** Tacoma Arts Commission**

**Community & Economic Development Department**

**To: Tacoma Arts Commission**

**From: Amy McBride, Tacoma Arts Administrator**

**Re: February 13th meeting topics:  
 Recommendations for cuts to Contracts for Cultural Services  
 Recommendations re: 5% Admissions Tax on non-profit arts and culture organizations.**

The Tacoma Arts Commission is being asked to weigh in on two issues:

* Recommendations for reductions to Contracts for Cultural Services (2012).
* 5% admissions tax on non-profit arts and culture organizations.

The goal of this memo is to give you background on the issues and share documents that may help inform you so we can have a discussion about them on Monday.

**External Contracts/Contracts for Cultural Services**

**January 24th** – presentation to council re: external contracts. A presentation was given that included all of the Human Rights and Human Services (HRHS) contracts, non-competitive contracts, and External Contracts Competitive which are the Contracts for Cultural Services (Attachment ‘A’ includes only the non-HRHS contracts). You will see that instead of listing every specific arts contract, they batched each program together i.e. Anchor Fund, Arts Projects, and TAIP. For your information, these three programs represent 51 contracts.

**On January 31** - Council recommends targets for reductions with a goal of reaching $1 million. (see attachments ‘B’ & ‘C’). HRHS Commission is tasked with making recommendations for their contracts, non-competitive grants are reviewed by City Manager’s Office (CMO) and Arts Commission is charged with making recommendations for Contracts for Cultural Services. Recommended target is 10%.

**February 7** - HRHS makes recommendations for cuts to human services contracts; Interim City Manager makes recommendations for cuts to non-competitive contracts. Arts Commission meets after the 7th so your recommendations will be considered on Feb 14.

**Point of interest/discrepancy**

The figures posted in the presentation to City Council don’t accurately reflect our actual contract payment schedules (See Chart 1 below). Because we contract with both Anchor Fund and TAIP in 2011 for the biennium, the services they provide occur over the course of the biennium and pay schedules vary. Anchor Fund organizations are paid in 3 installments: one in the beginning, on in the middle and final payment at end of second year. It isn’t a 50/50 per annum split. The amount that has not already been expended is $66, 250. TAIP projects come in as they are finished and aren’t on a set payment schedule so for the purposes of this exercise and simplicity sake we will keep the $22,000 figure.

Arts Projects is our only annual program, however the $40,000 figure in the top table reflects the cuts we made internally before we notified the recipients. We typically fund Arts Projects at $45,000 and we had one contract that didn’t fulfill all the deliverables for a cost savings of $2533 that we would have rolled into the 2012 Arts Projects. The bottom table reflects that amount.

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| **Chart 1** | |
| Figures presented to City Council | |
| Anchor Fund | 132,500 |
| Art Projects | 40,000 |
| Tacoma Artist Initiative | 22,500 |
| **Total** | **195,000** |
| Amount of actual contracts assumed before budget cuts | |
| Anchor Fund | 66,250 |
| Arts Projects | 47,533 |
| TAIP | 22,500 |
| **Total** | **136,283** |

We have already made an 18% cut from Arts Projects. Arts Projects and TAIP contracts are all below $4,000 each. It seems that a cut to these contracts will have a much larger impact and potentially annihilate a project. In addition, it would not be cost effective to administer for so little savings. To fulfill the request by Council to cut 10% from the total funded, a cut of 9.2% from the remaining Anchor Fund dollars would accomplish that goal. Chart 2 shows what that would look like:

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| --- | --- | --- | --- | --- | --- |
| Chart 2 |  |  |  |  |  |
| Anchor Fund |  | **2011** | **2012** | **9.20%** | **Remainder** |
| Hilltop Artists in Residence | $30,000 | $22,500 | $7,500 | $690 | $6,810 |
| Museum of Glass | $25,000 | $18,750 | $6,250 | $575 | $5,675 |
| Northwest Sinfonietta | $40,000 | $30,000 | $10,000 | $920 | $9,080 |
| Tacoma Art Museum | $25,000 | $18,750 | $6,250 | $575 | $5,675 |
| Tacoma Musical Playhouse | $25,000 | $18,750 | $6,250 | $575 | $5,675 |
| Tacoma Opera Association | $30,000 | $22,500 | $7,500 | $690 | $6,810 |
| Tacoma Symphony Orchestra | $40,000 | $30,000 | $10,000 | $920 | $9,080 |
| Tacoma Youth Symphony | $25,000 | $18,750 | $6,250 | $575 | $5,675 |
| The Grand Cinema | $25,000 | $18,750 | $6,250 | $575 | $5,675 |
|  | $265,000 | $198,750 | $66,250 | $ 6,095 | $60,155 |

The total of $7533 and $6095 is $13,628 or 10%.

Considering that TAIP recipients have been working on their projects for over a year already and are in various stages of completion AND that no contract is greater than $4,000, it would be best to leave these alone.

I will go through this on Monday and we will have a discussion about it so you can make your ultimate recommendation, but I hope this is helpful. I am including some more background and lists of who we have funded in Attachment ‘D’.

**5% Admissions Tax on Non-Profit organizations**

In light of the current budget situation, Council is charged with looking at potential revenue generating options in addition to cuts (Attachment ‘E’). Last fall, they approved several, but there are more that are under consideration. The proposal to remove the 5% admissions tax for non-profits was reviewed but put on hold per recommendation from Councilmember Woodards for further study and will be discussed again on February 15th at the Government Performance & Finance Committee (4:30 – 6pm, Room 248). Council members Woodards and Walker have been leading the effort to study the issue.

Current legislation: tax is currently paid by for-profit agencies and the policy can be found in Attachment ‘F’ TMC Chapter 6A.20.

Proposed Ordinance: (Attachment ‘G’)

Information Sheet provided to Council: (Attachment ‘H’)

Since the second reading of the ordinance, there have been a number of different suggestions and proposals primarily relating to the functionality of the proposal and the potential use of the funds including various ways there could be a nexus back to the arts if indeed the exemption were lifted. We don’t know what all the proposed amendments are currently.

Chair Echtle and I attended a meeting on February 7 led by Councilmember Walker and attended by representatives from many of the potentially affected organizations. Chair Echtle will report on the meeting on Monday.

Unfortunately, Councilmember Walker has a conflict on Feb 13th however Councilmember Campbell will be in attendance and willing to help describe what he understands to date on the issue.