

City of Alexandria, Virginia

MEMORANDUM

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DATE: MARCH 5, 2003

TO: THE HONORABLE MAYOR AND MEMBERS OF COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER *PS*

SUBJECT: CONSIDERATION OF THE ARTICLES OF INCORPORATION FOR THE CAPITAL DEVELOPMENT FOUNDATION, INC., FOR THE CITY OF ALEXANDRIA

ISSUE: Consideration of the Articles of Incorporation for the Capital Development Foundation Inc., for the City of Alexandria.

RECOMMENDATIONS: That City Council:

- (1) Receive the attached Articles of Incorporation (Attachment 1); and
- (2) Request that the City Attorney file the Articles of Incorporation with the State Corporation Commission.

BACKGROUND: On December 14, 1999, City Council authorized the Mayor to appoint a citizen task force to research the establishment of a private, non-profit capital development office. Volunteer citizens were solicited and nine members were appointed to the Capital Development Office Task Force in the spring of 2000.

The Capital Development Office Task Force met eight times from August 2000 through January 2001. It 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 recommendations at a work session with City Council on January 13, 2001. The Report was formally received by City Council on January 23, 2001 (Attachment 2). On February 28, 2001, Council deferred final action pending a meeting with members of the Capital Development Office Task Force members, concerned non-profits, and City staff (Attachment 3).

On March 15, 2001, members of the Capital Development Office Task Force met with approximately thirty-five interested individuals and private, non-profit groups. Thereafter, City Council received revised staff recommendations and held a public hearing on April 21, 2001 (Attachment 4). Action was deferred until the last legislative session in FY 2001, and then to the

fall of 2001. Following and in light of the events of September 11, 2001, the matter was deferred indefinitely. On September 24, 2002, Council again considered the establishment of a Capital Development Office and scheduled the matter for a public hearing (Attachment 5).

On November 16, 2002, after a public hearing, Council approved the establishment of a private non-profit foundation which would solicit private donations for City capital projects. Council also indicated that the foundation's board of directors, when constituted, should include a representative of the non-profit community and should establish minimum contribution amounts in its by-laws. Council asked the City Manager to meet with representatives of the non-profit community and other interested parties to discuss issues related to the proposed foundation. (This meeting was held on December 12, 2002, and was attended by representatives from many non-profit organizations.) Council also asked the Manager to report back on the specific actions needed to establish the foundation.

DISCUSSION: In order for the capital development foundation to be established, Articles of Incorporation, which define the foundation's purpose and address certain matters relating to its governance, need to be filed with the State Corporation Commission.

Articles of Incorporation for a capital development foundation are attached as Attachment 1. Article 1, Name, names the corporation as the Alexandria Capital Development Foundation, Inc. (the "Foundation"). The corporation is authorized, under Article 3, Powers, Section 1, to solicit contributions above the minimum amount set by its by-laws, to receive contributions without limit as to amount, and to make disbursements to the City for specific projects in the City's multi-year Capital Improvement Program (CIP) which have been identified by the City Council.

In addition, Article 4, Members, Sections 1 and 2, create a class of seven members of the corporation comprised of the Mayor and Members of the Alexandria City Council during their terms in office. These members are given the authority to elect the three initial members of the foundation's board of directors. They also are given very limited oversight powers over the board – specifically, to "remove, by two-thirds majority vote, any member of the Board of Directors for misfeasance, malfeasance or nonfeasance in office, or whose continued service as such is determined by the Members to be otherwise inimical to the best interests of the corporation," and to "amend from time to time these Articles of Incorporation of the corporation, or to merge or dissolve the corporation, in either event by majority vote." They would not serve as members of the board of directors.

Under Article 5, Board of Directors, Sections 1 and 2, there are nine voting members of the foundation's board of directors, one of whom must be a representative of Alexandria's non-profit community, nominated by the Non-Profit Council of Alexandria or its successor organization. The directors serve for three-year terms; the terms are staggered so the terms of three members expire each year. The initial three board members are to be appointed by the Council (as members of the corporation); the remaining six initial board members will be elected by the existing board members.

In addition to the nine voting members of the board, two ex officio non-voting members are created. One is a member of the Alexandria City Council appointed annually by the Mayor; the other is a representative of the City Manager appointed annually by the City Manager.

In addition to the above, the Articles of Incorporation address all matters necessary for the governance of the not-for-profit corporation.

FISCAL IMPACT: Included in prior City budgets and carried over into the current fiscal year is \$270,000 for start-up and initial operating costs of the foundation from FY 2004 and into FY 2005. In addition, \$230,000 will be set aside after FY 2004 for a maximum eventual City contribution of \$500,000, after which the Foundation is expected to be self supporting and the City's financial contribution will discontinue.

ATTACHMENTS:

Attachment 1 - Articles of Incorporation

Attachment 2 - Report of the Capital Development Office Task Force; Docket Item 14, January 23, 2001

Attachment 3 - Recommendations on the Report of the Capital Development Office Task Force; Docket Item 17, February 28, 2001.

Attachment 4 - Revised Recommendations on the Report of the Capital Development Office Task Force; Docket Item 6, April 21, 2001.

Attachment 5 - Consideration of the Establishment of a Capital Development Office for the City of Alexandria; Docket Item 21, September 24, 2002

STAFF:

Meg O'Regan, Special Projects Coordinator

DRAFT 3/5/03
ARTICLES OF INCORPORATION
VIRGINIA NONSTOCK CORPORATION

The Alexandria Capital Development Foundation, Inc.

The undersigned incorporator, pursuant to Chapter 10 of Title 13.1 of the Code of Virginia (1950), as amended, states as follows:

ARTICLE 1. NAME

The name of this corporation is "The Alexandria Capital Development Foundation, Inc."

ARTICLE 2. PURPOSE

This corporation is organized exclusively for the following public, charitable purposes, within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as now or hereafter amended (including the corresponding section of any future federal tax code) (hereafter "IRC"):

(a) receiving contributions and making distributions for the erection or maintenance of public buildings, monuments or works, or the lessening of the burdens of government, and

(b) receiving contributions and making distributions to organizations that are described in IRC Section 501(c)(3) and exempt from taxation under IRC Section 501(a).

ARTICLE 3. POWERS

1. The corporation shall have the power (a) to solicit contributions, in such minimum amount as the by-laws shall provide, (b) to receive contributions without limit as to amount, and (c) to make disbursements, all for the erection, improvement or maintenance of public buildings, facilities monuments or works are contained in the City of Alexandria Capital Improvement Program (hereafter "CIP"), adopted and from time to time amended by the City Council of the City of Alexandria, Virginia, and which have been specifically identified to the corporation by the said City Council, and for the erection, improvement or maintenance of such other public buildings, facilities, monuments or works, or the lessening of such other burdens of government, within the City of Alexandria, Virginia, as may be specifically identified to the corporation from time to time by the said City Council.

2. The corporation may, if and to the extent permitted in its by-laws, solicit, receive and accept contributions and make disbursements to organizations that are described in IRC Section 501(c)(3) and exempt from taxation under IRC Section 501(a), in support of functions performed by such organizations within the City of Alexandria, Virginia; provided, however, (a) that no such by-law shall be adopted until after January 1, 2008, and (b) that prior to adopting any such by-law, the Board of Directors shall make an affirmative finding that such activity by the

corporation will not substantially impair the activity of the corporation under Paragraph 1 of this Article.

3. The corporation shall have all other powers permitted by law which are necessary or convenient for the accomplishment of the purposes, and exercise of the powers, enumerated in these Articles of Incorporation.

ARTICLE 4. MEMBERS

1. The corporation shall have one class, comprising seven Members, who shall be the Mayor and City Council of Alexandria, Virginia, during their terms in office.

2. The Members may meet at the call of the Mayor or any two Members at such times and places as may be convenient for the business of the corporation, and shall have the following duties and authority:

(a) To elect, by majority vote, the three initial members of the Board of Directors.

(b) To remove, by two-thirds majority vote, any member of the Board of Directors for misfeasance, malfeasance or nonfeasance in office, or whose continued service as such is determined by the Members to be otherwise inimical to the best interests of the corporation.

(c) To amend from time to time these Articles of Incorporation of the corporation, or to merge or dissolve the corporation, in either event by majority vote.

3. Other than as provided in this Article 4, management of the corporation shall be the duty and responsibility of the Board of Directors.

ARTICLE 5. BOARD OF DIRECTORS

1. The Board of Directors shall consist of nine voting members and two, *ex officio* non-voting members.

2. The three initial members of the Board shall be elected as provided in Article 4. Thereafter, the voting members of the Board shall be elected by majority vote of the Board of Directors, and shall serve for three year terms, staggered so that the term of three members shall expire each year. One non-voting *ex officio* member shall be a member of the City Council of Alexandria, Virginia, appointed annually by the Mayor of the City. One non-voting *ex officio* member shall be a representative of the Alexandria City Manager, appointed annually by the City Manager. One voting member shall be a representative of the non-profit community in Alexandria,

Virginia, nominated by the Non-Profit Council of Alexandria, or such successor organization as may be designated in the by-laws.

3. Voting and non-voting members of the Board shall be eligible for election or appointment to successive terms, and shall continue to serve in office until their successor is elected or appointed.

4. Except as expressly reserved to the Members pursuant to Article 4, the management and affairs of the corporation shall be at all times vested in the Board of Directors, whose authority and operations in managing the corporation shall be defined by statute and by the by-laws of the corporation as adopted and from time to time amended by the Board of Directors.

ARTICLE 6. LIMITATIONS

At all times the following shall operate as conditions restricting the operations and activities of the corporation:

1. No part of the net earnings of the corporation shall inure to any Member, Director or officer of the corporation, nor to any other private persons, excepting solely such reasonable compensation that the corporation shall pay for services actually rendered to the corporation, or allowed by the corporation as a reasonable allowance for authorized expenditures incurred on behalf of the corporation.

2. No substantial part of the activities of the corporation shall constitute the carrying on of propaganda or otherwise attempting to influence legislation, or any initiative or referendum before the public, and the corporation shall not participate in, or intervene in (including by publication or distribution of statements), any political campaign on behalf of, or in opposition to, any candidate for public office;

3. Notwithstanding any other provision of these articles, the corporation shall not carry on any other activities not permitted to be carried on (a) by a corporation exempt from federal income tax under IRC Section 501(c)(3), or (b) by a corporation contributions to which are deductible under IRC Section 170(c)(2).

4. The corporation shall not lend any of its assets to any Member, Director or officer of this corporation, or guarantee to any person the payment of a loan by a Member, Director or officer of this corporation. No Member, Director or officer shall have any right, title, or interest in or to any property of the corporation.

5. No Member, Director or officer of this corporation shall be personally liable for the debts or obligations of this corporation of any nature whatsoever, nor shall any of the property of the Members, Directors or officers be subject to the payment of the debts or obligations of this corporation.

ARTICLE 7. DISSOLUTION

Upon the time of dissolution of the corporation, assets shall be distributed by the Board of Directors, after paying or making provisions for the payment of all debts, obligations, liabilities, costs and expenses of the corporation, for one or more exempt purposes as set forth in Article 2, or shall be distributed to the City of Alexandria, Virginia for a public purpose. Any such assets

not so disposed of shall be disposed of by the Circuit Court of the City of Alexandria, Virginia, exclusively for such purposes, or to such organization or organizations, as said Court shall determine, which are organized and operated exclusively for such purposes.

ARTICLE 8. PLACE OF BUSINESS, INITIAL REGISTERED AGENT
AND OFFICE, INCORPORATOR

1. The place of business of the corporation shall at all times be located in the City of Alexandria, Virginia.

2. The initial registered agent of the corporation is:

Ignacio B. Pessoa

3. The initial registered agent of the corporation is a member of the Virginia State Bar.

4. The initial registered office address of the corporation is:

Office of the City Attorney
301 King Street, Suite 1300
Alexandria, Virginia 22314

5. The initial registered office address of the corporation is identical to the business office of the initial registered agent.

6. The initial registered office is physically located in the City of Alexandria, Virginia.

7. The incorporator of this corporation is:

Ignacio B. Pessoa
Office of the City Attorney
301 King Street, Suite 1300
Alexandria, Virginia 22314
(703) 838-4433

Ignacio B. Pessoa

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14
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 an 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 non-profit 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	\$108,180	\$112,468	\$116,885
Contributions for operations	\$148,800	\$148,828	\$152,183	\$157,584	\$163,101
Contributions restricted for capital projects	\$250,000	\$500,000	\$1,000,000	\$1,500,000	\$1,750,000
Total	\$498,800	\$750,828	\$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	\$29,248
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	\$2,488	\$2,595	\$2,698	\$2,805
Rent	\$25,000	\$26,000	\$27,040	\$28,121	\$29,248
Graphic design	\$3,000	\$3,120	\$3,224	\$3,374	\$3,509
Printing	\$15,000	\$15,600	\$16,224	\$16,872	\$17,547
Postage	\$3,000	\$3,200	\$3,408	\$3,624	\$3,848
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	\$2,488	\$2,595	\$2,698	\$2,805
Supplies	\$1,200	\$1,248	\$1,287	\$1,348	\$1,403
Furniture	\$10,000	\$1,000	\$1,000	\$1,000	\$1,000
Computers	\$8,000	\$1,000	\$1,000	\$1,000	\$1,000
Software	\$8,000	\$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	\$1,348	\$1,403
Travel and conference	\$5,000	\$5,200	\$5,408	\$5,624	\$5,848
Dues and subscriptions	\$2,000	\$2,080	\$2,183	\$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

Addendum 3

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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. Albemarle 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

<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>
MONYEREH ANYANWJ 3001 PARK CENTER DRIVE, #1115 ALEXANDRIA, VA 22302	Cell: 703-820-7895 Bus: 703-227-3208 Fax: 703-227-3366 E-Mail: see below	STEP ASSOC. COLUMBIA TRANSMISSION COMMUNICATIONS, INC. MONYEREH.ANYANWJ.MG99@WHARTON.YPENK.EDU	06/22/2000	06/22/2000		12/31/2000
PHILLIP BRADLEY 1250 S. WASHINGTON ST. #805 ALEXANDRIA, VA 22314	Res: 703-519-5286 Bus: - Fax: 703-519-1816 E-Mail: PBRAD@PFLINE.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: 703-317-6640 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: fierrov@hol.com	DIRECTOR, INTER- GOVERNMENT AFFAIRS U.S. DOT	06/22/2000	06/22/2000		12/31/2000
HARRY S. FLEMING 49 CANAL CENTER PLAZA, #220 ALEXANDRIA, VA 22314	Res: 703-548-9308 Bus: 703-549-3900 Fax: 703-548-1712 E-Mail: fleming@advantecorholding.com		06/22/2000	06/22/2000		12/31/2000
<u>Chair</u>						

CAPITAL DEVELOPMENT OFFICE TASK FORCE

MEMBER	PHONE	OCCUPATION	ORIGINAL APPOINTMENT	CURRENT APPOINTMENT	DATE	EXPIRATION OF CURRENT APPOINTMENT
SUSAN LOCKING 905 PRINCE STREET, #201 ALEXANDRIA, VA 22314	Res: 703-549-3609 Bus: 202-537-6822 Fax: 202-537-6824 E-Mail: sllocking@ncfuss.com	PROJECT DIR, LOCAL GOV'T MARKETS, NAT'L INFO CONSORTIUM	06/22/2000	06/22/2000		12/31/2000
DAVID SPECK 381 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: markwilliams@yahoo.com	LAWYER	06/22/2000	06/22/2000		12/31/2000
H. JEAN WILSON 3302 GUNTON 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 DYMONSKI, CFRE
ST. CLAIR PARTNER, LLC
6039 Edgewood Terrace
Alexandria, VA 22307

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

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.

City of Alexandria, Virginia

6
4-21-01MEMORANDUM

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

MEMORANDUM

21
9-24-02

DATE: SEPTEMBER 18, 2002
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
FROM: PHILIP SUNDERLAND, CITY MANAGER *PS*
SUBJECT: CONSIDERATION OF THE ESTABLISHMENT OF A CAPITAL DEVELOPMENT OFFICE FOR THE CITY OF ALEXANDRIA

ISSUE: Establishment of a Capital Development Office for the City of Alexandria

RECOMMENDATION: That City Council receive the attached materials and decide the process it wishes to use in considering the establishment of a Capital Development Office for the City.

DISCUSSION: Councilman Speck has requested that this item be docketed for Council consideration. Attached are the prior docket items which contain the Capital Development Office Task Force Report, as well as recommendations concerning the establishment of a Capital Development Office. City Council considered this report at its February 22, April 12 and October 9, 2001, meetings before deciding to defer action until sometime in 2002.

ATTACHMENTS:

- Attachment 1. Revised Recommendations on the Report of the Capital Development Office Task Force - Docket Item 6, April 21, 2001
- Attachment 2. Recommendations on the Report of the Capital Development Office Task Force - Docket Item 17, February 28, 2001
- Attachment 3. Receipt of the Report of the Capital Development Office Task Force - Docket Item 14, January 23, 2001

ARTICLES OF INCORPORATION
VIRGINIA NONSTOCK CORPORATION

The Alexandria Capital Development Foundation, Inc.

The undersigned incorporator, pursuant to Chapter 10 of Title 13.1 of the Code of Virginia (1950), as amended, states as follows:

ARTICLE 1. NAME

The name of this corporation is "The Alexandria Capital Development Foundation, Inc."

ARTICLE 2. PURPOSE

This corporation is organized exclusively for the following public, charitable purposes, within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as now or hereafter amended (including the corresponding section of any future federal tax code) (hereafter "IRC"):

(a) receiving contributions and making distributions for the erection or maintenance of public buildings, monuments or works, or the lessening of the burdens of government, and

(b) receiving contributions and making distributions to organizations that are described in IRC Section 501(c)(3) and exempt from taxation under IRC Section 501(a).

ARTICLE 3. POWERS

1. The corporation shall have the power (a) to solicit contributions, in the minimum amount of \$25,000 for a contribution to be paid by or on behalf of the donor in one single payment, and in the minimum amount of \$50,000 for a contribution to paid by or on behalf of the donor in more than one payment, (b) to receive contributions in the minimum amount of \$25,000 for a contribution paid by or on behalf of the donor in one single payment, and in the minimum amount of \$50,000 for a contribution paid by or on behalf of the donor in more than one payment, and (c) to make disbursements, all for the erection, improvement or maintenance of public buildings, facilities monuments or works are contained in the City of Alexandria Capital Improvement Program (hereafter "CIP"), adopted and from time to time amended by the City Council of the City of Alexandria, Virginia, and which have been specifically identified to the corporation by the said City Council, and for the erection, improvement or maintenance of such other public buildings, facilities, monuments or works, or the lessening of such other burdens of government, within the City of Alexandria, Virginia, as may be specifically identified to the corporation from time to time by the said City Council.

2. The corporation may, if and to the extent permitted in its by-laws, solicit, receive and accept contributions and make disbursements to organizations that are described in IRC Section 501(c)(3) and exempt from taxation under IRC Section 501(a), in support of functions performed

by such organizations within the City of Alexandria, Virginia; provided, however, (a) that no such by-law shall be adopted until after January 1, 2008, and (b) that prior to adopting any such by-law, the Board of Directors shall make an affirmative finding that such activity by the corporation will not substantially impair the activity of the corporation under Paragraph 1 of this Article.

3. The corporation shall have all other powers permitted by law which are necessary or convenient for the accomplishment of the purposes, and exercise of the powers, enumerated in these Articles of Incorporation.

ARTICLE 4. MEMBERS

1. The corporation shall have one class, comprising seven Members, who shall be the Mayor and City Council of Alexandria, Virginia, during their terms in office.

2. The Members may meet at the call of the Mayor or any two Members at such times and places as may be convenient for the business of the corporation, and shall have the following duties and authority:

(a) To elect, by majority vote, the three initial members of the Board of Directors.

(b) To remove, by two-thirds majority vote, any member of the Board of Directors for misfeasance, malfeasance or nonfeasance in office, or whose continued service as such is determined by the Members to be otherwise inimical to the best interests of the corporation.

(c) To amend from time to time these Articles of Incorporation of the corporation, or to merge or dissolve the corporation, in either event by majority vote.

3. Other than as provided in this Article 4, management of the corporation shall be the duty and responsibility of the Board of Directors.

ARTICLE 5. BOARD OF DIRECTORS

1. The Board of Directors shall consist of nine voting members and two, *ex officio* non-voting members.

2. The three initial members of the Board shall be elected as provided in Article 4. Thereafter, the voting members of the Board shall be elected by majority vote of the Board of Directors, and shall serve for three year terms, staggered so that the term of three members shall expire each year. One non-voting *ex officio* member shall be a member of the City Council of Alexandria, Virginia, appointed annually by the Mayor of the City. One non-voting *ex officio* member shall be a representative of the Alexandria City Manager, appointed annually by the City Manager. One voting member shall be a representative of the non-profit community in Alexandria,

Virginia, nominated by the Non-Profit Council of Alexandria, or such successor organization as may be designated in the by-laws.

3. Voting and non-voting members of the Board shall be eligible for election or appointment to successive terms, and shall continue to serve in office until their successor is elected or appointed.

4. Except as expressly reserved to the Members pursuant to Article 4, the management and affairs of the corporation shall be at all times vested in the Board of Directors, whose authority and operations in managing the corporation shall be defined by statute and by the by-laws of the corporation as adopted and from time to time amended by the Board of Directors.

ARTICLE 6. LIMITATIONS

At all times the following shall operate as conditions restricting the operations and activities of the corporation:

1. No part of the net earnings of the corporation shall inure to any Member, Director or officer of the corporation, nor to any other private persons, excepting solely such reasonable compensation that the corporation shall pay for services actually rendered to the corporation, or allowed by the corporation as a reasonable allowance for authorized expenditures incurred on behalf of the corporation.

2. No substantial part of the activities of the corporation shall constitute the carrying on of propaganda or otherwise attempting to influence legislation, or any initiative or referendum before the public, and the corporation shall not participate in, or intervene in (including by publication or distribution of statements), any political campaign on behalf of, or in opposition to, any candidate for public office;

3. Notwithstanding any other provision of these articles, the corporation shall not carry on any other activities not permitted to be carried on (a) by a corporation exempt from federal income tax under IRC Section 501(c)(3), or (b) by a corporation contributions to which are deductible under IRC Section 170(c)(2).

4. The corporation shall not lend any of its assets to any Member, Director or officer of this corporation, or guarantee to any person the payment of a loan by a Member, Director or officer of this corporation. No Member, Director or officer shall have any right, title, or interest in or to any property of the corporation.

5. No Member, Director or officer of this corporation shall be personally liable for the debts or obligations of this corporation of any nature whatsoever, nor shall any of the property of the Members, Directors or officers be subject to the payment of the debts or obligations of this corporation.

ARTICLE 7. DISSOLUTION

Upon the time of dissolution of the corporation, assets shall be distributed by the Board of

Directors, after paying or making provisions for the payment of all debts, obligations, liabilities, costs and expenses of the corporation, for one or more exempt purposes as set forth in Article 2, or shall be distributed to the City of Alexandria, Virginia for a public purpose. Any such assets not so disposed of shall be disposed of by the Circuit Court of the City of Alexandria, Virginia, exclusively for such purposes, or to such organization or organizations, as said Court shall determine, which are organized and operated exclusively for such purposes.

ARTICLE 8. PLACE OF BUSINESS, INITIAL REGISTERED AGENT
AND OFFICE, INCORPORATOR

1. The place of business of the corporation shall at all times be located in the City of Alexandria, Virginia.

2. The initial registered agent of the corporation is:

Ignacio B. Pessoa

3. The initial registered agent of the corporation is a member of the Virginia State Bar.

4. The initial registered office address of the corporation is:

Office of the City Attorney
301 King Street, Suite 1300
Alexandria, Virginia 22314

5. The initial registered office address of the corporation is identical to the business office of the initial registered agent.

6. The initial registered office is physically located in the City of Alexandria, Virginia.

7. The incorporator of this corporation is:

Ignacio B. Pessoa
Office of the City Attorney
301 King Street, Suite 1300
Alexandria, Virginia 22314
(703) 838-4433

Ignacio B. Pessoa

ROUGH DRAFT

**CITY COUNCIL OF ALEXANDRIA, VIRGINIA
Regular Meeting — March 25, 2003
Verbatim**

* * * * *

22. Consideration of Approval of the Articles of Incorporation of the Alexandria Development Foundation.

Mayor: Mr. Speck.

Speck: Mr. Mayor, can I move approval with one change and just one entry for the record? Changes to instruct the City Attorney to, with the filing to include the language that indicates that minimum contribution amounts, and that would be for solicitation or acceptance, would be \$25,000 for single gifts or \$50,000 for pledges, and, and the item and that's the motion. And then just note for the record that it is the intention of the Board to not draft bylaws until most or all of the Board members are appointed, including the representative from the nonprofits.

Mayor: Motion by Mr. Speck, seconded by Mr. Euille. Is there any further discussion? Joyce.

Woodson: I am supporting this, but I just have a real quick question. Are we looking at 9 total members, 2 non-voting and 7 voting? Or 7 total members, 2 non-voting and

Speck: Nine, total, excuse me. Nine voting members plus the ex officio.

Woodson: Okay.

Mayor: Okay. Any further discussion? Ms. Eberwein.

Eberwein: This is with regard to the, to the minimums. Mr. Speck, I would assume that they would be periodically reviewed by the Board to increase those minimums due to inflation over time?

Speck: I think that's something that probably the Board would look at as part of its by-laws. There are no specific by-laws right now, but I'm sure that would be over time.

Eberwein: Okay.

Pessoa: Mr. Mayor, if you put that in the Articles of Incorporation, which I understand the direction to be, that would have to come back to the members of the corporation, i.e. the City Council, if they wanted to increase those in the future.

Eberwein: Okay. So you're saying you would put it in so it would come back if you wanted to increase it?

Pessoa: That's correct.

Eberwein: Yes. Is that. . .

Pessoa: That's correct. It would be the Council, not the Board, in other words that would have to take action to increase those limits.

Eberwein: Is that something I should put in the form of a friendly amendment, or . . .

Pessoa: No, no. That's what I understood to put into the Articles of Incorporation, those limits. Therefore, the Articles of Incorporation can only be amended by the Members, not the Board.

Eberwein: Okay.

Cleveland: Mr. Mayor.

Mayor: Mr. Cleveland.

Cleveland: Mr. Mayor, I will not be voting for this. I believe that this is putting the City Council, to me, in an untenable position as to where it would look like a conflict of interest by having an outside company, or developer, or whatever it is, give to a, give to the organization, and it just doesn't look right. So, I will not be voting for this measure.

Mayor: All right, that's fine. Any further discussion? All those in favor, say aye. Those opposed say no. The motion passed 5-to-2. Very good. Mr. Speck, nice work. Good job. Item 23.