



City of Sacramento City Council

915 I Street, Sacramento, CA, 95814
www.CityofSacramento.org

Meeting Date: 3/1/2011

Report Type: Consent

Title: Approval to Join Arts Loan Fund Program

Report ID: 2011-00238

Location: Citywide

Recommendation: Adopt a Resolution: 1) approving Sacramento Metropolitan Arts Commission to join and pay dues to the Northern California Grantmakers (NCG) for three years, including options to extend for two additional three-year periods; 2) approving up to \$25,000 contributions to the NCG Arts Loan Fund during each three-year membership period; and 3) approving the use of up to \$88,500 from the Arts Stabilization carryover Bridge Loan restricted funds for NCG membership dues and Arts Loan Fund contributions.

Contact: Rhyena Halpern, Executive Director, (916) 808-3989; Anja Aulenbacher, Grants and Cultural Programs Coordinator, (916) 808-3986; Sacramento Metropolitan Arts Commission

Presenter: None

Department: Convention Culture & Leisure

Division: Metro Arts - Program Contrib

Dept ID: 17001831

Attachments:

- 1-Description/Analysis
- 02-Background SMAC Bridge Loan Program
- 03-Background Arts Loan Fund Program
- 04-Impact and Benefit Data
- 05-Arts Stabilization Surveys
- 06-Resolution

City Attorney Review

Approved as to Form
Matthew Ruyak
2/24/2011 8:05:43 AM

City Treasurer Review

Prior Council Financial Policy Approval or
Outside City Treasurer Scope
Russell Fehr
2/15/2011 2:56:44 PM

Approvals/Acknowledgements

Department Director or Designee: Barbara E. Bonebrake - 2/23/2011 4:55:43 PM

Assistant City Manager: Cassandra Jennings - 2/23/2011 6:58:58 PM

Description/Analysis

Issue: Staff is recommending applying to be a member of the Northern California Grantmakers' Arts Loan Fund program in order to give organizations in the Sacramento region a bridge loan option and to build a partnership with other northern California re-granting organizations.

Policy Considerations: It is the mission of the Sacramento Metropolitan Arts Commission (SMAC) to advance community through arts and culture.

Environmental Considerations: California Environmental Quality Act (CEQA): Under the CEQA guidelines, Title 14, Section 15378(b), continuing administrative activities do not constitute a project and are therefore exempt from CEQA review.

Sustainability: Not applicable.

Commission/Committee Action: At its regularly scheduled meeting on January 10, 2011, SMAC unanimously approved the plan that SMAC join the Arts Loan Fund program.

Rationale for Recommendation: SMAC's Bridge Loan program resides in the Arts Stabilization Carryover Fund (established under Resolution 99-114) and has not been utilized since 2003 due to the limitations of the program. (See Attachment 1, Background, SMAC Bridge Loan Program.) In order to utilize these restricted funds, staff is requesting to replace an existing Council-approved arts loan program for which money has been isolated (\$123,500 under Resolution 2002-395) with a new, more effective loan program. This request spreads the use of those same funds over the next ten years by becoming part of a larger program. The funds for this report and program are not new funds or funds that have not already been set aside.

Joining the Arts Loan Fund (ALF) would be beneficial to SMAC and the City of Sacramento for several reasons:

- Providing a bridge loan program to Sacramento arts organizations will help to stabilize viable arts businesses, enabling them to continue positively impacting the economy, and protecting the City's investment in the arts.
- Professional development programs offered only in the Bay Area will be extended to the Sacramento region, furthering the stabilization and development of local arts organizations.
- This is an opportunity for Sacramento to partner with prestigious Bay Area funders such as The James Irvine Foundation and the William and Flora Hewlett Foundation.
- Joining the ALF would allow SMAC to contribute to a broader viewpoint of re-granting to the arts in northern California as well as allow SMAC staff to gain valuable insights on trends and best practices in grantmaking.

- SMAC does not have the capacity at this time to run a bridge loan program, and the ALF is an established program that has been granting loans to arts organizations since 1981.
- No staff time needs to be spent on administering the program.

(See Attachment 2, Background, Arts Loan Fund.)

In a survey to which 60 out of 73 arts organizations responded in October 2010, 35% of respondents expressed the desire to have a bridge loan program available to them. In addition, the ALF steering committee has expressed a desire to broaden their reach beyond the Bay Area arts community. SMAC is recommending taking advantage of the opportunity to utilize a remarkable resource that is being offered to Sacramento's arts organizations at a time when the need for any type of financial help is so apparent. (See Attachment 4, Arts Stabilization Survey, and Attachment 3, Impact & Benefit Data.)

Staff is recommending the approval to use up to \$88,500 of the \$123,500 restricted Bridge Loan Fund over the next nine years. Contributions will be paid into the Arts Loan Fund program every three years and membership dues will be paid every year. An initial contribution of \$25,000 for the first three years plus a three year membership will allow the Arts Commissioners to assess the reach of the program into the Sacramento region and the use of the program by arts organizations in the region. If the program proves advantageous for the City, staff proposes participation in two additional three-year increments at the same participation rate as above.

Financial Considerations: There is \$123,500 of available re-granting funds that are housed as restricted Bridge Loan Program funds within the Arts Stabilization Carryover Fund. The funding was originally from the City's TOT (Transient Occupancy Tax) dollars, allocated in 2002. In order to join the Arts Loan Fund program, it is required that participants be current members of the Northern California Grantmakers. The membership cycle operates on a calendar year and dues for new members are prorated after mid-year. Government grantmakers are invited to pay a flat rate of \$1,500 for annual dues instead of the graduated dues plan that other members pay (up to \$15,000). Based on the financial participation of other members, SMAC is recommending a contribution of \$25,000 every three years to the Arts Loan Fund, assuming a regular evaluation process confirms the benefit of the program to Sacramento region's arts organizations.

Staff is recommending:

Years 1 -3:

Membership dues for 3 years (\$1,500 annually):	\$ 4,500
Contribution to the loan fund:	\$25,000

Years 4 -6 (optional):

Membership dues for 3 years (\$1,500 annually):	\$ 4,500
Contribution to the loan fund:	\$25,000

Years 7 -9 (optional):

Membership dues for 3 years (\$1,500 annually): \$ 4,500

Contribution to the loan fund: \$25,000

Years 1-9 Total: \$88,500

Emerging Small Business Development (ESBD): Not applicable.

BACKGROUND, SMAC BRIDGE LOAN PROGRAM

As part of the Arts Stabilization program, SMAC established a Bridge Loan Program in 1999, which offered loans to nonprofit arts organizations and artists using their Cultural Arts Awards (CAA) as collateral. The purpose of the program was to finance an organization's or an artist's temporary cash flow needs. Loans were provided at five percent annual rate of interest charged monthly beginning at the time the loan was approved.

The program was put in place because of the long wait time between when the CAA grant was awarded and when a grantee could start invoicing. In 2002 efficiencies were created that allowed CAA grantees to invoice against their grant award almost immediately, thus negating the need for the Bridge Loan Program. Low use was also attributed to the arts organizations' desire for a new revenue stream, rather than what essentially was an advance on their CAA award. The program has been available but dormant, while staff has explored several local options that were ultimately rejected due to the amount of risk involved. Because SMAC created efficiencies in the CAA program, the SMAC Bridge Loan program was only utilized by two organizations, the Sacramento Opera and the Sacramento Ballet.

SMAC's Arts Stabilization program (excluding the Cultural Arts Awards) has been reduced from approximately \$200,000 in re-granting dollars in 2003, to approximately \$30,000 in 2011. Arts Stabilization programs ensure the organizational and professional development of the arts community, increasing the economic impact of the arts. Joining the Arts Loan Program allows us to leverage a small amount of funds in order to provide a meaningful service, without increasing staff workload, and positioning Sacramento as part of the northern California giving community, traditionally thought of as the San Francisco and San Jose areas.

BACKGROUND, ARTS LOAN FUND PROGRAM

The Arts Loan Fund (ALF), housed at Northern California Grantmakers (NCG), has been in existence since 1981. It provides low-interest, quick turnaround cash flow loans of up to \$50,000 to arts organizations in the Bay Area. Since its inception, the ALF has provided 1,258 loans totaling \$16,008,547 to nonprofits—preventing significant disruption to arts and cultural productions and products in the Bay Area. The Arts Loan Fund's standard loan is a low-interest Secured Loan of up to \$50,000. It also provides: Benefit or Performance Loans of up to \$30,000 to organizations producing special events; Opportunity Loans of up to \$30,000 for organizations with promising ideas for producing new revenue streams; Quick Qualifier Loans of up to \$5,000; and Individual Artist Loans of up to \$5,000 for artists who have been awarded grants through either the San Francisco Arts Commission or the City of Oakland's Cultural Arts & Marketing Division.

Since its inception, the ALF has been a place of creative support not only for the Bay Area arts community, but for the arts and culture funders who sit around the ALF table. As one of Northern California Grantmaker's (NCG) premiere philanthropic collaboratives, the ALF convenes grantmakers not only to review loan applications, but also to share and learn about trends in arts and culture funding, and leverage their knowledge and resources to ensure the nonprofit sector remains a thriving, creative force in our communities.

The NCG produces the guidelines and technical assistance workshops for prospective applicants. Should SMAC join the ALF, the NCG would revise their guidelines to include the Sacramento region. SMAC would be asked to help market the loan program in our region. NCG administers the program and follows up with all loan applicants and issues the loan checks. All loans are funded from the contributions of the participating organizations.

Loan applications are reviewed monthly or as needed. SMAC staff is asked to attend the steering committee meetings – either in person or via Skype- and provide input and occasional assistance on loan applications from Sacramento applicants. The Irvine Foundation staff will also be asked to provide their insights on applicants they have worked with in the Sacramento region.

In the case where the City decides to terminate its participation in the Loan Program, there are no provisions for refund of SMAC's monetary contribution. There will be an additional cost of travel to San Francisco for steering committee meetings that will come from Dept ID 17001811. Travel costs will include the cost of gas to drive to the meetings. There are seven meetings remaining for 2011 and it is anticipated that for at least two of the meetings it will be possible to attend via Skype.

The typical contribution for Cities in the Bay Area is between \$25,000 and \$100,000. Typically, the City of San Jose Office of Cultural Affairs contributes \$25,000 and the City of Oakland Civic Arts contributes between \$35,000 and \$100,000.

Arts Loan Fund Membership:

The ALF is independently funded and governed by a steering committee of the collaborating members of Northern California Grantmakers. Membership is limited to NCG members and the contribution to the ALF is negotiable depending on the size of their giving. ALF members are expected to contribute to the fund over any given three-year period, in addition to paying an annual membership fee to Grantmakers in the Arts, to hold a seat on the Steering Committee. The timing and amount of the gift can be flexible at the discretion of the staff and Committee co-chairs. The risk of the loans is absorbed by the group. If members wish to discontinue their membership, the funds that they have contributed to the ALF remain in the fund and continue to be loaned out to arts organizations and are used for administrative fees and professional development programs.

Current Funder Members of ALF:

- Adobe Foundation
- City of Berkeley Civic Arts
- East Bay Community Foundation
- Fleishhacker Foundation
- Wallace Alexander Gerbode Foundation
- Walter and Elise Haas Fund
- William and Flora Hewlett Foundation
- The James Irvine Foundation
- Koret Foundation
- Marin Community Foundation
- City of Oakland Cultural Arts & Marketing
- Kenneth Rainin Foundation
- San Francisco Arts Commission
- The San Francisco Foundation
- San Francisco Grants for the Arts
- City of San Jose Office of Cultural Affairs
- Vodafone Americas Foundation
- Zellerbach Family Foundation

ALF Committee members make a non-specified financial contribution within a year of joining. Contributions are pooled into the ALF general fund. The 25-member Steering Committee sets policy, develops programs, and makes decisions on loan applications with recommendations provided by NCG staff. They also share and learn about trends in arts and culture funding. In 2009, the steering committee consisted of the following members:

- Kerry Adams-Hapner, Director of Cultural Affairs, City of San Jose, Office of Cultural Affairs
- Luis R. Cancel, Director of Cultural Affairs, San Francisco Arts Commission
- Vanessa Camarena-Arredondo, Arts & Culture Fellow, The San Francisco Foundation

- Sara Davis, Foundation Manager, Adobe Foundation
- Christine Elbel, Executive Director, The Fleishhacker Foundation
- Moy Eng, formerly of The William and Flora Hewlett Foundation
- Jim Flavell, Program Officer, Arts Marin Community Foundation
- Julie Fry, Program Officer, Performing Arts, The William and Flora Hewlett Foundation
- Renee Hayes, Associate Director, City of San Francisco, Grants for the Arts
- Britt Hinchliff, Associate, Vodafone Americas Foundation
- Adam Hirschfelder, Program Officer, Koret Foundation
- Linda Howe, Program Executive, Zellerbach Family Foundation
- Stephen Huss, Public Art Coordinator, City of Oakland, Cultural Arts & Marketing Division
- John Killacky, Program Officer, Arts & Culture, The San Francisco Foundation
- Thomas Layton, President, The Wallace Alexander Gerbode Foundation
- Olivia Malabuyo, Program Assistant, The Wallace Alexander Gerbode Foundation
- John McGuirk, Director of Performing Arts Program, The William and Flora Hewlett Foundation
- Mary Ann Merker, Civic Arts Coordinator, City of Berkeley, Civic Arts Program
- Karen Park, Arts Program Manager, City of San Jose, Office of Cultural Affairs
- Frances Phillips, Program Director, Arts and The Creative Work Fund, Walter and Elise Haas Fund
- Ron Ragin, Associate Program Officer, Performing Arts Program, The William and Flora Hewlett Foundation
- Diane Sanchez, Director of Grantmaking & Donor Services, East Bay Community Foundation
- Kary Schulman, Director, Grants for the Arts
- June Sugiyama, Director, Vodafone Americas Foundation
- Lawrence Thoo, Arts City of San Jose, Office of Cultural Affairs
- Helen Wills, Program Associate for Arts, The James Irvine Foundation
- E. San San Wong, Director Cultural Equity, San Francisco Arts Commission

Details on ALF loans:

An average of two to three loan applications is received each month. Bridge loans are to be repaid within 30 days of receipt of collateral; Benefit or Performance loans are to be repaid within six months; and Opportunity loans are to be repaid within two years.

1. *Bridge* loan: collateralized by a government contract, foundation grant or other guaranteed income (excluding pledges from individuals). Loans are available up to \$50,000 (average size loan is \$20,000-25,000) for a maximum of 12 months.
2. *Benefit or Performance* loan: secured with benefit proceeds or box office returns. Loans are available up to \$30,000.
 - Applicant must have two years of experience putting on a similar benefit or performance.
 - Applicant must have an active board that participates in planning and

- implementing fundraising activities.
 - There must be a fully developed plan for the benefit or performance that includes costs, projected income, location, performers, publicity and an estimated number of attendees.
 - Cash flow statements must indicate that the loan can be repaid from the gross proceeds within six months.
3. *Opportunity* loan: for new revenue streams or cost-saving opportunities. Loans are available up to \$30,000 for a maximum of 24 months.
 4. *Individual Artist loan*: for artists who have secured a current grant from either the San Francisco Arts Commission or the Oakland Cultural Funding Program for their work. Loans are available up to \$10,000. Artists outside of these programs can apply to the loan categories above using a nonprofit fiscal sponsor who meets ALF eligibility guidelines.

ALF Loan Application Process:

Typical applicant organization budget sizes are \$250,000 to \$1 million.

1. The applicant selects the type of loan they wish to apply for
2. The applicants complete the online application, including the upload of attachments as requested (usually board roster, proof of collateral, financial statements and other materials). Requests over \$5,000 require two mandatory documents: a cash flow projection and a list of pending and confirmed funds. Applicants with fiscal sponsors require further documents.
3. All applications received by the last Thursday of the month are reviewed by the Loan Officer, who will call to conduct a phone interview with the applicant contact, executive director, or board officer. Additional information may be requested during this review.
4. Complete, eligible applications are forwarded to the ALF Steering Committee for their review.
5. The Committee meets on the third Thursday of each month to review all requests. Applicants are informed of their decision shortly after the meeting.
6. Once a loan application is approved, loan funds are usually available to applicants within two business days.

ARTS LOAN FUND INFORMATION

As of October 2010, 18 loans totaling \$451,485 have been made. Additional 2010 information can be provided when the 2010 NCG annual report is made available.

2009 ALF Program

Taken from the 2009 NCG Annual Report

- 18 loans totaling \$484,998
- 0% default rate on loans in 2009
- 2.25% interest rate on the majority of 2009 loans
- \$333,000 raised to support the ALF from nine foundations and other organizations

2009 Highlights

The economic downturn set the context for the Arts Loan Fund in 2009, as many Bay Area arts organizations faced challenging financial circumstances. On the whole, nonprofits received smaller grant awards from foundations with weakened endowments, cutbacks from government grantmakers whose budgets were adversely affected by increased deficits, drops in individual donations, reduced access to credit for nonprofits and lower ticket sales revenue for many cultural productions.

The impact of the downturn on the Arts Loan Fund was a decrease in demand for loans, as many arts organizations were unable to meet the collateral requirements of the Fund's low-interest secured loans. At the same time, requests for extensions in loan repayment terms doubled, underscoring the difficulty arts organizations encountered managing their finances in persistently difficult times.

To ease the pressure of interest payments on outstanding loans, the Steering Committee lowered the interest rates of loans in good standing in May 2009 (which then stood between three percent and six percent) to 2.25%, matching the prevailing one percent below prime interest rate that governed new loans in 2009. As Arts Loan Fund Co-Chair and Hewlett Foundation Performing Arts program officer Marc Vogl explained, "Many arts organizations and individual artists are taking it on the chin in this recession because box office sales are down, donations from individuals are smaller and institutional funders are granting less money. For well-run arts organizations that need access to affordable credit, the barriers must be lowered."

Foundations continued to provide strong support for the Arts Loan Fund in 2009. A total of \$333,000 was contributed by nine foundations and government grantmakers, enabling the Fund to provide support, in the form of both loans and loan extensions, as needed by the arts community.

During 2009, the Fund continued its tradition of providing opportunities for professional development and peer to peer learning for Steering Committee members. Two guest speaker presentations allowed the Steering Committee to learn about community developments and resources that impact their work as arts funders. The Steering Committee worked throughout 2009 on the development of a marketing and outreach plan to increase awareness and accessibility of the Fund. With the launch of artsloanfund.org, cobranded communications for Steering Committee institutions to integrate into their grantee communications and finalization of a media and outreach list, the Fund is poised to forge new connections and visibility in early 2010.

Loan Activity

The ALF received 22 applications in 2009 and made 18 loans totaling \$484,998, a 38% decrease in dollars loaned from the prior year. While the loan volume was comparable to the Fund's 2005 year (which also endured a 24% decrease in loans), the average loan size increased: up to \$26,944, a 14% increase over the prior year, and the highest average since 2006. As mentioned earlier, the decline in loans is partially attributable to the economic climate. However, there also appears to be a considerable amount of

variation year-to-year if one examines the trend data over the past ten years, indicating and somewhat cyclical pattern of increases and declines.

Trend data over ten years

				Average Loan Size	% Change from Prior Year
2009	18	loans totaling	\$484,998	\$26,944	-38%
2008	29	loans totaling	\$687,349	\$23,702	12%
2007	26	loans totaling	\$633,200	\$24,354	18%
2006	22	loans totaling	\$637,075	\$28,958	-15%
2005	26	loans totaling	\$490,500	\$18,865	-24%
2004	34	loans totaling	\$637,200	\$18,741	21%
2003	28	loans totaling	\$546,250	\$19,509	17%
2002	24	loans totaling	\$472,500	\$19,688	-17%
2001	29	loans totaling	\$490,900	\$16,928	-15%
2000	34	loans totaling	\$605,136	\$17,798	

Over 70% of the loans made in 2009 were Secured, with the balance split between Benefit/Performance loans (17%) and Opportunity Loans (11%).

About the Loan Recipients in 2009:

The Fund awarded loans to six new organizations in 2009 and served 12 returning organizations. Theater organizations received 44% of loans, followed by visual arts (22%) and music organizations (11%). The remaining loans were equally divided among dance, film and video, museum and art service organizations. Organization size ranged dramatically in the 2009 cohort, with operating histories ranging from two to 54 years and budgets from \$175K to \$6.9M. Over 44% have access to credit with 50% carrying balances against credit lines.

ARTS LOAN FUND CALENDAR

Northern California Grantmakers Arts Loan Fund Steering Committee Proposed 2011 meetings: February 17, March 31, May 12, June 23, July 28, September 15, October 27, December 15, 2011.

A short list of proposed topics for peer learning and development in 2011:

1. Follow-up on the Economy
2. Artist Legacy, succession and technology
3. Dying, Merging, Rebirth of an organization
4. Individual artists – grant opportunities

IMPACT & BENEFIT DATA

When governments reduce their support for the arts, they are undercutting an industry that is a cornerstone for tourism, economic development and the revitalization of many downtown areas. When governments increase their support for the arts, they are helping to generate tax revenues, jobs and a creativity-based economy.

ECONOMIC IMPACT OF THE ARTS

1. Cultural Arts Award program in FY09:
 - 53 nonprofit arts organizations leveraged \$665,000 in City and County funds into over \$67 million of annual operating budgets; and served estimated audiences of 1,380,000.
 - The total impact of CAA grantee events on the local economy totaled over \$100 million, including an over \$8 million contribution to state and local government, according to the Arts & Economic Prosperity Calculator provided by Americans for the Arts.
 - Grantees conducted, as required by the grant program, free or reduced-price outreach programs to over 150,000 children (K-12), seniors, disadvantaged and disabled citizens
2. Americans for the Arts, 2008 data for Sacramento: There are 1,515 arts-related businesses in Sacramento which employ 7,061 people.
3. In 2001, SMAC's economic impact study found that the arts contributed **\$350 million to the local economy** in the 6-county region, and contributed \$1.35 million in local tax revenues.
4. As of 2006, California had 90,000 arts-related businesses, and employed 516,000 people. There were 10,000 nonprofit cultural institutions with audiences of 71 million attendees. California has the largest concentration of artists in US. (California Arts Council)
5. Nationally, the arts generated 5.7 million jobs and \$166.2 billion in total economic activity during 2005, resulting in nearly 30 billion dollars in federal, state and local government revenues. (Americans for the Arts)
6. Nonprofit arts attendees spend an average of \$23 per person on non-ticket purchases, with non-local attendees spending 75% more, at \$38. This spending generates an estimated \$80 billion of valuable revenue annually for local merchants and their communities. (Americans for the Arts)
7. Nationally, 70% of arts organizations attribute the decrease in contributed income to both the number of individual donors and the size of their donations. (Americans for the Arts)

BENEFIT OF THE ARTS TO THE CITY OF SACRAMENTO

The City of Sacramento is home to many diverse arts organizations using a number of venues located Downtown, Midtown, and throughout the City. These organizations, and the venues they use, benefit the city by drawing a collective, annual audience numbering in the hundreds of thousands – an audience that brings business to the City’s restaurants, hotels and parking facilities, as well as visits other Sacramento amenities.

Nonprofit arts organizations are able to leverage a relatively small amount of grant money to help them run their businesses more effectively. One of the most important ways the City benefits from the arts is revenue generated by arts events occurring within City limits. Using data collected from Cultural Arts Awards (CAA) grantees, this report attempts to illustrate the economic impact of the Sacramento Metropolitan Arts Commission grantees on the City.

The City has contributed, from its Arts Stabilization Carryover Fund, \$350,000 to the CAA program each year of the current (2007-2010) cycle. The CAA grantees located within the City limits alone have, in turn, leveraged these funds into over \$67 million in organizational expenditures. As suggested by their line item expenditures, most of this money is paid to local businesses for products and services that support the presentation – and enjoyment – of the organizations’ programming.

Of the 53 organizations funded by the Cultural Arts Awards in 2009, 72% have offices within the City of Sacramento, with over 70% of CAA funds going to those organizations with offices in the City. In addition, 70% of CAA grantees use at least one venue located within Sacramento City limits. Included are large-scale venues such as the City-operated Community Center Theater and Memorial Auditorium, enabling the City to earn revenue, as well as smaller venues such as the theatre aboard the Delta King in Old Sacramento, drawing additional dollars to Old Sacramento restaurants and stores.

CAA grantee events taking place in venues located within the City draw an annual attendance of over a million people, including citizens of Sacramento and its surrounding communities as well as travelers visiting Sacramento. According to AFTA’s Economic Prosperity Calculator, audiences drew an additional \$33.7 million to businesses surrounding these venues in 2009. This money typically goes toward such expenses as dining, parking, lodging and child care.

CAA grantees using venues located within the City cumulatively account for nearly 70% of the program’s awarded funds. It is estimated, according to the Economic Prosperity Calculator published by AFTA, that these 53 arts organizations contribute \$43 million to area household incomes and collectively support 1,916 full time jobs. Further, it is estimated that audiences attending the events offered by these 53 arts organizations additionally contribute \$14.6 million to area household incomes and collectively support 1,000 full time jobs.

ARTS STABILIZATION SURVEYS

Assessing the Need for SMAC programs

In December of 2008 SMAC conducted a phone survey to assess the financial stability of Sacramento County arts organizations, including current CAA and Arts Stabilization grantees.

It was discovered that:

- 16 out of 60 organizations surveyed were in critical situations, facing major staff reductions and the possibility of closure; the rest were in various states of uncertainty and stability.
- The status of the organizations was due to the economic downturn, specifically, the sharp decline of earned income (ticket sales, tuition) and a dramatic decrease in contributed income (corporate funders and foundations cut their giving programs).
- The loss of contributed and earned income was forcing many organizations to cut staff and programming further impacting their viability.

Two years later, in October of 2010, SMAC conducted a similar survey and found much greater stability among the arts organizations due in part to the innovative retooling of their organizations including programming changes and in part to the \$198,000 in Arts Stabilization funding over two years (Resolution 2008-776 and Resolution 2009-606) that SMAC was able to offer. The survey was offered to 73 organizations, and 60 organizations responded.

It was discovered that:

- Earned income has stabilized over the last years, with a few organizations seeing an increase in ticket sales.
- Contributed income continues to be at the lowest point since the start of the economic downturn.
- Public funding has declined dramatically in the last years, and with more organizations vying for the same monies, many organizations have not received federal or state government support for their programs.
- Organizations are struggling with fundraising to supplement the stark decrease in income over the last few years. In fact, 47% of those surveyed need to immediately find additional and more varied sources of contributed income.
- CAA grantees conduct vital outreach programs that allow them to connect with schools, senior citizens, social service organizations and neighborhoods with few existing cultural activities. According to the survey, cuts in the CAA grant have resulted in the reduction or termination of these outreach programs in 2010 which include free or reduced admission for youth and seniors; donation of tickets to nonprofit organizations serving disadvantaged populations; arts and music programs for homeless or hospitalized children; youth scholarships, tuition funding and many more.

- Organizations' staffs have had to repurpose their outreach time to grant writing, fundraising and promotion, further impacting their outreach programs.
- Arts Stabilization funding has helped to stabilize the arts organizations to the point where their need now is to increase their marketing efforts, fundraising and planning activities.
- A loan program would be beneficial in further stabilizing organizations by supporting their programs through times of inconsistent cash flow. It was also noted anecdotally that there is a preference to receive a loan from an organization that caters directly to arts organizations rather than having to borrow money at a bank or take out personal loans via their members.

The 2010 survey findings show a pressing need for the public dollars that SMAC provides. Most markedly, of the organizations surveyed, 68% would greatly benefit from a SMAC Marketing Grant, 86% would significantly benefit from attending a workshop to assist with fundraising ideas, 36% would benefit from assistance in learning how to ask potential contributors for funding, 30% would benefit from a Planning Grant, 35% from a Professional Support Materials Grant and 35% would benefit from a loan program.

Over the last two years, SMAC has seen the closing of five arts organizations. It is our public duty to preserve the quality of life in Sacramento by supporting the very organizations that provide the quality of life for its citizens.

RESOLUTION NO. 2011-

Adopted by the Sacramento City Council

APPROVING SACRAMENTO METROPOLITAN ARTS COMMISSION TO JOIN AND PAY DUES TO THE NORTHERN CALIFORNIA GRANTMAKERS (NCG) FOR THREE YEARS, INCLUDING OPTIONS TO EXTEND FOR TWO ADDITIONAL THREE-YEAR PERIODS; APPROVING UP TO \$25,000 CONTRIBUTIONS TO THE NCG ARTS LOAN FUND DURING EACH THREE-YEAR MEMBERSHIP PERIOD; AND APPROVING THE USE OF UP TO \$88,500 FROM THE ARTS STABILIZATION CARRYOVER BRIDGE LOAN RESTRICTED FUNDS FOR NCG MEMBERSHIP DUES AND ARTS LOAN FUND CONTRIBUTIONS.

BACKGROUND

- A. The Arts Stabilization program began in 1999 (Resolution 99-114) in an effort to strengthen the arts community and nonprofit arts organizations. The Arts Stabilization Program provides support and technical assistance to Sacramento County arts and cultural organizations, artists and arts groups in marketing, business and financial planning, board and staff development and professional development.
- B. Since 2002, Sacramento Metropolitan Arts Commission has provided funding for hundreds of grants, workshops, trainings and custom consultations.
- C. The Northern California Grantmakers' Arts Loan Fund program gives organizations in the Sacramento region a bridge loan option and a chance to build partnerships with other northern California re-granting organizations.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. SMAC is authorized to join and pay membership dues to the Northern California Grantmakers (NCG) for three years, including options to extend for two additional three year periods.
- Section 2. Up to \$25,000 may be contributed to the NCG Arts Loan Fund during each three-year membership period.
- Section 3. The use of up to \$88,500 from the Arts Stabilization Carryover Bridge Loan Restricted Funds for NCG membership dues and Arts Loan Fund contributions is approved.