

AGENDA

SAN BRUNO COMMUNITY FOUNDATION

Regular Meeting of the Board of Directors

June 19, 2014
6:30 p.m.

**Meeting Location: San Bruno City Hall, Conference Room 115,
567 El Camino Real, San Bruno**

In compliance with the Americans with Disabilities Act, individuals requiring reasonable accommodations or appropriate alternative formats for notices, agendas, and records for this meeting should notify us 48 hours prior to meeting. Please call the City Clerk's Office 650-616-7058.

1. Call to Order/Welcome

2. Roll Call

3. Approval of Minutes: May 15, 2014, Regular Board Meeting

4. Announcements

5. Boardmember Comments

- a. President
- b. Others

6. Consent Calendar: All items are considered routine or implement an earlier Board action and may be enacted by one motion; there will be no separate discussion unless requested by a Boardmember, citizen, or staff.

- a. Adopt Resolution Ratifying Appointment of an Ad Hoc Board Committee to Develop a Selection Process for an Executive Director

7. Conduct of Business

- a. Receive Report Regarding June 10, 2014 City Council Review of 501(c)(3) Application and Three-Year Budget
- b. Provide Direction to Board Committee Regarding Recruitment and Selection of

Nancy A. Kraus, *President*
John P. McGlothlin, *Vice President*
Emily Roberts, *Secretary*
Ben Cohn, *Treasurer*
Patricia Bohm
Frank Hedley
Regina Stanback Stroud

SAN BRUNO COMMUNITY FOUNDATION

Executive Director

- c. Discuss Potential Topics and Date for Board Study Session Regarding Three-Year Operating Plan and SBCF Operating Norms
- d. Receive Report and Consider Cancelling Regular Meeting of August 21, 2014

8. Public Comment: Individuals are allowed three minutes, groups in attendance, five minutes. If you are unable to remain at the meeting, contact the President to request that the Board consider your comments earlier. It is the Board's policy to refer matters raised in this forum to staff for research and/or action where appropriate. The Brown Act prohibits the Board from discussing or acting upon any matter not agendaized pursuant to State Law.

9. Adjourn

MINUTES

SAN BRUNO COMMUNITY FOUNDATION

Regular Meeting of the Board of Directors

May 15, 2014

6:30 p.m.

**Meeting Location: San Bruno City Hall, Conference Room 115,
567 El Camino Real, San Bruno**

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1. **Call to Order/Welcome:** President Kraus called the meeting to order at 6:40 p.m.
2. **Roll Call:** Boardmembers Kraus, McGlothlin, Roberts, Cohn, Bohm, and Hedley present.
3. **Approval of Minutes: April 17, 2014, Regular Board Meeting:** The April 17, 2014 Regular Board Meeting minutes were approved as presented. (M/S FH/JM)
4. **Announcements:** The Board received an invitation to the American Legion Hall for their Grand Re-Opening and the unveiling of their new mural on Saturday, May 17, 2014.
5. **Boardmember Comments:**
 - a. **President:** President Kraus expressed her appreciation to the consultants and staff supporting and assisting the Board in moving forward with the foundation's organization as quickly as possible.
Kraus also congratulated and thanked Britt Strottman on behalf of the Board, for being named one of California's "Top 75 Women Lawyers" for 2014.
 - b. **Others:** None.
6. **Consent Calendar:** All items are considered routine or implement an earlier Board action and may be enacted by one motion; there will be no separate discussion unless requested by a Boardmember, citizen, or staff.
 - a. **Adopt Resolution Approving Document Retention Policy:** Item was approved unanimously. (M/S ER/FH)
 - b. **Adopt Resolution Approving Rules of Parliamentary Procedure for Board Meetings:** Item was approved unanimously (M/S ER/FH)
7. **Conduct of Business**
 - a. **Receive Report and Adopt Resolution Approving 501(c)(3) Application and Accompanying Three-Year Budget:** The Board must file the 501(c)(3) by October 2015 and the process could take up to a year. The Board will be able to move forward with the development of

grant policies during the application process as long as no modification to the application is needed. It is recommended the application be submitted with newspaper articles, settlement agreement, and the joint press release with the City and PG&E. This will give background as to where the money came from and provide a powerful testament about the formation of the organization. Hedley motioned to adopt the resolution approving the 501(c)(3) application and accompanying three-year budget, seconded by Bohm and approved unanimously. The Application and budget will go before the City Council on June 10, 2014, for review and approval.

- b. **Receive Report and Provide Direction Regarding Three-Year Operational Plan:** It is proposed that the Board move forward with the three-year budget based on a 5% payout. This three year quasi-endowment will free the Board to move in a certain direction and build a job description for the executive director and support staff. Roberts motioned to direct Staff to bring back a resolution nominating Boardmembers Kraus, Hedley, and Stanback Stroud to a sub-committee for the purposes of developing a job description for an Executive Director, seconded by McGlothlin and approved unanimously. McGlothlin motioned to direct staff to develop a three-year operational plan including items listed in the staff report, seconded by Hedley and approved unanimously. Boardmembers discussed the possibility of another study session.
- c. **Receive Report and Provide Direction Regarding Operating Norms for SBCF Activities:** Merging the City Government and Non Profit worlds is unusual. The operating norms of this Foundation will need to represent a merger of the two worlds and may not look like other Boards norms. The Board suggested adopting the norms as a policies and procedures. The Board would like to continue to develop the norms and offered some suggestions including:
 - defining parameters of when things can be submitted for the agenda
 - adding specificity about ad hoc committees of the Board
 - looking into procedures that other cities use for their City Councils
 - providing guidance about document review processes and subcommittee updates
- d. **Receive Report Regarding Update on Timeline of SBCF Activities:** The Board appreciated the concise and clear report reflecting the great progress that has been made thus far and recommended adding some projections to the timeline.

- 8. Public Comment:** Individuals are allowed three minutes, groups in attendance, five minutes. If you are unable to remain at the meeting, contact the President to request that the Board consider your comments earlier. It is the Board's policy to refer matters raised in this forum to staff for investigation and/or action where appropriate. The Brown Act prohibits the Board from discussing or acting upon any matter not agendaized pursuant to State Law.

None.

9. Adjourn

The meeting was adjourned by unanimous vote at 7:52 p.m. (M/S JM/FH)

Respectfully submitted for approval at the Regular Board Meeting of June 19, 2014, by Secretary Emily Roberts and President Nancy Kraus.

Emily Roberts, Secretary

Nancy Kraus, President

RESOLUTION No. 2014 - 6

RESOLUTION OF THE SAN BRUNO COMMUNITY FOUNDATION
RATIFYING APPOINTMENT OF AN AD HOC BOARD COMMITTEE TO DEVELOP A
SELECTION PROCESS FOR AN EXECUTIVE DIRECTOR

WHEREAS, on May 15, 2014, the San Bruno Community Foundation authorized the filing of an application with the IRS requesting non-profit status under section 501(c)(3) of the Internal Revenue Code;

WHEREAS, the application included a proposed three-year operational budget, which also reflected the hiring of an executive director;

WHEREAS, it would be convenient for an ad hoc committee to assist the Board in developing a selection process for the executive director;

WHEREAS, Board President Kraus and Board Members Hedley and Stanback Stroud are willing to serve on that ad hoc committee;

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors hereby ratifies the appointment of said Board members to the committee as described.

Dated: May 15, 2014

ATTEST:

Emily Roberts, Secretary

I, Emily Roberts, Secretary, do hereby certify that the foregoing Resolution No. 2014-6 was duly and regularly passed and adopted by the Board of Directors of the San Bruno Community Foundation on this 15th day of May, 2014, by the following vote:

AYES: Boardmembers:

NOES: Boardmembers:

ABSENT: Boardmembers:

MEMORANDUM

SAN BRUNO COMMUNITY FOUNDATION

DATE: June 19, 2014

TO: Board of Directors, San Bruno Community Foundation

FROM: Marc L. Zafferano, City Attorney

SUBJECT: Receive Report Regarding June 10, 2014 City Council Review of 501(c)(3) Application and Three-Year Budget

At its meeting of May 15, 2014, the San Bruno Community Foundation (SBCF) reviewed and approved for filing with the Internal Revenue Service (IRS) its 501(c)(3) application and accompanying three-year budget.

Per Article XVI, subsection (c) of the SBCF's adopted Bylaws, the San Bruno City Council has reserved powers to approve the SBCF's budget. On June 10, 2014, the City Council received a staff report (Exhibit 1 hereto, attachments omitted) that included the proposed budget and described its features. SBCF Treasurer Ben Cohn attended the City Council meeting and made a brief statement on behalf of the Board; Board members Frank Hedley and Pat Bohm were also present.

The City Council expressed its appreciation to the Board members for their diligent volunteer service, and especially for their work on the 501(c)(3) application and budget. The City Council also reminded the public that the process of forming and establishing the SBCF has necessarily and understandably been complex and time-consuming. The City Council emphasized that the Board's important policy decisions should be made after careful and thoughtful deliberation.

The City Council then adopted a resolution approving the three-year budget that will accompany the 501(c)(3) application. With that action, the SBCF may now direct that the application be filed.



City Council Agenda Item
Staff Report

CITY OF SAN BRUNO

DATE: June 10, 2014
TO: Honorable Mayor and Members of the City Council
FROM: Marc Zafferano, City Attorney
SUBJECT: Adopt Resolution Approving the San Bruno Community Foundation's 501(c)(3) Application and Three-Year Budget

BACKGROUND:

The San Bruno Community Foundation (SBCF) is the organization created by the City Council to invest, manage and expend the restitution settlement of \$68.75 million in cash and \$1.25 million in real property that the City received from PG&E after the gasoline explosion in the Crestmoor neighborhood. The settlement agreement with PG&E requires that the SBCF be formed as a not-for-profit organization, which requires the IRS and the State of California to approve an application for 501(c)(3) tax-exempt status.

In March 2013, the City Council began forming the SBCF by approving its Articles of Incorporation for filing with the Secretary of State. The Articles state that the organization's purpose is to "benefit the San Bruno community through enduring and significant contributions to, and investments in, charitable and community programs, and publicly-owned community facilities, over the long term." If the 501(c)(3) application is ultimately approved by the IRS and the State, the approval would relate back to the date of filing the Articles.

In August 2013, the City Council approved the Bylaws of the SBCF. The Bylaws require that the City Council appoint the Directors of the organization. The City Council also retained the power to approve certain major decisions of the organization, such as its budget.

In October 2013, the City Council appointed seven members of the community to the volunteer Board of Directors. The Board members are: Nancy Kraus, President; John McGlothin, Vice-president; Ben Cohn, Treasurer; Emily Roberts, Secretary; and Board Members Frank Hedley, Pat Bohm, and Regina Stanback-Stroud.

The Board held three public orientation sessions in December 2013, January 2014, and February 2014, for a total of eleven hours. City staff, outside counsel, and a consultant from the Silicon Valley Community Foundation (SVCF) presented and discussed numerous topics to inform the Board about the structure and function of the organization. The Board then commenced its regular public monthly meetings in March 2014, and has since taken many additional important steps to begin operations. One priority identified by the Board was to prepare the 501(c)(3) application for tax-exempt status, which is required to contain a proposed three-year budget reflecting the anticipated operations of the organization.

At its regular meeting in March 2014, the SBCF appointed a Board committee consisting of three Board members to work with City staff and the consultant from the SVCF to develop the three-year budget required by the IRS as part of the 501(c)(3) application. After meeting with the consultant

and providing input, the committee presented the budget to the full Board in April 2014, which then adopted it unanimously at its May 2014 meeting. The Board also approved for filing the 501(c)(3) application prepared by city staff, its consultant from the SVCF, and outside counsel.

A copy of the staff report and resolution from the Board's May 2014 meeting, which outlines the process, timeline, and key details of the application is Attachment 1. Attachment 2 is the three-year budget, which is subject to the City Council's review and approval as part of its retained powers pursuant to Article XVI, sub-section (c) of the SBCF's adopted Bylaws. The complete 501(c)(3) application, which is voluminous, is available online.

DISCUSSION:

Per IRS guidelines, the three-year budget included in the 501(c)(3) application is required to reflect a "reasonable good-faith estimate" of the anticipated revenues and expenses of the organization. It is not the formal annual operating budget of the organization, which the SBCF will separately adopt at a later time, and which will also be subject to City Council approval. The budget follows the form prescribed by the IRS, which may differ from the format of the budget that the SBCF may later adopt.

The budget covers the fiscal years July-June 2014, 2015, and 2016. Since the SBCF does not have possession of the funds in the first fiscal year, that column is blank. It was assumed that the City would transfer the funds to the SBCF after filing the 501(c)(3) application, which would occur sometime in the second fiscal year, so that all revenue and expenses would start in that year.

The "Income" section of the budget for 2014-15 reflects the full value of the \$70 million restitution fund, plus the interest earned while the City has maintained the funds in secure government-backed investments, as directed by the City Council. Once the funds are transferred to the SBCF, the budget assumes a 7% annual return in long-term growth-oriented investments, which is realistic based on actual performance of similar funds for other organizations.

The "Expenses" section of the budget contains the following items.

1. Salaries and Wages/Payroll Taxes and Benefits: It was assumed that the SBCF would hire an executive director and an administrative assistant in its second fiscal year, based on a) the best practices of other nonprofits of similar size, and b) the resources required to support the goals and initiatives of the Board. The consultant from SVCF has informed the Board that the listed salary may be somewhat low for the executive director position, but since state nonprofit law requires that a salary survey be performed before hiring and each year thereafter, the actual amount may differ. The benefit costs for the two positions are based on the assumption that the individuals would be employees of an outside entity such as the City or the SVCF. The employing organization would then contract with the SBCF to provide those employees to the SBCF. This model was selected because it would likely be cost-prohibitive for the SBCF to offer a competitive benefits package to just one or two employees. Contracting with an outside entity to employ the individuals would lower benefit costs by using the larger organization's economies of scale and access to group rates for health and welfare benefits such as medical insurance, worker's compensation, life insurance, and disability coverage.
2. Grants and Assistance to others: This line reflects a decision by the Board that for the next two years, the SBCF will operate by treating the entire initial cash amount of \$68.75 million (plus any accrued interest) as an endowment, and that 5% would be paid out annually from the income generated for the charitable purposes of the organization, with no distributions of the principal. In making this decision, the Board felt that it would take approximately two years to complete the

formation and organization of the SBCF, retain an executive director and other required staff, and obtain public input regarding long-term investment goals and strategies of the organization.

3. Occupancy: For simplicity, it was assumed that the SBCF would pay market rent for modest leased space in San Bruno.
4. Insurance: This line reflects the actual amount paid for the first year of director's and officer's liability insurance, and a somewhat lower premium for later years that reflects the reduced risk to insure an established organization.
5. Telecommunications/Postage and shipping/Printing and copying/Office supplies: These lines reflect reasonable estimates based on information provided by the consultant from the SVCF.
6. Legal, accounting & payroll services: Legal services were provided by the City's outside counsel for the initial formation of the SBCF starting in 2012. It is anticipated that services rendered through the SBCF's first regular Board meeting in March 2014 would be reimbursed by the Trust to the City. Amounts expended after that time would be paid by the SBCF, either directly or by reimbursing the Trust in the event that the Trust has already reimbursed the City. Other listed fees are based on reasonable estimates from the City's auditor and the consultant from the SVCF.
7. Travel: The volunteer Board members selected by the City Council are operating an organization worth \$70 million, and as such, it is important that they obtain additional and ongoing training so that they may perform their service according to best practices in the industry. The SVCF consultant has therefore recommended budgeting for travel to and from conferences, with the actual conference and development expenses listed in the "Other" section below.
8. Consultants: The amounts in these lines were based on information provided for similar services at other organizations of similar size and funding levels.
9. Other: These amounts were budgeted to reflect the cost of internal meetings, noticing public hearings, and attendance at conferences for Board development.

The remainder of the 501(c)(3) application is described in detail in Attachment 1, the SBCF staff report prepared by the City's outside counsel and City staff. In summary, the application describes the genesis and nature of the organization; its purpose, mission, and anticipated activities; and its relationship as a supporting organization to the City of San Bruno. The application also contains press reports and articles that announced the settlement with PG&E and the various steps taken by the City as the organization was being developed.

FISCAL IMPACT:

There is a fee of \$850 for filing the application, which will be initially paid by the City and then reimbursed by the SBCF.

ALTERNATIVES:

1. Do not approve the 501(c)(3) application and three-year budget. The SBCF would then need to revisit any items of concern to the City Council before filing with the IRS, which would delay formation of the organization.

2. Approve the 501(c)(3) application and three-year budget, subject to specified edits or conditions. The SBCF may wish to review or comment on any changes, which may then delay formation of the organization.

RECOMMENDATION:

Adopt resolution approving the San Bruno Community Foundation's 501(c)(3) application and three-year budget.

ATTACHMENTS:

1. SBCF Staff Report and Resolution dated May 15, 2014 approving 501(c)(3) application and three-year budget
2. Three-year SBCF Budget for City Council Review and Approval
3. City Council Resolution Approving 501(c)(3) Application and Three-year Budget

DISTRIBUTION:

SBCF Board of Directors

DATE PREPARED:

May 28, 2014

MEMORANDUM

SAN BRUNO COMMUNITY FOUNDATION

DATE: June 19, 2014

TO: Board of Directors, San Bruno Community Foundation

FROM: Marc L. Zafferano, City Attorney

SUBJECT: Provide Direction to Board Committee Regarding Recruitment and Selection of Executive Director

At its meeting of May 15, 2014, the San Bruno Community Foundation (SBCF) appointed a Board committee consisting of President Nancy Kraus and Board Members Frank Hedley and Regina Stanback-Stroud to develop a selection process for an Executive Director.

The purpose of this agenda item is for the Board to provide direction to that committee regarding the scope of its duties so it may begin its work, develop recommendations and then report back to the full Board about matters such as the process and timeline for the recruitment, development of a job description and a compensation package, who will perform the legally-required compensation survey, and the various options for structuring the Executive Director's employment relationship with the SBCF.

MEMORANDUM

SAN BRUNO COMMUNITY FOUNDATION

DATE: June 19, 2014

TO: Board of Directors, San Bruno Community Foundation

FROM: Marc L. Zafferano, City Attorney

SUBJECT: Discuss Potential Topics and Date for Board Study Session
Regarding Three-Year Operating Plan and SBCF Operating Norms

At its meeting of May 15, 2014, the San Bruno Community Foundation (SBCF) received a staff report recommending further discussion at an upcoming Board meeting regarding the following issues:

- Key financial decisions such as investment alternatives given the Operational Plan, grant making policies, and transferring the funds to the Foundation;
- Consideration of establishing the “brand” of the SBCF, including logo, website construction and operation, and messaging in the community;
- Scheduling additional training and educational programs for Board members; and
- Discussion of the ongoing relationship between the SBCF, the SVCF, and the City in terms of ongoing staffing and operational assistance

The SBCF also discussed establishing operating norms about a variety of topics, including Board procedures as well as policies regarding review of minutes, agenda-setting, appointment and role of committees, Board communications, and selection of officers.

After considering these topics, President Kraus suggested scheduling a study session to provide the Board with ample time to consider more detailed input from staff, discuss the alternatives, and provide direction.

It is recommended that the Board discuss which of these potential topics would be appropriate for a study session. The Board could then consider scheduling the session, which would be noticed as a special meeting. Depending on the number and types of topics, options include a Saturday from 9:00-1:00 to occur between the regularly-scheduled Board meetings of June 19 and July 16, or at other dates and times.

MEMORANDUM

SAN BRUNO COMMUNITY FOUNDATION

DATE: June 19, 2014

TO: Board of Directors, San Bruno Community Foundation

FROM: Marc L. Zafferano, City Attorney

SUBJECT: Receive Report and Consider Cancelling Regular Meeting of August 21, 2014

The City Council has traditionally cancelled one of its two August meetings in consideration of the vacation schedules of its Councilmembers and City staff. This year, it has cancelled its first regular meeting of August 12.

The Board may consider adopting a similar policy at this meeting or at its regular meeting on July 17. If time-sensitive decisions were to arise in August, a special meeting could be scheduled if necessary. Board committees could continue to do their work throughout the month of August.