



MEMORANDUM

To: Stewardship Council Board of Directors

From: Allene Zanger, Executive Director; Joel Wagner, Director of Special Projects

Date: March 6, 2013

RE: Refining Expenditure Plan for Youth Investment Program Funds and Planning for Complete Separation of FYI from the Stewardship Council

SUMMARY

After accounting for funds already committed to the Foundation for Youth Investment (FYI) and other Stewardship Council grantees under existing grant agreements, there is approximately \$7.5 million of Youth Investment Program (YIP) funds left for expenditure. Of that amount, under the current Major Grant Agreement with FYI, up to \$6.35 million could be transferred to FYI over the next two years upon FYI achieving the board and fund development match milestones outlined in the agreement. The remaining amount has not yet been allocated.

The Youth Investment Committee believes that this is an appropriate time to update the Stewardship Council's goals for its Youth Investment Program and to reexamine and adjust as desired the funding commitments, conditions, and restrictions that are memorialized in the Major Grant Agreement. The FYI board of directors is interested in working with the Stewardship Council board during the next few weeks to develop a plan that would lead to a complete separation of FYI from the Stewardship Council. The FYI board desires adequate funding to employ its own Executive Director and other staff and not be dependent upon the Stewardship Council for in-kind support at the levels provided in the past three years. FYI has also requested full acceleration of the Council's grant commitments to FYI.

To inform the strategic planning process, information is provided below regarding the current funding arrangements with FYI. In addition, several key issues are presented for the board's consideration.

BACKGROUND

Intercompany Agreement

Since April 2010, the Stewardship Council has been providing FYI with a significant amount of in-kind support by covering FYI's overhead costs, by providing FYI with staff and office space for all its functions, including fund development, and by covering other operational and program costs. With this in-kind support, FYI administered the Stewardship Council's grantmaking program in 2011 and 2012 and is currently administering our 2013 grantmaking plan. The in-kind support has also enabled FYI to administer a variety of special initiatives, including the Outdoor Educators Institute and an Outdoor Trips Fund, the direct costs of which have been funded through grants totaling \$650,000. The total amount of in-kind contributions per year is summarized below.



Stewardship Council In-Kind Contribution to FYI	
Year	Amount
2010	\$309,147
2011	\$697,034
2012	\$871,639
2013 (Budget)	\$1,260,624

The current Intercompany Agreement terminates on December 31, 2013. Until the termination date, the Stewardship Council has the right to appoint a director to serve on the FYI board. Earlier this month, Art Baggett, who served in the Stewardship Council seat, resigned from the FYI board so that he could fully participate in Stewardship Council decisions regarding our future support of FYI.

Major Grant Agreement

In 2011, the Stewardship Council board agreed that it would transfer \$10 million of the remaining YIP funds to FYI subject to FYI reaching certain milestones. The concept of the Stewardship Council providing match funding upon FYI's achievement of board and fund development goals was suggested by our fund development consultant as a way to entice qualified individuals to join the FYI board or to make major donations of \$100,000 or more. Under the Major Grant Agreement executed by the parties in December 2011, only pledges of gifts received before December 31, 2014 are eligible for matching funds.

The Major Grant Agreement states that 60% or more of the earned funds must be expended by FYI to support the implementation of programs and initiatives to connect underserved youth in the PG&E service area to the outdoors. FYI is permitted to utilize up to 40% of the earned funds for overhead and fund development costs. FYI is required to submit a final report accounting for all grant funds received from the Stewardship Council by March 31, 2016.

The Major Grant Agreement was amended on January 3, 2013 to reduce the amount of match funds being made available from \$10 million to \$6.6 million to reflect the amount of funding that was set aside for the 2013 grantmaking fund award and the expenses the Council expects to incur in 2013 on behalf of FYI pursuant to the terms of the Intercompany Agreement.

In February 2013, FYI received its first payment of \$250,000, which it earned when it elected three new board members who are willing to make a substantial personal gift to FYI or to raise from other donors a substantial amount of funding.

FYI development staff and board members have been fundraising against the match terms of the Major Grant Agreement for several months, and have begun to express concern that the match is less compelling to major donors than originally thought. FYI's staff and board are exploring whether or not it would be more compelling for FYI to be able to show major donors that it is a well-funded organization with a strong balance sheet.



CURRENT EXPENDITURE RATES

Staff has begun work on the analysis of several scenarios regarding funding for FYI. Under the current run rate (\$1.3 million in in-kind support and approximately \$2 million for program and infrastructure grantmaking) YIP funds would be exhausted by mid-2016. The Stewardship Council could extend the duration of YIP funds by making adjustments to or phasing out funding of FYI's programs, fundraising and administration.

YOUTH INVESTMENT PROGRAM – DESIRED OUTCOMES AND KEY ISSUES

The key issues for Stewardship Council board consideration include:

1. Funding Allocations

Of the remaining YIP funds, how much does the Stewardship Council want to allocate for each of the below funding categories?

- Program grants – Actual awards to service providers to connect youth to the outdoors
- Infrastructure project grants¹
- Sky Mountain Camp or other program expenditures that would connect youth and families to the PG&E watershed lands
- FYI's special initiatives, such as Outdoor Educator's Institute, the Outdoor Trips Fund, and cultural relevancy workshops
- FYI's fund development costs and other overhead

2. Level of Restrictions and Amount/Number of Annual Grants Awarded by FYI

What level and degree of restrictions does the Stewardship Council desire to impose on its award of program and infrastructure funds to FYI? For example, in order to reduce the costs to administer FYI's grantmaking program, would the Stewardship Council allow FYI to make more direct grants rather than expecting FYI to administer an open competition for all program and infrastructure grants? Would the Stewardship Council support FYI making fewer grants with less geographical distribution than in past years?

Does the Stewardship Council expect FYI to award a minimum amount of funding or minimum number of program and infrastructure grants annually?

Would the Stewardship Council provide FYI with the flexibility to decide the amount of grants awarded each year as long as the total amount of grants that FYI awards over a 3 year period (2013-2015) reaches a level set by the Stewardship Council?

¹ Since Infrastructure Projects typically take a couple of years or more to complete, either all the remaining funding allocated to Infrastructure projects needs to be awarded by early 2014 or the Stewardship Council may need to identify and seek approval of a mechanism to ensure there is accountability for expenditure of ratepayer funds beyond the life of the Stewardship Council. If the CPUC allows Land Conservation Program funding to be expended beyond the life of the Stewardship Council, perhaps YIP funds could be expended beyond 2016 as well. Please note the following statement in the discussion section of the August 2, 2012 CPUC Decision Granting the Petition of the Pacific Forest and Watershed Lands Stewardship Council and the Greenlining Institute for Modification of Decision 03-12-035 To Clarify Language Regarding Environmental Opportunity: "The Foundation for Youth Investment will account to the Stewardship Council for the use of any Youth Program funds it receives, and the Stewardship Council will remain accountable to the Commission for the disposition of such funds."



PROVIDING FINANCIAL SUPPORT TO FYI

Assuming FYI requests that the match milestones in the Major Grant Agreement be eliminated, would the Stewardship Council be willing to immediately transfer a significant amount of the remaining YIP funds to FYI for FYI's operational costs through 2016 without any further demonstration that FYI is on the road to financial sustainability? Alternative scenarios include the Stewardship Council awarding a grant to support FYI's operational costs through 2014 but reserving judgment whether additional funds should be committed for fund development and other overhead beyond 2014.

NEXT STEPS

Proposed Process and Timeline for FYI and Stewardship Council Board Decision-Making

The Youth Investment and Fiduciary Committee members in consultation with the Executive Committee of the FYI board will develop a recommendation to the Stewardship Council board addressing the issues outlined above.

Since the FYI board desires to move quickly to employ its own staff, it is expected that FYI will request a grant from the Stewardship Council sufficient to cover or defray the costs it will incur for salaries and benefits and other operational costs for a certain period of time. The review and approval of such a grant request will likely be an action item at the board's May 8 meeting. The decision regarding an expenditure plan for the remaining YIP funding is less time sensitive, but staff recommends that an expenditure plan be approved by the Stewardship Council board no later than September 2013.