

City of Culver City, California  
**City Council Agenda Item Report**

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| Meeting Date: 01/28/08                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |  | Item Number: <u>A-1</u>                                                                           |  |
| <b>AGENDA ITEM: Discussion of the Culver City Sister Cities Committee's (CCSCC) Establishment as a 501(c)(3), Including Authorization of an Amount not to Exceed \$4,600 for Expenses Related to the Formation of the Culver City Sister Cities Committee as a 501(c)(3), Purchase of Insurance Pending Confirmation of 501(c)(3) Application Submission and Interim Insurance Coverage, Appointment of a CCSCC Ad Hoc Committee, and Reimbursement of Eligible CCSCC expenditures through FY 2007-08.</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |  |                                                                                                   |  |
| Contact Person/Dept.: Shelly Wolfberg                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |  | Phone Number: (310) 253-6008                                                                      |  |
| Fiscal Impact: Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |  | General Fund: Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>                 |  |
| Public Hearing: <input type="checkbox"/>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |  | Action Item: <input checked="" type="checkbox"/> Attachments: <input checked="" type="checkbox"/> |  |
| Public Notification:<br>Culver City Sister City Committee and Master Notification List (01/25/2008).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |  |                                                                                                   |  |
| Department Approval:<br>Martin R. Cole (01/25/2008)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |  | City Attorney Approval:<br>Carol Schwab (by L. Vidra) (01/25/08)                                  |  |
| Fiscal Impact Review:<br>Jeff Muir (by N. Kimball) (01/25/08)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |  | City Manager Approval:<br>Jerry B. Fulwood (01/25/2008)                                           |  |
| <p><b><u>RECOMMENDATION:</u></b></p> <p>Staff recommends the City Council discuss the Culver City Sister Cities Committee's (CCSCC) establishment as a 501(c)(3), including authorization of an amount not to exceed \$4,600 for expenses related to the formation of the Culver City Sister Cities Committee as a 501(c)(3), the purchase of insurance pending confirmation of 501(c)(3) application submission and interim insurance coverage, appointment of a CCSCC Ad Hoc Committee, and reimbursement of eligible CCSCC expenditures through FY 2007-08 .</p> <p><b><u>BACKGROUND/DISCUSSION:</u></b></p> <p>On June 15, 2007, the City Council appointed Vice Mayor Gross and Councilmember Silbiger to serve on the City Council/CCSCC Subcommittee, with a sunset date of August 31, 2007. On August 20, 2007, the City Council voted to continue the existence of the Subcommittee through December 31, 2007, to allow the Subcommittee, staff, and CCSCC members to complete its work. On December 17, 2007, the City Council voted to continue the City Council Subcommittee to January 28, 2008 to allow the CCSCC the time to meet and discuss the direction it wished to take regarding the future formation and organization of CCSCC.</p> <p>During the past few months, the Subcommittee, City Staff and representatives of the CCSCC (collectively referred to as the "Committee") have conducted research including reviewing how other sister cities committees are organized and are</p> |  |                                                                                                   |  |

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operated. Research indicated that a majority of the sister cities groups that were contacted stated they functioned as a tax exempt organization under the provisions of Section 501 (c)(3) of the Internal Revenue Code. The groups reported varying levels of city staff support, funding levels and insurance.

The Subcommittee has met several times with members of CCSCC, most recently on January 15, 2008. At that meeting CCSCC informed the Subcommittee and staff that the CCSCC Board had expressed its commitment to form a 501 (c)(3).

Staff has reviewed the current organizational structure of CCSCC with the City's insurance carriers and it has been determined the CCSCC does not qualify for coverage. The CCSCC has expressed concerns about liability insurance coverage as it pursues its 501 (c)(3) designation. Should the CCSCC pursue organization under 501 (c)(3), the CCSCC could pursue coverage once the organization has received a letter from the IRS indicating that its application for 501(c)(3) status has been received. The final letter giving official 501(c)(3) status would need to be provided upon the renewal of the policy in the following year.

In the following section, staff is presenting some options for the City Council's consideration. As the City Council considers those items, it is important to note some basic information related to the City's insurance coverage:

1. The first \$1 Million in costs associated with each claim are covered by the City's Self-Insured Retention. Or, in other words, the City pays the first \$1 million in claims from its own funds (most of which are from the General Fund). In the event that costs related to a particular claim exceed \$1 million, the City's excess insurance may apply.
  - A. Members appointed to the CCSCC Ad Hoc Committee (see below) would be insured-locally and abroad.
  - B. Visiting members of other Sister City Committees would not be considered to be acting on behalf of, or under the direction of, the City Council. Therefore, the City would not be responsible for damages caused by those visitors. For example two Kaizuka visitors will arrive in Culver City on March, 25, and Lethbridge visitors are anticipated to visit in July.

**Options for Consideration for Interim Operations of the CCSCC**

As mentioned before, the CCSCC Board has expressed its desire to pursue organization under Section 501 (c)(3) of the Internal Revenue Code. It is expected the process to form the 501 (c)(3) organization will take a number of weeks. This raises the question of how should the CCSCC handle its programs during the interim period. Staff presents the following for the City Council's consideration:

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***Option 1:***

The City Council supports the formation of a 501(c)(3) by the Culver City Sister Cities Committee. The City Council creates an Ad-Hoc Committee named "The Ad-Hoc Sister Cities Committee" and appoints the 20 CCSCC Board Members (Attachment 1) to the Ad-Hoc Committee. In forming the Ad-Hoc Committee, the City Council declares that the Ad-Hoc Committee is acting under the direction and on behalf of the City Council. The Ad-Hoc Committee will remain in place for 60 days, or until CCSCC receives the IRS letter acknowledging CCSCC's application for 501(c)(3) status, whichever comes first. As an official entity of the City, the City's insurance coverage would apply to the Ad-Hoc Committee's operations.

***Option 2:***

The City Council supports the CCSCC becoming its own 501 (c)(3). Individual CCSCC members rely on their own personal insurance policies until CCSCC receives IRS letter acknowledging CCSCC's application for 501 (c)(3) status and a separate insurance policy can be secured.

***Option 3:***

The City Council supports the CCSCC becoming its own 501 (c)(3). CCSCC may decide voluntarily to postpone any or all activities until CCSCC receives IRS letter acknowledging CCSCC's application for 501(c)(3) status and separate insurance is secured.

With respect to the above, there will be certain costs attributable to the formation of the 501(c)(3) and insurance coverage (once the new 501(c)(3) is eligible for its own insurance coverage). Staff provides the following items for the City Council's consideration:

- A. Authorize funding in an amount not to exceed \$2,000 for the legal services which may be required to file the 501(c)(3) application; and/or
- B. Authorize funding in an amount not to exceed \$2,600 in funding for the liability insurance; or,
- C. Provide no funding for legal services or attorney's fees.

The CCSCC has indicated that it wishes to continue to be called the Culver City Sister Cities Committee when the 501(c)(3) corporation is formed. It is common for other Sister Cities organizations to use the name of the city it is affiliated with as a part of the name of the organization.

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Further, staff recommends continuation of the reimbursement of expenses incurred by the CCSCC for its activities, as budgeted in the FY 2007-08 Budget. Staff recommends returning to the City Council to cease the appointments of the CCSCC Ad Hoc committee, if City Council chooses this option. Staff also plans to return to Council with a draft Memorandum of Understanding between the CCSCC as a 501(c)(3) and the City of Culver City.

The City Council/CCSCC Subcommittee has fulfilled its responsibilities and will no longer convene to discuss CCSCC matters.

**FISCAL ANALYSIS:**

Should the City Council support the CCSCC becoming a 501(c)(3), it is expected the annual costs of separate liability insurance is \$2,600. There would also be some one-time legal costs associated with the establishment of the 501(c)(3) estimated to be \$2,000. For purposes of the remainder of Fiscal Year 2007-08, funding in the total estimated amount of not to exceed \$4,600 could be allocated from appropriated reserves. Costs for insurance could vary in future years.

**ATTACHMENTS:**

1. List of CCSCC Officers and Members of the Board of Directors.

**MOTION:**

That the City Council:

1. Confirms the City Council/CCSCC Subcommittee has fulfilled its responsibilities and will no longer convene to discuss CCSCC matters; and
2. Support the CCSCC becoming a 501 (c)(3); and
3. Appoint the CCSCC Board Members as Ad-Hoc CCSCC Committee members for 60 days or until CCSCC receives IRS letter acknowledging CCSCC's application for 501(c)(3) status, whichever comes first; and
4. Continue the reimbursements of eligible CCSCC expenditures, within budgeted amounts for the remainder of FY 2007-08; and

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5. Provide funding up to \$2,000 for the legal services which may be required to file the 501(c)(3) application; and/or
6. Provide funding up to \$2,600 in funding for the liability insurance; or
7. Provide both of these amounts totaling up to \$4,600; or
8. Provide no funding for legal services or attorney's fees; and/or
9. Provide other direction to staff as deemed appropriate.