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Philanthropies Rise as Source of Revenue for Pressed U.S. Cities.

Flint, Michigan, faces a \$12 million cost to replace its lead-contaminated water system, and the Charles Stewart Mott Foundation will pay a third of the price.

“When we saw blood levels in children exceeded safety standards, we just said we have to come to the table,” said Ridgway White, president of the foundation, which has for decades supported educational and community development programs in this impoverished birthplace city of General Motors Co.

The aid from the 89-year-old Flint-based philanthropy last month demonstrates the changing role of nonprofit foundations. Where once they might have spent on a symphony hall or museum, they now pick up the tab for health, safety and infrastructure in U.S. cities that have seen their tax bases erode and state assistance dwindle.

As part of Detroit’s exit from bankruptcy a year ago, foundations pledged to contribute about \$360 million over 20 years to shore up public-employee pensions. A growing number of cities are relying on private money for the purchase of police surveillance cameras and other equipment. Madison, Alabama, for instance, received \$320,000 from the Huntsville-based Alpha Foundation Inc. for eight patrol cars.

“It’s the new way of doing business,” said Mayor Zachary Vruwink of Wisconsin Rapids, where the Encourage Community Foundation bought an abandoned downtown newspaper building with plans to open a microbrewery, a cafe and other shops.

“Government-funded programs will go only so far, and philanthropic support is required,” said Vruwink, whose city of 18,000 in central Wisconsin still deals with the impact of three paper-mill closings in the past decade.

Basic Functions

While there’s nothing new about charitable giving to public institutions, such as Facebook founder Mark Zuckerberg’s \$100 million gift in 2010 to public schools in Newark, New Jersey, more recent grants have moved nonprofit foundations into spending that, in more prosperous times, would have been handled by taxpayers.

“Government gridlock has left many communities looking for solutions to some of the big challenges they face,” said Vikki Spruill, president and chief executive officer of the Council on Foundations, in Arlington, Virginia. “The limitations of political leaders to address the pressing needs of communities have increased pressure on foundations to assume roles that government has historically taken.”

Municipalities have shown modest improvement in their fiscal conditions, according to a September report from the National League of Cities. Still, the gains have “not been substantial enough to

restore revenue declines" from the 18-month recession that began in 2007.

Eight years hence, cities are operating at about 90 percent of 2006 revenue levels, the report said. Since 2010, 30 states have reduced aid to local governments at least once, according to the National Association of State Budget Officers.

The risk for cities receiving foundation assistance is that they become reliant on the kindness of strangers rather than the taxpayers they serve. Rob Collier, president and chief executive officer of the Council of Michigan Foundations, said there is "a huge problem of sustainability" because municipalities can't assume support will continue.

"Philanthropy cannot replace government," Collier said.

In important ways, it has. In Flint, the Mott Foundation has also provided dollars to hire police officers.

"We're starting to see more foundations step up and provide government services," said Jim Ananich, a Democratic state senator who represents his hometown of Flint. "It's a trend that's going, in my opinion, in the wrong direction. It's supplanting large amounts of what government used to do."

Poverty Town

Flint, an industrial ruin about 68 miles (109 kilometers) northwest of Detroit, has lost almost half its population since 1960. It was "Buick City," once the home base of GM's Buick and Chevrolet divisions. Now, 42 percent of its 99,000 residents live in poverty. The city has twice been under the direction of a state-appointed emergency manager because of chronic financial distress.

The Mott foundation is a descendant of Flint's glory days. Charles Stewart Mott, an original founding partner of GM, created the organization in 1926. In recently picking up one-third of the water-system improvement cost — Michigan is paying half, or \$6 million — the foundation is changing out of necessity, said White, its president.

"Some of the traditional role that philanthropy is trying to play has been to stay out of government," White said. "But when you look at some hard-hit communities, it's a challenge to stay out of it."

After samples taken in September from the Flint River showed lead exceeded federal safety standards in the city's main source of drinking water, officials decided to switch to the Detroit water system. That water comes from Lake Huron and is treated by the Detroit Water and Sewerage Department.

The philanthropic contributions in Flint and Detroit may raise the expectations of other municipalities in financial trouble.

"You will see more pressure from cities to do that sort of thing, especially with foundations in their backyard," said Bill Schambra, a senior fellow at the Hudson Institute, a Washington-based research organization.

Seeking help is one thing; getting it another.

"America's foundations and charities can complement the work of government, not replace it," said Spruill.

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