

Agenda Report

TO: City Council

DATE: November 14, 2005

FROM: City Manager

SUBJECT: AUTHORIZATION TO ENTER INTO AGREEMENTS WITH HANSON AND COMPANY AND THE PASADENA COMMUNITY FOUNDATION FOR SERVICES RELATED TO RAISING FUNDS FOR A PORTION OF THE RESTORATION OF CITY HALL

RECOMMENDATION

It is recommended that the Pasadena City Council:

1. Authorize the City Manager to enter into a contract with Hanson and Company for an amount not to exceed \$192,000 for a two-year period to manage a fundraising campaign for the City Hall Retrofit and Restoration Project and ,
2. Authorize the City Manager to enter into a Memorandum of Understanding and a Field of Interest Fund Agreement with the Pasadena Community Foundation to receive, invest and manage all funds raised for the City Hall Project.
3. It is further recommended that the proposed contracts be exempt from the Competitive Selection process of the Competitive Bidding and Purchasing Ordinance of the Pasadena Municipal Code, pursuant to P.M.C. Section 4.08.049(B), contracts for which the City's best interests are served.

BACKGROUND

When the decision to proceed with the City Hall Retrofit and Restoration Project was made on January 31, 2005, the City Council approved the staff recommendation for a \$117,594,083 project but appropriated only \$111,594,083 in funding. The \$6 million difference was the cost of restoration work primarily on the exterior of the project, which could be removed from the project if necessary. These elements are shown in Attachment

A. It was staff's belief that balance of the funds could be raised from grants and fundraising efforts.

Since that time, staff has been developing a plan for a fundraising campaign and simultaneously has continued efforts to solicit grant dollars from a variety of sources.

Staff is recommending that the City of Pasadena enter into three agreements related to the City Hall fundraising. The first agreement is with Hanson and Company, while the other two are with the Pasadena Community Foundation.

The City previously engaged the services of Hanson and Company in November 2000 on the recommendation of the City Hall Restoration Finance Committee. This Committee was appointed by the City Council with the charge of developing the best funding package for the project. Hanson and Company was hired to examine the possibility of foundation and corporation financial support for the project. The conclusion of this study was that these sources were not readily available for actual repair of the building but would be available for restoration, courtyard and other optional elements of the overall project once it was known that the core project was funded. Donors would see the repairs and retrofitting as a City responsibility but would be interested in funding elements that would preserve the historical and icon elements of the building which were not part of a functioning City Hall.

Staff entered into a second contract with Hanson and Company in March 2005, to get guidance on how a fundraising effort could be structured. Based on those recommendations, staff solicited a proposal from Hanson and Company. That proposal is shown as Attachment B. One of the critical recommendations was to enter into an agreement with a foundation which could receive the funds and manage the investments and dispersal of dollars. While the City could undertake this work, larger donors are more familiar and more comfortable with working with a 501(C)3 foundation and less likely to make donations directly to the City. Based upon this advice, staff began discussions with the Pasadena Community Foundation.

The original goal was to raise \$6 million for the City Hall project. Based upon discussions with Hanson and Company and the Pasadena Community Foundation, the goal was increased to \$7.5 million. While some of the additional funds would be used to cover the costs of fundraising and managing the money raised, the majority will create a small endowment that could be used for maintaining the improvements paid for from the donations. This would assure donors that sufficient dollars were available to keep the elements in good repair.

Since the goal was set, the City has received notification that a \$3 million Federal Emergency Management Agency grant has been awarded for City Hall. As such, the goal for fundraising is now \$4.5 million.

The primary terms of the agreement with Hanson and Company are:

1. The Company will perform the tasks as shown in Attachment B.
2. Noel Hanson, the founder of Hanson and Company, will manage and operate all phases of the campaign.
3. The campaign will run for two years from the approval of the agreement.
4. The monthly fee will be \$7,500. This fee will include all office expenses, personnel costs, copies of records, mileage, parking and out of pocket expenses.
5. Any outside printing, design, brochures, and meals may be billed separately at a cost not to exceed \$500 per month without prior city authorization from the City Manager.
6. Either party may terminate this contract prior to the two years expiration, with a 30-day notice in writing.

The primary terms of the agreements with the Pasadena Community Foundation are:

1. The funds donated for City Hall will be collected, acknowledged and invested by the Foundation as a component fund of the Foundation.
2. The Foundation will charge a one-time 3% fee on every dollar received by the Foundation on behalf of the City. This fee will cover all Foundation expenses related to investing, managing and dispersing the donations. In addition, the Foundation will retain the interest earned on the investment of the donations.
3. At the end of the project, the Foundation will review its actual costs associated with managing this Fund. Any income received by the Foundation from the City in the form of either the 3% fee or investment earnings on the Fund that exceeds the Foundations costs will return to the City.
4. The City will establish an Advisory Board to the Foundation. This Board will review all expenses and make recommendations to the Foundation for the disbursements from the Fund.

Both Hanson and Company and the Pasadena Community Foundation are local entities. Hanson and Company has worked with the City on the City Hall project since 2000. They are very familiar with the project and understand the elements that the City is seeking to fund through donations.

The Pasadena Community Foundation has been a part of the Pasadena community since 1953. They have worked with the City on other projects and are committed to being a part of the Pasadena community.

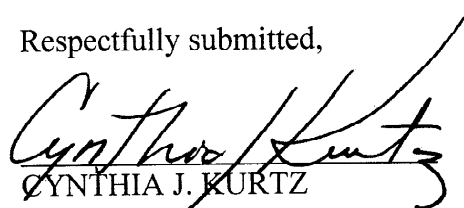
FISCAL IMPACT

The cost for the Hanson contact will not exceed \$192,000 and is expected to be less as the out of pocket expenses are not expected to be \$500 each month of the campaign. This amount is 4.3% of the fundraising goal. Fundraising costs are typically estimated to be between 5% and 10% of the goal. This contract represents a significantly lower overhead cost.

The Pasadena Community Foundation costs for investing and managing the dollars that are passed through the Foundation are estimated to be \$135,000 plus any interest earning on the invested funds. The Foundation has agreed to look at actual costs at the end of the campaign and may reimburse the City if their actual costs are lower then the 3% plus the interest earnings.

Funding to cover the first six months of the contract with Hanson and Company is available within the current appropriations for the City Hall Project. As funds are raised and deposited with the Foundation, the staff will return to the City Council and ask for a supplemental appropriation to the Project from unanticipated revenues up to the maximum amount of the contract.

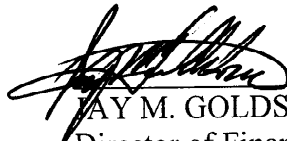
Respectfully submitted,



CYNTHIA J. KURTZ
City Manager

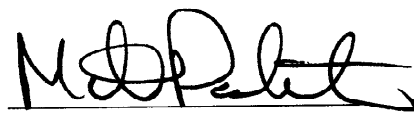
Attachments

Approved by:



JAY M. GOLDSTONE
Director of Finance

Concurred by:



MARTIN PASTUCHA
Director of Public Works