

File No. 210178

Committee Item No. 2

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Appropriations Committee

Date March 17, 2021

Board of Supervisors Meeting

Date _____

Cmte Board

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| <input type="checkbox"/> | <input type="checkbox"/> | Motion |
| <input type="checkbox"/> | <input type="checkbox"/> | Resolution |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Ordinance |
| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Budget and Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Introduction Form |
| <input type="checkbox"/> | <input type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/> | <input type="checkbox"/> | MOU |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Subcontract Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Contract/Agreement |
| <input type="checkbox"/> | <input type="checkbox"/> | Form 126 – Ethics Commission |
| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
| <input type="checkbox"/> | <input type="checkbox"/> | Application |
| <input type="checkbox"/> | <input type="checkbox"/> | Public Correspondence |

OTHER (Use back side if additional space is needed)

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Completed by: Linda Wong Date March 12, 2021

Completed by: Linda Wong Date _____

[Appropriation - Property Tax - Hotel Tax for Arts General Fund Backfill - Various Departments - ADM - \$11,228,000 Grants for the Arts; ART - \$787,867 Arts Impact Endowment; \$604,428 Cultural Centers; \$4,409,000 Cultural Equity Endowment - FY2020-2021]

Ordinance appropriating \$11,228,000 from Property Tax to the General Services

Agency - City Administrator (ADM) for Grants for the Arts; \$787,867 to the Arts

Commission (ART) for Arts Impact Endowment; \$604,428 for Cultural Centers; and

\$4,409,000 for Cultural Equity Endowment for Fiscal Year (FY) 2020-2021.

Note: Additions are single-underline italics Times New Roman;
deletions are ~~strikethrough italics Times New Roman~~.
Board amendment additions are double underlined.
Board amendment deletions are ~~strikethrough normal~~.

Be it ordained by the People of the City and County of San Francisco:

Section 1. The sources of funding outlined below are herein appropriated to reflect the projected sources of funding for FY2020-2021.

SOURCES Appropriation

Fund / Department ID	Project & Activity / Authority	Account	Description	Amount
10000 GF Annual	10026734 – 0001	410999	Property Tax	\$17,029,295
Account Ctrl / 230018	GE General City Services / 10000	Unallocated GEN Property		
GEN General City Responsibility	GF Annual Account Ctrl	Taxes		

Fund /	Project &	Account	Description	Amount
Department ID	Activity /			
	Authority			
Total SOURCES Appropriation				\$17,029,295

Section 2. The uses of funding outlined below are herein appropriated to reflect the projected uses of funding for FY2020-2021.

USES Appropriation

Fund /	Project & Activity /	Account	Description	Amount
Department ID	Authority			
10000 GF Annual	10026734 – 0001	591000	Transfer out to the	\$11,228,000
Account Ctrl /	GE General City	OTO To	City Administrator	
230018	Services / 10000 GF	2S/CRF-	for Grants for the	
GEN General City	Annual Account Ctrl	Culture & Rec	Arts	
Responsibility		Fd		
10000 GF Annual	10026734 – 0001	591000	Transfer out to the	\$787,867
Account Ctrl /	GE General City	OTO To	Arts Commission	
230018	Services / 10000 GF	2S/CRF-	for Arts Impact	
GEN General City	Annual Account Ctrl	Culture & Rec	Endowment	
Responsibility		Fd		

1	Fund /	Project & Activity /	Account	Description	Amount
2	Department ID	Authority			
3	10000 GF Annual	10026734 – 0001	591000	Transfer out to the	\$604,428
4	Account Ctrl /	GE General City	OTO To	Arts Commission	
5	230018	Services / 10000 GF	2S/CRF-	for Cultural	
6	GEN General City	Annual Account Ctrl	Culture & Rec	Centers	
7	Responsibility		Fd		
8					
9	10000 GF Annual	10026734 – 0001	591000	Transfer out to the	\$4,409,000
10	Account Ctrl /	GE General City	OTO To	Arts Commission	
11	230018	Services / 10000 GF	2S/CRF-	for Cultural Equity	
12	GEN General City	Annual Account Ctrl	Culture & Rec	Endowment	
13	Responsibility		Fd		
14					
15	Total USES Appropriation				\$17,029,295

18 Section 3. The Controller is authorized to record transfers between funds and adjust
19 the accounting treatment of sources and uses appropriated in this ordinance as necessary to
20 conform with Generally Accepted Accounting Principles and other laws, and adjust sources
21 and uses amounts to reflect local baseline funding mandates.

1 APPROVED AS TO FORM:
2 DENNIS J. HERRERA, City Attorney

FUNDS AVAILABLE:
BEN ROSENFELD, Controller

3
4 By: _____/s/_____
5 JON GIVNER
6 Deputy City Attorney

By: _____/s/_____
BEN ROSENFELD
Controller

Item 2 File 20-0178	Departments: City Administrator & Arts Commission
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> The proposed supplemental appropriation ordinance would appropriate \$17,029,295 from unappropriated FY 2020-21 property tax revenues to the following uses: (1) \$11,228,000 to the City Administrator's Grants for the Arts Program, (2) \$604,428 for the Arts Commission's Cultural Centers, (3) \$4,409,000 for the Arts Commission's Cultural Equity Endowment, and (4) \$787,867 for the Arts Impact Endowment. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> Section 515.01 of the Business and Tax Regulation Code specifies that 1.5 percentage points of the 14 percent hotel tax must be deposited into a Hotel Room Tax Fund and allocated to Grants for the Arts, the Cultural Equity Endowment, Cultural Centers, Cultural Districts, and the Arts Impact Endowment. According to the Controller's FY 2020-21 Six-Month Budget Status Report, these programs are all experiencing revenue deficits due to lower than budgeted hotel tax revenues. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> The proposed supplemental appropriation ordinance would fund the projected deficits for the Grants for the Arts and the Cultural Equity Endowment programs. The remaining \$2 million deficit in the Cultural Centers program net of the proposed supplemental appropriation will be accommodated by deferring planned capital improvements. The \$0.9 million remaining deficit for the Arts Impact Endowment will be accommodated by reducing the number of planned grants to artists and organizations in future grant making cycles. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> Because the proposed appropriation funds projected deficits in the Grants for the Arts, Arts and Cultural Equity Endowments, and Cultural Centers programs that would otherwise have been funded by Hotel Tax revenues, the Budget and Legislative Analyst Office recommends approval. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> Approve the proposed ordinance. 	

MANDATE STATEMENT

City Charter Section 9.105 states that amendments to the Annual Appropriations Ordinance, after the Controller certifies the availability of funds, are subject to Board of Supervisors approval by ordinance.

BACKGROUND

According to the Controller's Six-Month Budget Status Report, the Controller is projecting a \$125.2 million General Fund Surplus in FY 2020-21. Although certain General Fund revenues, such as business taxes, sales tax, hotel room tax, are projected to be lower than originally budgeted, these are more than offset by higher than budgeted property taxes, excess Education Revenue Augmentation Fund receipts, and transfer taxes.

Since the issuance of the Controller's FY 2020-21 Six-Month Budget Status Report, the Board of Supervisors has approved or is considering legislation that would impact the FY 2020-21 General Fund budget, summarized in Exhibit 1 below.

Exhibit 1: Legislation Altering the FY 2020-21 General Fund Budget

File	Description	Estimated Cost FY 2020-21 (\$ million)
Approved by Board, Pending Mayor signature		
	Waiver of Business Registration Fees and Certain	
20-1415	License Fees	(15.0)
21-0031	Accessory Dwelling Unit permit services	(0.2)
Subtotal, Approved by Board, Pending Mayor Signature		(15.2)
March 17, 2021 Budget & Appropriations		
20-1364	Rent Relief & Social Housing	(20.1)
21-0138	Business Registration Fees Deferral	(32.0)
21-0177	Small Business Grants & Loans	(20.0)
21-0178	Arts Appropriation	(17.0)
21-0215	Summer Youth Programming	(15.0)
Subtotal, March 17, 2021 Budget & Appropriations		(104.1)
Not Yet Calendared		
21-0214	Fentanyl Task Force & Overdose Prevention	(6.7)
Subtotal, Not Yet Calendared		(6.7)
Total		(126.0)

Source: Budget & Legislative Analyst

Notes: File 21-0138 would defer revenues until FY 2021-22. Files 21-0031 & 21-1364 draw from the General Reserve, which, per Administrative Code Section 10.60, must be restored in the subsequent fiscal year.

As shown above, the Board of Supervisors has approved legislation that would reduce the projected \$125.1 FY 2020-21 General Fund surplus by \$15.2 million, leaving a projected FY 2020-21 General Fund surplus \$110 million. The March 17, 2021 Budget & Appropriations Committee is considering FY 2020-21 General Fund supplemental appropriations totaling \$104.1 million and legislation introduced but not yet calendared would reduce the FY 2020-21 General Fund surplus by \$6.7 million. If all the legislation in Exhibit 1 above is approved, the entire projected FY 2020-21 General Fund surplus would be appropriated, used to backfill decreased revenues, or committed to restoring the General Reserve.

DETAILS OF PROPOSED LEGISLATION

The proposed supplemental appropriation ordinance would appropriate \$17,029,295 from unappropriated FY 2020-21 property tax revenues to the following uses: (1) \$11,228,000 to the City Administrator's Grants for the Arts Program, (2) \$604,428 for the Arts Commission's Cultural Centers, (3) \$4,409,000 for the Arts Commission's Cultural Equity Endowment, and (4) \$787,867 for the Arts Impact Endowment.

Section 515.01 of the Business and Tax Regulation Code specifies that 1.5 percentage points of the 14 percent hotel tax must be deposited into a Hotel Room Tax Fund and allocated to Grants for the Arts, Cultural Equity Endowment, Cultural Centers, Cultural Districts, Arts Impact Endowment, and necessary refunds as determined by the Treasurer-Tax Collector. According to the Controller's FY 2020-21 Six-Month Budget Status Report, these programs are all experiencing revenue deficits due to lower than budgeted hotel tax revenues.

Grants for the Arts

This program, administered by the City Administrator's Office, makes operating grants to cultural non-profits. According to the Controller's Six-Month Budget Status Report, this program has a FY 2020-21 revenue deficit of \$11.2 million.

Cultural Centers

This program, administered by the Arts Commission, supports operation, maintenance, and programming of City-owned community cultural centers to assure that these cultural centers remain open and accessible. According to the Controller's Six-Month Budget Status Report, this program has a FY 2020-21 revenue deficit of \$2.6 million. The City's four cultural centers are: African-American Art and Cultural Complex, Bayview Opera House, Mission Cultural Center for Latino Arts, SOMArts.

Cultural Equity Endowment

This program, administered by the Arts Commission, provides grants for San Francisco artists and arts organizations, with priority given to racial and other diversity. According to the Controller's Six-Month Budget Status Report, this program has a FY 2020-21 revenue deficit of \$4.4 million.

Arts Impact Endowment

The Arts Impact Endowment, jointly administered by the Arts Commission and Grants for the Arts, provides grants to artists and arts organizations as determined by a cultural services allocation plan. According to the Controller's Six-Month Budget Status Report, this program has a FY 2020-21 revenue deficit of \$1.7 million.

FISCAL IMPACT

Exhibit 2 below shows the impact of the proposed supplemental appropriation on the projected deficits for the three aforementioned arts programs, which are in deficit due to decreased hotel tax revenues.

Exhibit 2: Impact of Proposed Supplemental Appropriation

Program	Projected Revenue Deficit	Proposed Supplemental Appropriation	Remaining Deficit
Grants for the Arts	(11.2)	11.2	0.0
Cultural Centers	(2.6)	0.6	(2.0)
Cultural Equity Endowment	(4.4)	4.4	0.0
Arts Impact Endowment	(1.7)	0.8	(0.9)

Source: Controller's FY 2020-21 Six-Month Budget Status Report and Budget & Legislative Analyst

As shown above, the proposed supplemental appropriation ordinance would fund the projected deficits for the Grants for the Arts and the Cultural Equity Endowment programs.

According to Mr. Kevin Quan, Finance Manager at the Arts Commission, the remaining \$2 million deficit in the Cultural Centers program net of the proposed supplemental appropriation will be accommodated by deferring planned capital improvements. The \$0.9 million remaining deficit for the Arts Impact Endowment will be accommodated by reducing the number of planned grants to artists and organizations in future grant making cycles.

POLICY CONSIDERATION

Because the proposed appropriation funds projected deficits in the Grants for the Arts, Arts and Cultural Equity Endowments, and Cultural Centers programs that would otherwise have been funded by Hotel Tax revenues, the Budget and Legislative Analyst Office recommends approval.

RECOMMENDATION

Approve the proposed ordinance.

From: [Peacock, Rebecca \(MYR\)](#)
To: [BOS Legislation, \(BOS\)](#)
Cc: [Kittler, Sophia \(MYR\)](#); [Groffenberger, Ashley \(MYR\)](#); [Wong, Linda \(BOS\)](#); [Brewer, Luke \(CON\)](#); [Patil, Lillian \(MYR\)](#)
Subject: Mayor -- [SUBSTITUTION] -- [Appropriation – Property Tax – Hotel Tax for Arts General Fund Backfill – Various Departments – ADM - \$11,228,000 Grants for the Arts; ART - \$787,867 Arts Impact Endowment; \$604,428 Cultural Centers; \$4,409,000 Cultural Equity]
Date: Tuesday, March 9, 2021 4:24:29 PM
Attachments: [\(1\) SUB_CON_Hotel tax Supp.zip](#)

Attached for introduction to the Board of Supervisors is an **ordinance appropriating \$11,228,000 from Property Tax to the General Services Agency - City Administrator (ADM) for Grants for the Arts; \$787,867 to the Arts Commission (ART) for Arts Impact Endowment; \$604,428 for Cultural Centers; and \$4,409,000 for Cultural Equity Endowment for Fiscal Year (FY) 2020-2021.**

This legislation is intended to substitute File No. 210178. Please let me know if you have any questions.

Rebecca Peacock ([they/them](#))
(415) 554-6982 | Rebecca.Peacock@sfgov.org
Office of Mayor London N. Breed
City & County of San Francisco