

Arlington Tomorrow Foundation Program

Presented to Council October 2006 Approved by Council November 2006
Updated and Amended by Council August 2007 Amended by Council May 2008
Amended by Council October 2013 Amended by Council September 2014
Amended by Council December 2015

I. Overview

The Arlington City Council approved the formation of a charitable fund established with gas well revenues through the creation of a 501(c)3 non-profit foundation. The foundation, officially named Arlington Tomorrow Foundation, Inc., a Texas non-profit corporation, is separate from the City. However the Foundation and the City are closely linked, and the work of the Foundation will be consistent with the City's budget priorities and, therefore, the City Council's priorities. The Foundation's charitable fund will be an endowment, invested and managed by the Foundation, and the income generated will be used by the Foundation to keep the corpus up with inflation, cover operating expenses and/or award grants in specific areas established by the City Council through approval of a City to Foundation grant contract. This will ensure that the finite income from gas well leases on public property will continue to benefit the Arlington community long after the leases have ceased producing revenue.

II. Mission and Purpose

Arlington Tomorrow Foundation, Inc. is established to bring together a variety of resources for responsible investment and effective grant-making designed to have a positive impact on:

- quality, culture, leisure and learning opportunities
- safe and healthy neighborhoods
- municipal workforce investment
- aviation and development

Arlington Tomorrow Foundation, Inc. serves indirectly to promote the quality of life, create lasting enhancements and address community needs in the City of and for the residents of Arlington, Texas.

Arlington Tomorrow Foundation, Inc. is a vehicle for enhancing the City of Arlington's budget priorities. This very explicit purpose will be accomplished through numerous functions, including:

- investment and reinvestment of public funds into the community
- leveraging private funds for community services and capital improvements
- working closely with individual donors to connect their charitable goals with real community needs, while taking advantage of optimal tax benefits (tax deductible donations)
- providing opportunities for creative and flexible responses to unique community needs

- handling the administrative and investment related responsibilities of fund contributions
- providing financial support for vital non-profit organizations
- promoting collaborative solutions among local organizations
- empowering grassroots involvement in meeting community needs
- encouraging philanthropy in all forms
- ensuring that resources acquired today will remain relevant in the future

III. Structure

Through formal adoption by the City Council of articles of incorporation and by-laws, the Foundation has been established and has received 501(c)(3) status from the Internal Revenue Service. A super majority, $\frac{3}{4}$ vote of the City Council, is required to institute changes to the governance of the Foundation. The Foundation's activities will be overseen by a nine member Board of Directors consisting of the Mayor and eight members of City Council. The City Manager serves as an Ex-Officio board member. Details on the Board of Directors regarding how officers are chosen, resignation and removal, quorum, voting and procedures and other Board related items are addressed in the Board's Bylaws. The Foundation will be staffed by a City employee serving as the Foundation's executive director. The executive director will be responsible for overseeing the administrative work of the Foundation, investment of Foundation funds and supporting the activities of the Foundation's Board of Directors. The position will be funded entirely by the Foundation, and a job function will include bringing additional outside funding into the Foundation. The Board also has access to subject matter experts on the City staff for advice on an as needed basis and the City provides the Foundation with administrative support through a formal management agreement approved by the Foundation Board and City Council.

IV. Funding

A. Arlington Tomorrow Foundation, Inc.

The Foundation's charitable fund was initially established with gas well revenues received by the City. Additional contributions from the City to the Foundation will be at the discretion of the City Council and subject to the Grant Agreement between the Foundation and the City. The interest income earned annually may be used by the Foundation to fund grants, to grow the corpus and/or to cover operating expenses. The Foundation shall make grants from interest earnings on the endowment to support the public purposes described herein. 50% of the revenue generated from gas leases on park property will be spent directly on the park system regardless of whether the revenue remains with the City or is granted to the Foundation. One-time grants from park money have already been made in FY 2007 in the amount of \$1,000,000 to the River Legacy Foundation, Inc., \$100,000 for Heroes Park, and from non-parks money \$455,135 allocated for the Animal Services Center.

Special funds are established with the Foundation, including: parks and recreation, municipal workforce investment, aviation and development at the City's airport, and maintenance of City owned cemetery property. The principal for the Municipal Workforce Investment Fund will be one-time, lease bonus only money of

\$500,000. The Foundation will grant the City interest earned for activities that further the development of the municipal workforce. Aviation and development initiatives will be supported by revenue generated on airport property. On an annual basis, the Foundation will grant the City interest earned for the City's expenditure on the City owned airport property in compliance with FAA regulations. Parks and recreation initiatives will be supported by revenue generated on park property. On an annual basis the Foundation will grant the City interest earned in the parks and recreation fund for expenditures on the park system. City owned cemetery maintenance will be supported by revenue generated on City owned cemetery property. The Foundation will grant the City interest earned for the City's expenditure on City owned cemetery property. Proposed uses for all special fund interest (municipal workforce investment, aviation and development, parks and recreation, and cemetery maintenance) will be appropriated as part of the annual budget in future years. See attached **Exhibit A**, for uses of all money granted from the City to the Foundation.

The original proposal presented to Council also included an Innovation and Venture Capital Fund of one-time lease bonus only money, in the amount \$2,000,000, used to support the economic development endeavors of the City of Arlington. Due to the Internal Revenue Service definition of "charitable purposes" for 501(c)3 organizations such as the Foundation, and the City's desire to use this resource for economic development activities, the Innovation and Venture Capital Fund will remain part of the City of Arlington portfolio, in a segregated revolving account, where both the interest and principal will be available for expenditure and any return on investment (such as the purchase of land for land banking then the eventual sale of the banked land) will be returned to the fund.

As mentioned before, the Foundation will be capable of, and expected to engage in, accepting other sources of funding, both public and private. Individual donations can be made to the Foundation, with the generated interest to be dispersed at the discretion of the Board or with designation by the donor for a specific area of interest already established as a Foundation objective. The Foundation can also serve in the capacity of fiscal agent for other charitable organizations, investing their endowment funds with the Foundation's funds to create a greater yield for both, but allowing the other organization to retain responsibility for how their fund's interest income is distributed.

B. City of Arlington "Gas Fund"

Gas revenue retained by the City shall be designated in three individual accounts as the "park gas lease fund" for revenue derived from park land, the "airport gas lease fund" for revenues derived from the airport, and the "general gas lease fund" for revenue derived from all other property, rather than simply being incorporated without distinction into the City's General Fund. This money, and the interest it generates, shall be appropriated annually as part of the annual budget proposal, in congruence with overall budget priorities.

V. Activities

The Foundation Board will meet at least quarterly to receive financial information, and at least semi-annually to review and award grant requests. An invitation only grant procedure is being established. The process will be implemented by allowing open submission of letters that briefly outline proposals for grant funding. Based on those letters,

invitations to submit full proposals will be extended by the Board to those whose objectives match the Foundation's mission and funding priorities. This saves grant requestors the time and expense of preparing a detailed proposal, and saves the Board the time required to review lengthy proposals that do not match the Foundation's objectives. Invitation to submit a full proposal is not indicative of actually receiving a grant. Requests will be funded only to tax-exempt non-profit or government organizations for proposals that serve a clear public purpose. An equivalent value match with the amount requested is required in some areas of the charitable fund, and preferred for all. Grants can be conditional on achievement of total fund goal or other events, and can be canceled if the grantee does not satisfy the grant conditions. The Foundation Board shall determine the time or times of the year that letters and proposals will be reviewed and grants awarded. Arlington Tomorrow Foundation, Inc., having public charity status rather than private foundation status from the IRS, in addition to being recognized as a 501(c)3, must disperse money annually to fulfill its charitable purposes. However, other than zero, there is no minimum spending requirement.

Exhibit A