



City of Culver City

Staff Report

File #: 21-987, **Version:** 1

Item #: 1.

CAC - (1) Discussion Regarding the Outstanding Loan from City to Culver City Arts Foundation; and (2) Make Recommendation to City Council as Deemed Appropriate.

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Phone Number: (310) 253-6003

Fiscal Impact: Yes ☒ No ☐

General Fund: Yes ☒ No ☐

Public Hearing: ☐

Action Item: ☒

Attachments: Yes ☒ No ☐

Public Notification: (E-Mail) Meetings and Agendas - Cultural Affairs (05/13/21); (E-Mail) Culver City Arts Foundation (05/13/21)

Department Approval: Serena Wright-Black, Assistant City Manager (05/10/21)

RECOMMENDATION

Staff recommends the Cultural Affairs Commission (1) discuss the outstanding loan from the City to Culver City Arts Foundation; and, (2) make a recommendation to the City Council as deemed appropriate.

BACKGROUND

The Culver City Arts Foundation ("CCAF") was established in 2006 as a 501 (c) (3) nonprofit public benefit corporation. The Articles of Incorporation were filed with the Secretary of State on September 26, 2006.

In 2016 City Council formed an Ad Hoc Subcommittee for the purpose of revising the structure of the CCAF with the goal of allowing it to function independently from the City. The City Council took action in March 2018 to separate the CCAF from the City. The Bylaws were amended and a new Memorandum of Understanding ("MOU") between the City and the CCAF was adopted. A revised MOU was subsequently adopted on June 24, 2019 (Attachment 1).

The MOU adopted by City Council in March 2018 included a provision in which City Council authorized \$35,000 seed money be loaned to CCAF and repaid on or before June 30, 2019. On June 24, 2019 City Council extended the repayment terms. Specifically, Section 3.A. of the MOU was revised as follows:

“SECTION 3. PAYMENT.

A. For Fiscal Year 2017-18, City granted a loan to CCCAF in the amount of \$35,000 to be used as “seed money” to commence its activities(“Loan”). At the end of the fiscal year (June 30, 2020), the CCCAF shall report on the status of its funding and ability to repay the Loan to the City. If there are insufficient funds to repay the Loan, the City Council may decide to extend the term of the Loan or forgive its repayment.”

On April 13, 2020 CCAF submitted a letter to City Council outlining its fundraising efforts and other new program initiatives and activities. City Council considered the CCAF’s request to waive repayment at its meeting on June 8, 2020. After some discussion, Council directed staff to work with the CCAF in developing a repayment schedule and return to Council for approval.

In compliance with City Council’s direction, CCAF proposed a three-year repayment plan in which they would pay \$100 in year one (2020) and spread the remaining payments out over the next two years: \$17,450 payable in June 2021 and \$17,450 in June 2022. CCAF also requested that City Council reconsider its request to extend the decision for loan repayment date until June 30, 2021.

Subsequent to the City Council meeting in June 2020, the Culver City Cultural Affairs Foundation Liaison Subcommittee (Subcommittee) met to discuss CCAF’s request and agreed to support their request for City Council to defer decision on repayment of the loan for one additional year. Further, the Subcommittee expressed support of CCAF’s request that City Council, in June 2021, reconsider a waiver of repayment at that time or approve a repayment plan spread over a number of years. On July 21, 2020, at its regular meeting, the Cultural Affairs Commission considered the Subcommittee’s recommendation and there was consensus to support CCAF’s request to City Council. The Commission made the following motion (5-0):

In light of the COVID-19 pandemic and resulting economic uncertainty, and on the basis that the Culver City Arts Foundation should be as financially sound as possible to assist our struggling arts institutions, the Cultural Affairs Commission recommends to the City Council that the Culver City Arts Foundation's loan from the City be deferred for an additional year until June 30, 2021 and a repayment plan revisited at that time.

The City Council considered the CAC’s recommendation at its meeting on August 10, 2020. Discussion between Council members and staff was in support of deferring for another year a repayment plan; the Council passed a motion that the MOU and loan documents be revised, as appropriate, accordingly.

DISCUSSION

On April 7, 2021, staff received another request from CCAF asking that the CAC revisit their support for fully forgiving repayment of the loan from the City. On April 30, 2021, staff met with the Subcommittee and the Subcommittee were in support of having the loan forgiven in light of CCAF’s proven community benefit, including responsiveness and support for artists and arts organizations,

especially since the outbreak of the pandemic in March 2020. CCAF has also contributed (including promised funds) a total of \$57,600 toward the City's Performing Arts Grant and Artist Laureate Programs since 2019.

The attached documents include a formal request from CCAF for loan forgiveness as well as various detailed financial statements. Representatives from CCAF will be at the CAC meeting to address any questions. The City Council is scheduled to consider the loan item at its meeting of June 14, 2021. As directed by the City Council, CCAF has been asked to provide a loan repayment plan for the Council to consider together with the CAC's recommendation about whether or not to forgive the loan altogether.

FISCAL ANALYSIS

The financial impact to the General Fund will vary based on the direction City Council provides. If City Council forgives repayment of the loan, the loan will be written off as uncollectible and recorded as a loss to the General Fund. If the term of the loan is extended, the repayment of the loan will be recorded in a future fiscal year.

ATTACHMENTS

1. 21-05-18_ATT No. 1_2019 Memorandum of Understanding Between the City of Culver City and Culver City Arts Foundation
2. 21-05-18_ATT No. 2_Letter from Culver City Arts Foundation
3. 21-05-18_ATT No. 3_Culver City Arts Foundation Funding Summary
4. 21-05-18_ATT No. 4_Culver City Arts Foundation 20/21 Budget
5. 21-05-18_ATT No. 5_Culver City Arts Foundation Treasurer's Report, May 1, 2021

RECOMMENDED MOTION(S)

That the Cultural Affairs Commission:

1. Discuss the Outstanding Loan Provided to the Culver City Arts Foundation; and
2. Make any Recommendation to City Council, as deemed appropriate.