

Memorandum

TO: ARTS COMMISSION

FROM: Kerry Adams Hapner

SUBJECT: SEE BELOW

DATE: March 7, 2024

Approved



Date

3/7/24

SUBJECT: FY 2024-25 CULTURAL FUNDING PORTFOLIO – PERCENTAGES FOR FUNDING LEVELS

RECOMMENDATION

Forward a recommendation to the Arts Commission that the Fiscal Year (FY) 2024-25 Budget for the Cultural Funding Portfolio reflect the following recommended guidelines for percentage levels, subject to available funding: 76.5% for the *Operating Grants*, 16% for *Festival, Parade and Celebration Grants*, and 7.5% for *take pART Grants*.

BACKGROUND

Fifteen percent of the collected Transient Occupancy Tax (TOT) is traditionally used for the funding of cultural arts grants, Cultural Affairs programs, and operations of the Office of Cultural Affairs. Available funding is based on projected TOT funding, or what TOT collections are estimated to be for a fiscal year.

As the FY 2024-25 proposed Operating Budget will be released in May 2024, the proposed total available funding for the Cultural Funding Portfolio is not yet determined. Therefore, it is recommended that the Arts Commission approve the recommended percentages for funding levels in the three competitive core grant programs, rather than specific amounts. These recommended percentages can then be applied to the most current TOT projections when the proposed Operating Budget for FY 2024-25 is released.

The benefit of recommending percentage allocations rather than fixed dollar amounts is that it allows the final grant recommendations to be based on the most up to date TOT projections, rather than early projections which can be subject to change. In prior years when percentages were not used, published grant panel recommendations had to be adjusted several times based on revised TOT projections and available augmentation funding, making planning difficult for applicants.

For the FY 2024-25 grant cycle, a total of 56 applications (39 grant requests and 17 second-year rollover grantees) were received for the Festival, Parade, and Celebration (FPC) Grant Program compared to 43 in FY 2023-24, an increase of 30%. For the take pART Grant Program, 28 applications (14 grant requests and 14 second-year rollover grantees) were received for FY 2024-25 compared to 20 in FY 2023-24, an increase of 40%. For the Operating Grant (OpG) Program, 35 applications (19 grant requests and 16 second-year rollover grantees) were received, which is the average number for the OpG program.

Through the establishment of percentages, staff can proceed with the peer review panel process to develop recommendations for grant awards which contain the latest TOT projections in time for Commission review at its May meeting. The recommended grant awards will be forwarded to Council as part of the FY 2024-25 budget process.

ANALYSIS

Proposed Initial Percentage Allocations for FY 2024-25

Grant Program	2021-22	2022-23	2023-24	2024-2025
OpG	77.25%	77.25%	77.25%	76.50%
FPC	15.00%	15.00%	14.00%	16.00%
take pART	7.75%	7.75%	8.75%	7.50%
TOTAL	100%	100%	100%	100%

The largest annual arts and cultural grant programs include Operating Grants (OpG); Festival, Parade and Celebration Grants (FPC); and the take pART Grants.

The recommended FY 24-25 percentage allocations of 76.50% for OpG, 16.00% for FPC, and 7.50% for take pART are based on: 1) a priority for the Operating Grant Program that sustains the majority of arts organizations with full-time professional staff and year-round programming for the community; and 2) an increase in grant applications to both FPC and take pART Grant Programs for FY 2024-25. These percentages will be applied to the total amount of available funding for the Cultural Funding Portfolio, including any recommended grant augmentation amounts from the TOT Long Term Reserve if applicable. If there are funds remaining in one grant program after final recommendations are calculated, remaining amounts will be redistributed in other grant programs, consistent with priorities expressed in the original allocations.

The recommended percentages for FY 2024-25 have remained constant in prior years, except for FY 2023-24. Based on the increase of applications for FY 2024-25 to the take pART and FPC Grant Programs, the proposed percentage allocations recommended meets the overall needs of this year's applicant pool.

Development of Grant Award Recommendations

Because definitive funding amounts will not be available in time for the panel review meetings, the panels will be charged with ranking the applications and recommending funding percentages for each application, in lieu of specific funding amounts. When proposed grant funding amounts are available, staff will apply these funding percentages to determine the proposed grant amount for each application. If necessary to conform to final funding allocations, minor adjustments will be made following the relative proportions initially recommended by the panel. For example, if there are remaining available funds in any one grant program based on application scores and requested grant amounts, remaining funds may be redirected to another program.

When the panel recommendations are presented to the Arts Commission at its regular May meeting, the grant recommendations will reflect the amount of available TOT funding for arts grants in the proposed FY 2024-25 Operating Budget. Staff will evaluate TOT projections to determine whether TOT Long Term Reserves will be recommended for use to provide stable funding. Because the budget is based on TOT projections, the Variance Contingency is utilized to cover shortfalls of up to 10 percent in TOT revenues received, measured against TOT revenues projected. This long-standing budgeting practice reflects prudent planning to minimize any destabilization among grantees should the TOT be lower than estimated in the next fiscal year. At the May meeting, it will be recommended that the Arts Commission forward a recommendation to the City Council to approve the full grant awards, as part of City Council's adoption of the FY 2024-25 Operating Budget.

The final amount of recommended grant funding will be by the following calculation:

	Projected FY 2024-25 TOT
-	Operating and Administrative costs (OCA Operations, Cultural Development Programs, etc.)
	<hr/>
	<i>Subtotal</i>
-	10% Variance Contingency
+	Potential Augmentation
	<hr/>
=	Total Amount Available for Cultural Funding Portfolio

/s/

KERRY ADAMS HAPNER
Director of Cultural Affairs