

March 26, 2020

MEMORANDUM

To: Members of the City Council
From: Tom Mikesell, Analyst
Subject: C.B.119763 – COVID-19 Donation Fund Ordinance

On March 30, 2020 the City Council will discuss and possibly vote on [Council Bill 119763](#), proposed legislation transmitted by the City Budget Office (CBO) and sponsored by Council President González. This memorandum summarizes the proposed bill and identifies policy and fiscal issues, as well as options for Council’s consideration.

Background

On March 3, 2020 the Mayor proclaimed a civil emergency related to the local impacts of the global COVID-19 pandemic. [Article I, Section 1](#) of The City Charter states that the City of Seattle “may receive bequests, devices, gifts and donations of all kinds within and without the City for its own use and benefit, or in trust for charitable or other public purposes, and do all acts necessary to carry out the purposes of such gifts, bequests, devices and donations.”

Further, [Seattle Municipal Code Subsection 10.02.030](#) states the Mayor’s emergency powers “...shall be exercised in the light of the exigencies of the situation without regard to time-consuming procedures and formalities prescribed by ordinance (excepting mandatory constitutional requirements), including, but not limited to...the appropriation and expenditures of public funds; provided, that the Mayor shall, wherever practical, advise and consult with the City Council with respect to disaster response activities...”

In the context of the civil emergency, C.B. 119763 creates a fiscal structure to expedite the receipt and use of donated private funds for prescribed emergent needs. Specifically, the bill would:

- Create the *COVID-19 Donation Fund* (Fund);
- Define the revenues to the Fund as “donations, gifts, or grants from organizations, corporations, businesses, or people who wish to assist the City during the COVID-19 pandemic.” (The Fund would also receive accrued interest on its balances.)
- Define the allowable uses of the Fund’s resources, including:
 - Food assistance for persons in need;
 - Financial assistance to small businesses;
 - Assistance with childcare costs;
 - Loan guarantees for small business or individuals;
 - Rent assistance for small businesses of individuals; and,
 - Operating assistance to cultural and nonprofit organizations.

- Authorize spending up to \$30 million from the Fund. These funds would be placed in Finance General, a line in the budget reserved for spending that is not specific to any single departments; and,
- Establish that the appropriation authority is contingent on receipt of outside gifts, grants, and donations, and allow the size of the appropriation to increase proportionally with the amount of such revenue that is received.

As drafted, the new Fund would not account for public grants or reimbursements from federal, state or county programs. These sources will continue to be considered through the regular acceptance and appropriation process described below. CBO anticipates that departments will negotiate agreements for public benefits to use COVID-19 Donation Fund monies. Upon City approval, the monies would be transferred to private recipients (out of Finance General). In other words, the monies would come from the newly created fund, not from individual department appropriations.

Current Grant Acceptance Practice

The City has an existing process for the receipt and expenditure of external funds. Under current practice, the City Council reviews legislation that authorizes departments to accept gifts, grants and donations from third parties. These 'grant acceptance ordinances' identify the source of the funds, the amount, and the specific intended purpose of the funds. Council evaluates the proposed revenue with regards to the source of funding, restrictions on use, performance requirements, and matching considerations. Based on its evaluation, Council has the option to pass (or not pass) the legislation to authorize the executive departments to accept the funds.

If a grant acceptance is authorized as detailed above, the new revenues are then added to the City budget through supplemental appropriation legislation which is considered in tandem with the grant acceptance ordinance.

There is no restriction on the number of times this can occur during the year. While in recent years the full process described has occurred three times, in the summer, fall, and winter, there are also instances of standalone grant acceptances, the most recent of which is [C.B. 119743](#), which authorized the Seattle Department of Transportation to accept and spend \$3.3 million from Sound Transit for capital project purposes.

Issue Identification

Central Staff has identified the following policy issues and alternatives for Council consideration.

1. Reduced City Council Oversight of Private Donations

Beyond the initial approval of this bill, the City Council would have no further oversight role in accepting and spending gifts, grants and donations from private organizations for COVID-19 public benefit assistance. The bill adds \$30 million in appropriation authority and allows the total appropriation amount to scale higher contingent on the acceptance of amounts greater than the original \$30 million appropriation. This is an intentional departure from current practice with the intended goal of expediting the flow of unrestricted private funds to communities in need during the civil emergency. The following alternatives are available for Council consideration.

Options:

A. Remove the appropriation authority from the bill.

This would have the effect of creating the fund but still allow for normal Council oversight of the acceptance and use of private donations. However, this change would add additional time and delay the receipt and expenditure of funds; and this change could discourage donations from private parties that do not see a benefit to engaging in a deliberative process during this emergency. The Executive would oppose this option.

B. Revise the Appropriation Authority and Remove Contingent Authority

The \$30 million appropriation in the bill was developed with limited specificity as to pending donations. A lower appropriation amount, accompanied with removing the contingent authorization, could apply a lower limit on the approval provided in the bill. Additional deliberative process would be required if private donations exceed the lower appropriation amount, increasing the potential delay between donation and use of funds. The Executive would oppose this option.

C. Require weekly reports from the Executive on current and pending donations to the fund and their intended uses.

This would require weekly reporting on sources and uses of private donations to be incorporated in the weekly COVID-19 emergency response report to Council requested in [Resolution 31937](#), which modified the Mayor's Emergency Proclamation. This additional reporting would provide information for Council oversight while preserving the expedient process intended by the bill. The Executive would support this option.

D. No Change.

2. Defined Uses Either Too Restrictive or Too Expansive

The bill establishes a framework that can persist during the civil emergency without further Council action. To do so, in Section 3 it defines the set of public assistance purposes that can reasonably be expected to draw from the private donations. These purposes are listed in the background section above. The Executive indicates the listed uses (as noted below) were developed based on community input and that “the needs” have been reported in Council.

Allowable uses:

- Food assistance for persons in need
- Financial assistance to small businesses
- Assistance with child care costs
- Loan guarantees for small businesses or individuals
- Rent assistance for small businesses or individuals
- Operating assistance to cultural and non- profit organizations

According to CBO, the list was crafted to cover the full array of possible needs, while not being overly expansive considering the Executive’s request for Council approval of a predetermined spending amount. It is possible the bill leaves out other community needs, or conversely includes spending that Council may prefer to manage through the normal grant acceptance process.

Options:

A. Expand List of Permissible Uses

New permissible uses added in Section 3 of the bill would expand the universe of civil emergency-related acceptance and spending of private funds that would not require further Council action and limit Council’s oversight role.

B. Restrict List of Permissible Uses

Any permissible uses removed from the list proscribed in Section 3 would default to the normal grant acceptance and appropriation process.

C. No Change.

cc: Kirstan Arestad, Executive Director
Dan Eder, Deputy Director