Staff Report

OUTSIDE FUNDING REQUEST PROCESS

May 26, 2015

BACKGROUND:

In 2011, the City Council directed City staff to develop a streamlined process to manage requests for funding from outside community organizations. These organizations provide services that do not fit with the ASSET or COTA processes. City staff developed a grant application process, which has been in use for the last four budget approval cycles.

In this process, applications are made available in the fall and are due by November 15th. Initial request amounts are reported to the City Council at the budget guidelines meeting in late November. In January, the requests are reviewed by a committee made of City staff and at least one community member. This committee recommends funding amounts and provides comments regarding the requests to the City Manager. The recommendations are then forwarded to the City Council for discussion at the Budget Wrap-Up meeting during the second week of February.

ISSUES:

This process has been successful in streamlining the receipt of requests and standardizing the information gathered from the organizations. However, its timing and process have yielded several issues. In each area, this process may benefit from using steps similar to the ASSET process. The issues are as follows:

1. What Are The City Council's Priorities?

Both the applicants and the review team conduct their work without any knowledge of the City Council's interests. The review team evaluates applications based on the previous set of services offered by that applicant, and based on three broad priorities approved by the City Council when establishing the program: 1) a program or activity that would otherwise be operated by the City at a greater cost; 2) requests that have a broad-based appeal to the community; and 3) requests that provide a unique benefit or service to the community. **Only when the City Council makes its final decisions does the public become aware of what the Council's priorities are.**

For the ASSET process, the City Council identifies its priorities in the summer, prior to the applicants developing their budgets. This allows applicants to understand what services the City is interested in purchasing and provides for more successful applications. **That same type of prioritization may help improve the process for outside funding requests.** However, the types of services purchased through the outside funding request process vary widely. The City purchases special events,

coordination activities, facilities for the public, and international delegation hosting, among others. It may be challenging to develop clear priority categories.

Issue 1- Options to Consider

Option 1: Direct staff to prepare for a City Council discussion of outside funding priorities each summer prior to publishing the annual application. City staff would analyze past applications and recommend priority categories.

Option 2: Do not provide priorities in advance of receiving applications (status quo). This option allows applicants to offer the services that they believe should be the priority for the City Council to fund.

2. How Much Funding Should Be Made Available?

Funding for the 2015/16 contracts is authorized at $138,180. Over the past four years, the amounts authorized have outpaced the growth in the Local Option Sales Tax Fund, which is the source of revenue for this process:

Year	Authorized Funding	Avg. Annual Change	Avg. Annual LOST Fund Change
2015/16	$138,180		
2014/15	$167,000 (total) *$128,500 (excl. one-time requests)*	8.2%	2.1%*
2013/14	$128,200		
2012/13	$111,000		

using FY 2015/16 projected LOST revenue

Currently, the Review Team does not know how receptive the City Council might be to large request increases or to new services, because there has not been a discussion as to the City Council's interest in the total funding amount allocated. This process differs from the ASSET process, in which the City Council identifies an amount in advance that can be used towards the total program allocations. The ASSET model requires the volunteers to evaluate the tradeoffs between different programs to determine where City funds may be best spent.

Issue 2 - Options to Consider

Option 1: Direct staff to ask the City Council for a maximum amount of funding that may be considered by the review team. This discussion would take place at the budget guidelines session in November. The maximum amount of funding available could be adjusted based on the initial look at proposed services, the projected Local Option Sales Tax revenue, or other factors.

Option 2: Do not provide advance guidance regarding the amount of funding allowed (status quo). Under this option, the review team would have discretion

to determine the recommended funding amount without regard to the total amount recommended.

3. How Should Staff Pursue Contracts When Purchasing Less Than Applicant Request?

In situations where the City Council approves funding in an amount equal to the applicant requests, developing the contract is a straightforward process of documenting what the applicants indicated their services would be and inserting the amount approved. Where the City Council approves <u>less</u> than the applicant request, however, City staff is left to identify what the City Council is interested in purchasing and at what cost.

ASSET services are purchased on a cost per unit basis. For example, the City might purchase 76 dental clinic visits for $34.23 per visit through ASSET. If the City decides it wants to pay less in total for an ASSET service, the cost per unit remains the same and the number of units purchased decreases. The current outside funding request process makes it difficult to break requested services into units that can be purchased a la carte because outside funding requests are not always as service-focused as ASSET.

If the City Council establishes outside funding priorities, City staff would be able to focus contract discussion on purchasing those priorities. There may also be an opportunity to indicate on the application what services are the lowest priority if the full request is not funded. The application could be modified to gather details about the unit cost of each service, so the City may elect to not fund entire units based on the amount awarded by the City Council.

Issue 3 - Options to Consider (note that more than one option may be selected)

Option 1: Direct staff to modify the application to focus more specifically on the unit cost of each activity. This would disallow applicants from seeking City funds for items such as "overhead" or "administration" and would require that funds be tied to specific, tangible services for the public.

Option 2: Direct staff to modify the application to ask the applicant to prioritize their own proposed services. This would allow for a clearer understanding of the activities that the applicant would prefer to cut if full funding from the City was not received.

Option 3: Do not direct staff to modify the application (status quo). Under this option, in situations where the City Council approves less funding than the request, City Council has the option to provide guidance for services or costs that must be in the contract. It would be up to City staff and the applicant to negotiate the services based on what the applicant wants to provide and what City staff's understanding is of the Council's priorities.

STAFF COMMENTS:

This outside funding request process, initiated by the City Council in 2011, has been helpful in consolidating the requests so they can be considered at one time. The City has had substantial success with the process employed by ASSET to allocate an even larger pool of money. ASSET funding is similar in that the organizations and services funded are very different. **The outside funding request process could benefit from borrowing some of the characteristics that have made ASSET successful to clarify the expectations both for applicants and the team that reviews applications prior to City Council review. These characteristics include the City Council identifying priorities in advance, the City Council identifying a maximum amount of funding in advance, and greater focus on a prioritized list of service-focused activities to aid in decision making.**

Therefore, City staff recommends that the City Council consider directing the following changes to be made to the outside funding request process:

Issue 1: What are the City Council's priorities?
- **Option 1: Direct staff to prepare for a City Council discussion of outside funding priorities each summer prior to publishing the annual application.**

Issue 2: How much funding should be made available?
- **Option 1: Direct staff to ask the City Council for a maximum amount of funding that may be considered by the review team.**

Issue 3: How should staff pursue contracts when purchasing less than the applicant request?
- **Option 1: Direct staff to modify the application to focus more specifically on the unit cost of each activity.**

    AND

- **Option 2: Direct staff to modify the application to ask the applicant to prioritize their own proposed services.**