indicated that if Council does not approve the additional Admission Tax revenue transfer, it would require either staffing reductions or delays in reopening LHPAC, which has been closed for renovations. LHPAC is scheduled to reopen in January 2012. DPR claims that a delay of up to 6 month, or a June 1, 2012 reopening, could occur if the transfer is not approved.

Council’s previous approval of the Admission Tax transfer from OACA to DPR did not require specific funding levels for any of these three programs. DPR could transfer funds away from either Downtown Parks or Outdoor Neighborhood Parks programs to address any LHPAC funding reductions.

In lieu of transferring an additional \$111,000 in Admission Tax revenues to DPR, those Admission Tax revenues could be returned to fund OACA programs. One option would be to use the

¹ These include increase admission tax revenues, unreserved funds and funds from program and salary savings.

² In 2011, 92% of expenses are for staff and benefits; for 2012, the figure is reduced to 82%.

³ Remaining revenue includes \$70,880 program revenues and \$9,144 in General Fund support for changes in employee COLA.

additional funding to restore previous program or staffing cuts. A second option would be to promote cultural tourism. In September, 2011, Council passed Ordinance 123714, which established a Seattle Tourism Business Improvement Area (STBIA). The STBIA is located within the Downtown area and assesses a per-room charge on hotel rooms, with revenues directed towards the promotion of tourism in Seattle. OACA could leverage financial and strategic support from the STBIA for cultural tourism activities, such as promotional material for arts and cultural events and spaces in Downtown. Supporting these activities is within OACA's mission and within the Council goals for the STBIA.

Options

1. Approve the proposed transfer of an additional \$111,000 of Admission Tax revenues from OACA to DPR.
2. Do not approve the proposed transfer of the additional \$111,000 of Admission Tax revenues; retain funds for existing OACA programs.
3. Do not approve the proposed transfer of \$111,000 of Admission Tax revenues; retain funds at OACA and adopt a proviso directing that these funds be used for cultural tourism-based programs.

Options 2 and 3 would require an equivalent reduction of \$111,000 in the DPR budget.