

# Memorandum

TO: SUNSHINE REFORM TASK FORCE

FROM: Dan McFadden

SUBJECT: Process for Funding Arts Programs

DATE: April 18, 2007

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On April 11, 2007, staff received a request from Task Force member Virginia Holtz to provide information to the Task Force on the City's process for funding the arts for the April 19, 2007 Task force Meeting. Below you'll find a list of the questions submitted by Task Force member Holtz and the City's response.

**Q1. What are the possible ways in which the public currently has access to reports on city subsidies within the arts community and other groups who receive more than \$200,000 annually?**

*Response: Lists of grant awards in the two major arts grant programs (Operating Grants and Project & Program Grants), regardless of the size of the award, are published on the OCA's Web site ([www.sanjoseculture.org](http://www.sanjoseculture.org)). The listing is hot-linked to the grantees' Web sites, if they have them. The list of Project & Program Grant awards includes brief descriptions of the projects for which the grants were awarded. Information on smaller arts grants can be obtained by calling the Office of Cultural Affairs. Information regarding the City's Operating & Maintenance (O&M) subsidies for the six organizations that operate City-owned cultural facilities can be obtained from the City Manager's Office.*

**Q2. Are budgets open to the public?**

*Arts grant applications become public documents after the review and approval process has been completed and, therefore, whatever budgetary information contained in the grant applications are also available. Likewise, progress and final reports that arts grantees submit to us are also public documents after we have reviewed and accepted them.*

**Q3. Are audits performed annually?**

*Response: We do not routinely conduct audits. Grantees over a certain budget threshold, roughly \$750,000 in annual expenditures, are generally required to provide audited financial statements as part of their grant applications, regardless of the size of the grant.*

**Q4. When public subsidies are provided, what is the follow up regarding status reports on the expenditure of the money? What is the frequency of reports? to whom? Are they in a public meeting? On city website through a commission agenda packets?**

*Response: Recipients of (arts) Operating Grants, not be confused with the City's O&M subsidies to the six cultural facility operators, file a progress report and a final report, approximately midway and at the conclusion of the grant term (usually 13 months). Recipients of (arts) Project & Program Grants also file a progress and a final report at similar intervals, unless the project for which they were awarded a grant is completed before the due date of progress reports. In such cases, the grantee files only a final report.*

*Reports are comprised of both narrative accounts of relevant activities, and revenue and expenditure information.*

*Reports are filed with the grant program administrators, who review them and accept them, if they meet the reporting requirement, or reject them and ask for re-submissions if they do not. Once accepted, reports become a part of the public record and are available under public information guidelines.*

*Regarding the six organizations that operate City-owned cultural facilities, the contracts have some differences; some require that the organization submit annual budgets to the City for review and comment prior to approval by their respective boards. Additionally, each is required to submit an annual audited financial statement certified by an external auditor and to also provide a performance report for that year.*

**Q5. Another aspect of public subsidies which the task force is considering is cost benefit analysis. It is my understanding that very few arts groups are self-sustaining and I wonder if a subjective review (community benefit) would ever receive enough weight to warrant public funding through hard numbers. Would the final decision be a value judgment by certain decision makers?**

*Response: Recommendations for grant awards through all the recurring arts (and cultural) grant programs are weighed by qualified review panels according to criteria that are published in grant information booklets and available to the public, in general, and potential grant applicants, in particular. Current information booklets are available for downloading at [www.sanjoseculture.org](http://www.sanjoseculture.org)*

*Following the review panels, City staff presents proposed Operating and Project & Program grant awards at publicly noticed meetings of an Arts Commission subcommittee and the full Arts Commission. Public testimony can be offered at each of these meetings. The Arts Commission then recommends grant awards to the City Council for approval at a regular meeting of the Council. Proposed grant awards are agendaized and posted.*

*Most not-for-profit arts organizations are 501(c)(3) type organizations. Such organizations sustain themselves through a combination of earned (admissions, memberships, fees, etc.) and contributed (grants, donations, gifts, bequests, etc.) income. These not-for-profit organizations are considered "self-sustaining" when they can operate successfully for an extended period of time without being dependent on any one source of income, especially contributed income, and maintain positive net assets on their balance sheets.*

### **Six organizations that operate City-owned cultural facilities**

#### **City Facility**

Museum of Art  
History Park And Peralta Adobe  
Children's Discovery Museum  
Tech Museum  
San Jose Repertory Theatre  
Mexican Heritage Plaza

#### **Organization that Operates**

San Jose Museum of Art  
Historical Museums of San Jose (DBA History San Jose)  
San Jose Children's Discovery Museum  
The Tech Museum of Innovation  
San Jose Repertory Theatre  
Mexican Heritage Corporation

If you have any questions, please contact Sheila Tucker at 408-535-8115.