

THE COUNCIL OF THE CITY OF NEW YORK

Hon. Corey Johnson
Speaker of the Council

Hon. Daniel Dromm
Chair, Finance Committee

Hon. James Van Bramer
Chair, Committee on Cultural Affairs, Libraries, International Intergroup Relations



Report to the Committee on Finance and the Committee on Cultural Affairs, Libraries,
International Intergroup Relations on the Fiscal 2020 Executive Plan, the Ten-Year
Strategy for Fiscal 2020-2029, and Fiscal 2020 Executive Capital Commitment Plan for

Department of Cultural Affairs

May 21, 2019

Finance Division

Aliya Ali, Principal Financial Analyst
Crielhien Francisco, Unit Head

Latonia McKinney, Director
Regina Poreda Ryan, Deputy Director

Paul Scimone, Deputy Director
Nathan Toth, Deputy Director

Department of Cultural Affairs Overview

This report presents a review of the Department of Cultural Affairs' (DCLA or the Department) Fiscal 2020 Executive Budget. The section below presents an overview of the Department's budget and how it has changed during the course of Fiscal 2019, followed by a review of the significant budget actions introduced in the Fiscal 2020 Executive Budget. Major issues related to the Department's budget are then discussed. Analysis and highlights of the Department of Cultural Affairs' Capital Strategy and Fiscal 2019 to Fiscal 2023 Plan follows the discussion of the expense budget. Appendix 1 reports the changes made to the Fiscal 2019 and Fiscal 2020 Budgets since Adoption of the Fiscal 2019 Budget. For additional information on the Department's budget and its various programs, please refer to the Fiscal 2020 Preliminary Budget Report for the Department of Cultural Affairs at: <https://council.nyc.gov/budget/wp-content/uploads/sites/54/2019/03/126-DCLA1.pdf>

Below is a summary of key funding changes by program area and source when comparing the Department of Cultural Affairs' Fiscal 2020 Executive Budget to its Fiscal 2019 Adopted Budget.

DCLA Financial Summary <i>Dollars in Thousands</i>						
	FY17	FY18	FY19	Executive Plan		*Difference
	Actual	Actual	Adopted	FY19	FY20	FY19-FY20
Spending						
Personal Services	\$4,872	\$4,662	\$5,370	\$4,957	\$4,959	(\$410)
Other Than Personal Services	177,720	187,836	194,749	202,201	139,819	(54,930)
TOTAL	\$182,593	\$192,497	\$200,119	\$207,157	\$144,778	(\$55,340)
Budget by Program Area						
Office of the Commissioner	\$6,816	\$6,482	\$7,231	\$7,240	\$11,590	\$4,359
Cultural Programs	58,807	65,899	73,824	72,537	29,909	(43,915)
Cultural Institutions	116,970	120,117	119,065	127,380	103,280	(15,785)
TOTAL	\$182,593	\$192,497	\$200,119	\$207,157	\$144,778	(\$55,340)
Funding						
City Funds			\$198,441	\$197,722	\$144,257	(\$54,184)
Other Categorical			1,000	3,322	0	(1,000)
Capital- IFA			243	246	248	5
State			3	3	3	0
Federal - Community Development			251	390	258	7
Intra City			180	5,474	11	(169)
TOTAL	\$182,593	\$192,497	\$200,119	\$207,157	\$144,778	(\$55,340)
Budgeted Headcount						
Full-Time Positions - Civilian	53	50	60	58	55	(5)
TOTAL	53	50	60	58	55	(5)

**The difference of Fiscal 2019 Adopted Budget compared to Fiscal 2020 Executive Budget.*

The Department's Fiscal 2020 Executive Budget is \$55.3 million less across all program areas, when compared to the Fiscal 2019 Adopted Budget. This overall decrease is mostly due to Council discretionary funding in Fiscal 2019 that is not included in the Fiscal 2020 Executive Budget. Other reductions include a \$2 million expense to capital swap for the Metropolitan Museum of Art (MET), \$1 million reduction to Cultural Institution Groups' (CIG) operating subsidy and \$1 million reduction to CIG supplemental funds. Additionally there was a \$2.3 million downward adjustment to the CIG energy subsidy and a \$309,000 or 1.1 percent reduction to Cultural Development Fund (CDF).

The Department's Fiscal 2020 Executive Budget provides funding for 55 full-time positions across all divisions, which is five positions less than the headcount at the Fiscal 2019 Adopted Budget and three less than the Fiscal 2020 Preliminary Budget. The positions to be eliminated are to be determined as the agency is currently assessing its vacancies and agency operations.

New in the Executive Budget

DCLA's Fiscal 2020 Executive Budget introduces no new needs and a reduction of \$7.2 million in Other Adjustments in Fiscal 2020. These include the following.

Other Adjustments

- **Expense for Conservation and Efficiency Leadership (EXCEL) Program.** The Fiscal 2020 Executive Plan includes \$444,255 in Fiscal 2019 as a result of a Memorandum of Understanding (MOU) with DCAS. EXCEL is the Expense for Conservation and Efficiency Leadership program, which uses PlaNYC expense funding for energy conservation initiatives. Funds are used for energy efficiency operations and maintenance measures, tools and equipment to assist facilities personnel, training programs, and outreach and communication efforts for awareness activities. Through this program, the Administration supports energy sustainability and funds cost-effective energy efficiency activities. DCLA reimburses cultural institutions for participating in the energy savings program.
- **Demand Response Initiative.** The Fiscal 2020 Executive Plan includes \$60,689 for American Museum of Natural History, \$22,026 for Brooklyn Museum, \$19,588 for Bronx Zoo, \$11,075 for Carnegie Hall, \$169,798 for New York Botanical Garden and \$26,757 for Queens Museum in Fiscal 2019 for Demand Response Initiative. The Demand Response program is an electricity grid- and utility-run series of programs which not only reduce energy usage but also offer financial incentives to partner City facilities. During times of peak electricity demand or an emergency, participating buildings are paid to shed electric load to reduce the strain on New York City's electricity grid. Enrolled facilities shed electric load by turning off discretionary equipment and lighting, raising space temperatures, or running back-up generators when the grid is at risk for failure, usually during the hottest days of the year.

Savings Program

- **Hiring Freeze.** The Fiscal 2020 Executive Plan includes \$13,000 in savings in Fiscal 2019, \$192,000 in Fiscal 2020 and \$230,000 in Fiscal 2021 through 2023 through the reduction of two vacant positions in Fiscal 2019 and three vacant position in Fiscal 2020 through 2023 due to a hiring freeze. The positions being eliminated are yet to be determined by the agency as they are currently assessing its vacancies and operations.
- **Agency Re-Estimates.** The Fiscal 2020 Executive Plan includes a decrease of \$666,486 in Fiscal 2019 as a result of agency re-estimates. This was achieved through savings from the Personal Services budget due to vacancies and attrition.
- **CIGs Supplemental Fund.** The Fiscal 2020 Executive Plan includes a reduction of \$1.5 million in Fiscal 2020 through a one-time elimination of supplemental funds for cultural organizations. This includes \$1 million in supplemental funds for the CIGs that would have been allocated at the start of Fiscal 2020 through an application process, and \$500,000 in funding that would have been used to address emergency needs at cultural organizations,

both CIGs and program groups. These funds would have been allocated on a rolling basis in Fiscal 2020.

- **CDF Grants.** The Fiscal 2020 Executive Plan includes a reduction of \$309,253 in Fiscal 2020 through a reduction of the Cultural Development Fund (CDF) grants by one percent. The total funding for CDF, with the reduction, is \$28.25 million.
- **Reduction in CIGs Subsidies.** The Fiscal 2020 Executive Plan includes a reduction of \$1 million in Fiscal 2020 in subsidies for the Cultural Institutions Group (CIG) members. The reduction was allocated as two tiers: 1.8 percent reduction for institutions with total organizational budgets over \$12 million and 0.9 percent reduction for institutions with total organizational budgets under \$12 million.
- **Delayed Programming Re-Estimate.** The Fiscal 2020 Executive Plan includes a reduction of \$500,000 in Fiscal 2019 due to a spending re-estimate. Funding for programs delayed or not moving forward in Fiscal 2019 was included in the PEG target.
- **MET Swap.** The Fiscal 2020 Executive Plan includes a reduction of \$2 million in Fiscal 2020 due to the Metropolitan Museum of Art (MET) expense to capital swap. The MET received a \$2 million reduction to its operating subsidy in exchange for an additional \$2 million in funding towards its capital project.

Preliminary Budget Response

The Council urged the Administration to baseline the one-time funding of \$13.7 million in the Fiscal 2020 Executive Budget. The Fiscal 2019 Adopted Budget included one-year funding totaling \$13.7 million to support several critical programs. These vital programs should not be funded on a short-term, one-year basis.

Given the importance of the Cultural programs, the Council additionally called on the Administration to increase the budget for the Department of Cultural Affairs (DCLA) by \$10 million. New York includes the most renowned arts and culture institutions in the world. These institutions are integral to the stability and growth of their neighborhoods and their resources are accessed by New York City schoolchildren, teachers, families, as well as international audiences. The cultural organizations of New York have served as the houses of successful pilot programs such as IDNYC and PlaNYC. They contribute to the economy by serving as major employers of New Yorkers and by increasing the traffic at the small businesses in the neighborhoods they are in.

In order to ensure that the goals and intentions of the CreateNYC Cultural Plan is met and to ensure that the cultural institutions continue to serve as reliable community hubs that provide needed programs and services to New Yorkers the cultural community needs significant additional funding.

However, the Fiscal 2020 Executive Budget does not include the baseline funding nor the additional funding.

Capital Plan Overview

In April, the Administration released the Executive Ten-Year Capital Strategy for Fiscal 2020-2029 (the Ten-Year Strategy), the Capital Commitment Plan for Fiscal 2019-2023 (the Commitment Plan) and the Fiscal 2020 Executive Capital Budget (the Capital Budget).

This section will provide an overview of the Ten-Year Strategy, Commitment Plan and Capital Budget for the Department of Cultural Affairs (DCLA). Each one of these documents should support and be well integrated with one another to properly execute the City's capital projects, as well as meet its infrastructure goals. We will examine to what extent this is occurring, where improvements need to be made, and the overall feasibility of DCLA's capital program.

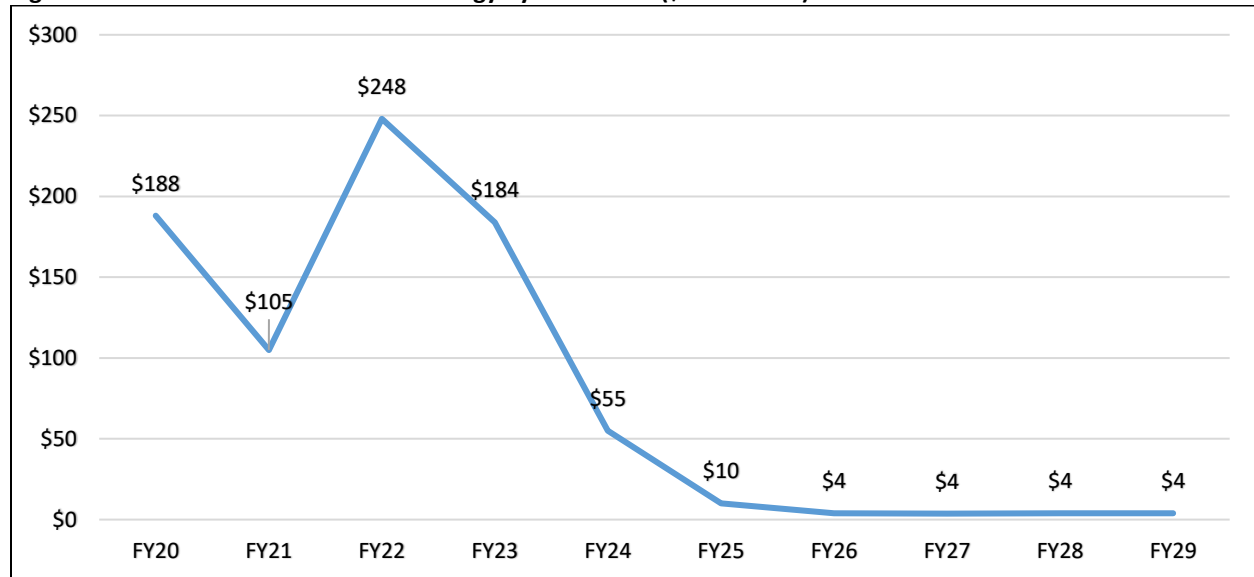
Ten-Year Strategy Fiscal 2020-2029

The Ten-Year Strategy is the City's long term capital planning document which provides a framework for capital spending by agency. The Strategy is released every two years as mandated by the City Charter.

The City's Ten-Year Strategy for Fiscal 2020-2029 totals \$116.9 billion in all funds. Mandated by the New York City Charter, the Strategy provides information on the comprehensive infrastructure planning that the City undertakes and explains the connection between capital investment and strategic priorities. It is designed to help prioritize investment decisions across all capital agencies and communicate to the public an integrated approach to capital planning across infrastructure types, in line with the growth of the City.

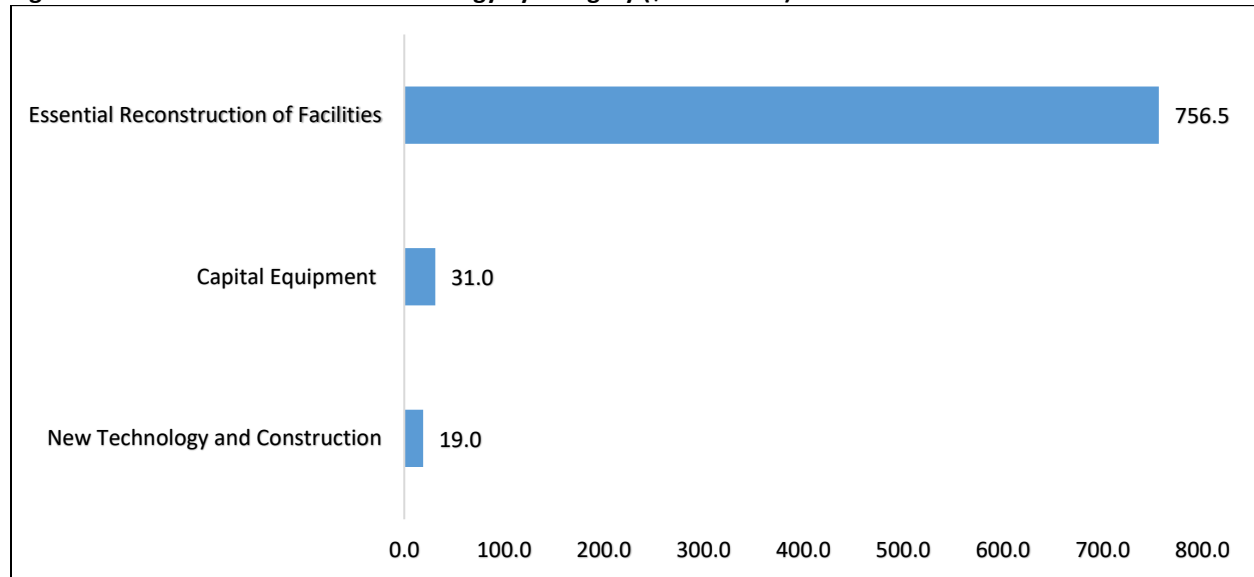
For the Department of Cultural Affairs, the Ten-Year Strategy provides \$806.3 million in Fiscal 2020-2029 for capital construction and reconstruction projects which is only approximately \$40 million more than the \$766.6 million in Fiscal 2020–2029 Preliminary Strategy. This is \$374.5 million greater than what was in the final Ten-Year Capital Strategy for the agency the last time it was released in Fiscal 2018 for the period Fiscal 2018-2027.

Figure 1: Fiscal 2020-2029 Ten-Year Strategy by Fiscal Year (\$ in millions)



As outlined in the Council's Fiscal 2020 Preliminary Budget Response, the Fiscal 2020-2029 Preliminary Ten-Year Capital Strategy presented by the Administration was not true to its name and many of the Ten-Year Strategy categories have a dramatic decline in planned spending, or no spending, in the second half of the plan. The Ten-Year Capital Strategy presented as part of the Fiscal 2020 Executive Budget still fails to address planning in the out years for many city agencies, including DCLA. The above spending plan essentially cuts capital spending to almost nothing for six out of the ten years of the plan.

The Department's capital funding is divided into three categories of needs as illustrated by the chart below.

Figure 2: Fiscal 2020-2029 Ten-Year Strategy by Category (\$ in millions)

Highlights of the Ten-Year Strategy

The agency is investing \$806.3 million in capital support for the nonprofit cultural community to increase public service, provide greater access for the disabled, enhance exhibition and program space, better maintain and preserve historic buildings and increase protection of botanical, zoological and fine art collections. DCLA's portfolio includes over 9.8 million gross square feet of space in City-owned buildings operated by the CIG and other cultural organizations under DCLA's jurisdiction, many of which are landmarks. The agency has a capital program at both city-owned and privately-owned sites and is currently funding more than 472 capital projects on behalf of approximately 220 arts organizations that lead the way in sustainable architecture and design excellence, representing a cultural capital investment of \$806.3 million.

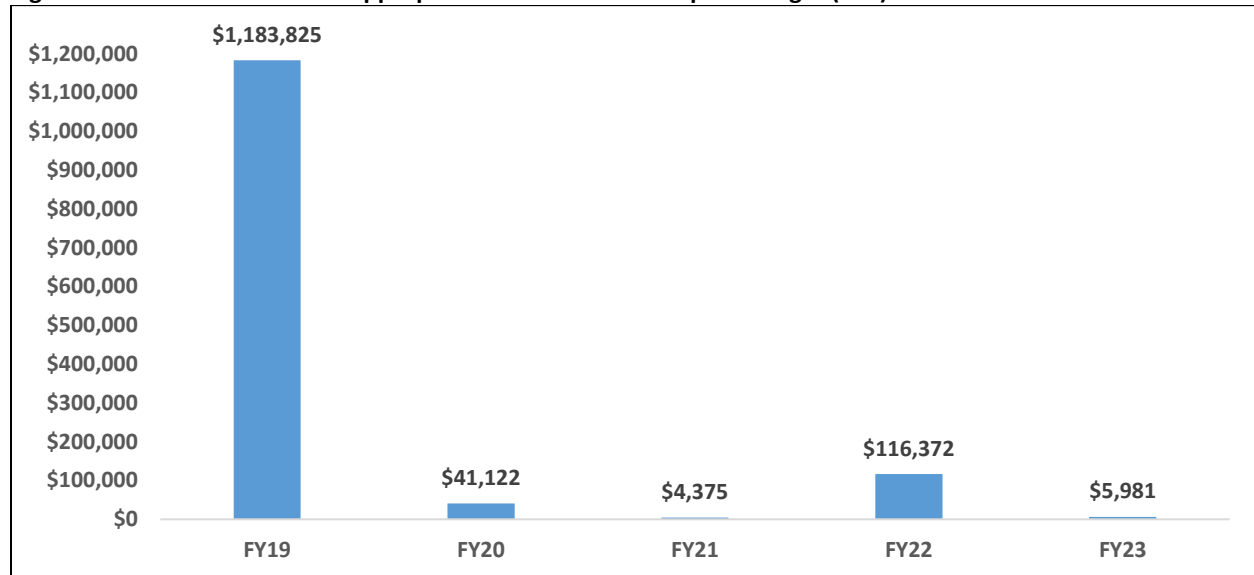
Approximately \$1.8 billion of City funds were committed from 2009 through 2018 for the reconstruction, modernization, and expansion of facilities, in addition to \$395.7 million planned in 2019.

- **Bronx Children's Museum.** In Fiscal 2019, over \$900,000 was added for the construction of a new museum. The Ten-Year Capital Plan includes an additional investment of \$2 million.
- **New York Botanical Garden.** The Ten-Year Capital Plan includes an investment of \$10.3 million for the renovation of the worker's operation center.
- **Staten Island Zoo.** In Fiscal 2019, \$3 million was added for the restoration of Clove Road. The Ten-Year Capital Plan includes an additional investment of \$3.3 million.
- **Brooklyn Academy of Music.** The Ten-Year Capital Plan includes an investment of \$22.4 million for the development and expansion of the BAM Harvey Theater.
- **Brooklyn Museum.** The Ten-Year Capital Plan includes an investment of \$5.6 million for the building envelope rehabilitation.
- **Brooklyn Botanical Garden.** The Ten-Year Capital Plan includes an investment of \$5.4 million for the construction of a sustainable gardening center.

- **MoMA PS1.** The Ten-Year Capital Plan includes an investment of \$18.3 million for various upgrades, improvements and acquisitions.
- **Metropolitan Museum of Art.** The Ten-Year Capital Plan includes an investment of \$21.7 million for skylights replacement.
- **Queens Museum.** The Ten-Year Capital Plan includes an investment of \$14.7 million for Phase II of the Queens Museum expansion project.
- **Snug Harbor Cultural Center.** In Fiscal 2019, \$23.5 million was added for various upgrades and improvements. The Ten-Year Capital Plan includes an additional investment of \$10.8 million.
- **Queens Botanical Garden.** In Fiscal 2019, \$2.1 million was added for the construction of an education center. The Ten-Year Capital Plan includes an additional investment of \$16.9 million.
- **Public Theater.** The Ten-Year Capital Plan includes an investment of \$9.9 million for renovation of the Delacorte Theater.
- **South Street Seaport Museum.** The Ten-Year Capital Plan includes an investment of \$7.9 million for Phase II of the restoration of the historic ship Wavertree.
- **Bronx Zoo.** In Fiscal 2019, \$0.7 million was added for the upgrade of the Con Edison switchgear. The Ten-Year Capital Plan includes an additional investment of \$17.4 million.
- **Staten Island Museum.** In Fiscal 2019, \$1.7 million was added for the construction of a geo-thermal heating and cooling system. The Ten-Year Capital Plan includes an additional investment of \$6.7 million.

Fiscal 2020 Executive Capital Budget and Commitment Plan for Fiscal 2019-2023

The Capital Budget provides the requested appropriations for Fiscal 2019 and planned appropriations for Fiscal 2020 to Fiscal 2023. Appropriations represent the legal authority to spend capital dollars and are what the Council votes on at budget adoption. The Commitment Plan, which is a five-year spending plan, is the plan to spend those appropriations. The Capital Budget is significantly less than the Capital Commitment Plan because it does not include the current appropriations for Fiscal 2019 or the amount of funding that may be reauthorized or rolled into Fiscal 2020 in the Executive and/or Adopted Budget. This report provides an overview of the Capital Budget and Commitment Plan for DCLA.

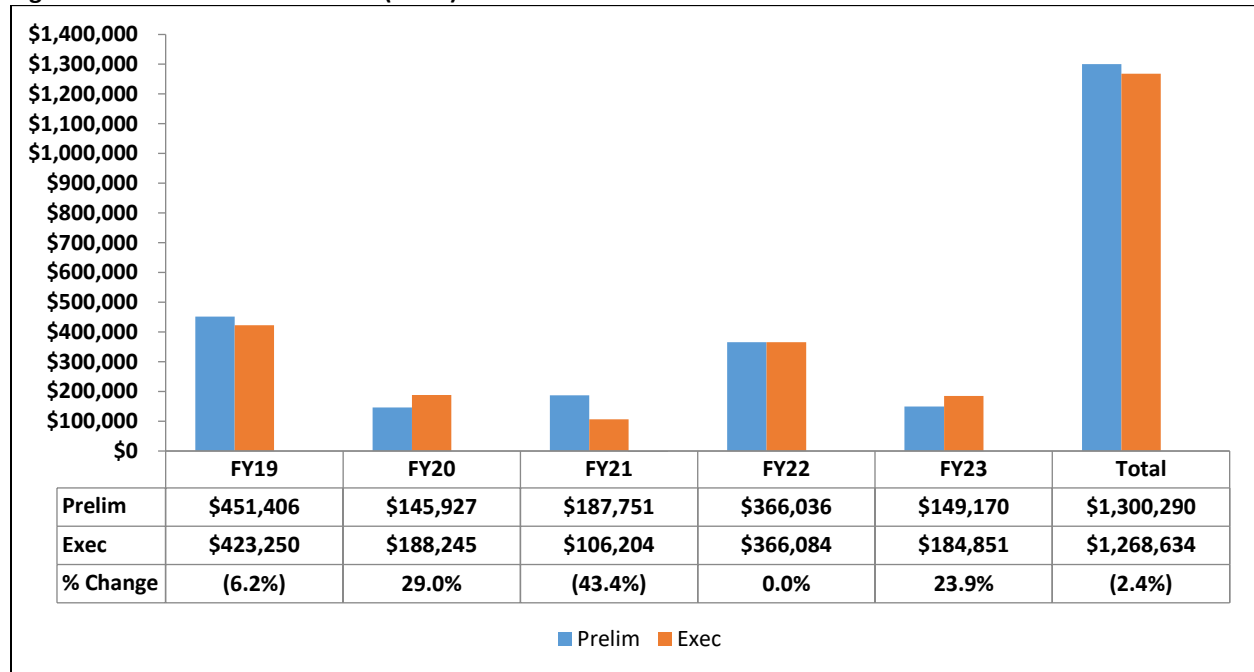
Figure 3: Fiscal 2019 Available Appropriations and FY20-23 Capital Budget (000)

As shown above, the DCLA's Fiscal 2020 Executive Capital Budget includes \$167.9 million in Fiscal 2020-2023. This represents less than one percent of the City's total \$56.6 billion Capital Budget for Fiscal 2020-2023. Available appropriations for Fiscal 2019 total \$1.2 billion. This includes \$1 billion in reauthorized prior appropriations and \$214.4 million in adopted appropriations for Fiscal 2019, less actual commitments in the current fiscal year.

The Fiscal 2020 Executive Capital Commitment Plan includes \$1.3 billion in Fiscal 2019-2023 for the Department of Cultural Affairs (including City and Non-City funds). This represents approximately one and a half percent of the City's total \$86.2 billion Preliminary Plan for Fiscal 2019-2023. The agency's Executive Capital Commitment Plan is 2.4 percent or \$31.7 million less than the Preliminary Capital Commitment Plan.

The total available appropriations for Fiscal 2019 are \$1.2 billion against planned commitments totaling \$426.2 million. This excess balance of more than \$1.1 billion in appropriations gives the Administration considerable flexibility within the capital plan. However, as the commitment of appropriations are legally bound to their budget line descriptions, this flexibility is more limited than it appears from this variance alone.

The majority of the capital projects span multiple fiscal years and it is therefore common practice for an agency to roll unspent capital funds into future fiscal years. Therefore, it is assumed that a significant portion of the agency's Fiscal 2019 Capital Plan will be rolled into Fiscal 2020, thus increasing the size of the Fiscal 2019-2023 Capital Plan. In Fiscal 2017, the Department of Cultural Affairs committed \$147.4 million or 27.2 percent of its annual capital plan of \$542 million. In Fiscal 2018, the Department of Cultural Affairs committed \$75.4 million or 21.2 percent of its annual capital plan of \$358.7 million. DCLA's decline in its commitment rate is especially disappointing since the City as a whole attained a commitment rate of 70 percent.

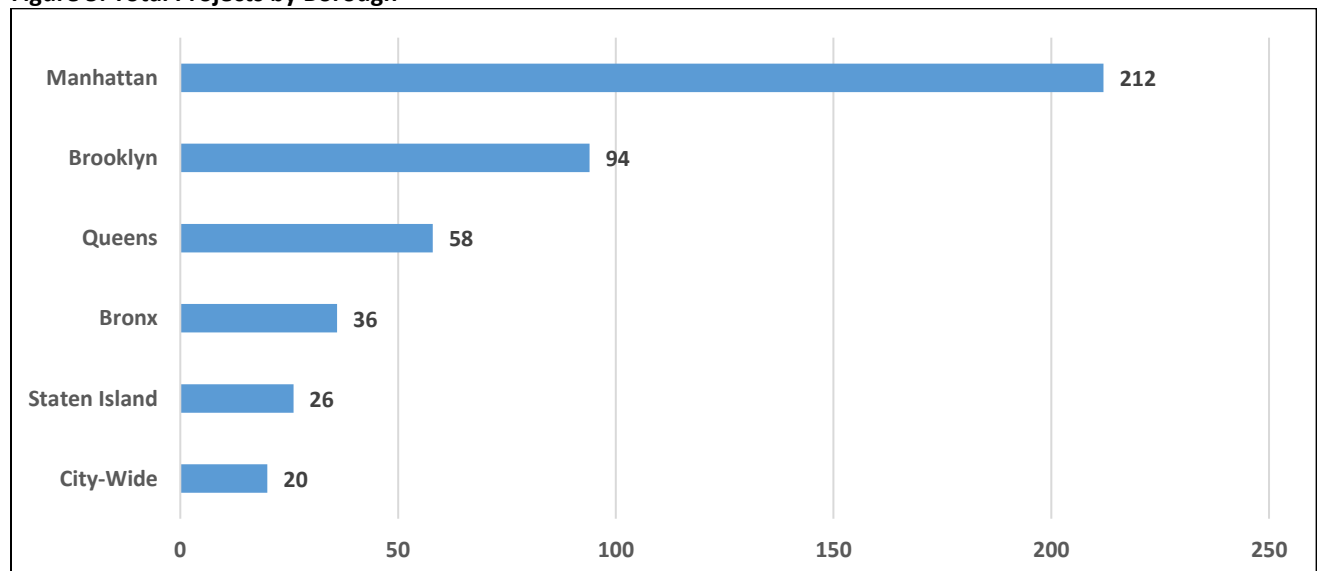
Figure 4: DCLA Commitment Plan ('000s)

In the Fiscal 2020 Executive Plan, DCLA has a total of 446 active projects for 219 organizations with a value of \$1.3 billion. This total only incorporates funds for active projects and not long-completed projects with a few thousand dollars in IFA remaining.

DCLA did not add any new projects in the Executive Plan making the difference between the Executive and Preliminary Commitment Plans for Fiscal 2019 through Fiscal 2023 minimal.

However, some planned commitments have been moved into Fiscal 2020 through 2023 from Fiscal 2019 in keeping with the Council's recommendation to make the Commitment Plan more accurate.

As illustrated in the figure on the next page, Manhattan has the largest number of projects followed by Brooklyn.

Figure 5: Total Projects by Borough

Appendix 1: Fiscal 2020 Budget Actions since Fiscal 2019 Adoption

<i>Dollars in Thousands</i>	FY19			FY20		
	City	Non-City	Total	City	Non-City	Total
DCLA Budget as of the Fiscal 2019 Adopted Budget	\$198,441	\$1,677	\$200,118	\$149,125	\$677	\$149,802
Other Adjustments						
CADP Funding Put Up	\$0	\$134	\$134	\$0	\$0	\$0
DC 37 Collective Bargaining	1,344	7	1,351	2,394	12	2,406
DC 37 Collective Bargaining IC	0	7	7	0	11	11
Demand Response BM	0	1	1	0	0	0
Demand Response CH	0	1	1	0	0	0
Demand Response MCNY	0	0	0	0	0	0
Demand Response NYBG	0	8	8	0	0	0
Energy Coordinator	0	115	115	0	0	0
ExCEL Projects	0	356	356	0	0	0
I/C DCA FY19	0	195	195	0	0	0
IC W/ CULTURAL AFFAIRS- 2994	0	264	264	0	0	0
IC W/CULTURAL AFFAIRS SNUG H	0	1,199	1,199	0	0	0
IC W/CULTURAL QUEENS FY19	0	2,066	2,066	0	0	0
IC W/CULTURAL AFFAIRS BKLYN	0	698	698	0	0	0
Materials for the Arts Funding Transfer	180	0	180	180	0	180
Met Admissions Change Put Up	0	2,000	2,000	0	0	0
MFTA transfer to DCLA	0	(180)	(180)	0	(180)	(180)
PS Savings	(100)	0	(100)	(100)	0	(100)
Put Up COL Funds	0	1	1	0	0	0
Red Hook Art Project FY19	0	15	15	0	0	0
Vacancy reductions	0	0	0	(142)	0	(142)
DCLA CBA Managers and OJ's	64	0	64	103	0	103
DCLA CC Member Items Reallocation	462	0	462	0	0	0
DCLA CIGS L300	2	0	2	4	0	4
ExCEL Projects Round 2	0	115	115	0	0	0
PS Savings	(102)	0	(102)	(95)	0	(95)
DC37 CIG CB Settlement	58	0	58	116	0	116
DCLA CC Member Items Reallocation	51	0	51	0	0	0
DCLA DC37 L924	1	0	1	0	0	0
Demand Response AMNH	0	61	61	0	0	0
Demand Response BM	0	22	22	0	0	0
Demand Response Bronx Zoo	0	20	20	0	0	0
Demand Response CH	0	11	11	0	0	0
Demand Response NYBG	0	170	170	0	0	0
Demand Response QMA	0	27	27	0	0	0
Energy Load Management	(49)	0	(49)	(49)	0	(49)
ExCEL Round 2	0	444	444	0	0	0
Heat, Light and Power	(1,451)	0	(1,451)	(2,251)	0	(2,251)
Lease Adjustment	0	0	0	18	0	18
Hiring Freeze Savings	(13)	0	(13)	(192)	0	(192)
One time elimination of supplemental funds for cultural organizations	0	0	0	(1,530)	0	(1,530)
PS Savings	(666)	0	-666	0	0	0
Reduce Cultural Development Fund (CDF) Grants	0	0	0	(309)	0	(309)
Reduce subsidies for the Cultural Institutions Group (CIG)	0	0	0	(1,014)	0	(1,014)
Spending Re-estimate	(500)	0	(500)	0	0	0
MET Expense to Capital Swap	0	0	0	(2,000)	0	(2,000)
TOTAL, All Changes	(\$720)	\$7,756	\$7,036	(\$4,867)	(\$157)	(\$5,024)
DCLA Budget as of the Fiscal 2020 Executive Plan	\$197,722	\$9,434	\$207,157	\$144,257	\$520	\$144,778