

12-12-02

To: Neighborhood Council Leaders

From: Greg Nelson, General Manager, Department of Neighborhood Empowerment

Re: Neighborhood Council Funding Program

The Neighborhood Council Funding Program was approved unanimously by the Board of Neighborhood Commissioners, three City Council committees, the City Council, and was signed by the Mayor.

A requirement of the program is that the detailed banking and accounting procedures first needed to be prepared so that there would be no confusion on anyone's part. The landscape is littered with people and nonprofits that misused public funds. You don't want to join them.

I apologize for the delay that has occurred since the City Council gave final approval to the program on November 8, and when the Mayor signed it a few days later. During that time, the City developed a new and unique method through which the money will get to a Neighborhood Council and be accounted for. As we develop the Neighborhood Council system, we constantly find ourselves in the forefront of new and innovative ways of getting things done. This is another one of those opportunities to break some new ground. There is certainly nothing ordinary or routine about the Neighborhood Council system.

The new "card program" involves what is called a Stored Value Card. It's not a credit card, a debit card, or a checking card. It's gaining popularity in the private sector. That puts us on the cutting edge of making it work in the public sector. It is hoped that through this system, the burden on your accounting people will be reduced; your Treasurer and governing board members will have an easier time tracking how your money is being spent; and you'll be able to make the purchases when you need to.

Your Treasurer, and others if you wish, would be required to attend "Treasurer Training" before receiving any money. This will be painless, and will be held in your area if that's more convenient for you. The Treasurer, and those who will be handling the money, would have to sign a Letter of Acknowledgement showing that the procedures have been understood, and that we're good teachers. It's just so that everybody is clearly on the same page, and there are no misunderstandings. Even an innocent mistake involving the public's money could seriously taint your Neighborhood Council and the entire system. None of us need the headaches that will come with that. You'll receive an announcement shortly about the training dates.

The card will be issued to your Neighborhood Council. Your governing board will determine who should be given the PIN number. There will only be one card per NC, but whoever has the PIN number can use it.

We are asking, for your own protection, that someone other than the person with the card authorize its use on each occasion. This is the equivalent of requiring two signatures on a check.

As expenditures are made using the card, those authorized by the governing board will be given a password to view the transaction records on the Internet. They are posted very shortly after the purchase is made. The electronic information will show the date of the transaction, and the

vendor's name, but not what was purchased. That would not be known until the receipt is turned in.

To kick off the Funding Program and your Stored Value Card, we are asking that spending plans be adopted in a public meeting by the governing board or a committee that it authorizes. In this way, all of the stakeholders and the public have an ability to know how the money is being spent and express their opinions. Having to deal with complaints that a President or Chair is making unilateral decisions on issues is one problem, but when it involves money it should be after an open and public discussion.

A Neighborhood Council would submit a request by e-mail, fax, or traditional mail indicating, to the best of its ability, what it anticipates needing the money for. DONE would review the request, and if all is in order, request the bank to "load" the money onto your card account. That can be done very quickly.

The first increment of funding would be \$12,500 unless the Neighborhood Council had a legitimate need for more. If there are unusual requests that occur along the way, DONE will check with the City Attorney and Controller. This is the same process that city departments and City Council members use.

As the Controller approves or disapproves certain expenditures, the list of permitted and prohibited uses will change. The list, therefore, will be developed along with the Neighborhood Councils as was announced at the Congress of Neighborhoods.

To begin, prohibited uses will be coded onto the card, thereby providing greater protection for the Neighborhood Councils and the City. The list you will receive is a best guess at what should be prohibited as we launch the program. If you feel that our guesses were wrong, let us know.

As has been mentioned before, we didn't want to hold up the beginning of this program until all of the details were worked out.

Several Neighborhood Councils have expressed concerns about protection from the liability that might come with hiring staff, leasing office space, and contracting for services. The City Attorney is your legal counsel, and the City will be there to support you in the event that legal problems arise, but you must be performing your duties within the scope of your authority. In the forthcoming weeks, the City Attorney and other city staff will be working diligently on providing guidelines for entering into contracts, such as you would do in the case of three examples just mentioned. Until the card will be blocked to prevent such purchases.

Near the end of the quarter, the Neighborhood Council will provide the original receipts to DONE along with a replenishment request. Again, if all is in order, we will go through the same process of "loading the card." Neighborhood Councils can design whatever internal accountability system they require for the collection and review of receipts before the quarterly submission to DONE.

DONE keeps an eye on the spending of the Neighborhood Councils, and the Controller keeps an eye on DONE. And the taxpayers can sleep at night.

Clearly, a Neighborhood Council will need to spend money in situations in which payment could not be made using the card. To address this, the card program will include a system through which DONE and the Controller could quickly issue emergency checks to a vendor.

But very importantly, the program will include a cash advance process for those small and very urgent needs. Because of the structure of the card program, this petty cash system is somewhat limited. Neighborhood Councils will be able to withdraw \$500 once a month for their petty cash needs. DONE is in the process of detailing the process for handling petty cash based upon experiences within city government. We felt it would be best for you to be able to learn from all the mistakes of the past, and not have to suffer the pain of making those same mistakes. As the program starts, we suggest that you determine where there is a safe, locked place for the petty cash, and that you have a system wherein the custodian of the money cannot authorize himself or herself to use the money.

We realize that many of you value your relationship with your local bank. Therefore, DONE is working with the City Attorney and City Council to adopt a "donation ordinance." This would allow donations to be made to DONE, and to each individual Neighborhood Council. The ordinance would establish an amount under which a donation would go directly into a bank account created and controlled by the Neighborhood Council. This would allow a Neighborhood Council to maintain a banking relationship at the bank of its choice. It is DONE's goal to ensure the Neighborhood Councils have the maximum flexibility to spend the funds they generated in the way that their elected Boards determine best meets the needs of their neighborhoods and the stakeholders to whom they are accountable. This ordinance is in the process of being designed, and it is a top priority. Of course, we don't know what the City Council will do until the time comes.

Additionally, we are hard at work to electronically link the card with some of the City's purchasing contracts that may provide you with special cost savings.

As always we want to find the best way to serve Neighborhood Councils. New technology has provided us with the ability to use the card program to handle the \$50,000. If this doesn't work, we can modify, or if necessary, abandon it.

To be very frank, this system isn't foolproof or foolishness-proof. A clever person could find a way to make improper purchases. But you know what will happen as result. A public scandal will occur. The media and the elected officials will demand solutions, and the system will be layered with more restrictions and red tape. I'm selling the optimistic approach -- that the Neighborhood Councils will be able to show very quickly that they are responsible in their handling of the public money, and that we should entrust them with more money and more flexibility in using it.

So when in doubt, ask DONE first.

Until new staff is hired to oversee this program, we'd like you to go through your Project Coordinator with your questions. This program is complicated, and as I mentioned, we don't have all the answers yet. As you ask questions, we will get them answered, and prepare an FAQ list in the process.