



CITY OF IOWA CITY COUNCIL ACTION REPORT

August 18, 2026

Resolution adopting the City of Iowa City Endowment for the Arts Governance & Distribution Policy.

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Reviewed By:	Geoff Fruin, City Manager Alex Bright, Assistant City Attorney
Fiscal Impact:	Approximately \$1,805,000 in Local Option Sales Tax revenue will be contributed to the Iowa City Endowment for the Arts over a six year period (FY27 - FY32).
Staff Recommendation:	Approval
Commission Recommendations:	The Economic Development Committee voted to recommend City Council approval of a proposed Arts Endowment Governance & Distribution Policy at their July 1, 2026 meeting. Several non-substantive changes have been made to the policy approved by the EDC to ensure legal compliance.
Attachments:	Resolution Governance Distribution Policy

Executive Summary:

The proposed Governance & Distribution Policy establishes the City's framework for oversight and administration of the Iowa City Endowment for the Arts. The Policy supplements the Designated Endowment Fund Agreement between the City and the Community Foundation of Johnson County (CFJC), which holds and administers the Endowment. In the event of a conflict, the Fund Agreement and CFJC policies control, with the exception of the distribution cap, which is controlled by the amount established in this policy.

The Policy establishes roles and responsibilities for the City Council, Economic Development Committee, City Manager and staff, and CFJC; outlines the planned schedule for City contributions; establishes a minimum fund balance before distributions from investment returns may begin; limits annual distributions to no more than 4% of the Endowment's average balance; and identifies authorized categories for use of Endowment proceeds.

The primary distribution category is the Arts Anchor Fund, which provides stable, predictable funding to institutional arts organizations in exchange for providing public programs and cultural services central to Iowa City's civic life and community identity. The specific eligibility requirements, allocation methodology, and other program requirements for the Arts Anchor Fund are established through a

separate policy presented for City Council consideration on this agenda.

Background / Analysis:

The City of Iowa City Endowment for the Arts is intended to create a sustainable, long-term funding source for specific arts and cultural initiatives within Iowa City. While the Designated Endowment Fund Agreement establishes the legal relationship between the City and CFJC and the broad charitable purpose of the Endowment, the proposed Governance & Distribution Policy establishes how the City will oversee its participation in and make recommendations for distributions from the Endowment.

Under the proposed governance structure:

- A City Manager-designated staff lead is responsible for day-to-day administration, including preparing distribution recommendations, administering distribution categories, coordinating with CFJC, maintaining records, and supplying performance reports to City Council.
- The Economic Development Committee will review staff recommendations and make recommendations regarding the Governance & Distribution Policy and annual contributions and distributions to the full council.
- The City Council retains final authority over this policy and annual contribution and distribution recommendations submitted to CFJC.
- While any planned contributions or distributions will be approved through the City Council's budget a process, they will also be authorized via separate City Council resolution for clear and transparent documentation of Endowment activity.
- Following Council authorization of a distribution, the City Manager or designee will submit the City's formal distribution recommendation to CFJC. Upon CFJC approval, the distribution will be made to the City, which will administer payments to the final recipients in accordance with the applicable City program or funding requirements.

This structure is consistent with the Policy's requirement that CFJC first distribute approved funds to the City, after which City staff distributes them in accordance with City policies and procedures.

This Policy incorporates the City's planned six-year investment in the Endowment using Local Option Sales Tax (LOST) revenue. Estimated contributions start at \$300,000 in FY27, then gradually decline from \$395,000 in FY28 to \$195,000 in FY32 (actual contributions are subject to Council approval through the annual budget process and actual LOST revenue). The declining contribution schedule is intentional and designed to build the Endowment toward its targeted balance while gradually reducing reliance on annual City contributions as investment earnings increase.

At the same time, the existing \$250,000 in General Fund support for these arts and cultural purposes is planned to decline over the six-year Endowment seeding period, with the goal of ending reliance on the General Fund once the Endowment reaches its targeted balance. Once that occurs, the City anticipates retaining an ongoing allocation of approximately \$350,000 annually in LOST revenue for arts and cultural purposes. This annual LOST allocation could be combined with distributions generated by the Endowment to meet the City's arts funding commitments, with any available balance potentially reinvested in the Endowment to support its continued growth.

To support long-term sustainability, the Policy prohibits spending draws from Endowment

investment returns until the Endowment reaches a balance greater than \$2 million and prohibits any distribution that would cause the balance to fall below that threshold. Once the threshold is reached, CFJC's Spending Policy governs the amount available for distribution and caps annual distributions at 5% of the Endowment's average balance. The City's Policy establishes a more conservative maximum annual distribution of 4%. This approach is intended to balance the City's arts funding goals with preservation and continued growth of the Endowment, particularly during its early years. Based on current projections, the \$2 million threshold is anticipated to be reached by approximately FY2033.

This Policy also establishes authorized uses of future Endowment distributions. The Arts Anchor Fund is designated as the primary distribution category, alongside funding to support administration of the Iowa City Arts Alliance and opportunity for the City to establish additional categories in the future.

Each year, staff will review Endowment performance and available spending draw and prepare a recommended distribution for review by the Economic Development Committee. City Council will approve this through the City's annual budget process and by separate Resolution. Following Council authorization, CFJC will review the recommendation for consistency with the Endowment's charitable purpose and their policies and process the approved distribution. This Policy will also be reviewed annually by staff and may be recommended for amendment by City Council resolution if circumstances change.