



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Paul Krutko

SUBJECT: SEE BELOW

DATE: June 02, 2008

Approved

Date

6-9-08

COUNCIL DISTRICT: City-Wide

**SUBJECT: APPROVAL OF A FOURTH AMENDMENT TO A GRANT AGREEMENT
WITH SAN JOSE STAGE COMPANY**

RECOMMENDATION

Approve a fourth amendment to the grant agreement with San Jose Stage Company, in order to extend the term of the agreement to an optional fifth year with a grant in an amount not to exceed \$68,252, thereby increasing the total grant amount to \$352,357 for the five-year term.

OUTCOME

Approval of this agreement authorizes an extension to a fifth and final year of an original three-year agreement with the San Jose Stage Company for General Fund Base Budget funding to support its general operations and programs, and authorizes a specific grant amount for the fifth year of the grant agreement.

BACKGROUND

The Mayor's FY 2003-2004 Budget Message adopted by City Council directed the City Manager to develop and make available an opportunity for the City's arts grantees to request to opt out of the competitive grant programs and transfer for a limited time to General Fund Base Budget funding. SJSC was the only grantee to make the transfer request.

On October 4, 2004, the City entered into an agreement with SJSC that memorialized its transfer for a period of three years from the City's Operating Grants arts program to General Fund Base Budget funding to support SJSC's annual operations and programs.

The City's agreement with SJSC covered the period from July 1, 2004 through June 30, 2007. It included an option to extend its term for up to two additional years, provided SJSC met the terms of the agreement during its original life. In December 2006, SJSC requested a one-year extension, which was approved by City Council on September 25, 2007. In March 2008, SJSC submitted its request for a final one-year extension to the Office of Cultural Affairs (OCA), which administers the agreement.

Funding for this agreement is subject to the annual appropriation of funds by City Council.

ANALYSIS

The agreement provides that the amount of the grant each year following the first year should reflect the same average percentage increase or reduction as recommended for non-public safety city service areas in the General Fund Operating Budget. In keeping with the terms of the agreement, the Budget Office arrived at the appropriation for FY 2008-2009 as follows:

\$69,977	(FY 2007-2008 grant)
+\$ 2,624	<u>(3.75% Cost-of-Living Adjustment)</u>
\$72,601	
-\$ 4,349	<u>(5.99% average reduction in non-public safety areas)</u>
\$68,252	

The method of arriving at the recommended funding was consistent with the method applied to other community-based organizations funded through the General Fund Base Budget.

Annual grant amounts over the life of the agreement with SJSC have been \$74,560 (FY 2004-2005), \$68,279 (FY 2005-2006), \$71,289 (FY 2006-2007), and \$69,977 (FY 2007-2008). The General Fund Operating Budget for FY 2008-09 proposed by the City Manager to City Council includes an appropriation of \$68,252 for the agreement with SJSC.

Performance of Grantee

During the original three-year term of this agreement and the optional fourth year, SJSC generally met its obligation to produce a certain amount of live theater of particular genres for presentation to the public in San Jose. Nearly all of these productions were presented at the 200-seat theater that SJSC operates as San Jose Stage in the City's SoFA district downtown. Within this past year, SJSC met the required financial reporting obligations under the terms of the agreement.

EVALUATION AND FOLLOW-UP

The amendment provides the following performance measures:

- Monthly financial reporting by SJSC, including an accounting of actual expenses with receipts.
- Deadlines for completion and documentation of SJSC's CPA-audited 2007-2008 and 2008 - 2009 annual financial reports.
- A minimum of five main-stage play productions.

City staff anticipates that SJSC will apply to one of OCA's competitive grant programs for future City support of its programs and operations.

POLICY ALTERNATIVES

Alternative # 1: Not grant the extension

Pros: Savings to Non-public safety City service areas in the General Fund Operating Budget.

Cons: Immediate elimination of City funding could threaten the organization's ability to play its role as one of a very few producers of professional live theater in San Jose, as well as its sustainability.

Reason for not recommending: It is too late for SJSC to apply for significant City funding in FY 2008-2009 through the regular arts grant programs administered by the OCA. The immediate elimination of City funding could endanger both the organization's services to the public as well as the organization itself.

PUBLIC OUTREACH/INTEREST

- Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

While this project is below the \$1 million threshold for Criteria 1, this memorandum will be posted on the City's website for the June 24, 2008 Council Agenda.

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COORDINATION

This memorandum has been coordinated with the Office of the City Attorney and the City Manager's Budget Office.

COST IMPLICATIONS

There are no cost implications for FY 2008-09 beyond the recommended grant amount of \$68,252. The total prior cost of the grant agreement since its execution was \$284,105 —\$74,560 in FY 2004-05, \$68,279 in FY 2005-06, \$71,289 in FY 2006-07, and \$69,977 in FY 2007-08. The total cost including the recommended grant amount is \$352,357.

BUDGET REFERENCE

The table below identifies the fund and appropriation proposed to fund the contract recommended as part of this memo.

Fund No.	Appn No.	Appn Name	RC No.	Total Appn	Amt. For Contracts*	2008-2009 Proposed Operating Budget	Last Budget Action
001	3348	San Jose Stage Company	009557	\$68,252	\$68,252	Page IX-11	N/A

* Total over five years is \$352,357.

CEQA

Not a project.


PAUL KRUTKO
Chief Development Officer

For questions please contact Lawrence Thoo, Arts Program Director, 277-5144 x28.