



# Information Item

To: Mayor and City Council  
From: Gordon R. Anderson, Assistant Manager  
Subject: Policy Related to Use of Council Contingency Funds

## **Introduction**

During recent meetings, Council has expressed interest in developing a structure or policies related to the use of its contingency funds. Policy choices to consider include leaving the process as it is, establishing grant-like application procedures, establishing a series of criteria or developing a hybrid of the options. Staff suggests that establishing criteria that take into account recent uses of the funds and the adopted Community Priorities would provide flexibility to address immediate community needs while providing a known framework for the use of the funds. This information item is provided to engage Council discussion on January 6. Following that discussion, staff will draft a policy for formal Council action.

## **Discussion**

Each fiscal year, the City Council is provided a contingency fund for unanticipated expenditures of importance to the Council that arise during the year. These funds are allocated by a majority of Council at a public meeting. The funds allocated for this purpose have varied over the years and is currently budgeted at \$100,000 annually.

Council has requested that staff present various options to discuss how the funds could be allocated.

For the last five fiscal years, Council has appropriated an average of \$71,300 from its contingency funds. Early in the decade, during challenging City budget times, some of this budget funded services of high priority to the Council that were at risk of being reduced or de-funded, such as tree and park maintenance and the mounted Police Unit. Most of the funds over the past five years were allocated to meet the immediate needs of a community group or for student assistance. Groups allocated funding include: Santa Monica Symphony, 18<sup>th</sup> St. Arts Complex, Santa Monica Playhouse, Santa Monica College fireworks and various Santa Monica High student activities. A detail list of Council Contingency fund uses is attached.

### Policy Considerations

Various policy options on spending have been raised by Council members such as continuing to use the funds on an as-needed, as-requested basis; developing a funding request procedure; and developing funding criteria. Council could consider any of these options, a hybrid of the options, or others not listed.

### *Current Method*

This method would leave the Council contingency use as it has been with no formal procedure for allocation of funds. Under this option Council has the ability to allocate funds on an as-needed basis as long as funds are available. This allows Council to contribute to specific immediate needs of groups and the community. This provides the

most flexible option for Council and allows funds to be distributed on a fairly quick basis. This option does not provide for any competitive process for groups and community interest to submit request for the funds and to make an argument for the allocation.

### *Fund Request Procedure*

Council could develop a formal procedure through which groups and individual community members compete for funding. A process could be developed that simulates a grant process whereby on a regular basis, quarterly for example, a formal notice would be issued alerting the public to the availability of funds and providing an application. The applications would then be screened with funding recommendations developed by Council members or a Council subcommittee. This process provides an open, competitive process for community members and groups to access the contingency funds.

### *Funding Criteria*

Specific funding criteria could be established to formalize the allocation of Council contingency without implementing a formal grant-like process. Analyzing the past five years of Council contingency programming, criteria could include:

- Assistance to School groups/students – provide matching funds to provide the opportunity for students or teachers to participate in regional, national, or international conferences that would provide a benefit to the community.
- Community Event – provide funding assistance for a community event open to the public.

- Community Group – provide funding for immediate, unanticipated needs of local non-profit or other community group that provide a benefit to the community.
- Restoration or funding of specific services – provides the opportunity for the Council to provide funding for a specific project or service that is unfunded or under-funded elsewhere in the budget, on a one-time or continuing basis.

The criteria could also encompass a requirement for the use to further the goals of the Community Priorities:

1. Address the impacts of homelessness on the community.
2. Enhance the quality of life, safety and community involvement of residents in the Pico Neighborhood.
3. Ensure the residents receive timely and responsive service from all departments and that the City's regulatory processes are fairly, efficiently and courteously administered with a high degree of predictability for customers moving through a process.
4. Incorporate ways to achieve the goals of the Sustainable City Plan into daily activities and special projects.
5. Capitalize on Santa Monica's climate and community amenities to promote "active living."

Establishing funding criteria, such as those listed above, would provide flexibility to meet unanticipated community needs while providing a framework for the use of the contingency funds.

### Other Considerations

Council should also consider what type of verification is desired once the funds are allocated. Beginning in 2006, staff required a short agreement be executed with the recipient outlining the scope of what Council authorized the funds for. This has created a mechanism for recipients to be accountable for proper use of the funds. Council should also consider requiring recipients to provide a sample work product or a brief report to further confirm that the funds were used for the intended purpose.

### Conclusion

While Council discusses these and other options to manage its contingency funds, Council should consider how funds have been used in recent years, how request are presented to Council members and how successful the use of the funds has been. Having greater flexibility in the use of the funds has advantages, such as the ability to provide funding in a very short time period and for a wide range of community needs. Establishing criteria could ensure that the funds are applied to a use that addresses a Council and Community priority. Requiring a report or other verification would provide Council and the community with assurance that the funds were used for the intended purpose.

### **Prepared By:**

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## ATTACHMENT A - Use of Council Contingency Fund

### FY 01-02

<b>Beginning Budget</b>	<b>\$117,400</b>
Santa Monica High School Orchestra (Carnegie Hall)	\$15,000
Santa Monica Playhouse*	\$75,000
League of Women Voters - Smart Voter	\$1,000
Balance	<b>\$26,400</b>

### FY 02-03

<b>Beginning Budget</b>	<b>\$117,400</b>
Samohi Band	\$10,000
Santa Monica College Fireworks 03 (add'l funding)	\$10,655
Santa Monica Symphony *	\$11,505
Mounted Unit for 6 months*	\$12,500
18th Street arts complex planning initiative*	\$20,000
Balance	<b>\$52,740</b>

### FY 03-04

<b>Beginning Budget</b>	<b>\$110,000</b>
Tree replacement reinstatement*	\$4,500
Park maintenance reinstatement *	\$20,000
PERS retirement benefits for Council*	\$8,000
Port-a-potties*	\$2,000
<b>Revised Budget</b>	<b>\$75,500</b>

Michelle Kenney (India trip for Samohi students)	\$2,500
Santa Monica HS Orchestra (Vienna)	\$25,000
Balance	<b>\$48,000</b>

### FY 04-05

<b>Beginning Budget</b>	<b>\$74,400</b>
Big Blue Bus (charter bus for Playa Vista hearings in LA)	\$342
Santa Monica Conservancy (training/education)	\$2,700
Santa Monica High School - (Choral/Hawaii)	\$25,000
Santa Monica College Fireworks 05	\$15,000
Heal the Bay 20th Anniversary	\$25,000
Balance	<b>\$6,358</b>

### FY 05-06

<b>Beginning Budget</b>	<b>\$74,400</b>
Linda Kovaric - (Teacher) Beijing Conference	\$1,000
Meals on Wheels West - relocation expenses	\$24,807
Santa Monica College Fireworks 06	\$15,000
18th Street Arts Complex	\$30,000
Balance	<b>\$3,593</b>

### FY 06-07

<b>Beginning Budget</b>	<b>\$103,560</b>
Project Echo	\$15,000
Martin Luther King Jr. Westside Coalition	\$22,500
Balance	<b>\$66,060</b>