



City of Culver City

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Staff Report

File #: 21-147, **Version:** 1

Item #: A-5.

CC - (1) Discussion Regarding the Outstanding Loan Provided to Culver City Arts Foundation; and (2) Direction to the City Manager as Deemed Appropriate.

Contact Person/Dept: Serena Wright-Black/Administrative Services

Phone Number: (310) 253-5640

Fiscal Impact: Yes ☒ No ☐

General Fund: Yes ☒ No ☐

Public Hearing: ☐

Action Item: ☒

Attachments: Yes ☒ No ☐

Commission Action Required: Yes ☐ No ☒

Public Notification: (E-Mail) Meetings and Agendas - City Council (08/xx/20); (E-Mail) Culver City Arts Foundation (08/xx/20)

Department Approval: Serena Wright-Black, Assistant City Manager (08/04/20)

RECOMMENDATION

Staff recommends the City Council (1) discuss the outstanding loan provided to Culver City Arts Foundation; (2) provide direction to the City Manager 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).

DISCUSSION

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 (Attachment 2). In the letter, CCAF also discussed the impacts COVID-19 has had on its ability to raise funds and requested City Council consider extending the loan repayment date or completely forgiving the loan.

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 has 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.

Despite the proposed repayment plan, CCAF is also requesting that City Council reconsider its request to extend the decision for loan repayment date until June 30, 2021.

Subsequent to the City Council meeting, 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.

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. 20-08-10_ATT No. 1_Memorandum of Understanding Between the City of Culver City and Culver City Arts Foundation
2. 20-08-10_ATT No. 2_Letter from Culver City Arts Foundation
3. 20-08-10_ATT No. 3_Culver City Arts Foundation Treasurer Report
4. 20-08-10_ATT No. 3a_Culver City Arts Foundation Treasurer Report

RECOMMENDED MOTION(S)

That the City Council:

1. Discuss the outstanding loan provided to Culver City Arts Foundation; and
2. Authorize the City Attorney to finalize a revised Memorandum of Understanding and loan documents, as applicable, based on City Council's direction; and,
3. Authorize the City Manager to execute such documents on behalf of the City.