

Measurable Impact: Marin Community Foundation's New Course

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By Richard Halstead

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The Marin Community Foundation - the nation's sixth-largest community foundation with more than \$1.1 billion in assets - is ready to rumble.

In April, the foundation dived into the controversy surrounding undocumented immigrants by providing emergency funding for Marin families affected by federal raids earlier this year.

In May, the foundation debuted a major campaign to convince county residents that more affordable housing is needed. Thomas Peters, the foundation's president, said he might use legal action to force local municipalities to promote affordable housing as required by state law.

In June, the foundation announced its next new initiative: a re-evaluation of the needs of Marin's seniors - despite the county Division of Aging's recently completed statistical study of seniors' needs.

The foundation, which is celebrating its 20th anniversary this year, has adopted a more hands-on, in-your-face posture since announcing in 2006 that it would no longer set aside at least 70 percent of its Buck Trust grants to help cover operating costs of Marin nonprofits.

The course change resulted in the redirection of \$35 million initially and will cost the nonprofits countless millions more in the years to come. The foundation's board announced that in the future, it would use half of its Buck Trust grants to foster bold new initiatives.

In August, after the foundation had implemented its new policy, Peters announced it would give more than \$2.9 million of the re-allocated funds to several capital projects: new offices in San Rafael for the Marin Community Clinic, a new gym in San Geronimo Valley, an athletic field in San Anselmo, a firehouse and health clinic in Bolinas and an affordable housing project in Larkspur.

Peters says the change reflects a national trend in philanthropy toward supporting efforts that have "clearly identified goals and some measurable impacts."

"What donors are looking for, what we're looking for as a foundation, is impact," Peters says.

Attracting donors

Coincidentally or not, the foundation's main consultant says that goal is the best strategy to attract new money for the foundation to oversee. Most of the changes that the Marin Community Foundation has made recently jibe with strategies outlined by foundation consultants for attracting more "donor-advised" money.

In addition to managing the Buck Trust's \$923 million in assets, the foundation administers charitable funds for more than 300 individuals, families and businesses. These giving accounts are known as "donor-advised funds" because the donors consult with the foundation regarding how their money should be spent. The asset value of the Marin Community Foundation's donor-advised funds has grown steadily since 2002, jumping 78 percent to nearly \$225 million in 2007.

"I do think there can be a relationship between the visibility of the foundation, its impact and its ability to attract donor-advised funds, and I certainly know that the Marin Community Foundation is indeed very interested in attracting more money to donor-advised funds," said Mark Kramer, founder and managing director of the Foundation Strategy Group.

The foundation has hired FSG, which has offices in San Francisco, Boston and Switzerland, to advise it on its most recent moves. Peters would not disclose how much the consultant is being paid.

Peters revels in the addition of the foundation's new benefactors.

"One of the things I'm most proud of in terms of the direction of this foundation is we're adding new families and individuals to our network," Peters said. He scoffs at the suggestion that the foundation's higher-profile approach was motivated by the desire to attract them.

There is little independent evidence on which to judge. When it comes to executive decisions, the foundation is a virtual black box. Meetings of the nine-member board of trustees are closed to the public, and trustees speak reluctantly, if at all, about their deliberations.

"We're not supposed to be talking about what happens inside there," board member Carlos Porrata said. "Usually what we try to do is have Tom Peters be our spokesman."

Peters, who became the foundation's director in 1998 after stints managing health and human service departments in Marin and San Francisco, says, "It's not a gag order. It's an efficiency agreement."

He says there is nothing mysterious or sudden about the foundation's new direction.

"It comes from a set of discussions over a number of years," Peters said. "Easily the last four to five years we've been talking about this whole issue of allocations of resources and the overarching strategies and goals. Sixteen different trustees participated in the discussion. There were a series of votes to get to this, without a single 'no' vote."

Grant cutbacks

The foundation's reappraisal coincided with cutbacks necessitated by the popping of the high-tech stock bubble in 2000. In January 2005, Peters announced that the foundation was being forced to cut its grants to local organizations by \$2.5 million and that it would trim another \$2 million over each of the next two years. The foundation bases its giving on the value of its assets averaged over a five-year period.

At the time, some nonprofit administrators begged Peters to maintain grant levels. Although the Marin Community Foundation ranks sixth in asset size, it ranks 17th in total giving, according to The Foundation Center in New York City.

Peters declined, saying it was impossible to maintain the grant levels without putting the long-term viability of the foundation at risk. Peters said it was the wish of the foundation's founding donors, the Buck family, that the trust survive for decades to come.

The Buck Trust is entirely dependent on the performance of its investments for growth. In 2003, for example, the value of those assets dropped \$46 million, to \$857 million from \$903 million the previous year.

According to Gary Strankman, the court-appointed special master who oversees the settlement that created the foundation, Peters felt it necessary to rein in administrative spending because of stock market losses.

"Tom made certain administrative decisions that kept it more or less in ratio during that period. Certain positions weren't filled," said Strankman, a retired California appeals court judge.

New competition

In an essay that appeared in BusinessWeek last year, Daniel Schley - chief executive of Foundation Source, a financial services company that provides services to more than 450 private charitable foundations - wrote that community foundations are struggling to preserve their donor base. A big reason for this struggle, Schley says, is the rapid growth of commercial donor-advised funds.

Since Fidelity Investments created the first commercial donor-advised fund in 1991, it has attracted more than 40,000 donors. Today, the Vanguard Group, the Calvert Group and Merrill Lynch also offer their own donor-advised funds.

"For answers, community foundations have turned to a cadre of consultants and advisers, retuned their marketing messages, and gone on the offensive," Schley wrote in BusinessWeek.

Schley says the situation remains the same today.

"People don't really think of philanthropy and market dynamics in the same breath but, in truth, it is very much a market," Schley said. "These are businesses - some for profit, some not-for-profit - that are very, very concerned with perpetuating their client base."

While community foundations aren't concerned with profits as commercial, donor-advised

funds are, they still must cover their administrative costs, Schley said. Because the Marin Community Foundation's administrative fee for managing donor-advised funds is 0.5 percent, it collected \$795,420 during the fiscal year that ended June 30 thanks to its donor-advised funds in 2006.

During 2003, 2004 and 2005 - at the same time it was coping with losses in the stock market and cutting back on local giving - the Marin Community Foundation paid outside consultants more than \$5 million. In 2005, the foundation added a spot on its board of trustees to represent its donor-advised funds.

Strategy outlined

In a presentation prepared for the John S. and James L. Knight Foundation and broadcast over the Web in 2005, FSG noted that 69 percent of community foundations cannot cover costs from traditional fees alone, and 39 percent had a deficit in at least one of the past five years. FSG acknowledged in the presentation that many community foundations believe their future success depends on growing donor-advised funds.

In its presentation, FSG said community foundations face "increasing sustainability pressures" because of a number of factors, including competition. FSG advised that community foundations could best differentiate themselves from competitors by serving as "change agents" in the community. The presentation made the point that "more involved donors want opportunities for leadership and the ability to set a larger agenda." FSG predicted that in the future community foundations will have to compete with nonprofits for funds instead of being "intentionally noncompetitive" with them as in the past.

FSG's Kramer said the Marin Community Foundation's managers were aware of the thinking contained in that presentation - "that is part of the reason they hired us."

"They've become much more focused on donor development and fundraising in part out of a somewhat competitive sense with Fidelity's charitable gift trust and other commercial gift funds," said Kramer, who ran a venture capital firm for 12 years before founding FSG.

"They've tried to improve their communications and marketing, and they've also tried to get more targeted about their grant making and about finding other ways they can achieve impact in the community beyond just writing checks," Kramer said. "Some of that has to do with engaging donors in the work of the foundation or on issues in the community. Some of it has to do with helping set the agenda for the community or collecting research about issues in the community that donors might want to address."

Kramer said the rise of the commercial donor-advised funds "really did alarm the community foundations."

Schley said it isn't hard to see why community foundations seeking donors would want to assume a higher profile.

"If your objective is to raise public visibility and promote and market your entity, then a

high-profile project has a greater probability of getting press," Schley said. "When Bill Gates gives \$100 million to Stanford University - that gets press."

Nevertheless, Kramer and Peters deny that the Marin Community Foundation has tailored its policies simply to attract more donor-advised money.

"I don't think that was the primary motivation at all," Kramer said.

Kramer says the changes are more indicative of the professionalization of philanthropy and a new emphasis on long-term results.

"There is a difference between alleviating the symptoms of a problem and trying to solve it or change things," Kramer said. "Foundations are in an unusual position in being able to really concentrate money on a solution, if they can develop one."

'Billion-dollar club'

Peters says the Marin Community Foundation is exempt from the financial pressures felt by most of the nation's other 750 community foundations, because of its size.

"There are only a handful of us that are in the billion- dollar club - where the resources give us an opportunity to be mature at a level far beyond the average foundation," Peters said.

Aaron Dorfman - executive director of the National Committee for Responsible Philanthropy, based in Washington, D.C. - said, "It looks to me like they're trying to get more strategic in their philanthropy, which is part of a trend that most foundations are going through right now. Depending on how they do it, it could be a good thing or a damaging thing.

"Always pushing for something new and innovative is one of the most damaging things that foundations sometimes do," Dorfman said. "When they push for new or innovative for its own sake, it doesn't help anyone.

"When they push for new and innovative in ways that are strategically focused and help their grant making have greater impact, that can be a very good thing."

Photo: Frankie Frost. "A new gymnasium in San Geronimo is among several capital projects that received a slice of \$2.9 million, after the Marin Community Foundation revised its policy and reallocated funds."

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