

FINANCE & INVESTMENT COMMITTEE MEETING
PASADENA CITY COLLEGE FOUNDATION
REGULAR BUSINESS MEETING
Thursday, August 1, 2019 | 4:00 p.m. Open Session
Pasadena City College
Foundation Conference Room
1324 E. Green Street CDC 212, Pasadena, California 91106

AGENDA

Notice: Members of the public may request the opportunity to address the Board regarding any item on the agenda. To do so, please complete a "Request to Address the Board" form and give it to the Board Secretary prior to the deliberation of the agenda item. Individual speakers are limited to five minutes; total audience participation on any agenda item is limited to thirty minutes.

I. CALL TO ORDER, ROLL CALL

II. OPEN SESSION (4:00 p.m.)

A. ANNOUNCEMENTS AND RECOGNITIONS

B. PUBLIC COMMENT ON NON-AGENDA ITEMS

The Brown Act prohibits the Board from discussing or taking action on any item not on the agenda.

C. ACTION REQUIRED

Pg. 2..... 1. Ammendments to Financial Operations Policies

D. CLIFFORD SWAN REPORT

Pg. 9..... 1. Discussion and review of benchmarks
2. Quarterly Report

E. DISCUSSION ITEMS WITH POSSIBLE ACTION

Pg. 11 1. Approval of Minutes May 2, 2019 Meeting
2. Discussion about Payout Rate

E. REPORTS

1. Financials (handout)

III. ADJOURNMENT

Pasadena City College Foundation

FINANCIAL OPERATIONS POLICIES

Adopted June 20, 2007

Amended May 13, 2014

Proposed Amendments August 1, 2019

Note: These policies have been adopted by the Pasadena City College Foundation Board of Directors (hereinafter, the "Board") as guidelines for managing the funds held at the PCC Foundation (the "Foundation"). All funds will adhere to these policies ~~unless the fund was accepted prior to the adoption of these policies and if the governing documents of the fund have substantially different requirements contrary to the policies herein.~~

The Board reserves the right to make an exception from these policies on a case-by-case basis.

These policies and procedures may be superseded or modified at any time by the Board.

I. Contributions

a. Asset Types:

- i. The Foundation will accept unrestricted contributions of property including: marketable securities, cash, life insurance policies and annuities. Subject to the review of the Board, the Foundation will also accept real property, private business holdings and restricted assets. Gifts of stock will be sold upon receipt unless specific retained under recommendation by the investment manager and approval by the Finance and Investment Committee.
- ii. The Foundation will either sell or liquidate real property and other non-cash contributions, transferring the net proceeds from the sale of the Foundation portfolio – or – as appropriate, transfer non-cash items (such as equipment or supplies) to the appropriate recipient/department at PCC.

b. Terms and Conditions of Gifts

- i. Any restrictions shall be reviewed by the Board before the donation is accepted.
- ii. Where the terms and conditions specified by a potential donor are considered unachievable or in conflict with PCC policies, the Board shall meet with the donor to resolve the issues in question. If the terms and conditions applying to the proposed donation cannot be modified to meet the Foundation's concerns, the Board shall respectfully decline to accept the donation.
- iii. Funds must be for use only by or for programs of PCC.
- iv. The Foundation shall be knowledgeable of the source of a donation and its donor. For donations in excess of \$5,000, the Foundation will comply with the requirements of the US Patriot Act.

c. Classification of Donations (Accounting Definition)

As required by Financial Accounting Standards Nos. 116 (Accounting for contributions received and Contributions Made) and 117 (Financial Statements of Not-for-profit organizations), contributions accepted by the Foundation are to be classified into one of three accounting categories, namely:

UNRESTRICTED: Those net assets which represent the portion of expendable funds that are available to support the PCC Foundation's programs and operations. A portion of these net assets may be designated by the Board for specific purposes.

TEMPORARILY RESTRICTED: Those net assets which are donor-restricted for (a) support of specific programs and operating activities; (b) investment for a specified term; (c) use in a specified future period; or (d) acquisition of long-lived assets.

PERMANENTLY RESTRICTED: Those net assets and activities which are permanently donor-restricted for holdings of (a) assets donated with stipulations that they be used for a specified purpose, be preserved, or not be sold; or (c) assets donated with stipulations that they be invested to provide a permanent source of income.

d. Classification of Donations (Operating Definition)

Unrestricted Funds (i.e., General Funds)

- 1. The general fund supports specific programs of PCC and the PCC Foundation. This includes, but is not limited to grants,

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awards and program support to the College. The general fund also supports the operations and administration of the Foundation.

2. Board Designated Funds are unrestricted gifts that the Board has voted to limit for a specific purpose. (This will typically affect large, unrestricted gifts and bequests.)

Temporarily Restricted Funds:

There are two types of temporarily restricted funds: (1) Short term projects, programs or special events with restrictions set by the donor; and (2) those funds that hold accumulated earnings on endowments. The following section refers to stand alone temporarily restricted funds and not to funds holding accumulated earnings on endowments.

1. New Accounts: The initial minimum aggregate donations totaling \$10,000 are needed in order to establish a named account. Accounts less than \$10,000 may be set up with the approval of the Board.
2. Inactive or small accounts: Temporarily restricted funds that are less than \$500 and remain at or below \$500 for 12 consecutive months; or funds that have not activity for a period of 24 months must:
 - a. Be fully expended for the designated purpose within the following 12 month period, or
 - b. Have revenue added to the fund in order to keep it active; or
 - c. If either of the above does not occur, the Foundation reserves the right to close out the fund and move the proceeds to a similar account (usually within the same academic department)
3. Restricted funds: Restricted funds set up for special events or grants will be closed 3 months after the event or grant period ends. Remaining funds will move into funds for related purposes or into the Foundation's general fund as appropriate.

Permanently Restricted Funds (Endowments)

1. Permanently restricted endowments require an initial principal donation of at least \$25,000. All endowments should conform to general policies and procedures regarding investment composition,

income allocation, and distributions as set by the Foundation unless otherwise approved by the Board.

2. Should it become impossible for the donor's original intent to be followed, the endowment fund will be re-designated to align as closely as possible with the donor's original intent. Every effort will be made to discuss any re-designation with the donor or heirs before implementation. All re-designations shall be approved by the Board.
3. All "Net Investment Income" allocated to permanently restricted funds will be tracked in a corresponding temporarily restricted account.
4. Additional contributions that are made to a permanently restricted fund that individually amount to \$250 or less will be added to the temporarily restricted portion of the fund unless specifically restricted otherwise by the donor. (Example: If a faculty member chooses to make a donation to an already permanently restricted scholarship fund in order to increase the amount of a scholarship to be given away in the current fiscal year, the donation will be considered temporarily restricted and available for spending.)
5. Additional contributions that are made to a permanently restricted fund that individually amount to \$250.01 or more will be added to the permanently restricted portion of the fund unless specifically restricted otherwise by the donor.

Special Circumstances Funds:

Special circumstance assets that have been "grandfathered" into the Foundation, or those that have received Board approval for special treatment.

II. Impractical, Wasteful or Unlawful Funds

Probate Code Section 18506(d) provides that the Foundation may, upon providing 60 days' notice to the Attorney General, release or modify a restriction on the management, investment or purpose of an institutional fund if the restriction is unlawful, impracticable, impossible to achieve or wasteful. As required by Probate Code Section 18506(d)(1-3), the funds must have a balance under \$100,000, more than 20 years have lapsed since these funds were established and the Foundation must continue to manage and use the funds in a manner that is consistent with the charitable purposes expressed in the gift instrument or governing documents of the fund.

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III. Investment and Spending Policy

The Statement of Investment and Spending Policy has been defined in a separate document that is reviewed by the Finance and Investment Committee.

IV. Income and Expense Allocations:

- a. On an annual basis, the Foundation reserves the right to institute a fund management fee, or to net operating expenses against investment income of the Foundation.
- b. "Net Investment Income" shall be allocated to each of the funds/projects as follows:
 1. The following funds will participate 100% in Net Investment Income/Loss Allocation:
 - a. Class A – Unrestricted Funds
 - b. Class D – Permanently Restricted Funds (including related temporarily restricted accounts that track accumulated earning on permanently restricted funds)
 - c. Class E – (previous Student Fund Association accounts)
 2. The following funds will participate 50% in Net Investment Income/Loss Allocation:
 - a. Class C – Temporarily Restricted Funds with balances of \$10,000 or more at the end of the quarter.
 3. The following funds will NOT participate in the Net Investment Income/Loss Allocation:
 - a. Class B – Temporarily Restricted Funds with balances of less than \$10,000 at the end of the quarter.
 - b. Class F – Grants
 - c. Class G – Funds receiving special allocations outside the normal investment guidelines
 - d. Class H – Osher Funds. These funds will receive a special investment income.
 - e. Class X – closed Funds
- c. "Investment Income" is defined as dividends, interest, realized gains/losses, unrealized gains/losses, and other immaterial income/expenses (e.g., cost basis adjustments, share splits, etc.)
- d. "Net Investment Income" consists of "Investment Income" less broker investment management fees.
- e. "Net Investment Income" shall be allocated on a quarterly basis based on the ending balance in each participating fund.

- f. "Pro-rata Share" is the balance of the participating fund divided by the total of all participating funds, multiplied by the participation percentage (i.e., 50% pro rata share, 100% pro rata share, etc.,) multiplied by the Net Investment Income.
- g. In any given period "Net Investment Income" may result in a Net Investment Loss. These losses will be distributed in the same manner as "Net Investment Income."
- h. Any fund that transfers over \$100,000 to another fund, or to a specialized investment pool, may receive, based on the discretion of the treasurer and subject to approval of the Board, a special net investment income allocation for the quarter in which the transfer occurs.

IV.V. Distributions

The Foundation has the fiduciary responsibility of ensuring that restricted funds are used appropriately. Disbursement of funds may be denied if the Board and/or Foundation Executive Director have reason to believe that funds are being used inappropriately.

- a. Permanently Restricted Funds (endowments)
 - i. The Board will examine the overall return for the past 12 quarters, as well as the current and projected levels of cost inflation/deflation, to determine an over percentage that may be distributed from each fund during any given quarter/year.
 - ii. At its discretion, the Board may limit distributions on a fund-by-fund basis to mitigate: investment losses, inflation erosion, or excess distributions of the original principal amount.
- b. Temporarily Restricted Funds
 - i. Distributions will be made in accordance with the governing document.
 - ii. Funds created by or whose spending authority includes PCC faculty, staff or administrators whose purpose is to support a division or department of the college, or educational or professional development of a PCC employee, must include signature authorization of the current dean or vice president of the division or department. In the case where the fund documents contain signature authority for a former dean or vice president that is no longer serving in their capacity, signature authority is deemed to have passed to the current

dean or vice president or interim dean or interim vice president until such time as new signatures have been received.

- c. Unrestricted Funds (general funds)
 - i. At its discretion, the Board shall distribute monies from these funds to carry out the mission of the Foundation. All distributions will be made in accordance with the board-approved annual budget.
 - ii. All unbudgeted distributions equal to or exceeding \$1,000 from Unrestricted Funds shall be approved by the Executive Committee.
 - iii. For total annual distributions in excess of 5% of the fiscal year's beginning market value of the Unrestricted Funds investment portfolio, a two-thirds approval of the Board shall be required.
 - iv. The Executive Director may, at his or her discretion, approve single gifts of up to \$1,000 not to exceed an annual total of \$10,000 to program on campus from the general fund without prior approval from the Board. A listing of such gifts equal to or exceeding \$250 will be reported to the Executive Committee at the next scheduled Board meeting.
 - v. Programs receiving distributions from the Foundation including those receiving grants from the Foundation will be required to provide a timely report on how the funds were used and results/outcomes as a result of the grant. These report will be presented to the Board, upon request.

Pasadena City College Foundation Fund Balances & Performance

	Market Value (\$)		Performance (%) - thru 6/30/2019	
	6/30/2019	5/31/2019	YTD Return Last FY	FYTD Return
Foundation Funds - Short-term				
Charles Schwab	71,073.96	70,841.73	1.0%	n.a.
Bank of the West - General	949,899.73	390,355.55		
Bank of the West - Special Projects	-	6,010.44		
Bank of the West - Debit	12,791.04	10,370.18		
Bank of the West - Merchant	130,996.59	134,036.79		
Bank of the West - Money Market	100.00	100.00		
	1,164,861.32	605,704.25		
Foundation Funds - Long-term				
Charles Schwab	26,253,484.73	25,292,055.82	13.6%	9.3%
Osher Scholarship Funds*	2,086,155.68	2,086,155.68		6.5%
	28,339,640.41	27,378,211.50		
	29,504,501.73	27,983,915.75		
Total Funds		27,528,422.19		

* Value provided by 3rd party sources

Long-term Funds^ - Manager Performance Fund Balances & Performance

	Market Value (\$)		Performance (%) - thru 6/30/2019	
	6/30/2019	5/31/2019	YTD Return Last FY	FYTD Return
Cash & Equivalents				
Long-term	310,697.76	608,545.88	1.2%	n.a.
Stocks				
Clifford Swan Investment Counsel	14,016,369.64	13,042,390.32	18.9%	15.0%
Glenmede Small Cap	399,206.23	375,096.40	14.0%	14.7%
iShares Russell 2000	388,750.00	364,650.00	16.9%	17.6%
Matthews Pacific Tiger	1,030,601.28	977,823.08	7.7%	10.3%
MFS International Value Fund	1,215,941.84	1,164,860.70	17.0%	9.0%
Invesco Oppenheimer Developing Mkts	1,063,966.28	1,000,040.13	15.6%	12.5%
	18,114,835.27	16,924,860.63	17.4%	13.4%
Fixed Income				
Clifford Swan Investment Counsel	6,584,081.49	6,529,370.17	5.8%	-0.4%
Doubleline Total Return	411,720.23	408,579.50	4.4%	1.1%
Vanguard Inflation-Protected Sec Fund	340,500.34	337,690.78	6.1%	1.9%
	7,336,302.06	7,275,640.45	5.7%	-0.3%
Alternatives				
DWS Enhanced Commodity Strategy	236,779.66	232,946.75	2.3%	8.3%
Franklin K2 Alternative Strategy Fund	129,711.24	127,238.41	6.6%	3.9%
Principal Global Multi-Strategy Fund	125,158.74	122,823.69	5.6%	1.5%
	491,649.64	483,008.85	4.2%	4.0%
Total Funds	26,253,484.73	25,292,055.82		

^ excluding Osher Scholarship Funds

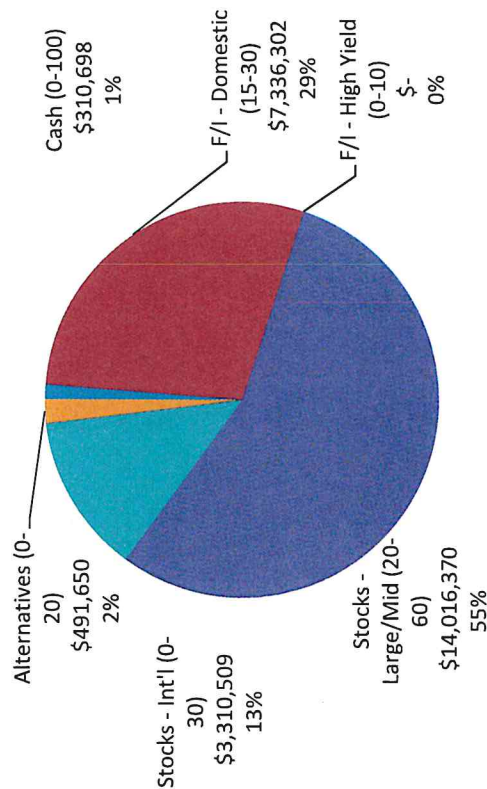
* Performance figures are time weighted rate of return (annualized for periods greater than 1 year). These figures are gross of fees with the exception of mutual funds which are net of fees.

Pasadena City College Foundation Asset Allocation

Foundation Asset Balance: \$29,504,501.73

Long-term Funds - Schwab*

Fund Balance: \$26,253,484.73



* excluded Osher Scholarships

Short-term Funds

Fund Balance: \$1,164,861.32



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**FINANCE & INVESTMENT COMMITTEE MEETING
PASADENA CITY COLLEGE FOUNDATION
Thursday, May 2, 2019
4:00 p.m.
Foundation Conference Room CDC 212
1324 E. Green Street, Pasadena, California 91106**

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The Finance and Investment Committee of the Pasadena City College Foundation met on Thursday, May 2, 2019, in the Foundation Conference Room CDC 212, Pasadena City College, 1324 E. Green St., Pasadena, California 91106.

I. CALL TO ORDER, ATTENDANCE

The meeting was called to order at 4:04 p.m. by Mr. Wade Winter.

Finance & Investment Committee Members Present

Mr. Wade Winter (Chair)
Mr. Jon Fuhrman
Mr. Bill Hawkins
Mr. Michael Mitchell
Ms. Gloria Pitzer
Mr. Jim Sarni (conference call)
Mr. Lonnie Schield

Finance & Investment Committee Members Absent

Ms. Diane Rankin

Foundation Staff Present

Ms. Bobbi Abram, Executive Director
Ms. Kris McPeak, Director of Operations
Ms. Dolores Ybarra, Development Manager
Ms. Patricia Pejoumand, Accountant (conference call)
Ms. Ocie Kara-Simonyan, Administrative Assistant II

Clifford Swan Investment Counsel Present

Mr. Peter Boyle, CFA, Principal
Mr. Randy Zaharia, CFA, Principal

II. OPEN SESSION

A. ANNOUNCEMENTS AND RECOGNITIONS

Ms. Abram welcomed Ms. Dolores Ybarra, Development Manager to the committee, she will be joining this committee.

B. PUBLIC COMMENT ON NON-AGENDA ITEMS

There were no members of the public who made comments.

C. DISCUSSION ITEMS WITH POSSIBLE ACTION

1. Approval of Minutes from January 24, 2019 meeting.

MOTION: ON MOTION OF Ms. Pitzer and seconded by Mr. Winter, the Finance and Investment Committee voted by a unanimous vote (Fuhrman, Hawkins, Mitchell, Pitzer, Sarni, Schield, and Winter) of the seven members present to approve the minutes of the Finance and Investment Committee meeting held on May 2, 2019.

D. REPORTS

1. Clifford Swan Report

The Clifford Swan Report was presented and discussed and is incorporated with these minutes by reference. Last year ended with stocks in the red, as a turbulent fourth quarter dragged down annual returns. 2019's equity market start has charted an exceptional reversal. Performance for the S&P 500 Index has been notably

strong. The first quarter of 2019 has returned the most, on a standalone quarterly basis, in almost 10 years for the index. The past quarter was the strongest opening quarter for a calendar year since 1998. If growth persists, Clifford Swan anticipates healthy returns. On a practical note, the shifting interest rate landscape has significantly decreased mortgage rates.

2. Payout Rate

The committee discussed the payout rate and whether to keep it at the current rate of 4% or to change it to 3.5%. The committee would like to continue discussion at the next meeting.

3. Financials

Mr. Winter presented the financials. He stated we are right on target for the budget. Mr. Hawkins pointed out the unrealized capital gains and losses are not in the financial income statement. There was a discussion about blended benchmark and how we arrived at these benchmarks. The committee asked to put this on the agenda at the next meeting.

III. ADJOURNMENT

Mr. Winter adjourned the meeting at 5:47 p.m.

MOTION: ON MOTION OF Mr. Schield and seconded by Mr. Fuhrman, the Finance and Investment Committee voted by a unanimous vote (Fuhrman, Hawkins, Mitchell, Pitzer, Sarni, Schield, and Winter) of the seven members present to adjourn the Finance and Investment Committee meeting held on May 2, 2019.

Respectfully submitted by:

Wade Winter