



Memorandum

TO: EXECUTIVE COMMITTEE

FROM: Kerry Adams Hapner

SUBJECT: SEE BELOW

DATE: January 28, 2020

Approved

Date

SUBJECT: FY 2020-21 CULTURAL FUNDING PORTFOLIO – PERCENTAGES FOR FUNDING LEVELS

RECOMMENDATION

Forward a recommendation to the Arts Commission that the Fiscal Year (FY) 2020-21 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*, 15.00% for *Festival, Parade and Celebration Grants*, and 7.75% for *take pART Grants*.

BACKGROUND

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

As the FY 2020-21 TOT forecast has not been released and the City's proposed Operating Budget will be released in May 2020, 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 2020-21 budget process.

ANALYSIS

Proposed Initial Percentage Allocations for FY 2020-21

Grant	2017-18	2018-19	2019-20	2020-21
OpG	78.25%	77.25%	77.25%	77.25%
FPC	14.00%	14.75%	15.00%	15.00%
take pART	7.75%	8.00%	7.75%	7.75%
Total	100%	100%	100%	100%

The largest annual arts and cultural grant programs include: Operating Grants (OpG); Festival, Parade and Celebration Grants (FPC); take pART grants; and the Capitalization and Sustainability grants. Introduced three years ago, the Capitalization and Sustainability grant program has been funded at \$200,000 per year for initiatives that promote the stability of mid-size and large budget arts organizations, which are the source of the greatest employment and highest economic impact in the arts ecosystem.

The recommended percentages allocations above are based on 1) a priority for the Operating Grant Program that sustains the majority of arts organizations with full-time professional staff and year-round programming for the community and 2) trends in the distribution of applications within the three largest grant programs. After setting aside \$200,000 for continued support of the Capitalization and Sustainability Grants, 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 applicable. 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 FY 2020-21 are unchanged from the prior year. Although there is expected to be some fluctuation in applications, early indications are that the relative distribution of allocation recommended last year remains appropriate to meet the overall needs of this year's applicant pool.

Development of Grant Award Recommendations

Because definitive funding amounts 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 2020-21 Operating Budget. Staff will evaluate TOT projections to determine whether TOT Long Term Reserves will be recommended for use to provide stable funding. Because the budget is based on TOT projections, the Variance Contingency is utilized to cover shortfalls of up to 10 percent in TOT revenues received, measured against TOT revenues projected. This long-standing budgeting practice and reflects prudent planning to minimize any destabilization among grantees should the TOT be lower than estimated in the next fiscal year. At the May meeting, it will be recommended that the Commission forward a recommendation to the City Council to approve the full grant awards, as part of City Council's adoption of the FY 2020-21 Operating Budget.

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

	Projected FY 2020-21 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



KERRY ADAMS HAPNER
Director of Cultural Affairs

