

Carmichael Improvement District

Appropriation Budget Policy

25 March 2023
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I. Appropriations Policy Purpose

The purpose of this Carmichael Improvement District (CID) policy is to help staff, board directors, and contractors understand the complexity of using public funds for the purchase of various PBID expense items. Some public fund purchases (appropriations) are prohibited by California law and individuals could potentially be held criminally and civilly liable for misappropriations. Service to the PBID should not be for personal gain, but for the public good. Intent of this policy is to provide a potential solution through non assessed revenue (NAR) generation.

II. Accountability for Public Funds

The PBID is accountable to the following for proper use of public funds: 1) PBID Property Owners who pay the annual assessment; 2) Stakeholders in the PBID; 3) Sacramento County 4) Fair Political Practices Commission (FPPC) who through the Franchise Tax Board (FTB) could conduct audits related to political matters; 5) Taxpayer organizations and organizations for accountability

III. California Public Funds Doctrine

1) California Constitution Article 16 Section 6; 2) Prohibits the giving or lending public funds for a private purpose, i.e. there shall be no gift of public funds. 3) From the State of California down to quasi public entities this law will apply. This law applies to PBIDs. 4) Caveat – Unless legally qualifies to “create a public benefit” 5) Recommend: Legal counsel if issue of “public benefit”.

IV. Acting with Due Care

Whether or not an official has acted with due care depends on: 1) Whether expenditure impropriety was obvious or not; 2) Whether alerted to possible invalidity of expenditure; 3) Whether relied on legal advice in making expenditure; 4) No pattern of personal use of non-pecuniary (non-cash) benefits. Staff, Board of Directors and contractors should be given training on CID appropriation policy within 12 months of their beginning with the Carmichael Improvement District. A copy of the appropriations policy and power point presentation training would suffice as a bare minimum training to ensure due diligence. An annual presentation of the Appropriations Policy to the Board of Directors and CID staff is recommended.

V. Accounting and Budget Matters

A. Prohibited Purchases Using Public Funds (Assessed Revenue)

1. Alcohol
2. Gift cards – these are considered a literal gift of cash.
3. Donations to 501(c) (3), etc. – Public funds can't be donated.

4. Food – Generally considered a personal expense. Some exceptions apply for conference/ working meeting for the benefit of the public entity.
5. Grants of Cash/Checks. (See County Counsel for legal procedure)
6. Meals – CA Attorney General has ruled that payment of other people’s meals, even when to discuss agency business is not a “necessary” expense.
7. Employee / Board breakroom supplies – coffee, snacks, utensils
8. Gifts to employees and contractors, stakeholders, and public.
9. Flowers – Sympathy and congratulations are personal expenses
10. Holiday parties / Employee parties / Association parties
11. Donations to political candidates, propositions, measures
12. Food should not be given away at CID events/meetings open to the public.
13. Anything for personal gain or promotion.

B. Special Considerations – Food Paid with Public Funds

1. Food is considered a “personal” expense. Generally these food items (Coffee, bottled water, soda, bakery, candy, snacks, etc.) are for personal consumption. These “personal” purchases are generally not benefiting the general public as they are consumed without lasting benefit thus they are generally not furthering the public benefit. These items, if there is a need, should be purchased with non assessed revenues.
2. Food should not be purchased with PBID assessed funds. No one should be given food products or food gift cards this includes contractors, public, and even assessment payers.
3. Remember this simple rule with public funds and food. “Food gets you in trouble.” Food is considered a “personal” expense with no public benefit. PBID funds should not be used to buy food.
4. Exemptions to Food Purchases using Public Funds:
 - a. Food is for a special budgeted conference for the benefit of the CID to keep folks working during a normal working day to complete a task for the PBID. Example: Time is limited, so providing food for event allows the limited number of attendees to continue working during a normal work day instead of breaking for a meal break. This benefits must benefit the PBID. (Food is only provided to a very limited number of attendees of the conference who are board members, CID staff, and a limited number of technical support. ***Public attendees should pay for their food.*** This exemption is not for folks working on any conference or event for the PBID, but for a specific annually budgeted meeting of the Board of Directors (such as the Annual Board Retreat) and this budget is approved by the CID Board of Directors.
 - b. Guideline: Meals per person should be equal to or less than the Federal meal allowance for breakfast, lunch, dinner, and must benefit the PBID. Amounts for food and snacks totaling more than the Federal allowance should be paid with non assessed revenue.

c. Budgeting Assessed Revenue should be specifically approved by the Board of Directors of the CID. Currently, the only recurring budgeted conference assessment funds could be used for is the annual board retreat with the entire CID board of directors and staff a small number of special guest speakers/teachers.

d. The State of the PBID Dinner is not an exempt event – food should be paid for by board attendees and staff as well as the public and guests unless sponsorships for their attendance is received.

C. Permissible Uses of Public Funds (Generally)

Board must set “reasonable” limits for purchase of the following:

1. Awards/Tokens of recognition to employee service to PBID. \$200
2. Recognition of employee retirement. \$200
3. Recognition upon end of service by a Board member. \$200
4. Food items for Board members and staff during the Annual Board Retreat – Must be working meal for benefit of the PBID. No other meals are authorized unless approved by the CID Board of Directors.
5. “SWAG” – Token must be of nominal value (\$3 or less) and promote PBID. Not food. Should have PBID website/ phone on the SWAG item.

D. Grants

1. In order for a PBID to give public funds to a private person/entity there MUST be a public benefit.
2. The CID should always FIRST obtain County Counsel consent before issuing any grants of public funds.
3. **Direct awards of gift cards are prohibited.** Even awards of cash and checks are generally prohibited. Usually some formal agreement is needed before payment can be made. See County Counsel for details.

E. Marketing

1. In general marketing can use public funds for promoting or advocating the CID as long as it does not violate not permissible uses. See Section V part A.
2. SWAG (nonfood) would be acceptable if nominal in cost. (less than \$5) / Budgeted annually
3. Prohibited Uses of Public Funds:
 - a. Use of public funds to entertain guests
 - b. Donations/gifts food to the general public.
 - c. Gift cards to entertain or to give as gifts

F. Political Contributions

1. Assessed Revenue (Public funds) can never be used for political campaigns.
2. Public funds and resources can't be donated to support, oppose or endorse any candidate, proposition or measure.

3. Advocacy of a general public policy position is okay as long as it is not a contribution to a political campaign.

4. For More Info: contact Fair Political Practices Commission (FPPC).

G. Special Event: State of the PBID Dinner

1. The State of the PBID has both a public and personal benefit. Funds should not be comingled in the same ledger account.

a. Assessed Revenue (Public Funds) can be used for these expenses: Room rental, tables/chairs, pamphlets, Bright Star awards and banners, advertising/promotion, program guides, decorations, guest speaker fee, and booths for promotion of the PBID.

b. Non assessed Funds must be used for these expenses: catering, tips, gifts, meals, beverages, alcohol, utensils, plates, napkins, and free meals to invited/special guests.

2. Bookkeeper must keep a separate accounting of each CID event with:

a) Separate revenue account all non assessed revenue brought in from ticket sales and sponsorships

b) Separate expense account of all assessed revenue expenses for the event

c) Separate expense account of all non-assessed revenue of the event.

3. All non-assessed revenue run through third party programs must give a complete accounting of who bought tickets or made sponsorship donations. This detail must be provided by the CID to the bookkeeper to ensure proper accounting of individual ticket sales and sponsorships to ensure no funds have been misused.

H. Non assessed Revenue Accounts

a. All Non assessed Revenue should be accounted for in special accounts and not comingled with assessment (public) funds.

b. Separate Non Assessed Revenue Accounts could potentially be made for:

1. Ticket sales

2. Sponsorship Donations: Cash/Check/Credit

3. Like Kind Donations of Goods/Services

4. Event booth fees

5. Friends of PBID Sponsorship (General donations to the CID – not event related). This could be an annual donation (cash or product) by anyone. We could give special recognition in our State of the PBID pamphlet. So we can have PBID sponsors and Event sponsors. Two separate categories of sponsor to account for in our PBID bookkeeping. These donations would NOT BE TAX DEDUCTIBLE – the PBID is not a 501(c) (3) and the donor must be notified in writing of the non deductibility.

c. Note: All donations to CID are Not Tax deductible.

d. CID Executive Committee officers will work with contracted bookkeeper to establish CID accounting policies and procedures for assessed and non assessed revenue and expense accounting.

VI. Sources

The following policy has been developed from:

Discussions with county counsel, county public entities, CA Supreme Court and Attorney General rulings, League of California Cities training, and other appropriations training on handling public funds to include Federal Appropriations law and budget training courses by the United States Department of Agriculture.

The following policy was approved for Appropriation and Budget purposes by the Carmichael Improvement District on 25 May 2023.

Nick Bloise

Nick Bloise
Board Chair
Carmichael Improvement District

The following document has been reviewed by Sacramento County Counsel.

The following Policy was formally adopted on 25 May 2023 CID Board of Directors Meeting.