



DATE: March 5, 2019

TO: Mayor and City Council

FROM: City Manager

SUBJECT Introduction of the Hayward Community Foundation Concept, Formation Process, and Authorization for the City Manager to Establish an Affiliate Fund with the East Bay Community Foundation to Create the Hayward Community Foundation

RECOMMENDATION

That the City Council reviews, comments on, and adopts the attached resolution (Attachment II) authorizing the City Manager to establish an Affiliate Fund with the East Bay Community Foundation to create the Hayward Community Foundation and to take all other administrative actions necessary.

SUMMARY

The concept of a Hayward Community Foundation (HCF) came as a result of the first round of the Commercial Cannabis Permit Program. Under this program, the City Council required each would-be commercial cannabis operator to describe the proposed community benefits. By creating a HCF, these entities can provide a community benefit through donations or support to the HCF. The HCF, in exchange, will handle the distribution of the community benefit contributions.

Staff recommends the creation of an Affiliate Fund with the East Bay Community Foundation to begin the process of establishing the HCF. The Council Budget and Finance Committee received a report on this item at their December 5, 2018 meeting and supported bringing this recommendation forward to the entire Council.

BACKGROUND

Community Foundations are non-profit organizations that utilize philanthropic contributions and grants to fund or provide support to local communities and their local non-profit organizations. Funding for these foundations can come in many forms, whether through individual contributions, bequests, or through corporate or foundation-based grants. Community Foundations provide value to local communities through grant making or by facilitating the collective pooling of resources to reduce the overhead costs of running a non-profit organization.

The concept of a HCF came as a result of the first round of the Commercial Cannabis Permit Program. Under this program, the City Council required each would-be commercial cannabis operators to describe their proposed community benefits. Cash payments to local area non-profits was one of the most commonly articulated community benefits. However, leaving this distribution of donations up to the discretion of cannabis operators may not be in the best interest of the community, as they may direct funds to non-profit organizations that do not address the most pressing needs of the community. By creating a HCF, these entities can provide a community benefit through donations or support to the HCF. The HCF, in exchange, will handle the distribution of the community benefit contributions.

Additionally, a future HCF could assist local area non-profits by reducing their operating and administrative overhead costs through the creation of individual funds to support each specific non-profit.

The Council Budget and Finance Committee received a report on this item at their December 5, 2018 meeting and supported bringing this recommendation forward to the entire Council.

DISCUSSION

Establishing a community foundation is a labor-intensive endeavor, one that requires specialized knowledge in fundraising, grant making, and non-profit (501c3) financial regulations and reporting requirements. These activities will require dedicated community members to help develop and scale a sustainable community foundation.

To assist in the formation of the Hayward Community Foundation, staff recommends pursuing a conservative approach to ensure that the Foundation will successfully launch. This approach consists of developing a community affiliate fund with an existing local community foundation. An affiliate fund provides access to staff, knowledge, and expertise along with the organizational structure to manage assets and meet regulatory requirements. Furthermore, this approach can be done at a cost less than hiring full-time staff, resulting in more assets being leveraged to further growth in the fund and local grant making.

Staff researched several community foundations, including the Silicon Valley Community Foundation, Greater Horizons—Greater Kansas City Community Foundation, and the East Bay Community Foundation, to identify a place to incubate the HCF. Staff recommends pursuing an Affiliate Fund with the East Bay Community Foundation (EBCF), as they have local knowledge of the area and have provided similar, “incubation” services for newer community foundations like the Richmond Community Foundation, the Berkeley Community Fund, and the Rodeo-Crockett Community Foundation.

Proposed Community Affiliate Agreement

The proposed Community Affiliate Agreement (Agreement) provides the HCF with the ability to create one or more funds to finance charitable activities within the City with the purpose of pursuing the broader East Bay Community Foundation mission of leveraging

community assets to advance a “Just East Bay – where all communities have supports in place not only to survive, but to thrive.”

Under the agreement, all fund assets would be property of the EBCF in its corporate capacity. The HCF would appoint a “distribution committee” to consult, advise, and make recommendations for distributions from the Foundation’s various funds. The composition of the distribution committee can be determined by the Council at a future date. Ultimately, when the distribution committee is confident the HCF can sustain itself on its own, they may elect to transfer their assets out of the EBCF and into an independently established HCF.

The EBCF will assist the new foundation with a variety of program services that provide a framework to evaluate community needs, grant making policies and procedures, process payments, and track or assist in the tracking of grants made by the Hayward Community Foundation. The EBCF will also hold, manage, invest, and reinvest the assets in the fund for a designated fee.

The agreement provides for additional services such as assistance with the review and evaluation of grant proposals, participation in development meetings with prospective donors, and assistance with marketing activities.

Local non-profits would be able to open an Agency fund under the Hayward Community Foundation. In this arrangement, the East Bay Community Foundation would handle the investing of the assets and would provide quarterly statements and financial results to the non-profits.

Jeri Boomgaarden, Managing Director of Donor Services & Senior Development Officer from the EBCF, will be present at this meeting to answer any questions.

ECONOMIC IMPACT

Community Foundations provide an avenue to capture and direct charitable giving activities to a given City. By directing these streams of funding toward non-profit organizations or other social programs, the foundation can help catalyze community prosperity through grants to various individuals, community groups, and organizations. Furthermore, non-profit Community Foundations provide corporations and individuals access to tax advantages like the federal charitable giving tax deductions.

FISCAL IMPACT

Under the proposed agreement, the EBCF would charge the initial funds for investment expenses, administrative fees, and any custom service fees. The EBCF estimates the following ranges for investment expenses on an investment pool basis:

Table 1: EBCF Investment Pool Annual Expense Rates

Cash Pool	0.15% to 0.25%
Short-Term Pool	0.40% to 0.60%
Intermediate-Term Pool	0.60% to 0.90%
Environmental, Social Governance Pool	0.60%
Long-Term Pool	0.70% to 1.10%

Administrative fees for a fund under \$5 million will be 1% or \$500, whichever is greater.

There is no fiscal impact for the City currently. The initial HCF assets shall come from those approved commercial cannabis operators who indicated they would donate portions of their proceeds for community benefit purposes. However, the Council at its discretion, may wish to provide additional General Fund funding to assist in the initial activities of the HCF.

STRATEGIC INITIATIVES

This agenda item supports the Complete Communities strategic initiative. The purpose of the Complete Communities initiative is to create and support structures, services, and amenities to provide inclusive and equitable access with the goal of becoming a thriving and promising place to live, work and play for all. Specifically, this item supports the following goal:

Goal 1: Improve quality of life for residents, business owners, and community members in all Hayward neighborhoods.

NEXT STEPS

Following this item, staff will take the next steps to finalize the affiliate agreement with EBCF and work to establish the Hayward Community Foundation. Staff will return for future Council approval of the appropriation of cannabis community benefit dollars.

Prepared & Recommended by: John Stefanski, Management Analyst II

Approved by:



Kelly McAdoo, City Manager