

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

TO: Board of Trustees
FROM: Jose F. Torres, Interim Chancellor
REVIEWED BY: Jose F. Torres, Interim Chancellor
PREPARED BY: Lawrence P. Strong, Director of Fiscal Services
DATE: September 10, 2020
SUBJECT: Consideration of Approval of PARS Pension Rate Stabilization Trust Account Actions

RECOMMENDATION

It is recommended that the Board of Trustees approve two actions affecting the PARS Pension Rate Stabilization Trust (PRST) **Media Academy Endowment** account.

- 1) The identification of \$330,000 of unrealized gains for distribution to support Media Academy students, and
- 2) The withdrawal and redirection of \$1,960,000 from the principal investment to support the SBCCD Free Promise Program as previously discussed with the Board of Trustees.

OVERVIEW

In July 2017, SBCCD received \$157 million from the Federal Communications Commission in exchange for the transition of KVCR TV bandwidth from UHF to VHF. Through its collegial processes, the District developed guiding principles for the handling of these funds and has established specific investment accounts through the Public Agency Retirement Services system to maximize the principal and best serve its students.

Two proposed recommendations are included in this Board item to supplement the campus budgets for fiscal year 2020-21. In view of the historic volatility of the market during the month of October, as well as the upcoming presidential election this November, staff felt it important to bring these actions to the Board for consideration this month. If approved by the Board, the funds will be moved from a conservative investment strategy account into a mirror fixed income strategy account for eventual distribution as indicated.

ANALYSIS

- 1) Unrealized gains have been identified for distribution by campus management, reviewed by Chancellor's Cabinet, and discussed at today's Board Finance Committee, to supplement the fiscal year 2020-21 campus budgets in support of Media Academy students as indicated below:
 - \$250,000 to support SBVC's Media Academy cohort of 127 students.
 - \$80,000 to support CHC's, 'Center for Digital Media', which meets some course requirements for several majors and 1,109 students.

- 2) At its April 23, 2020 Strategy Session, the Board carefully considered the Free College Promise Program, including its impact on student success and retention, and the practicality of continuing to fund the program. After much deliberation, it was decided that SBCCD would continue to fund the 2019-20 cohort, as well as accept up to 2,000 new students for the 2020-21 cohort, to be partially funded by redirected principal from the Media Academy Endowment.

Based on the analysis of the Vice Presidents of Administrative Services, the fiscal year 2020-21 campus budgets will be supplemented to support the new and continuing Free College Promise Program cohorts as indicated below.

- \$1,464,950 to support SBVC's estimated total of 2,557 students.
- \$495,050 to support CHC's estimated total of 959 students.

INSTITUTIONAL VALUES

- I. Institutional Effectiveness
- II. Learning Centered Institution for Student Access, Retention, and Success
- III. Resource Management for Efficiency, Effectiveness and Excellence

FINANCIAL IMPLICATIONS

Distribution of the funds to the 2020-21 budgets will enable the District to support its Media Academy students and continue to fund the Free College Promise Program first and second cohorts.



PARS Pension Rate Stabilization Trust (PRST) Account Actions Submitted for Board Approval September 10, 2020

[v.8.27.2020.p.1|1]

Identification of **Unrealized Gains** for Distribution to Benefit Media Academy SBVC: \$250,000/CHC: \$80,000

	Current Principal	Current Unrealized Gains	Total Investment	Proposed Distribution of Unrealized Gains	Balance of Unrealized Gains	Total Investment After Distribution
General Fund*	49,000,000	6,128,724	55,128,724	0	6,128,724	55,128,724
SBVC	5,000,000	238,813	5,238,813	0	238,813	5,238,813
CHC	2,700,000	173,750	2,873,750	0	173,750	2,873,750
Media Academy	9,000,000	703,922	9,703,922	330,000	373,922	9,373,922
KVCR	12,000,000	607,313	12,607,313	0	607,313	12,607,313
FNX	9,000,000	395,751	9,395,751	0	395,751	9,395,751
Totals	86,700,000	8,248,273	94,948,273	330,000	7,918,273	94,618,273

Identification of **Principal** for Distribution & Redirection to Free College Promise Program SBVC: \$1,464,950/CHC: \$495,050

	Current Principal	Balance of Unrealized Gains	Total Investment	Proposed Distribution of Principal	Balance of Principal	Total Investment After Distribution
General Fund*	49,000,000	6,128,724	55,128,724	0	49,000,000	55,128,724
SBVC	5,000,000	238,813	5,238,813	0	5,000,000	5,238,813
CHC	2,700,000	173,750	2,873,750	0	2,700,000	2,873,750
Media Academy	9,000,000	373,922	9,373,922	1,960,000	7,040,000	7,413,922
KVCR	12,000,000	607,313	12,607,313	0	12,000,000	12,607,313
FNX	9,000,000	395,751	9,395,751	0	9,000,000	9,395,751
Totals	86,700,000	7,918,273	94,618,273	1,960,000	84,740,000	92,658,273

Guiding Principles for the FCC Auction Proceeds

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Board Affirmed December 12, 2019

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 10-15%.
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.