



District Budget Committee (DBC)

Recommendation 2018-02

To: Bruce Baron, Chancellor

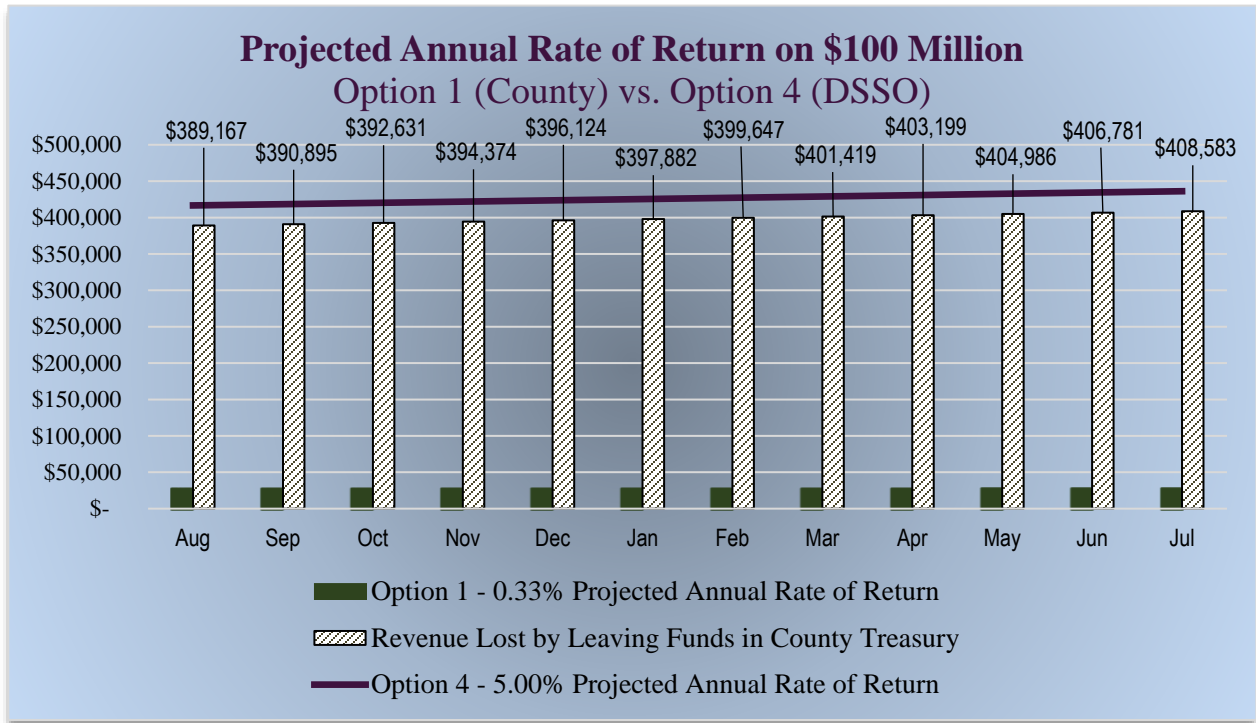
Date: 11/16/2017

From: Jose Torres, District Budget Committee Chairperson

Re: DBC Recommendation 2018-02 – Investment of \$100 Million of FCC Auction Proceeds

At its 11/14/2017 meeting the DBC approved a formal recommendation for SBCCD to invest \$100 million of the FCC Auction Proceeds into a Donor Sponsored Supporting Organization or DSSO (see Investment Option 4 attached). It is further recommended that this investment occur without delay in order to mitigate the loss of income currently being experienced as a result of leaving the funds in the County treasury (Option 1).

This will enable SBCCD time to further study and ascertain appropriate action in regard to funding the mandatory transition of KVCR from UHF to VHF, among other initiatives, while allowing us to maximize the bulk of this asset.



Attachment: FCC Auction Proceeds Investment Options



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)