

Donations and Contributions

City of Santa Cruz I-76

Administrative Procedure Order Section
I, #76 (Revised August 2014)

TO: Department Heads
SUBJECT: DONATIONS AND CONTRIBUTIONS
POLICY

Council Policy 12.10 gives the City Manager authority to accept and appropriate donations and contributions up to \$50,000 to support projects and programs previously approved by the City Council, without formal acceptance by the City Council. Appropriation of all other donations must be approved by the City Council.

The receiving department is responsible for sending a thank you letter to the donor and for ensuring that the donation is used only for its intended use. In addition, departments are required to prepare annual reports regarding donations and contributions received.

PROCEDURE

I. Cash Donations and Contributions

Cash donations (cash, check, money order, or credit card) will be received through the City's cash receipting system. Departments that do not have their own cash receipting stations will forward revenue vouchers to the Finance Department Revenue Division.

II. Budgeting Cash Donations and Contributions

Generally, expenditures should not be budgeted until after donations have been received, i.e., appropriations for expenditures should not be based on anticipated donations, but on revenues already received. Appropriations for expenditures may be included in the Adopted Budget, if the funds, or a commitment for the funds, have already been received. The budget may also include anticipated funds such as those expected to be included in the State or other agency budget.

A. Budget Adjustment Required

For donations and contributions not appropriated as part of the Adopted Budget, departments will request a budget adjustment, as described in APO I-9. This should include an adjustment to the revenue estimate as well as the appropriation for expenditures. The "Reason for Adjustment" section should include information about City Council approval of the project or program, e.g., when City Council approved the project or program, or that it is part of the department's normal ongoing operations. General contributions and donations that do not require appropriations, i.e., are not designated for specific purposes or programs and will instead offset existing appropriations, do not require a budget adjustment.

B. Donations Funds

For General Fund activities, donations and contributions will be received into, and appropriations for expenditures made in, Fund 161 (Contributions and Donations - General) or 162 (Contributions and Donations - Parks and Recreation).

When all or a portion of the donation will pay for personnel costs, it will be budgeted as an intrafund labor cost in the donations fund, and as an intrafund labor credit in the home activity for the position(s) charging to the donation.

Interest on unspent donations and contributions will be allocated to the General Fund, unless otherwise required by the terms of the donation or contribution.

C. Project Accounting

All cash donations and contributions, in all funds, will be budgeted in a project in project accounting, with all revenues received into and expenditures charged to the project.

III. Cash Donations Spent by Others on Behalf of City Projects or Programs

The department head has the authority to approve the use of monetary donations received and spent by nonprofit organizations established to support City projects and programs previously approved by the City Council. A description of these donations should be included in the annual report.

IV. Non-Cash Donations and Contributions

Departments may receive non-cash donations to support City projects, programs, or events. If the value of the donation is greater than \$50,000, the department should give the City Council an information report describing the donation and its use, with a copy to the Finance Department. A description of these donations should be included in the annual report.

Departments may receive donations of or improvements to City assets. The department should notify the Finance Department at the time the improvement or asset is accepted. If the value of the donation is greater than \$50,000, the department should also give the City Council an information report describing the donation and its use.

Departments have the same custodial responsibility for maintaining control of and reporting on donated assets as they have for any other City assets.

V. Annual Report

Departments will prepare an annual report on donations/contributions, including funds spent on behalf of the City by outside organizations (e.g., F.O.P.A.R., Museum Association, and sports leagues) and in-kind contributions. Departments will submit these reports to the Finance Department by the end of the second week in September of each year, and will include information regarding activity for the previous fiscal year (ending June 30th). The Finance Department will consolidate the information from departments into a report to the City Council.

VI. Thank-You Letter

The receiving department will send a thank you letter to the donor. The letter should include the following information:

The City of Santa Cruz is a California municipal corporation. Contributions made directly to a city may be deductible if the gift is made exclusively for public purposes and the donor does not receive any substantial benefit in return for the contribution. The Internal Revenue Code may limit the percentage of charitable deductions allowed in certain circumstances.

The City's Federal Tax Identification Number is 94-6000427.

Please consult your tax advisor to determine how tax regulations apply to your own circumstances.