



City Council Agenda Item

City Council Meeting Date: August 20, 2019

TO: Mayor and City Council Members

FROM: Jim Throop, City Manager
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SUBJECT: Discussion Concerning Formation of a Nonprofit Organization to Fund City Projects

Recommendation:

Staff recommends the City Council review the provided information and direct staff whether to proceed with forming a California nonprofit organization to fund City projects.

Background:

On March 19, 2019, staff presented information concerning formation of a nonprofit organization to fund City projects. At that time, the City Council requested further information concerning fiscal impact.

Discussion:

To summarize information provided on March 19, 2019, formation of a nonprofit organization is not overly complicated. Trained staff would work with the City Attorney's Office to ensure compliance with requirements of state and federal law.

The formation of a City of Lompoc non-profit has the potential to assist in getting "non-governmental organizations" (NGO) grants. These NGO grants typically require such a vehicle (a City non-profit) to award grants. Having such a process will open up the City's ability to receive much needed funding to help repair many areas of the City.

Fiscal Impact:

Costs of formation of the nonprofit corporation are summarized as follows:

Secretary of State nonprofit corporate filing fee	\$30.00
IRS Form 1023 filing fee	\$850.00
Registry of Charitable Trusts filing fee	\$25.00
City Attorney review (2 hours estimated)	\$370.00
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Total out of pocket costs (estimated)	\$1,275.00

In-house staff time required to prepare all the initial paperwork is estimated at **15 hours.**

Once the corporation is formed and nonprofit status obtained, no additional staff time will be required unless the City Council directs staff to serve or support the nonprofit corporation in an ongoing capacity as either a Board Member or staff liaison.

Conclusion:

A nonprofit corporation may be a useful tool for raising funds to support civic projects currently outside the scope of the City's budget. The process, while it does have some costs attached, is not terribly complicated and can be accomplished without the use of a consultant. Once the nonprofit corporation is established, it will be self-supporting and no future expenditures will be required from the City, unless the City Council directs staff to support or serve on the board.

Respectfully submitted,

Jim Throop, City Manager