

(R-89-1603)

RESOLUTION NUMBER R-272990

ADOPTED ON MAR 6 1989

WHEREAS, Council Policy 100-3 offers guidelines for the annual appropriation of Transient Occupancy Tax revenue through the funding of Special Promotional Programs; and

WHEREAS, workshops have been developed and procedural guidelines are continually being enhanced in an effort to make the process and application requirements easier to understand; and

WHEREAS, administration of contracts, however, has brought attention to recurring misunderstandings of the Policy's intent; and

WHEREAS, it is recommended that the Policy be revised to clarify and modify requirements that may present hardships for organizations and update the Policy to conform to current practice; and

WHEREAS, the City Manager, in his Report No. 89-46 to the Public Services and Safety Committee, dated February 10, 1989 has discussed in detail the background and proposed revisions and has recommended revision of the Policy; NOW, THEREFORE,

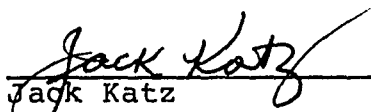
BE IT RESOLVED, by the Council of The City of San Diego, that pursuant to the recommendation of the City Manager contained in his February 10, 1989 report to the Public Services and Safety Committee, Council Policy 100-3, entitled "Funding of Private Organizations" be and the same is hereby amended as set forth in

the amended version attached hereto as Attachment 1 and the explanatory version attached hereto as Attachment 2.

BE IT FURTHER RESOLVED, that the City Clerk be and he is hereby directed to make the necessary changes to the Council Policy Manual, and publish and distribute the amended policy as may be necessary and required.

APPROVED: JOHN W. WITT, City Attorney

By



Jack Katz
Senior Chief Deputy

JK:smm
02/13/89
Or.Dept:Fin.Mgmt.
R-89-1603
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FUNDING OF PRIVATE ORGANIZATIONS FOR OPERATIONAL
EXPENSES OR SPONSORSHIP OF SPECIAL EVENTS 100-3 12-1-1988 Page 1 of 6BACKGROUND

Any package of community services includes elements which cannot be provided through governmental channels either because of a lack of resources or because government may not have the necessary expertise to provide the service. Such services, if they are to be offered, must be provided by private organizations with private funding. In areas where the public interest is sufficiently broad, local government can improve its level of service to the community by assisting such efforts financially. Some guidelines are needed to assist the Council in receiving and acting upon requests for funding by private organizations.

PURPOSE

The purpose of this policy is to provide a set of uniform guidelines, conditions, and criteria governing the application for, and granting of, funds to private organizations for the purpose of supporting their ongoing operational expenses and/or their sponsorship of special events. The guidelines will assist the City Council in its consideration of requests for funding submitted by private organizations.

This policy applies to City funding of community programs or events operated by private organizations to which the City contributes in the form of City support services or allocations from the General Fund or Transient Occupancy Tax (T.O.T.) Fund. The T.O.T. Fund is a special fund established in 1964 which uses hotel/motel room taxes for the primary purpose of promoting the City of San Diego. The specific use of this fund is determined by the City Council, and is included in the Municipal Code.

POLICYA. General

1. City funding support for private organization operational expenses and for special events will be established so as to contribute to a balance of community cultural, recreational, and promotional programs designed to enhance the well-being of the community.
2. The functions or services to be provided by a private organization must be of such nature that the interests of the City are better served by an agreement with a private organization than by the performance of the services or functions by the City.
3. Programs or special events supported by the City must be open to the public and be free of charge. Donations, however, are not prohibited.

ATTACHMENT 1

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POLICY (Continued)

4. It is the policy of the City to encourage similar organizations to operate in a coordinated cooperative manner. If the City funds an "umbrella" organization for federated support of similar activities, then the City will not independently fund other organizations which should properly be part of the "umbrella" organization.
5. The City will only provide funding support to a legally constituted nonprofit corporation completely directing and in complete control of its own affairs through its own officers or members. Support for special events must also be directed to a sponsoring nonprofit corporation. It is the policy of the City to fund local community organizations only. A representative of the City designated by the City Manager shall conduct liaison with the corporation and shall be permitted to attend meetings of the board of directors of such organizations.
6. The City will not provide funding support to a private organization for the conduct of any religious or political activity.
7. The City will only provide funding support to a private organization that, in the conduct of its activities and affairs, adheres to the objectives of the City's Affirmative Action Program. The organization must not discriminate against any person because of sex, race, color, creed, national origin, physical handicaps, or age.
8. The City Council retains the prerogative to waive any policy or requirement herein contained. The Council may also impose such other conditions on City support to private organizations as it deems appropriate.

B. Funding

1. Expenses must be both incurred and paid by an organization before the City will release funding to the organization, except as otherwise may be provided.
2. Expenses must be incurred during the City's fiscal year (July 1 - June 30) for which the program is funded, except as otherwise may be provided.
3. City funds may not be used for travel, meals, lodging or entertainment expenses, except as otherwise may be provided.
4. City funds will be used only to assist an organization in its annual operating program or in its sponsorship of special events. City funding will not be used for capital or equipment outlay, for the purchase of awards, trophies, gifts, or uniforms, nor for the buildup of reserves.

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POLICY (Continued)

4. Funding of special events will be predicated on a 1:1 City: other match of funds (dollars) guaranteed by the sponsoring organization to be secured from sources other than the City. Funding of an operating program will be predicated on a minimum 3:1 City:-other match of funds (dollars) guaranteed by the recipient organization to be obtained from sources other than the City. Any support services provided by the City shall be considered as City funds. Donated services or products may not be considered as matching funds.
5. Except as otherwise may be provided, funding for an operating program will be predicated on organization matching every City funded dollar with at least three dollars from sources other than the City. Funding for a special event will be predicated on organization matching every City funded dollar with at least one dollar from sources other than the City. Any support services provided by the City shall be considered as City funds. Donated services or products shall not be considered as matching funds.
6. Funding for private organization operational expenses and for sponsorship of special events may be allocated from the City's General Fund or from Transient Occupancy Tax Funds 10223 or 10224, except that, in order to qualify for 10223 funding, the organization's activities or the special event must be promotional in nature. "Promotion" is defined as a program designed to favorably publicize the City of San Diego; such publicity having as its principal audience persons residing outside the San Diego metropolitan area.
7. It is the Council's policy not to fund sports, athletic, or neighborhood events, unless they are of national or international significance, are held in San Diego, and are considered to have substantial promotional value to the City.
8. It is the Council's policy not ^{70 3-13-89 per Leah Behi} to subsidize participation in events held outside the City of San Diego, by individuals, groups or teams, unless there is some unusual, compelling reason why substantial promotional value will accrue to the City because of such participation.

C. Request for Funds

1. It is the City's intent to provide advance notification of the annual application process to a wide distribution of potential organizations that may be eligible for funding. Requests by private organizations shall be submitted by December 15 the third Monday in December of each year for the fiscal year to follow and shall be supported by appropriate documentation prescribed by the City Manager and promulgated in a procedural guide.

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POLICY (Continued)

2. A request for special event funding may be submitted at any time; however, when feasible the submission should meet the schedule described in paragraph G.1. above.
2. One-time special event requests must be accompanied by the same documentation outlined in paragraph C.1. above, except that financial data may be confined to the special event. A disclosure of the full-year fiscal status of the sponsoring organization will not normally be required.
3. If an organization (through a waiver of A.3) charges fees for admission to or participation in an event, the organization's request for funding must include a disclosure of all such fees.
4. All requests for event funding must include a disclosure of all fees that may be charged for admission to or participation in an event.
4. Initial requests for funding must, additionally, be accompanied by documents which evidence the existence of the organization as a legal entity in good standing. Such documents shall be determined by the City Manager and promulgated in a procedural guide.

D. Evaluation of Requests

All requests for support by private organizations will be referred to the City manager for analysis and subsequent recommendations to the City Council. All requests will be reviewed and evaluated in the light of the criteria of this Council Policy.

E. Agreements

1. No expenditure may be made out of any appropriation until a written agreement setting out the terms and obligations of the parties has been consummated. The agreement will specify in detail the services or functions to be performed, the nature of the payment or reimbursement schedule, and the financial reporting requirements.
2. All agreements will provide that the City may withhold funds from the contracting organization and terminate its entire obligation upon notice to the organization if the organization violates any of the terms of the agreement, or for other good cause shown not related to a violation of the terms of the agreement. The City Manager shall thereafter advise the City Council of the notification of termination made to the organization.

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POLICY (Continued)

3. Compliance with the terms and conditions of agreements shall be determined by the City Manager.

F. Financial Disclosure

1. Financial disclosure information shall be required of all funding recipients. Organizations receiving "operational expense" funding shall provide the Contract Administrator each year copies of true, accurate and complete financial disclosure documentation evidencing the financial status of the organization's last complete fiscal year within 60 ninety (90) days of the end of that fiscal year. Organizations receiving "event" funding shall provide the Contract Administrator within sixty (60) ninety (90) days following the event copies of true, accurate and complete financial disclosure information with respect to all funds expended and received by the event. Such documents shall include the following:

- a. A budget estimate
- b. A profit and loss or operating statement
- c. A balance sheet

Financial disclosure information of organizations receiving funding of \$10,000 or more must be audited by a certified public accountant.

- a. A statement of the expenditure of City funds by program to be identified in the same expenditure classifications as contained in the final budget and compared with budgeted amounts.
- b. A statement of compliance with the terms of the City's agreement.
- c. A statement of revenues and expenditures and a balance sheet of all funds received by the organization.
- d. If City funding is \$20,000 or greater, audited financial statements including items a, b and c above, must be prepared by an independent Certified Public Accountant.

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POLICY (Continued)

2. An organization receiving funding support shall:
 - a. Permit the City to inspect all books and records at any time, and to perform or require audits the City reasonably desires.
 - b. Obtain, unless excused by the Auditor and Comptroller, an audit by a certified public accountant upon the resignation, retirement or discharge of its executive director or other managing agent, or a majority change in the membership of the board of directors. A copy of such audit shall be filed with the City before any further City funds are released to the organization.

Adopted by Resolution No. 183022 03/09/65
Amended by Resolution No. 191654 09/21/67
Amended by Resolution No. 211279 08/08/74
Amended by Resolution No. 218061 04/05/77
Amended by Resolution No. 220777 05/01/78
Amended by Resolution No. 222451 12/19/78
Amended by Resolution No. 254157 05/11/81

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Explanation of Proposed Revisions
Council Policy 100-3

Proposed changes are indicated by bold type.

Page 1, Section A, Number 3

"Programs or special events supported by the City must be open to the public and be free of charge. Donations, however, are not prohibited."

This section is often waived as many groups must charge admission to offset costs. However, it appears inconsistent that the provision be directed at only special events. Many organizations receive funding to support general operating costs. Therefore, it is recommended that "programs" also be included in this provision.

Page 2, Section B, Number 1

"Expenses must be both incurred and paid by an organization before the City will release funding to the organization, except as otherwise may be provided."

The City releases Special Promotional Programs funding on a reimbursement basis. This ensures that City funds are expended in accordance with the Council Policy (which prohibits certain uses) and for the specific purposes identified in the group's application.

Many groups request money in advance and therefore have no substantiation of an expense and sometimes have no other funding source available. Groups that have planned their budget in anticipation of receiving City monies in advance find themselves in a difficult situation when they are made aware of this requirement.

Placing this explanation in the Council Policy forewarns groups of the requirement and gives them an opportunity to explain their special needs in advance. Should the group request and receive a waiver, the City can then provide for the group's needs in their agreement.

Page 2, Section B, Number 2

"Expenses must be incurred during the City's fiscal year (July 1 - June 30) for which the program is funded, except as otherwise may be provided."

Organizations receiving funding are often unaware that the City does not normally reimburse expenses from previous fiscal years. This requirement is

intended to encourage special events scheduled early in the fiscal year to plan for expenses that might occur prior to July 1. It is anticipated that groups facing this situation will request a waiver so that they might apply City funding to those early expenses or that they will plan to use monies other than City funding to meet these demands.

Page 3, Section B, Number 3

"City funds may not be used for travel, meals, lodging or entertainment expenses, except as otherwise may be provided."

Because these types of expenses can be controversial and difficult to monitor, this proposed revision is intended to encourage groups to apply other than City funding toward travel, meal, lodging or entertainment costs. It is anticipated that some of the larger organizations and organizations which receive most of their funding from the City will request waivers. However, the addition of this provision should result in heightened sensitivity in regard to the expenditure of City funds.

Page 3, Section B, Number 5

"Except as otherwise may be provided, funding for an operating program will be predicated on organization matching every City funded dollar with at least three dollars from sources other than the City. Funding for a special event will be predicated on organization matching every City funded dollar with at least one dollar from sources other than the City. Any support services provided by the City shall be considered as City funds. Donated services or products shall not be considered as matching funds."

This proposed revision is a rewording of a current requirement. The new text is proposed to clarify the intent to encourage groups to explore additional sources of funding.

Page 3, Section B, Number 6

"Funding for private organization operational expenses and for sponsorship of special events may be allocated from the City's General Fund or from Transient Occupancy Tax Funds 10223 or 10224, except that, in order to qualify for 10223 funding, the organization's activities or the special event must be promotional in nature. "Promotion" is defined as a program designed to favorably publicize the City of San Diego; such publicity having as its principal audience persons residing outside the San Diego metropolitan area."

The only change to this provision is a more accurate representation of fund numbers (i.e. from 223 to 10223, and from 224 to 10224).

Page 3, Section B, Number 7

"It is the Council's policy not to fund sports, athletic, or neighborhood events, unless they are of national or international significance, are held in San Diego, and are considered to have substantial promotional value to the City."

This proposed revision adds "neighborhood" events to the list of events which the Council would not normally fund. This revision is proposed in response to the Public Services and Safety Committee's intention not to fund neighborhood events through Special Promotional Programs.

Page 3, Section C, Number 1

"It is the City's intent to provide advance notification of the annual application process to a wide distribution of potential organizations that may be eligible for funding. Requests by private organizations shall be submitted by the third Monday in December of each year for the fiscal year to follow and shall be supported by appropriate documentation prescribed by the City Manager and promulgated in a procedural guide."

This proposed revision reflects the intent to provide advance notification of the application process to potential organizations eligible for funding. It also replaces the exact due date (December 15) with the third Monday in December. This will alleviate the confusion that arises when December 15 falls on a weekend.

Page 4, Section C, Number 3

"If an organization (through a waiver of A.3) charges fees for admission to or participation in an event, the organization's request for funding must include a disclosure of all such fees."

Because Section A.3 encourages events that are to be free of charge, this section appears to be inconsistent by discussing the disclosure of fees.

It is proposed that this section be modified to explain that if an event, through a waiver of A.3, is charging admission, then a disclosure of fees must be included with the funding application.

Page 5, Section F, Number 1

"Financial disclosure information shall be required of all funding recipients. Organizations receiving "operational expense" funding shall provide the Contract Administrator each year copies of true, accurate and complete financial disclosure documentation evidencing the financial status of the organization's last complete fiscal year within ninety (90) days of the end of that fiscal year. Organizations receiving "event" funding shall provide the Contract

Administrator within ninety (90) days following the event copies of true, accurate and complete financial disclosure information with respect to all funds expended and received by the event. Such documents shall include the following:

- a. A statement about the expenditure of City funds by program, to be identified in the same expenditure classifications as contained in the final budget and compared with budgeted amounts.
- b. A statement of compliance with the terms of the City's agreement.
- c. A statement of revenues and expenditures and a balance sheet of all funds received by the organization.
- d. If City funding is \$20,000 or greater, audited financial statements including items a,b and c above, must be prepared by an independent Certified Public Accountant."

Proposed revisions to this section of the Council Policy are intended to serve several purposes. Currently, groups are expected to submit all financial disclosure information within 60 days after the close of their fiscal year or 60 days after their event. The 60 day time frame has proven to be a hardship for many groups. Therefore, it is proposed that an additional 30 days be allowed, thereby extending the time frame to 90 days.

Since the last revision of this Council Policy in 1981, the Auditor has refined and updated financial disclosure requirements. One important requirement is that an organization show how City monies were applied throughout the year as opposed to the more common practice of an overall summary showing how overall funding was applied. It is proposed that the Council Policy be revised to reflect the current requirements.

The current provision requires an audit by a Certified Public Accountant (CPA) if City funding is \$10,000 or greater. Because of the expense associated with a CPA audit, it is proposed to increase the City funding level requiring a CPA audit to \$20,000.

Page 6, Section F, Number 2a

"An organization receiving funding support shall:

- a. Permit the City to inspect all books and records at any time, and to perform or require audits the City reasonably desires.
- b. Obtain, unless excused by the Auditor and Comptroller, an audit by a Certified Public Accountant upon the resignation, retirement or discharge of its executive director or other managing agent, or a majority change in the membership of the board of directors. A copy of such audit shall be filed with the City before any further City funds are released to the organization."

Because most organizations funded by the City experience majority changes in their boards of directors annually (not always at the close of their fiscal year), the audit requirement can present a hardship. Therefore, it is proposed to delete Section b and to add a qualifier in Section a which provides the City with the right to perform or require an audit any time the need arises.

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MAR 6 1989

Passed and adopted by the Council of The City of San Diego on.....
by the following vote:

Council Members	Yeas	Nays	Not Present	Ineligible
Abbe Wolfsheimer	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ron Roberts	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gloria McColl	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
H. Wes Pratt	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ed Struiksma	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
J. Bruce Henderson	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Judy McCarty	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bob Filner	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mayor Maureen O'Connor	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

AUTHENTICATED BY:

MAUREEN O'CONNOR
Mayor of The City of San Diego, California.

(Seal)

CHARLES G. ABDELNOUR
City Clerk of The City of San Diego, California.

By *Rhonda R. Barnes* Deputy.

Office of the City Clerk, San Diego, California

Resolution Number R-272990 Adopted MAR 6 1989

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CITY CLERKS OFFICE
SAN DIEGO, CA

MAR 1989

OFFICE OF THE CITY CLERK

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MAR 1989