



# Commission for Arts and Culture

## STAFF REPORT

DATE ISSUED: November 23, 2016

ATTENTION: Commission for Arts and Culture

SUBJECT: Updating the Funding Process for Fiscal Year 2018

REFERENCE: *Council Policy 100-03, Transient Occupancy Tax*

STAFF CONTACT: Dana Springs, Executive Director

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### **REQUESTED ACTION:**

Receive a presentation and recommendations from Commission staff, then vote to make recommendations to the full Commission about changes to the funding process, which would take effect for the Fiscal Year 2018 cycle.

### **BACKGROUND:**

The Commission for Arts and Culture's annual funding cycle includes five phases:

#### PHASE 1 – APPLICATION

- a) Format application and guidelines
- b) Publish and advertise application and guidelines
- c) Provide technical assistance for applicants
- d) Receive and review applications in preparation for award phase

#### PHASE 2 – AWARD

- a) Evaluate and rank applications
- b) Receive Mayor's proposed budget and determine pools of funding for CCSD and OSP
- c) Determine "cut off" in ranks for funding
- d) Run algorithm to determine award amounts
- e) Receive approval from Mayor and City Council for distribution of funds

#### PHASE 3 – CONTRACT

- a) City issues contract to each awardee
- b) City staff manages contract, invoicing and payments for each awardee a.k.a. contractor
- c) City staff monitors contractors' compliance with terms of the contract

#### PHASE 4 – PERFORMANCE

- a) Contractors perform scope of services per terms of contract
- b) Contractors submit final reports and financial disclosures

#### PHASE 5 – EVALUATION

- a) Gather and synthesize feedback about the prior year's funding cycle
- b) Review outcomes of the prior year's funding cycle

- c) Identify areas for improvement
- d) Propose methods for improvement
- e) Obtain any required approvals for making such improvements

At the end of October 2016, the Commission wrapped up its annual evaluation efforts—gathering and synthesizing feedback about the prior year’s funding cycle, reviewing outcomes of the funding cycle, identifying areas for improvement, and proposing methods for improvements to take effect in FY18. The recommendations contained in this staff report are inspired by the Commission’s new vision statement (established in September 2016: *Expanding our world by celebrating creativity in San Diego*), the Commission’s departmental tactical plan (established in February 2016), and findings from the analysis of data collected through the following interventions:

- FY16 contractors’ final reports
- Panel feedback collected at the conclusion of each FY17 application evaluation panel
- Random sample of FY17 panel comments
- Office hours with Commission staff for FY17 applicants and contractors
- Comparative analysis of policies and programs in Los Angeles, San Francisco and San Jose
- Collection of recommendations for best practices gathered at the annual conference of Grantmakers in the Arts, the annual convention of Americans for the Arts, and the annual meeting of the United States Urban Arts Federation
- Needs assessment conducted by USD School of Leadership and Education Sciences Nonprofit and Philanthropic Institute
- Participant feedback collected at The Nonprofit Academy, a pilot comprehensive training program to strengthen and diversify nonprofits doing business with the City
- Feedback collected at the Commission–hosted town hall meeting attended by past, present and potential applicants

Customarily, a presentation and recommendations from Commission staff on the topic of funding program updates would be heard and acted upon by the Commission’s Policy and Funding Committee, which would then advance its own recommendations to the Commission for action. Meetings of the Policy and Funding Committee were scheduled for November 4, and then November 18, however both meetings were canceled due to lack of quorum. In the interest of releasing the FY18 funding application guidelines in early December, both the Chair of the Policy and Funding Committee and the Chair of the Commission advised Commission staff that the items should be brought to the full Commission for timely action on November 28, 2016.

## STAFF RECOMMENDATIONS:

**Recommendation 1.0** – Conduct a two-step process for evaluating applications from nonprofits that apply for TOT funding where a preliminary evaluation step is performed by a single trained team (which may include City staff) and the secondary evaluation step is performed by multiple ad hoc panels comprised of Commissioners and community members.

In Step 1, a team comprised of members (including City staff) who are trained in City contracting processes and nonprofit management practices evaluates *the strength of each applicant’s ability to manage a City contract* using information provided by the applicant through an online form (modeled after the Community Development Block Grant [CDBG] Request for Qualifications). This team uses a standard scoring system to evaluate Administrative Capacity; Financial Position; Governance Practices; and Past Performance on City Contracts and assigns each applicant one of two grades: 1) Ready to Contract, or 2) Not Ready to Contract. Applicants deemed “Not Ready to Contract” would not advance to Step 2, but would be given appropriate technical assistance to prepare to try again in the future.

### **Criterion #1: Strength of each applicant’s ability to manage a City contract.**

**Evaluation Areas:** Administrative Capacity; Financial Position; Governance Practices; and Past Performance on City Contracts

#### **Grades:**

1. **Ready to Contract** = Applicant demonstrates sufficient evidence to indicate readiness to manage a City contract
2. **Not Ready to Contract** = Applicant does not demonstrate sufficient evidence to indicate readiness to manage a City contract and/or the applicant has demonstrated deficiencies in previous management of a City contract

In Step 2, ad hoc panels composed of Commissioners mixed with additional diverse members of the San Diego community evaluate *the degree to which each applicant’s proposed program, service or project aligns with the City’s goals for the use of TOT funds* using information provided through an online form (modeled after the CDBG Request for Proposals).

The panels use a standard scoring system to evaluate Proposed Program, Service or Project; Production Capacity; Budget and Spending Plan; Audience Reach; and Emphasis Areas and

assign each proposal one of three grades: 1) Very Aligned with City Goals, 2) Aligned with City Goals, or 3) Not Aligned with City Goals. Proposals deemed “Not Aligned with City Goals” would not be awarded a contract, but would be given appropriate technical assistance to prepare to try again in the future.

**Criterion #2 - Degree to which each applicant’s proposed program, service or project aligns with the City’s goals for the use of TOT funds**

**Evaluation Areas:** Proposed Program, Service or Project; Production Capacity; Budget and Spending Plan; Audience Reach; and Achievement in Emphasis Areas

**Grades:**

1. **Very Aligned with City Goals = Rank of 4**
2. **Aligned with City Goals = Rank of 3**
3. **Not Aligned with City Goals = Rank of 2**

**Recommendation 2.0 – Request proposals from applicants that respond to one clear and simple City goal per funding program (i.e. OSP and CCSD) and offer opportunities for applicants to earn more points for achievement in areas of emphasis.**

Distilling the cascade of the City’s guiding principles – from the broadest to the most refined (as shown in Figure 1 within this document) – can yield one clear and simple City goal for OSP and one for CCSD. Proposals submitted by applicants will be evaluated on the degree to which they align with the City’s goals.

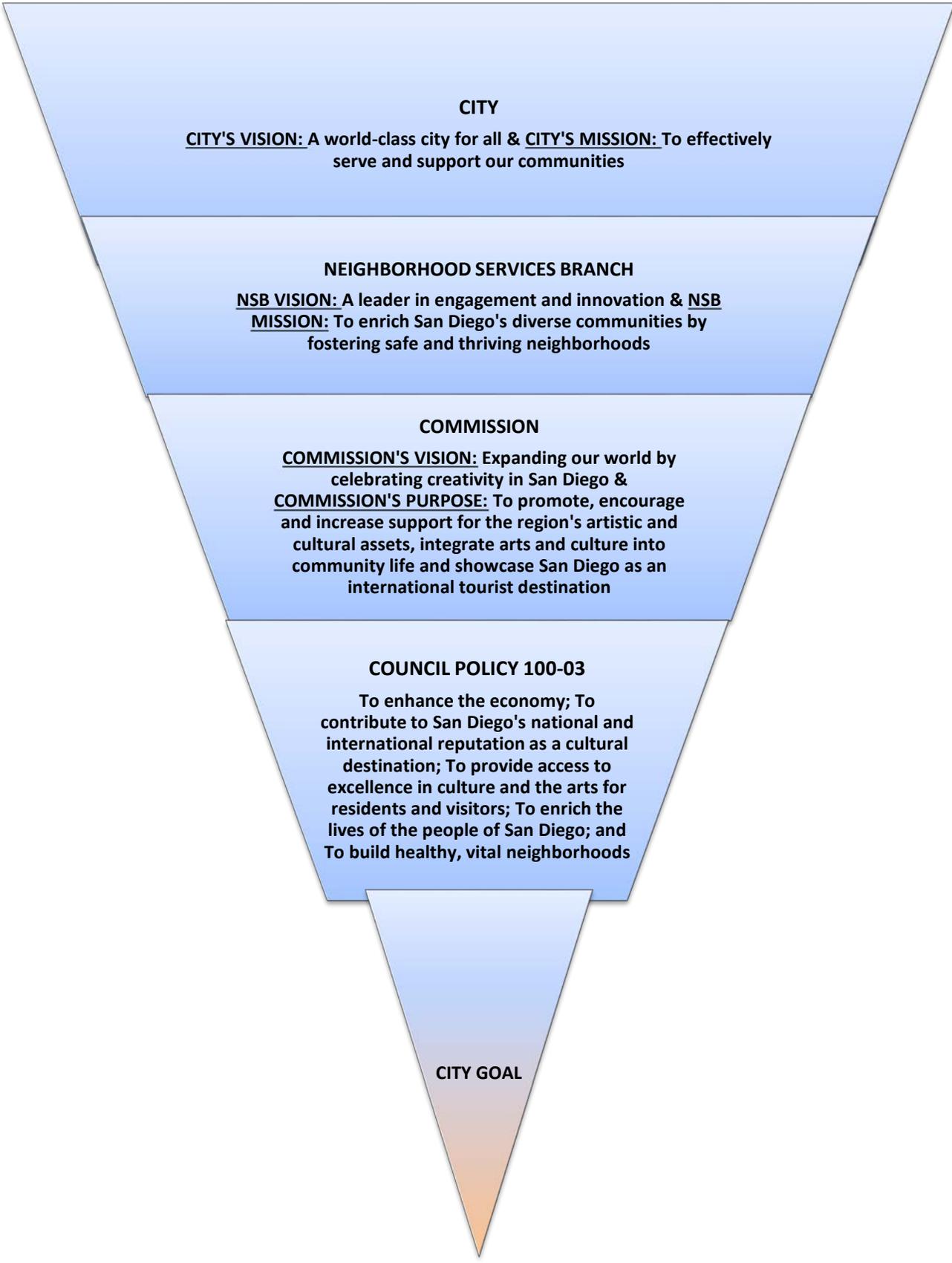


Figure 1

**CITY GOAL for OSP:**

**Provide excellent arts, culture and creative experiences for San Diego's communities**

**CITY GOAL for CCSD:**

**Celebrate arts, culture and creativity in San Diego's neighborhoods**

Applicants that submit proposals will be given the opportunity to show evidence of achievement in six areas of emphasis and can earn more points, which may lead to a higher final rank and funding award.

**Points for Achievement in Emphasis Areas**

1. Receiving significant national or international recognition
2. Investing in San Diego's professional artists
3. Generating original artistic content
4. Improving impact through collaboration
5. Connecting with underserved populations in the city of San Diego
6. Generating overnight hotel stays in the city of San Diego

The proposals submitted by applicants will be sorted into five evaluation groups. Those five evaluation groups are:

1. [OSP] Organizations with Annual Operating Incomes (AOI) \$10,000 - \$500,000
2. [OSP] Organizations with AOI greater than \$500,000
3. [OSP] Service Organizations
4. [CCSD] Organizations with Project Budgets of \$5,000 - \$75,000
5. [CCSD] Organizations with Project Budgets greater than \$75,000

**Recommendation 3.0** – Raise the floor for the minimum award amount from \$1,500 to \$10,000 for OSP and \$5,000 for CCSD. (Make no change to the current setting for the ceiling.)

**Recommendation 4.0** – Establish the funding “cut-off” rank at 3- and disclose this information in the funding guidelines.

**Recommendation 5.0** – Extend leeway to staff to conduct further research and to decide whether to add award request amounts into the applications, understanding that staff’s intention is to formulate the most effective applications possible.

**Recommendation 6.0** – Research the feasibility of offering an efficiency-enhancing alternative to the former “short form” process and communicate the new process in the FY18 guidelines if deemed feasible by staff.

**Recommendation 7.0** – Acknowledge there are more challenges to address, which will be queued up for consideration in advance of the FY19 funding cycle including, but not limited to:

- Examining the principles used in the algorithmic award calculator and deciding whether to keep, modify or develop a new calculator
- Further analyzing the floor and ceiling for award amounts
- Exploring alternate scoring systems
- Analyzing the spread of funding across organizations within each funding program
- Analyzing the spread of funding across funding programs
- Analyzing the spread of funding across all Commission programs
- Addressing the question from applicants of how/why the Commission accounts for endowment funds in the calculation of an AOI
- Examining the 1<sup>st</sup> year, 2<sup>nd</sup> year, 3<sup>rd</sup> year award percentages
- Amending or adding definitions for terms such as “service area”
- Examining the cash matching ratios
- Exploring the concept of a “challenge grant” or “micro-grant” program for organizations with modest annual operating incomes and fledgling organizations
- Recommending amendments to Council Policy 100-03, Transient Occupancy Tax

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