

**Council Meeting: March 10, 2009****SUBJECT: Consider Policy to Streamline Pursuit of Grant Funding (Study Issue)****REPORT IN BRIEF**

This report considers whether or not the City can streamline the process staff follows when applying for grants. At Council's request, it specifically considers a policy that would allow staff to apply for and accept grant funding from outside the City (without the need for Council approval) so long as matching City funds were not required. Staff concludes that such a policy would make City operations more efficient, and offers a proposed revision to existing policy for Council's consideration.

**BACKGROUND**

Current City policy requires that staff present to Council a Notice of Intent when it decides to apply for any grant monies. Assuming an outside organization awards the City a grant, staff are then obligated to secure Council's approval of a budget modification—this latter step is required in order for the budget to accept the monies and make them available for staff to expend. Council has questioned whether staff really needs to approach Council more than once to process any particular grant. In January of 2009, Council ranked Study Issue OCM-03 *Consider Policy to Streamline Pursuit of Grant Funding* as a high priority for study in calendar year 2009 (Attachment A). This report responds to that Council direction.

**EXISTING POLICY**

Council Policy 7.1.1 (Fiscal Sub-Element):

**B.4: Grants and Intergovernmental Assistance**

B.4.3 A uniform grants application process must be utilized to assure that the City Council has the information necessary to make a decision regarding a potential intergovernmental grant. Staff should present to Council a Notice of Intent regarding a possible grant source which shall include at least the following information:

- The grant being pursued and the use to which it would be placed
- The objectives or goals of the City which will be achieved through use of the grant
- The local match required, if any, plus the source of the local match

- The increased cost to be locally funded upon termination of the grant
- The ability of the City to administer the grant

### **DISCUSSION**

The central question posed by this study is whether the City's grant application and award process can be streamlined without negatively impacting its effectiveness.

Process improvement strategies generally seek to boil a process down to its incremental steps, and then analyze each step in terms of whether it adds value to the process or not.

Existing practice relative to securing grant monies involves the following general steps:

1. Staff identifies or is made aware of a grant opportunity and determines it is worth pursuing
2. Staff prepares a Report to Council effectively notifying Council of its intent to apply for the grant, *and requesting Council's approval of the application.*
3. Staff submits the grant application to the awarding authority.
4. Assuming award of the grant to the City, staff presents a Report to Council recommending that Council approve a budget modification to appropriate the money into the City's budget.

The only step in this process which is not absolutely necessary to securing and expending grant monies is step 2. In fact, it is not uncommon for staff to skip this step in order to meet the application deadline for a grant opportunity, then notify Council after the fact.

In theory, the benefit to Step 2 (notifying Council prior to submitting a grant application), is that it allows Council the opportunity to indicate that it does not wish the City to apply for a particular grant, thereby saving staff the time and effort it would otherwise waste in completing the grant application.

When possible, however, staff generally completes the grant application *before* it notifies Council of the grant opportunity. This practice reflects the fact that

- existing policy does not actually require that staff secure Council approval prior to applying for a particular grant. The policy requires only that staff present a Notice of its Intent to apply.
- filling out a grant application is often a useful exercise which helps to inform staff's recommendation as to whether or not to further pursue the grant

- quite often staff learns of grants shortly before the deadline for submission of an application, and waiting for Council approval prior to submitting the application can cause more than a week's delay
- to staff's knowledge, Council has never indicated that it did not wish staff to apply for a grant that staff recommended be pursued (i.e., waiting to hear whether or not Council endorses a particular grant application is not considered a key step to avoiding wasted staff time)

### Options for Streamlining the Process

As it reviews the following options, Council is asked to bear in mind that all options require Council approval of a budget modification to appropriate the grant monies before they can be expended by staff (i.e., step 4 on page 4 cannot be altered under any circumstances).

Option 1: Revise existing policy by requiring that staff secure Council approval prior to applying for any grant funding (Attachment B).

#### Pros

- If Council's expectation is that staff not apply for grant funding without the prior approval of Council, this would clarify that expectation.

#### Cons

- This option runs counter to the general concept requested by this Study in that it would further complicate the grant application process.
- If staff were to ensure Council approval *prior* to applying for grants, far fewer grants would be pursued due to timing issues.
- Staff would be less informed regarding the pros and cons of a particular grant prior to completing the grant application, and therefore less comfortable with making a recommendation to Council as to whether or not to pursue it.

Option 2: Revise existing policy by eliminating the requirement to notify Council of staff's intent to apply for grant monies.

This option would eliminate altogether the requirement to notify Council of grant applications. This would result in a 3-step grant process, essentially removing Step 2 from the outline described on page 2.

#### Pros

- This would save staff the time of writing one Report to Council each time a grant was pursued.
- It would also eliminate the awkward scenario created by requesting Council approval for an action that has often already occurred.

#### Cons

- Council may wish to be made aware of staff's efforts to secure grant funding, and this would work against that.

Option 3: Stop using "Reports to Council" to satisfy the required Notice of Intent.

This option would not eliminate the need to notify Council of staff's intent to apply for grant monies. It would substitute the current practice of using formal "Reports to Council" to accomplish this with that of using less formal "Information Only" Reports to Council, memos to Council, or emails. It would also clarify that staff is not required to seek Council approval to apply for grant funding—only to advise Council of its intent to pursue grant funding.

#### Pros

- This could save staff the time of writing one Report to Council each time a grant was pursued—each of the other forms of communication is less time-intensive, in descending order as presented above.
- It would eliminate the awkward scenario created by requesting Council approval for an action that has often already occurred (none of the communication methods listed above require Council action or approval of the application).
- This option would keep Council apprised of staff efforts to obtain grant funding.

#### Cons

- No drawbacks identified (one could suggest this eliminates Council's ability to "pull the plug" on a particular grant application, but the reality is that in most cases that train has already left the station, and under this option Council would retain the ability to reject any grant award eventually offered).

Option 4: Treat grant monies in accordance with existing policy dealing with donations, contributions and sponsorships

This option would acknowledge that grant monies are similar to donations, contributions and sponsorships in that they represent an opportunity to accept unplanned resources offered by outside groups or individuals. Since a Council policy already exists for the handling of donations, contributions and sponsorships, one option is to address grant monies in similar fashion. (Please see Attachment C for a review of Council's existing policy and how it might be revised to include grant monies.)

#### Pros

- This option provides a positive answer to the question posed by this Study: “Should staff be allowed staff to accept grant funding from outside the City (without the need for Council approval) so long as matching City funds are not required?”. It would streamline the grant process by allowing the City Manager to not only apply for, but to accept, grant monies up to an amount determined by the City Council.
- This option provides flexibility to Council in terms of the amount of grant monies the City Manager would be authorized to accept (Staff has recommended \$100,000 as the upper limit because this would promote consistency in terms of the City Manager’s current authorization to expend money without Council approval (e.g., awards of contract, purchase requisitions, etc.).
- It would promote consistency in terms of the acceptance and handling of monies offered to the City by outside sources, and would further simplify the number of policies staff needs to reference.

#### Cons

- This could be interpreted as broadening the scope of the City Manager’s authority beyond that desired by the City Council.

#### **FISCAL IMPACT**

This report has no direct fiscal impact. Indirect impacts would be relatively minor, but would include time saved from preparing a number of Reports to Council each year.

#### **PUBLIC CONTACT**

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's Web site.

#### **ALTERNATIVES**

1. Revise existing policy by requiring that staff secure Council approval prior to applying for grant funding (as depicted by Attachment B).
2. Revise existing policy by eliminating the requirement to notify Council of staff’s intent to apply for grant monies.
3. Require notification to Council of staff pursuit of grant monies. Allow the city manager flexibility in choosing a communication method to satisfy that notification requirement. Clarify that staff is not required to procure Council approval prior to applying for grant monies.

4. Treat grant monies in accordance with existing policy dealing with donations, contributions and sponsorships. Establish a dollar threshold up to which the city manager is allowed to accept grant monies without Council approval (as depicted by Attachment C).

### **RECOMMENDATION**

Staff recommends a combination of Alternatives 3 and 4:

3. Require notification to Council of staff's pursuit of grant monies. Allow the city manager flexibility in choosing a communication method to satisfy that notification requirement. Clarify that staff is not required to procure Council approval prior to applying for grant monies.
4. Treat grant monies in accordance with existing policy dealing with donations, contributions and sponsorships. Establish a dollar threshold up to which the city manager is allowed to accept grant monies without Council approval.

This would be accomplished by eliminating Council Policy 7.1.1.B.4.3 and approving proposed revisions to Council Policy 7.2.20 (Attachment C).

Staff believes there is value in notifying Council of the grant monies it pursues, whether or not it is successful in procuring them. However, staff believes it would be far more efficient—and equally effective—to provide this notification to Council via a method other than a formal Report to Council. Doing so would further help to clarify that Council's authorization is not required in order to apply for grant funding, but would retain Council's authority to approve the acceptance of any grant funding valued at \$100,000 or more.

Staff believes that these alternatives promote consistency while maintaining reasonable levels of fiduciary control for both the city manager and the City Council.

Prepared by: Robert Walker, Assistant City Manager

Approved by:

Gary M. Luebbers  
City Manager

### **Attachments**

- A. Study Issue OCM-03: *Consider Policy to Streamline Pursuit of Grant Funding*
- B. Council Policy 7.1.1.B.4.3 Revised to Require Council Notification in Advance of Grant Applications
- C. Proposed Revisions to Council Policy 7.2.20

## **Attachment A**

## Proposed 2009 Council Study Issue

**OCM-03 Consider Policy to Streamline Pursuit of Outside Funding**

<b>Lead Department</b>	Office of the City Manager		
<b>Element or Sub-element</b>	Fiscal SubElement		
<b>New or Previous</b>	New		
<b>Status</b>	Pending	<b>History</b>	1 year ago None      2 years ago None

**1. What are the key elements of the issue? What precipitated it?**

Existing City policy requires staff prepare at least two Reports to Council when pursuing outside grants--once to request approval to apply for the grant, and again (assuming the grant is awarded to the City) to accept the grant and appropriate the monies.

Councilmember Moylan recently queried why staff needed to request Council permission to apply for grants, and suggested consideration of a policy that would allow staff to accept funding from outside the City (without the need for Council approval) so long as matching City funds were not required.

This study would explore related issues and provide options for Council's consideration.

**2. How does this relate to the General Plan or existing City Policy?**

B.4.3 A uniform grant application process must be utilized to ensure that the City Council has the information necessary to make a decision regarding a potential intergovernmental grant. Staff should present to Council a Notice of Intent regarding a possible grant source which shall include at least the following information:

the grant being pursued and the use to which it would be placed;  
the objectives or goals of the City which will be achieved through use of the grant;  
the local match required, if any, plus the source of the local match  
the increased cost to be locally funded upon termination of the grant  
the ability of the City to administer the grant

**3. Origin of issue**

<b>Council Member(s)</b>	Moylan
<b>General Plan</b>	
<b>City Staff</b>	
<b>Public</b>	
<b>Board or Commission</b>	none

4. **Multiple Year Project?** No **Planned Completion Year** 2009

5. **Expected participation involved in the study issue process?**

**Does Council need to approve a work plan?** No

**Does this issue require review by a Board/Commission?** No

**If so, which?**

**Is a Council Study Session anticipated?** No

**What is the public participation process?**  
Public hearing conducted by City Council.

6. **Cost of Study**

**Operating Budget Program covering costs**  
N/A

**Project Budget covering costs**  
N/A

**Budget modification \$ amount needed for study**  
N/A

**Explain below what the additional funding will be used for**  
N/A

7. **Potential fiscal impact to implement recommendations in the Study approved by Council**

**Capital expenditure range** None

**Operating expenditure range** None

**New revenues/savings range** None

**Explain impact briefly**  
N/A

8. **Staff Recommendation**

**Staff Recommendation** For Study

**If 'For Study' or 'Against Study', explain**

Staff believes a change in policy could expedite the grant approval process, increasing the efficiency of City operations, without adverse affect on fiscal controls.

9. **Estimated consultant hours for completion of the study issue**

0

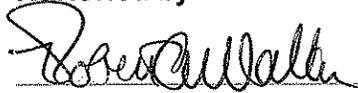
Managers	Role	Manager	Hours
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Lead	Walker, Robert	Mgr CY1:	10	Mgr CY2:	0
		Staff CY1:	0	Staff CY2:	0
Interdep	Bradley, Mary	Mgr CY1:	8	Mgr CY2:	0
		Staff CY1:	0	Staff CY2:	0

**Total Hours CY1: 18**  
**Total Hours CY2: 0**

**Note: If staff's recommendation is 'For Study' or 'Against Study', the Director should note the relative importance of this Study to other major projects that the Department is currently working on or that are soon to begin, and the impact on existing services/priorities.**

**Reviewed by**

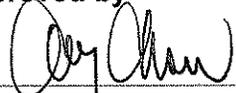
  
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**Department Director**

9-3-08

**Date**

**Approved by**

  
\_\_\_\_\_

**City Manager**

9/3/08

**Date**

**Addendum**

**A. Board / Commission Recommendation**

**Issue Created Too Late for B/C Ranking**

<b>Board or Commission</b>	<b>Rank</b>	<b>Rank</b>
	<b>Rank 1 year ago</b>	<b>Rank 2 years ago</b>
Arts Commission		
Bicycle and Pedestrian Advisory Committee		
Board of Building Code Appeals		
Board of Library Trustees		
Child Care Advisory Board		
Heritage Preservation Commission		
Housing and Human Services Commission		
Parks and Recreation Commission		
Personnel Board		
Planning Commission		

**Board or Commission ranking comments**

**B. Council**

**Council Rank** (no rank yet)  
**Work Plan Review Date** (blank)  
**Study Session Date** (blank)  
**RTC Date** (blank)  
**Actual Complete Date** (blank)  
**Staff Contact**

**Attachment B**

*Excerpt from Council Policy 7.1.1 Fiscal — Long Range Goals and Financial Policies:*

**B.4: Grants and Intergovernmental Assistance**

B.4.3 A uniform grants application process must be utilized to assure that the City Council has the information necessary to make a decision regarding a potential intergovernmental grant. Council approval must be secured prior to submittal of any grant application. Staff ~~should~~ shall present to Council, in advance of any such submittal, a Notice of Intent regarding a possible grant source which shall include at least the following information:

- The grant being pursued and the use to which it would be placed
- The objectives or goals of the City which will be achieved through use of the grant
- The local match required, if any, plus the source of the local match
- The increased cost to be locally funded upon termination of the grant
- The ability of the City to administer the grant

**Attachment C**

## COUNCIL POLICY MANUAL

**Policy 7.2.20 Donations, Contributions and Sponsorships**

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**POLICY PURPOSE:**

Allow the solicitation of donations, contributions and sponsorships, as well as the submittal of applications for grant monies, to support City programs, events and services.

**POLICY STATEMENT:**

1. The ~~City-city Manager-manager~~ may apply for and accept or reject grants, donations, contributions and sponsorships, both solicited and unsolicited, of money, equipment and in-kind contributions to City Departments or the City in general up to ~~\$35,000~~ \$100,000, so long as they do not require a local match or obligate the City to ongoing expenses not already planned in the City's Resource Allocation Plan. Donated funds will be expended for the specific purpose as agreed upon with the donor or for general purposes, as one-time supplements to the department's operating budget. Donations of equipment will be considered based on program outcomes, department goals and needs, maintenance costs and replacement costs. The donor must be informed in writing if the equipment is not to be replaced. Each donation will be evaluated for usefulness and costs of potential replacement and rental rates will be considered. The city manager shall notify the City Council of staff's pursuit of grant funding under this policy, and Council approval of a budget modification to appropriate the monies is required before they can be expended by staff.
2. For grants, donations, contributions or sponsorships with values ~~\$35,000~~ of \$100,000 or more, as estimated by the donor, a Report to Council will be written outlining its purpose and the advantages and disadvantages ~~of accepting the gift prior to acceptance~~. Authority to accept any such grant, donation, contribution or sponsorship shall rest with the City Council. The gift shall not be accepted until City Council has approved its acceptance. For grants, the Report to Council shall include the use to which it would be placed; the objectives or goals of the City which will be achieved through use of the grant; the local match required, if any, plus the source of the local match; any increased cost to be locally funded upon termination of the grant; and the ability of the City to administer the grant. For monetary donations, it will be stated in the Report to Council if the gift is a one-time contribution for a specific purpose or a contribution where the principal could be invested and the interest used to support all or part of a special project or program for a number of years.
3. The City cannot guarantee the tax deductibility of a donation, but may provide the donating party with a letter of acknowledgement and a statement of the City's intended use. The City cannot validate the donor's estimate of the fair market value of a non-cash donation.
4. The City will not apply for grants, undertake sponsorships or accept contributions that:
  - A. Require the City's written or spoken endorsement of commercial products, services, companies or individuals;
  - B. Limit the City's ability to carry out its functions fully and impartially;

COUNCIL POLICY MANUAL

- C. Result in additional ongoing operating costs for which a funding source has not been identified and approved by Council;
- D. Restrict access to the City's event by the widest audience possible;
- E. Personally benefit individual City employees;
- F. Result in conflicts of interest;
- G. Expect City staff or policy makers to return the favor through action on a City program or policy (recognition appropriate to the level of contribution would not be considered as "returning the favor");
- H. Result in repeated solicitations from the same donor;
- I. Give a sponsor influence over the City and/or access to restricted information;
- J. Involve an association with gambling, tobacco, or pornography; or
- K. Imply City endorsement of political or religious views, or of contentious community issues.

Adopted: RTC #07-224 (July 24, 2007)

Lead Department: Community Development