



CREATING AN ENTERPRISE FUND MODEL

Strategic Benefits of Forming a
Non-Profit for SBCCCD

SBCCD Goals

GOAL 1 | ELIMINATE BARRIERS TO STUDENT ACCESS AND SUCCESS

SD 1: Support the colleges in creating efficient processes and accessible, user-friendly customer services.

GOAL 2 | BE A DIVERSE, EQUITABLE, INCLUSIVE, AND ANTI-RACIST INSTITUTION

SD 2: Develop a diverse SBCCD workforce of individuals who are culturally competent; understand the communities they serve; honor equity, inclusivity, and anti-racism; and are supported with ongoing professional development.

GOAL 3 | BE A LEADER AND PARTNER IN ADDRESSING REGIONAL ISSUES

SD 3.1: Partner with business, industry, and community organizations to create education and training that leads to employment of SBCCD students and advancement in the workplace.

SD 3.2: Institutionalize a commitment to cultivating leadership skills within the District by providing professional development that expands SBCCD's ability to influence economic, educational, and sustainability initiatives in the region, state, and country.

SD 3.3: Work with municipal, regional, state, and federal representatives in a unified effort to ensure that educational and employment needs of the region are understood, articulated, and advocated for funding.

GOAL 4 | ENSURE FISCAL ACCOUNTABILITY/SUSTAINABILITY

SD 4: Maximize the acquisition, investment, management, and sustainability of SBCCD funds, facilities, systems, and technologies; support ongoing innovation and user training to ensure District viability, fiscal accountability, and reduced student costs.

SBCCD Goals

GOAL 4 | ENSURE FISCAL ACCOUNTABILITY/SUSTAINABILITY

SD 4: Maximize the acquisition, investment, management, and sustainability of SBCCD funds, facilities, systems, and technologies; support ongoing innovation and user training to ensure District viability, fiscal accountability, and reduced student costs.



Key Result:

Conduct a thorough analysis and feasibility study to explore development of an enterprise fund model for SBCCD, focusing on maximizing existing investments and real estate owned by SBCCD.

A Proposal

Formation of a
NON-PROFIT
to benefit SBCCD
and enhance its financial and
operational capabilities

- *A non-profit will leverage diversified funding sources, engage in property and asset management, and operate as a development finance agency.*
- *By doing so, it will enhance community engagement, support innovative programs, and ensure fiscal accountability and sustainability.*
- *Importantly, a new non-profit will not compete with existing independent non-profits at Valley College and Crafton Hills but will complement their activities.*

Proposal Outline

01 Reasoning

02 Strategic Benefits

03 Potential Challenges

04 Vision for SBCCD Non-Profit

05 Proposed Governance

06 Successful Models

07 Immediate Steps

08 Future Action

01 Reasoning

As a community college district, SBCCD faces many limitations.

Funding Constraints

- Heavy reliance on state funding and fluctuating enrollment numbers
- Limited access to diversified revenue sources

Regulatory Restrictions

- Strict regulations governing financial operations, investments, and property management
- Challenges in engaging in commercial activities and forming public-private partnerships

Operational Inflexibility

- Difficulty in quickly adapting to changing educational and economic environments

Risk Management

- Exposure to financial and operational risks without adequate shielding mechanisms
- Challenges in maintaining funding stability through diverse income streams

Asset Management Challenges

- Restrictions on owning, developing, and leveraging real estate assets
- Limited ability to protect and grow assets for long-term sustainability

01 Reasoning

As a community college district, SBCCD faces many limitations.

Asset Management Challenges

- Restrictions on owning, developing, and leveraging real estate assets
- Limited ability to protect and grow assets for long-term sustainability

Challenges with expansion of existing commercial properties

- *State approval process*
- *Limited uses of proceeds*
- *Asset type*
- *Location*
- *Procurement processes*

01 Reasoning

As a community college district, SBCCD faces many limitations.

Why do 4-year universities use an auxiliary non-profit?

The permissible functions of Cal State auxiliary organizations are found in Cal. Code of Regulations, Title 5, Section 42500(a).

Included as a permissible essential function is the acquisition, development, sale, and transfer of real and personal property including financing transactions related to these activities.

Why do CCD's have to use an independent non-profit?

The permissible/recognized functions for community college auxiliary organizations are found in Cal. Code of Regulations, Title 5, Section 59259.

The recognized functions listed in Section 59259 do not reference the acquisition, sale, and transfer of real property.

02 Strategic Benefits

Starting a non-profit can offer several strategic benefits, especially in terms of enterprise funding.

Revenue Generation Flexibility

- *Engage in business ventures*
- *Facilitate public-private partnerships*

Investment Proceeds Flexibility

- *To benefit SBCCD's mission*
- *Not just for capital or retirement*

Operational Independence

- *Focused mission alignment*
- *Dedicated Board for agile decision-making*

Property & Asset Management

- *Own and develop property*
- *Protect assets for long-term growth*

Support for Innovative Programs

- *Incubate new initiatives*
- *Pilot and scale successful projects*

Risk Management

- *Liability shielding*
- *Funding stability through diverse streams*

02 Strategic Benefits

Starting a non-profit can offer several strategic benefits, especially in terms of enterprise funding.

Become a Development Finance Agency

- *Support existing CCD facilities projects with development finance programs/federal funding*
- *Finance new on-campus and community projects (e.g., off-campus housing)*
- *Finance projects in other communities to generate revenue for sustainability*

Enhanced Community Engagement

- *Broaden community support*
- *Manage volunteer programs*
- *Employment opportunities*

Acknowledgment of SBVC & CHC Independent Non-profits

- *Assurance that new non-profit will not compete with existing entities*
- *Focus on complementary activities and initiatives*

Diversified Funding Sources

- *Access grants and donations*
- *Tax-exempt status for donors*

03 Potential Challenges

Creating a non-profit within a community college district also comes with its own set of challenges.

Governance and Management

- *Complex governance structure*
- *Leadership and staffing challenges*

Financial Management

- *Securing initial funding*
- *Sustaining revenue streams*

Regulatory Compliance

- *Adhere to non-profit regulations*
- *Dual compliance requirements*

Coordination and Communication

- *Aligning with college goals*
- *Effective stakeholder engagement*

03 Potential Challenges

Creating a non-profit within a community college district also comes with its own set of challenges.

Independence and Control

- *Balancing autonomy and alignment*
- *Maintaining sufficient oversight*

Community Perception and Trust

- *Ensuring positive public perception*
- *Building and maintaining trust*

Resource Allocation

- *Managing competing priorities*
- *Avoiding duplication of efforts*

Legal and Ethical Considerations

- *Managing conflicts of interest*
- *Ensuring ethical operations*

04 Vision for SBCCD Non-Profit



- *To enhance the financial sustainability and operational capabilities of SBCCD by leveraging development finance programs, fostering innovative projects, and generating new revenue streams.*
- *The non-profit aims to support existing facilities, expand SBCCD's mission to improve student experiences, and invest in projects both within and beyond the local community, ensuring long-term growth and stability.*

05 Proposed Governance

Five-Member Board



Integration with SBCCD Leadership

- *Chancellor and Executive Vice Chancellor*
- *Ensures alignment with district goals and objectives*

Three External Members

- *Ensure independence*
- *Unwavering support for SBCCD and its colleges*

Operational Independence

- *Allows for agile decision-making focused on the non-profit's mission*

06 Successful Models

Harvard University	Stanford University	Massachusetts Institute of Technology	Yale University
<p>Harvard Management Company (HMC)</p> <p>https://www.hmc.harvard.edu/</p> <p><i>Manages Harvard's endowment, including significant real estate investments with diversified strategies.</i></p>	<p>Stanford Management Company (SMC)</p> <p>https://smc.stanford.edu/</p> <p><i>Oversees Stanford's endowment and extensive real estate portfolio.</i></p>	<p>MIT Investment Management Company (MITIMCO)</p> <p>https://mitimco.org/</p> <p><i>Manages MIT's endowment, known for strategic real estate investments, particularly in the Cambridge area.</i></p>	<p>Yale Investments Office</p> <p>https://investments.yale.edu/</p> <p><i>Handles Yale's endowment with notable real estate investments as part of a diversified portfolio.</i></p>

06 Successful Models

Princeton University	University of Arizona	CalPoly Pomona
<p data-bbox="173 501 626 662">Princeton University Investment Company (PRINCO)</p> <p data-bbox="168 691 631 729">https://princo.princeton.edu/</p> <p data-bbox="150 772 619 991"><i>Manages Princeton's endowment, including real estate assets, with a focus on long-term growth.</i></p>	<p data-bbox="759 529 1192 629">University of Arizona Foundation</p> <p data-bbox="774 691 1177 729">https://uafoundation.org/</p> <p data-bbox="718 772 1238 1048"><i>Oversees the university's real estate assets and investments, managing leasing, acquisitions, and surplus property.</i></p>	<p data-bbox="1472 529 1829 629">CalPoly Pomona Foundation, Inc.</p> <p data-bbox="1340 691 1961 729">https://foundation.cpp.edu/about.aspx</p> <p data-bbox="1314 772 1992 991"><i>Supports the university's educational mission through property management, real estate development, and investment in various projects.</i></p>



07 Immediate Steps

- ✓ **01** Initial Legal Review (Complete)
- ✓ **02** Chancellor's Cabinet Review & Feedback (Complete)
- ✓ **03** Board Finance Committee Review & Feedback
- 04** BFC Tour of CalPoly Pomona (invitation to all Trustees)
- ✓ **05** District Budget Advisory Committee Review & Feedback
- ✓ **06** Chancellor's Council Review & Feedback
- 07** Board of Trustees Strategy Session
- 08** Development of Legal Documents
- 09** Creation of Non-Profit
- 10** Identification of External Directors



08 Future Action

Evaluate
Non-Profit
Asset Development Plan

The diagram features a large orange bracket on the right side of the text, which encompasses the list of future actions. A horizontal orange arrow points from the text to the bracket. Each item in the list is contained within a grey arrow-shaped box pointing to the right.

- Asset Acquisitions
- Revenue Bond vs. Traditional Lending
- Development Finance Agency
- Economic Development
- Entrepreneurship
- Public Private Partnerships
- Investment Tools
- New Market Tax Credits



Feedback & Questions

Thank you.