



Memorandum

TO: ARTS COMMISSION

FROM: Paul Krutko

SUBJECT: FY 2007-2008 Transient Occupancy
Tax Allocations

DATE: 03-08-07

RECOMMENDATION

Recommend allocations to various purposes of the initially estimated FY 2007-2008 appropriation of Transient Occupancy Tax (TOT) revenues to the Office of Cultural Affairs.

BACKGROUND

In advance of the annual grant programs' (Festival, Parade and Celebration Grants; Operating Grants; Project & Program Grants) review panel meetings in the spring, the Arts Commission makes an initial recommendation for the allocation of estimated TOT funds for the upcoming fiscal year.

ALLOCATIONS PROPOSED FOR FY 2007-2008

Projected FY 2007-2008 TOT revenues (initial estimate)	\$3,399,386
TOT Mid-year Reserve (FY 2006-2007) projected unspent at year-end	\$282,000
Total TOT Available for FY 2007-2008	\$3,681,386

Proposed Allocations

Annual TOT Mid-year Reserve	\$339,939
OCA Program Staff (1.0 FTE senior arts program coordinator)	\$122,000
Grant Review/Facilitation	\$30,000
Add to Cultural Planning Reserve (\$80,000 currently in reserve)	\$20,000
Add to Long-term Reserve (\$205,897 currently in reserve)	\$50,000
<i>One-time Replacement of General Fund support for FPC Grants</i>	<i>\$80,000</i>
Subtotal	\$641,939

Available for Annual Grants Distribution **\$3,039,447**

Annual distribution to FPC (10% of available funds)	\$303,945
Annual distribution to arts grants (90% of available funds)	\$2,735,502
Subtotal of Annual Grants Distribution	\$3,039,447

Total of proposed allocations for FY 2007-2008 **\$3,681,386**

Notes

1. **Projected TOT revenues:** Initial FY 2007-2008 estimate is 20.5% higher than initial FY 2006-2007 estimate.
2. **Annual TOT Mid-year Reserve:** Held to defray potential mid-year reductions in TOT revenue estimates. It is established each year at 10% of the initially estimated TOT appropriation to OCA for that year.
3. **OCA Program Staff:** Increase reflects estimated impact of anticipated cost-of-living adjustment.
4. **Cultural Planning Reserve:** Proposed addition would bring total Cultural Planning Reserve (TOT) to \$100,000.
5. **Long-term Reserve:** Proposed addition would bring the long-term reserve recommended by Arts Commission Budget Task Force to \$255,897. Development of guidelines for the reserve has been referred to the long-term work plan of the Programs Committee.
6. **Replacement of General Fund Support for Festival, Parade and Celebration Grants:** Proposed one-time additional allocation of TOT funds to FPC to replace “transitional funding” from General Fund (see Analysis for further discussion). Coupled with the regular annual distribution to FPC (10% of estimated amount available for grants), the **total proposed TOT allocation to FPC for FY 2007-2008 is \$383,945.**
7. **Annual distribution to FPC and arts grants:** Reflects current practice of 10/90 split between FPC and arts grants. Total is 17% above allocation recommended for FY 2006-2007. OCA staff will work with grant review panels and the Programs Committee to develop further recommendations for the distribution of TOT funds between the various arts grant programs in March and April.

ANALYSIS

The proposed distribution of FY 2007-2008 TOT revenues depart from the Arts Commission’s existing practice only with respect to a proposed one-time allocation of an additional \$80,000 in TOT as a replacement for an allocation from the OCA’s General Fund budget that was supposed to be temporary.

In August 1999, the Arts Commission established the Ad Hoc Official City Events (OCE) Task Force to review the OCE Program and develop recommendations. Of concern was the sharply increasing OCE Program cost to the City and OCA budget (to pay for the costs of City services to Council-declared “Official City Events”) and the lack of any clear cost containment provision.

On April 18, 2000, City Council approved the Task Force's recommendation to terminate the OCE Program; thus removing OCE status from six Official City Events (three parades— Veterans Day, Cinco de Mayo, 16 de Septiembre; plus the 4th of July Fireworks, the Memorial Day Ceremony, and the Founding of the Pueblo observance).

Council 'merged' the OCE Program with the FPC Grant Program, thereby requiring all events to compete for City funding through FPC Grants. Council referred the FPC funding demand implications to the FY 2000-2001 and FY 2001-2002 budget processes.

To absorb the additional demand on FPC funding, two budget actions were taken: the OCA's \$80,000 General Fund line item that had supported the City OCE Program was reallocated to the FPC Grant Program as "transitional funding"; and Council approved a \$30,000 "Citywide" General Fund appropriation for the FPC Grant Program. Council has continued to make the Citywide General Fund appropriation annually, most recently reducing the Citywide funding to \$26,340 due to shortfalls in the General Fund. We anticipate another decrease in FY 2007-2008, to about \$25,000.

In FY 2000-2001, FPC program funding (which had in all prior fiscal years been fully supported by the General Fund) began to shift into TOT due to a diminishing General Fund. That year, 9% of total FPC program funding was shifted to TOT.

Between FY 2001-2002 and the present, TOT funding has represented 62% – 71% of FPC funding. However, OCA has continued to provide the equivalent of the \$80,000 "transitional" funding from its General Fund budget.

As the Budget Office has forecast a further shortfall in General Fund revenues in FY2007-2008, it is proposed that the transitional funding be shifted into TOT, phasing out what was supposed to have been an interim arrangement and funding the FPC program almost totally from TOT.

If the Arts Commission recommends the proposed one-time allocation to replace the transitional funding from the General Fund, the FY 2007-2008 FPC budget will be comprised of \$383,945 in TOT, plus an estimated \$25,000 from the Citywide General Fund, and a percentage of fees from gated outdoor events (usually between \$4,500 and \$8,000). The total would be around \$415,000, depending on the approved Citywide appropriation and the actual value of gate fees.

In comparison, the FY 2006-2007 FPC final budget is \$384,238, including the \$80,000 in transitional funding from the General Fund.

PUBLIC OUTREACH

The Programs Committee reviewed the proposed allocations at its publicly noticed monthly meeting on Feb. 21, 2007 and recommended that the Arts Commission accept the proposed allocations as its initial recommendation for FY 2007-2008.


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