



Memorandum

TO: ARTS COMMISSION

FROM: Kerry Adams Hapner

SUBJECT: (SEE BELOW)

DATE: January 8, 2024

Approved

Date 1/8/24

SUBJECT: PROPOSED AWARDS FOR FY 2023-2024 CAPITALIZATION AND SUSTAINABILITY GRANTS

RECOMMENDATION

Recommend that the Arts Commission approve the proposed FY 2023-2024 Capitalization and Sustainability Grant awards as specified in Attachment A.

BACKGROUND

As defined by the Nonprofit Finance Fund (NFF), capitalization is “the accumulation and application of financial resources to support the achievement of an organization’s mission over time.” A well-capitalized organization has the appropriate financial resources to deliver on its mission and the ability to adapt to changes in its external environment.

Although most associated with money raised in a capital campaign for building acquisition, the term “capital” is broad and encompasses several different categories of funds, each with its own purpose, including:

- **Working Capital and Operating Reserve** for liquidity and reserves;
- **Change Capital and Risk/Opportunity Capital** for innovation, rightsizing, and changes in business model;
- **Facility & Equipment Capital** for acquisition of hard assets; and
- **Endowment** to generate investment income.

A simplified way of thinking about capital is money that is *invested* to build the organization and strengthen its financial balance sheet for long-term sustainability. This is contrasted with “operating revenue,” which is money that a nonprofit uses to *operate* (i.e., support its regular annual programming).

Recognizing the importance of supporting the healthy capitalization of nonprofit arts and culture organizations in ways that are not accomplished through its operating grant program, the Office of Cultural Affairs with the support of the Arts Commission began a pilot initiative for a Capitalization and Sustainability Grant program in FY2016-17 with \$200,000 in funding.

ANALYSIS

Capitalization and Sustainability (CAPSUS) Grants are intended to be significant one-time catalytic investments that improve the capitalization and sustainability of an organization. Because organizations have different capitalization and sustainability challenges, this grant provides flexibility for the applicant to put forth a strategy to address its most pressing capitalization and sustainability needs. Grants have a two-year term.

In the past grant cycles, CAPSUS Grants were focused on organizations with budgets of \$500,000 and higher that receive City operating grant support. Larger budget organizations were targeted because of their complex capitalization needs and the breadth and depth of their impact on the San José arts and cultural ecosystem. These organizations provide year-round programs that reach thousands of patrons and create steady employment for significant numbers of professional artists, technicians, and administrators. The CAPSUS Grant Program was suspended in 2020 due to the COVID-19 pandemic. Reactivated in FY 2023-2024, the CAPSUS Grant application was opened to all current Operating grantees to provide potential support for arts and culture organizations who were pivoting due to the impact of the pandemic.

On October 13, 2023, the Office of Cultural Affairs received CAPSUS Grant applications from 24 organizations requesting a total of \$960,000, with a maximum grant request of \$40,000. The total amount allocated for this cycle was \$200,000. All interested applicants were required to view a webinar produced by the Nonprofit Finance Fund to gain a strong foundation on sound capitalization principles.

Of the 24 applicants, two were deemed ineligible as their proposed project was focused on debt reduction, which according to the CAPSUS Grant guidelines, the grant funding does not support.

Grant Review Panel and Evaluation Criteria

The Review Panel was comprised of the following experienced nonprofit, financial, and arts management and capitalization professionals:

- **Peter Allen**, *Communications Consultant*
- **Azha Simmons**, *Nonprofit Management Consultant*
- **Margaret Southerland**, *Financial Consultant*

The qualifications for each review panelist are described in **Attachment B**.

The Grant Review Panel (“Panel”) met on October 23, 2023, over Zoom to evaluate the applications based on the three criteria contained in the CAPSUS Grant guidelines:

- **Project Appropriateness & Outcomes (40%)**
- **Ability to Complete the Project Successfully (30%)**
- **Impact of the Organization in San José (30%)**

Grant Panel Recommendations

The 22 eligible CAPSUS applications were reviewed against the published criteria. Application scores ranged from 56 to 94, out of a maximum of 100. As the CAPSUS Grant Program is very competitive, the panel decided that based on the limited funding available, they would review and discuss the applications that scored 80% and above. Of the 22 applications, there were 9 applications that scored 80 and above. See Attachment A for the list of applicants and scores.

After careful and thoughtful deliberation, the panel recommended funding for six highest scoring applications with scores of 88 and greater, for a total amount of \$200,000.

The following six applications are recommended for funding (presented in order of score):

1) Opera San Jose

Hire consultant(s) who will work with a task force of staff and board to make an actionable plan to leverage OSJ’s physical assets for future use, including necessary improvements to maximize revenue and reduce costs associated with the property.

Score: 94 - Recommended Award: \$38,000

2) San Jose Jazz

Purchase a full sound system package that will support the needs of SJZ’s annual Summer Fest and to offer a low-cost rental option for other local event and live music producers throughout the year in San José.

Score: 91 - Recommended Award: \$36,000

3) Movimiento de Arte y Cultura Latino Americana (MACLA)

Support facilities and equipment capital project that will significantly improve MACLA’s Teen Tech Center and office space, supporting organization’s long term sustainability efforts.

Score: 90 - Recommended Award: \$34,000

4) Children’s Musical Theater of San Jose

Advance onstage projection proficiency that will have both an immediate and long-term impact using technology to advance onstage visual effects helping move the organization to the next level of production artistry.

Score: 89 - Recommended Award: \$32,000

5) The New Ballet

Hire professional real estate consultants to assist organization in negotiating and securing a long-term lease, shielding the organization from commercial real-estate market pressure and volatility, allowing the organization to focus its resources, including time, personnel, and existing capital reserves, on programming.

Score: 88 - Recommended Award: \$32,000

6) Symphony San Jose

Purchase Wenger StageTek equipment that can be capitalized to create a new and reliable revenue stream for the organization, which will be invested to improve the Symphony's financial health, produce artistic works to attract new audiences and build long-term growth and sustainability.

Score: 88 - Recommended Award: \$32,000

OUTREACH

Posted notices of the grant opportunity was distributed to all eligible organizations. In addition, a required pre-application workshop session for potential applicants was held virtually on September 13, 2023.

/s/

KERRY ADAMS HAPNER
Director of Cultural Affairs

Attachments:

- A. Capitalization and Sustainability Grant Applicants List
- B. Review Panelist Bios

ATTACHMENT A
FY 2023-2024 Capitalization and Sustainability (CAPSUS) Grant
Applicant List

Recommended for Funding

	Applicant Organization	Score	Amount Requested	Award Recommended
1	Opera San Jose	94	\$40,000	\$38,000
2	San Jose Jazz	91	\$40,000	\$36,000
3	Movimiento de Arte y Cultura Latino Americana	90	\$40,000	\$34,000
4	Children's Musical Theater San Jose	89	\$40,000	\$32,000
5	The New Ballet	88	\$40,000	\$30,000
6	Symphony San Jose	88	\$40,000	\$30,000

Not Recommended for Funding

1	Aimusic		\$40,000	\$0
2	Bay Area Glass Institute		\$40,000	\$0
3	City Lights Theater Company		\$40,000	\$0
4	Kaisahan of San Jose Dance Company		\$40,000	\$0
5	Local Color		\$40,000	\$0
6	Mosaic America		\$40,000	\$0
7	San Jose Chamber Orchestra		\$40,000	\$0
8	San Jose Choral Project		\$40,000	\$0
9	San Jose Institute of Contemporary Art		\$40,000	\$0
10	San Jose Multicultural Artists Guild		\$40,000	\$0
11	San Jose Museum of Art		\$40,000	\$0
12	San Jose Museum of Quilts & Textiles		\$40,000	\$0
13	San Jose Stage Company		\$40,000	\$0
14	San Jose Taiko		\$40,000	\$0
15	School of Arts & Culture @ MHP		\$40,000	\$0
16	Starting Arts		\$40,000	\$0

ATTACHMENT B
FY 2023-2024 Capitalization and Sustainability (CAPSUS) Grant
Panel Bios

Peter Allen, Communications Consultant

Peter Allen is a third-generation San José resident and a founding Core Team Member of San José Arts Advocates. A former Chair of the City of San José Arts Commission as well as the Planning Commission, Peter is an independent communications consultant who has previously served as Public Information Officer for San José Unified School District and Communications Coordinator for both the San José Public Library Foundation and a San José City Councilmember. He has spent the past 12 years as a Board Member, Board President, and/or Managing Director of Teatro Visión, a Latinx/Chicanx theater company nurturing arts and opportunity in underserved San José communities. Peter graduated from Bellarmine College Preparatory and received his Bachelor of Fine Arts degree in screenwriting from the University of Southern California School of Cinematic Arts. He lives in San José with his wife Angelica and their daughter Emilia Joslynn (aka EJ).

Azha Simmons, Nonprofit Management Consultant

As a San Jose native Azha Simmons has worked at various museums and nonprofits throughout the Bay Area. An experienced fundraiser, Azha has knowledge in grant writing, donor cultivation, board recruitment, and strategic planning. Formerly the Associate Director of Development & Marketing with the Center for Excellence in Nonprofit (CEN), she serves as the President of Bay Area Emerging Museum Professionals. She was recently published in Theory & Practice's Volume 2, 2019. Museum Futures: Diversity, Inclusivity, and Social Justice edition with an article called Power & Protest: Using Community Exhibition Practices for Engaging San Jose's African American Community. Azha is currently Manager of Individual Giving at Sunnyvale Community Services. She received her M.A. & M.B.A degree in Museum Studies & Business Administration from John F. Kennedy University.

Margaret Southerland, Financial Consultant

Margaret Southerland is a veteran consultant with over 17 years of experience in the nonprofit consulting sector and a distinguished 13-year career with JPMorgan Chase. Margaret's background in finance, grantmaking, volunteer engagement, facility assessments, and nonprofit accounting make her a valuable asset to clients. Prior to founding Padma Consulting, Margaret co-founded Strategic Philanthropy Advisors, LLC, with offices in San Francisco and New York. During her time at JPMorgan Chase, she led the Corporate Philanthropy and Sponsorships team and served as the California Program Officer for the J.P. Morgan Chase Foundation, where she created highly visible sponsorships and employee volunteer activities, elevating the bank's profile throughout California. Margaret has also been actively involved in the California philanthropic community, serving in various capacities with organizations such as Northern California Grantmakers, Fine Arts Museums of San Francisco Corporate Partnership Committee, Autry National Center Acquisition Committee, University of Southern California Center on Philanthropy and Public Policy, and Agape Foundation. Margaret holds a Bachelor of Arts in Ethnographic Research from Hobart & William Smith Colleges.