



Commission for Arts and Culture

STAFF REPORT

DATE ISSUED: November 1, 2016

ATTENTION: Policy and Funding Committee

SUBJECT: Updating the Funding Process for Fiscal Year 2018

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

STAFF CONTACT: Dana Springs, Executive Director

REQUESTED COMMITTEE 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 conference 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

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 team (including City staff) and the secondary evaluation step is performed by 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 CDBG Request for Qualifications). This team uses a standard scoring system to evaluate Administrative Capacity, Financial Position, and Governance Practices and assigns each applicant one of four grades: 1) Highly Qualified, 2) Qualified, 3) Ready to Contract, or 4) 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

Grades:

1. **Highly Qualified** = Applicant has a successful track record of three or more years as an OSP or CCSD contractor and strong nonprofit management practices
2. **Qualified** = Applicant has a successful track record with one year as an OSP or CCSD contractor and good nonprofit management practices
3. **Ready to Contract** = Applicant has no prior experience as a contractor in OSP or CCSD, but demonstrates sufficient evidence to indicate readiness to manage a City contract
4. **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 programs and services align 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 & Spending Plan, Target Audience, Special Benefits, and Past Performance on City Contracts and assign each application one of three grades: 1) Very Aligned with City Goals, 2) Aligned with City Goals, or 3) Not Aligned with City Goals. Applicants 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 programs and services align with the City’s goals for the use of TOT funds

Evaluation Areas: Proposed Program, Service or Project, Production Capacity, Budget & Spending Plan, Target Audience, Special Benefits, and Past Performance on City Contracts

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 – Provide application forms that are tailored to suit key segments of the applicant pool and score those segments using equally tailored criteria.

Each applicant that passes through Step 1 will be guided into one of five tracks. Each track will be given a tailored RFP in Step 2 and asked to submit their proposals, which will be evaluated and scored using criteria that is tailored to be applicable to that specific track.

OSP TRACKS – OSP is general operating support for the delivery of programs and services that impact San Diego's quality of life and tourism

1. **[OSP TRACK] Organizations with AOI \$10,000 - \$500,000** – An applicant in this track will be asked to give a proposal for programs and services that aligns with ONE of the following three City goals for impacting San Diego’s quality of life and tourism.
 - **CITY GOAL FOCUS AREA– Organizational Capacity Building/Sustainability:** An applicant that elects to request OSP funds for this goal will be asked to submit a proposal for programs and services that strengthen the organization’s own capacity and sustainability.

OR

- **CITY GOAL FOCUS AREA – Artistic/Programmatic Growth:** An applicant that elects to request OSP funds for this goal will be asked to submit a proposal for programs and services that strengthen the organization’s own artistic/programmatic offerings
 - OR**
 - **CITY GOAL FOCUS AREA – Outreach and Engagement:** An applicant that elects to request OSP funds for this goal will be asked to submit a proposal for programs and services that provide meaningful and relevant arts and culture experiences in neighborhoods.
2. **[OSP TRACK] Organizations with AOI Greater Than \$500,000** – An applicant in this track will be asked to give a proposal for programs and services that align with ONE of the following two City goals for impacting San Diego’s quality of life and tourism.
- **CITY GOAL FOCUS AREA – Outreach and Engagement:** An applicant that elects to request OSP funds for this goal will be asked to submit a proposal for programs and services that provide meaningful arts and culture experiences in neighborhoods.
 - OR**
 - **CITY GOAL FOCUS AREA – Supporting Cultural Assets and Tourism:** An applicant that elects to request OSP funds for this goal will be asked to submit a proposal for programs and services that nurture and maintain arts and culture institutions of national and international reputation.
3. **[OSP TRACK] Service Organizations** – An applicant in this track will be asked to give a proposal for programs and services that aligns with the City goal of impacting San Diego’s quality of life and tourism.
- **CITY GOAL FOCUS AREA – Services to Advance the Field:** An applicant that elects to request OSP funds for this goal will be asked to submit a proposal for programs and services that provide support to San Diego-based artists and arts and culture organizations.

CCSD TRACKS – CCSD is for sponsorship of projects that promote neighborhood pride and community reinvestment, that make arts and culture activities more available and accessible in San Diego neighborhoods and encourage people of diverse backgrounds to share their heritage and culture

1. **[CCSD TRACK] Organizations with Project Budgets of \$5,000 - \$40,000** – An applicant in this track will be asked to give a proposal for a project that aligns with the City goals of promoting neighborhood pride and community reinvestment,

making arts and culture activities more available and accessible in San Diego neighborhoods, and/or encouraging people of diverse backgrounds to share their heritage and culture.

- **CITY GOAL FOCUS AREA – Neighborhood Arts:** An applicant that elects to request CCSD funds for this goal will be asked to submit a proposal for a project that makes arts and culture activities more available and accessible in San Diego neighborhoods and/or encourages people of diverse backgrounds to share their heritage and culture.
2. **[CCSD TRACK] Organizations with Project Budgets Greater Than \$40,000** – An applicant in this track will be asked to give a proposal for a project that aligns with the City goals of promoting neighborhood pride and community reinvestment, making arts and culture activities more available and accessible in San Diego neighborhoods, and/or encouraging people of diverse backgrounds to share their heritage and culture.
- **CITY GOAL FOCUS AREA – Community Celebrations:** An applicant that elects to request CCSD funds for this goal will be asked to submit a proposal for a project that promotes neighborhood pride and community reinvestment.

Recommendation 3.0 – Offer opportunities for applicants to earn “extra credit” for providing special benefits targeted by the Commission.

Extra Credit - Applicants that submit applications showing evidence of achievement in these six areas can earn extra credit to increase their points, which may lead to a higher final rank and funding award.

1. Receiving National or International Recognition (Max Score: # Pts)
2. Investing in San Diego’s Professional Artists (Max Score: # Pts)
3. Generating Original Artistic Content (Max Score: # Pts)
4. Improving Impact Through Collaboration (Max Score: # Pts)
5. Connecting with Underserved Populations (+ more points for serving the Promise Zone) (Max Score: # Pts)

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

Recommendation 5.0 – Raise the floor for the minimum award amount from \$1500 to \$10,000 for OSP and \$7500 for CCSD. (Make no change to the current setting for the ceiling.)

Recommendation 6.0 – Lift last year’s decision to eliminate award request amounts from the application and instead allow staff the leeway to conduct further research and decide whether to add it into the application, understanding that staff’s intention is to formulate the most effective application possible.

Recommendation 7.0 – 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 City staff.

Recommendation 8.0 – 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
- Examining 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 we account for endowment funds in the calculation of an AOI
- Examining the 1st year, 2nd year, 3rd 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 small AOI and fledgling organizations
- Recommending amendments to Council Policy 100-03

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