

August 25, 1987
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INTRODUCED BY: North

PROPOSED NO.: 87-617

MOTION NO. 5947

A MOTION related to Arts Stabilization and specifying a work program.

WHEREAS, during 1986 the mayor of Seattle appointed a task force to recommend methods to financially stabilize the major cultural institutions of Seattle, and this task force recommended the creation of an arts fund committee which would raise funds and administer a technical assistance program to assist arts organizations to improve their financial management capability; and

WHEREAS, the arts fund committee has been established and is embarking on a program which will assure to the fullest extent possible the continued existence of the major cultural institutions of the region, not limited to Seattle; and

WHEREAS, the national arts stabilization fund is a national organization that works with qualifying communities to assist in achieving sound financial management priorities for arts institutions; and

WHEREAS, for the purposes of establishing initial eligibility for stabilization assistance, arts organizations of regional significance with budgets above \$500,000 annually are classified as Tier I organizations; those of county significance with budgets above \$150,000 annually are classified as Tier II organizations; and

WHEREAS, King County was asked to contribute \$500,000 over a seven-year period toward stabilization of regional arts organizations; and

WHEREAS, the county council appropriated \$100,000 in the 1987 Special Programs budget for long-term arts stabilization; and

WHEREAS, the 1987 cultural resources division budget contains a proviso calling on the executive to propose for council adoption an arts stabilization plan and program proposal prior to the release of the funds; and

1 WHEREAS, the council said that the stabilization plan should:
2 1) address the scope and goals of the stabilization plan; 2)
3 incorporate long-term incentives for arts organizations to become
4 financially stable; 3) require arts organizations to meet certain
5 eligibility requirements; 4) include criteria for distributing
6 funds; and

7 WHEREAS, the King County arts commission conducted countywide
8 public meetings from January through March, 1987, to hear public
9 comment about regional arts organization stabilization for the
10 purpose of formulating recommendations; and

11 WHEREAS, the recommendations of the King County executive and
12 King County arts commission have been reviewed by the public
13 through publication in The Arts newsletter and were approved at
14 the March 17, 1987 regular public meeting of the King County arts
15 commission; and

16 WHEREAS, in response to the council proviso, in June, 1987 the
17 executive transmitted these recommendations to the council for
18 review and approval; and

19 WHEREAS, the executive and King County arts commission
20 recommended the following:

21 1. King County's contribution to regional stabilization be
22 made to the arts fund committee as part of a multi-year
23 stabilization effort and that broader cultural policy concerns be
24 addressed simultaneously with stabilization efforts;

25 2. the Seattle Symphony be excluded from receiving 1987
26 financial assistance from the arts fund committee above the
27 \$220,000 already appropriated by the council;

28 3. King County funds should be equitably allocated by the
29 Arts Fund Committee between Tier I and Tier II participating
30 organizations;

31 4. The criteria used by the arts fund committee must allow at
32 least one King County non-Seattle based arts organization to be
33 eligible for consideration as a Tier I organization and must allow

1 at least two King County non-Seattle based organizations to be
2 eligible for consideration as Tier II organizations;

3 5. The arts fund committee and the national arts
4 stabilization fund should require the participating organizations
5 seek to reflect the ethnic and geographic diversity of King County
6 among their organizations' board of directors; and

7 WHEREAS, council and executive staff have jointly prepared a
8 King County Arts Stabilization Program Proposal and Work Plan
9 (Attachment 1), which is responsive to the council proviso; and

10 WHEREAS, the Program Proposal and Work Plan outlines the
11 responsibilities of King County, the national arts stabilization
12 fund and the arts fund committee; defines criteria arts
13 organizations must meet in order to qualify for the regional arts
14 stabilization program; defines criteria by which King County will
15 annually evaluate its continued participation in the regional arts
16 stabilization program; and identifies 1987 as a start-up year
17 requiring no expenditure of funds; and

18 WHEREAS, the Program Proposal and Work Plan embodies the
19 executive and King County arts commission's recommendations
20 regarding the regional arts stabilization program;

21 NOW, THEREFORE BE IT MOVED by the Council of King County:

22 1. The attached "King County Arts Stabilization Program
23 Proposal and Work Plan" is hereby approved.

24 2. The council supports the regional arts stabilization
25 program subject to annual evaluation of the program's success in
26 achieving financial stability for participating arts organizations.

1 3. The council intends to appropriate a total of \$100,000 to
2 the 1988 cultural resources division budget for the purpose of
3 providing funds to arts organizations which meet the general and
4 financial criteria contained in the attached Program Proposal and
5 Work Plan.

6 PASSED this 31st day of August, 1987.

7 KING COUNTY COUNCIL
8 KING COUNTY, WASHINGTON

9 Gary Grant
10 Chair

11 ATTEST:

12 Dorothy M. Owens
13 Clerk of the Council

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King County Arts Stabilization Program Proposal and Work Plan

Introduction - Purpose

Increasingly artistic vitality and cultural opportunities are linked to the economic and organizational strength of our cultural institutions. Historically, art organizations have been plagued with uncertain financial conditions while struggling to sustain their artistic future. Along with artistic excellence have come budget deficits and crisis planning. Traditionally, financial campaigns have been built on the prospect of losing artistic excellence because of catastrophic financial circumstances. This stabilization plan is designed to put emphasis on sound financial and organizational management in addition to artistic excellence, while meeting the restrictions imposed on the County by the Washington State Constitution's lending of credit provisions.

Recommendation of King County Arts Commission (KCAC)

King County was asked during 1986 to contribute \$500,000 over a seven-year period toward stabilization of regional arts organizations. A local-national partnership program is now established between the Seattle-based Arts Fund Committee (AFC) and the National Arts Stabilization Fund Program (NASF). This partnership is intended to provide critical expertise in improving institutional management. The King County Arts Commission (KCAC) voted to support King County participation in this regional arts stabilization program.

King County will participate in regional arts stabilization pursuant to the following multi-year work plan. The work plan: (1) outlines the responsibilities of King County, NASF and AFC; (2) defines the criteria arts organizations must meet in order to qualify for the arts stabilization program; and (3) defines criteria by which King County will annually evaluate its continued participation in the program.

Multi-Year Work Program

Year One - Start-up Activities

1. Fund raising by Arts Fund Committee
2. Contract between NASF and AFC
3. Policy statement of King County Support through motion
4. Development of mechanism by King County, NASF and AFC to provide public funds to arts organizations
 - o Examination of legal options:
 - King County and arts organizations, or
 - King County and NASF, or
 - King County and local agent for NASF

Year Two - Application Period for Arts Organizations

1. Launching of Arts Stabilization Program
 - o announcement by NASF and AFC
 - o application by arts organizations
 - o selection of arts organizations for program based on the general and financial criteria outlined below
2. Contract agreement between King County and agent to provide funds to arts organizations. (The most appropriate "agent," whether it is the arts organizations themselves, NASF, or a local agent for NASF, will be determined by the legal investigation undertaken in Year One.)

The purpose of any contract arrangement will be to provide public funds to support arts organizations programs. King County will contract with arts organizations for the purpose of achieving the goals and principles of arts stabilization. Arts organizations must meet the following general and financial criteria in order to qualify for arts stabilization payments.

General Criteria

- * Recognized artistic reputation in the performing, visual or related arts as measured by peer evaluation, critical reception and audience attendance.
- * Strong artistic leadership concerned with standards and craft.
- * Professional, full-time paid management staff.
- * Commitment to appropriate staff and other capacities necessary to the development of clear artistic and financial goals.
- * Dedication to the development of an active board of directors reflecting ethnic and geographic diversity from throughout the Seattle-King County region, with clearly stated responsibilities in fiscal, planning and funding programs.
- * Significant volume of artistic activity with complete documentation of services to audiences in the Seattle-King County region.

Financial Criteria:

- * Established proof of exemption from federal taxation under Section 501(C)(3) of the IRS Code.
- * Continuous operation of no fewer than five years.
- * Annual operating budget of \$150,000 for two consecutive years.

- * Audited financial statement available for the year preceding the award year and on which an opinion has been expressed by an independent certified public accountant.
- * Developed and can document sources of a diversified base of annual support in each of the previous two years.
- * Pay wages at the prevailing scale in the Seattle-King County region for professional artists and staff.
- * Net current liabilities position in the preceding fiscal year of no more than 25% of general operating expenses.
- * Ability to liquidate, on their own, within one fiscal year, a defined portion of the net current liabilities position.
- * Capacity to generate on a timely basis meaningful monthly financial statements.
- * Ability to assert material benefit from the financial impact and management discipline of a stabilization award.

Funds will be equitably allocated on an annual basis between Tier I and Tier II arts organizations to the extent practicable. In addition, the criteria will allow at least one King County non-Seattle based arts organization to be eligible for consideration as a Tier I organization and at least two King County non-Seattle based organizations to be eligible for consideration as Tier II organizations.

3. Payment by KCAC to arts organizations directly or via agent based on contract agreement.
4. Evaluation of progress to date by KCAC through regular King County budget preparation and review process and decision by King County Executive and King County Council about continued involvement in arts stabilization program.

Year Three - Year Seven

1. Continued annual contracts with arts organizations or agent with annual evaluation by King County through budget preparation and review process.
2. Annual evaluation criteria should include:
 - o participating arts organizations' success in achieving financial stability through deficit reduction and accumulation of working capital reserves;
 - o effect of stabilization on artistic quality and growth;
 - o inclusion of organizations representing King County's geographic and ethnic diversity among arts organizations receiving stabilization assistance; and

- o annual reporting of the minority and women representation on the boards of directors receiving King County funds and a description of steps taken to attain ethnic representation.
3. Annual report by the KCAC on stabilization. The report should include response to the criteria listed above as well as a description of:
- o success in working cooperatively with the Arts Fund Committee, National Arts Stabilization Fund, Washington State Arts Commission, and the Seattle Arts Commission in supporting a regional arts stabilization program;
 - o base data and financial ratios to track the progress of arts organizations in achieving stabilization; and
 - o identification of other technical assistance needs of arts organizations.