

MEMORANDUM

TO: Health and Human Services Committee
FROM: Justina Ferber, Legislative Analyst
SUBJECT: Update on National Philharmonic Grant

Those expected to attend this update:

Leanne Ferfolia, President National Philharmonic
Todd Eskelsen, Chair Emeritus, Board Member National Philharmonic
Carla Wheeler, Board Member, National Philharmonic
Suzan Jenkins, Chief Executive Officer, Arts and Humanities Council (AHCMC)
Deborah Lambert, Management & Budget Analyst, Office of Management and Budget

BACKGROUND

In the FY17 Operating Budget, the County Council approved \$150,000 in the Arts and Humanities NDA to provide a grant to the National Philharmonic. In June 2016, the Council also approved a \$250,000 Supplemental Appropriation for FY16 to provide immediate grant support to ensure the continuing operation of the National Philharmonic. The funding was to be used as follows:

FY16	FY17	Use
\$200,000		To repay arrearages due to Strathmore Hall in FY16
\$26,000		To replace a projected FY16 reduction in grant funding from the AHCMC
\$24,000		To provide additional support for consultant services to develop a comprehensive strategic plan
	\$150,000	To provide grant funding to ensure the continuing operation of the National Philharmonic

A joint Health and Human Service and Government Operations and Fiscal Policy Committee met in May 2016 to discuss both the Supplemental Appropriation and the proposed FY17 grant. The joint committees agreed the National Philharmonic needed to: improve relationships with Strathmore; hire consultants to develop a strategic plan; coordinate with the Arts and Humanities Council; and restructure their artistic, administrative, development,

governance and marketing functions to grow new and diverse audiences, raise artistic quality, and balance their budget. The National Philharmonic has provided materials that report on these issues. The materials indicate that the National Philharmonic has made progress in addressing the Council's concerns.

BRIEFING MATERIALS

Leanne Ferfolia, President of the National Philharmonic (NP), has provided the following materials for the Committees review:

1. Memo dated October 14, 2016, from Leanne Ferfolia, including the following information –
 - Selection of an orchestra consultant firm – Partners in Performance – to begin work on its strategic plan; NP developed a work plan with the consultant to address the organization's weaknesses
 - Appointment of a new Governance Committee Chair–Lori Sommerfield – to begin work on plans for board recalibration, evaluation, recruitment and function
 - Appointment of a new accountant
 - Implementation of a community expansion effort through partnerships, collaborations and relationships to address the lack of diversity in audiences
 - Improvement in relationships with Strathmore
 - Summary of Financial Statement information (*Please note that the financial materials provided by the National Philharmonic have not been audited but are preliminary findings prior to an official annual audit.*)
 - Goals for the next quarter
2. Partners in Performance – Consultant Bio
3. Preliminary Work Plan (August 2016-February 2017)
4. Request for Proposal – Strategic Plan
5. NP Subscription Sales ending September 30, 2016
6. NP Concert Sales
7. NP Balance Sheet as of June 30, 2016
8. NP State of Activities July 2015 to June 2016
9. NP Balance for Previous Year Comparison as of September 30, 2016
10. NP Statement of Activities Previous Year Comparison July to September 2015 and 2016

EXECUTIVE STAFF COMMENTS

The Executive Branch staff has reviewed National Philharmonic's First Quarter Report and is encouraged by the initial actions taken by the National Philharmonic (NP) to develop and implement a Turnaround Plan that are highlighted in its First Quarter Report:

- NP's Selection Committee has selected a nationally recognized orchestra consultant firm which has begun work with NP on its strategic plan – Partners in Performance. This consultant was selected in part based on its turnaround experience, a key criteria used by

NP in its RFP and vendor selection process. Throughout its selection process, NP consulted with Suzan Jenkins, CEO of the Arts and Humanities Council of Montgomery County (AHCMC) and Strathmore principals.

- NP has developed a work plan with its consultant to address the organization’s weaknesses in areas of Board Governance, fundraising, programming, and marketing, all of which are critical to its long-term success.
- NP has named a new Governance Committee Chair by appointing a newly acquired board member, Lori Sommerfield, whose background hails from one of the nation’s top orchestras, St. Paul Chamber Orchestra. Ms. Sommerfield immediately began work on plans for board recalibration, board evaluation, board recruitment, and board function.
- NP has hired a new accountant with 30 years-experience in non-profit accounting. This accountant worked with the NP President throughout the first quarter to reconcile and accurately report financials for FY16 (currently being audited), restructured financial reporting, and implemented internal financial controls.
- NP is performing ahead of FY16 subscriptions sales and is 85.5% to goal for FY17 compared to 78% last year. Patrons are purchasing more seats to concerts in a subscription package compared to last year. NP attributes these improved results to an appealing season and the implementation of a new subscription pricing model.
- NP notes that its opening concert season weekend of 2 performances (9/17 and 9/18) had strong attendance, filling the hall with more than 1500 people on Saturday and more than 1100 people on Sunday. Ticket sales nearly met projected revenue goals, earning \$96K of the projected \$103K. NP’s capacity average last season was 1084 on Saturdays and 810 on Sundays.
- NP is addressing a large weakness regarding a lack of diversity in its current audience by getting out into the community, developing and implementing partnerships that it expects will expand its audience to new, more diverse segments of the population. An extensive list of new community partnerships is provided in the organization’s report.

This packet contains

	<u>Circle #</u>
Memo dated October 14, 2016, from Leanne Ferfolia, President,	1
Partners in Performance Bio	5
Preliminary Work Plan (August 2016-February 2017)	7
Request for Proposal – Strategic Plan	8
NP Subscription Sales ending September 30, 2016*	9
NP Concert Sales FY15, FY16, FY17*	10
NP Balance Sheet as of June 30, 2016*	11
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NP Statement of Activities Previous Year Comparison July to September 2015 and 2016*	14
Resolution No. 18-532, Supplemental Appropriation FY16 -\$250,000, NP	15
Resolution No. 18-506, Page 15, NP Grant \$150,000 in AHCMC NDA	18

** Please note that the financial materials provided by the National Philharmonic have not been audited but are preliminary findings prior to an official annual audit.*

MEMORANDUM

DATE: October 14, 2016
TO: HHS Committee, Montgomery County Council
FROM: National Philharmonic, Leanne Ferfolia, President
RE: National Philharmonic 1st Quarter Report

Summary Narrative for the Quarter

[Included here will be notes about the progress on the Strategic Plan, activities & news from the Quarter (e.g. special events, milestones, marketing and press highlights, etc.)].

National Philharmonic continues to be beyond grateful for the support and has been working diligently to right the ship. NP heard the County Council's feedback loud and clear. Immediately, NP adopted three new pillars – Community, Diversity, and Accessibility – that would stand as actionable mission-like pieces with which to build solutions, not fixes, and in turn develop value proposition and discovery for the purpose of shaping the Philharmonic's new future. Below are bulleted key components that summarize the important steps required to turn NP around.

- *Selection of consultant, work plan developed, and activities underway. Please see Report 1 for biography of firm, Report 2 for work plan, and Report 3 for RFP.*
 - NP's Selection Committee selected a nationally recognized orchestra consultant firm which has begun work on its strategic plan – Partners in Performance. This consultant was selected in part based on its turnaround experience, a key criteria used in the RFP and vendor selection process. Throughout its selection process, NP consulted with Suzan Jenkins, CEO of the Arts and Humanities Council of Montgomery County (AHCMC) and Strathmore principals.
 - NP developed a work plan with its consultant to address the organization's weaknesses in areas of Board Governance, fundraising, programming, and marketing, all of which are critical to its long-term success.

- *New Governance Committee Chair appointed.*
 - NP named a new Governance Committee Chair by appointing a newly acquired board member, Lori Sommerfield, whose background hails from one of the nation's top orchestras, St. Paul Chamber Orchestra. Ms. Sommerfield

immediately began work on plans for board recalibration, board evaluation, board recruitment, and board function. The work will follow the guidance of best-practices as outlined by the League of American Orchestras, the consultants, and arts non-profits advocates.

- *New Accountant hired.*
 - NP hired a new accountant with 30 years-experience in non-profit accounting. This accountant worked with the President throughout the first quarter to reconcile and accurately report financials for FY16 (currently being audited), restructured financial reporting, and implemented internal financial controls.

- *Community expansion through partnerships, collaborations, and relationships.*
 - NP is addressing a large weakness regarding a lack of diversity in its current audience by getting out into the community, developing and implementing partnerships that it expects will expand its audience to new, more diverse segments of the population. An extensive list of new community relationships is provided below.

VisArts	Fenwick Foundation
Potter Violins	Rockville Chamber of Commerce
Montgomery County HS choirs	Maryland Classic Youth Orchestras
Levine Music	Metropolitan Ballet Theatre
MCPS Dir of Community Partners	Strathmore Music Center
Washington Performing Arts	

- *Improve relationship with Strathmore.*
 - The relationship with Strathmore is vital to the success of NP. Key to this success is for NP to be more than a rental of premises. NP offers Strathmore opportunities through orchestral and entertainment partnering. It provides Strathmore with hundreds of extremely talented musicians and vocalists that reside in this County. It works in concert with Strathmore to respond to community needs and expansions both in education and music resources, enriching the culture and broadening impact.

Financial Statement Notes

[Included here will be key financial data items including gross revenues, concert data (e.g. attendance, sales), and annual fund data (e.g. subscribers, board, and patron gifts)].

Please see Report A – Subscription Sales

NP is performing ahead of FY16 subscription sales and is 85.5% to goal for FY17 compared to 78% last year. Patrons are purchasing more seats to concerts in a subscription package compared to last year. NP feels this is attributed to an appealing season in addition to the new subscription pricing model implemented.

Please see Report B – Opening Concerts

NP’s opening concert season weekend of 2 performances (9/17 & 9/18) had strong attendance filling the hall with more than 1500 people on Saturday and more than 1100 people on Sunday. Ticket sales nearly met projected revenue goals, earning \$96K of the projected \$103K. NP’s capacity average last season was 1084 on Saturdays and 810 on Sundays.

Board of Directors

The Board of Directors is 100% committed in contributions and pledges with average board gift of \$4,000. Private funding contributions are performing slightly higher than last year at this time and keeping with projected goals.

Please see Report C – FY16 & FY15 comparisons (Balance Sheet & Statement of Activities)

Recapping the financial position of National Philharmonic as of June 2016, NP had the following outstanding obligations:

Due to Strathmore for deferral accommodation	\$200,000
Due to loan from life insurance asset	\$ 40,000
Bank line of credit	\$192,000
Unpaid Strathmore rent & rental related items	\$ 30,000
Outstanding general payables	\$160,000
Total Liabilities	\$622,000

Please see Report D – Quarter 1 Financials (Balance Sheet & Statement of Activities)

With Montgomery County’s emergency funding and NP’s received earned and contributed revenues, the current financial position has changed. NP paid back the \$200,000 to Strathmore, paid the life insurance loan, paid first payment to consultant, and paid outstanding general payables down by \$87,000. Below is the current financial position of NP:

Bank line of credit	\$192,000
Outstanding general payables	\$133,000*
Total Liabilities	\$325,000

*Note: payables change daily

Goals (Special Focus) for the Next Quarter

[Here will be a list of what Leadership is focused on for the next quarter. Highlight financial goals, special events, concerts, etc.].

- *Consultant work for turnaround plan.*
 - Focus on the consultant's work plan and achieving the outlined objectives. A Re-Vision phase will be conducted during the second quarter and will include numerous constituencies to interview as well as participate in an open forum session. Information gleaned will be utilized to assist in developing the Philharmonic's strategic plan draft. NP will conduct the OCAI (Organizational Cultural Assessment Instrument) culture report, which analyzes the cultural philosophy of the organization. Two expert specialist consultants will assess both the fundraising and marketing operations and begin work. Please see Report 2 for reference.

- *Governance Committee work.*
 - Focus on board recruitment by vetting candidates, interviewing, and obtaining new members; focus on implementing best-practices for overall board role as fundraising participants and cultivation of networks.

- *Community expansion through partnerships, collaborations, and relationships.*
 - An emphasis will be on continued work for collaboration and partnership opportunities as well as new relationships. Cultivation of the newly established relationships referenced above will focus on the following:
 - Strathmore Music Center Potter Violins/NP Chamber Music Series
 - Capital Bank Blackrock Center for the Arts
 - Federal Realty MCPS
 - Parent Teacher Associations Gaithersburg Chamber of Commerce
 - Montgomery Co Recreation Youth Programs

- *Current planned programs to execute.*
 - Programs include events, concerts, and partnerships.
 - Color the Music Pumpkin Fest in Rockville Town Center
 - Instrument Petting Zoo Encore Q & A
 - Holiday Toy Drive concerts 5 NP Concerts
 - Chamber Music Series concert at Potter Violins
 - Student performances for MCYO & Levine
 - 8 Concerts for MCPS 2nd Graders

Partners in Performance

...helping leaders build resilient, adaptive, mission-driven organizations



John McCann, President, Partners in Performance

John McCann is an educator, facilitator and consultant. His expertise is in leadership education, visioning, and strategy development for organizations.

McCann launched Partners in Performance in 2008. As President of the company, He serves as lead consultant on a variety of interesting and intriguing projects including the *National Dance Heritage Leadership Forum* for the Dance Heritage Coalition; the *Governance Effectiveness Initiative* for Chamber Music America; the *National Trustee Forum* for Opera America; and as facilitator for the visioning and strategy development for the National Council on Education for the Ceramic Arts (NCECA), National Alliance for Musical Theatre; and the National Performing Arts Coalition. His pro-bono work includes serving as a facilitator for the *Louisiana Recovery and Rebuilding Conference* (2005), *Clinton Global Initiative* (2006), *National Performing Arts Convention* (2008), and the *Association of Arts Administration Educators* (2009).

McCann designs and serves as lead faculty and facilitator for the annual *Community Arts Education Leadership Institute* funded by American Express, and *Powerful Partnerships: Sustaining Arts Education through Collaboration*, supported by the New York Community Trust and the *Emerging Leaders Program* for the League of American Orchestras. He is currently designing *Arts Leaders as Cultural Innovators*, which will launch in October 2014.

Current and/or recent projects include New Dramatists, Geva Theatre, Woolly Mammoth Theatre, Museum for International Folk Art, Latino New South (a coalition of the Birmingham Civil Rights Institute, Atlanta History Center, and Levine Museum of the New South), Yerba Buena Center for the Arts, Arts Council of New Orleans, DANCECleveland, and The Martha Graham Center of Contemporary Dance.

Specific to orchestras, McCann has developed strategic plans for the Nashville Symphony Orchestra, Milwaukee Symphony Orchestra, American Composers Orchestra, Orchestra of St. Luke's, Roanoke Symphony Orchestra, National Symphony Orchestra, and the Miami Residency of The Cleveland Orchestra. He has also provided musician leadership development for the St. Louis Symphony Orchestra and the Baltimore Symphony Orchestra, and has just completed a year-long engagement with the Detroit Symphony Orchestra which has resulted in a more effective governance structure and a healthier organizational culture.

Prior to forming Partners in Performance, McCann was the founder and director of the Institute for Cultural Policy and Practice at Virginia Tech. The Institute developed the Community Arts Leadership Academy for ArtServe Michigan; designed and facilitated the leadership development component of the Orchestra Management Fellowship Program for the League of American Orchestras; and developed leadership seminars for Dance/USA, Dance/NYC, Theatre Communications Group, and the National Assembly of State Arts Agencies.

Additionally, McCann has served as a faculty member or speaker for the American Planning Association, Prairie Arts Leadership Institute, New York Alliance of Arts Organizations, and the Empire State Partnership for Arts Education. He is co-author of the *Board Excellence Handbook*, published by the Maryland Association of Nonprofit Organizations; *Jomandi: People Gathered Together in Celebration*

(FEDAPT, 1995), and *Beyond Survival, Devising Strategies in an Uncertain World and Leadership as Creativity*, both published by the National Endowment for the Arts.

As co-founder of EmcArts, LLC, McCann served as a member of the consulting team for a broad array of clients including the Aspen Music Festival and School, Arts International, and the 18th Street Arts Complex. He facilitated planning retreats and strategy development sessions for the Alabama Shakespeare Festival, the Choral Arts Society of Washington, DC, the Oregon Shakespeare Festival, Washington Ballet, Dance Place, the National Assembly of State Arts Agencies, Maryland Citizens for the Arts, and the Mid Atlantic Arts Foundation. On behalf of the National Endowment for the Arts, McCann facilitated the focus groups designed to inform the creation of the *Challenge America* program. McCann has facilitated the mergers of the Tribeca Film Institute and Renew Media; Sun Valley Center for the Arts and Company of Fools; and most recently, the Bill T. Jones/Arnie Zane Dance Company and Dance Theatre Workshop.

**National Philharmonic
Strategy Development Process
Project Workplan
October 4, 2016**

Preliminary Workplan (August 2016-February 2017)

- August 2016
 - Conduct file study and document review
 - Hold initial planning call with President

- September
 - Conduct initial meeting of the planning group to discuss objectives and priorities of the process

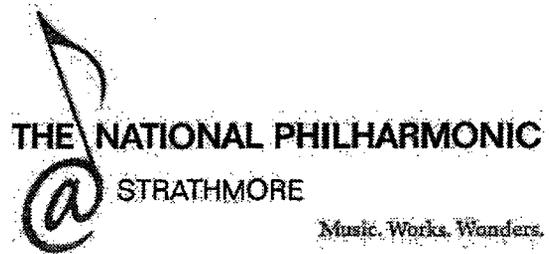
- October/
November
 - Intensive Planning Session #1
Vision and Milestones
 - Launch and administer OCAI
 - Conduct Key Informant Interviews

- November/
December
 - Tabulate and draft Culture Report from OCAI finding (Organizational Cultural Assessment Instrument)
 - Independent audit of contributed revenue strategy (recent fundraising campaign including individual donations, board donations, corporate donations, and government/other grants), historical results, campaign approach, and supplemental material
 - Independent audit of current programs and marketing (pricing structure, and marketing approach including direct mailing, paid advertising, and social media)

- December 31, 2016
 - Draft of NP-generated Strategic Plan and 5-year financial framework completed

- January 2017
 - Intensive Planning Session #2
Effective Board Governance

- February
 - Intensive Planning Session #3
Healthy Organizational Culture
 - Review and provide written responses to NP-generated Strategic Plan



Request for Proposal Strategic Plan

Overview

National Philharmonic Orchestra and Chorale of Montgomery County, Inc. (National Philharmonic or NP) is seeking consulting assistance in developing a strategic business plan.

Background

NP is a high-quality regional orchestra and chorus resident at the Music Center at Strathmore in North Bethesda, Maryland. Business operations are led by a president and four staff members; artistic operations are directed by an artistic director and two associate directors. The board of directors has 24 members. NP's annual budget is approximately \$2.1 million. Funds are drawn from ticket sales, contributions and government support.

NP presents classical music in approximately 16-18 concert performances per year. The orchestra players are professional musicians under a collective bargaining agreement. About 4-5 concerts feature the 180-voice auditioned amateur chorus. NP also has an active public education program, which includes concerts for public school children, master classes, summer string and choral institutes. NP's most recent strategic plan was approved in 2009 and ran from 2010/11 to 2014/15. A Strategic Action Plan was developed in December 2015 to be used to secure county funding in May 2016.

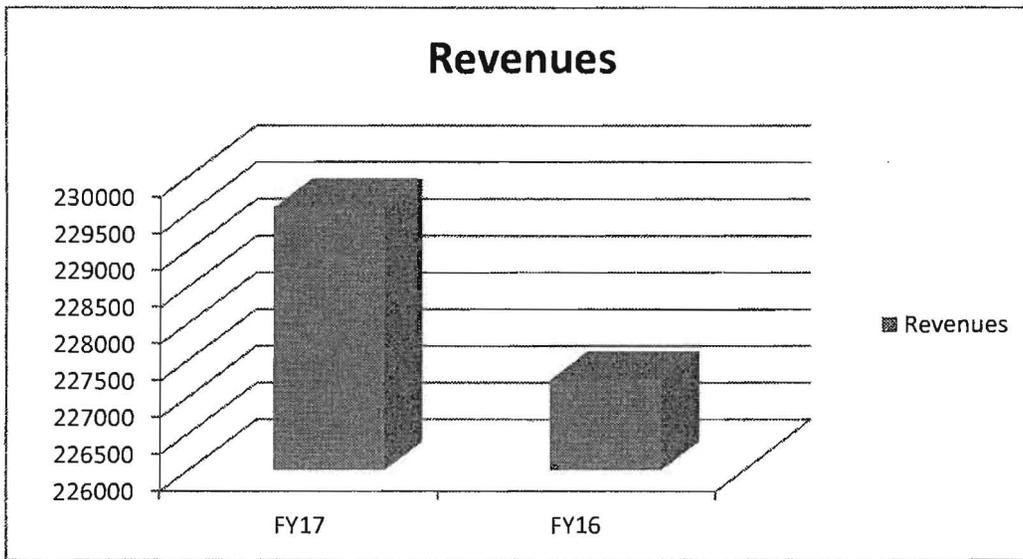
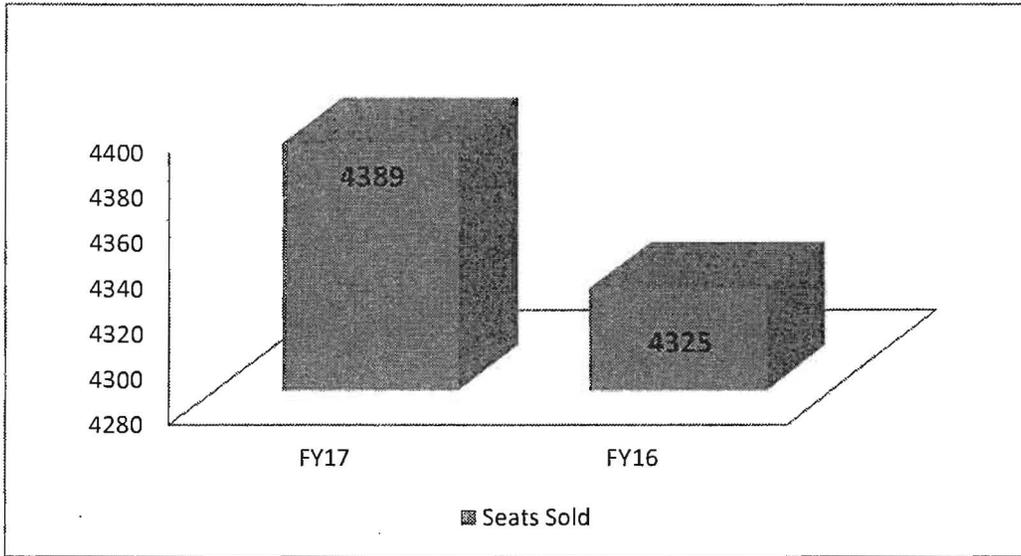
Consulting Assignment

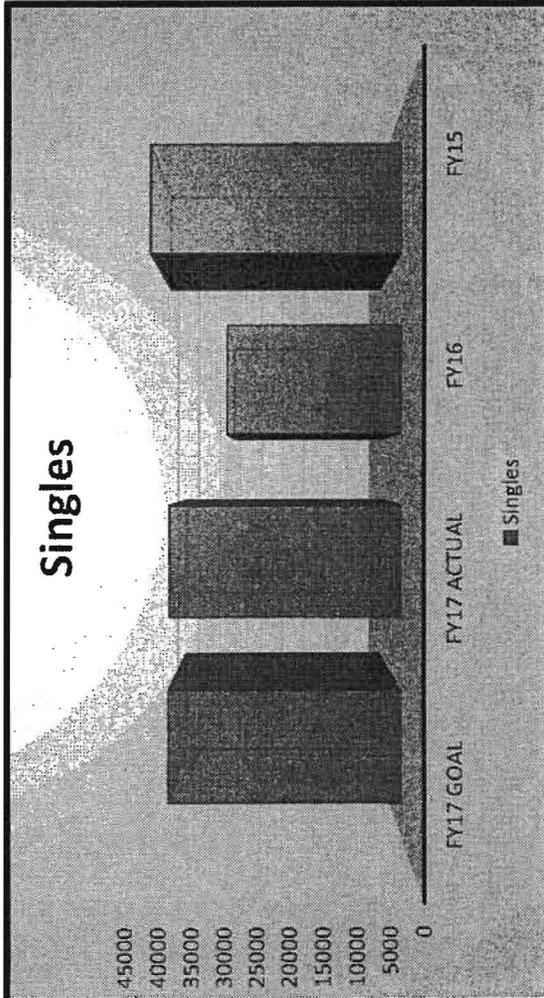
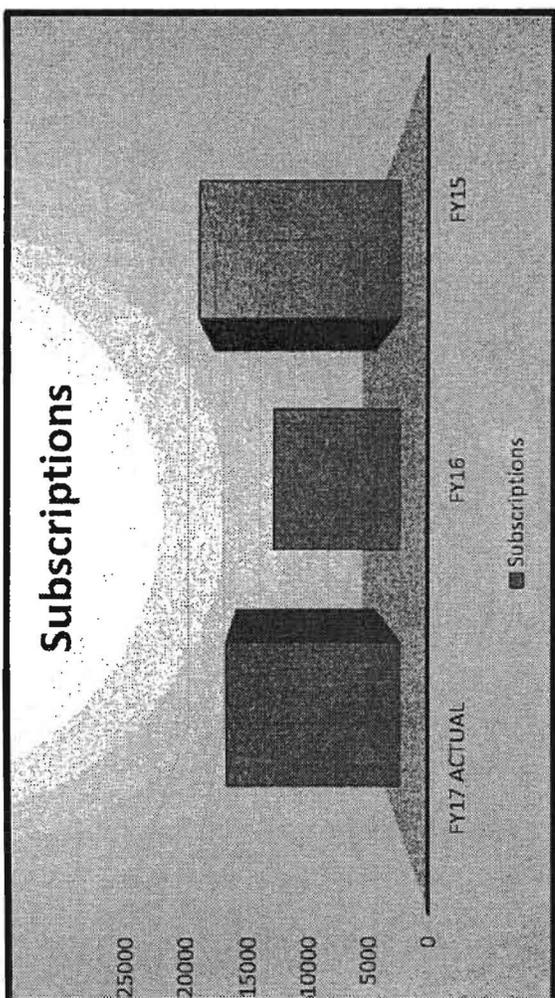
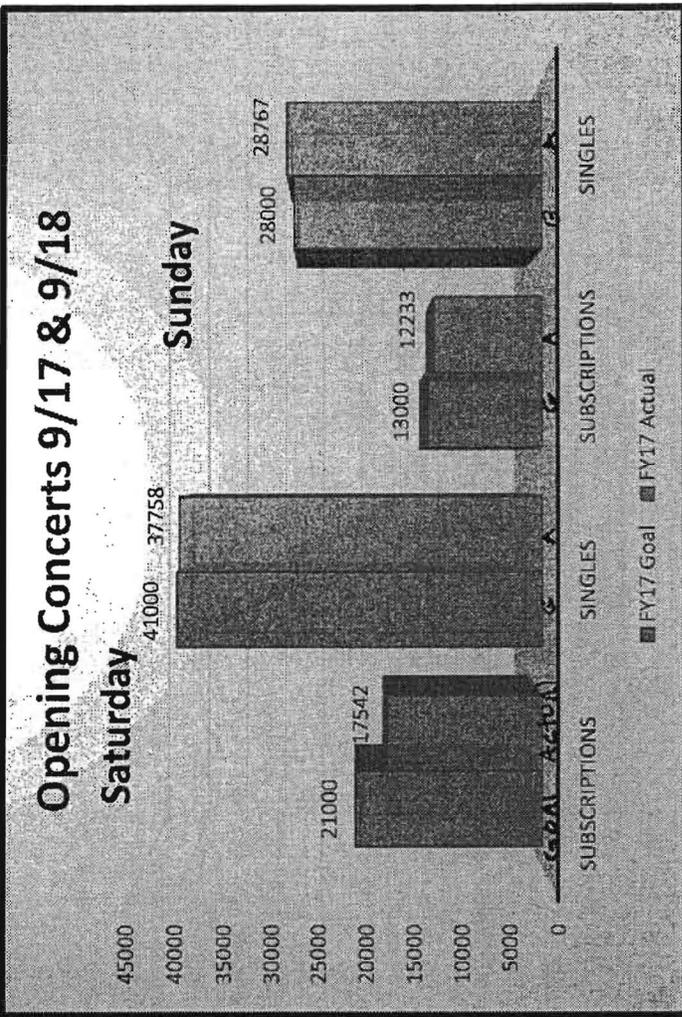
NP seeks a planning consultant to assist the Board and staff in developing a realistic and creative 5-year strategic business plan that will turnaround the organization and guide it forward. The plan should document the mission and vision of the organization, but include development of strategies to deal with being resident in a performing arts center with another larger orchestra (Baltimore Symphony), deal with challenges of a box office not run by NP, deal with the Washington, DC arts market, and the challenging issues facing classical music performing organizations. The plan should include a mechanism for regular review and evaluation over the plan period.

It is anticipated that the Board of Directors and professional staff will take an active role in preparing the plan.

Proposals should describe the consultant's background, explain how the consultant would propose the planning process be organized, state what tasks would be performed by NP staff, Board members and the consultant, and the requested budget. Proposals should be submitted to National Philharmonic Interim President Leanne Ferfolia at Leanne@nationalphilharmonic.org by May 23, 2016.

National Philharmonic Subscription Sales ending 9-30-16
Achieved 85% to goal with more than 3 months remaining





**National Philharmonic
Balance Sheet
As of June 30, 2016**

	Jun 30, 16	Jun 30, 15
ASSETS		
Current Assets		
Checking/Savings	449,418.78	349,488.25
Accounts Receivable	73,561.08	287,555.35
Other Current Assets	49,897.37	24,762.37
Total Current Assets	572,877.23	661,805.97
Fixed Assets		
1400 · Fixed Assets	6,915.90	13,401.29
Total Fixed Assets	6,915.90	13,401.29
Other Assets		
1500 · Donated Life Insurance	40,119.56	34,087.60
1700 · Security Deposit	5,500.00	8,900.00
Total Other Assets	45,619.56	42,987.60
TOTAL ASSETS	625,412.69	718,194.86
LIABILITIES & EQUITY		
Liabilities		
Current Liabilities		
Accounts Payable	156,004.78	123,828.62
Credit Cards		
2010 · Cardinal Bank Visa	3,079.54	1,083.52
Total Credit Cards	3,079.54	1,083.52
Other Current Liabilities		
2030 · Accrued Expenses	31,002.79	5,460.24
2100 · Payroll Liabilities	6,780.17	3,417.11
2200 · Direct Deposit Liabilities	0.00	0.01
2300 · Cardinal Line of Credit	185,641.27	149,956.32
2305 · Life Insurance Loan	40,119.56	0.00
2400 · Deferred Income	175,250.29	115,257.66
2420 · Prepaid Revenues	33,897.00	30,354.99
Total Other Current Liabilities	472,691.08	304,446.33
Total Current Liabilities	631,775.40	429,358.47
Total Liabilities	631,775.40	429,358.47
Equity		
3020 · Endowment Fund	117,948.00	117,948.00
3040 · Temp. Restricted Net Assets	10,269.00	267,297.00
3500 · Unrestricted Net Assets	(98,795.54)	(135,154.99)
Net Income	(35,784.17)	38,746.38
Total Equity	(6,362.71)	288,836.39
TOTAL LIABILITIES & EQUITY	625,412.69	718,194.86

National Philharmonic
Statement of Activities - Prior Year Comparison
 July 2015 through June 2016

	Jul '15 - Jun 16	Jul '14 - Jun 15	\$ Change	% Change
Ordinary Income/Expense				
Income				
4000 · Earned Revenue	879,082.15	1,041,760.44	(162,678.29)	(15.62%)
4060 · Education	50,334.99	265,543.32	(215,208.33)	(81.05%)
4100 · Other Earned Income	7,637.77	25,673.82	(18,036.05)	(70.25%)
4300 · Contributed Income	1,016,134.18	726,735.73	289,398.45	39.82%
Total Income	1,953,189.09	2,059,713.31	(106,524.22)	(5.17%)
Gross Profit	1,953,189.09	2,059,713.31	(106,524.22)	(5.17%)
Expense				
5000 · Artistic	829,132.53	959,336.65	(130,204.12)	(13.57%)
5300 · Production	441,391.01	410,656.75	30,734.26	7.48%
5410 · Marketing	211,938.52	236,458.20	(24,519.68)	(10.37%)
5500 · Development	36,763.03	41,154.19	(4,391.16)	(10.67%)
5600 · Administration	474,248.17	471,775.80	2,472.37	0.52%
7050 · QBs USE - Payroll	0.00	0.00	0.00	0.0%
Total Expense	1,993,473.26	2,119,381.59	(125,908.33)	(5.94%)
Net Ordinary Income	(40,284.17)	(59,668.28)	19,384.11	32.49%
Other Income/Expense				
Other Income				
7000 · Temp. Restricted Contributions	4,500.00	98,414.66	(93,914.66)	(95.43%)
Total Other Income	4,500.00	98,414.66	(93,914.66)	(95.43%)
Net Other Income	4,500.00	98,414.66	(93,914.66)	(95.43%)
Net Income	(35,784.17)	38,746.38	(74,530.55)	(192.36%)

National Philharmonic
Balance Sheet - Prev. Year Comparison
 As of September 30, 2016

	<u>Sep 30, 16</u>	<u>Sep 30, 15</u>
ASSETS		
Current Assets		
Checking/Savings	446,886.79	438,034.33
Accounts Receivable	82,413.33	179,017.94
Other Current Assets	5,738.09	1,709.54
Total Current Assets	<u>535,038.21</u>	<u>618,761.81</u>
Fixed Assets		
1400 · Fixed Assets	6,915.90	13,401.29
Total Fixed Assets	<u>6,915.90</u>	<u>13,401.29</u>
Other Assets	45,619.56	42,987.60
TOTAL ASSETS	<u><u>587,573.67</u></u>	<u><u>675,150.70</u></u>
LIABILITIES & EQUITY		
Liabilities		
Current Liabilities		
Accounts Payable	161,338.75	114,314.44
Credit Cards	1,902.56	438.18
Other Current Liabilities	426,869.44	310,826.61
Total Current Liabilities	<u>590,110.75</u>	<u>425,579.23</u>
Total Liabilities	590,110.75	425,579.23
Equity		
3010 · Accum Other Comp Income/Loss	0.00	(16,364.70)
3020 · Endowment Fund	117,948.00	117,948.00
3040 · Temp. Restricted Net Assets	10,269.00	10,269.00
3500 · Unrestricted Net Assets	(134,579.71)	(96,408.61)
Net Income	3,825.63	234,127.78
Total Equity	<u>(2,537.08)</u>	<u>249,571.47</u>
TOTAL LIABILITIES & EQUITY	<u><u>587,573.67</u></u>	<u><u>675,150.70</u></u>

National Philharmonic
Statement of Activities - Prev Year Comparison
July through September 2016

	Jul - Sep 16	Jul - Sep 15	\$ Change	% Change
Ordinary Income/Expense				
Income				
4000 · Earned Revenue	95,385.36	74,148.95	21,236.41	28.6%
4060 · Education	49,830.00	49,564.99	265.01	0.5%
4100 · Other Earned Income	8,843.04	5,275.99	3,567.05	67.6%
4300 · Contributed Income	243,462.52	484,446.13	(240,983.61)	(49.7)%
Total Income	<u>397,520.92</u>	<u>613,436.06</u>	<u>(215,915.14)</u>	<u>(35.2)%</u>
Gross Profit	397,520.92	613,436.06	(215,915.14)	(35.2)%
Expense				
5000 · Artistic	122,957.67	118,266.54	4,691.13	4.0%
5300 · Production	69,031.59	71,113.73	(2,082.14)	(2.9)%
5410 · Marketing	64,601.90	74,508.47	(9,906.57)	(13.3)%
5500 · Development	3,260.96	8,658.51	(5,397.55)	(62.3)%
5600 · Operations	137,495.92	106,621.23	30,874.69	29.0%
7050 · QBs USE - Payroll	0.00	139.80	(139.80)	(100.0)%
Total Expense	<u>397,348.04</u>	<u>379,308.28</u>	<u>18,039.76</u>	<u>4.8%</u>
Net Ordinary Income	172.88	234,127.78	(233,954.90)	(99.9)%
Other Income/Expense				
Other Income				
7000 · Temp. Restricted Contributions	500.00	0.00	500.00	100.0%
Total Other Income	<u>500.00</u>	<u>0.00</u>	<u>500.00</u>	<u>100.0%</u>
Net Other Income	500.00	0.00	500.00	100.0%
Net Income	<u><u>672.88</u></u>	<u><u>234,127.78</u></u>	<u><u>(233,454.90)</u></u>	<u><u>(99.7)%</u></u>

Resolution No.:	<u>18-532</u>
Introduced:	<u>May 17, 2016</u>
Adopted:	<u>June 21, 2016</u>

**COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND**

Lead Sponsor: Council President at the request of the County Executive

SUBJECT: Supplemental Appropriation #16-399 to the FY16 Operating Budget
Montgomery County Government
Arts and Humanities Council
National Philharmonic Orchestra & Chorale of Montgomery County, Inc.,
\$250,000, and:
Amendment to Fiscal Year 2016 Operating Budget
Resolution 18-150, Section G, Fiscal Year 2016 Designation of Entities for Non-
Competitive Contract Award Status

Background

1. Section 307 of the Montgomery County Charter provides that any supplemental appropriation shall be recommended by the County Executive who shall specify the source of funds to finance it. The Council shall hold a public hearing on each proposed supplemental appropriation after at least one week's notice. A supplemental appropriation that would comply with, avail the County of, or put into effect a grant or a Federal, State or County law or regulation, or one that is approved after January 1 of any fiscal year, requires an affirmative vote of five Councilmembers. A supplemental appropriation for any other purpose that is approved before January 1 of any fiscal year requires an affirmative vote of six Councilmembers. The Council may, in a single action, approve more than one supplemental appropriation. The Executive may disapprove or reduce a supplemental appropriation, and the Council may reapprove the appropriation, as if it were an item in the annual budget.

2. The County Executive has requested a supplemental appropriation to the FY16 Operating Budget in the amount of \$250,000 for the National Philharmonic Orchestra & Chorale of Montgomery County, Inc., and specifies that the source of funds will be General Fund Undesignated Reserves.

3. The joint Health and Human Services and Government Operations and Fiscal Policy Committee met on May 6, 2016, and recommended an appropriation to the Arts and Humanities Council Non-Departmental Account (NDA):

<u>Personnel Services</u>	<u>Operating Expenses</u>	<u>Capital Outlay</u>	<u>Total</u>	<u>Source of Funds</u>
\$0	\$250,000	\$0	\$250,000	General Fund Undesignated Reserves

4. This increase is needed to provide immediate support to ensure the continued operation of the National Philharmonic Orchestra & Chorale of Montgomery County, Inc. through its current and upcoming seasons. This supplemental appropriation, in conjunction with the County Executive’s recommended support of \$150,000 in FY17, will:
 - a. Provide \$200,000 to Strathmore to repay arrearages in FY16;
 - b. Provide \$26,000 in FY16 to replace a projected reduction in grant funding from the Arts & Humanities Council of Montgomery County (AHCMC); and
 - c. Provide \$24,000 in additional support for consultant services to develop a comprehensive strategic plan. These added funds are to be used in conjunction with an extended \$10,000 Advancement Grant from AHCMC and \$10,000 in matching funds to be provided by the National Philharmonic.

5. Notice of a public hearing was given, and a public hearing was held on June 14, 2016.

6. Section 11B-14(a)(4) of the Montgomery County Code states that “a contract may be awarded without competition if the Chief Administrative Officer makes a written determination that the contract award serves a public purpose and proposed contractor has been identified in a grant or appropriation resolution approved by the Council.” The result of this action is to amend the FY16 Designation of Entities for Non-Competitive Contract Award status resolution to include the agency listed below.

Action

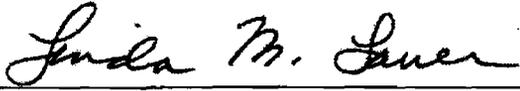
The County Council for Montgomery County, Maryland approves the following action:

A supplemental appropriation to the FY16 Operating Budget for the Arts and Humanities Council NDA is approved as follows:

<u>Personnel Services</u>	<u>Operating Expenses</u>	<u>Capital Outlay</u>	<u>Total</u>	<u>Source of Funds</u>
\$0	\$250,000	\$0	\$250,000	General Fund Undesignated Reserves

This resolution amends Resolution 18-150, Section G, FY16 Designation of Entities for Non-Competitive Award Status to add a new contract with the National Philharmonic Orchestra & Chorale of Montgomery County, Inc. to read “Provides for operating support and consultant services” in the amount of \$250,000.

This is a correct copy of Council action.

A handwritten signature in cursive script that reads "Linda M. Lauer". The signature is written in black ink and is positioned above a horizontal line.

Linda M. Lauer, Clerk of the Council

- 47. For FY 2017 this resolution appropriates \$5,306,943 to the County Arts and Humanities Council Non-Departmental Account, which must be allocated as follows:

Purpose	Amount
Operating Support Grants	\$3,308,202
Small/Mid-Size Organizations, Creative Projects, Arts Education, and Individual Artist/Scholar Grants	\$778,861
Advancement Grants	\$250,050
Administration	\$529,830
Arts and Humanities Matching Fund	\$200,000
Grants to Support Wheaton Arts and Entertainment District	\$90,000
Grant to National Philharmonic	\$150,000
Total Arts and Humanities Council NDA	\$5,306,943

Of the funds appropriated for the administration of the Arts and Humanities Council, \$25,000 must be used only to provide health insurance benefits for one or more of the Council’s full-time employees. The Arts and Humanities Council’s Board of Directors must determine how these benefits are provided. If the County Attorney finds that these employees’ participation is consistent with Federal and County law, these funds may be used to buy health insurance for these employees through the County Government’s Group Health Insurance program. These funds must not pay more than 80% of the cost of the premium of the health insurance coverage selected by the Arts and Humanities Council’s Board of Directors.

- 48. As required by County Code Section 2-151(f), the Council recommends projected budgets for the Office of Inspector General of \$1,040,681 in FY 2017, \$1,040,681 in FY 2018, and \$1,040,681 in FY 2019.
- 49. This resolution appropriates \$22,167,940 from the General Fund as a contribution to the Montgomery Housing Initiative Fund (HIF). The FY 2017 appropriation, combined with the re-appropriation of the FY 2016 fund balance, loan repayments, investment income, and revolving resources available in the capital improvements program, is estimated to provide more than \$51 million to acquire, rehabilitate, and preserve affordable housing, and implement the County’s Housing First Plan. Resolution 15-110, *Dedicated Funding for Affordable Housing*, states that the County Executive will recommend and the Council will approve an allocation from the General Fund to the HIF an amount equivalent of 2.5% of actual General Fund property taxes from 2 years prior to the upcoming fiscal year. Resolution 16-143, *Source of Funding for Annual Appropriation to the HIF*, states that the source of funding for the amount equivalent to 2.5% of the actual property tax from 2 years prior must be from the General Fund and may not include MPDU resale recaptures, condominium transfer tax revenues, and end-of-year fund balance. Because of the fiscal downturn, the Executive did not recommend and the Council did not appropriate in FY 2017 an amount from the General Fund that is the equivalent of 2.5% of actual FY 2015 property taxes.