



MEMORANDUM

TO: Mayor and Council

FROM: Sylnovia Holt Rabb, Interim Deputy Director
Economic Development Department *Sylnovia Holt Rabb*

DATE: September 28, 2018

SUBJECT: RCA Backup, Item No 60: Cultural Funding Contracts Update

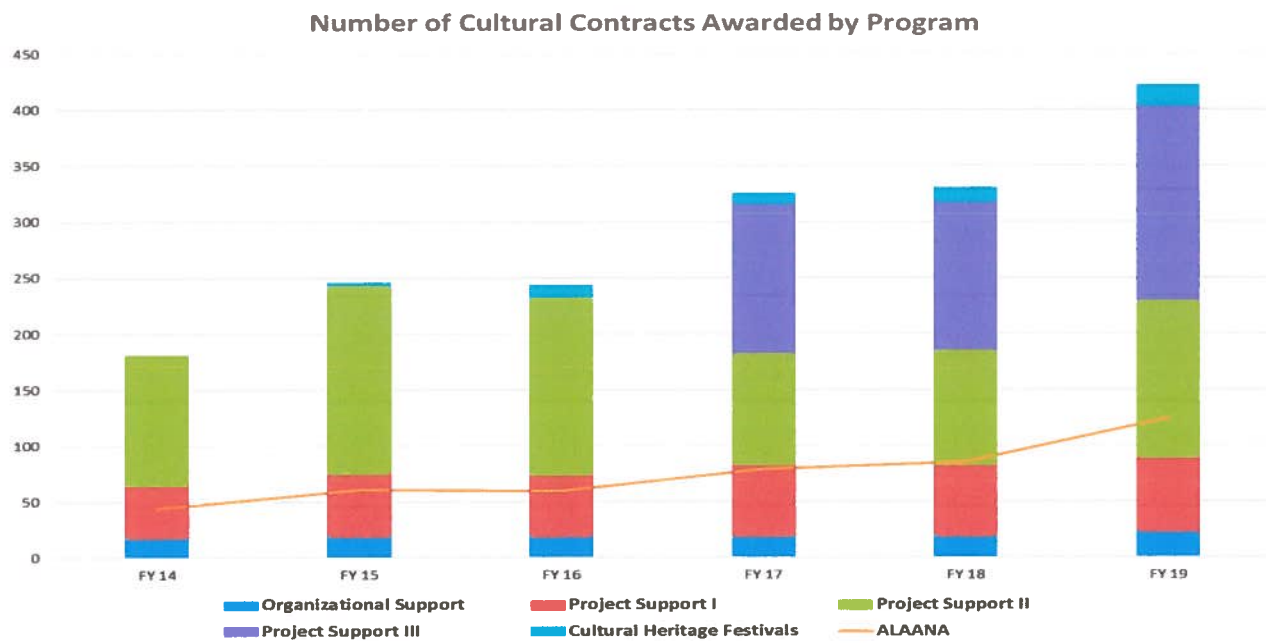
The purpose of this memo is to provide an update to Mayor and Council on the Cultural Funding process and proposed contract awards for Fiscal Year 2019. The information in this memorandum reflects the Arts Commission recommendation. To provide background on the program, the Cultural Funding Program has been in place for 50 years within the City of Austin, and gained a dedicated funding source (15% of the City's Hotel Occupancy Tax (HOT), per Texas Tax Code Chapter 351.103(c)) in 1977.

Program Administration

Cultural Arts staff estimates its program requirements each year based on HOT fund revenue projections. In an effort to program all available dollars in an upcoming fiscal year, funding receipted throughout the year over the projected amount is carried forward to the following Fiscal year's program budget. Higher than budgeted HOT tax collections in previous fiscal years, have allowed additional program funds which were then allocated in the subsequent fiscal year. With a flattening of HOT revenue, the Cultural Arts program is no longer experiencing this additional carry-forward at previous levels. It is worth noting that HOT funds are projected to increase in FY19. However, the practice of utilizing "carry forward" combined with an increase in the number of applications over the last 3 years, has impacted the ability to fund at prior year levels all applications that meet the threshold score.

It is also important to note that there are several factors that have resulted in successful applicants receiving increases in proposed awards such as higher scores than previous years or an applicant moving to a higher funding category. In cases where applicants were recommended in September 2018 for an increased award, the Arts Commission Funding Working Group maintained a recommendation that these applicants would continue to realize an increase. The Arts Commission approved this approach.

The program outreach has been successful, with approximately 100 new applicants for FY19, and an increase in participation from the historically marginalized segments of the creative sector. In order to serve the broadest needs of the community, embrace newcomers, and serve the diverse landscape of local artistic practice, the Arts Commission has prioritized its philosophy that the vast majority of applicants that meet the scoring threshold (currently, 75 out of 100 points) should receive some amount of funding. With the increase in applicants over the last several years, this has traditionally resulted in a very high percentage of applicants funded each year (close to 98%).



Reevaluation of initial proposed awards

Council action to approve proposed awards this year was scheduled for September 20, but was postponed until October 4, due to significant concerns from the community that many proposed awards presented significant variances from prior years, and should be re-examined.

In response, the Arts Commission on September 17 opted to waive the typical 5% reserve that is usually set aside as contingency and re-consider line item program allocations and the funding matrix formula. They emphasized that this re-consideration should be done to support equitable distribution, reflect fiscal responsibility, and plan for the future, in alignment with several Funding Group guiding principles:

- Consistency with the Program Application Guidelines
- Consistency with and respect for the integrity of the peer panel process and score
- Consistency with the logic used in the past (previous matrix parameters)
- Funding process/plan is sound and defensible/explainable

In an effort to address applicants' concerns related to initial award recommendations, the Arts Commission Funding Working Group reconvened with two objectives: (1) identify within all cultural arts activities funded with HOT, where funding could be redirected to fund applications; (2) evaluate the matrix parameters to mitigate cuts. The Funding Working Group met three times to undertake this work, identified \$1.2 M through the 5% reserve and other program reductions to add back to Cultural Contracts funding for FY 19, and presented at the Sept. 24 Special Called Meeting the following recommendations:

- Add back the 5% annual HOT fund reserve that is typically set aside for contingency (but preserve the 10% reserve that Council sets, in order to maintain funding for next year) and reduce other City administered HOT-funded programs, in an amount of \$1,243,850 to produce a new total amount of \$12,473,557 available for Cultural Funding.
- Adjust matrix parameters in the areas of: award ceiling (reduced from FY 18), per-point deduction from top score in each category (increased from FY 18), and limit any organization's cut to no more than 11% of FY 18 award levels.
- Maintain matrix parameters from July Working Group recommendations in the areas of: minimum award (held at \$4000), 10% budget Equity Modifier (to assist historically disadvantaged groups), percentage of budget that award funding could constitute, minimum score (75 out of 100) needed to receive funding.
- Maintain any recommended award increases from the Working Group's recommendations from July.

Achieving greater equity among all historically marginalized groups also remained a priority for the Working Group. The Group recommended preserving the Culturally Specific Marketing Supplement and Equity Budget Modifier, both designed to bolster financial support to historically disadvantaged communities, who typically have lower operating budgets and donor support. As an example, the attached list of awards to ALAANA (African American, Latinx, Asian American, Arab American, and Native American) groups over the last few years shows how this priority has been reflected in the funding program. Over the past five years, the numbers of successful applicants have risen, and the overall amount of funding to those applicants has also risen.

The Arts Commission approved (6-1) the Working Group's recommendations and revised funding matrix at their meeting on September 24, and it will move forward, along with corresponding award amounts, to Council on October 4.

Future Actions

In Fiscal Year 2018-19, the Arts Commission and staff have committed to an inclusive community dialogue that will help inform how to envision and create a more responsive Cultural Funding program, including how matrix parameters are structured, the peer panel review and scoring process, and the philosophies and values that underpin the program. The community and arts ecosystem has evolved in the past 15 years since the matrix was first conceived, and there is now a need to re-evaluate how the tool is working and how the program can still support the robust and dynamic community that contributes to Austin's creative vitality. It will also be crucial to conduct this community dialogue and co-creation of standards and structure with the Austin Strategic Direction 2023 outcomes as guideposts. Additionally, we will also revisit how to best allocate HOT revenue that is above trend.

Staff recognizes that the current practice and approach to fund all applicants that meet minimum threshold, maintain level funding to applicants previously awarded, and increase the program's applicant pool are no longer sustainable. The RCA for Council scheduled for October 4 will include backup that outlines the Arts Commission's actions, explanation for revised funding parameters, and new proposed funding amounts for all contractors, for transparency. Economic Development staff are meeting with Mayor and Council individually as requested to provide information and answer questions, and the Cultural Arts Division has been issuing regular communications to the community in order to update them on the process as it progresses. After FY 19 awards are approved, the Department and Division will begin design of a community engagement process in order to continue this crucial dialogue in preparation for next year and years ahead.

The Arts Commission and EDD staff are recommending to hold harmless the 10% reserve set by Council in order to maintain available funding for future years as needed, and critically for that time when we actually see a decrease in HOT revenue. Any delay to approval of recommended awards would pose significant hardships to funded applicants who have already begun operations of their respective seasons.

Should you have any questions, I remain available to you, and can be reached at 512-974-3131, as well as Meghan Wells, Cultural Arts Division Manager, at 512-974-9314.

xc: Spencer Cronk, City Manager
Elaine Hart, Chief Financial Officer
Greg Canally, Deputy Chief Financial Officer
Rebecca Giello, Interim Director, Economic Development Department