

The David and Lucile Packard Foundation

SPENDING POLICY

The David and Lucile Packard Foundation aims to be a long-term, though not necessarily a perpetual institution. Currently it is the intention of the Foundation to exist as a strong foundation working toward important goals in its program areas of interest through at least 2060, representing approximately the lifespan of David and Lucile Packard's grandchildren. The Foundation is structuring its investment goals and policy with this horizon in mind.

Considering these goals, the Foundation also adopts the following spending parameters:

1. The long term target spending rate will average between 5.2 and 5.5 percent of annual average assets. This spending does not include net PRI activity or the Investment operating budget.
2. For purposes of drafting the proposed budget for the next calendar year, the Foundation will target a total cash payout of 5.35% of average investment assets over the previous four quarters ending March 31, unless the Board or Finance Committee establishes another total cash payout target. This total cash payout shall be computed excluding net PRI activity as well as the Investment operating budget. There shall be no other exclusions from the total cash payout calculation. It is expected that in periods in which the endowment is declining, budgeted payout may exceed 5.35%. Similarly, it is expected that in periods in which the endowment is increasing, budgeted payout may lag 5.35%.
3. From time to time, there may arise a significant special opportunity and the Board will want to make a special gift in excess of that current year's spending budget. If this requires spending greater than 5.5 percent, the Board will take action to get back to an average of 5.5 percent over as few years as possible (minimizing harm to grantees), but will not generally go below 5 percent spending in any one year.