SEATTLE CITY COUNCIL
CENTRAL STAFF

July 6, 2018

M E M O R A N D U M

To: Members of the Civil Rights, Utilities, Economic Development & Arts Committee
From: Asha Venkataraman, Council Central Staff
Subject: CB 119298: 1% for Arts

On July 10, the Civil Rights, Economic Development, Utilities & Arts Committee (CRUEDA) will discuss Council Bill (CB) 119298, which amends the Seattle Municipal Code (SMC) to remove the three- to five-year limitation on the amount of time the Office of Arts and Culture (ARTS) can use funds from the 1% for Art program.

This memo describes: (1) the current 1% for Arts program, (2) the proposed change to the SMC, and (3) potential issues and impacts.

Background
The City's public art program is funded primarily by collection of one percent of the estimated cost of eligible capital projects paid for by the City. ARTS deposits these 1% for Art program funds in the Municipal Arts Fund (MAF). If ARTS is able to expend the funds on eligible public arts projects, it does so. Funds are automatically carried over for three years, and upon request by ARTS, carried over for two more years. If ARTS cannot expend the funds by the end of the three- or five-year period, the SMC requires that unspent funds return to General Fund for general art purposes or to the dedicated funds from which they were collected (*e.g.* utility revenues or general bond obligation issues). Expenditures from the fund are governed by the *Municipal Arts Plan*, which was last published in 2016.

The purpose of the expiration date was to ensure that funds were spent on public art in a timely manner. However, ARTS has found that the expiration provisions have created some challenges. Reprioritizing funds to make sure they are spent before expiration is administratively burdensome for ARTS and project departments. Because many projects are associated with capital projects, the expenditure of funds is linked to the capital project schedule, and because artwork is often installed in the last stages of the project, some funds associated with that stage of the project are subject to expiration. In addition, ARTS feels that it is under pressure to develop larger commission projects so the funds can be expended within the expiration deadline. Qualifications for larger projects often result in established artists getting the project, and ARTS believes that those artists are not always representative of communities of color or other underrepresented communities.

Issues and Impacts of CB 119298
This legislation would remove the time limitation currently in SMC 20.32.030 to address the challenges ARTS has identified. This change would allow these funds to remain in the MAF until

ARTS can expend them. The intent is to allow ARTS the flexibility to fund smaller projects over a longer period of time, rather than only funding large projects that will ensure the funds are spent within the three-year automatic carryover period or the extended five-year period.

In 2018, $173,000 is subject to expiration, while $1.91 million will expire in 2019, and $3.14 million will expire in 2020. The financial plan in the 2018 Adopted Budget for the MAF indicates an ending unreserved fund balance of $7.5 million in 2018, which is projected to grow to $9.4 million in 2019, and drop to $7.6 million in 2020.

Monitoring and evaluation of whether the amendment will achieve the purpose of funding smaller projects from underrepresented communities will be essential. An ongoing challenge for the MAF has been expending funds in a timely manner, and it is still unclear whether this code amendment will allow funds to be spent faster or will further slow down expenditure of funds without the deadline of expiration date.

Next Steps
CB 119298 will be discussed in committee on July 10 and will be up for discussion and a potential vote on July 24.

Between this meeting and July 24, Central Staff and ARTS will work together to determine the magnitude of the expiration of funds problem for the past several years, the originating revenue source of the funds that are expiring, as well as whether and how this legislation will ensure that funds are still being timely spent.

cc: Kirstan Arestad, Central Staff Director
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