



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Paul Krutko

SUBJECT: Cultural Funding Portfolio Allocations **DATE:** June 1, 2009

Approved

Christine J. Shippey

Date

6/2/09

RECOMMENDATION

1. It is recommended that the City Council:
 - A. Adopt a Resolution authorizing the City Manager to negotiate and execute 2009-2010 grant agreements in the base amounts, funded by Transient Occupancy Tax (TOT) projected 2009-2010 revenues and General Fund as listed on Attachments A and B, and make proportional adjustments with any augmented funds, including those identified in MBA #14, across all grantees, as follows:
 - i. Festival, Parade & Celebration Grant Agreements with 23 organizations for 28 events as detailed in Attachment A, in a total base amount of \$256,270; and
 - ii. Arts Grant Agreements with 47 organizations as detailed in Attachment B, in a total base amount of \$1,662,740; and
 - B. Approve an expansion of the eligible applications under the grant guidelines for the 2009-2010 Festival, Parade & Celebration Grants to allow greater participation in the grant program.

BACKGROUND

City Cultural Funding Portfolio

The core of the Cultural Funding Portfolio, administered by the Office of Cultural Affairs (OCA), a division of the Office of Economic Development, is composed of three competitive grant programs:

- Arts Grants:
 - **Operating Grants** -- Generally unrestricted operating support to San Jose-based arts organizations, to support the general goals of: 1) a sustainable community of stable, debt-free arts organizations; and 2) a large and diverse number of opportunities for residents and visitors to enjoy exhibits, performances and other arts activities of high standards of artistic quality.
 - **Project/Program Grants** -- Purpose-restricted support for specific arts and cultural activities offered by San Jose-based organizations.

- **Festival, Parade & Celebration (FPC) Grants** – San Jose community festivals, parades and celebrations that are held for the economic enhancement, cultural enrichment and/or promotion of the City of San Jose.

In the spring of each year, peer review panels evaluate grant applications and develop recommended grant awards for the following fiscal year, which the Arts Commission recommends to the City Council. The source of funds is the projected 15% portion of Transient Occupancy Tax (TOT) revenues dedicated to cultural grants and the OCA.

As a function of the economic recession and the anticipated impact of the Convention Center expansion project, the total 2009-2010 arts-related TOT revenue projection is 40% less than the 2008-2009 projection, dropping from \$3,916,746 to \$2,348,503. To prevent awarding grants in excess of collected TOT, a 10%, or \$234,850, TOT Revenue Shortfall Contingency will be set aside for 2009-2010 in the event that revenues do not meet projections.

Sources of Grant Funding

The total projected TOT funding of \$2,348,503 is recommended to support the core cultural grants (\$1,534,785), two special arts grants (\$125,135), unallocated funds (\$29,009), and associated administrative costs (\$424,724) and the 10% TOT Revenue Shortfall Contingency (\$234,850) as discussed above. The funding for base grant recommendations in this memorandum also includes a draw of \$200,000 from the OCA Long Term TOT Reserve of \$305,897. The Long Term Reserve was established in 2006-2007 to soften sharp reductions in TOT. In addition, the FPC Grant funding includes \$31,729 in General Fund and \$27,361 in gated event revenue fees.

The following chart displays sources and uses of funding for 2009-2010:

Sources of Funding	
2009-2010 TOT Funding	\$ 2,348,503
OCA Long Term TOT Reserve	200,000
Festivals, Parades, and Celebration Grant Funding and Gated Event Revenues	59,090
Total Sources of Funding	\$ 2,607,593
Uses of Funding	
Arts Grants: Operating Grants; Special Grants *	\$ 1,415,452
Administrative Costs	424,724
Festivals, Parades, and Celebration Grants *	256,270
Arts Grants: Project/Program Grants *	247,288
TOT 10% Revenue Shortfall Reserve	234,850
Unallocated Funds	29,009
Total Uses of Funding	\$ 2,607,593

* Total Grant Awards are \$1,919,010

After the 2009-2010 grant review cycle was completed and recommended grants developed, a rebudget of \$90,000 in previously unexpended TOT funds was rebudgeted and added to the 2009-2010 Proposed Budget allocation for Cultural Grants, bringing the current 2009-2010 TOT allocation to \$2,438,503. A portion of this \$90,000 can be allocated to augment core grants for 2009-2010 as described in the Analysis section of this memorandum.

May 13 Arts Commission Meeting

On May 13, 2009, the Arts Commission recommended expanding the FPC Grant Program guidelines to broaden the number of successful applicants; recommended approval of the panel-recommended grant awards in the three core grant programs; and recommended approval of two special grants to arts organizations. The recommended 2009-2010 grant awards total \$1,919,010, a 41% drop from 2008-2009 grant support levels.

After acting on the recommended grant awards, the Arts Commission then considered the full 2009-2010 "Arts Budget," a document historically developed by staff for the Arts Commission and City Council that details the annual workplan and funding allocations for the City's overall arts/cultural support. The Arts Budget includes line items for core cultural grants and special grants, plus allocations for arts education programs, cultural planning and development initiatives, public art conservation and maintenance, Arts Commission outreach/activities, and reserves. Arts Budget funding sources include projected TOT revenues, rebudgeted TOT, General Fund and Gift Trust funds.

On a substitute motion introduced by a Commissioner-developed memorandum distributed at the May 13th Commission meeting, the Commission voted to recommend redirection of Arts Budget line items plus estimated staff salaries ("Administrative Costs" on the previous chart) from the City's Proposed Operating Budget, in an estimated amount of "\$417,500 +/-" plus \$29,009 ("Unallocated Funds") that was verbally added to the written motion, in order to augment the already-approved core grants (Attachment C). The estimated augmentation, which was based partially on incorrect calculations, was to be distributed to grantees on a proportional basis according to the 2009-2010 grant awards. While the City Attorney's Office determined after the Commission meeting that the memo delivered at the meeting did not comply with the four-day posting requirement per Sunshine protocols, there are no remedies to redress a violation of the Sunshine requirement.

ANALYSIS

Recommendation 1A:

Recommendation 1A incorporates the Arts Commission's recommendations on core grant programs of the Cultural Funding Portfolio. Arts and festival grants provide critical resources to arts providers and event producers who serve San Jose's citizens and visitors. Beginning in this cycle, recommended funding levels for arts and festival grants are incorporated as part of an MBA to align with the annual Operating Budget process.

At its May 13 meeting, due to the timing of the meeting in the budget process, the Arts Commissioners were unaware of a grant augmentation proposal that was in development to be submitted as Manager's Budget Addendum (MBA) #14. MBA #14 recommends the redirection of \$800,000 in uncommitted 2008-2009 Arts Stabilization Loan Fund monies to supplement the three core grant programs over the three year period 2009-2010 through 2011-2012, with \$450,000 being allocated during 2009-2010. In the interest of a multi-year reinforcement of the nonprofit arts sector and maintaining core OCA operations and services, the grant augmentation plan proposed by MBA #14 is recommended in lieu of the Arts Commission's proposal.

The MBA #14 recommendation to redirect funds from the Loan Fund meets the intent of the Arts Commission's proposal to stabilize the nonprofit arts sector, enhances the amount that will be dedicated to this purpose over several years, and is in alignment with the original intent of the Loan Fund.

As mentioned above, an additional \$75,000 in rebudgeted TOT can be allocated to augment core grants in 2009-2010. This, combined with the MBA #14 recommendation to augment grants by \$450,000 in 2009-2010, would bring the total 2009-2010 grant augmentation to \$525,000.

If the MBA #14 recommendation is approved, an additional \$350,000 would be available for grant augmentation in 2010-2011 and 2011-2012.

The staff proposal honors the Arts Commission's goal to help stabilize a community of art groups and event producers experiencing financial vulnerability by buffering arts providers from reduced grant funding due to the recession and anticipated Convention Center expansion.

Recommendation 1B:

Currently, the FPC guidelines require that an applicant receive a basic score of 75% to be eligible for funding and allow for up to 10 additional bonus percentage points for economic impact. The FPC grant review panel's evaluation of 37 applications resulted in 19 applications scoring below the 75% basic score threshold, thereby becoming ineligible for funding no matter how many bonus points earned. The panel then recommended that the funding eligibility threshold be expanded so that applicants who attained a combined (basic plus bonus points) score of at least 75% or a basic score of 70 and over, would be eligible for funding. Based on this expanded framework, a total of 28 applications were recommended for funding. At its May 13th meeting, the Commission approved the panel's recommendation to expand the guidelines; this action must now be approved by Council.

Arts and Cultural Workplan

In addition to the cultural grants programs, the OCA advances the City's community and economic development goals in partnership with the arts and cultural sector. These goals are accomplished through arts education, special event planning and coordination, public art, as well as programs such as the Creative Entrepreneur Project, Neighborhood Arts, cultural planning,

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and capacity building for arts providers. The source of funding for the programs and services are the proposed rebudgeted TOT and General Fund.

A handwritten signature in black ink, appearing to read "Paul Krutko", is written over the printed name.

PAUL KRUTKO
Chief Development Officer

Attachments (A-C)

2009-10 FESTIVAL, PARADE & CELEBRATION GRANT PROGRAM: RECOMMENDED BASE GRANTS

EVENT	BASE RECOMMENDED GRANT	Comments
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Prior actual expense: \$1 million - \$1.6 million

San Jose Jazz Festival	\$26,513	
Cinequest Film Festival	\$26,513	
Downtown Ice	\$21,362	
	\$74,388	

Prior actual expense: \$190,000 - \$750,000

Music in the Park	\$15,000	Capped at amount requested
San Jose Mariachi and Latin Music Festival	\$15,150	
Tapestry Arts Festival	\$13,635	
Christmas in the Park	\$13,635	
St. James Park Music Series	\$6,060	
	\$63,480	

Prior actual expense: \$27,000 - \$132,000

Bark in the Park	\$11,363	
Italian Family Festa	\$9,848	
33rd Annual Almaden Art & Wine Festival	\$8,333	
Spirit of Japantown Festival	\$8,333	
Pumpkins in the Park	\$8,333	
Dancin' on the Avenue	\$8,333	
Sunday Jazz Series	\$6,439	
Dia de Portugal Festival	\$6,439	
San Jose Juneteenth Festival	\$6,439	
San Jose Salsa Festival	\$4,545	
2010 Vietnamese Spring Festival and Parade	\$4,545	
	\$82,950	

Prior actual expense: \$2,000 - \$21,000

Guitar Solo & Ensemble Festival	\$6,060	
Spring in Guadalupe Gardens	\$5,303	
2nd Annual Luna Park Chalk Art Festival	\$4,545	
La Comparsa - Dia de los Muertos	\$4,166	
Rose, White and Blue 4th of July Parade	\$3,788	
Nikkei Matsuri	\$3,409	
8th Annual Dancin' Downtown Festival	\$3,030	
Founder's Day Parade and Celebration	\$2,651	
Founder's Day Fandango	\$2,500	
	\$35,452	

Total Recommended Base Grant Awards	\$256,270
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FPC Grant Funding Sources:

TOT Revenues	\$	197,180
City-Wide General Fund	\$	31,729
Gated Event Revenue Fee	\$	27,361

2009-2010 ARTS GRANTS: PROJECT/PROGRAM GRANTS

APPLICANT.	BASE RECOMMENDED GRANT
International Russian Music Piano Competition	\$15,750
Somos Mayfair	\$15,750
Special Events Programming Committee SJSU	\$15,750
Mission Chamber Orchestra	\$14,875
sjDANCEco	\$9,844
Arab Film Festival	\$14,175
Northside Theatre Company	\$11,813
South Bay Guitar Society	\$14,175
San Jose Chamber Music Society	\$13,388
Margaret Wingrove Dance Company of San Jose	\$13,016
Winchester Orchestra	\$9,297
Cambodian American Resource Agency	\$3,719
San Jose Dance Theatre	\$13,388
Contemporary Asian Theater Scene	\$12,600
History San Jose	\$8,498
Lyric Theatre	\$12,600
Renegade Theatre Experiment	\$8,750
Afsaneh Art and Culture	\$4,200
St. Paul's UMC Creative Arts Program for Youth	\$10,500
Vivace Youth Chorus	\$12,600
Silicon Valley Jewish Film Festival	\$12,600
Total Recommended Grant Awards	\$ 247,288

2009-2010 ARTS GRANTS: OPERATING GRANTS; SPECIAL GRANTS

APPLICANT	BASE RECOMMENDED GRANT
Operating Grants	
MACLA/Movimiento de Arte y Cultura Latino Americana	\$41,648
San Jose Taiko	\$40,005
Abhinaya Dance Company of San Jose	\$22,292
Symphony Silicon Valley	\$109,221
San Jose Museum of Quilts & Textiles	\$48,866
San Jose Institute of Contemporary Art	\$45,767
San Jose Multicultural Artists Guild	\$17,363
Teatro Vision	\$33,768
Firebird Youth Chinese Orchestra	\$15,650
San Jose Youth Symphony	\$29,623
Kaisahan of San Jose Dance Company	\$14,189
City Lights Theater Company of San Jose	\$24,340
San Jose Chamber Orchestra	\$15,658
San Jose Symphonic Choir	\$8,063
Steinway Society - The Bay Area	\$14,507
Chinese Performing Artists	\$22,653
Bay Area Glass Institute	\$21,435
San Jose Museum of Art	\$176,340
Opera San Jose	\$159,154
Children's Discovery Museum of San Jose	\$122,522
Children's Musical Theater San Jose	\$115,471
Cinequest Film Festival	\$67,337
San Jose Jazz	\$56,203
Ballet San Jose	\$68,242
Total of Operating Grants	\$1,290,317
Special Grants	
San Jose Repertory Theatre Recovery Grant	\$82,138
Mexican Heritage Corporation Transition Special Grant	\$42,997
Total Recommended Grant Awards	
	\$1,415,452

Memorandum

To: Arts Commission *AM* *RTA*
 From: Dennis Martin, Bobby Yoult, Rick Holan, Tim Shannon
 Date: May 12, 2009
 Re: May 13 Arts Commission Agenda Item (b); 2009 - 2010 TOT Funding Allocations

Recommendation

We urge that the Arts Commission adopt a recommendation that the City Council approve the 2009-2010 funding allocations for Arts and Cultural Programs as outlined in the May 7, 2009 staff memo with modifications as detailed in this memorandum. All identified funds are to be directed to 2009-2010 FPC, Operating, and Projects & Programs grantees on an across the board proportional basis according to the 2008-2010 grant awards.

1. Implement a redirect of the following line-by-line allocations from the 2009 - 2010 staff budget proposal:

	<u>Proposed Staff</u>	<u>Proposed Modification</u>
Line 10 - Grant review expenses	\$30,000	\$15,000
Line 13 - Cultural Strategy Dev/Implementation Reserve	\$100,000	\$0
Line 16 - Arts Education Recognition Awards	\$7,000	\$3,500
Line 17 - Arts Education Plan Implementation	\$35,000	\$0
Line 18 - Neighborhood Arts Development	\$10,000	\$0
Line 19 - Creative Entrepreneur Project Implementation	\$35,000	\$0
Line 20 - International Cultural Exchange	\$10,000	\$0
Line 23 - Arts Commission Activities	\$9,000	\$0
Line 24 - Envision 2040 General Plan Update	\$100,000	\$0

Redirected to grantees: \$317,500

2. Postpone implementation of the following TOT drawdown budget items until TOT revenues return to at least 2007-2008 levels:

- 30% funding of Senior Arts Program Coordinator \$30,000 +/-
- Nonprofit Strategic Engagement Platform \$70,000 +/-

Redirected to grantees: \$100,000 +/-

Total TOT to be redirected to 2009-2010 FPC, Operating, and P&P grantees: \$417,500 +/-

Background

San Jose arts and cultural organizations and programs are now facing a financial "perfect storm" combining decreases in TOT revenues, due to the recession and the pending renovation of the Convention Center, alongside declining private contributions, shrinking foundation support, and diminished earned revenue. The funding environment for the Arts in San Jose has never been more precarious. According to the San Jose Arts Alliance, the proposed reductions in Arts and Cultural Grants "could be a fatal blow to many organizations." If the City of San Jose arts organizations are to weather this economic storm, the funding allocations in the 2009 - 2010 staff budget recommendations must be re-prioritized now and more funding be made immediately available for arts and culture organizations.