



Investment Options for FCC Auction Proceeds

	OPTION 1: Current Investment Policy	OPTION 2: Pension Rate Stabilization Trust (PRST)	OPTION 3: Independent Foundation	OPTION 4: Donor Sponsored Supporting Organization (DSSO)
Investment Options	Limited by Ed. Code	Various strategies	Unlimited	Unlimited
Earnings Rate Potential	Limited by Board Policy (estimated at 1%)	Average 2.58% - 9.89% (see attached)	Full market (see attached)	Full market (see attached)
Risk Adverse (Principal)	Yes	Depends on strategy	Depends on strategy	Depends on strategy
Possible Annual Distribution Rate	1% max or loss of principal	Depends on strategy	Depends on strategy (goal of 5%)	Depends on strategy (goal of 5%)
Use of Principal Allowed	Yes	Yes, limited to annual retirement costs (\$10 MM)	Yes, via endowment	Yes, via endowment
Separate Accounting	Yes	Yes	Yes	Yes
Controls	SBCCD	SBCCD	District Board members and/or staff plus majority community members	District Board members and/or staff plus majority MS Gift Board Members
Setup Costs	N/A	N/A	Legal formation	\$15,000 formation costs plus \$2,500 annual Directors & Officers insurance
Ongoing Costs	Investment fees	Investment fees	Investment fees, operating costs, staff & compliance	Investment fees and \$17,500 annual for administration
Restriction on Use of Investment Proceeds	No	Yes, retirement costs	Yes, via endowment	Yes, via endowment
Investment in Real Estate	No	No	Yes	Yes
Setup Timeline	Medium	Short	Long	Medium
Next Steps (after finalizing financial plan)	RFP for investment firm	Board approval to move funds	Legal counsel, non-profit creation	RFP for DSSO (see attached)

Guiding Principles for the FCC Auction Proceeds Strategic Financial Plan

Overarching

1. Our students are our core mission and we will focus our resources on their success.
2. All FCC auction proceeds activity shall be transparent.

One-Time Expenditures

3. SBCCD will use the proceeds as a one-time investment in KVCR for the mandatory transition costs from UHF to VHF over-the-air and current broadcast standards.
4. SBCCD will be reimbursed for all costs related to the FCC auction.
5. One-time fund proceeds should help KVCR reach financial sustainability within a specified, board-approved timeframe.
6. The district unrestricted general fund balance shall be restored to a range of 12-15%.
7. With the exception of items 3-6 above, one-time expenditures shall support the approved program review, and educational and facilities master plans.

Principal Investment

8. Proceeds shall be invested in a manner that serves SBCCD for years to come.
9. Principal amount shall not be used as a resource for ongoing expenditures unless approved by the Board of Trustees.
10. Investments should include real estate and a diversified portfolio.

Revenue Generated from Investments

11. Revenue generated from the investment of proceeds shall help SBCCD meet its strategic goals as established in the comprehensive master plan.
12. Annual revenue amount shall be subject to annual allocation and follow existing collegial consultation and established budget processes.

INVESTMENT RETURNS

AS OF JUNE 30, 2017

	Equity	Fixed Income	Other	3 Years	5 Years	
PARS/HighMark Capital	Conservative	15.00%	79.00%	6.00%	2.99%	3.96%
	Mod. Conservative	30.00%	67.00%	3.00%	3.64%	5.42%
	Moderate	50.00%	47.00%	3.00%	4.60%	7.27%
	Balanced	60.00%	37.00%	3.00%	4.97%	8.31%
	Capital Appreciation	75.00%	23.00%	2.00%	5.64%	9.67%
Vanguard	Fixed Income	0.00%	98.80%	1.20%	2.62%	2.58%
	Conservative	42.20%	57.10%	0.70%	4.33%	6.26%
	Balanced	59.70%	39.3%	1.00%	5.08%	8.05%
	Growth	75.30%	23.50%	1.20%	5.93%	9.89%

**If a District wishes to use an alternative investment advisor, PARS PRSP can accommodate this option with its fully flexible investment structure.*

*** Past performance is not an predictor or guarantee of future results*

**** PARS and CCLC are not licensed to provide and does not offer investment advice or recommendations of any kind.*

All investment decisions in the PRSP are made at the sole discretion of the District, with or without the assistance of the District's selected investment advisors and/or managers.

Capital Markets Assumptions

Various Firms

Industry- Wide Forecasted Returns

5-10 Year Forecasts (Arithmetic)

	Morgan Stanley	JPMorgan	Blackrock	UBS	BNY	Mercer	Expected Return Average	25 Year Historical
US Equity	4.9%	7.3%	5.4%	7.1%	7.2%	5.8%	↓ 6.3%	9.8%
Developed International Equity	6.3%	8.0%	7.3%	9.4%	6.9%	7.6%	7.6%	6.0%
Emerging Markets Equity	7.5%	11.5%	8.4%	8.8%	8.9%	8.9%	9.0%	8.6%
US Core Fixed Income (BBC Agg.)	3.0%	3.1%	2.8%	2.8%	2.5%	3.0%	↓ 2.9%	6.2%
High Yield Fixed Income	3.5%	6.1%	3.4%	4.8%	5.9%	4.8%	4.8%	9.0%
Private Equity	7.6%	9.9%	7.8%	12.0%	9.1%	9.9%	9.4%	NA
Hedge Funds	4.5%	5.0%	3.0%	5.5%			4.5%	NA
60 / 40 Traditional Portfolio (US)	4.1%	5.6%	4.4%	5.4%	5.3%	4.7%	4.9%	8.4%
Inflation	2.0%	2.3%	2.4%	2.0%	2.5%	2.0%	2.2%	2.0%
Real Return	2.1%	3.3%	2.0%	3.4%	2.8%	2.7%	2.7%	6.4%
Forecast Range (Years)	7	10	5	10	10	10		
Forecast Date	Mar-17	Jan-17	Jan-17	Feb-17	2016	Jan-16		

Source: Morgan Stanley: CIE, JPMorgan, UBS, BNY, Blackrock, Mercer

Donor-Sponsored Supporting Organization

The Donor-Sponsored Supporting Organization is an enhancement to the donor advised fund program offered by Morgan Stanley Global Impact Funding Trust, Inc. (“Morgan Stanley GIFT”). A Donor-Sponsored Supporting Organization allows an individual to engage in broad-based fundraising that benefits a donor advised fund account. It can serve as an excellent vehicle for athletes and celebrities who are committed to philanthropy and have large personal followings, as well as other individuals who are strongly committed to raising funds for charity.

THE ASSETS WITHIN A DONOR ADVISED FUND ACCOUNT TYPICALLY COME FROM A SINGLE SOURCE, such as an individual, a married couple, a business or a family foundation. Tax requirements and administrative concerns usually make it impossible for large numbers of individuals to donate to a single donor advised fund account. This typically

prevents an individual who sets up a donor advised fund from growing the account by raising funds from the general public.

A Donor-Sponsored Supporting Organization makes fundraising for the benefit of a donor advised fund account possible by serving as an intermediary between contribution-making members of the general

public and the fund. The Donor-Sponsored Supporting Organization raises money from individuals, families, companies and other charities. It then aggregates the funds and periodically contributes them (net of expenses) to a donor advised fund account at Morgan Stanley GIFT managed by the organization. This leaves the fund with a single donor – the Donor-Sponsored Supporting Organization.

A DONOR-SPONSORED SUPPORTING ORGANIZATION IS FORMED AS A CHARITABLE CORPORATION separate from Morgan Stanley GIFT, but with the purpose of supporting it. The organization’s relationship with Morgan Stanley GIFT allows the corporation to qualify as a tax-exempt organization described in section 501(c)(3) of the Internal Revenue Code and as a public charity. Contributions to the Donor-Sponsored Supporting Organization are eligible for an income tax charitable deduction.

AS A CORPORATION, A DONOR-SPONSORED SUPPORTING ORGANIZATION WILL HAVE ITS OWN ARTICLES OF INCORPORATION AND BY-LAWS, as well as officers and directors. The individual founding the organization may serve as its president and also may nominate many members of the board, including, if appropriate, family, friends and associates. A majority of the directors will be appointed by Morgan Stanley GIFT and must be independent of the founder. The officers and directors will meet periodically to discuss the organization’s fundraising efforts and the management of the organization’s donor advised fund account at Morgan Stanley GIFT.



Grant recommendations from the account will be handled by a committee of the board of directors. Morgan Stanley GIFT and its third-party administrator will assist the Donor-Sponsored Supporting Organization in complying with necessary formalities, such as applying for tax-exempt status, registering to solicit contributions with appropriate state agencies and filing state and federal annual reports.

The minimum initial contribution to establish a Donor-Sponsored Supporting Organization is \$100,000. For more information about a Donor-Sponsored Supporting Organization, please contact your Morgan Stanley Financial Advisor or Private Wealth Advisor.

Information contained herein has been obtained from sources considered to be reliable, but we do not guarantee their accuracy or completeness.

Morgan Stanley GIFT, Inc. is an organization described in Section 501(c)(3), of the Internal Revenue Code of 1986, as amended, and Morgan Stanley Global Impact Funding Trust is a donor-advised fund. Various divisions of Morgan Stanley Smith Barney, LLC provide investment management services to Morgan Stanley GIFT.

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