



Endowment Funding Petition Guidelines

Background

Endowments will potentially shift into an underwater position when the investment markets experience difficult times. "Underwater endowments" are those where the fair market value ("FMV") of the endowment is less than its historic dollar value (commonly known as the endowment principal).

The State of California adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) on September 30, 2008. Among other changes, UPMIFA allows schools to remove the historic value rule and tap into principal as long as the institution determines it is prudent for the uses, benefits, purposes and duration for which the endowment fund is established. As a result, the Board of Trustees amended the investment policy in spring of 2009 to allow spending from endowment principal upon executive management's approval. The following provide guidelines and instructions for those departments that wish to petition for principal spending.

Petition Procedures

Departments and schools should first review their underwater endowments' activities and consider eliminating related expenses as feasible. In addition, consider related spendable gifts, discretionary funds and other resources as temporary funding sources for the crucial expenditure. The use of endowment principal should be a last resort because it will prolong the time for the endowments to recover. If the department determines that a petition for funding is necessary, it should submit a petition package. See the related section below for additional details.

Eligibility

Departments can petition for an amount up to 4% of the trailing three year average fair market value of the endowment as of the end of the most recent fiscal year.

Timeline and review process

<u>Timeframe</u>	<u>Process</u>
By May 1	Departments review their needs and submit petition package to Deans or department heads for review and approval
By May 15	Petition package submitted to Compliance for review
By May 30	Financial Reporting & Compliance manager to complete review and submit recommendation along with analyses and supporting schedules to Vice President of Finance and CFO for review and approval
By June 15	Vice President of Finance and CFO approves/denies petition
TBD	Vice President of Finance and CFO presents final approved list to the Investment Committee of the Board of Trustees

Petition package

It is important that the departments/schools provide sufficient information in their petition package to assist with the evaluation. We are providing a Petition Form to use as a guide and to aid in the review process. We also have a Signature Routing Form to ensure all proper reviews have been completed. In addition to the required forms noted above, we encourage departments to provide additional information regarding your requests.

Required information

- Rationalization/Explanation for the need of funds
- Crucial endowment expenditures by spend categories (budget lines)
- Efforts you have made to identify other resources, including:
 - Projected available spendable gifts account balance (if any)
 - Funds available from discretionary accounts and operating budgets

Preferred information:

- Donor agreement(s) or communication(s) – if relevant to support your rationale
- Calculation details and backup support for fiscal year expenditures.
- Rationalization for each spend category
- Current or pending organizational changes or expenditure structure changes

If you have any questions regarding the petition process, please feel free to contact:

Ginny Proctor, Financial Reporting and Compliance Manager, via email at compliance@sandiego.edu or 619-260-2248.