

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Discussing Ordinance No. 874 - Amending Shoreline Municipal Code Section 3.35.150 – Establishing the Municipal Arts Fund and Providing for Funding from 1% of Capital Improvement Plan Funding for Certain Capital Improvement Plan Projects
DEPARTMENT:	Parks, Recreation and Cultural Services
PRESENTED BY:	Eric Friedli, PRCS Director
ACTION:	<input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution <input type="checkbox"/> Motion <input checked="" type="checkbox"/> Discussion <input type="checkbox"/> Public Hearing

PROBLEM/ISSUE STATEMENT:

In 2002, the City Council adopted Ordinance No. 312 creating the Municipal Art Fund (MAF) to provide funding for the City’s public art program (SMC 3.35.150). The City of Shoreline’s 2017-2022 Public Art Plan recognizes that current “CIP revenues alone are not enough to build and sustain the robust Public Art Program the City has begun. The success of the program will depend upon the implementation of other funding sources with sustainable strategies.” Goal #3 of the Public Art Plan is to “achieve greater financial sustainability for the Public Art Program”.

The Public Art Plan Phase 2 implementation (2019-2020) strategy calls for “identify[ing] and implement[ing] alternate or additional funding sources” to support the Public Art Program. In addition, the City Council 2019-2021 Goals and Work Plan, Goal 2, Action Step 12 is to “continue implementing the public arts program”. Based on this policy direction, staff have analyzed alternatives and developed a recommendation to modify the 1% CIP project contributions to the MAF to provide for more sustainable funding for the Public Art Program.

Proposed Ordinance No. 874 (Attachment A) would amend the SMC 3.35.150 to reduce the limitation on the types of capital projects that would not include an allocation for public art. Tonight, Council is scheduled to discuss proposed Ordinance No. 874. This proposed ordinance is currently scheduled to be brought back to Council on December 2, 2019 for adoption.

RESOURCE/FINANCIAL IMPACT:

The contribution to the MAF between 2020 and 2022 is currently estimated at \$91,300. With the proposed amendments to SMC 3.35.150, the contribution would be \$393,800. Assuming the projects in the CIP remain on schedule, are not cancelled or otherwise removed from the CIP, the MAF would be funded beyond 2022. Total expenditures (for all phases of a project) in the City’s 2019 – 2024 Capital Improvement Plan is budgeted

at \$24,110,000 in 2020. Public Art allocation for 2020 using the construction phase budget would constitute 0.4% of that total budget amount.

RECOMMENDATION

No action is requested this evening. Staff recommends that Council review and discuss proposed Ordinance No. 874. Action on Ordinance 874 is scheduled for December 2, 2019.

Approved By: City Manager **DT** City Attorney **MK**

BACKGROUND

In March 2017, the City Council adopted the Public Art Policy (Resolution No. 405), which recognizes the City of Shoreline's Public Art Plan as the guiding document for the City's Public Art Program (Art Policy Section 3.0A). Also, in March 2017, the City Council adopted via Resolution No. 404 the City of Shoreline's 2017-2022 Public Art Plan (<http://www.shorelinewa.gov/home/showdocument?id=30225>) which establishes goals and implementation strategies for the Public Art Program.

Sustainable and predictable funding to support the Public Art Program has been a consistent challenge. The Public Art Plan recognizes that current "CIP revenues alone are not enough to build and sustain the robust Public Art Program the City has begun. The success of the program will depend upon the implementation of other funding sources with sustainable strategies." Goal #3 of the Art Plan is to "achieve greater financial sustainability for the Public Art Program".

The Public Art Plan Phase 2 implementation (2019-2020) strategy calls for "identify[ing] and implement[ing] alternate or additional funding sources" to support the Public Art Program. The City Council 2019-2021 Goals and Work Plan, Goal 2, Action Step 12 is to "continue implementing the public arts program". Based on this policy direction staff have analyzed and developed a recommendation for sustainable funding for the Public Art Program.

Public Art Plan

The 2017-2022 Public Art Plan includes five goals:

1. The Public Art Program will be a leader in the City's Placemaking effort.
2. Support the City's commitment to equity and inclusion through the arts.
3. Achieve greater financial sustainability for the Public Art Program.
4. Engage the community through public/private partnerships.
5. Integrate public art within Parks, Recreation and Cultural Services and the City.

The Public Art Plan identifies numerous possible implementation strategies for each goal. It also identifies specific implementation steps over three phases between 2017 and 2022, as well as ongoing programs anticipated to continue across all phases. The phased implementation steps and ongoing programs were tailored to the anticipated budget and staffing resources.

Specific implementation steps of the Public Art Plan include:

1. Commission a major piece of art.
2. Activate Shoreline neighborhoods with art such as street furniture, banners, utility box wraps, sculpture and performance art.
3. Identify and implement alternate or additional funding sources.
4. Commission an additional piece of art (size dependent on grants or philanthropy)
5. Plan for art space in a new community center.
6. Create a portable works collection.
7. Integrate art into street corridor projects along 145th, 175th, and 185th.

Current Public Art Program Approved Budget

In 2002, the City Council adopted Ordinance No. 312 creating the Municipal Art Fund (MAF). Ordinance No. 312 was codified in the Shoreline Municipal Code as Section 3.35.150. Expenditures for the Public Art Program are paid from both the General Fund and the MAF (see Table 1 below). The MAF is supported predominantly by an appropriation of 1% of qualified capital improvement projects construction costs.

Table 1: Public Art Program Expenditures 2017-2022

Expenditures	2017 actual	2018 actual	2019 adopted	2020 adopted	2021 projected	2022 projected
From the Municipal Art Fund	\$75,836	\$54,777	\$182,718	\$85,974	\$65,753	\$91,056
From the General Fund	\$114,602	\$94,580	\$95,218	\$95,974	\$98,068	\$97,556
Total Expenditures	\$190,438	\$149,357	\$277,936	\$181,948	\$163,821	\$188,612

The General Fund supports ½ of the Public Art Coordinator’s salary and provides support for the Shoreline Lake Forest Park Arts Council and minor repairs to city-owned art. The MAF supports ½ of the Public Art Coordinator’s salary and all other components of the public art program, including development of a major sculpture scheduled for installation in early 2020, managing the City Hall art gallery, pop-up pianos, etc.

Current Funding to the Municipal Art Fund

Expenditures from the MAF are restricted to supporting the Public Art Plan and Program. As defined in SMC 3.35.150, 1% of the dollar amount of the original construction contract associated with any qualifying municipal construction project is allocated to the MAF. Qualifying municipal construction contracts are defined as capital construction projects funded wholly or in part by the City for construction of new buildings or infrastructure or to make repairs where the repairs exceed 50% of the value of the structure. The City Council has the authority to change, delay, or cancel a project’s contribution to the MAF.

In 2017, when the current Public Art Plan was adopted, contributions to the MAF were projected to be relatively consistent year to year after 2019 (see Table 2 below). The higher amount in 2017 was due to the third mile of Aurora project. Projections were updated in 2019 and show less predictability over the six-year period. The CIP contribution to the MAF between 2020 and 2022 is estimated at \$91,300. The updated assumptions for contributions to the MAF in 2020 and 2021 are based on the timely construction of just three projects.

Table 2: 1% CIP Contributions to the Municipal Art Fund

	2017 actual	2018 actual	2019 adopted	2020 adopted	2021 projected	2022 projected
2017 Projections	\$99,635	\$27,111	\$17,697	\$13,240	\$13,428	\$15,590
2019 Updated Projections	\$38,374	\$2,283	\$0	\$43,537	\$47,792	\$0

Each year, funds are utilized from the MAF to support implementation of the Public Art Plan. The amount available to support the Plan each year is based on the MAF ending balance from the previous year. Based on the MAF expenditures and the current 1% contribution from qualifying capital projects, the MAF is expected to be depleted in 2022 (see Table 3 below). If capital projects are delayed or canceled, then the MAF would be depleted earlier. More money is taken out of the MAF each year than is contributed, resulting in a declining balance. This trend was recognized when the Public Art Plan was adopted in 2017.

Table 3: Projected Municipal Art Fund Ending Fund Balance

Table 3	2017	2018	2019	2020	2021	2022
2017 Projections	\$418,568	\$279,076	\$174,965	\$107,731	\$61,405	-\$8,061
2019 Updated Projections	*\$326,775	*\$283,486	\$157,268	\$120,331	\$108,369	\$23,313

*Actuals

DISCUSSION

As directed in the Public Art Plan, staff began looking at ways to bring additional funding and more stable funding to support the MAF. Staff engaged the services of the University of Washington Evans School of Public Policy and Governance, which drew on interviews with comparable cities in the region to analyze funding strategies. Their “Stabilizing Public Art Funding in the City of Shoreline” report can be viewed at the following link: <http://www.shorelinewa.gov/Home/ShowDocument?id=45408>.

The UW study identified four options for modifying the funding approach for the Public Art Program. These were presented to the PRCS/Tree Board in May 2019. The options presented were:

- Option 1** - Expand cost categories for the 1% allocation in the current process
- Option 2** - Establish a per-capita funding level
- Option 3** - Increase the capital project contribution to the art fund from 1% to 1.5%
- Option 4** - Dedicate a portion of revenues from rentals of city facilities to the art fund

Staff conducted additional analysis on each of the options above and recommends Option 1, which is described in more detail in the *Funding Approach Recommended Option* section below. Additional detail about the other three options is included in the *Options Not Recommended* section.

Funding Approach Recommended Option (Option 1)

Staff recommends amending SMC 3.35.150 to redefine funding for the Municipal Art Fund and the City’s Public Art Program by expanding and clarifying the list of City capital projects that provide a 1% contribution to the MAF or to the Public Art Program. The purpose of the amendment is to:

1. Provide more stable revenue for the MAF;
2. Provide a higher level of funding for the Public Art Program; and
3. Make the implementation of the MAF Ordinance more clear, efficient and less subjective.

This recommendation would amend SMC 3.35.150 so that all projects included in the City's CIP, except for projects in the Facilities Major Maintenance Fund, would contribute towards implementation of the Public Art Policy. The amendment specifies that each capital project shall appropriate 1% of the Construction Project Phase expenses to support the Public Art Plan. Proposed Ordinance No. 874 (Attachment A) would provide for this recommended option.

The Facilities Major Maintenance Fund is comprised of relatively small projects at City Hall, parks restrooms and the Richmond Highlands Recreation Center, and is often focused on maintenance of existing facilities as opposed to the construction of new or replacement of facilities. Funding comes from an annual General Fund contribution. In 2020 there are five projects that average just \$25,000 each. Given the very small budgets and scope of work for these projects, they would be excluded from the Public Art Plan funding requirement under this proposal.

A comparison of proposed changes to SMC 3.35.150 with the current code language is shown in Table 4 below.

Table 4: Summary of Proposed Amendment to SMC 3.35.150

Ordinance Component	SMC 3.35.150	Proposed Ordinance No. 874 Amendments
Definition of Qualifying Municipal Construction Project (QMCP) #1	Project is funded wholly or in part by the City	No change
Definition of QMCP #2	Project is to construct new building, park, transportation infrastructure, etc.	No change
Definition of QMCP #3	Project is to repair or replace where cost of construction exceeds 50% of the value of the structure	Repair and Replacement projects are included, except those that are in the Facilities Major Maintenance Fund
Definition of QMCP #4	Excludes repair of existing facilities including life-cycle replacement	Includes repair of existing facilities including life-cycle replacement
Contribution Amount Calculation Based On	Total amount of the original construction contract amounts only; excludes change orders	Actual construction phase expenditures
City Council Discretion	Contribution may be eliminated or reduced by the Council action	Modified to include allowing the Council to increase the contribution as well as eliminating or reducing
Contribution Amount	1%	No change

Ordinance Component	SMC 3.35.150	Proposed Ordinance No. 874 Amendments
Contribution Amount – Funding Source Limitations	In the case of projects that involve use of grants, bonds, or sources of funding other than the General Fund, the 1% calculation is based on the total source of funds that allow for arts as an authorized expense	The 1% calculation is based on actual construction phase expenditures regardless of source of funds
Utility, Enterprise or Other Restricted Funds	Excluded	Do not contribute to the MAF but required to set aside 1% for art associated with the purpose of the Fund based on the construction phase costs of capital projects

Restricted Funds and Administrative Procedures

Some fund sources such as grants, bonds, utility rate payers, etc. are prohibited from contributing to the Municipal Art Fund or from supporting general public art. They may however be permitted to fund art incorporated into a project that is consistent with the mission of the program or project. The process to account for the Public Art Plan support associated with projects funded by restricted funds will be detailed in financial procedures developed by the Administrative Services, Public Works and PRCS staff and approved by the City Manager. The detailed procedures will account for nuances in state and federal grant programs, utility and enterprise fund requirement, and bond restrictions. The detailed procedures will layout how to account for art being incorporated into a project and pooling funding from a collection of restricted projects to support public art.

For example, the new sidewalk projects funded by bonds must restrict funding to those sidewalks. In this case a contribution to the MAF cannot be made, but art can be incorporated into the sidewalk project and would be counted towards public art program funding.

Proposed Ordinance No. 874 provides for the development of these detailed procedures by including language in the proposed code amendment that states, “The City Manager or designee shall promulgate rules of procedures for the financial administration of the municipal art fund and Public Art Plan Funding consistent with the City Council-approved Public Art Policy and adopted Public Art Plan.”

Impacts of Recommended Option

The contribution to the MAF between 2020 and 2022 is currently estimated at \$91,300. With the proposed amendments to SMC 3.35.150, the contribution would be \$393,800. Assuming the projects in the CIP remain on schedule, are not cancelled or otherwise removed from the CIP, the MAF would be funded beyond 2022. Total expenditures (for

all phases of a project) in the City’s 2019 – 2024 Capital Improvement Plan is budgeted at \$24,110,000 in 2020. Public Art allocation for 2020 using the construction phase budget would constitute 0.4% of that total budget amount.

Table 5 below shows the anticipated MAF contributions and resulting MAF balance associated with the proposed amendment to SMC 3.35.150. Table 5 also shows the anticipated amounts associated with restricted funds in each capital fund and the Surface Water Utility.

Table 5: Anticipated Public Art Contributions – Proposed Amendments (Accounting for Passage of I-976)

	2017 Actual	2018 Actual	2019 Projected	2020 Projected	2021 Projected	2022 Projected
MAF 1% Contribution – with I-976	\$38,374	\$2,283	\$0	\$94,858	\$172,279	\$125,711
MAF Ending Fund Balance – with I-976	\$326,775	\$283,486	\$157,268	\$133,282	\$170,707	\$116,362
Public Art Plan support – projects with restricted fund sources						
Roads Capital Art Program Set Aside				\$22,695	\$35,960	\$18,360
Surface Water Art Program Set Aside				\$15,982	\$14,158	\$11,406
Total Public Art Plan Support from CIP Projects	\$38,374	\$2,283	\$0	\$133,535	\$222,397	\$155,477

Options Not Recommended

The *Stabilizing Public Art Funding in the City of Shoreline* report included other options that are not being recommended for implementation at this time. More information about these options is below:

Option 2 - Per Capita Allocation

Given that the population of Shoreline is 55,730, a one dollar per resident contribution would generate approximately \$55,730 per year. This option would redirect funds from current programs to the MAF.

Option 3 - Increase contribution from 1% to 1.5%

This option, which would increase the contribution for qualifying municipal projects to 1.5%, would increase the contribution to the MAF by approximately \$65,000 per year (see Table 6 below). It would increase construction costs for projects by 0.5% over the recommended option.

Table 6: Estimated MAF Contributions Based On 1.5% Contribution Rate (Accounting for Passage of I-976)

	2017 Actual	2018 Actual	2019 Projected	2020 Projected	2021 Projected	2022 Projected
MAF 1.5% Contribution - with I-976	\$38,374	\$2,283	\$0	\$142,287	\$258,419	\$188,567
MAF Ending Fund Balance – with I-976	\$326,775	\$283,486	\$157,268	\$199,923	\$256,061	\$174,543
2019 Ending Fund Balance Projections Based On Ord. 312	\$326,775	\$283,486	\$157,268	\$120,331	\$108,369	\$23,313

Option 4 - Share of rental fees

Increasing facility rental fees by 10% and dedicating the increased revenue to the Municipal Art Fund would result in an approximately \$50,000 per year addition to the MAF (see Table 7 below) and would require raising fees for users of picnic shelters, athletic fields, and other facilities. Fees are currently set based on market conditions and cost recovery goals. An increase in fees may push Shoreline rental fees above the market rate for facilities resulting in less demand or user push-back. The full impacts of this option on facility rentals have not been evaluated.

Table 7: 10% of Rental Revenue

	Rental Revenue	10%
2020	\$531,800	\$53,180
2019	\$509,975	\$50,998
2018	\$477,620	\$47,762
2017	\$510,959	\$51,096
2016	\$514,557	\$51,456

NEXT STEPS

If proposed Ordinance No. 874 is adopted, staff would take the following next steps:

1. In the first quarter of 2020, develop the necessary policy and procedures to implement the revision to SMC 3.35.150.
2. In the first quarter of 2020, review the Public Art Policy to ensure it is consistent with the revised SMC 3.35.150.
3. Review the 2017-2022 Public Art Plan to account for the additional funding associated with the revised SMC 3.35.150. Proposals for changes to how staff are implementing the Public Art Policy would be included in the 2021-2022 budget proposal in the fall of 2020.

STAKEHOLDER OUTREACH

The PRCS/Tree Board reviewed the staff recommendation at its October 24, 2019 meeting. The Board unanimously endorsed the staff recommendation. The Board also made two additional, unanimous recommendations:

1. Per capita allocation: Establish a per capita general fund contribution to the MAF of \$0.50 per resident. With the population of Shoreline being 55,730, a \$0.50 per resident contribution would provide approximately \$27,865 per year.
2. Increase Public Art Coordinator position from 0.5 FTE to 1.0 FTE. This would increase the annual Public Art Program staff costs from \$48,300 to \$96,600.

The City Manager recommends that these items be considered during the 2021-2022 biennial budget process in the context of an updated Public Art Plan and other priorities that may be before the City.

COUNCIL GOAL(S) ADDRESSED

The City Council 2019-2021 Goals and Work Plan, Goal 2, Action Step 12 is to “continue implementing the public arts program”.

RESOURCE/FINANCIAL IMPACT

The contribution to the MAF between 2020 and 2022 is currently estimated at \$91,300. With the proposed amendments to SMC 3.35.150, the contribution would be \$393,800. Assuming the projects in the CIP remain on schedule, are not cancelled or otherwise removed from the CIP, the MAF would be funded beyond 2022. Total expenditures (for all phases of a project) in the City’s 2019 – 2024 Capital Improvement Plan is budgeted at \$24,110,000 in 2020. Public Art allocation for 2020 using the construction phase budget would constitute 0.4% of that total budget amount.

RECOMMENDATION

No action is requested this evening. Staff recommends that Council review and discuss proposed Ordinance No. 874. Action on Ordinance 874 is scheduled for December 2, 2019.

ATTACHMENTS

Attachment A: Proposed Ordinance No. 874

ORDINANCE NO. 874

**AN ORDINANCE OF THE CITY OF SHORELINE, WASHINGTON
AMENDING SHORELINE MUNICIPAL CODE SECTION 3.35.150
MUNICIPAL ART FUND.**

WHEREAS, the City of Shoreline is a non-charter optional municipal code city as provided in Title 35A RCW, incorporated under the laws of the state of Washington; and

WHEREAS, in 2002, with the adoption of Ordinance 312, the City Council recognized the importance and benefit of providing visual art by creating a municipal art fund, now codified at Shoreline Municipal Code (SMC) 3.35.150, to provide funding for works of art in public places; and

WHEREAS, SMC 3.35.150 requires that one percent of the funding for qualifying municipal constructions projects be budgeted as a revenue source for the municipal art fund; and

WHEREAS, the definition of qualifying municipal projects set forth in SMC 3.35.150 results in a restriction as to what types of projects can contribute to the municipal art fund; and

WHEREAS, in 2017, with Resolution 404, the City's 2017-2022 Public Art Plan was adopted setting forth goals and implementation strategies, including greater financial sustainability for the public art program and articulating a need for implementing alternate or additional funding sources; and

WHEREAS, projections for contributions to and expenditures from the municipal art fund anticipate that the fund is expected to be depleted in 2022; and

WHEREAS, in order to provide a more stable and higher level of funding, the types of projects required to contribute to the municipal art fund needs to be expanded;

**NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF SHORELINE,
WASHINGTON DO ORDAIN AS FOLLOWS:**

Section 1. Amendment to Chapter 3.35, Section 3.35.150 Municipal art fund. SMC 3.35.150 is amended as set forth in Exhibit A to this Ordinance.

Section 2. Severability. Should any section, subsection, paragraph, sentence, clause, or phrase of this ordinance or its application to any person or situation be declared unconstitutional or invalid for any reason, such decision shall not affect the validity of the remaining portions of this Ordinance or its application to any person or situation.

Section 3. Corrections by City Clerk or Code Reviser. Upon approval of the City Attorney, the City Clerk and/or the Code Reviser are authorized to make necessary corrections to this Ordinance, including the corrections of scrivener or clerical errors; references to other local, state, or federal laws, codes, rules, or regulations; or ordinance numbering and section/subsection numbering and references.

Section 4. Publication and Effective Date. A summary of this Ordinance consisting of the title shall be published in the official newspaper and shall take effect five days after publication.

PASSED BY THE CITY COUNCIL ON DECEMBER 2, 2019

Mayor Will Hall

ATTEST:

APPROVED AS TO FORM:

Jessica Simulcik Smith
City Clerk

Margaret King
City Attorney

Date of Publication: , 2019
Effective Date: , 2019

Ordinance No. 874

Exhibit A

Amendments to Shoreline Municipal Code 3.35.150

SMC 3.35.150 Municipal art fund.

A. ~~There is created a fund to be known as the “municipal art fund” to~~ account for resources which are transferred from other funds, secured from grants, or donated by the private sector and designated to provide visual art in public places. ~~receive appropriations under this section and donations and grants for visual art in public places within the city. Expenditures are restricted to those approved through the city’s public art policy approved by the city council. Ending fund balances, including interest earned on transferred funds, will~~ shall be carried over from year to year.

B. ~~Each capital project included in the adopted Capital Improvement Program, except for projects in the City Facilities - Major Maintenance Fund, shall appropriate one percent (1%) of the Construction Project Phase budget for that project and shall display this budgeted amount as Public Art Plan Funding. If the City Council determines that the public interest would be better served, the Council may increase, reduce, or eliminate this appropriation. The city’s capital improvement program, as annually updated, will budget one percent of the capital improvement program funding for qualifying municipal construction projects, defined in subsection C of this section, beginning with the 2003 program budget, as a revenue source for the municipal art fund; provided, contribution from a particular qualifying municipal construction project budget may be eliminated or reduced if the city council determines that the public interest would be better served by the reduction. This budgeted amount will be displayed for that year as arts program funding in the adopted capital improvement program. Funds shall be transferred to the municipal art fund based on one percent of the total amount of the project contract as originally approved by the city council or city manager without adjustment for contract change orders. However, when the annual art plan calls for project art in the form of structural elements or design, funds may be transferred at the beginning of the budget year or when needed, based on one percent of the project budget in the capital improvement program, to allow timely and coordinated selection and production of the public artwork.~~

C. ~~The City Manager or designee shall promulgate rules of procedures for the financial administration of the municipal art fund and Public Art Plan Funding consistent with the City Council-approved Public Art Policy and adopted Public Art Plan. Qualifying Municipal Construction Projects. Qualifying municipal construction projects are capital construction projects funded wholly or in part by the city of Shoreline to construct any building, decorative or commemorative structure, park facility, street, sidewalk and parking facility, which is accessible to the public, or to repair or reconstruct any portion thereof where cost of construction exceeds 50 percent of the existing valuation of the structure. Qualifying municipal construction projects shall not include acquisition of real property or equipment, routine maintenance, the repair of existing public facilities including life cycle replacement, or the replacement of fixtures in such facilities. Design fees, taxes, testing, reimbursable costs, and internal city construction management costs shall not be included in the one percent calculation.~~

D. ~~In the case of a qualifying municipal construction project that involves the use of grants, bonds, or sources of funding other than the city’s general fund, the one percent calculation will~~

Ordinance No. 874

Exhibit A

Amendments to Shoreline Municipal Code 3.35.150

~~be based on the total source of funds that allow for art as an authorized expense. [Ord. 312 § 1, 2002]~~