

MEMORANDUM

February 24, 2010

TO: Health and Human Services Committee
FROM: *MKD* Minna K. Davidson, Legislative Analyst
SUBJECT: FY11-16 CIP: Cost Sharing: MCG - Arts Facility Financing

For FY11-16, the Executive recommends a total of \$9 million (\$1.5 million in each of six years) for arts facility financing in the Cost Sharing project. The PDF is attached on © 1.

The source of funds would be a mix of Current Revenue and GO bonds as shown in the following table.

	FY11	FY12	FY13	FY14	FY15	FY16
Current Rev.	0	250	500	500	500	500
GO Bonds	1,500	1,250	1,000	1,000	1,000	1,000
Total	1,500	1,500	1,500	1,500	1,500	1,500

The project description in the PDF includes the following sentence: “In FY11-16, this project provides for arts facility financing to ensure an available source of funding for capital improvements for County arts organizations.” It does not provide specific information about how organizations would be selected for funding, or how the funds would be used.

In discussions with OMB staff, Council staff was told that the Executive is still developing the details about how this funding would be allocated. OMB’s responses to Council staff questions on © 3 provide a preliminary outline of the Executive’s vision for this funding, but it is clear that many of the specifics remain to be determined.

Council staff comments: Council staff does not believe that there is enough information for the Committee to make a recommendation at this point, unless the Committee only wants to consider whether there should be a program like this at all. If the Committee wants to take up this threshold question, some related questions would be:

1. Under the current fiscal constraints, should the County provide funding for arts organizations' private capital projects?
2. In the past, the County provided funding for arts organizations' large capital projects on a case-by-case basis. Funds were allocated from current revenue in the operating or capital budgets within the available fiscal capacity, and funding recommendations were reviewed during the Council's budget process. Should a dedicated CIP project be established to fund arts organizations' large capital projects, or should these requests continue to be handled case-by-case?
3. Is it equitable for the County to establish dedicated funding for arts capital projects, but not for other non-profit organizations' projects?
4. Would establishing dedicated funding for arts capital projects encourage arts organizations to rely on County funding rather than fundraising?
5. Should the County fund private capital projects with GO bonds? This would be a break from previous policy which avoided using bond funding for non County-owned capital projects.

If the Committee feels that more information is needed before making any decisions, some issues to consider are:

1. Should this project be funded at the level recommended by the Executive?
2. Should it be funded for the full six years, or just for FY11 and 12 with funding for future years to be considered in the next CIP period?
3. The Executive currently does not contemplate establishing limits on the amount of funding per organization or project. Should there be limits (for example, up to \$500,000 per project or organization) to ensure that funding is available to several organizations over the life of the project?
4. The Executive would encourage, but not require, matching funds for these grants. Should there be a matching requirement?
5. The Arts and Humanities Council would act in an advisory capacity for the Executive Branch decision making process. Is this the appropriate role for the Arts and Humanities Council?

6. The anticipated timeline is to identify projects for grants by July 1, 2010. Is this a realistic timeframe to set up the proposed grant program?
7. It is envisioned that proposed grants would be sent to the Council for addition to the grantee list. Is the Council comfortable with approval at this stage in the process, or would the Council prefer a different arrangement?
8. As a technical matter, could bond funded grants be added to the grantee list which is part of the operating budget approval resolution?
9. How was the determination made that GO bonds may be used to provide direct grants to private parties for capital purposes and for capital debt reduction. Was bond counsel consulted? If so, please provide a copy of bond counsel's advice on this matter.

Council staff recommendation: Defer a recommendation on this project at this time. Request that the Executive provide more specific information about how this project would be implemented.

Cost Sharing: MCG -- No. 720601

Category
Subcategory
Administering Agency
Planning Area

Culture and Recreation
Recreation
Recreation
Countywide

Date Last Modified
Required Adequate Public Facility
Relocation Impact
Status

January 12, 2010
No
None.
On-going

EXPENDITURE SCHEDULE (\$000)

Cost Element	Total	Thru FY09	Est. FY10	Total 6 Years	FY11	FY12	FY13	FY14	FY15	FY16	Beyond 6 Years
Planning, Design, and Supervision	0	0	0	0	0	0	0	0	0	0	0
Land	0	0	0	0	0	0	0	0	0	0	0
Site Improvements and Utilities	0	0	0	0	0	0	0	0	0	0	0
Construction	0	0	0	0	0	0	0	0	0	0	0
Other	21,493	3,171	5,172	13,150	5,650	1,500	1,500	1,500	1,500	1,500	0
Total	21,493	3,171	5,172	13,150	5,650	1,500	1,500	1,500	1,500	1,500	0

FUNDING SCHEDULE (\$000)

Contributions	150	0	0	150	150	0	0	0	0	0	0
Current Revenue: General	6,603	3,171	1,182	2,250	0	250	500	500	500	500	0
G.O. Bonds	6,890	0	140	6,750	1,500	1,250	1,000	1,000	1,000	1,000	0
Long-Term Financing	3,850	0	3,850	0	0	0	0	0	0	0	0
State Aid	4,000	0	0	4,000	4,000	0	0	0	0	0	0
Total	21,493	3,171	5,172	13,150	5,650	1,500	1,500	1,500	1,500	1,500	0

DESCRIPTION

This project provides funds for the development of non-government projects in conjunction with public agencies or the private sector. County participation leverages private and other public funds for these facilities. Prior to disbursing funds, the relevant County department or agency and the private organization will develop a Memorandum of Understanding, which specifies the requirements and responsibilities of each. In FY11-16, this project provides for arts facility financing to ensure an available source of funding for capital improvements for County arts organizations.

COST CHANGE

Increase due to the addition of Arts facility financing and State Aid for the music venue in Silver Spring.

JUSTIFICATION

The County has entered into or considered many public-private partnerships, which contribute to the excellence and diversity of facilities serving County residents.

OTHER

Economic Development:

The State approved \$4,000,000 in State Aid for the music venue in Silver Spring. The County's required match is \$4,000,000 and \$3,850,000 is currently programmed. The Venue Operator has agreed to purchase certain furniture, fixtures and equipment for the project; \$150,000 of which will be used as the required County match. An agreement between the development partners and the County has been executed. The project is currently in the design phase. Necessary land-use approvals will be sought, after which time the project will move into the construction phase.

Grants:

For FY09, County participation is for the following projects in these amounts:

Aunt Hattie's Place, Inc: \$250,000

Boys and Girls Club of Greater Washington: \$250,000

CASA de Maryland, Inc: \$150,000

CHI Centers: \$50,000

Institute for Family Development Inc., doing business as Centro Familia: \$75,000. The organization must demonstrate to the County's satisfaction that it has commitments for the entire funding needed to construct the project before the \$75,000 in County funds can be spent.

Jewish Council for the Aging of Greater Washington, Inc: \$250,000

Montgomery General Hospital: \$500,000

Nonprofit Village, Inc.: \$200,000, and

YMCA of Metropolitan Washington and Youth and Family Services Branch: \$200,000

For FY10, County participation is anticipated for the following projects in these amounts:

Aunt Hattie's Place, Inc.: \$100,000. Disbursement of FY09 and FY10 County funds is conditioned on the owner of the property giving the County an appropriate covenant restricting the use of the leased property to a foster home for boys for a period of ten years from the time the facility commences to

APPROPRIATION AND EXPENDITURE DATA	COORDINATION	MAP																																										
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td>Date First Appropriation</td> <td>FY06</td> <td>(\$000)</td> </tr> <tr> <td>First Cost Estimate</td> <td></td> <td></td> </tr> <tr> <td>Current Scope</td> <td>FY11</td> <td>21,493</td> </tr> <tr> <td>Last FY's Cost Estimate</td> <td></td> <td>8,343</td> </tr> </table> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td>Appropriation Request</td> <td>FY11</td> <td>5,650</td> </tr> <tr> <td>Appropriation Request Est.</td> <td>FY12</td> <td>1,500</td> </tr> <tr> <td>Supplemental Appropriation Request</td> <td></td> <td>0</td> </tr> <tr> <td>Transfer</td> <td></td> <td>0</td> </tr> <tr> <td>Cumulative Appropriation</td> <td></td> <td>8,203</td> </tr> <tr> <td>Expenditures / Encumbrances</td> <td></td> <td>4,145</td> </tr> <tr> <td>Unencumbered Balance</td> <td></td> <td>4,058</td> </tr> <tr> <td>Partial Closeout Thru</td> <td>FY08</td> <td>0</td> </tr> <tr> <td>New Partial Closeout</td> <td>FY09</td> <td>0</td> </tr> <tr> <td>Total Partial Closeout</td> <td></td> <td>0</td> </tr> </table>	Date First Appropriation	FY06	(\$000)	First Cost Estimate			Current Scope	FY11	21,493	Last FY's Cost Estimate		8,343	Appropriation Request	FY11	5,650	Appropriation Request Est.	FY12	1,500	Supplemental Appropriation Request		0	Transfer		0	Cumulative Appropriation		8,203	Expenditures / Encumbrances		4,145	Unencumbered Balance		4,058	Partial Closeout Thru	FY08	0	New Partial Closeout	FY09	0	Total Partial Closeout		0	<p>Private organizations State of Maryland Municipalities Montgomery County Public Schools Community Use of Public Facilities Department of General Services Department of Economic Development</p>	
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Recommended

Cost Sharing: MCG -- No. 720601 (continued)

operate as a foster home.

Boys and Girls Club of Greater Washington \$38,000

CASA de Maryland, Inc: \$100,000

Jewish Council for the Aging of Greater Washington, Inc: \$50,000, and

Warren Historic Site Committee, Inc: \$150,000.

The Old Blair Auditorium Project (a private, non-profit organization) received State bond bill funding of \$600,000 for the renovation of the Old Blair High School Auditorium. The County is providing \$190,000 as a partial match for the State funds with \$50,000 in current revenue in FY06-FY07 for DPWT to develop a Program of Requirements and cost estimate for the project, and a programmed FY06-FY07 bond funded expenditure of \$140,000 to pay for part of the construction. The Council will consider appropriating the \$140,000 after: a) facility planning is complete and the full cost of the renovation is known; b) the County, MCPS, and the Old Blair Auditorium Project resolve issues about management of the renovation project, operation of the facility, and parking for the facility; and c) the Old Blair High School Auditorium project raises the remaining \$410,000 required to match the State funding. MCPS has included funds for a feasibility study for the auditorium in its Facility Planning project (No. 966553). During the study, MCPS will work with the community to develop a new program of requirements for the auditorium.

OTHER DISCLOSURES

- A pedestrian impact analysis will be performed during design or is in progress.
- The Executive asserts that this project conforms to the requirements of relevant local plans, as required by the Maryland Economic Growth, Resource Protection and Planning Act.

QUESTIONS – FROM COUNCIL STAFF MINNA DAVIDSON

Cost Sharing: MCG – arts facility financing

The Health and Human Services Committee will review this issue on Thursday, February 25. **Please provide responses by February 18 for inclusion in the Committee packet.**

1. For what purposes will the arts facility funding be used (e.g. new or ongoing capital projects, debt reduction, other)?

RESPONSE

Consistent with the AHCMC's recommendations, this project will fund **major capital items** which may include capital improvements, new construction and debt reduction.

2. Would there be limits on the types of projects that could be funded, for example, only projects within a certain size or cost range, only new facilities, etc.?

RESPONSE

The proposed Advancement fund proposed by the AHCMC will consider capital items up to \$200k. We are still defining the cost range but it is likely that this project will be used for items larger than \$200k

3. Would there be limits on the amount of funding that could be allocated per organization? per project?

RESPONSE

Currently, there is no plan to limit the size by organization or project.

4. Would there be a matching requirement for recipient organizations? If so, what would be required?

RESPONSE

Although the provision of matching funds will be encouraged, it will not be mandatory.

5. How would organizations be selected to receive the arts facility funding?

RESPONSE

Arts organization with capital needs would be invited to apply and criteria will be established to prioritize the requests. The AHCMC will be consulted in the decision making process

6. What would be the role of the Arts and Humanities Council in the selection process?

RESPONSE

The Arts and Humanities Council will act in an advisory capacity by reviewing the recommendations made by the Executive branch.

7. Have any organizations been selected to receive this arts facility funding in FY11?

If so, please provide the name of the organization, a brief description of the project, and the amount to be funded for each proposed grant.

RESPONSE

No organizations have been selected although we are aware of organizations in need of capital funding.

If not, what is the timeframe for identifying recipients?

RESPONSE

We are still defining the project timeline. It is likely that projects will be identified by no later than July 1, 2010. Since the projects will be grants, each will be sent to the Council for addition to the grantee list.

8. For FY11-16, a substantial amount of the arts facility money would be funded with GO bonds. Previously, the policy has been that GO bonds must not be used to fund private facilities. Is there a change in policy?

RESPONSE

There is no substantive change in policy. We have determined that tax-exempt GO bonds may be used to provide direct grants to private parties for capital purposes. There must be no repayment or return to the county. We can also allow the organization to use the money for debt reduction when the debt was incurred for capital purposes.

9. If not, how would the bond funded portion of this project be used?

RESPONSE

In cases where GO bonds are ineligible, PAYGO and/or current revenue will be used.