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Foundation to suspend its grants

SM group tightens belt as little endowment money comes in

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SAN MARCOS — The spiraling economy, coupled with heavy investment losses, have taken a toll on a city foundation that provides grants to local nonprofit groups, leaving it with no more money to give out this year.

The San Marcos Community Foundation has used interest generated by a \$1 million-plus endowment to distribute grants to dozens of community groups and programs since the City Council formed the nonprofit organization 20 years ago.

City human resources director Donna French said this week, however, that the fund's value had dropped to about \$948,000 as of Sept. 30.

French, who is one of two city liaisons for the foundation, attributed the decrease to losses in the foundation's investment portfolio, which is overseen by the San Diego Jewish Community Foundation.

The value will probably be even lower by the end of this month, she added, due to steep declines in the stock market during October and the first few weeks of this month.

Conditions attached to the foundation when it was formed require the organization's board to suspend the grants if the endowment's value drops below \$1 million — a move designed to ensure the endowment doesn't get used up, said French.

"Because of what's been happening in the market, they're below that at this point in time," she said.

Foundation president Colleen Lukoff was out of town Monday and could not be reached for comment.

However, the foundation's board was scheduled to meet Tuesday evening to develop ideas for boosting the fund.

The foundation got its start in 1987 when a now-defunct trash recycling company gave the city \$1 million. The foundation invested the money and used the interest it generated to pay for quarterly grants of up to \$10,000 to dozens of community groups and programs that serve San Marcos residents.

The Boys & Girls Club of San Marcos, The Elizabeth Hospice, Interfaith Community Services, the San Marcos

► FOUNDATION

Continued from B-1

Lions Club Foundation, the San Marcos Historical Society, and North County Solutions for Change are some of the organizations that have received money from the foundation.

The endowment used to be invested in a pool of city funds. That changed after a former board member complained that the investment strategy was too conservative and generated returns that were too low.

The endowment was turned over to the San Diego Jewish Community Foundation in March 2005 after the state attorney general's office reprimanded the local foundation and told it to adopt a more aggressive investment strategy.

The move appeared to pay off a year later when the San Marcos Community Foundation reported the endowment had earned 7.2 percent interest over the last 12 months, compared with a 3.2 percent rate of return in the city investment pool. The total fund stood at \$1.1 million at that time.

The board restructured the foundation the following year, set a goal of raising the endowment to \$10 million by the end of 2011, and discussed ways to increase the amount of donations coming to the foundation.

In August, the foundation announced it had distributed \$58,000 worth of grants in the previous 12 months, up from an average of \$48,000 in previous years.

French said this week, however, that the economic slowdown seen in recent months has hurt the foundation's ability to attract the individual and corporate contributions it has been seeking.

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