

**TO: HONORABLE CITY COUNCIL**

**ATTN: POLICY AND SERVICES COMMITTEE**

**FROM: CITY MANAGER DEPARTMENT: COMMUNITY SERVICES**

**DATE: APRIL 26, 2006 CMR: 198:06**

**SUBJECT: DIRECTION TO UPDATE PUBLIC/PRIVATE PARTNERSHIP POLICY**

**RECOMMENDATION**

Staff requests that the Policy and Services Committee provide direction to staff to update the existing Public Private Partnership Policy (Attachment A) and return to Council for approval.

**BACKGROUND**

In 1994, Council approved a Public/Private Partnership policy that was intended to encourage the development of public/private partnerships between the public and local government. A public/private partnership is defined as cooperation between the City and private sector or nonprofit organizations in providing services, facilities, or capital projects for community benefit.

There have been a number of recent public/private partnerships that have highly successful.

- The Friends of the Children’s Theatre conducted a fundraising campaign that culminated in the construction of the Magic Castle stage located at the Children’s Theatre. Not only did the Friends raise most of the required capital, they also managed the construction project by leasing the land from the City and returning it to the City when the project was complete.
- Through a partnership with TheatreWorks, the Community Theater was improved with new stage curtains, newly upholstered seating and the installation of an air conditioning system. TheatreWorks found the grant funding to make this project a reality.
- Through an agreement with the Friends of the Junior Museum and Zoo, improvements were made to the interior of a Junior Museum classroom facility without the use of City funds and City staff resources.

Additionally, there are two recent major public/private partnership initiatives in process. One partnership is with the Art Center Foundation which is raising funds to replace antiquated electrical and HVAC systems and build a Children’s education wing at the Art Center. The other is with the Friends of the Junior Museum and Zoo, which have requested the formation of a partnership to rebuild the aging Junior Museum.

**DISCUSSION**

Staff is bringing this request to the Policy and Services Committee because the economic environment has greatly changed since the policy’s inception and staff now has a working

familiarity with the existing policy. A number of questions and concerns have been raised that staff believes merit discussion and incorporation in some form into the policy.

Given the economic outlook, public-private partnerships may hold an even greater benefit to leverage increasingly scarce City resources. Having a clearly defined policy would enhance future opportunities and at the same time make the most efficient use of staff and community resources by filtering proposals and setting guidelines before extensive Council and staff time are utilized.

Staff has identified questions and concerns and requests that the Policy and Services Committee provide comments and prior to preparing a policy amendment.

1. There are at least two ways in which public/private partnerships are initiated; the first, and the most prevalent, can arise when an organization is prepared to make a commitment of funds or provides in-kind services to improve an existing, or construct a new City facility. Some issues that may require policy clarification are:
  - At what funding percentage of the proposed project should the organization be prepared to commit before the proposal would be given consideration?
  - What measurement standards apply to an organization to assure success of the project? Areas of concern would be stability of the board of directors, experience in fundraising, sound management and fiscal history, etc?
  - Whether any portion of the private funding should be committed before the partnership can be formalized?
  - Should the organization submit a business plan detailing project justification, funding sources, proposed timelines, future maintenance costs, etc.?
  - How will project cost overruns be dealt with? Are costs shared equally or is it the responsibility of the requesting partner or the City?

The second type of partnership can arise when the City actively seeks partnerships with the private sector to accomplish projects or programs. An example of this might be a project where the City has 80 percent of the required funding and seeks a partner who could provide pro bono services or funding to accomplish the project. One consideration is whether the City can offer benefits to the potential partner, for example, naming rights, exclusive use agreements, etc.

2. Many of these types of partnerships may have a direct impact to the Infrastructure Reserve. Groups perceive the Infrastructure fund as a viable way to “seed” a fundraising campaign. For instance, if an improvement project is presently funded in the Infrastructure Management Program for \$800,000 to replace aging electrical systems, a group may suggest that those funds be allocated to a larger project that will not only accomplish the upgrade, but also make improvements requested by the user group. The questions are:
  - Is this an appropriate use of Infrastructure Management Program funds?
  - Does the City wish to limit the amount of Infrastructure Management Program funds available to a project, so the fund is not substantially drawn down, impacting future planned projects?
3. Should there be a process developed that will streamline public-private partnerships so that there are pre-determined methods to use pro-bono services or, if necessary, lease City facilities to the partner during construction periods.

With the Policy and Services Committee’s direction and comments, staff will draft an updated policy and return to the Policy and Services Committee for further discussion and approval.

**RESOURCE IMPACT**

Public/private partnerships can be beneficial by providing a way to leverage City funds, however careful consideration must be made to the use of the Infrastructure Management Fund, and future impacts on staff and maintenance resources.

**POLICY IMPLICATIONS**

This report envisions a change in City policy as described above.

**ENVIRONMENTAL REVIEW**

This recommendation is not a project under the California Environmental Quality Act.

**ATTACHMENTS**

Attachment A: Policy and Procedure 1-25, PUBLIC/PRIVATE PARTNERSHIP

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