

Memorandum

TO: EXECUTIVE COMMITTEE

FROM: Kerry Adams Hapner

SUBJECT: SEE BELOW

DATE: January 31, 2018

Approved

Date

SUBJECT: FY 2018-19 CULTURAL FUNDING PORTFOLIO – PERCENTAGES FOR FUNDING LEVELS

RECOMMENDATION

That the Arts Commission recommend to the City Council that the Fiscal Year (FY) 2018-19 Operating Budget for the Cultural Funding Portfolio reflect the following recommended guidelines for percentage levels, subject to available funding: 77.25% for the *Operating Grants* (OpG), 14.75% for *Festival, Parade and Celebration Grants* (FPC) and 8.00% for *take pART* Grants.

BACKGROUND

Fifteen percent of the collected Transient Occupancy Tax (TOT) is traditionally used for the funding of cultural arts grants and the operations of the OCA. Available funding is based on projected TOT funding, what funding levels are expected to be for a fiscal year.

As the FY 2018-19 TOT forecast has not been released and the City's proposed Operating Budget is released in May 2018, the proposed total available funding for the Cultural Funding Portfolio is not yet developed. Therefore, it is recommended that the Arts Commission approve recommended percentages for funding levels in the three core grant programs, rather than specific amounts. These recommended percentages can then be applied to the most accurate TOT projections which are available towards the end of the fiscal year.

The benefit of recommending percentage allocations rather than fixed dollar amounts is that it allows the final grant recommendations to be based on the most up to date TOT projections, rather than early projections which can be subject to change. In prior years when percentages were not used, published grant panel recommendations had to be adjusted several times based on revised TOT projections and available augmentation funding, making planning difficult for applicants.

Through the establishment of percentages, staff can proceed with the peer review panel process to develop recommendations for grant awards which contain the latest TOT projections in time for Commission review at its May meeting. The recommended grant awards will be forwarded to Council as part of the FY 2018-19 budget process.

ANALYSIS

Proposed Initial Percentage Allocations for FY 2018-19

Core Program	2015-16	2016-17	2017-18	2018-19
OpG	78.50%	78.25%	78.25%	77.25%
FPC	13.00%	13.5%	14.00%	14.75%
take pART	8.50%	8.25%	7.75%	8.00%
Total	100%	100%	100%	100%

Note: Amounts are rounded to the nearest %.

The recommended percentages are based on 1) the historic percentages allocated among the three core grant programs; 2) a priority for the *Operating Grant* Program because of its focus on professionally-driven arts organizations that generate year-round jobs and sustain a community of local artists and arts administrators; and 3) trends in distribution of applications within the three core grant programs. These percentages will be applied to the total amount of available funding for the Cultural Funding Portfolio, including any recommended grant augmentation amounts from the TOT Long Term Reserve. If there are funds remaining in one grant program after final recommendations are calculated, remaining amounts will be redistributed in other grant programs, consistent with priorities expressed in the original allocations.

The recommended percentages for FY2018-19 reflect significant increases in overall applications in the FPC grant program, which had seven additional applications for FY2018-19 cycle, representing an 18% increase compared to last year. At the time of this writing, take pART applications have yet to be submitted, but an increase in take pART applications is also expected based on indications during the pre-application workshops held in December. In addition, one organization is expected to move from Operating Grants to take pART grants due to shifts in their programming. If actual application distributions differ greatly from anticipated levels, staff will make minor modifications (less than half a percent) after the final application deadlines for the three grant programs.

Development of Grant Award Recommendations

Because definitive funding allocations will not be available in time for the panel review meetings, the panels will be charged with ranking the applications and recommending funding percentages for each application, in lieu of specific funding amounts. When proposed grant funding amounts are available, staff will apply these funding percentages to determine the proposed grant amount for each application. If necessary to conform to final funding allocations,


minor adjustments will be made following the relative proportions initially recommended by the panel.

When the panel recommendations are presented to the Arts Commission at its regular May meeting, the grant recommendations will reflect the amount of available TOT funding for arts grants in the proposed FY 2018-19 Operating Budget. Staff will evaluate TOT projections to determine whether TOT Long Term Reserves will be recommended for use to provide stable funding. At the May meeting, OCA will request that the Commission forward a recommendation to the City Council to approve the full grant awards, including any augmentation, as part of City Council's adoption of the FY 2018-19 Operating Budget.

The final amount of recommended grant funding will be developed by the OCA by the following calculation:

Projected FY 2018-19 TOT	
- Administrative costs (OCA Operations, grant review, etc)	
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<i>Subtotal</i>	
- 10% Variance Contingency (on <i>Subtotal</i>)	
+ Potential Augmentation (TOT Long Term Reserve)	
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= Total Amount Available for Cultural Funding Portfolio	

The Variance Contingency was established to cover shortfalls of up to 10 percent in TOT revenues received measured against TOT revenues projected. This is an important budgeting practice. In FY 2008-09, TOT collections fell significantly below the TOT amount, projected in January 2009, upon which grant awards were made causing a shortfall of \$773,142. This amount exceeded the variance contingency. A shortfall of \$475,000 was applied to 2008-09. Rather than not issue the full 2008-09 award to grantees, the remaining shortfall of \$298,142 carried over into FY 2009-10 and was reduced from the projected base TOT. This shortfall exemplifies the importance of the practice of having a variance contingency and conservative planning for the next fiscal year.


KERRY ADAMS HAPNER
Director of Cultural Affairs

