



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Jim McBride

**SUBJECT:** SEE BELOW

**DATE:** June 1, 2004

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Approved

Date

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**COUNCIL DISTRICT:** City-Wide

**SUBJECT: FY 2004-05 TRANSIENT OCCUPANCY TAX AND GENERAL FUND  
ARTS PROGRAM ALLOCATIONS, GRANTS AND AGREEMENTS**

## **RECOMMENDATION**

Approval of Arts Commission recommendation, subject to approval of the FY 2004-05 Operating Budget, to:

1. Allocate funds to the Office of Cultural Affairs for FY 2004-05 arts and cultural programs, projects, grants, and activities as detailed in Attachment A, in a total amount not to exceed \$2,913,023; and
2. Adopt a Resolution authorizing the City Manager to negotiate and execute FY 2004-05 grant agreements as follows:
  - A. Festival, Parade and Celebration Grant Agreements with 28 organizations for 39 events as detailed in Attachment B, in a total amount not to exceed \$320,591; and
  - B. Arts Grant Agreements with 56 organizations as detailed in Attachment C, in a total amount not to exceed \$1,811,168.

## **BACKGROUND**

Annually, the Arts Commission recommends Arts Program funding allocations to the Mayor and City Council for allocation of: 1) Transient Occupancy Tax (TOT) Funds dedicated to cultural programs, and 2) Convention and Cultural Affairs Fund 536 and General Fund resources projected to be available for the next fiscal year.

On May 12, 2004, the Arts Commission reviewed and recommended approval of the FY 2004-05 Arts Grants, and the Festival, Parade and Celebration Grants that resulted from peer/community panel review; allocations for general support of the public art program; and allocations for a variety of arts education and development programs and activities.

## **ANALYSIS**

The Arts Commission's recommended FY 2004-05 Arts Program budget reflects a 19% decrease in funding from FY 2003-04. This reduction is caused by the drop in projected FY 2004-05 TOT revenues as well as a reduction in Fund 536 in an effort to stabilize the fund balance, and reductions to the General Fund allocation for Arts Venture Fund and the Festival, Parade and Celebration Grant Program.

The Arts Program budget is based in large part on projected TOT revenues. In FY 2003-04, a Midyear Adjustment (\$250,000) was required because projected revenues were not realized. This shortfall was met by reducing program and activity allocations, in order to honor all FY 2003-04 grant agreements. Since the economy has not yet strengthened, the FY 2004-05 budget reserves 10% of projected TOT revenues, to meet any midyear shortfall without requiring grant repayments or program cuts. For the first time in many years, no outside grant funding has been secured, due to the diminished resources of funding agencies.

The Arts Program Budget has been developed within the parameters of: 1) reduction proposals that have been accepted by the Budget Office to meet the anticipated General Fund shortfall, and 2) Arts Commission guidance regarding program priorities in the face of reduced funding.

In spite of the funding reduction, a programmatic balance has been maintained, including grants, technical assistance, performing arts series, neighborhood arts development, public art maintenance, and arts education. Funding allocation highlights include:

- Core grant program support, in the amount of \$2,131,759, to the City's special event and arts program producers, resident arts organizations, professional and regional arts institutions;
- Third year of a successful pilot technical assistance program - \$45,000 in Organization Development Grants;
- Continuation of the Arts Venture Grant Initiative, which has supported the creation of cash reserves, revenue-enhancing capital improvements/acquisitions, development of unique artistic opportunities, and increased philanthropy through matching grants;
- A pilot program to move Arts Development Center participants from the Downtown arts incubator into vacant City facilities - thus bringing arts into the neighborhoods as well as providing a new programming space opportunity for incubated organizations;
- Continued support of after-school arts programming, in collaboration with the Parks, Recreation and Neighborhood Services Department;
- A pilot outsourcing of the Performing Arts Series to a partner agency, reducing the fiscal impact to the City while maintaining service to the arts constituency; and
- Funding for Neighborhood Arts Planning, to integrate the arts into the *Strong Neighborhoods Initiative* and other community-based projects.

The Arts Commission's recommendations are detailed in:

- Attachment A – Recommended Arts Program Funding Allocations;
- Attachment B – Recommended Festival, Parade and Celebration Grants; and
- Attachment C – Recommended Arts Grants.

**PUBLIC OUTREACH**

As part of the deliberative process that developed the arts programs, projects and grants described and recommended herein, the Arts Commission and its standing committees invited comment from the affected constituencies and took action in public session after public concerns were considered.

Outreach to the community regarding grant funding opportunities included published legal notices in the *San Jose Mercury News* and *Metro*, advertisements in multi-lingual periodicals, and mailed notices to current grantees and to an extensive database of San José-based non-profit cultural organizations and special event producers. Grant-writing informational workshops were conducted for potential applicants prior to filing deadlines. Grant review panel meetings were publicly noticed, and panel members included community representatives.

**COORDINATION**

This item has been coordinated with the Budget Office and the City Attorney's Office.

**COST IMPLICATIONS**

This memorandum's recommendations follow the General Principles of the Mayor's Proposed Budget Strategy dated February 4, 2003: Principle #2 - Funding recommendations are focused on the core services provided in support of the arts, as prioritized by the San José Arts Commission; Principle #3 - Recommended grants and technical assistance effectively leverage City dollars to stimulate the local economy, by underwriting hundreds of events, performances and exhibits that draw visitors and residents to the City of San José.

**BUDGET REFERENCE**

Fund #	Appn #	Appn Name	RC #	Total Appn	Amt. For Contract	2004-2005 Proposed Budget Page	Last Budget Action
461	0096	Contractual Svc Contracts		\$2,250,000		Page IX-72	
001	2602	Arts Venture Fund		\$205,814		Page IX-10	
001	2603	Festival, Parade and Celebration/Official City Events		\$26,340		Page IX-10	
536	0682	Non-Personal/Equipment-Cultural Affairs		\$343,302		Page XI-20	

HONORABLE MAYOR AND CITY COUNCIL

June 1, 2004

**Subject: FY 2004-05 Arts Program Allocations, Grants and Agreements**

Page 4

Fund #	Appn #	Appn Name	RC #	Total Appn	Amt. For Contract	2004-2005 Proposed Budget Page	Last Budget Action
139	2347	Arts and Education Week		\$25,000		Page XI-31	
139	2441	Incubation Office Project		\$25,000		Page XI-31	
461	0096	Contractual Svc Contracts		\$31,827		Page IX-72	(rebudgeted)
536	0682	Non- Personal/Equipment- Cultural Affairs		\$5,740		Page XI-20	(rebudgeted)
		Total		\$2,913,023			

**CEQA**

Not a project.

JIM McBRIDE  
Acting Director, Conventions, Arts and Entertainment

Attachments (3)