



CITY COUNCIL: 11-02-04  
AGENDA ITEM: 2.5

# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Jerry Allen

**SUBJECT:** FY2005-06 ARTS GRANT  
MULTI-YEAR SCORING

**DATE:** 10-13-04

Approved

Date

10/20/04

**COUNCIL DISTRICT:** City-Wide

## RECOMMENDATION

Adoption of a resolution amending the Operating Grant grant guidelines to authorize qualified recipients of FY2004-05 arts grants awarded through the Operating Grant Program the option of using their most recent evaluation scores for FY2005-06 Operating Grant requests, instead of submitting new applications for evaluation, as described in the proposal herein.

## BACKGROUND

The Arts Commission recommends to the City Council each year's grant awards in the Operating Grant Program — one of two core arts grant programs — based on the evaluation of annual grant applications from interested organizations.

In adopting the Mayor's June 2003 Budget Message, the Council directed City staff to investigate the implementation of multi-year scoring so that arts organizations would not have to submit a grant application annually. (As used here, "multi-year scoring" refers to the taking of scores from one year and applying them to one or more subsequent years.)

Subsequently, the Arts Commission convened a Budget Message Task Force that added its support for this direction. However, the Task Force, comprised of representatives of various parts of the arts, festival and events producing communities, also noted that a multi-year scoring system appears better suited to grants that support ongoing operations and programs, than to grants that focus on a particular arts event or other activity (or a limited set of events or activities). This suggests that of the two core arts grant programs, the Operating Grant Program lends itself better to multi-year scoring than does the Project & Program Grant Program.

Discussions with constituency members and Arts Commissioners have suggested that an ongoing granting process that involves multi-year scoring can be accomplished best in a re-design of the core arts grant programs. Office of Cultural Affairs staff will begin work on the revised program design this year, and intends to have it ready for implementation in the FY2006-07 cycle.

Meanwhile, some concern remains about the amount of work necessary to prepare and submit grant applications, especially in this difficult economy. Therefore, an interim approach to multi-year scoring is proposed for temporary use before new program designs are finalized.

## ANALYSIS

### **Proposal**

It is proposed that FY2004-05 Operating Grant recipients that apply for FY2005-06 grants through the Operating Grant Program be allowed, if they wish, to use the scores that their applications received in the FY2004-05 cycle, instead of submitting completely new applications for review. The **exception** would be FY2004-05 recipients that fall into one or more of the following circumstances. Such organizations would have to apply in the normal manner:

- a) The organization ended its most recent fiscal year with an operating deficit, unless (1) it can demonstrate to the City that the deficit was the result of compliance with Financial Accounting Standards Board (FASB) rules for non-profits and that it has sufficient revenues to conduct its operations and to cover its expenses for the succeeding fiscal year, or (2) the deficit represented 30 percent or less of the organization's accumulated fund balance.
- b) The organization resized by more than 20 percent, e.g., in terms of the number of its employees, or the number of its programs/arts activities, or its budget, since its FY2004-05 application.
- c) The organization changed its mission or its core programming substantially from that described in its application in the FY2004-05 cycle.
- d) The organization changed key personnel at the executive management level. In general, this would apply to a change of artistic director, chief executive officer, executive director, general director or managing director.

Grant recipients that are eligible to use their FY2004-05 scores can decide not to elect to rely upon the old scores and submit new applications, in which case their FY2005-06 scores will supersede their FY2004-05 scores. Once an organization has submitted a grant application for FY2005-06 and the grant application deadline has passed, the organization cannot use its FY2004-05 score.

### **Assuring Continuity**

If this proposal is implemented, the review panel and staff will have to develop proposed FY2005-06 Operating Grant awards using a mix of old and new scores. In order to facilitate continuity between the two sets of scores, the following measures will be taken:

- a) As many members as possible of the FY2004-05 review panel will be retained for the FY2005-06 panel.
- b) Staff will provide a new orientation for the panelists in order to address the specific challenge that this proposed approach will provide them.
- c) Panelists will be provided the narrative and financial core of the FY2004-05 applications from those organizations not submitting new applications, as well as the scores that they received. This information will help provide an appropriate context for scoring new applications in a manner consistent with the existing scores.
- d) The panel meeting will be managed in a manner that facilitates continuity with the previous year.

### **Grant Applicant Savings vs. Risk**

The primary intent of this proposal is to save grant applicants a meaningful amount of the work and financial costs associated with the preparation and submission of a competent grant application. However, in choosing to rely on its FY2004-05 score, an organization accepts the possibility that another organization submitting a new application may earn a score that is higher than its own and that may potentially affect the grant award that the review panel ultimately proposes for it. On the other hand, there is also no guarantee that an organization that submits a new application will secure a higher score than its previous application did.

It may turn out that only a handful of eligible organizations choose to rely on their FY2004-05 scores. It was clear from stakeholder meetings that while organizations support the concept behind this proposal and support its moving forward, many were unsure that their own organizations would take the opportunity for labor and money savings. Undoubtedly, the executives of many eligible organizations will do careful weighing of pros and cons before deciding which course to take. Nonetheless, the consensus remained that providing this option would be a positive step for arts groups.

### **PUBLIC OUTREACH**

On August 17, 2004, staff conducted a stakeholder meeting and met with 18 individuals representing arts organizations — small, medium and large — for input on the proposal. The proposal was reviewed and approved at publicly noticed meetings of the Programs Committee on August 25 and the Arts Commission on September 8, 2004.

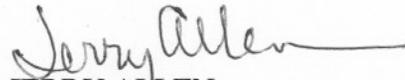
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**COORDINATION**

This memorandum has been coordinated with the Office of the City Attorney.

**CEQA**

Not a project.



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