

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 12, 2001
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
FROM: PHILIP SUNDERLAND, CITY MANAGER *PS*
SUBJECT: REVISED RECOMMENDATIONS ON THE REPORT OF THE CAPITAL DEVELOPMENT OFFICE TASK FORCE

ISSUE: Revised staff recommendation on the report of the Capital Development Office Task Force.

RECOMMENDATION: That City Council:

- (1) Receive this staff report, which includes the revised recommendations regarding the operation of the proposed capital development foundation, and hold the previously scheduled public hearing on the proposed capital development foundation on April 21, 2001;
- (2) Docket this item for final Council approval on May 8, 2001; and
- (3) On May 8, authorize the Task Force to hold a final meeting for the purpose of: (a) designating a member of the Task Force to prepare an initial draft of the necessary incorporation documents; (b) recommending to City Council the three initial foundation board members, who shall also be charged with filing for the incorporation of the foundation; and (c) reviewing the proposed name for the foundation. Upon Council's receipt of these final recommendations from the Task Force, the Task Force shall be disbanded.

BACKGROUND: The Capital Development Office Task Force unanimously recommended that City Council support the development of a charitable foundation to solicit private support for City capital projects. The Task Force presented its recommendation to City Council at a work session on January 13, 2001, and the report was formally received by Council on January 23. On February 28, Council deferred action on the staff recommendation (Attachment 1), pending a meeting with community non-profit organizations and members of the Capital Development Office Task Force.

DISCUSSION: On March 15, the Capital Development Office Task Force met with interested individuals and private, non-profit groups representing a wide array of services and interests, including direct social services, arts, education, and historic preservation. Approximately 35 persons were in attendance. While several of the participants at the meeting on March 15 expressed a concern about the proposed foundation unfairly competing with existing non-profit organizations for donor support, members of the Task Force expressed the view that the establishment of the

foundation may raise the overall level of community philanthropy. Staff concur that the foundation will have a unique vision and mission, and that the establishment of the foundation should not detract in any significant manner from donor support of other organizations in the City of Alexandria.

Another concern raised at the March 15 meeting was that the foundation would have broad authority for the expenditure of funds for public purposes, potentially circumventing the authority and accountability of elected officials with regard to monies expended for public purpose. As envisioned, the foundation's role is to solicit funds only. In the case of a City government capital project, the decision-making authority and responsibility for the expenditure of funds, regardless of the source of the funds (e.g., the City's general revenues, a federal or State grant, or a gift from the capital development foundation) rests fully with the City Council. In the event that a donor provides a gift to the foundation, but has placed specific conditions on the gift, City Council will have complete discretion to accept or reject the gift conditions and, consequently, the gift. In the event City Council declines the gift from the foundation, the foundation will be responsible for returning the gift to the donor.

During the discussion with the Task Force, two additional issues were identified for further clarification. These issues, and related staff recommendations, are addressed below. In the event that the establishment of the foundation is approved, these issues will be addressed in greater detail by the foundation board of directors through the drafting of by-laws and policies. The staff recommendations are meant to provide a general framework to guide the future foundation board of directors.

It is important to note that the foundation, if approved, will require a multi-year period (approximately five years) to become established, and it is unlikely that the foundation will generate funding to direct toward capital projects in any significant amounts during this start-up period.

Issue 1: Will the foundation solicit funding for non-City capital projects (e.g., capital projects of private, non-profit organizations)?

Recommendation: In the initial start-up phase of the foundation, it is anticipated that the foundation board of directors, with Council concurrence, will select a limited number of City capital projects (e.g., two or three specific projects) from the City's Capital Improvement Program (CIP) for which it will **actively** solicit funds. It is anticipated that during the start-up phase, the foundation will focus its active solicitation efforts on projects included in the City's Capital Improvement Program.

During this start-up phase, however, the foundation could also accept, in accordance with guidelines developed by the foundation board, funding that a donor wishes to direct to a specific non-City CIP capital project. Where such a gift is "donor-directed" to a non-profit organization, the foundation would receive the gift and convey it to the non-profit organization for its acceptance.

During this initial start-up period, it is anticipated that the foundation staff would be available to provide technical assistance to non-profit organizations on issues related to fund-raising.

As the foundation matures into a major fund-raising organization (perhaps over a five to ten year period), the foundation may determine that it wishes to include specific private, non-profit capital projects in its fund-raising solicitations. If this were to occur, the foundation board would draft additional by-laws defining the circumstances and procedures under which such solicitations would take place. In that case, the foundation would continue to serve as a conduit, passing donor gifts either to the City Council, in the case of a City CIP project, or to a non-profit organization, in the case of a non-City CIP project gift.

It is not anticipated that the foundation would actively solicit funding under broad categories of support (e.g., education, parks, arts, youth, historic preservation) during the initial start-up period. Should the foundation receive a gift under a broad category rather than for a specific project during this period, it would convey the gift to the City Council for acceptance or rejection, and Council would determine one or more capital projects, within the designated category, to fund with the gift. Over time, and as the foundation matures, the foundation board may consider the option of serving as a grant making organization under broad categories of support. However, the foundation is not envisioned to be a grant making organization for at least five to ten years.

Issue 2: Is the City providing on-going operating support to the foundation?

Recommendation: The City's level of investment in the foundation, if approved, is limited to a total of \$500,000. Staff recommend that this be viewed as a one-time start-up investment in the foundation establishment. The City's contribution to the foundation would include \$170,000 available in the FY 2001 budget, plus \$100,000 included in the FY 2002 proposed budget. Future appropriations would need to be approved by City Council in subsequent budget cycles. The net additional City funding totaling \$330,000 through FY 2005 would be considered in the annual budget process, with a planned City contribution of \$100,000 in fiscal years 2002 through 2004, and up to \$30,000 in FY 2005. The City's continued support for the foundation after FY 2002 will need to be considered in light of the foundation's progress in raising the remaining share of administrative costs during its initial years of operation.

ATTACHMENT:

1. Docket Item 17, February 28, 2001 - Recommendations on the Report of the Capital Development Office Task Force

STAFF:

Lori Godwin, Assistant City Manager

City of Alexandria, Virginia

17
2-28-01

MEMORANDUM

DATE: FEBRUARY 22, 2001
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
FROM: PHILIP SUNDERLAND, CITY MANAGER
SUBJECT: RECOMMENDATIONS ON THE REPORT OF THE CAPITAL DEVELOPMENT OFFICE TASK FORCE

ISSUE: Staff recommendation on the report of the Capital Development Office Task Force.

RECOMMENDATION: That City Council:

- (1) Approve the establishment of a charitable foundation in accordance with the plan recommended by the Capital Development Office Task Force, with the following modification: a limit of \$100,000 in annual funding support from the City of Alexandria, subject to the annual budget process, up to a maximum total contribution from the City of \$500,000 for this initiative; and
- (2) Authorize the Task Force to hold a final meeting for the purpose of: (1) arranging for the preparation of the necessary incorporation documents; (2) recommending to City Council the three initial foundation board members, who shall also be charged with filing for the incorporation of the foundation; and (3) reviewing the proposed name for the foundation and recommending a name to Council. Upon City Council's receipt of the incorporation documents and these final recommendations from the Task Force no later than the end of May, the Task Force shall be disbanded.

BACKGROUND: The Capital Development Office Task Force unanimously recommends that City Council support the development of a charitable foundation to solicit private support for City capital projects. The Task Force presented its recommendation to City Council at a work session on January 13, 2001, and the report was formally received by City Council on January 23 (Attachment 1).

As noted in the report, the Task Force recommends that the City provide financial support totaling approximately \$542,000 for the first five years of the foundation's operation. The Task Force anticipates that the City's funding would be matched by community contributions of nearly \$770,000 for foundation operations.

In return, the goal of the Foundation would be to generate at least \$5,000,000 in restricted contributions in direct support of City capital projects over that same period of time. The Task Force anticipates that this foundation would be self-supporting, and require no funds from the City, following its fifth year of operations.

DISCUSSION: City staff concur with the Task Force that the development of a charitable foundation that is an independent entity working in partnership with the City holds tremendous potential as a mechanism to supplement resources available for City capital projects and projects that will enhance the Alexandria community.

The Task Force report provides a thorough operational plan for the establishment of such a foundation, and staff also concur that there should be only minor adjustments to the plan. At the January 23 City Council meeting, Councilwoman Eberwein requested that the proposed name for the Foundation, "The Alexandria Capital Development Foundation, Inc.," be reviewed. Staff suggests that the naming issue be referred back to the Task Force for review.

As noted in the report, the Task Force recommends that the City provide financial support totaling approximately \$542,000 for the first five years of the foundation's operation. The Task Force budget suggested City financial support that was based on an initial contribution of \$100,000, which would be increased annually by four percent through the fifth year of operation.

The City's FY 2001 budget currently includes a total of approximately \$170,000 (including FY 2000 carry-over funding) for a capital development office, and staff recommend that these monies be made available to facilitate the initial start-up costs and operating costs of the foundation. In addition, future City contributions would be considered in the annual budget process; however, staff recommend that the City's annual appropriation be held constant at \$100,000 through FY 2004, with up to \$30,000 considered in FY 2005, for a total City financial contribution to the foundation of \$500,000. Staff note that the City does not typically factor in an automatic adjustment for financial contributions to public-private partnerships. Such increases, if recommended, must be reviewed in the context of other competing demands for City resources, and in light of available revenues. A fixed annual contribution amount without any annual adjustment also helps to communicate the City's cap in the provision of start-up funding.

Staff also recommend that the foundation be held to the goal of being fully self-supporting by FY 2005. The City's planned financial support by FY 2003 - FY 2005 should also be evaluated against the performance standard for the cost of fundraising recommended in the Task Force report. While staff concur that the foundation will need time to develop its program and see financial results, the City fully expects to see significant progress toward the national standard for the cost of dollars raised of a four to one ratio. (That is, for every \$1 spent by the foundation, it should have raised \$4.)

To proceed with the establishment of the independent charitable foundation, incorporation documents must be prepared and filed. Staff recommends that the Task Force be authorized to prepare the initial draft of these required documents. Staff will assist the Task Force with obtaining independent pro-bono legal assistance to file the documents, following final approval by City Council.

In addition, staff concur with the Task Force that one of the primary keys to success of this initiative is that the foundation "must not be, and must not be perceived to be, an arm of City government. It must be viewed by the community as an independent entity working in partnership with the City for the common good of all the citizens of the community."¹ With this in mind, staff concur that the Task Force should serve as the nominating committee for the initial three members of the Board of Directors for the foundation, who shall also be charged with serving as the incorporation officers for the foundation. The individuals nominated by the Task Force would be confirmed by City Council, and remaining membership of the full Board of Directors would proceed as recommended in the Task Force report, including appointment of the two *ex officio* non-voting members. The *ex officio* members would be a member of City Council appointed annually by the Mayor and a representative of City management appointed annually by the City Manager.

Staff recommend that the Task Force be authorized to meet to complete these administrative tasks related to the establishment of the foundation, and that the Task Force be requested to present its nomination of Board Members and the incorporation documents to City Council for final approval no later than the end of May 2001. No further Council actions would be required for the establishment of the foundation following approval of this final report, and the Task Force would be disbanded at that time. The City's consultant on this project will continue to provide support to the Task Force and staff as necessary during the start-up phase of the foundation.

FISCAL IMPACT: The City's FY 2001 budget currently includes a total of approximately \$170,000 (including FY 2000 carry-over funding) for a capital development office. Staff recommend that the City's total direct cumulative financial contributions for start-up costs and a portion of the initial operating costs for the foundation not exceed \$500,000 through FY 2005, after which time the foundation is expected to be self-supporting. The net additional City funding totaling \$330,000 through FY 2005 would be considered in the annual budget process, with a planned City contribution of \$100,000 in fiscal years 2002 through 2004, and up to \$30,000 in FY 2005. The City's continued support for the foundation after FY 2002 will need to be considered in light of the foundation's progress in raising the remaining share of administrative costs during its initial years of operation.

After the first five years of operation, the City's expectation is that the foundation will be fully self-supporting, and the City's financial contribution will be discontinued.

ATTACHMENT:

1. Docket Item 14, January 23, 2001 - Receipt of the Report of the Capital Development Office Task Force

STAFF:

Lori Godwin, Assistant City Manager
Mark Jinks, Assistant City Manager

¹Task Force Report, page 19.

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1-23-01

City of Alexandria, Virginia

MEMORANDUM

DATE: JANUARY 13, 2001
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
FROM: PHILIP SUNDERLAND, CITY MANAGER *PS*
SUBJECT: RECEIPT OF THE REPORT OF THE CAPITAL DEVELOPMENT OFFICE
TASK FORCE

ISSUE: City Council receipt of the report of the Capital Development Office Task Force.

RECOMMENDATION: That City Council:

- (1) Receive the report of the Capital Development Office Task Force (Attachment 1), and thank the members of the task force for their thoughtful deliberations and hard work; and
- (2) Refer the report to staff for review, with the staff report and recommendation to be docketed at the second legislative meeting in February.

BACKGROUND: On December 14, 1999, City Council adopted Resolution #1971 that authorized the Mayor to appoint a citizen task force to research the establishment of a private, non-profit capital development office. In addition, City Council approved hiring a consultant with private fund-raising expertise to assist the task force in its work. The City issued an Informal Solicitation for Proposals for the consultant assistance, and Mr. Victor Dymowski of St. Clair Partners, LLC was selected in spring 2000.

The Office of Citizen Assistance advertised for volunteer citizens to serve on this task force during the late winter and early spring of 2000. The task force appointments were made in the spring, and the task force held its first meeting in August 2000. The task force met eight times through January 2001, and held a work session with City Council on January 13, 2001, to brief Council on their report and recommendations.

DISCUSSION: The Task Force unanimously recommends that City Council support the development of a charitable foundation to solicit private support for City capital projects, and the Task Force report details the plan for the establishment of such a charitable foundation.

In addition to detailing an operations plan, the Task Force recommends that the City provide financial support totaling approximately \$542,000 for the first five years of the foundation's operation. The Task Force anticipates that the City's funding would be matched by community contributions of nearly \$770,000 for foundation operations.

In return, the goal of the Foundation would be to generate at least \$5,000,000 in restricted contributions in direct support of City capital projects over that same period of time. The Task Force anticipates that this foundation would be self-supporting, and require no funds from the City, following its fifth year of operations.

Staff will review the report, and the projected foundation budget, and return to Council with a recommendation at the second legislative meeting in February.

FISCAL IMPACT: The Task Force recommends City financial support totaling approximately \$542,000 over five years. The City's FY 2001 budget currently includes a total of approximately \$170,000 (including FY 2000 carry-over funding) for a capital development office.

ATTACHMENTS:

1. Capital Development Office Task Force report to City Council, January 13, 2001
2. Task Force roster

STAFF:

Lori Godwin, Assistant City Manager
Paul Doku, Budget/Management Analyst

**City of Alexandria
Capital Development Office Task Force
Report to City Council**

January 13, 2001

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Introduction

On December 8, 1999 Alexandria City Council adopted Resolution 1971 that authorized the Mayor to appoint a Task Force to develop plans for the operation of a capital development fund office. The Task Force was formed and met between August 29 and December 8, 2000.

The resolution listed a number of specific topics City Council wanted the Task Force to address. It directed the Task Force to recommend policies and procedures that would carry this project forward. It also stated that the Task Force's recommendations need not be limited to these specific topics. In the course of its deliberations regarding the feasibility of success for this program, the Task Force did address a number of other issues.

This report is presented in three parts. **Part One** addresses the specific topics listed in Resolution 1971 and the Task Force's recommendations regarding these topics. **Part Two** discusses other issues relevant to the establishment of this foundation in a question and answer format. **Part Three** is a concluding statement that represents the Task Force's consensus on how City Council should proceed with this project in order to give it the best chance of success. The three Addenda contain additional information referenced in the text.

The pursuit of private contributions to support municipal projects is not a new idea. A survey conducted by the International City/County Management Association (ICMA) thirteen years ago, in 1987, indicated that many local governments at that time were actively seeking private support. An article in ICMA's Municipal Year Book 1997 about fund raising by municipalities and public agencies cited this survey and stated:

Not only was the number of local governments undertaking private fund raising larger than anticipated, but some local governments were extraordinarily good at it. Of the almost 1,000 respondents, nearly half reported receiving contributions from private sources (corporations, foundations, and individuals) for a variety of program areas. . . . Some local governments had received gifts of over \$1 million. A full-scale effort to update the 1987 results has not been undertaken but information

obtained through telephone interviews confirms that, nine years later, local government fund raising is on the rise.¹

The Alexandria Library Foundation already exists for the purpose of attracting community support for the public library system. A number of organizations have been developed to seek contributions for various historic sites owned and operated by the City of Alexandria. In nearby Fairfax County there is a public libraries foundation and there will soon be a foundation to support the park system. In light of these and similar efforts around the nation it is entirely appropriate for City Council to consider the role of private contributions in funding City capital projects and to take the steps necessary to attract such support.

The members of the Task Force wish to express their appreciation to City Council for inviting them to be part of this discussion. This is a project that has the potential to help shape our community in very positive ways for the current generation and for many generations to come.

A list of the members of the Task Force is included in Addendum 1.

Executive Summary

This report represents the collective thinking and unanimous opinion of the Capital Development Office Task Force that City Council should support the development of a charitable foundation to solicit private support for City capital projects.

City Council's support for this project would consist of two actions. The first is Council authorization to incorporate The Alexandria Capital Development Foundation, Inc. The second is the designation of City funds to partially fund the first five years of the Foundation's operations in the total amount of approximately \$542,000. These funds would be matched by community contributions of nearly \$770,000 for Foundation operations.

In return the goal of the Foundation would be to generate at least \$5,000,000 in restricted contributions in direct support of City capital projects over that same period of time. In addition, the Foundation expects to be able to receive commitments through wills and estate gifts of approximately \$10,000,000 which would eventually be paid to the foundation at a future time, generally upon the death of the donor. Receipt of these funds would not be expected for at least ten or fifteen years.

In Part One: Task Force Recommendations a series of six recommendations is presented. These statements directly respond to the topics outlined for the Task Force in Resolution 1971. Key among these is the Recommendation 3 that the Foundation's

¹ *Municipal Year Book 1997*, International City/County Management Association (ICMA), "Fundraising from Private Sources: An Option for Local Governments" by Mary Wade.

Board of Directors be responsible for the nomination and election of its own members. Also important is the mission statement in Recommendation 5 which defines the Foundation's mission to solicit "funds that will be deployed on capital development projects that further enhance the ambiance and quality of life in our City." Specific recommendations regarding Foundation policies and practices are outlined in Recommendation 6.

Part two: Discussion of Issues summarizes discussions the Task Force had during the four months it met. These issue discussions cover a range of topics from the need for contributed funds to donor motivation to what should be the short and long-term goals of the Foundation.

In **Part three: Conclusion** the Task Force states its belief that the success of The Alexandria Capital Development Foundation will depend upon real and perceived independence from City government. Thus, if this report, and its recommendation that a foundation be created, is accepted the Task Force strongly recommends that it be accepted with little or no modification. The Task Force believes it has presented a program that will be successful because it is based on sound fund raising principles. Changes that may better suit other considerations may result in creating an organization that donors will find hard to support.

Addenda 1-4 include a listing of the Task Force membership, a job description of an Executive Director of the Foundation, a projected five-year budget for the Foundation, and a list of similar programs from around the nation.

Part one: Task Force Recommendations

Resolution 1971 directed the Task Force to address a number of specific topics. These are:

- A mission statement
- By-laws and incorporation documents
- Composition of a full Board of Directors
- Recommendations regarding desired qualifications and tenures of office for Board members
- Recommendations regarding the origins of Board member nominations
- Guidelines for the solicitation, acceptance and recognition of donations
- A staffing plan and job description for a development director
- Location for the office
- An annual revenue and expense budget

A process for coordinating development office activities with the City government to ensure its activities compliment and support the City's capital improvement program.

Annual goals and objectives

Recommended performance standards

The following set of recommendations addresses these topics.

Recommendation 1: Type of organization and name

A capital development office should be established in the form of a publicly supported, nonprofit, charitable foundation designated by the Internal Revenue Service as a 501 (c) (3) tax exempt organization. The foundation should operate in a way that will fulfill its fiduciary responsibilities including adherence to all IRS regulations, the implementation of annual audits and prudent investment guidelines, and other respected standards of behavior for these types of organizations. The name of this foundation should be "The Alexandria Capital Development Foundation, Inc."

Recommendation 2: Appointment of the initial board

An initial Board of three Directors of the Foundation should be nominated by the Task Force and appointed by City Council if Council approves the establishment of the Foundation.

Note: Resolution 1971 named the Task Force as the initial Board of Directors of the Capital Development Office and directed it to draft Articles of Incorporation, Bylaws and other incorporation documents. However, the Task Force believes it is premature to incorporate or to draft Articles of Incorporation and Bylaws or to take any steps toward the incorporation of a foundation before a decision is made by City Council to proceed with this project. If that decision is made, the Task Force believes it can best serve in the capacity of a nominating committee for the initial three directors.

Recommendation 3: Governing members

Following the appointment of the initial Board of Directors and the incorporation of the Foundation, the Foundation's Board of Directors should be the governing member of the corporation with authority to elect and remove its own Board members and officers, manage its operations, hire staff and, if necessary, dissolve the corporation.

Recommendation 4: Make-up of the full Board

The Board of Directors of the Foundation should ultimately consist of nine voting Directors and two *ex officio*, non-voting Directors. The two *ex officio*, non-voting trustees would be a member of City Council appointed annually by the Mayor and a representative of City management appointed annually by the City Manager. The voting trustees will be volunteers.

Recommendation 5: Mission statement

The following mission statement for the Foundation should be adopted:

The mission of the Foundation is to pursue the vision of a future for Alexandria that is in keeping with its status as a City of beauty, older than America itself, through the solicitation of funds that will be deployed on capital development projects that further enhance the ambiance and quality of life in our City.

The Foundation may elect to support projects identified in the City's Capital Improvements Program, or may identify and support other projects that in its judgment are compatible with the vision. While consultation and cooperation with City Council will be fundamental to the operation of the Foundation, its mission requires that it be a separate body that is neither in fact nor in perception an arm of City Council. At no time will the Foundation raise funds on behalf of programs that in its judgment should be funded solely through tax revenue.

Recommendation 6: Operating plan

The following operating plan should be adopted by the Foundation:

Guidelines for the solicitation of gifts

Prospects should be solicited for projects that will be implemented by the City or for endowment funds that will be held and managed by the foundation.

Donors of significant gifts generally want to influence the future. The successful solicitation of gifts is the result of a process that begins with the articulation of a vision of a better future that can be achieved through financial support. Donors of significant gifts report that being inspired by a vision of a better future and being asked to give are among the two most significant reasons why they give.

In the context of a common vision of a better future the Foundation's Board of Directors and City Council must work in harmony with the community to define fund raising projects that will further that vision.

When such projects have been identified a Case for Support should be developed for each. The Case for Support is an inspirational description of the community benefit of the project in the context of the broad vision of a better future.

This description is bolstered by financial facts and figures to support the importance of private community support for each project. This information will include topics such as the limitations of tax revenues and borrowing, the importance of staying ahead of capital needs to achieve the long-term vision of an enhanced and enriched community and the economic value of contributed support.

In addition to fund raising for specific capital construction projects, the foundation should focus on soliciting funds that can be used to build an endowment fund. Income generated by such endowment funds can, over a long period of time generate substantial income to support future City capital projects.

When fund raising objectives have been identified specific actions need to be taken over time to identify potential prospects for contributions. These actions involve promotional activities undertaken by the Foundation Directors and staff as part of a coordinated marketing plan to make the foundation and its mission well known in the community.

As these activities are pursued prospects will begin to emerge and identify themselves. At that point the Foundation Directors and staff will develop specific strategies for involving and soliciting potential major gift prospects.

Guidelines for the acceptance of gifts

If there is any question about the implementation of projects, recognition donors may expect, or any other issue, the Foundation should serve as a mediator between the donor and City Council or any other agency that may be involved in the process before gifts are accepted. The Foundation should only accept gifts when it is confident the expectations of the donor can be met.

If, despite these efforts, gifts are accepted and later it becomes clear they will not be able to be used as the donor intended, the Foundation must be prepared to return the principal amount donated to the donor unless the donor is willing to change the designation of his or her gift.

The Foundation must take precautions in evaluating and accepting some types of assets as gifts. These would include assets where the immediate value cannot be determined such as privately held stock or assets, such as real estate, that have the potential of putting substantial financial burdens on the Foundation. In addition the Foundation's right to receive some gifts may be deferred while these gifts provide income for donors during their lives.

The formal acceptance of gifts by the Foundation should be accomplished by formal action of the Board of Directors.

Guidelines for the recognition of gifts

Naming facilities in recognition of significant major gifts is a time-honored way non-profit charities have recognized and encouraged donors to make such gifts. However, there are potential difficulties in naming facilities.

For example, donors may bring disrepute upon themselves later in life; embarrassing information about deceased donors may come to light at some future time; facilities named for corporations may be perceived as commercial; there may be the perception

of corruption and influence buying if a donor is perceived as gaining from the donation in some way; or there may be an undesirable image attached to a product or cause associated with the donor.

Therefore it is very important for the Foundation and the City to approach the concept of public recognition thoughtfully. The Task Force recognizes that there is a distinction between the Foundation's responsibility to solicit and receive gifts and its ability to confer names on facilities. Naming facilities constructed by the City is a responsibility of the City Council and the School Board and is not dependent on the source of funds used for construction.

In recognition of certain gifts the foundation may make recommendations to the City Council that facilities or parts of facilities be named in accordance with the wishes of the donor or donors. These recommendations will be put forward under the already existing naming procedures defined by the City and School Board.

Criteria for Foundation Directors

Foundation Board Directors should be recruited based on the following criteria:

Personal and professional integrity

Commitment to the good of the community

The ability and creativity to assist in the development and articulation of the Foundation's vision of an enhanced and enriched Alexandria through contributed support.

The ability and willingness to contribute to the Foundation and to solicit gifts at substantial levels.

Possession of other skills and abilities that may be of particular value to the Foundation.

Nomination and election of Board members

The initial voting members of the foundation board should be nominated by the Task Force and elected by City Council. Their terms in office should be three years.

After the initial three Directors are nominated by City Council the Foundation Board becomes self-perpetuating, responsible for recruiting and electing its own members.

As new members are elected to the Board their terms of office should be set so that each year the terms of approximately one third of the board will end.

The two ex officio, non-voting members of the board should be appointed by the Mayor and City Manager annually.

Selection of Fund Raising projects

Fund raising projects may be developed initially from the list of projects identified in the City's capital improvements program. The Foundation, relying on its contacts with the community and potential donors, and City Council can suggest projects each believes should be on the list. The ultimate decisions must be balanced between the Foundation Directors' belief that a project can attract private contributions and the Council's commitment to proceeding with the project if funding is available.

In addition it may be possible that a potential donor presents himself or herself to the Foundation and expresses a willingness to contribute funds for a project that is not currently in the capital improvements program. In such a situation it is in the City's interest to consider the possibility and desirability of the project.

Specific standards for what constitutes a desirable and possible project should be defined and mutually agreed to by the Foundation and Council in advance of such a possibility presenting itself. These standards would include such considerations as the long-term value of the project and the impact of the project's operating costs on the City's annual operating budget.

It may also be possible that the Foundation's Board of Directors will come to believe that a particular project that is not currently under consideration by the City would gain sufficient support from donors if it were added to the list of approved fund raising projects. In this instance the same procedure described in the previous paragraph for determining the possibility and desirability of a project should be followed.

Finally, donors of long-term bequest gifts will not be in a position to specify which projects their funds should be restricted to and some current donors may not wish to restrict their gifts for specific projects. In those cases it will be in the interest of the City and the Foundation to establish general purpose funds that may specify categories of projects such as parks, schools, libraries, historic sites and open space acquisition.

Foundation Staff

The Task Force envisions a Foundation staff of two individuals: an Executive Director and a staff member to provide support. Foundation staff should be employees of the Foundation, not employees of the City, and will be expected to comply with the code of ethics of the Association of Fundraising Professionals.

A key position will be the Executive Director. This person will be responsible to work closely with the Foundation Directors to provide the guidance, leadership and coordination that will make this project successful. It is very important that this person have substantial experience in the fund raising profession especially in the

areas of major gift fund raising and the development and implementation of bequest solicitation programs.

While not envisioned in the budget prepared for this program, it may be possible that in time a second professional staff member may be hired. This would be a Planned Giving Director. This person would specialize in developing and implementing an estate gift and bequest solicitation program.

A job description for the Executive Director is included in Addendum 2.

Office location

The Task Force recommends that the office of The Alexandria Capital Development Foundation be located in commercial office space near City Hall. This recommendation is based on the importance of the Foundation communicating an image of a close working relationship with the City while maintaining its independence.

Budget and annual financial goals

A projected five-year budget was prepared by the Task Force. The budget assumes the following:

Cumulative operating expenses for the first five years are projected to be \$1,310,007.

City Council will provide operating grants totaling \$541,613 over the first five years.

Community donations to cover the balance of the cost of operating the Foundation during the same period will be raised by the Foundation's Board of Directors. That total is projected at \$768,394.

Contributions restricted to the support of City capital projects are expected to total \$5,000,000 over the first five years of operations.

Annual inflation is estimated at 4%.

The budget and budget notes are included in Addendum 3.

Performance standards

- This fund raising program is envisioned as a joint effort of the Foundation staff and the Board of Directors. Therefore performance standards should be applied to the Foundation as a whole and the performance of both the Board and the staff must be taken into account when looking at the results of the total effort.

The performance of the Foundation must be viewed in terms of the considerable amount of time it will take to develop its program and to see financial results.

However, it is possible to judge on an annual basis whether or not progress is being made toward the ultimate goals. For example it is possible to annually measure the actual unrestricted and restricted gifts received against the projections made at the beginning of each year. Other factors such as the number of contacts with prospective donors can be measured. In addition judgments can be made about the direction, strength of leadership, creativity and persistence brought to the fulfillment of the Foundation's mission by the staff and the board.

Over the long term it is possible to use a measure like the cost of dollars raised. By national standards an acceptable ratio is 4 to 1. That is, for every \$1 spent by the Foundation it should be raising \$4 for a cost per dollar raised of \$.25. However, this measure should be based on a rolling five-year average of both expenses and revenue to account for unusual years when expenses are higher than normal and in other years when because of an unusual gift or bequest the receipts are also much higher than would normally be expected.

Part two: Discussion of Issues

In the course of its deliberations the Task Force considered a number of issues that were not specifically mentioned in Resolution 1971. They are presented here to assist City Council in its consideration of this project.

Issue One - "Does the City of Alexandria need contributed funds?"

The City of Alexandria has a source of revenue (taxes) and the capacity to borrow. However, like most other organizations the City's resources are limited in relation to all the things that can be done for the benefit of the community. Contributed funds would allow the City to do more.

The publication, City of Alexandria, Virginia, Proposed Capital Improvement Program FY 2001-2006, (CIP) shows that a total of \$156 million in local funding has been designated for a variety of capital projects over the next six years. These include:

- Alexandria City Public Schools -- \$57.6 million
- Traffic and transit -- \$32.9 million
- Public buildings -- \$18.2 million
- Recreation and parks -- \$9 million
- Libraries -- \$1.2 million
- Information technology -- \$12.4 million
- Sewers -- \$21.4 million
- Waterfront projects and dredging -- \$1.5 million
- Correctional facilities debt service -- \$1.2 million
- Northern Virginia Community College -- \$453,000

The City Council has also acknowledged the many requests for increased capital funding for projects that would enhance community facilities and improve parks, open space, and recreational and educational facilities. However, due to higher priority infrastructure maintenance needs of the City for major public works projects such as sanitary sewer repairs or traffic management, and the increased capital maintenance requirements of the Alexandria City Public Schools due to growing student enrollments and heavily used school facilities, funding is not available or is very limited for many desirable capital projects that would enhance and expand community facilities.

In the past year alone, funding requests for capital projects that could enhance the ambiance and quality of life in the City have exceeded more than \$40 million – moneys that are simply not available in the City's six year capital program. The types of capital projects suggested generally include the following:

- Acquisition and development of new public parks.
- Enhancements to existing public parks and open space areas.
- Additions and enhancements to public libraries.
- Additions and enhancements to recreational facilities.
- Construction of new community recreational and leisure facilities.
- Additions and enhancements to the City's public schools.
- Enhancements to historic museums and historic sites open to the public.
- Enhancements to public buildings, including fire stations and the public safety center.

The Task Force agrees these are desirable projects that would be compatible with the Foundation's mission statement. As early actions, the Foundation should select specific projects from this list that are compatible with its mission and, with the help of suggestions from the community, determine if there are other projects that should be examined. The initial effort would be to identify two or three projects that capture the vision of a desirable future Alexandria. These projects would form the basis of the foundation's solicitation program.

The consensus of the Task Force is that a source of funding for capital projects in addition to tax revenues and borrowing would enhance and enrich our City and community.

Issue two - "Do other municipalities seek private donations for public projects?"
Addendum 4 of this report is a list of municipalities and agencies that are seeking private donations for public projects. Most of the programs on the list were identified by city staff prior to the formation of the Task Force. Others were added by members of the Task Force. It is not intended to be a exhaustive list.

The forms these efforts take vary widely. However, the underlying theme is the same, namely, providing individuals, organizations and corporations a channel to

support public projects. It does not appear that any of these are taking an approach closely analogous to that proposed for Alexandria. However, the Astabula County, Ohio, Foundation seems to be the closest.

The solicitation of private funds for public purposes seems to be widely accepted. The number of examples reflects an awareness that tax revenues are limited and that municipalities can reach out to invite the free will contributions of citizens if they want to create communities that provide more than basic infrastructure requirements.

Examples of organizations seeking private support for public projects already exist in Alexandria itself. Each of the seven city-owned and operated historic sites has a nonprofit friends group that is raising money to support these facilities. The sites are the Alexandria Black History Resource Center and Watson Reading Room; Friendship Firehouse Museum; Fort Ward Museum and Historic Site; Gadsby's Tavern Museum; the Lyceum; the Torpedo Factory Art Center; and the Alexandria Archaeology Museum. The friends groups, which are entirely volunteer organizations, typically raise from less than \$1,000 to \$15,000 per year for special acquisitions or conservation efforts. In addition, the Alexandria Public Library Foundation exists and is actively seeking support for the library system.

The Task Force sees the Alexandria Capital Development Foundation interacting with these organizations in very positive ways. The purpose of the proposed new foundation is to seek funding for capital projects. To the extent the existing organizations are also interested in seeking funding for capital projects the purposes of the new foundation and existing groups would merge to the benefit of the entire community.

Issue Three - "Is it possible to motivate donors to support this cause?"

In seeking an answer to this question the Task Force invited John W. Thomas, Vice President for Development at Children's Hospital National Medical Center to discuss the topic of fund raising and what motivates donors to give. Children's Hospital is recognized as one of the most effective fund raising organizations in the nation and Mr. Thomas, as the chief fund raising officer, is responsible for much of that success in the past five years.

What the Task Force learned from Mr. Thomas is that donors are motivated to give large gifts by a vision of a better future and the belief that their donations to a particular institution will help make that vision a reality.

The question then became "Is there a vision for Alexandria and the community it serves that can be advanced through donated funds?" The Task Force believes that the potential for success for the Foundation lies in the answer to this question.

The Task Force's vision for Alexandria is that the inherent characteristics of this City will be recognized and continuously enhanced through the generosity of donors who

love our City, in ways that could not otherwise be envisioned. The inherent characteristics as perceived by the Task Force are:

- A City that houses substantial portions of the national heritage, dating back to Colonial times.
- A riverside location of outstanding beauty.
- Proximity to our nation's capital and all its features and amenities.
- Well-served by road, rail, air and water transport.
- A population that includes a significant percentage of potential large donors.

The vision includes the further beautification of our City, and the development of projects that will enhance the recognition of its heritage. It also encompasses the development of new programs that will retain and enhance Alexandria as a City of the 21st century, while preserving its heritage.

The Task Force believes that individuals, corporations, foundations, service organizations and other gift and grant-making entities will support The Alexandria Capital Development Foundation if the Foundation effectively presents potential donors opportunities to help fulfill this vision through their donations.

Issue Four – "Should the Foundation focus on projects other than capital improvements?"

The Foundation should restrict its fund raising activities to raising money for capital projects. There are many other organizations that are raising funds for programs that benefit our community. There is no other organization whose mission is to raise funds for City capital projects.

Capital projects are more easily defined for donors. There is a visible end product that benefits all the citizens in the community and that donors can take pride in.

Issue Five – "What level of commitment will be required of Directors of the Foundation?"

Members of the board should be volunteers who are passionate about a vision of the future for the City of Alexandria and they should be committed to the mission of the Foundation in service of that vision.

Such passion and commitment are required because the primary role of Directors of this Foundation will be to raise money to sustain the Foundation's operations and to fulfill its mission to raise restricted funds for City capital projects. They need to be people who are willing to use their personal influence to tell the Foundation's story to prospective donors and to be persuasive in the pursuit of contributions.

Serving as a member of the board of this Foundation is a significant opportunity for community service with little direct reward except the personal satisfaction of advancing a vision of a more desirable future.

Issue Six - "What is the potential for significant donations to this Foundation?"

This question goes beyond the question of donor motivation to the issue of how capable members of this community are to make substantial donations.

A review of estimates for the year 2000 and projections for 2005 by Claritas, Inc., a statistical analysis service used by the City, indicates that 9.6% of the current population of the City has household income of \$150,000 or more and that number is expected to rise to 11.6% of the population in five years. In addition, year 2000 assessments for single family homes and residential condominiums in the City indicate that units assessed over \$350,000 make up 10.5% of the total. These figures are substantially above national statistics for household income and real estate values. Based on these figures the Task Force believes that many people in the City of Alexandria are capable of making current charitable donations.

In addition to current donations, however, the Task Force believes that gifts through bequests and deferred investment instruments are the largest long-term potential source of support for this Foundation.

Donors of bequest gifts are often motivated by the desire to leave a legacy and to be remembered by generations to come. The City of Alexandria, which was founded before the United States of America and which will continue to exist for many generations, is an ideal recipient of such gifts.

Various forms of charitable bequests are encouraged by the IRS in the form of tax benefits given for such gift arrangements. Projections over the next twenty years are that the most significant transfer of wealth from one generation to another in history will occur through bequests.

The Task Force believes the establishment of a Foundation committed to educating the public about bequest gifts to charity will result in the development of very substantial donations to the Foundation over time. However, it should be noted that the development of such gifts takes a considerable amount of time since they are gifts that donors can commit to now but which will not be received by the Foundation until some undetermined time in the future, usually when the donors die. It is not an exaggeration to say that significant results of such a program will not be seen for as long as ten or fifteen years.

The Task Force believes that The Alexandria Capital Development Foundation, Inc. is the vehicle that can bring these long-term benefits to this community.

Issue Seven - "What should the Foundation's fund raising goals be?"

The purpose of the Foundation will be to raise substantial money for City projects. In the short term the Task Force believes that this effort is capable of raising at least \$5,000,000 restricted for City capital projects in the first five years.

The Task Force believes it will take time for the Foundation to build its program and credibility before donors will be willing to trust their contributions to this entity. The budget presented in Addendum 3 projects a gradual growth of annual donations over the first five years.

As the Foundation develops relationships with potential donors whose interests are focused in one direction or another it will be possible for the Foundation to set specific goals for individual projects.

Based on the experience of community foundations and other institutions that have committed to developing bequest gifts it is reasonable for this Foundation to expect to receive \$10,000,000 in such gifts in addition to current gifts over the first ten to fifteen years. Again it should be noted that the receipt of such gifts lags substantially behind the effort to develop them. It would not be unusual for no funds from such gifts to be received for the first four or five years of the program. After that period of time gifts will start to be received in increasing amounts if the effort to develop them has been thorough and consistent over a long period of time.

Issue Eight - "How will the Foundation pay for its operations over the long term?"

The Task Force sees four possible sources of unrestricted funds to support its operations. 1) The budget projection in Addendum 2 assumes initial annual grants for operating funds from the City; 2) Directors of the Foundation will be expected to raise unrestricted funds to support the Foundation's operations; 3) Over time as restricted gift funds are received and held by the Foundation prior to transferring them to the City, income generated while they are being held in the Foundation could be used to support Foundation operations; and 4) Over the long run as unrestricted endowment funds are developed, income from these funds would be used to support the Foundation's operations.

Issue Nine - "What should the relationship be between the City and the Foundation?"

The Task Force sees the relationship between the Foundation and the City as a private-public partnership to serve the common good. The purpose of the Foundation is to serve the community by seeking private donations for public projects.

The Foundation must be, and must be viewed as, an independent entity working on behalf of the community. The Foundation Board of Directors cannot speak on behalf of City Council with regard to capital projects and by the same token, City Council

cannot speak on behalf of the Foundation. It is critical to the Foundation's long-term success that gifts to the Foundation not be perceived as payments to the City. The Foundation's independence from City Council is necessary if it is to be a reliable intermediary between the City and donors.

Giving is a financial transaction and as with many financial transactions there is an element of negotiation that is integral to the process. Issues such as how and when funds will be used for a particular project and what recognition donors can expect for donations are matters that can have substantial effect on whether and how much donors will give. The Foundation must be viewed as representing the interests of the donors on behalf of these public projects. In this regard it can be said, "The Foundation proposes and City Council disposes."

The Foundation must also be viewed as an organization that is open and responsive to the community it serves. Its Directors must be viewed as performing a public service. Any suspicion that personal or professional benefit is involved in the solicitation and use of gifts will be extremely detrimental to the Foundation's ability to pursue its mission.

The Foundation's operations should be marked by reports to the public on its activities and progress. These reports should take the form of written and oral presentations, annual financial reports, brochures and other methods of informing the public.

Issue Ten - "What should the relationship be between the Foundation and other nonprofit agencies?"

As envisioned by the Task Force the Foundation will have a unique mission that serves the common good just as other non-profit agencies do.

It is possible that other non-profit agencies may view the establishment of this Foundation as competitive in the search for funds and volunteers. However, the Task Force believes that each charitable cause has its own constituency. Donors are free to contribute to any organization they believe will best fulfill their vision of a more desirable future. Donations that go to one organization would not necessarily have gone to another if the first did not exist. It is important for each agency to seek and to find those donors who share its vision of the future.

At the same time it should not be the intention of the Foundation to take potential donors from any already existing agency. It should be the practice of the Foundation to make prospective donors aware of other charities if their interests would be better served by donating to something other than the Capital Development Foundation.

Part three: Conclusion

The Task Force believes there are certain keys to the success of this project that have been addressed in this report. They are:

The Foundation must be driven by a clear and inspiring vision of a desirable future for our City.

The Foundation must not be, and must not be perceived to be, an arm of City government. It must be viewed by the community as an independent entity working in partnership with the City for the common good of all the citizens of the community.

The Directors of the Foundation must be passionate about the cause and capable of raising substantial amounts of money. Therefore it is essential that the nomination and election of Directors be the responsibility of the Board of Directors of the Foundation alone after City Council appoints the initial three Directors.

The Foundation must be free to recommend projects that are not being considered through the City's normal capital funding process.

We live at a time when it is recognized that there are significant limitations on the amount of revenue municipalities are able to generate through tax revenue. This is particularly true of Alexandria which has within its borders very little space that can or should be developed and that could provide additional sources of tax revenue for the City in the future. At the same time the desires and expectations of the citizens for facilities and services they believe are necessary to maintain and enhance Alexandria as a desirable place to live and work continue to grow.

In this atmosphere the Alexandria City Council has the opportunity to display its own visionary and farsighted leadership by encouraging and supporting the genesis of a Capital Development Foundation that will make a significant contribution to the future of our City.

The Task Force has provided a formula for such a foundation. Like carefully developed formula it is based on fundamental principles confirmed by experience. In this case the principles and experience referred to are in the field of voluntary fund raising. The recommendations in this report are based on fund raising principles and practices that guide the most successful fund raising programs. They have been confirmed to be effective through many years of implementation.

Therefore it is the unanimous recommendation of the Task Force that if City Council wishes to see the objectives outlined in this report achieved, this report should be accepted and acted on in its entirety with only minor changes and adjustments.

The Task Force believes that the Foundation as it envisions it has significant potential to raise funds in support of City capital projects. It has the potential to make a real impact not only on the current generation but on the lives of many generations of Alexandrians to come. It must be viewed in the broad context of the future.

The vision of the future described on pages 14-15 of this report refers to the fact that Alexandria is older than the country itself. It is not an exaggeration to say that if there should ever come a time when the United States of America no longer exists it is very likely that Alexandria will continue to be a place where a community will be formed and where people will live and work and flourish. It is in that broad sweep of an unknown and unknowable future that the Task Force sees a continuing role for The Alexandria Capital Development Foundation, Inc.

Accepting these recommendations and implementing this plan for the operation of the Foundation will be an act of confidence in our citizens and an expression of hope that a vision of an ever more desirable future for our City can be achieved.

Addendum 1
City of Alexandria
Capital Development Task Force
Membership Roster

Harry S. Flemming, Task Force Chair

Mr. Flemming is the founder of Sonitrol Corporation and is Chairman of Advantor Holding Company. He is a former member of the Alexandria City Council.

Nonyerem Anyanwu

Ms. Anyanwu recently completed her MBA at the Wharton School of Business at the University of Pennsylvania. She is currently a STEP Associate with Columbia Transmission Communications, Inc.

Phillip Bradbury

Mr. Bradbury was a Vice President of Bechtel, then became Senior Vice President for BNFL, and played a significant role in the acquisition of Westinghouse by BNFL. Under his leadership, two affiliated companies were formed whose combined annual revenue grew to over \$300 million. He served on the boards of both companies until his recent retirement.

Sean Clancy

Mr. Clancy is Director of A&D with Avalon Bay, which has its headquarters in Alexandria.

Evelyn Fierro

Ms. Fierro is currently Director of Intergovernmental Affairs at the U.S. Department of Transportation. Before moving to Alexandria she served as Mayor of South Pasadena, California.

David Speck

Mr. Speck is a member of the Alexandria City Council. He is the Managing Director of First Union Securities in Northern Virginia.

Mark Williams

Mr. Williams is counsel for corporate regulation and holding company matters at the Federal Energy Regulatory Commission, and is Assistant Chief of Alexandria's volunteer fire department.

City Liaison

Ms. Lori Godwin, Assistant City Manager, City of Alexandria

Mr. Paul Doku, Office of Management and Budget, City of Alexandria

Task Force Staff

Mr. Victor G. Dymowski, Principal of St. Clair Partners, LLC, a fund raising consulting firm.

Addendum 2
Job Description

Executive Director

Position description

The Executive Director of The Alexandria Capital Development Foundation, Inc., is the chief executive officer of a not-for-profit, tax-exempt, charitable corporation established to solicit funds to support capital projects of the City of Alexandria. The Executive Director reports to the Foundation's Board of Directors.

Responsibilities

1. Guiding the Board of Directors in developing a compelling vision and case for support for the Foundation, developing appropriate policies, and defining measurable short and long-term goals.
2. Developing a plan of action to achieve the immediate and long-term fund raising goals of the Foundation.
3. Coordinating the efforts of the Board of Directors in the process of identifying, cultivating, soliciting and recognizing donors.
4. Managing day-to-day relations on behalf of the Foundation Board with City Council and key organizations in the City of Alexandria that may effect the Foundation's program.
5. Representing the Foundation in the community.
6. Hiring and supervising staff.
7. Overseeing the operations of the office.
8. Developing and overseeing the annual operating budget.

Qualifications

1. Sufficient experience to serve as the chief fund raising officer of a fund raising foundation.
2. Experience in assisting board members enhance their effectiveness in fund raising for major gifts.
3. Experience in developing and managing planned giving programs.
4. Acceptance of the code of ethics of the Association of Fundraising Professionals.
5. Strong writing and speaking skills.
6. Ability to be committed to the Foundation's mission
7. Effective personal presence that communicates seriousness of purpose and focus on goals.

	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue					
City of Alexandria Grants	\$100,000	\$104,000	\$108,160	\$112,486	\$116,985
Contributions for operations	\$148,900	\$146,628	\$152,183	\$157,564	\$163,101
Contributions restricted for capital projects	\$250,000	\$500,000	\$1,000,000	\$1,500,000	\$1,750,000
Total	\$498,900	\$750,628	\$1,260,343	\$1,770,050	\$2,030,086
Expenses					
Salaries and benefits					
Executive Director	\$95,000	\$98,800	\$102,752	\$106,862	\$111,136
Support staff	\$30,000	\$31,200	\$32,448	\$33,745	\$35,095
Benefits	\$25,000	\$26,000	\$27,040	\$28,121	\$29,246
Operating expenses					
Legal	\$5,000	\$2,500	\$2,600	\$2,704	\$2,812
Accounting	\$2,500	\$2,600	\$2,704	\$2,812	\$2,924
Cultivation and entertainment	\$2,400	\$2,496	\$2,595	\$2,698	\$2,805
Rent	\$25,000	\$26,000	\$27,040	\$28,121	\$29,246
Graphic design	\$3,000	\$3,120	\$3,224	\$3,374	\$3,509
Printing	\$15,000	\$15,600	\$16,224	\$16,872	\$17,547
Postage	\$5,000	\$5,200	\$5,408	\$5,624	\$5,849
Telephone	\$3,000	\$3,120	\$3,224	\$3,374	\$3,509
Utilities	\$3,000	\$3,120	\$3,224	\$3,374	\$3,509
Maintenance	\$2,400	\$2,496	\$2,595	\$2,698	\$2,805
Supplies	\$1,200	\$1,248	\$1,297	\$1,349	\$1,403
Furniture	\$10,000	\$1,000	\$1,000	\$1,000	\$1,000
Computers	\$6,000	\$1,000	\$1,000	\$1,000	\$1,000
Software	\$6,000	\$1,500	\$2,000	\$2,000	\$2,000
Printers, copier, fax	\$1,200	\$100	\$100	\$100	\$100
Equipment maintenance	\$1,200	\$1,248	\$1,297	\$1,349	\$1,403
Travel and conference	\$5,000	\$5,200	\$5,408	\$5,624	\$5,849
Dues and subscriptions	\$2,000	\$2,080	\$2,163	\$2,249	\$2,339
Consulting	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
Total	\$248,900	\$250,628	\$260,343	\$270,050	\$280,086
Operating revenue over operating expenses	\$0	\$0	\$0	\$0	\$0
Revenue restricted for capital projects	\$250,000	\$500,000	\$1,000,000	\$1,500,000	\$1,750,000
Cumulative revenue restricted for capital projects	\$250,000	\$750,000	\$1,750,000	\$3,250,000	\$5,000,000

2

Budget notes

Inflation is estimated at 4% per year.

Executive Director

Competitive salary combined with a performance incentive plan to attract a fully experienced professional capable of assisting a strong Board of Directors in the articulation of a driving vision and the identification and solicitation of major gift prospects.

Support staff

An experienced administrative assistant.

Benefits

Estimated at 20% of salaries.

Legal

First year setup of Articles of Incorporation, Bylaws, establishment as a 501(c)(3) tax exempt entity. Maintenance in following years.

Accounting

Day to day accounting and annual audited report.

Cultivation

Meetings, entertainment for prospective board members and potential donors.

Rent

Estimated at \$25 per sq. ft. for 1000 sq. feet

Graphics

Design of letterhead, brochures, newsletters, annual reports, web site.

Printing

Letterhead, brochures, newsletters, annual reports

Postage

General distribution of promotional materials to an audience of 5,000

Telephone

Sufficient lines for staff, computers, fax.

Utilities

Provision if not included in rent.

Maintenance

Environmental services if not included in rent

Supplies

Paper, pens, normal office supplies

Furniture

Outfitting of office space for three staff members with desks, chairs, meeting room furnishings, filing space, bookshelves, office decoration. Minimal needs in following years.

Computers

Assumes purchase of three computers and networking.

Software

Donor record keeping system, Microsoft Office, planned giving software.

Printers, fax, copier

Two printers, one copier, and one fax machine.

Equipment maintenance

Warrantees and repair.

Travel and conference

Participation in professional associations.

Dues and subscriptions

Professional association memberships and publications.

Consulting

Prospect identification, financial management, communications, fund raising counsel, strategic planning, legal issues related to gift arrangements.

Addendum 4
Examples of Similar Programs

1. The Louisville (KY) Public Trust Fund supports city government-funded projects and programs which promote the growth and enhancement of the community. Launched by the City and the Community Foundation of Louisville, the Fund's Board of Governors encourages donations from individuals, businesses and organizations.
2. The City of Sarasota (FL) Department of Marketing and Development solicits grants and gifts from private foundations, individuals, service clubs and corporations to subsidize ticket prices of the Van Wezel Performing Arts Hall.
3. As part of a fund raising thrust for the 1990s, the City of Ventura (CA) formed a partnership with the Ventura County Community Foundation to establish three endowment funds to benefit city programs. The partnership provides local governments funds from private donors through endowment funds for Senior Citizen programs, Special Olympics, and Youth Scholarships.
4. The nonprofit Downtown Walla Walla (WA) Foundation's purpose is to develop the vitality, pride, beauty, spirit, service and value of downtown Walla Walla.
5. The Centurion Foundation in New York City is a nonprofit organization established in 1986 to support New York City's Police officers.
6. The City (NYC) Parks Foundation
7. The Dallas (TX) Trees and Parks Foundation
8. The Denton (TX) Park Foundation
9. The Monmouth (NJ) County Park System Foundation
10. The Montgomery County (MD) Park Foundation
11. The Park System Trust Fund of Wheeling (WV) and Oglebay Foundation
- 12.-The Pennsylvania Recreation and Park Society Foundation
13. The San Antonio (TX) Parks Foundation
14. The Gettysburg National Battlefield Museum Foundation working on behalf of this National Park Service Facility
15. The Statue of Liberty-Ellis Island Foundation

16. The Fairfax County Library Foundation
17. The Fairfax Public Schools Foundation
18. The Fairfax County Partnership Office
19. The Fairfax County Park Foundation
20. The San Antonio Public Library Foundation
21. The DC Public Library Foundation
22. New York City actively seeks corporate sponsorship for playgrounds, snack bars, litter baskets and even police patrol cars.
23. Albamarle County (VA) has a Police Foundation that is made up of corporate neighbors who provide funds for capital equipment and an annual awards banquet
24. James City County (VA) established a Resource Development Administrator for its Division of Parks and Recreation to acquire grants, private and corporate donations and to develop partnerships to expedite completion of a long list of capital projects
25. Municipalities interested in establishing Park Foundations include:
 - Bellaire (TX) Parks and Recreation
 - Glouster (VA) Parks and Recreation
 - Hartford (VT)
 - Lakeville (MN)
 - Johnson City (TN)
 - Maryland Heights (MO) Parks and recreation
 - Muhlenberg (PA) Township Park and Recreation Department
 - Northern Suburban (IL) Special Recreation Association
 - Oro Valley (AZ) Park and Recreation
 - Portland (OR) Parks and Recreation
 - Siloam Springs (AR)
 - Sonoma County (CA) Regional Parks
 - St Louis (MO) County Parks
 - Suffolk County (NY) Parks
 - Tracy (CA) Parks and Community Services Department
 - Winding Trails Recreation Association (CT)
26. The Ashtabula County Foundation (OH) raises money for capital projects for various charitable organizations and for a variety of civic programs. For example, a recent program has been devoted to converting disused rail tracks to hiking trails.

CAPITAL DEVELOPMENT OFFICE TASK FORCE

ATTACHMENT 2

<u>MEMBER</u>	<u>PHONE</u>	<u>OCCUPATION</u>	<u>ORIGINAL APPOINTMENT</u>	<u>CURRENT APPOINTMENT</u>	<u>OATH</u>	<u>EXPIRATION OF CURRENT APPOINTMENT</u>
NONYEREM ANYANJU 3001 PARK CENTER DRIVE, #1115 ALEXANDRIA, VA 22302	Res: 703-820-7895 Bus: 703-227-3208 Fax: 703-227-3366 E-Mail: see below	STEP ASSOC. COLUMBIA TRANSMISSION COMMUNICATIONS, INC. NONYEREM.ANYANJU.WG99@WHARTON.YPENN.EDU	06/22/2000	06/22/2000		12/31/2000
PHILLIP BRADBURY 1250 S. WASHINGTON ST. #805 ALEXANDRIA, VA 22314	Res: 703-519-5286 Bus: - Fax: 703-519-1816 E-Mail: PBRAB@BNFLLINE.COM	VICE PRESIDENT BNFL, INC.	06/22/2000	06/22/2000		12/31/2000
SEAN CLANCY 309 NORTH PITT STREET ALEXANDRIA, VA 22314	Res: 703-837-8771 Bus: 703-317-4640 Fax: 703-329-1459 E-Mail: SClancy@Avalonbay.com	DIRECTOR, A & D AVALONBAY COMMUNICATIONS	06/22/2000	06/22/2000		12/31/2000
EVELYN FIERRO 4680 KIRKPATRICK LANE ALEXANDRIA, VA 22311	Res: 703-931-6444 Bus: 202-366-1304 Fax: 202-366-7907 E-Mail: fierroev@aol.com	DIRECTOR, INTER- GOVERNMENT AFFAIRS U.S. DOT	06/22/2000	06/22/2000		12/31/2000
HARRY S. FLEMING 99 CANAL CENTER PLAZA, #220 ALEXANDRIA, VA 22314	Res: 703-548-9308 Bus: 703-549-3900 Fax: 703-548-1712 E-Mail: flemming@advantorholding.com		06/22/2000	06/22/2000		12/31/2000

Chair

CAPITAL DEVELOPMENT OFFICE TASK FORCE

<u>MEMBER</u>	<u>PHONE</u>	<u>OCCUPATION</u>	<u>ORIGINAL APPOINTMENT</u>	<u>CURRENT APPOINTMENT</u>	<u>OATH</u>	<u>EXPIRATION OF CURRENT APPOINTMENT</u>
SUSAN LOCKING 906 PRINCE STREET, #201 ALEXANDRIA, VA 22314	Res: 703-549-3609 Bus: 202-537-6822 Fax: 202-537-6824 E-Mail: slocking@nfcusa.com	PROJECT DIR, LOCAL GOV'T MARKETS, NAT'L INFO CONSORTIUM	06/22/2000	06/22/2000		12/31/2000
DAVID SPECK 301 KING STREET ALEXANDRIA, VA 22314	Res: Bus: 703-838-4500 Fax: E-Mail: dspeck@aol.com	COUNCILMAN CITY OF ALEXANDRIA	06/22/2000	06/22/2000	/ /	12/31/2000
MARK WILLIAMS 239 BUCHANAN STREET ALEXANDRIA, VA 22314	Res: 703-836-8334 Bus: 202-219-2429 Fax: E-Mail: markcwilliams@yahoo.com	LAWYER	06/22/2000	06/22/2000		12/31/2000
M. JEAN WILSON 3302 GUNSTON ROAD ALEXANDRIA, VA 22302	Res: 703-845-1374 Bus: 202-787-2163 Fax: E-Mail: m_j_wilson@hotmail.com	SENIOR FINANCIAL ANALYST, D.C. WATER & SEWAGE AUTHORITY	06/22/2000	06/22/2000		12/31/2000

CONSULTANT TO TASK FORCE

VICTOR DYMOWSKI, CFRE
ST. CLAIR PARTNER, LLC
6039 Edgewood Terrace
Alexandria, VA 22307

Phone: 703-329-3048
Fax: 703-329-1796
E-mail: stclairpar@aol.com

EXHIBIT NO. 2

6
4-21-01



**MIME:flemming@advan
torholding.com**

04/20/01 10:12 AM

To: Beverly I Jett@Alex
cc:
Subject: Council Letter

Would you please forward the attached letter to the Mayor and Members of City Council with a copy to the City Manager and Lori Godwin.

Thank you,

Harry Flemming

April 19, 2001

Honorable Mayor and Members of
City Council
City Hall
Alexandria, Virginia 22314

Ladies and Gentlemen:

It was with great pleasure that I chaired the Capital Development Task Force for you this past year. We presented our report to you in January and at your suggestion held a public meeting with the not for profit community in March. At that meeting suggestions were and clarifications were provided. The establishment of the Foundation will stimulate fund raising within the community and will benefit all charitable giving, as a rising tide floats all ships.

It remains my feeling, and that of the Task Force that the program, as outlined in our report, would be of significant benefit to both the City of Alexandria and can likewise be of benefit to the not for profit community. I hope that you will give it favorable consideration.

Sincerely yours,

/signed/

Harry Flemming

6
4-21-01

18 April 2001

The Mayor and Members of City Council
City Hall
Alexandria, Virginia 22313

Dear Kerry:

I regret that I will be unable to attend the Saturday, April 21 public hearing on the establishment of a Capital Development Foundation Office . I understand Council intends to vote on the item after the hearing.

Over the last several months, it has seemed to me Council is consulting less and less, and later and later, with its citizens on matters of considerable import to them. This is another of those occasions. A "Capital Development" committee, or study group or whatever, may well have been meeting over the past few months but you couldn't prove it by the amount of publicity generated by the study committee, or any visible meeting notices.

Alexandria is a busy community - with an interested and active citizenry. It wants to be included, particularly on the "big" items Council is considering - and a Capital Development Office supported by \$500,000 of the city's tax dollars seems like a big item to me. It also appears that tremendous discretionary authority is planned for this authority. Three Council appointed self-perpetuating members is hardly reassuring to the rest of us.

There is little question that the City could use additional capital development money. I have recently been attending Council members Euille and Woodson's Ad Hoc Affordable Housing meetings, and the City needs more development money and help. But, like the recent "brouhaha" concerning the membership of the "open space" committee, these item crept up on the citizenry with notification pretty late in the game. A good deal more public discussion before the die is cast would appear to be called for . Either extend the hearings or postpone the decision for another month, please.

Is this intentional - or merely a matter of "efficiency"? It doesn't seem to be playing well in town.

Sincerely,



Lois Van Valkenburgh



United Way
of the National
Capital Area

ALEXANDRIA UNITED WAY

300 North Washington Street, Suite 100, Alexandria, Virginia 22314
Tel. (703) 549-4447, FAX (703) 548-8894, Email: alexuw@uwnca.org

6
4.21.01

April 20, 2001

The Honorable Mayor and Members of Council
P.O. Box 178
Alexandria, Virginia 22313

Dear Mayor Donley and Members of Council:

I am writing on behalf of the Alexandria United Way concerning the proposed establishment of the Alexandria Capital Development Foundation.

The Alexandria United Way is not opposing the recommendation of the task force to establish the foundation but in light of the potential impact on the city we do have some comments, concerns, and observations we feel merit your consideration.

We believe that there is an inherent vagueness in the mission statement of the task force report. The report also indicates that a clarified mission will be developed in time. It would seem appropriate that the purpose and mission of the foundation be determined with public comment and input prior to incorporation. In reviewing the attached list of other similar foundations we discovered that almost all of them have well defined missions and more specific areas of focus.

While public dollars may be legally contributed to a private foundation we feel that in this instance it is a questionable use of public funds and that the citizenry would be better served if these dollars were to be treated as a loan to be repaid. We are also concerned with the lack of realistic performance standards for over \$500,000 of public money and an absence of accountability for the use of these dollars. The report lists no interim targets to aid in assessing progress but maintains that long-term success is ultimately achievable.

We further question the foundation's ability to direct funding to non-City capital projects as recommended in the April 12 staff memo. If a donor wishes to direct his gift to a non-profit organization for a capital project it would hardly make sense for the City's foundation to "receive the gift and convey it to the non-profit organization for its acceptance." It seems far more reasonable to merely suggest the donor make his contribution directly to the non-profit.

In conclusion, we fervently hope that Council take the necessary steps to require that this foundation develop appropriate guidelines and by-laws that assure the community that it shall

-2-

only serve the public needs of Alexandrians and that ultimately the City Council is responsible for all project selection and fiscal expenditure.

Thank you for your time and attention to these points. We appreciate the opportunity you have afforded the community to comment on what we believe to be a major public policy issue for this city.

Sincerely,



Kimberly Mitchell
Chair
Alexandria United Way

MORRISON & REYNOLDS
200 NORTH FAIRFAX STREET
ALEXANDRIA, VIRGINIA 22314
(703) 549-8844
(800) 676-4068
FAX (703) 684-2099

6
4-21-01

JOHN C. MORRISON
MARY JANE REYNOLDS*
* NOT ADMITTED IN VIRGINIA

1110 VERMONT AVENUE, N.W.
SUITE 405
WASHINGTON, D.C. 20005
(202) 331-8000

April 18, 2001

The Honorable Mayor and Members of Council
City of Alexandria
301 King Street, Suite 2300
Alexandria, VA 22314

Re: Revised Capital Development Office Task Force Report

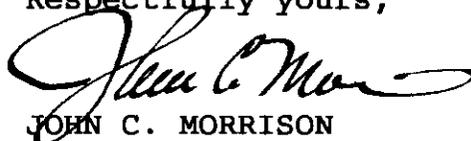
The attached Memorandum summarizes several issues which I observe in response to the stated proposal for a capital development office set for hearing on April 21, 2001. It appears that no material changes were recommended as a result of the March 15, 2001 Task Force public meeting. One must assume, therefore, that the decision to create a private foundation has been made by City Council, and this measure is proceeding on a course for approval on May 8, 2001.

However, there is a fundamental flaw in the concept that if a donor makes a gift to this foundation with certain conditions, "City Council will have complete discretion to accept or reject the gift conditions and consequently the gift. In the event City Council declines the gift from the foundation, the foundation will be responsible for returning the gift to the donor."

While this may appear appealing to some, the idea of returning a charitable contribution after the taxpayer has taken a deduction on a filed tax return creates serious problems for the donor/taxpayer. Moreover, the uncertainty of acceptance of donor conditions may affect your fund raiser's ability to raise funds.

This problem could be avoided by either creating this entity within the City government under the direct supervision of the City Manager, or directing this entity to be a true foundation beyond the control of City government. I encourage you to decide before May 8, 2001, whether you want this undertaking to be a part of City government, or whether you want it to stand apart from City government. It is difficult to imagine how it can effectively be both.

Respectfully yours,


JOHN C. MORRISON

enclosure

M E M O R A N D U M

DATE: April 18, 2001
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
FROM: JOHN C. MORRISON
SUBJECT: REVISED CAPITAL DEVELOPMENT OFFICE TASK FORCE REPORT

The public hearing upon establishment of a city sponsored Capital Development Foundation is set for April 21, 2001. The staff Memorandum to Council dated April 12, 2001 does little to abate the concerns expressed by many at the March 15, 2001 Task Force public meeting. It appears from that Memorandum no material changes are recommended. One must assume, therefore, that the decision to create a private foundation has been made by City Council, and this measure is proceeding on a course for approval on May 8, 2001.

There are several fundamental observations regarding the proposal as stated which can not be made in a three (3) minute oral statement on Saturday. However, if you are willing to entertain further public comment prior to enactment, I respectfully ask that you consider these five (5) points and the two (2) possible alternatives for your deliberative considerations.

The questions are:

- #1- WHY NOT CREATE OR ENHANCE A CAPITAL DEVELOPMENT OFFICE WITHIN THE CITY GOVERNMENT UNDER THE DIRECT SUPERVISION OF THE CITY MANAGER?

The January Task Force Report makes no reference to why the mission, "...to pursue the vision of a future for Alexandria that is in keeping with its status as a City of beauty...", is better served by creating a new private entity for that purpose, rather than by entrusting the professionals of our City staff who are inherently charged with that same objective.

The record is clear that City Council wants to retain "the decision-making authority and responsibility for the expenditure of funds..." [Memorandum to Council dated April 12, 2001, page 2]. Control by Council is also inferred by the concept that the foundation will select projects only "with Council concurrence". [Memorandum to Council dated April 12, 2001, page 2].

If retained control over projects and expenditures of this entity is truly important to you, then it should be observed that, once this separate entity is established, it will be governed by its own separate board of directors and beyond the control of City Council. [See issue #5 below]. The Task Force design limits

Council authority to appointing only the first three (3) directors, and when established the City's ex officio members will be denied the power to vote. Although this private entity will initially be subsidized by the City which will provide a brief period of City influence, the Task Force projections predict financial independence within five years. What happens next?

Unless it can be shown that City staff can not accomplish this development role, does it make sense to entrust this mission to a private foundation beyond the control of the City Manager and elected City officials?

#2- HOW DO YOU RESOLVE THE STAFF RECOMMENDATION THAT THE NEW FOUNDATION "MUST NOT BE AND MUST NOT BE PERCEIVED TO BE, AN ARM OF CITY GOVERNMENT"?

The City staff recommended that the foundation "must not be, and must not be perceived to be, an arm of City government." [Memorandum dated February 22, 2001, page 3]. It is difficult to understand how that admonition can be avoided by creating a private foundation as to which: (i) the City Council will appoint the three initial board members [Memorandum to Council dated April 12, 2001, page 1]; (ii) the City Council will obligate and appropriate up to \$500,000.00 [Memorandum to Council dated April 12, 2001, page 3]; (iii) the City will have two (2) ex officio members including a member of City Council and a City management employee [Task Force Report dated January 13, 2001, page 6]; (iv) is established for the sole purpose of promoting projects from the "City's capital improvements program" [Task Force Report dated January 13, 2001, page 10]; (v) the projects will be identified "with Council concurrence" [Memorandum to Council dated April 12, 2001, page 2]; and (vi) "...the decision-making authority and responsibility for the expenditure of funds, regardless of the source of such funds...rests fully with the City Council." [Memorandum to Council dated April 12, 2001, page 2].

Any one or two of these criteria might create the appearance of being "an arm of City government", however, the retained power to have "decision-making authority and responsibility for the expenditure of funds regardless of source of such funds is the definition of control by the City government.

If continued control by City Council is the one fundamental criterion for this initiative, then the Capital Development office should be within the City government under the supervision of the City Manager.

If this entity is not to be perceived as "an arm of City government", then City Council should relinquish the idea of retaining "...the decision-making authority and responsibility for the expenditure of funds, regardless of the source of such funds..."

A decision needs to be made whether this undertaking is to be a part of City government, or whether it must stand apart from City government. It is difficult to understand how it can be both.

#3- WHAT CONSIDERATION, IF ANY, HAS BEEN GIVEN TO THE POTENTIAL REPEAL OR SUBSTANTIAL MODIFICATION OF THE FEDERAL TAX LAWS?

The Federal tax laws, as currently written, are a driving influence on charitable giving patterns nationwide. Two areas of charitable revenue mentioned in the Task Force Report for this foundation are (i) bequests and (ii) gifts of appreciated (low basis) property. [Task Force Report dated January 13, 2001, page 16]. Congressional restructuring of the tax laws could materially affect these anticipated sources of revenue.

The current Congressional discussions regarding repeal or substantial modification of the existing Federal Estate tax laws (the so-called "Death Tax") are a matter of common knowledge. "[T]he Task Force believes that gifts through bequests and deferred investment instruments are the largest long-term potential source of support for this Foundation." [emphasis added, Capital Development Task Force Report, January 13, 2001, 16]. That Report assumes "Donors of bequest gifts" (*id.*) will continue to be motivated to make substantial bequests absent the tax advantages currently associated with charitable bequests from decedent's estates. Common sense may dictate otherwise.

The Task Force Report admits "... the development of such gifts takes a considerable amount of time since they are gifts that donors can commit to now, but which will not be received by the Foundation until some undetermined time in the future, usually when the donors die." Repeal of the "death tax" will affect charitable planned giving programs. Does it make sense to commit \$500,000.00 of City funds to a project to raise charitable donations when the tax rules are subject to change? If it will take \$500,000.00 to raise this money under current law, how much more City investment will be required if the tax laws change and the period of realization of the goal may be extended? With this uncertainty in the tax laws and the impact on future bequests, will the City be obligated to commit more funds to this entity just to protect the initial \$500,000.00 investment?

Similarly, gifts of appreciated value property, are often motivated by the donor's intent to avoid substantial capital gains on sale of low basis property. Congressional action with respect to reducing or limiting gains on sale of assets (the "Capital gains tax") will affect this source of charitable revenue.

A material devaluation of the stock market may also impact gift patterns of formerly high valued stock.

Accordingly, given the present uncertainty of the "Death-tax" as we now know it, the potential amendment to capital gains taxes

pending in this Congress, and the recent fluctuations in the stock market, one must ask whether now is the time to create a new entity which is to be materially dependent upon charitable bequests, when the continued existence of such contributions may be in question?

#4- HOW WILL DONORS OF CHARITABLE GIFTS BE AFFECTED BY THE POSSIBILITY THAT A SOLICITED GIFT MAY BE RETURNED IF CITY COUNCIL REFUSES TO ACCEPT THE STATED RESTRICTIONS?

"As envisioned, the foundation's role is to solicit funds only." [Memorandum to Council dated April 12, 2001, page 2]. The Task Force Report asserts the "Foundation must be free to recommend projects that are not being considered through the City's normal capital funding process." [Task Force Report dated January 13, 2001, page 19]. The "guidelines for acceptance of gifts" (id. at 8) suggests that the Foundation must be prepared to return the principal amount donated to the donor" in the event City Council is not willing to dispose of the funds as the donor intended. The City staff advises that "In the event that a donor provides a gift to the foundation, but has placed specific conditions to the gift, City Council will have complete discretion to accept or reject the gift conditions and consequently the gift. In the event City Council declines the gift from the foundation, the foundation will be responsible for returning the gift to the donor." [Memorandum dated April 12, 2001, page 2].

It is common for Donors of charitable gifts to place restrictions on the use of donated funds. While the idea of returning charitable donations may seem simple, it may have consequences to a prospective donor which are not mentioned in the Task Force Report.

The consequence of a refused gift returned by the foundation to a living donor may be limited to penalties and interest to the taxpayer/donor for claiming an improper charitable deduction in the year of gift. An informed taxpayer will be careful to make a charitable donation to this foundation in ample time for the City Council to accept or reject the gift in that taxpayer's tax year. A wise donor will avoid making a year-end donation or to claim a charitable contribution on their tax return until that gift has been accepted by City Council. However, the uninformed donor may make a gift to the foundation and claim a charitable deduction only later to have that contribution returned in a subsequent tax year. Unfortunately for them, their benevolence may then result in penalties and interest for unpaid taxes for the year of the improperly claimed deduction.

The consequence of a refused gift returned to a decedent's estates amplifies the consequences of this dilemma. If this foundation is actively seeking contributions by bequest to be paid when the donor has died [Capital Development Task Force Report, January 13, 2001, 16], and the established estate plan is built upon the assumption of a charitable contribution with specific conditions which are only later determined to be unacceptable, the

estate will have taxes and penalties when that gift for which a charitable contribution was claimed on a Federal Estate Tax Return is returned. If the estate has been closed before the foundation returns the gift, the estate will have to be reopened to determine the ultimate distribution of the returned money.

The potential for this foreseeable but unintended consequence is inherently self defeating. Skilled estate planners will surely avoid this pitfall for professional liability exposure.

This uncertainty will possibly deny the foundation the opportunity to pursue funds through the use of charitable remainder trusts. This vehicle is used to allow a present deduction for a future charitable gift to be distributed when the donor dies. A charitable remainder trust may have restrictions upon use of funds which are acceptable to one City Council, but which may not be acceptable to a future City Council. There may be an enormous consequences to the well intentioned charitable remainder trust Donor if there is a continuing possibility that a gift may be unacceptable to a future City Council.

Accordingly, a proposal which is premised upon the construct of contingent return of a charitable gift or bequest which may be dependent upon a prospective vote of a legislative body to be elected in the future may not be well advised.

#5- IS IT A PRUDENT EXERCISE OF LEGISLATIVE POWER TO CREATE A PRIVATE ENTITY OVER WHICH THE LEGISLATIVE BODY MAY HAVE NO CONTROL OR ABILITY FOR OVERSIGHT.

It must be assumed by all concerned in this discussion that every one who is participating has their own view of what may be in the best interests of this City. Otherwise they would not bother to comment on this matter. One must also assume that the preselected fund raiser who will be challenged to meet the stated goals, and all of the foundation Board members who have been identified as having the capacity to make the level of financial commitment that is said to be expected for this particular Board, will all have impeccable professional and financial credentials. That is to be expected for an undertaking of this magnitude.

The most recent staff report acknowledges that matters of establishment and internal governance "will be addressed in greater detail by the foundation board of directors through the drafting of by-laws and policies." [Memorandum dated April 12, 2001, p.2].

Consequently, it should be fundamentally clear: once this entity is created, its future board members will be totally responsible for adopting all rules, regulations and policies that in their collective wisdom they deem to be in the best interest of the organization. That Board, not City Council, will be legally vested with the power to alter and amend its rules of governance in any manner they believe to be in the best interests of the entity that they serve. That Board, in its collective wisdom, will

be empowered to make any legal decision it deems to be in the best interest of its corporate purpose.

If that Board finds that raising the level of money within the framework of the stated wishes of Council is too restrictive, it may be obligated to operate outside of those restrictions. In fact, as Trustees of a private charitable organization, they may feel obligated to do so for the continuing good of the organization. The ex officio board members will have no vote on that decision.

The City engages many of its local charities to perform services by way of public contract. In doing so the City retains oversight and contractual authority over the operation of such services. There will be no such public safeguards with respect to this proposed foundation. One may expect that the Board selected by the Council this session will certainly be mindful of this Council's guidance. However, one can not foresee how this entity will respond to the Council of 2006, after City funding will not be required?

Is it a wise use of legislative power to create and fund a private entity over which the legislative body will have no control after it has been created.

#6- ARE THERE ALTERNATIVES TO THIS LEGISLATIVE PROPOSAL?

Any constructive criticism of a matter should include credible alternatives solutions for the identified problems. There are at least two, either of which should resolve the inherent dilemmas posed by the current proposal. They are:

Option #1. Create or enhance a City Development office under the supervision and control the City Manager. If control of this organization is the driving influence for this mandate, then this organization must be a part of City government. That office could engage the experienced fund raiser mentioned in the Task Force recommendations either as an employee or independent contractor. A City office would be subject to the Council which would maintain absolute control over the capital project identification, means and methods of financial solicitation and have total decision-making authority and responsibility for the expenditure of funds, regardless of the source of such funds. All of the above issues could be avoided. As an arm of City government, this public fund raising venture should not be perceived as a threat to other local charities for its mission would be limited to funding of City capital projects. The City manager could continue to assess its progress and if unsuccessful it could be closed.

Option #2. The City Council could declare the need for a true Foundation in the City of Alexandria but which would be independent of City control. That foundation could be organized for the benefit of the charitable interests for the entire Community. The initial directors identified by the Task Force could be charged with establishment of a truly independent organization. The City

could provide an initial capital contribution to that foundation enabling it to engage the preselected fund raiser. The initial Board, appointed by Council, could still pursue selection of the nine member component. That same Board, with the same level of commitment recommended by the Task Force (i.e. each to give or raise \$50,000 per annum), would have more than \$550,000.00 after the first full year of operation. That Board, unfettered by the limitation of contributions for City capital projects with the approval of Council, would be able to pursue "gifts through bequest an deferred investment instruments" for all charitable purposes within the Community.

That Board could accept restricted or unrestricted funds without fear of possible return if Council disapproved. That Board, with its stated level of expertise and community commitment would enhance all of the local charities. A true foundation which would have the commitment and support of City Council could "raise money for capital projects for various charitable organizations and variety of civic programs" entirely consistent with the Ashtabula County Foundation referenced in the Task Force Report.

A true foundation created by City Council to enhance all local charities would be "an act of confidence in our citizens and an expression of hope that a vision of an ever more desirable future for our City can be achieved." [Task Force Report dated January 13, 2001, p. 20].

RESPECTFULLY SUBMITTED

John C. Morrison
MORRISON & REYNOLDS
200 North Fairfax Street
Alexandria, VA 22314

EXHIBIT NO. 4

Sent to CC

#6 4/21/01



SERVING CHILDREN AND FAMILIES

April 19, 2001

The Honorable Mayor and Members of City Council
City Hall
301 King Street
Alexandria, VA 22314

Dear Mayor ~~Dontéy~~ ^{King} and Members of City Council:

I am writing to submit The Campagna Center's testimony in regard to the establishment of a City Capital Development Office Task Force, which is scheduled for public hearing on April 21, 2001.

Although after the meeting on March 15 task force members endorsed two modifications that would make The Campagna Center much more comfortable with this proposal, neither is fully reflected in the staff memorandum of April 12, 2001. The first modification is that the nonprofits would have equal and immediate access to capital grants through this office; the second is that the office would limit its solicitations to major gifts (\$100,000 or more, or gifts of real estate or real property). Regrettably, neither is reflected in the staff memorandum of April 12, 2001. We would like to see these terms included in the chartering documents of the proposed foundation.

As you know, The Campagna Center partners with the City to provide a number of quality programs for vulnerable children and their families. In FY2000, The Center had to raise \$130,000 in private funds to cover the costs of our Campagna Kids school-age child care program, and \$36,000 for Alexandria Head Start. Another \$688,000 in private fund-raising was required to support our other programs.

These dollars are critical to the survival of essential services for Alexandrians, yet the proposed Capital Development Office will have priority access to the City (with City-appointed board members and City funding). Additionally, the task force report proposes that the staff be paid at a rate significantly higher than any local nonprofit can afford.



HEAD START • CAMPAGNA KIDS • THIS WAY HOUSE • WRIGHT TO READ • RSVP

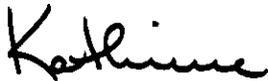
THE CAMPAGNA CENTER, 418 SOUTH WASHINGTON STREET, ALEXANDRIA, VIRGINIA 22314-3630

PHONE (703) 549-0111 FAX (703) 549-2097 E-MAIL: CAMPAGNA45@AOL.COM WEBSITE: HTTP://MEMBERS.AOL.COM/CAMPAGNA45

The Honorable Mayor and Members of City Council
Page Two
April 19, 2001

We understand that no one intends to damage local nonprofits through this initiative. However, we believe that this will be an unintended consequence of the establishment of the proposed Capital Development Office. We respectfully request that you make the two above-noted modifications, if you must proceed with the establishment of this foundation.

Sincerely,

A handwritten signature in black ink, appearing to read "Katherine". The signature is written in a cursive style with a large initial "K".

Katherine L. Morrison
Executive Director

cc: Phil Sunderland, City Manager

APRIL 21, 2001
CITY COUNCIL MEETING

Comments of Paul Alan Friedman

RE: The Capital Development Task Force Report and The Revised
Recommendations Report from the City Manager

Good morning.

My name is Paul Alan Friedman. My wife Lori and I live at 3324 Valley Drive here in Alexandria. I am a non-practicing attorney. My current position is Campaign Coordinator for the Development Corporation for Israel, which means my job is to sell millions of dollars in bonds to help modernize the infrastructure of the State of Israel. My region of responsibility includes parts of Maryland, the District, and all of Virginia.

I am here today as a concerned citizen. No one is paying me and my only interest is seeing that the Council is made aware of concerns I have about the proposal to create a Capital Development Foundation.

I would like to begin by complimenting Council Member David Speck and the members of the Task Force for their efforts with regard to this proposal. Their leadership on this issue is to be commended as this idea has great potential. I nonetheless remain concerned about a few matters.

I am concerned about the way in which the proposed board will be constituted, about whether operational funds can be raised, and by a few of the things I heard at the March 15th task force meeting.

First, the task force recommends that three members of the foundation board be chosen by the City Council but that those three would then fill all the remaining and future openings by themselves and without Council participation.

According to members of the task force, the reason for choosing this approach to board appointments is that an expert told the task force that if the City Council had control of the money raised by the board then donors would be less inclined to give.

One may debate the merits of such a claim, but I think it is essentially wrong to use the City's name to raise funds only to have those funds managed by a self-selected group of people who would not be accountable to the Council or the citizenry.

Why is this disturbing? Well, because according to the Revised Report, in as little as five years, the City Manager's office envisions that this board may become a grant-making foundation with the power to distribute unrestricted funds to private entities.

Second, in my experience working for a non-profit organization a few years ago, raising administrative funds from donors is extremely difficult.

In an e-mail I received from Council Member Speck on April 19 he attempted to alleviate such concerns by stating that "The foundation, if approved, will seek capital funds, not operating." Yet, in the Revised Report, it states that "The City's continued support for the foundation after FY 2002 will need to be considered in light of the foundation's progress in raising the remaining share of administrative costs during its initial years of operation." This is clearly contradictory.

The Revised Report further states that "if approved, [the foundation] will require a multi-year period (approximately five years) to become established, and it is unlikely that the foundation will generate funding to direct toward capital projects in any significant amounts during this start up period."

Thus, in fact, it appears that during the first few years, the main objective of the staff will be in finding donors willing to fund the administrative costs for a foundation that is doing little in the way of substantive work. That strikes me as a very significant challenge and one that would make me think twice about enacting such a plan. Moreover, these remarks suggest that the real difficulty in finding donors may not lie in how the board is selected, but whether donors will feel comfortable giving money to such a tentative entity.

Third, I am concerned about a remark made by Council Member Speck after the March 15 ^{meeting}. Mr. Speck told me that like a marriage, problems will crop up and he appeared satisfied to fix those problems as they come up. I responded that is why there are pre-nuptial agreements - to anticipate and avoid problems. Frankly, if problems can be identified in advance, I do not understand why the Council would not wish to correct them in advance.

In sum, I believe that the above issues need to be addressed before I would feel comfortable supporting this expensive endeavor. It is regrettable that I have learned about this Task Force and these problems towards the end of the process. Still, I would think the City Council would be appreciative of citizens coming forward to contribute their ideas at any point. After all, if this project can be improved, it is the City that would ultimately benefit.

Thank you for giving me this opportunity to speak.

ROUGH DRAFT

**CITY COUNCIL OF ALEXANDRIA, VIRGINIA
Public Hearing Meeting — April 21, 2001
Partial Verbatim of Docket Item No. 6
City Council Discussion**

* * * * *

6. Public Hearing on and Consideration of the Revised Recommendations on the Report of the Capital Development Office Task Force. (#17 2/28/01)

Vice Mayor: Mr. Morrison.

Morrison: Good morning, Mr. Vice Mayor, Council. I'm John Morrison. I'm a resident of Alexandria. I'm a practicing attorney with the area specifically of estate planning and estate administration. I've been involved with the start-up of local, national and international charities and foundations. I'm also a member of the Alexandria Community Foundation. I am recommending that you consider, or reconsider, a fundamental change to the matter that has been proposed to you by the Task Force. You have been told that as envisioned the foundation's role is to solicit funds only, and you have been informed that the decision-making authority and responsibility for the expenditure of funds, regardless of the source of those funds, rests fully with City Council, and the staff has recently advised you that in the event a donor provides a gift to the Foundation but has placed specific conditions to the gift, City Council will have complete discretion to accept or reject the gift conditions and consequently the gift. In the event the City Council declines the gift from the Foundation, the Foundation will be responsible for returning the gift to the donor. What I'm suggesting to you is this concept of creating a private foundation to solicit funds subject to distribution by the City Council and a later decision by City Council may create a fundamental problem for an unwary taxpayer. It's not uncommon for donors to place restrictions on the use of their funds. It is uncommon for a private foundation to be subjected to a directive to return those funds in the event Council wishes not to accept the gift. The living donor that makes a gift takes a tax deduction in the year of, of gift. If there are restrictions and Council decides later not to accept the restrictions, that gift would be returned. The living donor then would be faced with the consequence of having to pay penalties and interest on an improper

charitable deduction. But the consequences for an estate are compounded because an estate built around a plan for a charitable contribution with restrictions which are later determined after the federal estate tax has been filed, when the funds are returned to the estate, if the estate has been closed the estate will have to be reopened and then where does the money go? The wise donor will plan for this, but in my experience and from the military we've learned that in creating battle plans, there's always 5% of the troops that don't get the word. So, what I'm asking is that you, you really examine this concept of dependence or independence. Also, you are engaging a highly credentialed fund raiser. It seems to unduly restrict that fund raiser's ability to raise funds by having to tell donors, I'm going to take your money but we may have to give it back. I've recommended to you that you make a decision at the very beginning of this process. Decide whether control of City Council is your fundamental concern or whether you want to create an effective fund-raising machine. If control is what you want, then I recommend you keep this entity within the City government. Make it subject to your city manager's supervision. If unfettered fund raising is your goal, then trust the ability of your highly compensated fund raiser, trust the ability of this superlative board, nine-member board that's going to be put together, let them go raise funds. Let them distribute those funds. Let this be a true City foundation. So, I ask you and as I've written earlier in the week, please make the decision whether you want this entity to be a part of City government or whether you want it to stand apart from City government. It is difficult to comprehend how it can do both. Thank you for your time.

Vice Mayor: Thank you very much.

Woodson: Mr. Vice Mayor, I have a question..

Eberwein: Mr. Vice Mayor.

Vice Mayor: Councilwoman Woodson and then Councilwoman Eberwein.

Woodson: Thank you, Mr. Vice Mayor. Mr. Morrison, I have read your letter that we received this week, and I was very impressed with many of the points that you raised and I do have a question. I don't have nearly as much experience in this industry as you evidently have.

Morrison: I'm not claiming to be an expert.

Woodson: Well, either way.

Morrison: I have questions. I don't know that I have answers.

Woodson: I see. Okay. Well, either way I am somewhat confused because from my experience, particularly with the effort to raise large donations, there is a good deal of lobbying for, for lack of a better word.

Morrison: Yes, Ma'am.

Woodson: They are, the large donor is, is groomed, if you will. They are stroked, if you will. There is a lot of attention paid to them, and it doesn't come as a big surprise that a donation of a million dollars or an estate worth five million or, or whatever it is, is forthcoming. This is something that is developed over a period of time.

Morrison: That is correct.

Woodson: It would seem to me then that since it's not a surprise that what the donor wants done, the stipulations that the donor would want to place on this gift, would be known ahead of time. At which point the City Council would have more than enough time to decide whether or not this stipulation was acceptable or it was not acceptable. At which point the donation would not have been made. So help me to understand how we could fall into the trap, or we wouldn't so much fall into the trap but the fund raiser would be hamstrung if you will and the estates or the donors would suffer from IRS penalties. It doesn't follow. So, how do you explain that.

Morrison: Well. Yes, Ma'am. And, and the astute, well-informed taxpayer, the well-groomed donor, you're absolutely correct. They'll go to someone like Councilman Speck and they'll have incredible, powerful fund raising device, advice. But, but what I'm suggesting to you is you are creating an entity that will have great name recognition throughout the City. I have to tell you that there are people who come to me that make donations to entities based upon their reputations. The Cancer Foundation, Salvation Army. They never go to Salvation Army and say, you know, we're doing this. They don't want to be, they don't want the recognition while they're living. They want to make a contribution when they go, when they pass. They do that through their estate plan. So there is the unintended, there is, the majority, you're absolutely correct. But what I'm suggesting if I will, in

my military analogy, there are going to be people that don't get the word. There're going to be people who come to this and want to give to this entity that aren't going to have the sophistication that you suggest. Let me make another example. I thought about this and I don't want to belabor City Council but I'm a fly fisherman and I love Lake Cook. It's, it's a great place. If I say to this City Council I'm going to donate a pool of money to the City, the income of which will be restricted for stocking Lake Cook with rainbow trout, fly fishing only, single-barb, single-hook, no barbs, and this City Council says that's a great idea.. Let's promote fly fishing in the City. And another City Council ten years from now says, wait a minute. We want to return Lake Cook to the open access, all fishermen take and release. All of a sudden my money is no longer good because the later restriction hasn't been accepted. So these are the kinds of consequences that can come up when you have, in my mind, an entity that will be very capable of raising money, but incapable of spending that money.

Woodson: I have, sure. I guess, I have another question on your letter. But just to follow up to what you said in your military analogy, I would think that the military would not base their decision on the 5% that don't get the message though so I'm not sure that that would be the approach that I would take that I would be so concerned for the 5% that didn't get the message that I would change the entire approach.

Morrison: Well, that's your wisdom.

Woodson: Well, I don't know how much wisdom there is in that. Maybe just common sense. My second question has to do with a, and I don't have it, I don't have it underlined in your letter but I have it notated in, in my docket item, but you make some comment about monies that are given to the Development Foundation for another entity, and, and just to use your, let me find it in your letter. It's something about monies that were given that would then be turned over to another organization. Was that not you?

Morrison: That's not me.

Woodson: Okay. Maybe it was another letter then.

Morrison: No, I'm assuming that this decision has been made in Council. I'm assuming this entity will go forward.

Woodson: No, no. That, that wasn't –

Morrison: I, I'm just, I'm simply trying to point out to you a fundamental conundrum that I see.

Woodson: I understand. So that, that wasn't the question.

Morrison: Yes, ma'am.

Woodson: I'm not explaining it very well. If, if a donor wanted to give \$50,000 to the Salvation Army, there, and I thought it was your letter but obviously it was not, that the monies would be given, that the monies could be given to the Foundation with the stipulation that it is earmarked for the Salvation Army. And the question that I had, if you're in the audience whoever sent this in, is why wouldn't you just give it directly to the Salvation Army if that's who you intended to have it.

Morrison: Well, if I were the estate planner and knowing the vagaries of having to have a City Council decision that would be my recommendation.

Woodson: Exactly.

Morrison: It would never come through the Foundation. It would go straight to Salvation. Yes, ma'am. That's a very good point because that's exactly what I'm saying. Why would it go to this Foundation?

Woodson: Yeah. It didn't make sense to me why it would go to the Foundation but I, I thought it was in your letter, but it was not. Thank you very much.

Morrison: No. Thank you.

Vice Mayor: Councilwoman Eberwein and then Councilman Euille.

Eberwein: Yeah. Mr. Morrison, I also read your memo and I do agree with some of the points but I also agree with the commonsense approach of Ms. Woodson with regard to the, I think you said, 5%. You know there's the axiom ignorance of the law is no excuse and we all suffer through estate planning or not or our families do. Whether we work in advance and do good planning and hire a good attorney or not is, is kind of the, kind of just the way life is.

Morrison: Well, we all certainly hope for that at least.

Eberwein: We certainly do. But along those lines I have the question. Doesn't, you're acting like we need to prevent this and it seems to me that this kind of occurrence happens already with every organization such as this. For example, if an estate decides to leave a painting to the National Gallery of Art one would assume that a good planner would say, we're going to take this to the art museum and see if they will even accept it, if they want the painting.

Morrison: Yes, Ma'am. I've had that problem.

Eberwein: But some people may not and some people may not decide until they're on their death bed as to whether or not they want to leave a painting. Now, I don't think the National Gallery of Art has a policy, they may, that says we're going to reject all paintings unless we know while the donor is alive or whether their estate is still active whether or not we will accept it. You might be given a painting that's worth nothing. Someone may think it's, it's a wonderful painting but the National Gallery of Art may say that this isn't even close to the kind of artwork that we would display in our museum or even keep in storage. So I don't really follow the, the logic of that argument. It seems to me that you're always going to have that problem, and I don't really know how we can structure this so you wouldn't. Now, I do agree with some of your points about the quasi-nature of this. However, that particular problem as far as estate planning as well as the, the issue that you raised about the tax law changing, we all know that the tax law changes always. It is, it is, I think, death and taxes and the fact that tax laws change are probably sort of givens. So that point I thought was also not necessarily on point here, so I'd, I'd like you to –

Morrison: Well, may I, which one do I address?

Eberwein: Well, since, since you're not going to change my mind on whether we should address this to the current tax law since it's always changing and I don't think you can possibly structure any organization to take, you can never statically structure something for the current tax law because you always know it will change. I'd like you to address the art piece.

Morrison: May I, may I focus on the tax piece first?

Eberwein: Sure.

Morrison: It's not so much that laws change, certainly they do. The concept is in the view of the present flux, this was the context that they proposed the question to you. In the view of the present flux, does it make sense to commit a half a million dollars, \$500,000, to an organization that will be dependent upon raising those funds as the Task Force reports. Charitable donations will be a significant element of the ability to raise funds. My question is it, it's only one of theory perhaps now because maybe the laws won't change, but if you put a half million dollars of City money into this entity and the laws change and make it larger and harder to raise that money, are you prepared as a City Council to say well, we've put \$500,000 in this entity, the laws have changed, maybe we should put another \$500,000 because it hasn't quite yet met its goal. My point is if you kept that within the City government, then the city manager would be able to determine well, we've spent this much money, but it's, it's a viable process or it's not a viable process. It's something you would keep, the decisions would be within the control of the City government. That's the point about the changing of tax issues. It may make it harder to raise money.

Eberwein: The continued funding will always be within the purview of the Council.

Morrison: Sure.

Eberwein: With the advice of the city manager.

Morrison: That's true. As long as that's, that's a concept you understand, that's fine. The, the memo of the task force says it's different. That they're going to be independent after five years and I, I just think that's interesting. So.

Eberwein: Yeah, we've got a big budget we're getting called on.

Vice Mayor: One more. Councilman Euille.

Euille: Yeah. Thank you, Mr. Cleveland. Very briefly. John, thank you for your letter. It's probably one of the better, better letters we received in terms of you know various points and, and focus, and certainly coming from someone like yourself that deals in this arena on a legal basis most of the time working with people that, or for people that are looking for a venue for making a charitable donation. I'm not going to belabor the point but I had,

one of the things I want to discuss with you was what precisely the recent, the previous conversation with Ms. Eberwein relative to the tax laws. But that's going to happen. I mean, that could happen whether it was this City's capital foundation or any other foundation, non-profit organization. It's, it's, you know, that's real. There's nothing we can do about it. But I do, I did want to personally say thank you because it certainly has provided me with some additional thoughts that whether positive or negative I didn't have up to that point, and thank you.

Morrison: Thank you, and I want to thank you, Mr. Euille, for your support of the Alexandria Community Foundation, so thank you very much.

Vice Mayor: The next speaker.

Mosqueda: Good morning, Vice Mayor Cleveland, Members of Council, Mr. Sunderland and staff. My name is Elsie Mosqueda and I reside at 900 Pendleton Street, and I'm here today representing the Alexandria Council of Nonprofit Human Service Agencies. First and foremost I would like to thank you for holding this public hearing. We really appreciate that. My comments will be brief and will include number one, two issues of concern, number two, my recommendation for an alternative proposal, and number three, a comment on public hearings in general. Issues of concern, number one. Competition with nonprofits. Initially public dollars will be used to help establish the Capital Development Foundation. \$100,000 a year for the first five years, 40% of the operating budget for the first year. The remainder of the operating budget, approximately 65% totaling approximately \$600,000 for years two to five will be raised from private sources as will the estimated five million designated for capital projects. As anyone who has raised monies for operating costs is aware, these are the most difficult monies to raise. There is no question that in seeking these funds the City's Capital Development Foundation office will be competing directly with the nonprofits that serve our community. Two. Accountability. The Task Force states that the Council will appoint the first three members, then those three members will appoint the remaining three. Thereafter, Council will not be involved in the appointment process. Members will be appointed by sitting board members. We asked a local attorney for his input regarding this aspect of the Task Force report. He commented that, "the discretionary authority of the use of funds being conferred upon the board of directors should concern us all. This discretionary authority is being given to board members who have no

accountability.” There are additional issues which I leave to others to address. Comment number two. Recommendation for an alternative proposal. Several years ago Councilman Bill Euille proposed the idea of a community foundation. The Nonprofit Council was not adverse to the idea. In fact, we thought it had possibilities. I would like to recommend that we create a community foundation with a Council-appointed board of directors. This community foundation would raise funds to do two things: (1) provide grants to nonprofits for operating costs and capital improvements; and (2) provide the City with funding for Council-approved capital improvement projects. This foundation would combine Councilman Euille’s and Councilman Speck’s visions. Comment three. Public Hearings. I have been admonished for requesting the public hearing just to muster opposition. That was not my intent. My intention was to ensure the Alexandria community was aware that this entity was being created. I believe as you do that public hearings are an inherently valuable part of the democratic process. In 1998, the Virginia Department of Transportation acquired a piece of land in the Eisenhower Valley without giving sufficient notice to the City of Alexandria. As a result, the Council asked Delegate Brian Moran as part of the City’s legislative package for the 1999 General Assembly to patron legislation which became House Bill 2031. And I’m sure most of you remember the acquisition of real property by VDOT. A summary of this bill is as follows: It requires that before VDOT can acquire certain real property, it must provide certain notice of its intention to do so, offer to hold a public hearing on the acquisition and hold the hearing if asked to do so. Although there was intensive lobbying by the City of Alexandria, unfortunately this bill did not pass. But my point is this. Just as you value public hearings sufficiently to request a legislative change to protect the interest of our locality, we, the community at large, also value public hearings as an integral part of the implicit compact that we have with you, our elected officials. I would ask that you vote against this measure and refer my proposed alternative, a combination of two worthy visions, to the city manager for further study. Thank you for your attention.

Vice Mayor: Thank you very much.

Dep. Clerk: Katherine Morrison is the next speaker followed by Paul Friedman.

Morrison: Good morning.

Vice Mayor: Good morning. Time’s up.

Morrison: Well, you already got my letter so, and you did already receive my, my e-mail and my written testimony so I would just like to make a couple more comments. Ideally, I would love to see you all look at the idea of establishing a true community foundation like Arlington County has. I think supporting a community foundation would then address the needs of all the residents, not just based on whether it's a governmental program or a private program, but it would put the residents' needs first, and when we addressed this with the Task Force, they said that was outside their purview. They didn't look at that. That's within your purview, and I sincerely hope you will give that your study before you proceed on establishing something else. Also, as I said in my letter, we feel strongly that if you must proceed with this foundation that you set in the chartering documents a threshold for solicitation of gifts at \$100,000 for the gifts and that you ensure that, that your fund raisers stick to that because fund raisers are very competitive and I'll be real surprised if the premise that they won't go after smaller operating grants doesn't hold true in the future, especially since you don't totally control this new entity. You only have a few seats. And I would also ask that the, as was discussed at the meeting on the 15th of March, that if, that all entities have access to the funds for capital needs. Again, if you must proceed with this specific plan immediately, you know, at the same time as the City and that the capital needs of the whole community be met through this vehicle. Thank you very much.

Dep. Clerk: Paul Friedman, please, to be followed by Mark Williams.

Friedman. Good morning. My name is Paul Alan Friedman. My wife, Laurie, and I live at 3324 Valley Drive here in Alexandria. I'm a non-practicing attorney. My current position is campaign coordinator for the development corporation for Israel which means my job is to sell millions of dollars in bonds to help modernize the infrastructure of the state of Israel. My region of responsibility includes parts of Maryland, the District and all of Virginia. I am here today as a concerned citizen. No one is paying me, and my only interest is seeing that the Council is made aware of concerns I have about the proposal to create a Capital Development Foundation. I would like to begin complimenting Council Member David Speck and the members of the Task Force for their efforts with regard to this proposal. Their leadership on this issue is to be commended as this idea has great potential. I nonetheless remain concerned about a few matters. I'm concerned about the way in which the proposed board will be constituted, about whether operational funds will be, can be raised, and by a few of the things I heard

at the March 15 Task Force meeting. First, the Task Force recommends that three members of the foundation board be chosen by the City Council but that those three would then fill all the remaining and future openings by themselves and without Council participation. According to members of the Task Force the method for choosing this approach to board appointments is that an expert told the Task Force that if the City Council had control of the money raised by the board then donors would be less inclined to give. One may debate the merits of such a claim, but I think it is essentially wrong to use the City's name to raise funds only to have those funds managed by a self-selected group of people who would not be accountable to the Council or the citizenry. Why is this disturbing? Well, because according to the revised report, in as little as five years the city manager's office envisions that this board may become a grant-making foundation with the power to distribute unrestricted funds to private entities. Second, in my experience working for a nonprofit organization a few years ago, raising administrative funds from donors is extremely difficult. In an e-mail I received from Council Member Speak on April 19th he attempted to alleviate such concerns by stating that "the Foundation, if approved, will seek capital funds, not operating." Yet, in the revised report it states that "the City's continued support to the Foundation after FY 2002 will need to be considered in light of the Foundation's progress in raising the remaining share of administrative costs during its initial years of operation." Now this is clearly contradictory. The revised report further states that "if approved, the Foundation will require a multi-year period, approximately five years, to become established and it is unlikely that the Foundation will generate funding to direct toward capital projects in any significant amounts during this start-up period." Well thus in fact it appears that during the first few years, the main objective of the staff will be in finding donors willing to fund the administrative costs for a foundation that is doing little in the way of substantive work. That strikes me as a very significant challenge and one that would make me think twice about enacting such a plan. Moreover, these remarks suggest that the real difficulty in finding donors may not lie in how the board is selected but whether donors will feel comfortable giving money to such a tentative entity. Third, I am concerned about a remark made by Council Member Speck after the March 15th meeting. Mr. Speck told me that like a marriage, problems will crop up. You may remember that, and he appeared satisfied to fix those problems as they come up. I responded that that is why there are prenuptial agreements, to anticipate and avoid problems. Frankly, if problems can be identified in advance, I do not understand why the Council would not wish to correct

those problems in advance. In sum, I believe that the above issues need to be addressed before I would feel comfortable supporting this expensive endeavor. It is regrettable that I have learned about this Task Force and these problems towards the end of the process, still I would think that City Council would be appreciative of citizens coming forward to contribute their ideas at any point. After all, if this project can be improved, it is the City that would ultimately benefit. Thank you for giving me this opportunity to speak.

Speck: Mr. Vice Mayor.

Vice Mayor: Thank you very much. Councilman Speck, I think you have a question.

Speck: No, not a question. I just wanted a clarification in the event that my wife is watching. I wasn't referring to my marriage. Thank you.

Euille: Councilman Cleveland; Vice Mayor Cleveland.

Vice Mayor: Thank you very much.

Eberwein: We'll, we'll have to verify that Marcia before we take it at face value.

Vice Mayor: Councilman Euille.

Euille: Yeah. To the speaker, I certainly appreciate your comments and to any of the speakers and anyone in the audience, anyone listening with regards to this proposed Capital Development Foundation, take it to heart. This Council is not going to act and do anything, otherwise we wouldn't even be having this public hearing today, if we were not going to take into consideration all your comments, criticisms, what have you, to correct, make adjustments and modifications to this proposed plan. It's, it's a given that that's going to happen in terms of trying to create something that we can live with and that can be successful as opposed to just simply throwing something out there and letting it become a failure. I'm not, you know, let that happen.

Friedman: I greatly appreciate hearing that. I have to frankly tell you that at the Task Force meeting I went to I was told that, you know, the fact is that, why didn't these people come forward sooner? Why didn't they come forward? I was asked why didn't I participate on the Task Force? Why didn't I, you

know, participate on the committee if I had complaints or concerns, and I said I wasn't, you know, aware of it. And, and I was surprised at the attitude that suggested and so that's why I included that remark in my piece. Anyone have a question?

Vice Mayor: Thank you. Councilwoman Woodson.

Woodson: Thank you, Mr. Vice Mayor. With all due respect to the Task Force, they aren't voting on this.

Friedman: I understand that it's your role to vote on it, and, and, but City Council Member Speck was there and the impression I got, with all due respect, was one that he had pretty much made up his mind and the people who were coming to express their views at that March 15th meeting were pretty much sort of working in a position from behind so to speak on this matter.

Woodson: Well, it certainly is Mr. Speck's idea so I would hope that he had made up his mind because he, you know, put this forward. But that's not to say that what the Task Force proposal states is exactly word-for-word what we will vote on, and I know I've had that conversation with many citizens over the last couple of months prior to the March meeting and since the March meeting. I gathered from that March meeting that several citizens came away feeling a little less concerned but altogether still not quite bought on.

Friedman: Well, I, I, if I may, I think that the idea suggested about the concern for a larger concept in this Foundation that incorporated the needs of the larger community is one that should have been more thoroughly examined and explored. I think it may take some time to explore that. I think the principle behind handing over discretionary authority to provide money with private entities to a body that once created is sort of on its own does put us in an awkward position as a City where we are using the City's name to raise that money and the City Council has basically walked away from how to, that, those decisions will not be within the purview of the City Council.

Woodson: And these are all things that we'll be looking at. Thank you.

Friedman: All right. Thank you very much.

Dep. Clerk: The next speaker, Mark Williams to be followed by Claudia Waller.

Speck: Mr. Vice Mayor, just to --

Vice Mayor: Councilman Speck.

Speck: Just a, a, just a comment. As I said at the Council meeting a few weeks ago, I thought the meeting that we had March 15th was actually very constructive. We spent over three hours talking about things and the result was there were changes that were made. I mean, I certainly have my opinion but I, I hope that I'm not so stiff-necked as to not listen to additional comments that can improve the idea. So, I didn't want to leave the impression that there wasn't consideration of some of these thoughts.

Williams: Thank you. Good morning. My name is Mark Williams. I am a member of the Task Force. I want first to thank Council for the opportunity to serve on the Task Force. This was a remarkable group of people who came together to marshal what I think was an extremely significant idea for the City of Alexandria. We had an entrepreneur and former member of City Council. We had a real estate developer active in the nonprofit sector, a former Mayor of a City that you have heard of serving as a federal government attorney, a corporate finance regulatory lawyer now serving in federal government and others. The panel started out as a panel of many different people, some of whom were quite skeptical about the idea. Within a very brief period of time the panel really spoke with one voice. I'd like to sort of disabuse Council of some of the fears that I think have been raised before Council both today and within the last couple of weeks that really were quite thoroughly reviewed and investigated by the Task Force and which I don't think should merit further consideration. The first is that somehow there is going to be a vast yawning gap in accountability. That once created this Foundation will become some sort of a, an economic or nonprofit Frankenstein that will be able to use the City's name to make policy decisions for the City to somehow supplant or interfere with the ultimate policy-making role of Council. That literally cannot happen. This, this Foundation is going to be constituted as proposed, simply as yet another Virginia nonprofit corporation just like all of the other nonprofits that currently do business in the City of Alexandria. This Foundation will be subject to continuing scrutiny by an ex officio Council Member sitting on the board and the manager or a delegate of the manager sitting on the board. Council will retain the ultimate right and duty to say no when Council believes that that is appropriate. This foundation can't possibly foresee or repair in advance deficiencies in estate planning which we can't even predict now. This Foundation, like any nonprofit, can't possibly be expected to predict what the Internal Revenue Code is going to look like in five or ten or fifteen or twenty years. I certainly understand that the possibility of a gift being forced to revert is not something that anyone wants to happen, but these are risks that are effectively undertaken in connection with all major planned giving. The most common remediable pretreatment is the use of contingent gifting to A, and if not to A, then to B. These can readily be addressed by good estate planners. There seems to have been some confusion about the definition of operational funding. It is the purpose of this Foundation as envisioned by the Task Force and proposed to

Council that the Foundation will be gathering funds for capital, not for the conduct of day-to-day program services which would and should remain the exclusively province of the existing nonprofits that provide those services and are experts in those issues. The operational funds that I think I have heard referred today really are the administrative start-up costs of the Foundation. These costs are always necessarily going to be front-loaded, just as the cost of any nonprofit organization are to some degree front-loaded. The fact that these costs are front-loaded doesn't necessarily mean that that somehow the idea lacks merit or we shouldn't want to get past that period of front-loaded costs to the ultimate result. The ultimate result simply has to be some kind of independent, significant capital fund-raising vehicle for the City or else we impose undue burdens on the City budget—pardon me—other City agencies, the taxpayers and City nonprofits. The City of Alexandria is not currently cash rich. That situation is not likely to change in the immediate future. In the absence of some significant vehicle to gather a great deal of money for the public good, the City of Alexandria has nothing but the tax books to look at. I would urge Council to consider the mission statement proposed by the Task Force when the Task Force submitted its report. The purpose of this Foundation ultimately is the public good, not competition with entities that we will not even be directly competing with in the servicing—if I may—in the servicing aspect, let alone in a fund raising aspect. In addition, the manner in which the Foundation envisions developing long-term gifts is not simply restricted necessarily to pure cash, which frankly is the primary source of funding of the City's other nonprofits. For the purposes of gathering long-term capital and, and funding capital improvements that way, a foundation of this nature has to be somewhat more creative and look at gifts of intangibles, gifts of securities, gifts of property that has appreciated, gifts of property that may very well be subject to, to sale or to management before the funds that is represented by that property can be optimally deployed. For that reason I would urge Council to please come back to the Task Force's report and approve not simply a foundation proposal with some numbers attached to it but a significant idea for the City which can return a long-term dividend.

Vice Mayor: Thank you.

Dep. Clerk: The next speaker is Claudia Waller to be followed by Donald Mela.

Waller: Mr. Sunderland, Vice Mayor Cleveland, Members of City Council, I am Claudia Waller, 5943 Kelley Court. I came here more to listen than to speak and I have been—you think that's something new? Well, I did do that already before the meeting. Right. I don't need a meeting to do that. But I would like to bring your attention to two letters that I have received that have been sent to City Council. I don't know about the one from Bob Calhoun, if it was addressed to the whole Council, but also one from Mel Bergheim. I really ask you to take a careful look

at these two letters and the concerns that they raise because these are people who have served on City Council who for many, many years have been involved in the City and its governmental activities and nonprofit activities. As the executive, as the Chairman of the Board of the Scholarship Fund of Alexandria, as strictly a volunteer, I have to tell you that this foundation frightens me. I've been told that I just need to work harder to raise money for the organization that I work with. I do work hard to raise money and raising \$100,000 in the course of the year is a major project that involves probably 60 or 70 people and a lot of volunteers and grab s money from the same people that give to all the other organizations in the City. I ask you to sincerely, sincerely consider the proposal that was made by Ms. Morrison from the Campagna Center to put a bottom line limit on the money that you raise so that really is looking to people that are working towards providing capital monies for capital programs. I also ask you to look at better clarifying what it is in the capital budget that this program is supposed to address. I think right now that the, that the purpose of the foundation is pretty fuzzy other than to raise money and this bothers me a great deal. I thank you for the time and consideration that you have provided to us who have concerns about this, who do see this as a competition with the small nonprofits in the City, and I hope that you will look at ways as some of the things that Elsie suggested to make sure that those of us that are working for the little guy in the City aren't put out of business. Thank you very much.

Pepper: Mr. Mayor. Mr. Vice Mayor. Sorry.

Vice Mayor: Councilwoman Pepper. That sounds good though.

Pepper: All right. I'm very pleased to see you here and speaking forward. I think there would be many others like yourself who would be speaking forward but they feel that there's no point and they certainly don't want to make the Council angry if it's already a done deed. But I, I really feel as you do that it's not very focused what the money will be going for. We're just raising money. My other concern is that eventually if the board is selecting other members itself you get to have the friends of each other but since these are friends who seem to know all the right people, maybe, maybe that's the way it has to be. I am going to be spending this weekend thinking very long and hard about the very issue that many of the nonprofits have raised more privately and at other meetings, the meeting that was held earlier, the work session that we had earlier. The concerns that they have about competition, and I'm thinking particularly of all of the organizations big and small, the nonprofits. There really is only a finite amount of money in this City to be given, and I really don't see how it works out that there isn't competition. I mean I just don't get it, but that's what I'm certainly going to be focusing on. I would certainly think that, that there would be groups that would have problems particularly if it was a, you know if it was \$100,000 even that they were going

after that and above. Certainly something like INOVA Hospital surely ought to feel competition, Hopkins House, Red Cross, the Animal Shelter, the Symphony, Campagna Center, Torpedo Factory, the Salvation Army, the Alexandria Scholarship Fund, any one of these would love to have an estate and I just don't, or a, or a grant, or anything. Bill, do you want to come forward?

Euille: I am.

Pepper: I know. Any of these groups I think would feel competition, and I think all the smaller groups that I didn't name that are looking for much, just much, much smaller amounts. I think even they are all in competition. I really do feel that, that this does not stimulate the giving spirit. I think it actually competes, and maybe the suggestion that Katherine Morrison made about a different kind of foundation, a community foundation, would help with some of this. I'm not just sure how, but anyway, that's what I'm going to be concerned about.

Waller: Thank you very much.

Vice Mayor: Thank you very much.

Dep. Clerk: The next speaker is Donald Mela to be followed by Mike Oliver.

Mela: I was out of town during last month's discussion of this and I don't intend to repeat all the arguments that have been made by the previous speakers but what struck me on coming here, coming back and reading the report is basically two things. First of all that for the foreseeable future it's not going to have an impact. Foreseeable future is hard to define. One delegate said the legislature defined it as two years. For you it'd be three. The, the other thing is that as Mel Bergheim pointed out, it's unprovable whether this thing is feasible or not. It is sort of a gamble but it's a judgment call as to whether you make this and that's what we elected you for and so I can accept what, what you do today there. I particularly feel based on the experience that I've seen for ALIVE! that Katherine Morrison's proposal that, to include capital improvements for smaller nonprofits in the City is one that would be very helpful. We in ALIVE! have for many years been able to do pretty well at picking up and delivering furniture because we had donated warehouse space. We don't have it anymore and we've been trying for a long time to get it. I just use that as an example of something where it is a capital, it is a capital expenditure to get the land and building that would be required for us to have a permanent place and we struggle through yet raise enough money for the operating and for the, the dispensing of emergency funds and so on. A lot of people worked on the Fools Alive that was recently held as a fund raiser but at best it will raise \$15,000 so it's just, it's very, very difficult. So I, I feel that perhaps you'll want to go ahead with this thing. Another thing I'd like to say is

like many others, I, I feel that I'd like to see just a bit more Council control at least in deciding at what point we, we know that it's a success or a failure and just stopping it at that point. It appears that in order to be self-sustaining the Foundation would have to have probably, or maybe three to five million dollars that is used for investment and producing income to pay for the operating expenditures and again it's a judgment call as to whether that's, that's going to happen within the five-year period. Thank you.

Vice Mayor: Thank you very much. Mike Oliver.

Oliver: Thank you, Mr. Vice Mayor and Members of Council. I mean you no disrespect. I'm about to return to Four Mile Run, and it's Youth In Action today. I mean I'm working on the stream. I'm one of the adolescents working. But on a much more serious note you have been addressed by very capable representatives. I did not know Mr. Mela was going to be speaking from the ALIVE! point of view but his comments with regard to our need for a furniture warehouse, we've been in some very dramatic places: Wilbar Truck Body, an ammunition storage unit at Cameron Station, Joe Guiffre's warehouse before the Duke Street Metro Station, the King Street Metro Station. Right now we don't have a furniture warehouse but we do have very generous donors and the hotels and the motels waiting to donate and we can't handle it. But my concerns as I mentioned to the city clerk is that ALIVE!'s point of view be represented, Alexandrians Involved Ecumenically. Of course, you know what ALIVE! is. Katherine Morrison, Elsie Mosqueda, other speakers and certainly Mr. Mela have voiced our concerns. Ms. Pepper mentioned the finite number of dollars available out there. I very much appreciate what she has said she would do and that is to make sure we're not going after the same dollars. I certainly respect Mr. Speck's position here. I'm certain it is well thought out. As Mrs. Woodson pointed out he wouldn't have brought it forward had he not thought so. Again, I thank you for the time and your consideration of giving up so many of your beautiful Saturdays. Thank you. I'm off.

Speck: Mr. Vice Mayor.

Vice Mayor: Councilman Speck.

Speck: Is that the last speaker?

Vice Mayor: We have one more.

Speck: Okay.

Dep. Clerk: Georgia Mae Oates is the last speaker on this item. [Ms. Oates spoke to the proposed FY 2002 budget.]

Dep. Clerk: Mr. Vice Mayor, we have another speaker on this item. Sherry Brown.

Vice Mayor: Ms. Sherry Brown.

Brown: I apologize for being late. I came to listen. Normally when I come before you I know what I want to say. It probably doesn't sound like it but this time I really am not sure because I'm very conflicted about it. I like the idea of what you're trying to do in coming up with other sources of revenue for the, for the City. I think the ultimate decision probably rests with Richmond and as long as they continue to mistake Northern Virginia for a cash cow we're not going to solve our long-term funding problems here. I feel like we're the responsible ones that go out and work and pay the bills and other parts of the state I guess are enjoying their constitutional right to hunt rather than be responsible for their fair share of what it costs to run the state. I, I like your thinking on this. I would have liked it better if it had been a real community foundation that connected everything. Black & Decker asked their new sales people why would somebody buy a Black & Decker drill and most of them say because they need a new drill. The answer is they need a new hole. I think that you'll find people aren't going to contribute to capital projects as an end in themselves. They contribute because of the programs that take place in them. And when you build a fire wall as I know you've done for the best of reasons between the people doing the asking and the people who are going to implement the programs, you're building a serious division in the very reason why people give. Successful fund raisers identify the needs in the community. They articulate the values that their organization holds. They look for donors who share those values. They look for donors who share the vision that they're trying to implement in a community and they go after those people because they can show them that this is a successful organization and you are investing money in people who are going to help realize the dreams that you have for your Foundation. You've disconnected that in this case because you're trying to be so careful about the connection. I think you'll find in the long run that people in Alexandria are not giving because they want something named after them. They're not interested in making a name for themselves. They're interested in making a difference. It's not where the money is in this community, it's where the heart is, and I think one of the things that bothers me the most about this approach in keeping it on such a bricks and mortar kind of approach is that a lot of this is stuff the City should be paying for, and that means I should have my taxes raised. I don't particularly like that approach, but I think it's not fair to penalize the people in the community who always step up to the plate, who are always generous with their time and their money, and ask them to pay for basic services that all citizens are going to use. If we need to replace the sewers, then let's do it by raising the tax on water, and let's take the terra cotta tiles, autoclave them, give them to the arts community and let them create something great with them and sell them to tourists and we could get a small profit from it. But I think we really

do have to consider what are the, what are the purely philanthropical things that belong in a community foundation where we really should be working in partnership to go out together to get money and one of the things that as a citizen, as much as I hate opening a tax bill, I really should be paying for because I'm benefitting from these things. I would suggest that we go back and re-examine this. I would say put everything on the table from a percent to art tax to the admission tax. I'm probably the only person that didn't automatically condemn it because I never heard you all say how much you were going to let me keep of the revenue I raised. So, I, I applaud thinking outside the box. Save a place at the table for the nonprofits. Save a place particularly for the arts community. We don't just think outside the box, we think outside the boxcar. Thanks.

Eberwein: Mr. Vice Mayor.

Speck: Mr. Vice Mayor.

Vice Mayor: Councilwoman Eberwein and Councilman Speck.

Eberwein: I guess I'd like to address a couple points, some general and then I would like to funnel down to some specific questions that I'd like the manager to address. I'd first like to address the concept that the decision has already been made. I've heard this from a number of people and, and perhaps that comes from the fact that there was a general sense I think from all of Council when the report was first received that we thought it was a good concept. I think we, at least I, and I'm sure some of my fellow Council Members thought of it as a work in progress, however. And while I can support the concept, I believe its current form needs some work. This has been around for a long time. I was informed by Ellen Pickering that this concept was talked about when she was on Council. So this is not new and it's something that has been discussed by this Council and prior Councils for a long time. The question about why you have such a foundation, for me, is, is pretty simple. As everyone has pointed out, capital funds are scarce and while we might be able to put up a basic building, a foundation like this might allow us to put up something that Alexandria can truly be proud of. And then there's the question of why have it when people can already give money to the City, which they can. And I think that goes to a very basic point and, and though I have no facts to back it up, but many people won't give because in American we have an historic, and I think healthy, distrust of government. We all know there needs to be government, but we don't always trust it and so we have a great deal of faith in putting some of that trust in citizens. And I think that's why, I think, a foundation like this would be much more successful in actually raising the funds than if it were within the City government where we can already accept donations. And quite frankly I haven't seen too many forthcoming. I have a predisposition toward bricks and mortar. That doesn't eliminate things like books or statues but

I think it should be toward capital needs that as the vision statement said takes us where Alexandria wants to be. I certainly don't view it as the sewer improvement fund and, and I'd be happy to give those tiles to Sherry and her organization but I would be very disappointed if anything in the documentation came forward to say this would be for general improvements for roads or things that are the City's responsibility. Again, this thing has to go along with a very precise vision statement that indicates it takes us to a better place, not just the place where we need to be because it's our duty to have good sewers and roads, but takes us to a place where we can have additional gardens, sculptures, better architecture, better design. I thought a lot of the points by, that have been made by everyone are very good, including many of the points made by Mr. Morrison in his memo. And the reason I challenged you on the two as I suppose is the suppressed lawyer in me came out. You never want to challenge you on the points you agree with. You want to challenge somebody on the points you're not convinced by. I have no reason to, and I, and I actually am not going to vote to docket this item for final approval on May 8. I do not see any reason to not wait to get some staff comment back on some of the issues that were raised today, and even to get a staff analysis of the proposal that was put forth by Ms. Mosqueda. I don't know if that's the way we would go, but I'd like to see a look-see at it. And, and quite frankly, we're in budget session. And I don't know about my colleagues but I am swamped. We, we have a huge document. This is an important proposal and I really can't give it the time that is necessary in the context of looking through all the, all the things we need to look through. The fact that add/deletes are due on Monday, I, I simply am going to be honest. I don't have the time and I see no reason why we can't delay this through a couple of meetings to get some staff comment back on some of the things we heard today. I have some specific questions for the city manager, and that has to do with the issue one. My personal feeling is that nonprofits should be able to apply to the organization for capital needs. And there was a comment that just, and I believe Ms. Woodson referred to it earlier. If someone is going to give to a nonprofit, we can just have the donor give it directly to the nonprofit and you become a funneling factor. I'm, I'm not sure that's, that answers the issue. But I can think of a perfect example of a case. Unfortunately, history has gone by on it, but a case where it's, it's a very real City interest and yet not a City capital project where this foundation would be an excellent way to channel resources, and I'm going to talk about the Robert E. Lee house. We don't want to own the house. We don't want to maintain the house, but we're sorry that it went to private ownership. Had this foundation been in place it could have easily been thought about giving money to do the necessary renovation to that house. I think it was in the City's interest to keep it in the public domain but not have it owned by the public. So to me that's sort of a quasi-public/private. You have the public interest. You don't want City ownership and that to me is a perfect example of why you do not limit it to only projects that are in the City's CIP. My question, one of my questions for the

manager is, how would it work or how would you think it would work if someone left, either while they were alive or dead. I don't want to deal with that, a general donation for historic preservation. Didn't specific where it would go. Didn't specific that it would go to Gadsby's Tavern, the Apothecary Shop, a Lee-home type. How would it work in the context of what we, we have right here.

Sunderland: To, to address that, let me make a distinction between two of the major functions of the Foundation, any foundation like this. One is the solicitation, the active solicitation of dollars for something and the other is the receipt of dollars for something specific or something general. The way this has been established and, and the change, the slight change or maybe not so slight alteration I think between the original proposal and what is in the April 12th memorandum is that it is envisioned in the first five years of the Foundation that on the solicitation side, the Foundation would solicit actively for one or a few specific City capital projects. But during that initial period there would be nothing to say that the Foundation, if the board of directors so decided, would be precluded from receiving a gift, not necessarily a solicited gift, but in your example if somebody came to the Foundation and during that initial period, start-up period, wanted to make a donation, that there would be nothing that would preclude the Foundation from accepting the gift and then deciding how to distribute the gift. So, and, and let me say one other thing that beyond the five-year period, again as the April 12th memo says, if the Foundation becomes a success that there would be nothing to preclude the board of directors in the sixth, seventh and so forth after year from expanding that solicitation function to go beyond active solicitation for City projects to include active solicitation for non-City projects. And you know the active solicitation for non-City project, for me at least, can take two forms. Soliciting money in general categories, either money with a general, you know, criterion of the, the vision of the Foundation, general in the sense of historic preservation, general in the sense of arts and culture, general in some other areas and third, more specific in the sense of a particular project that would be a non-City project. So to summarize the way the it's envisioned today and as reflected in that April 12th memo that the first five years in terms of active solicitation of the Foundation would be for City CIP projects, one or a few. But again as we said in the memo, nothing to preclude the receipt of a donation directed or to be spent, to be given in a non-City, to a non-City user.

Eberwein: And is the reason why you would, why the recommendation says that they would not raise, actively seek funds in the first five years for non-City project. Is that to give them focus? Is that because quite frankly we've invested up-front capital? I mean what was the reasoning behind that?

Sunderland: Because the initial driving reason for this was, create a vision for the City, a mechanism of raising dollars for the City, and in particular a method or

methodology, a form of, of raising dollars for City capital projects. There's no doubt that that's, that's been the initial idea, and I think if, if someone from the Task Force wants to talk, that that was the idea that came out of the Foundation. And again, we're, I think in light of the meeting the other day shifting a little bit from that. At least that's how the memorandum on April 12th presents it.

Eberwein: Thank you.

Vice Mayor: Thank you very much. Councilman Speck.

Speck: Mr. Vice Mayor, I'm going to make a motion to close the public hearing and I don't think there's any magic about May 8th if everybody feels better it would give a little to think about it, docket it for the last legislative meeting in May which is the 22nd. That certainly would give us plenty of time. I did want to make a comment though about competition because that's been a comment that's been made a lot today and leading up to this meeting. Competition really just goes to the very heart of a free-market economy. There's always competition and there always has been and it's gone on for hundreds of years. I mean for those of you old enough to remember when the Combined Federal Campaigns and the United Way started there were a lot of small organizations that were, I mean it was extremely controversial about whether there would be an organization that was going to muscle them out. There are a lot of smaller nonprofits that think the Campagna Center has tried to dominate that. When the Scholarship Fund first started, people were concerned about was that going to start taking money away from smaller organizations. And it goes on and on. I mean, I, I think Sherry Brown actually made a point, although I don't entirely agree with her conclusion, but the point was that people contribute because they see something that they like. That they have a vision that they want to do. When St. Stephens started its capital campaign, you know, that competed for money. One thing everybody needs to recognize is that there is a tremendous amount of net worth in the community and this region that's untapped and anytime there's an effort to open those doors, it benefits everyone because you're creating an environment for giving that introduces other opportunities, and, and other visions and other programs. That's good for everyone, and keep in mind something that Mark Williams said. When you create this Foundation, what you're doing is creating something legally that's like every other nonprofit. There's nothing that prevents a foundation from incorporating itself and announcing that it intends to become the umbrella fundraiser group for lots of smaller nonprofits. These things do happen and if the intent of, of shutting off this idea is to prevent what is perceived as competition, I respectfully submit to you that that's only going to shut off that idea until the next competition arises. And there will always be some, and that's the nature of any community. New ideas, new programs, new buildings, and seeking money in an often overlapping of the same donors, but what is being thought through here is

the concept and the idea of creating an even broader mission that benefits everyone and I hope that over the next few weeks we'll, we'll think about that and not look at it in the context of what does this do for me but how does it help all of us? With that I'm going to move to close the public hearing, thank the speakers for their thoughtful comments, direct the manager to consider all of the comments that have been made and prepare a final report and docket this for final action on May 22.

Vice Mayor: There's a motion by Councilman Speck. Is there a second?

Euille: Mr. Mayor, Mr. Vice Mayor, I'll second it for the purpose of offering a friendly amendment if Mr. Speck would accept and then I have some personal comments I would like to make first of all in addition. But, David, I don't know why we need to be tied to a specific date. I, I'm not even sure first of all staff can respond back by May 22, so I, I'd rather than a specific date, I think, we'd just, you know, say, just let's say by the, by June 30, well, whenever our last legislative meeting is in June, and if staff can and we're ready, fine. If not.

Speck: Okay.

Euille: I mean there's no time, there's no rhyme or reason that we need to do this today or tomorrow. I mean I think we're all, there's some general consensus and agreement that this, the concept is very laudable and we ought to move forward with this. It's been, as has been noted by several, this is not something new that hasn't been discussed for years and years and years. But we, we do. We really do have a lot on our plate. I mean not, forget the budget, but from the Woodrow Wilson Bridge, Patent and Trade Office. I mean it goes on and on and on. Affordable Housing Summit. I'm not sure that I can even focus, but, so if you would accept that just,

Speck: Another month's not going to make a difference.

Euille: Right. That's right.

Speck: If everybody's comfortable we'll docket it for final legislative action at the, final action at the last legislative meeting in June.

Euille: There we go.

Vice Mayor: Okay. We have a motion and a second. Any other discussion? Councilwoman Woodson.

Euille: I need to –

Vice Mayor: Oh. I'm sorry.

Euille: Okay. First of all I do have some concerns and many have been expressed by others and the speakers this morning and some of my colleagues up here, but let me couch my concerns by simply saying that as, as one individual who has spent a lot of time in this community not only raising money, monies, a lot of monies, in excess of probably a million and a half dollars for the past three or four years for combined organizations and giving a lot of personal monies back to the community to a lot of all these same nonprofits that, you know, have spoken today and others, I certainly am sympathetic, share your concerns. And trust me on this. I would never, ever want to do anything or create anything and be part of a process that was going to in any way diminish the effectiveness and ability of the nonprofit organizations to continue to do what you. And, you know, competition is certainly something that I'm not looking forward to. I remember four years, five years ago when I created my own foundation and I started thinking about, well I am creating something that's going to be in competition with the nonprofits. No. Actually what created my own personal foundation enabled me to do was to enhance my ability to give and support many of these same nonprofits. And part of the reason for doing so was the fact I was giving, giving, giving and I, I had no control, I couldn't maintain control and record keeping in terms of who I was giving monies to and finally stopped writing checks to the same nonprofit probably, you know, three checks in less than two weeks. Because I had all this correspondence sitting on my desk and finally I decided, boy, if I had a foundation, you know, I could believe, relieve myself of all this confusion, mass confusion. Maybe write one big check to you know the United Way, one check whatever, but I'm still writing a bunch of checks. It, it didn't matter. But at any rate, no one was hurt by the fact that I even created a foundation, another entity, and as been pointed out, these things evolve whether the City does them or not and they will continue to evolve. That's the nature of, of the beast. Competition is going to be there. But certainly I don't want us, the City, to be the, the entity that or the action that can be accused of having ??ed the process for nonprofits to continue to succeed. I think the clarification certainly needs to be put into proper retrospect in that this foundation is strictly going to be raising money for capital needs. We're not looking to raise money for human service, social service needs, and I appreciate the comments offered by others. I, I had since '95 I think been working with staff to try to create "an Alexandria community foundation" to be similar to the Arlington foundation, the Prince George's County foundation, the Montgomery County foundation. And those things exist and they have for many years and have worked very successfully. So, I, you know, we, we didn't make a lot of headway there and to be honest with you part of the reason why we didn't make a lot of headway were for of the some reasons we're hearing today. Competition. So I backed off and said, hey, okay, fine, you know. And then Councilman Speck was working on another level in terms of focusing on the

concerns and needs for the City's capital projects, and I figured, hey, this is one that certainly shouldn't create a lot of animosity, and, boy. But at any rate, you know, I think we're, the, the, what I'm, we're getting at is that this is something that, it's certainly been very valuable in terms of the discussion from, from the public. As I said there's no real need to rush to judgment to do this. A lot of valuable comments, ideas, suggestions were offered today. We need to, we the Council, and working with staff, need to see how we can embrace a lot of those ideas, suggestions. Make them part of whatever the ultimate, final recommendation of the package is going to be, but the concerns I've had, and I expressed this publicly upon receipt, well, after rather, after receipt of the Task Force recommendation and its proposal concept plan, I'm concerned about the half a million dollars that the City would have to put into for start-up monies for, to, to get this foundation up and running, totally realizing the fact that funds need to come from some source similar to, to pay for staff and, and overhead. But I think there's a way to do that as opposed to simply investing dollars, City tax dollars, that we already have a need and demand for anyway whether it's a capital need, whether it's a social service human need. And we can do that probably, and we've gotten correspondence from others suggesting ways to do that, and I think we ought to look at that before we, you know, make the wrong choice or the wrong decision. I'm concerned about whether or not the executive director salary needs to be at the level so suggested or recommended by the Task Force, but again we can, we can talk about those things. A lot of positive suggestions relative to oversight by the Council and how the board of directors are appointed and so forth. We can, we can work on that. So, having said that I think, you know, we'll, we'll be able to collectively craft something that incorporates a lot of the comments today and hopefully at the time the Council decides to act, whether we approve or disapprove, that at least the, the citizenry, the public at-large can feel comfortable in the fact that we're not going to create something that's going to diminish the effectiveness of nonprofits and, and compete. And again, the ideas that we're going to be looking at, donors that have the ability to donate at a much higher level than some of our nonprofits are able to attract, and they're not always going to be donors inside the City, they're going to be outside the City. Personally, in my own estate planning, I have made provision for the City of Alexandria. I haven't made, specified the details of it because I don't know how mechanically we can do that just yet and I'm hoping that this foundation, and I've been waiting and hoping that this, something like this foundation will enable me to complete that process. But I can tell you, whatever I'm going to leave or give to the City, it's not in any way going to diminish my ability to still give and donate to nonprofits or any entity or organization in this City as long as I'm living. So, I think, you know the fear that creating something like this is going to cause people to not give to the nonprofits, you give as someone has said, you give to what you think is important and where your heart is. And I can tell you a lot of people, their hearts are going to be with children, families, senior citizens, health

issues and the like, and maybe not so much capital but there are people that will give for capital needs. Thank you.

Vice Mayor: Thank you. Councilwoman Woodson.

Woodson: Well, Mr. Euille stole all of my thunder and so I have no comments. Thank you.

Vice Mayor: Okay. We have a motion and a second to, for staff comment and to bring this back before the last legislative session in June. All in favor. Any opposed? Motion carries. We're finally on number seven.

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