



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Paul Krutko

SUBJECT: Arts Grants Funding Program
Strategic Review

DATE: October 6, 2008

Approved

Date

10/17/08

COUNCIL DISTRICT: City-wide

RECOMMENDATION

Adopt proposed policy revisions governing guidelines for Office of Cultural Affairs granting programs.

OUTCOME

Revisions to the policy governing the Office of Cultural Affairs (OCA) grant guidelines will be effective as of the FY 2009-2010 grant cycle. Key outcomes of the revisions will include more equitable competitive categories for grantees, alignment of fiscal policies regarding art organizations in financial crisis, and administrative efficiencies for grantees and the City.

BACKGROUND

The Office of Cultural Affairs (OCA), a division of the Office of Economic Development (OED), annually recommends grants for activities that catalyze and sustain cultural vitality in San José. The three core grants programs include: a) Operating Grants; b) Project and Program Grants; and c) Festival, Parade and Celebration Grants.

In partnership with the Arts Commission, the OCA has assessed its grants funding programs' goals, policies, and procedures relative to the City of San José's vision for arts and culture, stakeholder input, and best practices. With the goal outcome of catalyzing and sustaining cultural vitality in San José, the strategic review aims to ensure equity and reflect best practices of cultural grant funding programs. This strategic review and implementation of any changes is being phased to maintain timely operations of the annual program.

The first phase of the strategic review process includes: a scan of best practices in the field of grantmaking; stakeholder input through survey and an open meeting; peer review by local grantmaking professionals and art leaders; and review by the Programs Committee, Arts Commission, and Community and Economic Development Committee. The recommended policy revisions will be effective in the FY 2009-2010 grant cycle, and Phase 2.0 of the review process will commence in spring 2008.

On September 10, 2008, the Arts Commission reviewed the proposed Phase 1.0 grant policy revisions and recommended approval by City Council.

ANALYSIS

With over 25 years of grantmaking in the arts, the City of San José has a long tradition of ongoing evaluation of its grantmaking practices in response to a dynamic cultural landscape. Most recently, the following grant program modifications and development of funding mechanisms occurred:

- 2004 Festival, Parade and Celebration Grant Revisions (for FY 2005-2006);
- 2002, 2003, and 2005 Operating Grant Program Revisions (most recently effective for FY 2006-2007; and
- Formation of the Arts Stabilization Loan/Flexible Fund in FY 2006-2007.

Each review identified the need for continued evaluation. In efforts of continuous improvement, the OCA is conducting a strategic review of its grants funding programs for the FY 2009-2010 funding cycle. This strategic review is aimed at assessing the efficacy of past revisions and current guidelines with the goal outcome of catalyzing and sustaining cultural vitality in the City of San José.

With a grant application release date of November 2008 guiding the timeline of the strategic review, an aggressive work plan was developed for Phase 1.0. A Phase 2.0 review is planned to align with developing cultural strategies.

Led by OCA senior staff in partnership with the Arts Commission, the strategic review project team developed a process that included: a scan of best practices, community outreach and survey, peer review, and review by the Arts Commission and the Community and Economic Development Committee.

The scan of best practices researched the art grant programs of the cities of Los Angeles, Santa Monica, Seattle, San Francisco, and Charlotte. Nonprofit models such as the Zellerbach Foundation were also studied.

To ensure broad community outreach, stakeholder input was solicited through an online survey, an open meeting, and targeted outreach to arts leaders and grantees. The online survey was disseminated to approximately 160 people consisting of grant applicants, former grant panelists, Arts Commissioners and other stakeholders. Approximately 85 responses were received, a response rate of over 50%. Survey responses informed preliminary recommendations, presented at an open

meeting attended by approximately 35 people on August 7th. Additional community comment was received at the August 27th Programs Committee meeting and the September 10th Arts Commission meeting.

Integrating comments from the public meetings, the recommendations were reviewed by selected peers with grant making experience in the Bay Area. Peer reviewers included: David Mills, Program Director for the Knight Foundation; Connie Martinez, Executive Director of 1st ACT Silicon Valley; San San Wong, Program Director, Cultural Equity Grants for the San Francisco Arts Commission; and Jeff Ruster, Deputy Director of Economic Development for the City of San José.

The draft policy revisions were recommended for adoption by the Arts Commission on September 10, 2008. The recommended revisions were presented to the Community and Economic and Development Committee on September 22, 2008 for informational purposes.

The nine policy revisions and their associated analyses are outlined in Attachment 1. General guiding principles include promoting cultural vitality, the fiscal sustainability of cultural organizations, equity, and administrative efficiencies for both grantees and the City. Policy improvements are recommended in the following categories:

1. Operating Grants
2. Relationship between Operating Grant Program and Arts Stabilization Loan Fund
3. Project and Program Grants
4. Festival, Parade and Celebration Grants
5. Administrative Efficiencies

With the goal of both strong granting policies and procedures, administrative improvements identified as part of the strategic review process will also be implemented. Among these include strengthening grant review panel procedures and improving grantee data reporting.

EVALUATION AND FOLLOW UP

Inherent in the strategic review process is the notion that improvements to the arts grants programs will continue. Revisions will be evaluated for their efficacy. Phase 2 of the Arts Grants Program Strategic Review will look towards aligning the OCA's cultural funding goals with the *Economic Development Strategy* (including the 2008-09 Update), the developing *Envision San José 2040*, and OCA strategic initiatives. Building on these revisions, future phases will move towards a public value and outcomes-based framework relative to citywide goals, resources and investments.

PUBLIC OUTREACH



Criterion 1: Requires Council action on the use of public funds equal to \$1 million or greater.
(Required: Website Posting)

- Criterion 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)**
- Criterion 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)**

This item meets Criterion 2. Email notification to affected stakeholders regarding the preliminary draft revisions was done for the general stakeholder meeting on August 7, 2008. Email notification and website posting was done for the Programs Committee meeting on August 27, 2008, and the Arts Commission meeting on September 10, 2008.

Website posting was completed for the September 22, 2008, Community and Economic Development Committee at which a report on the proposed revisions was presented and discussed.

COORDINATION

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

FISCAL/POLICY ALIGNMENT

This recommendation aligns with the *2003 Economic Development Strategy's* vision related to "Creative Community" and "World's Most Livable Big City" goals.

COST SUMMARY/IMPLICATIONS

No cost implications are associated with this recommendation. This recommendation addresses program policy revisions that will not impact the current or future cost of the program.

BUDGET REFERENCE

Not applicable.

CEQA

This is not a project and is CEQA exempt.



PAUL KRUTKO
Chief Development Officer

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Attachment: City of San José Office of Cultural Affairs Art Grants Funding Program Strategic Review 1.0 Recommended Revisions

For questions, please contact Kerry Adams Hapner, Director, Office of Cultural Affairs, at 277-5144 x11.

**CITY OF SAN JOSE OFFICE OF CULTURAL AFFAIRS (OCA)
ARTS GRANTS FUNDING PROGRAM STRATEGIC REVIEW 1.0
RECOMMENDED POLICY REVISIONS**

Goal outcome: With the goal outcome of catalyzing and sustaining cultural vitality in San José, the strategic review aims to ensure equity and reflect best practices of cultural grant funding programs.

As part of the grant funding programs review process, policy improvements are recommended in the following categories:

1. Operating Grants
2. Relationship between Operating Grant Program and Arts Stabilization Loan Fund
3. Project and Program Grants
4. Festival, Parade and Celebration Grants
5. Administrative Efficiencies

RECOMMENDED POLICY REVISIONS

Category 1. Operating Grants (OpG)

Recommendation 1.A:	If an organization scores less than 50% in three consecutive years in the Operating Grant review process, the organization is ineligible for applying for at least one year (in year four). To be eligible for the following funding cycle, the organization will participate in a City-approved or City-sponsored capacity building program beginning in the year of ineligibility.
Analysis:	Signals organizations to take steps toward organizational development. Sets 50% as a basic performance threshold for success. Allows time (three years) for an organization to improve its review performance prior to being ineligible for funding. Prior to the third year, OCA will invite the subject organization to apply for or participate in a capacity building program. This will be effective in the FY 09-10 funding cycle. It is not retroactive and does consider previous years' scores. Currently, organizations can apply for organizational development funding from the OCA.

Category 2. Relationship between Operating Grant Program and Arts Stabilization Loan Fund

Recommendation 2.A:	Arts Stabilization Loan Fund participants will not compete in Operating Grant Program. Arts Stabilization Loan Guidelines will be revised to provide a "stability" or "recovery" grant of an annual amount based on organization's grant index.
Analysis:	Allows organizations in fiscal crisis to plan and prepare a budget based on predetermined City support. Allows groups in fiscal crisis or recovery mode to not have to compete in program with criteria that reward fiscal strength. To reflect this policy change, revisions to the Arts Stabilization Loan Fund Policy are forthcoming.

Category 3. Project and Program Grants (PPG)

Recommendation 3.A:	Provide that applicants with up to \$50,000 in actual annual expenses may apply for a grant of up to \$12,500 or 50% of the project budget, whichever is less.
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Analysis:	Eliminates current provision that causes organizations with actual expenses between \$71,999 and \$50,001 to have a lower cap on grant requests than organizations up to \$50,000. Simplifies provisions on grant caps.
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Category 4. Festival, Parade and Celebration Grants (FPC)

Recommendation 4.A:	Define FPC competitive categories by budget instead of attendance (actual budget, not projected). A formula will be applied each year, allocating available funds per category based on the principle of inverse proportionality to allow for fluctuations in the number of applicants per category and total event budgets.
Analysis:	Currently, FPC categories are defined by attendance. Attendance definitions and metrics across events range widely (from actual number of tickets sold to a general estimate of attendance). This revision provides a standard means of defining categories for events. The inclusion of in-kind support in event budgets will be explored in efforts to reflect the full cost of an event. Community impact, which includes audience size, and leveraging of City funding will remain grant criteria and will be considered when ratings are assigned to applicants, which in turn affects the grant amount. Multiyear rating will be maintained, but suspended for FY 09-10.

Recommendation 4.B:	If all available funding in a FPC category is not recommended for award in that category by the grant panel, the panel has the discretion to either not recommend the award of the remaining funds or the panel may redistribute the remaining funds between categories, consistent with the guidelines that will be established.
Analysis:	In the 08-09 grant review panel, the panel could not shift available funds between categories. Thus, some organizations' grants exceeded their grant request. This change gives panel discretion to reward high scoring applicants in other categories.

Recommendation 4.C:	Revise the following FPC funding guidelines: <ul style="list-style-type: none"> 1. Funding may be up to 50% of event budget. 2. Funding may not be in excess of amount requested. 3. Authorize staff to set minimum grant award amounts each year. For example, FY 2009-2010
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	<p>minimum grant awards will not be less than \$2,500 (increase from \$1,350).</p> <p>4. Authorize staff to set maximum grant award for new events each year. For example, in FY 2009-2010, funding of new events may be up to \$5,000 (increase from \$1,350).</p>
Analysis:	Encourages diversity of funding sources for events. Encourages new programming. Increases administrative efficiencies.

Recommendation 4.D:	Extend FPC eligibility period to allow for events to be held beyond fiscal year (through end of September of next fiscal year).
Analysis:	Allows organizations some flexibility on event dates when unforeseen conditions occur. Ex. A June event can be rescheduled for July if there are scheduling conflicts. Grantees must apply for funds based on events planned for that fiscal year. Any extension into the next fiscal year must be a result of an unusual circumstance and approved by OCA Director.

Recommendation 4.E.:	i.) Revise FPC organization eligibility criteria to require that the applicant organization has provided active public service <u>within San Jose</u> for at least one year prior to the date of grant application; and remove the requirement that its "principal office and base of operations" be located within San Jose city limits. ii.) Add requirement that the event be conducted within San Jose city limits.
Analysis:	Broadens range of eligible events. Removes a requirement (location of applicant's office) that is inconsistent with program goals (to support events that provide economic enhancement, cultural enrichment and/or promotion of the City of San Jose). Clarifies that event must be located within San Jose.

Category 5. Administrative Efficiencies

Recommendation 5.A:	To increase administrative efficiencies for City and grantees, authorize staff to set minimum grant award amounts each year. For example, minimum grant award for core grant programs will be \$2500 in FY 2009-2010.
Analysis:	Increases efficiencies for grantees and City.