

**AGENDA**  
**SAN DIEGUITO RIVER VALLEY REGIONAL OPEN SPACE PARK**  
**JOINT POWERS AUTHORITY**

**9:30 a.m. – 12:00 p.m.**  
**Friday, February 20, 2004**  
**County Administrative Center**  
**1600 Pacific Highway, Room 302/303**  
**San Diego**

Speaker slips will be available. Please fill out a slip and give it to the Chair prior to the meeting if you wish to speak to an item on the agenda. The Board may take action on any item listed on the Consent or Action agenda.

Introductions and Announcements.

Approval of the Minutes of January 16, 2004

Executive Directors Report

Public Comment

This portion of the agenda provides an opportunity for members of the public to address the Board on items of interest within the jurisdiction of the Board and not appearing on today's agenda. Comments relating to items on today's agenda are to be taken at the time the item is heard. Pursuant to the Brown Act, no action shall be taken by the Board on public comment items.

CONSENT

1. Adopt Resolution Applying for County of San Diego Community Enhancement Program Grant
2. Receive and Distribute Auditor's Report for Year Ending June 30, 2003

ACTION

3. Designate Placement of Southern California Edison Endowment Funds



## INFORMATION

### 4. Status Reports (Oral Reports)

- a. Fairbanks Ranch Country Club/Polo Field
- b. Sikes Adobe Historic Farmstead
- c. Wetland Restoration Project and Coastal Trail
- d. Lake Hodges Bicycle/Pedestrian Bridge

### 5. Jurisdictional Status Reports

An opportunity for the Board members to report on actions taken within their jurisdictions to further the park planning process, or problems which have arisen.

### 6. Communications

- a. Letter from Santa Fe Irrigation District to JPA, 2/10/04, re removal of vegetation in Lake Hodges

7. **CLOSED SESSION** The JPA Board will meet in closed session pursuant to Government Code Section 54956.8 with their real property negotiators, Dick Bobertz and Susan Carter, to discuss price and negotiation terms for the potential acquisition of the Boudreau property, APN 304-020-16 (69.16 acres) and 304-020-13 (6.20 acres), located in the coastal area west of El Camino Real and south of Via de la Valle.

Adjournment

Chair

THE NEXT REGULAR JPA MEETING IS SCHEDULED FOR FRIDAY, MARCH 19, 2004.

If you have any questions, please call Dick Bobertz at (858) 674-2270.

\*\*\*\*Due to the high cost of printing and mailing the JPA and CAC agendas, the full packets are only mailed free of charge to the JPA and CAC members. For others, the cost of the full agenda, with backup material, is \$45 per year, and the cost of the agenda without backup material is \$10 per year. **The agenda and minutes are available at no cost on the San Dieguito River Park web site at [www.sdrp.org](http://www.sdrp.org).**

**Agenda Item 1**  
**February 20, 2004**

**TO:** JPA

**FROM:** Staff

**SUBJECT:** County Community Enhancement Program Grant

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**RECOMMENDATION:**

Adopt the attached draft resolution approving the filing of an application for County of San Diego Community Enhancement Program funding for the County's 2004-05 Fiscal Year.

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**SITUATION:**

A. Background

The purpose of the County's Community Enhancement Program funding is to encourage organizations and activities that promote and generate tourism and/or economic development within San Diego County. Funding for the Community Enhancement Program is from the County General Fund based on revenue projections forwarded to the Board as part of the proposed Program Budget. Currently funded are cultural activities, museums, visitor and convention bureaus, economic development councils, and other similar institutions/organizations, including County programs and projects, which promote tourism and/or economic development within San Diego County. The majority of the available funding is allocated among the five supervisorial districts.

The San Dieguito River Park has received funding from this program, primarily from Supervisor Slater, numerous times in the past. This funding has been used in several ways, primarily to support the Trail Run & Hike and to provide materials and supervision to Scouts (boys and girls) and members of other youth organizations to construct projects (i.e., kiosks, signs and benches) to be located in the San Dieguito River Park as public amenities. In past years, funds from this program were used to prepare and print the Lake Hodges Bird Brochure, repair interpretive signage, prepare teacher guides for the Ruth Merrill Children's Interpretive Walk, and build scout and kiosk projects along the Mule Hill/San Pasqual Valley Trail.

B. Summary and Recommendation

The application deadline for Fiscal Year 04-05 is March 1, 2004. Your staff proposes submitting an application requesting \$10,000. \$8,500 of that would be used to construct interpretive signage and materials for the new "Strawberry Stand" wetland restoration information kiosk in the coastal area. The remaining \$1,500 would be used to reimburse scouts for constructing park amenities, such as benches, signs, picnic tables, etc. These uses of the funds would promote tourism and economic development by enhancing regional public facilities and promoting award-winning project areas and

**Agenda Item 1**  
**February 20, 2004**

programs in ways that will attract new visitors. The funding for youth projects is meant to involve youth in constructive activities that are not only a positive and educational activity for San Diego youth, but also an economical way for the Park to improve and increase its public amenities. The addition of these amenities in the River Park will enhance the experience of tourists and residents alike and encourage them to return for future visits to the area.

*Staff recommends adoption of the attached draft resolution approving the filing of an application for County of San Diego Community Enhancement Program funding for the County's 2004-05 Fiscal Year.*

**CAC RECOMMENDATION:** This item has not been reviewed by the CAC.

**FINANCIAL IMPACT TO JPA:** This item would have a positive financial impact to the JPA.

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**RECOMMENDATION**

Adopt the attached draft resolution approving the filing of an application for County of San Diego Community Enhancement Program funding for the County's 2004-05 Fiscal Year.

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**ALTERNATIVES:**

1. Adopt the attached draft resolution approving the filing of an application for County of San Diego Community Enhancement Program funding for the County's 2004-05 Fiscal Year.
2. Direct staff to revise the application.

Respectfully submitted,

Susan A. Carter  
Deputy Director

Attachments:

1. Draft Resolution

RESOLUTION NO. \_\_\_\_\_

RESOLUTION OF THE BOARD OF DIRECTORS OF  
THE SAN DIEGUITO RIVER VALLEY REGIONAL OPEN SPACE PARK  
JOINT POWERS AUTHORITY

WHEREAS, the San Dieguito River Valley Regional Open Space Park Joint Powers Authority is a legally constituted public/governmental entity, under the laws of the State of California, and is in complete control of its affairs through its own officers and members,

NOW THEREFORE, BE IT RESOLVED, that the Board of Directors of the San Dieguito River Valley Regional Open Space Park Joint Powers Authority hereby approves the filing of an application for the County of San Diego Community Enhancement Program funding for the County's 2004/05 Fiscal Year.

Adopted on the \_\_\_\_\_ 20th \_\_\_\_\_ day of February, 2004 by the following vote:

AYES: \_\_\_\_\_  
NOES: \_\_\_\_\_  
ABSTAIN: \_\_\_\_\_  
ABSENT: \_\_\_\_\_

\_\_\_\_\_  
Pam Slater, Chair

Attest: \_\_\_\_\_

**AGENDA ITEM 3**

February 20, 2004

**TO:** JPA Board**FROM:** Staff**SUBJECT:** Designate Placement of Southern California Edison Endowment Funds

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**RECOMMENDATION:**

Direct staff to take all necessary actions to establish a fund with the Del Mar Foundation for placement of Southern California Edison Endowment Funds.

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**SITUATION:**

Last month SCE provided \$500,000 to the River Park in compliance with a 1991 Memorandum of Agreement that established responsibilities for the management of the San Dieguito Wetland Restoration Project in perpetuity. That agreement established that SCE was responsible for maintenance of the project for a period equivalent to the operating life of the San Onofre Nuclear Generating Plant, which is currently estimated to be approximately 40 years. At the conclusion of that period the River Park will be responsible for management of the project using funds generated by the endowment investments. SCE chose to provide the funding to the River Park at this time based on a positive 1-20-04 letter from Coastal Commission staff commenting on a final plan submitted by SCE.

Staff recommends that an endowment fund be established with the Del Mar Foundation. The endowment fund would disperse funds to the River Park when it takes over project management only from interest from the principal, in order to preserve the income-generating potential of the principal.

**ANALYSIS:**

The Del Mar Foundation was established in 1982 with a mission that includes four goals:

- To promote civic pride and community cohesiveness in the City of Del Mar
- To educate the people of Del Mar about community history and heritage
- To plan, promote and operate cultural and athletic programs in the City
- To work to acquire, preserve and protect open space

The Del Mar Foundation has not previously administered endowment funds, but has established an investment committee and taken the organizational steps necessary to administer an endowment program (see attachments). The program has been established to be competitive with other area foundations in regard to administrative fees.

The River Park and the San Dieguito River Valley Conservancy have placed endowment funds in the two other area foundations, the San Diego Foundation and the Rancho Santa Fe Foundation. An endowment placement with the Del Mar Foundation is recommended to diversify investments, distribute investment funds geographically within the River Park to maximize exposure to potential contributors, and recognize the role of individual communities in the success of the San Dieguito River Park.

## **FISCAL IMPACT**

The administrative fees and 5-year rate of return on investment of the area foundations follow:

<u>Foundation</u>	<u>Administration Fee</u>	<u>Five-year Rate of Return</u>
San Diego Foundation	.5% - 1.5%	7.9 %
Rancho Santa Fe Foundation	1.0% - 1.5%	4.5 %
Del Mar Foundation	1.0%	NA

## **ALTERNATIVES**

1. Direct staff to take actions necessary to place the SCE endowment funds with the Del Mar Foundation.
2. Direct staff to take actions necessary to place the SCE endowment funds with another foundation.
3. Direct staff to do additional research to identify other opportunities for investment.

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## **RECOMMENDATION:**

Direct staff to take all necessary actions to establish a fund with the Del Mar Foundation for placement of Southern California Edison Endowment Funds.

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Respectfully submitted,

Dick Bobertz  
Executive Director

Attachments:

1. Draft Fund Agreement
2. Del Mar Foundation Investment Policy
3. Del Mar Foundation Investment Advisory Committee
4. Del Mar Foundation Fee Policy

**Del Mar Foundation**

**Fund Agreement for San Dieguito Lagoon Endowment Fund**

This Agreement is made and entered into on \_\_\_\_\_2004 by and between the Del Mar Foundation (“DMF”) and the San Dieguito River Park Joint Powers Authority (“Donor”)

**1. SAN DIEGUITO LAGOON ENDOWMENT FUND**

Donor transfers irrevocably to DMF the sum of five hundred thousand dollars, (\$500,000) to establish in DMF the San Dieguito Lagoon Endowment Fund (“the Fund”). DMF may receive additional irrevocable gifts of property acceptable to DMF from time to time from Donor and from any other source to be added to the Fund, all subject to the provisions hereof.

**2. PURPOSE**

The sole purpose of the Fund shall be to provide funding for the future physical maintenance of the San Dieguito Lagoon (“Lagoon”), from the Pacific Ocean to El Camino Real, subject to the limitations of paragraph 4 below.

**3. INVESTMENT OF FUNDS**

DMF shall have all the powers necessary or desirable to carry out the purposes of the Fund, including, but not limited to, the power to retain, invest and reinvest the Fund in any manner within the “prudent investor” standard and the power to commingle the assets of the Fund with those of other funds for investment purposes, subject, however, to the requirements of Sections 5231 and 5240 of the California Corporations Code and California Probate Code Sections 18500-18509 (“UMIFA”). DMF shall have the power to engage investment management services and to delegate the management of investments to qualified managers, provided, however, that the ultimate responsibility for investment policy and the implementation of such policy shall remain with the Board of Directors of DMF.

**4. DISTRIBUTION: MAXIMUM DISTRIBUTABLE AMOUNT**

Subject to paragraph 6, principal and income of the Fund shall be held and accumulated in the Fund until such time as Southern California Edison transfers responsibility for Lagoon maintenance to Donor (the “Transfer”). Thereafter, a “Maximum Distributable Amount” shall be determined by DMF as of January 1 of each year. The Maximum Distributable Amount for each year shall be an amount equal to five percent (5%) of the average of the net

fair market values of the total assets (principal and accumulated income) of the Fund as of the last business day of each of the preceding twenty (20) calendar quarters. DMF shall prorate the Maximum Distributable Amount on a daily basis for any year of less than a complete calendar year.

## **5. DISTRIBUTION: METHOD**

There shall be no distributions from the Fund until after the Transfer. Thereafter, DMF may make annual distributions from the Fund to Donor, solely for the purpose stated in paragraph 2 above, pursuant to the following procedure. In the first quarter of each year, DMF shall report in writing to the Donor the Maximum Distributable Amount for such year. Within three months of receipt of that report, Donor may submit a written request for a disbursement from the Fund for the maintenance of the Lagoon, with sufficient explanation of the need and the proposed use of the funds to enable DMF to evaluate the request. DMF shall promptly consider the request, conducting such due diligence as it shall deem necessary and make such distribution, not to exceed the lesser of the amount requested or the Maximum Distributable Amount, as the Board of Directors of DMF shall, in its sole discretion, deem appropriate. DMF shall endeavor to make such distribution within sixty (60) days after receipt of the request.

There shall be no additional distributions from the Fund, except as provided in paragraph 6. There shall be no requirement that all income be distributed each year; income may be accumulated and added to principal. Any portion of the Maximum Distributable Amount not distributed within a given year shall lapse at the end of that year. Distributions from the Fund are to be made only to Donor or its successor in interest.

## **6. CONTINUITY OF FUND**

The Fund shall continue in perpetuity unless its assets are exhausted or the specific purpose of the Fund can no longer be served by its continuation. In the latter event, DMF shall devote any remaining assets in the Fund exclusively for such charitable purposes that are within the scope of the charitable purposes of DMF's Articles of Incorporation and Bylaws as are determined in the sole discretion of the Board of Directors of DMF.

## **7. NOT A SEPARATE TRUST**

The Fund shall be subject to the Articles of Incorporation and Bylaws of the DMF. All money and property in the Fund shall be assets of DMF, and not a separate trust, and shall be subject only to the control of DMF. Pursuant to Treasury Regulations, the Board of Directors of the Del Mar Foundation shall have the power "to modify any restriction or condition on the distribution of funds for any specified charitable purpose or to any specified organization if, in the sole discretion of the Board of Directors, such restriction or condition

becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served.” Treasury Reg. Section 1.170A-9(e)(11)(v)(B) and (E).

## **8. COSTS OF THE FUND**

It is understood and agreed that the Fund shall share a fair portion of the total administrative costs of DMF. The administrative fee annually charged against the Fund shall be determined in accordance with the then current Fee Policy identified by DMF as the fee structure applicable to Funds of this type. Any costs (including, but not limited to, custodial, investment advisory, transactional, legal or accounting fees) to DMF in accepting, transferring or managing property donated to DMF for the Fund beyond those customarily covered by the administrative fee shall also be paid from the Fund.

## **9. ACCOUNTING**

The Fund shall be accounted for separately and apart from other gifts to DMF.

## **10. CHARITABLE STATUS AND DEDUCTIONS**

It is intended by Donor and by DMF that DMF shall continue to qualify as an organization described in Sections 170(b)(1)(A)(vi), 170(c), 2055(a), and 2522(a) of the Internal Revenue Code. This entire agreement shall be construed and applied so as to comply with the requirements of federal tax law for such qualifications and for the allowance of charitable deductions to donors for contributions to DMF designated to be added to the Fund.

IN WITNESS WHEREOF, we execute this agreement on \_\_\_\_\_,  
2004.

### **DONOR**

San Dieguito River Joint Powers Authority

By: \_\_\_\_\_

Richard Bobertz, Executive Director

### **DEL MAR FOUNDATION**

By: \_\_\_\_\_

President and Chairman of the Board of  
Directors, Del Mar Foundation

**The Del Mar Foundation  
Fee Policy**

**A. *Endowment Funds***

The Del Mar Foundation accepts contributions of long-term endowment funds to support specific programs that are consistent with the mission of the Foundation. Funds are managed for preservation of capital and long-term growth in accordance with the Foundation's investment policy.

The Foundation charges an administrative fee of 1.00% on all funds, calculated on the average daily balance of the assets of the fund and taken on a quarterly basis. In addition, any out-of-pocket expenses incurred by the Foundation to manage a particular gift (e.g., legal fees, brokerage fees, maintenance or selling costs of real estate) will be charged against the earnings of that gift.

To ensure that funds are managed for superior long-term risk-adjusted returns, the Foundation may employ outside professional consultants to provide management expertise and custodial and reporting services. The costs of such services typically range between 1.0 – 1.5%.

The Del Mar Foundation reserves the right to adjust these fees in the future if dictated by market conditions.

END OF DOCUMENT

**The Del Mar Foundation's San Dieguito Lagoon Endowment Fund**  
**INVESTMENT POLICY**

**I. PREAMBLE**

The Del Mar Foundation Board (the "Board") ensures that its fiduciary responsibilities for the San Dieguito Lagoon Endowment Fund (the "Fund") are fulfilled through appropriate investment structure, monitoring of portfolio performance and investment decision making that is consistent with the Foundation's Bylaws and this Investment Policy. The Board carries out its fiduciary responsibility with the advice of the Del Mar Foundation Investment Advisory Committee (the "Committee"), a Committee of volunteers appointed by the Board, and the appropriate use of investment consultants, financial institutions and financial managers contracted to provide custodial, investment advisory and brokerage services consistent with federal, state and local laws and regulations governing non-profit endowment funds..

**II. INTRODUCTION**

This document provides a framework for the management of the assets of the Del Mar Foundation's San Dieguito Lagoon Endowment Fund. The purpose of the Investment Policy is to guide the Investment Advisory Committee, the Board, the Investment Managers (the "Managers") and the Investment Consultant (the "Consultant") in effectively supervising, monitoring and managing the investments of the Fund.

This Policy addresses the following issues:

- a. general goals of the Fund;
- b. specific investment objectives of the Fund;
- c. asset allocation and rebalancing policies;
- d. policies and guidelines for managing investments;
- e. manager evaluation procedures; and
- f. duties of responsible parties.

This Investment Policy is designed to allow for sufficient flexibility in the management oversight process, while setting forth reasonable parameters to ensure prudence and care in the execution of the investment program. Additionally, Consultants and Investment Managers will be guided by specific Guidelines, which outline portfolio guidelines, authorized investments, prohibited securities, performance objectives and reporting requirements.

This Investment Policy incorporates the Board's policies, objectives, long-term asset allocation plan, and implementation program for fulfilling its fiduciary obligation to manage the Fund's assets, with the care, skill, prudence and diligence under the circumstances then prevailing of a prudent person acting in a like character and with like aims.

**III. GENERAL INFORMATION**

This Investment Policy covers the San Dieguito Lagoon Endowment Fund under the direct control of the Del Mar Foundation Board of Directors as advised by the Investment Advisory Committee.

**IV. INVESTMENT PLAN**

**A. Long-term Goals**

The following long-term investment goals, consistent with the purpose of the Fund, are adopted:

1. Fund assets will be managed on a total return basis for the next 30 years while taking into account the 5% annual investment income potentially required after the year 2034. While the Committee recognizes the importance of preserving capital, the Committee also adheres to the principle that varying degrees of investment risk are generally rewarded with concomitant returns over the long-term.

2. Fund assets will be diversified among asset classes, as well as within each asset class including diversification among sectors and industries, quality, market capitalization, and investment style on the premise that portfolio diversification and equity style diversification provide protection against a single security or class of securities having a disproportionate impact on aggregate performance.

3. Fund assets will be managed to ensure that the investment program complies at all times with applicable local, state and federal statutes and regulations.

#### **B. Fund Objectives**

Risk: The Fund should experience risk as measured by volatility and variability of return commensurate with that of the market. The market is defined as the Fund's asset allocation policy applied to the Russell 3000 Index, the MSCI EAFE Index and Lehman Aggregate Bond Index measured over rolling three and five year periods.

Return: The return objective for the Fund, measured over rolling three and five year periods, is to exceed by 50 basis points, net of fees, the market as defined above. The target rate of return for the Fund is the CPI plus 6.0%.

#### **C. Spending Policy**

For planning purposes, the long-term objective of the Spending Policy is 5.0% of the market value of the Fund after the expected 30 years, i.e., after the year 2034. Market value, for the purpose of calculating the Spending Policy, is the twenty quarter average of the market value of the Fund as of December 31st of each year. For purposes of managing the Fund, the Board may, upon recommendation of the Committee, in response to changing economic circumstances, raise or lower the assumed percentage to be distributed in any given year. The assumed percentage is intended to be utilized as a management tool for managing the Fund and is not in any way an agreement or implied agreement by the Board to alter the spending policy guidelines and policy that exist by contract between the Del Mar Foundation and the JPA.

#### **D. Asset Allocation**

The long-term target asset allocation for the Fund is developed to facilitate the achievement of the Fund's long-term investment objectives within the established risk parameters. In recognition that the allocation of investments among asset classes may be the single most important determinant of long-term investment performance, the Committee will review and adjust as necessary these targets at least quarterly. The Board of Directors of the Del Mar Foundation shall approve at least annually the asset allocation guidelines in effect for the Trust Fund and as necessary whenever the investment horizon for any portion of the Fund changes. The Fund shall be divided into the asset classes set forth as follows:

**First 25 Years (2003-2029)**

	<u>Minimum %</u>	<u>Maximum %</u>	<u>Target %</u>
<b>US Equities</b>	65.0	80.0	80.0
<b><u>International</u></b>	<u>15.0</u>	<u>20.0</u>	<u>20.0</u>
<b>Total Equities</b>	80.0	100.0	100.0
<b>Fixed Income</b>	0.0	15.0	0.0
<b>Cash Equivalents</b>	0.0	5.0	0.0

**Next 25 Years (after 2029)**

	<u>Minimum %</u>	<u>Maximum %</u>	<u>Target %</u>
<b>US Equities</b>	40.0	60.0	45.0
<b><u>International</u></b>	<u>10.0</u>	<u>20.0</u>	<u>15.0</u>
<b>Total Equities</b>	50.0	80.0	60.0
<b>Fixed Income</b>	15.0	45.0	35.0
<b>Cash Equivalents</b>	5.0	5.0	5.0

The actual asset allocation, which will fluctuate with market conditions, will be regularly scrutinized by the Committee, who will advise the Board on making adjustments in order to maintain target ranges.

**E. Role of Asset Classes**

## 1. Equities.

It is anticipated that total returns of equities will be higher than total returns of fixed income securities over the long run but are likely to be subject to greater volatility over shorter periods.

a. Domestic Equities - It is intended that the domestic equity portion of the portfolio will provide exposure to different investment styles as well as the full range of market capitalization. The purpose of exposure to different investment styles is to minimize portfolio volatility as well as to enhance returns because different styles have historically had different performance cycles. Inclusion of portfolios with an emphasis on different market capitalizations is also important to minimize volatility and enhance returns as companies with different market capitalizations often have different growth cycles and stock prices that move in patterns. Market capitalization groups are defined as follows:

- (1) Large Cap - As defined by the Russell 1000 Index
- (2) Mid-Cap - As defined by the Russell Midcap Index
- (3) Small Cap - As defined by the Russell 2000 Index.

b. International Equities - This segment provides access to major equity markets outside the US and consequently plays a significant role in diversifying the Fund's equity portfolio. This segment will provide exposure to developed and developing non-US markets, whose growth and returns are not synchronized with those of the US. This core international segment will concentrate on larger companies in established non-US equity and emerging markets and will exhibit both growth and value characteristics.

## 2. Fixed Income.

The primary role of the fixed income portfolio is to provide a source of stability that acts as a buffer to more volatile portfolio segments, i.e., equities. In addition, the Fund's bond portfolio will contribute substantially to the income needs of the Fund. Fixed income generally provides a diversified portfolio with deflation protection during periods of financial duress. Bonds dampen the overall volatility of total Fund results, which is important to help mitigate losses in periods of falling equity markets. Bond markets suffer declines, but they are generally not as severe as those experienced in the equity market. Bond returns are steadier than those of equities because of income received and because bonds have greater precedence in a company's capital structure. Bonds typically do not fare well in periods of dramatically rising inflation.

3. Sundry Assets.

From time to time, the Fund may receive and/or hold assets other than stocks, bonds, and cash equivalents. It will be up to the Board to determine the disposition of those assets.

**V. POLICIES AND PROCEDURES**

**A. Cash Flows and Rebalancing**

1. Rebalancing

On at least an annual basis, preferably to correspond with the end of the calendar year, portfolios should be rebalanced to long-term asset allocation targets. The purpose of rebalancing is to maintain the risk/reward relationship implied by the stated long-term asset allocation targets. As a guideline to the rebalancing process, portfolios shall be considered "out of balance" if they exceed their target allocation by more than 5.0% (five percentage points). This process may result in withdrawing assets from portfolios that have performed well in the latest year or adding assets to accounts which have lagged in the most recent period. This policy may also necessitate the purchase and/or sale of securities, which could create additional transactional costs to the portfolios and require recognition of capital losses. The purpose of rebalancing, however, is to maintain the risk/return characteristics of the target asset allocation.

2. Cash Flows

Anticipated cash flows shall be reported to the investment committee. As a general rule, cash flows will first be used to rebalance the total funds in accordance with the target asset allocation policies.

**B. Transaction Guidelines**

The Committee may, at its discretion, request its active domestic equity Managers to direct a portion of all brokerage transactions, for Fund assets under the firm's management, through designated brokers for payment of services rendered in connection with the day to day management of the assets. Directed transactions must be on a best price and execution basis. Best execution is defined as achieving the most favorable price and execution services available, bearing in mind the Fund's best interests, and considering all relevant factors.

**C. Portfolio Management Policy**

The Committee will utilize index exposure and/or retain qualified external active Managers to manage portfolios based on a specific style and methodology. The Managers will have full discretion and authority for determining investment strategy, security selection and timing subject to these Policies. With the assistance of the Consultant, the Committee will review on a regular basis, each Manager's adherence to the Policies, and any material changes in the Manager's organization such as staffing changes and new business developments. Performance of Managers will be reviewed by the Committee

on a quarterly basis.

1. Selection Guidelines for Active Managers

Guidelines will be established for each Manager search undertaken by the Committee and will be tailored to the Committee's needs. In general, eligible Managers should possess the following attributes:

- a. An appropriate performance history in the discipline specified by the appointment;
- b. Demonstrated adherence to the investment style for which they were engaged and adherence to the firm's stated investment discipline;
- c. Experience in managing money for institutional clients in the asset class/product category specified by the appointment;
- d. A record of stability in retaining and attracting qualified investment professionals, as well as a record of managing asset growth effectively, both in gaining and retaining clients;
- e. A fee structure that is competitive with industry standards for the product category;
- f. SEC-Registration as an Investment Advisor (or exempt from registration) that is recognized as providing demonstrated expertise in the management of investments for tax-exempt institutions and a defined investment specialty; and
- g. The willingness and ability to comply with the "Duties of the Investment Managers" outlined herein.

2. Guidelines for Manager Termination

The Committee reserves the right to terminate a Manager for any reason. Grounds for termination may include, but are not limited to, the following:

- a. Failure to comply with these Policies for management of the portfolios, including holding restricted securities;
- b. Failure to achieve performance objectives specified in these Policies;
- c. Significant deviation from the Manager's stated investment philosophy and/or process;
- d. Loss of key staff members;
- e. Evidence of illegal or unethical behavior by the Management firm;
- f. Unwillingness to cooperate with reasonable requests for information, meetings or other material related to its portfolios; and
- g. Loss of confidence by the Committee in the Manager.

The presence of any one of these factors will be carefully reviewed by the Committee but will not necessarily result in automatic termination.

**E. Management Review Procedures - Responsible Parties**

1. Duties of the Investment Consultant

The principal role of the Consultant is to provide independent advice to the Board and the Committee. The Consultant shall be responsible for the following:

- a. Making recommendations to the Board and the Committee regarding investment policy and strategic asset allocation including the addition or substitution of new asset classes;
  - b. Assisting the Committee in the selection of qualified Managers, and assisting in the oversight of existing Managers, including performance evaluation and monitoring changes in staffing, ownership and the investment process;
  - c. Preparing a quarterly report on the Managers' performance, and on the performance of each portfolio in total including a review of guideline compliance and adherence to investment style and discipline;
  - d. Working directly with the Board and other staff on any investment-related topic;
  - e. Providing topical research and education on investment subjects that are relevant to investments and endowment management; and
- f. Meeting with the Committee and the Board as requested.

2. Duties of the Investment Managers (applies only to separate accounts)

Managers shall be responsible for the following:

- a. Providing the Committee with a written agreement to invest in accordance with the Policies;
- b. Providing the Committee each year with the updated ADV Part II filed with the SEC;
- c. Adhering to the investment management style as represented to the Committee at time of retention;
- d. Executing all investment transactions with brokers and dealers qualified to execute institutional orders on an ongoing basis at the best net cost and, where appropriate, direct the brokerage as requested;
- e. Providing monthly reports in a satisfactory form;
- f. Reconciling every month accounting, transaction and asset summary data with custodian or trustee valuations and communicate and resolve any significant discrepancies; and
- g. Maintaining frequent and open communication with Committee and Consultant, on all significant matters pertaining to the Policies including, but not limited to, the following:
  - (1) The Manager's investment outlook, investment strategy and portfolio structure;
  - (2) Significant changes in ownership, organizational structure, financial condition or senior staff;
  - (3) Changes in the portfolio manager or other staff members assigned to manage the allocation; and

(4) Other issues which the Manager deems to be of significant interest or material importance.

**F. Meeting Schedule**

The Committee shall meet to review the performance and compliance of the Fund to objectives and guidelines no less frequently than twice a year.

**VI. MANAGER GUIDELINES**

Investment guidelines are defined as broad parameters by which the Committee and our Managers should operate in executing policies and strategies. Any exceptions to the manager guidelines must be approved by the Committee.

**A. Manager Guidelines - All Asset Categories**

1. Mutual funds or commingled funds may be used in any category. When one is selected, however, it is expected that the funds will, in general, comply with the Guidelines stated for each asset category. No fund may be used without approval of the Board upon recommendation of the Committee
2. Cash equivalents may be held in the equity portfolio at the Manager's discretion. Managers will be evaluated, however, based upon their performance relative to the appropriate equity index benchmark.

**B. Domestic Equities (Active Large and Small Capitalization)**

1. All equity investments will be guided by the considerations of quality, marketability, and diversification mandated by prudence.
2. Individual issues should be limited to no more than 5% at cost of the market value of the Manager's portfolio.
3. No individual equity commitment in a Manager's portfolio should exceed 3% of the issuer's outstanding equity securities.
4. It is expected that equity portfolios in this category will be well diversified between economic sectors and industries. Investment in a single sector which can be no more than two times the weight of that economic sector of the S&P 500 or 30%, whichever is greater, without seeking approval of the Committee.
5. Managers may invest in equity securities listed on the principal U.S. exchanges or traded in the over-the-counter markets and in international investments as limited by the asset allocation guidelines for the Fund.
6. All domestic equity Managers in this category are expected to outperform the market as represented by the S&P 500 over a market cycle of at least five years. On an annual basis, they are expected to be at least at the median of a universe of Managers with similar investment styles. Over a three-year period, they are expected to be in the top 40th percentile of a universe of Managers with similar investment styles. Specific Manager benchmarks over a market cycle are:

- a. Large Capitalization Core Growth Manager: outperform the S&P 500 Index and/or the Russell 1000 Large Capitalization Growth Index.
- b. Large Capitalization Value Manager: outperform the Russell 1000 Large Capitalization Value Index.
- c. Small and Mid Capitalization Growth Manager: outperform the Russell 2000 Growth Index and/or the Russell 2500 Growth Index.
- d. Small and Mid Capitalization Value Manager: outperform the Russell 2000 Value Index and/or the Russell 2500 Value Index.

**C. International Equity**

- 1. All equity investments within an international equity large capitalization portfolio will be made within the guidelines of quality, marketability and diversification mandated by prudence.
- 2. An individual issue should be limited to no more than 5% of the market value of the manager's portfolio at cost.
- 3. All International Equity Managers in this category are expected to outperform, net of fees, the EAFE Index over a market cycle. On an annual basis, they are expected to be at least at the median of a universe of Managers with similar investment styles. Over a three-year period, they are expected to be in the top 40th percentile of a universe of Managers with similar investment styles.

**D. Fixed Income**

These guidelines set forth expected return relative to the benchmark plus general guidance on diversification, quality, duration and certain limitations. The investment objective for the fixed income segments is to outperform the Lehman Brothers Aggregate Bond Index by 50 basis points per annum net of fees for intermediate term bond funds and to equal the Merrill Lynch 1-3 Year Treasury Index for short duration bond funds. In addition, the Manager(s) should be measured against an appropriate benchmark for their investment style or the duration of the portfolio. It is expected that the Manager(s) will meet the fixed income objectives established and will provide investment returns placing the funds' performance at least in the second quartile of a peer-managed universe. In addition to short-term performance reviews, the Manager(s) will be evaluated over rolling three and five year periods.

Certain guidelines for portfolio quality, diversification and limitations on the use of certain securities are the same for all fixed income managers unless noted within a specific style category. The guidelines are:

- 1. The average quality of the Core and Short Duration portfolios shall be no less than A, computed on a weighted average basis.
- 2. It is expected that, in general, fixed income portfolios shall be well diversified with respect to sector, industry and issuer in order to minimize risk. Investments in securities of a single issuer (with the exception of the U.S. Government and its fully guaranteed agencies) should not exceed 5% of the portfolios at cost.
- 3. It is expected that the portfolio duration of fixed income Managers shall be within 25% of the duration of the benchmark index for each fixed income portfolio.

4. No more than 20% of the market value of the fixed income component of the portfolios may be invested in foreign securities (dollar and non-dollar denominated).
5. Futures and options as well as forward contracts to hedge currency positions must be traded on public exchanges and/or over-the-counter with the 50 largest international and 25 largest US banks in asset size and with well qualified US and foreign brokers and dealers.
6. At no time will the use of leverage (borrowing or buying and selling on margin) be permitted in fixed income portfolios.
7. In all cases, the use of derivatives is subject to the same limitations set for cash market securities (including, but not limited to, duration, counterparty credit quality, asset concentrations, etc.). Any derivatives used must be highly liquid and have an active secondary market.
8. Derivatives may be used to replicate transactions that the Manager would otherwise execute in the cash markets for purposes of reducing transaction costs or effecting shifts in strategy on an interim basis, and should not be used for the sole purpose of yield enhancement.
9. Futures and options contracts are permitted for the hedging of foreign currencies.
10. The Manager should only accept reasonable and prudent prepayment risk, consistent with the stated objectives of their respective portfolios.
11. The investment objective for the Core Fixed Income segments is to outperform the Lehman Aggregate Bond Index by 50 basis points per annum net of fees and the median of a peer universe of managed fixed income funds measured over rolling three and five year periods.

**E. Guidelines for Other Asset Classes**

The appropriateness and use of other asset types is subject to the prior approval of the Committee.

**F. Prohibited Transactions**

No assets shall be invested in private placements, letter stock or uncovered options.

**Investment Advisory Committee**  
**of the**  
**Del Mar Foundation**

**Laura Stanley DeMarco** is a 17 year resident of Del Mar with over 20 years of investment experience. She was a partner and one of the first employees of the San Diego-based investment management firm, Nicholas-Applegate, where she spear-headed marketing and client service to public pension funds for 18 years and also served several large endowment, foundation, Taft-Hartley and private investment funds. The firm grew from \$100 million when she joined in 1985 to over \$40 billion in 2001 when the firm was bought out by Allianz AG. She retired from Nicholas-Applegate in 2003.

While at the firm, her clients included cities, counties and states nationwide, universities such as Stanford and Wake Forest, foundations such as the Howard Hughes Medical Institute, and the fiduciaries of the Central States Teamsters Pension Fund. She was an active member of the nation's leading public pension fund and endowment management organizations such as the National Association of State Treasurers, the National Council of Public Employee Retirement Systems, the Council of Institutional Investors and the National Association of College and University Business Officers. Prior to Nicholas-Applegate, Ms. DeMarco worked at another investment management firm, RNC Capital Management in Los Angeles. While in college, she also worked with brokers at Dean Witter and Drexel Burnham.

Ms. DeMarco is a graduate of the University of San Diego and currently serves on the boards of the YMCA of San Diego County and the San Diego Museum of Art, including the Museum's investment committee. She previously served on the board of the Hannah Fenichel Center for Child Development. She lives in Del Mar with her husband, Ralph, and their five children.

**Charles H. Gaylord, Jr.** is a retired, private technology investor focusing on software and communications. He has been an advisor to two venture capital fund groups, Technology Crossover Ventures (approximately \$1.5 billion in committed capital) and Mission Ventures (San Diego-based). He is a former board member of such public companies as HNC Software, Inc., Retek, Inc., Stac Inc., and Maxis, Inc. He is or has been a member of the boards of directors or advisors of several other private software companies, more recently including Cardiff Software, eAssist, Resumix, Silicon Energy, Stellcom, as well as a few other startups. Service on several of these boards included membership of their Audit Committees. He is past founding-Chairman of the San Diego Software Industry Council.

From 1990 to 1993 Mr. Gaylord was an investor in, Chairman and Chief Executive Officer of San Diego-based ChipSoft, makers of TurboTax, where he was responsible for its growth, IPO and subsequent sale to Intuit, Inc. Following that acquisition, he was, until September 30, 1994, the Executive Vice President for Intuit Inc., makers of Quicken and QuickBooks. Over a seventeen year period prior to ChipSoft, Mr. Gaylord held various senior management positions with one of the world's largest private energy marketing and trading companies. He holds both bachelor's and master's degrees in engineering from Georgia Institute of Technology (1967 and 1969 respectively) and an MBA from Harvard Graduate School of Business Administration (1973). He has been married for 38 years, has two children, and presently resides in Del Mar, California.

**Richard H (Dick) Hertzberg** has been a Del Marian since he and his wife Carol moved to the Del Mar community in 1980. Since 1980 he has been the President and CEO of the ENPEX Corporation, a privately held energy development company involved in power plant development and operations, oil and gas exploration and production, and research and development related to the energy sector. Prior to founding the ENPEX Corporation he was the Director of the U.S. Department of Energy's research and development programs related to petroleum, natural gas, coal mining and underground coal conversion. He also served as the responsible official in the White House Office of Management and Budget for oversight of the nation's fossil energy research and development program.

Mr. Hertzberg has a graduate degree in chemical engineering from Columbia University and is a graduate of Colgate University. He served as an officer in the U.S. Coast Guard attaining the rank of Lieutenant Commander. He is a Director of the La Jolla Music Society and also Rancho Santa Fe Farms Golf Club. He is currently the Chairman of Chancellor's Associates at UCSD and is a member of the Board of Trustees of the UCSD Foundation.

**Joel Holliday** is the President and CEO of the Charles Lee Powell Foundation, a 501c(3) private foundation with over \$40 million in assets. He has held that position since 1999, and has been on the board of directors of the foundation since 1993. He was the CFO of Applied Micro Circuits Corporation, a semiconductor firm, from 1981 until his retirement in 1999. His earlier career experience includes being a co-founder and CFO of Spin Physics, Inc. and the Director of Finance during the reorganization of Westgate California Corporation.

Mr. Holliday holds a B.A. from Claremont McKenna College and an MBA from Harvard Business School. He and his wife, Rosanne, have lived in Del Mar since 1973.

**Joe Sullivan** has been active in the San Diego entrepreneurial community as a private investor and advisor to early-stage technology companies for over ten years. He is the Founding Partner of Aztec Venture Network, a fund comprised of thirty private investors who share the work of identifying and evaluating seed stage investment opportunities in Southern California. In 1980 he was a founding partner of Flextronics (NASDAQ:FLEX), a leading electronic manufacturing services company headquartered in Silicon Valley. He retired as CEO in 1993 when the company had reached \$100 million in revenue with 1,000 employees in the U.S. and Asia. Today Flextronics operates on five continents with approximately 95,000 employees and \$13.4 billion annual revenue. Prior to Flextronics, he was a marketing executive with Seagram Wine Company.

Mr. Sullivan, a San Diego native, is a graduate of SDSU where he serves on the Board of Advisors for the Entrepreneurial Management Center. After serving as an engineering officer in the US Navy he earned an MBA from the Harvard Business School. He has been a resident of Del Mar since 1989. He was instrumental in the capital fundraising campaigns for the Del Mar Library and the Powerhouse Community Center. Mr. Sullivan is past president of the Del Mar Foundation and a former board member of the Del Mar Television Foundation.