

**Staff:**

Susan Brown, Executive Director  
Jim Orr, Director  
Amy Oland, Assistant Director

**Department:**

Community Arts and Culture  
Parks and Recreation  
Business Management

**RECOMMENDATION**

In order to set clear expectations and create consistency between different non-profit groups wishing to support the Town's activities with fundraising and charitable giving, Town staff recommends that the Town Council adopt a consistent framework to govern such activities and relationships across the organization.

**FRIENDS AND FOUNDATIONS, DEFINED**

There are typically two structures for charitable giving in support of Town activities.

Friends Groups support the work of the Town by raising funds from many sources (individuals, activities, memberships, and events) for gifts such as equipment, supplies, and programs that supplement, but do not replace, what the Town provides.

Foundations typically raise money through endowments and planned giving to support more costly, longer-range investments.

There are three groups currently supporting Town activities:

- Chapel Hill Public Library Foundation
- Friends of the Chapel Hill Public Library
- Friends of Chapel Hill Parks, Recreation, and Greenways

The Fire Union and Maltese Cross Foundation and the Police League support public safety, but those groups are not Friends or Foundation groups collecting funds on behalf of the Town, so they are not included in this discussion.

**BACKGROUND AND CONTEXT**

In autumn 2017, representatives of the Chapel Hill Public Library Foundation met with representatives from the Town, including the Town Manager, Town Attorney, Director of Business Management, and the Library Director, to consider creating a performance agreement to guide the relationship between the Foundation and the Town. That agreement would clearly outline what the Town provides to the Foundation, what the Foundation provides to the Town, and defines roles, responsibilities, and relationships for each party.

The Town and the Foundation agreed that a performance agreement was an important step to take, knowing that the Foundation is planning to begin actively fundraising via planned giving and endowment campaigns. While there is a Memorandum of Understanding that governs the Cornelia Spencer Love Trust, currently managed by the Foundation, there has not previously been a performance agreement between the Foundation and the Town. The Love Trust was established by a long time Chapel Hill resident, Library board member, and library supporter. The Foundation has managed the Trust since 1999, in accordance with the aforementioned MOU, which is attached. In addition to occasional special disbursements

for major projects, the Trust provides an annual distribution to the Library, based on a percentage of the earnings of the trust in the previous year.

As the Town began exploring best practices and drafting an agreement, staff realized that other non-profits whose purpose is to raise funds to support a Town department do not have performance agreements, and there is not a consistent framework for how they support Town functions. Furthermore, there is no set of policies and procedures that govern how the relationships and resources work together to support the Town and the community.

After an initial review of best practices, Town staff agreed a framework would be beneficial for all groups that support our community by raising funds on behalf of the Town.

Those benefits include:

- clear and consistent expectations about communication and collaboration between the Town and the nonprofit
- clear and consistent expectations for financial matters, including fiscal practices aligned with Town policies and procedures
- clear and consistent expectations for what role Town staff play in supporting the nonprofit and what role nonprofit members play in supporting the Town
- a framework for the future should other nonprofit groups look to organize in support of a Town department
- clear expectations regarding access to and use of Town resources and facilities for the nonprofit

The goal of the framework is to clearly define roles, expectations and responsibilities for organizations raising funds on behalf of the Town, and to support their efforts through coordination and collaboration. A brief overview of the groups is provided below, followed by a draft outline of a recommended framework:

## **NONPROFITS CURRENTLY ASSOCIATED WITH TOWN DEPARTMENTS**

### **The Chapel Hill Public Library Foundation**

The Chapel Hill Public Library Foundation was established as a 501(c)3 in 1997 in order to raise private funds to enhance the capabilities and services of the Library. Soon after their founding, the trustee of the Cornelia Spencer Love Trust wished to retire from that role, and after Council deliberation and action, an agreement was reached that established the Foundation as the managers of the Love Trust.

The Foundation's two main functions remain much the same as twenty years ago – administration of the Love Trust and private fundraising to support the Library. The Foundation currently employs an Executive Director on a half-time basis and has an all-volunteer Board of Directors that meets 6 times per year, as well as an Executive Committee that meets 12 times per year. The Board's bylaws are attached.

### **Friends of the Chapel Hill Public Library**

The Friends of the Chapel Hill Public Library is a 501(c)3 organization, established in 1958. Through memberships, book sales, and a bookstore located in the Library's lower level, the Friends raise funds to support the collections, programs, and services of the Library. The books and other items for sale come primarily from donated items from the community, as well as de-accessioned ("weeded") items from the Library's collections. As a part of the

Library's annual budget, the Friends make a pledge of support for the year, as they distribute additional funds during the year as needed. The Friends have no paid staff and an all-volunteer Board of Directors that meets approximately 6 times per year. The Board's bylaws are attached.

### **Friends of Chapel Hill Parks, Recreation, and Greenways**

The Friends of Chapel Hill Parks, Recreation, and Greenways organization was established in 1989 and received final 501(c)3 designation in 1991. It was originally established to better manage and encourage small donations and to facilitate grant applications that exclude government organizations. The organization has a 9-member volunteer board that meets about 3 times per year. The Board does not aggressively pursue donations, rather it provides a mechanism for individuals and groups to financially support specific projects. The Friends does not support any project unless it is also supported by the Parks and Recreation Department. The Board's adopted bylaws are attached. Please note that the Board agreed to make numerous changes to the bylaws that will be finalized at a summer meeting.

## **DEVELOPING A FRAMEWORK**

We recommend a standard framework and practices that will apply to all such supporting organizations.

Town staff reviewed any current agreements, policies and procedures that might apply. We looked at best practices from a variety of sectors, and we identified broad interests that would define the parameters of the framework.

### **Relevant Town Council Practices**

- The Council approves the establishment of a nonprofit entity that raises money on behalf of the Town for specific purposes.
- The Council has policies and procedures regarding the acceptance of gifts. That policy delegates certain authorities to the Town Manager.

### **Current/Recent Agreements**

- Memorandum of Understanding between Town and Library Foundation for the Cornelia Spencer Love Trust(attached)
- Agreement for Friends of the Library "Sip & Shop"
- Merritt Pasture Bench [authorization](#)

### **Best Practices**

Town staff reviewed and considered best practices generally and Town-specific practices that might be relevant to this framework. A review of the literature on this topic from the perspective of public libraries, parks and recreation, and local government generally:

- UNC School of Government <https://canons.sog.unc.edu/donations-local-governments/>
- The Town may only receive gifts and donations that support an authorized program or donations with no restrictions. We could not receive support for a program for which the Town does not have statutory authority.

- The Town could develop guidelines that would facilitate decisions on which donations would be accepted or declined.

United for Libraries, a national association for Library Trustees, Advocates, Friends, and Foundations also provides guidance on best practices that can be applied to non-library groups and Foundations as well.

## **Shared Interests**

Based on initial conversations with Friends and Foundations, we identified some shared interests to guide this work:

- Clearly defined roles and responsibilities for Town departments and departmental staff and associated non-profit and staff
- Policies and procedures that provide a consistent approach for all Town-associated non-profits and flexibility to address different purposes for which funds are raised.
- Statutory and fiduciary regulations are met
- Collaboration and communication between the Town and non-profits sufficient to ensure alignment of interests and congruity of purpose.

## **SAMPLE PERFORMANCE AGREEMENT AND STANDARD PRACTICES**

The framework we recommend consists of several components:

1. Council affirmation/reaffirmation of each non-profit associated with a Town department.
2. A standard performance agreement that applies to all such groups, reviewed and renewed annually. Sample agreement attached.
3. As needed, an addendum to the standard performance agreement that outlines any department or nonprofit specific activities and relationships that are specific to that performance agreement, reviewed and renewed annually.

The research and best practices are reflected in the attached sample agreement, including:

1. Approximately 80-100% of the funds raised each year are directed to the department the funds were raised for (minus any operating costs).
2. Associated departments have a seat on the nonprofit's board and any board committees.
3. Close collaboration on and joint design of events, campaigns, and endowments to ensure that all are aligned in support of Town short and long term goals.

We also recommend the following standard practices:

1. Establishment of Departmental Gift Funds to receive and appropriate monies raised by associated non-profits. This model has been used by the Library for some time, and staff believes it would also work well for Parks and Recreation.
2. A system for tracking individual donations for transparency to donors
3. Annual pledge of support from non-profit via the Town's annual budget process.

4. Additional gifts outside of the budget cycle would be approved via a Budget Ordinance Amendment. An example of this is the [recent consent agenda item regarding benches at Merritt's Pasture](#).

#### **SPECIFIC NEXT STEPS**

1. Staff will receive Council feedback and input in June.
2. Staff liaisons will review draft agreements and practices with three current groups during summer and early fall.
3. Staff will return to Council in the fall with resolutions of affirmation or reaffirmation and recommendation to authorize Town Manager to enter into performance agreements with all three current nonprofit organizations.