

**Overview and Initial Issues Identification
Office of Arts and Cultural Affairs (OACA)**

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Expenditures and Revenues

	2012 Adopted Budget	2013 Proposed Budget	% Change '12 to '13	2014 Proposed Budget	% Change '13 to '14
Expenditures by BCL – ARTS ACCOUNT BCL					
Administrative Services	\$384,000	\$412,000	7.5%	\$424,000	3.0%
Community Development and Outreach	\$1,622,000	\$536,000	(67.5%)	\$553,000	3.2%
Cultural Partnerships	\$3,043,000	\$2,875,000	(5.2%)	\$2,945,000	2.4%
Langston Hughes Performing Arts Center	\$0	\$774,000	New program	\$809,000	4.5%
Subtotal	\$5,049,000	\$4,597,000	(9%)	\$4,731,000	2.9%
MUNICIPAL ARTS FUND BCL	\$2,323,000	\$2,479,000	6.5%	\$2,545,000	2.9%
Total Expenditures	\$7,372,000	\$7,076,000	(4.5%)	\$7,276,000	2.9%
Total FTEs	19.85	27.59	40%	27.59	0
Revenues					
Admission Tax	\$4,967,000	\$4,398,000	(11.5%)	\$4,439,000	1%
General Subfund		\$270,000	New funding	\$275,000	2%
Other (rental fees)		\$71,000	New revenue	\$71,000	0
Interest		\$15,000		\$20,000	33%
Municipal Arts Fund	\$2,323,000	\$2,479,000	6.5%	\$2,545,000	3%
Total Revenues	\$7,290,000	\$7,233,000	(.9%)	\$7,350,000	2%

Introduction

The mission of the Office of Arts and Cultural Affairs (OACA) is to promote the value of arts and culture in communities throughout Seattle. OACA's budget reflects this commitment in its two BCL's – the Arts Account BCL and the Municipal Arts Fund (MAF) BCL. The Arts Account BCL funds a wide range of artistic endeavors by groups, organizations and individuals. The MAF BCL, now in its 30th year, is funded through setting aside of 1% of City capital improvement project funds that are used for the commission, purchase and installation of artworks at City facilities.

The MAF is estimated to grow 6.5% in 2013 and an additional 2.9% in 2014. Due to increases in City funded capital projects, including the Central Waterfront project, OACA will add 0.65 FTE to MAF staff. This issue paper is focused on the Arts Accounts BCL, specifically the use of Admissions Tax revenues and the proposed transfer of programming from the Department of Parks and Recreation (DPR) to OACA.

Admission Tax Revenue

Seattle Municipal Code Section 5.40 directs 75% of yearly Admission Tax (Ad Tax) revenue collected by the City to OACA, to fund the Arts Account BCL. To stabilize budget forecasting, the City distributes Ad Tax revenues to OACA based on actual receipts for two years prior; for example, 2013 revenues are based on 2011 receipts. Admission Tax revenues continue to show modest increases over time, based on previous history and current CBO forecasting.

The exception to this trend occurred in 2010, when a one-time lump-sum payment of past-due Ad Tax revenue was received by the City, resulting in a one-time increase in OACA’s 2012 Ad Tax allocation. This one-time increase in Ad Tax revenue was primarily used to fund one-time programs in both OACA and the Department of Parks and Recreation (DPR). Because of this strategy, the 2013-2014 Proposed Budget does not result in funding reductions in ongoing OACA programs.

A 1% increase in Ad Tax revenues is forecasted from 2013 to 2014.

In 2012, \$1.143 million of Ad Tax revenues were transferred to DPR from OACA to support three Arts programs – Downtown Arts in Parks, Outdoor Neighborhood Parks, and the Langston Hughes Performing Arts Center (LHPAC). The proposed budget moves the Langston Hughes Performing Arts Center (LHPAC) from DPR to OACA and uses \$433,000 in Ad Tax revenues in 2013 to fund LHPAC. The transfer of LHPAC from DPR to OACA is implemented through transfer of 7.09 FTE of LHPAC programming staff to OACA from DPR.

In addition to restoring Ad Tax revenues to OACA, \$270,000 in GSF support is reintroduced to the Arts Account BCL (GSF was eliminated in the 2010 budget). This GSF funding will supplement Ad Tax revenue directed to LHPAC, as will an estimated \$71,000 in new rental fees for LHPAC.

The following table is a breakdown of proposed OACA revenue to fund LHPAC programming:

Budget Year	Revenue ¹			
	Admission Tax	General Fund	Facility rental fees	TOTAL
2013	\$433,000	\$270,000	\$71,000	\$774,000
2014	\$463,000	\$275,000	\$71,000	\$809,000

In addition to funding ongoing arts programs and the majority of LHPAC operating costs, there is sufficient Ad Tax revenue in 2013 and 2014 to fund OACA’s \$400,000 minimum operating reserve. The City Council called for this level of reserve in a resolution adopted in September, 2011, in order to provide financial stability for OACA.

¹ DPR estimated in its SLI response that LHPAC building operating costs are approximately \$92,600; these costs would continue to be paid by DPR, and are separate from programming costs reflected in this table. SPR has since revised this figure to approximately \$70,000 for both 2013 and 2014.

Identified Issue

Should Council authorize continued use of Ad Tax funding for LHPAC?

As noted above, in 2011 and 2012, Council authorized diverting Ad Tax revenues to DPR to fund three arts-related programs – Downtown Arts in Parks programming, Outdoor Neighborhood Parks programming, and the LHPAC. In 2011, \$1.033 million was transferred; in 2012 the amount increased to \$1.143 million. This authorization expires December 31, 2012 (Ordinance 123460).

As part of the 2012 budget review, Council adopted Statement of Legislative Intent (SLI) 81-1-A-1, “Funding options for Arts-related programming in DPR”. The SLI requested that DPR and OACA analyze four options for the long-term disposition of LHPAC:

1. Expanded use of LHPAC by outside arts and cultural organizations to provide greater financial stability
2. Contracting with a non-city organization to operate the facility
3. Sale, transfer, or lease of the facility to an arts group or organization
4. Other options for long-term financial stability

The SLI response appeared to favor options 2 and 3, but DPR did not provide a specific recommendation or plan for implementation.

DPR’s 2013 and 2014 budget restores GSF support for Downtown and Outdoor programming. OACA’s budget assumes transfer of LHPAC operations to OACA. LHPAC funding currently includes 7.09 FTE for arts and cultural programming. While existing OACA staff will provide administrative oversight for these FTEs and related administrative operations, DPR will continue to provide financial support to maintain and operate the building.

For 2013, LHPAC expenditures are \$774,000, rising in 2014 to \$809,000 due to estimated increases in personnel costs.

Options

1. Approve the proposed transfer of LHPAC programming to OACA, with continued use of Ad Tax revenues.

This option authorizes the continued use of Ad Tax revenue for LHPAC programming rather than for other arts programs funded by the Arts Account BCL. DPR will continue to own the building and fund building operation and maintenance.

2. Approve the proposed transfer of LHPAC programming to OACA with no use of Ad Tax revenues.

This option requires an increase in GSF support for LHPAC of \$433,000 in 2013 and \$463,000 in 2014. This option would reduce GSF support to other City programs, while increasing Ad Tax available for arts programs funded by the Arts Account BCL by approximately 10%.

3. Approve the proposed transfer of LHPAC programming to OACA, and adopt a SLI requesting that OACA present its interim recommendations concerning long-term operations of LHPAC by December 1, 2013. A final report outlining the process for implementing the preferred option would be due by June 1, 2014.

This option builds on previous direction by Council to provide and implement long-term options for LHPAC, first established in SLI 81-1-A-1. The new SLI would request that OACA present Council with final recommendations and a plan for implementation for continuing LHPAC's existing programming for the African- American community while: 1) enhancing other programming or events at LHPAC; and 2) providing long-term financial support for the facility.

The SLI will request that OACA consider whether LHPAC should:

- 1) continue to be directly operated by the City;
- 2) be leased or transferred to a group or organization for another arts or cultural purpose; or
- 3) be operated by a third-party organization for the City.

In addition to setting dates for an interim and final recommendation, the SLI could also include dates for regular briefings of the Housing, Human Services, Health, and Culture Committee on OACA's progress.