



# City of Homer

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## Administration

491 East Pioneer Avenue  
Homer, Alaska 99603

(p) 907-235-8121 x2222

(f) 907-235-3148

## Memorandum 21-068

TO: Mayor and City Council  
FROM: Rob Dumouchel, City Manager  
DATE: April 14, 2021  
SUBJECT: Administrative Fee Amendment to Homer Foundation Donation Agreements

This memo is to advise you that the Homer Foundation Board of Directors recently adopted a new policy that assesses a 1% to 1.5% administrative fee on the funds they manage, depending on the type of fund.

This change requires an amendment to the donation agreement for the City's two donor advised funds: the City of Homer Fund and the Library Endowment Fund. The amendment agrees to a 1% administrative fee to be assessed annually at the start of the Foundation's fiscal year, July 1. Nothing else about the original donation agreement changes.

In a letter to the fund holders, Homer Foundation Director Mike Miller explained that this change not only recognizes the cost of administering Funds, but it adds diversity to the Foundation's sources of operating revenue. Until this change, their operating revenue had primarily come from donations for operations. Administrative fees are common practice in the field and supports the Foundation's long-term operational stability by providing about 27% of operating revenues from a predictable source.

The new administrative fee will not lower distributions from the City Fund (established in 2002 with a current balance of \$238,932.79). Annual distributions are set at 4% of fund balance. Rates of return on Homer Foundation investments have been 5.45% in FY19 and 6.54% in FY20. In the past, the difference between what distributed through grants and what was earned was reinvested back into the fund. So going forward, administrative fee affect the rate of fund growth over time. (The Library Endowment Fund, established in March 2020 has a current balance of \$31,880.28.)

Services provided by the Homer Foundation have provided great value to the City over the years. They have partnered with the City in support of collaborative projects such as the Boathouse Pavilion and the Karen Hornaday Park Playground rebuild, distributing CARES Act economic relief funds via their Community Chest Fund and through stewardship and distribution of City-advised funds through the City of Homer Nonprofit Grant program to name a few. This administrative fee is consistent with fees that would be charged to fund balances held by the Alaska Community Foundation.

Staff recommendation: Approve City Manager entering into the Homer Foundation donation agreement amendment.

Attachment: Homer Foundation 01-10 Funds Policy v1.28.21