

# SAN BRUNO

## Community Foundation

*Investment Committee*

Tim Ross, *Chair* • Anthony Clifford, Mark Hayes, Frank Hedley, and Georganne Perkins, *Members*  
Leslie Hatamiya, *Executive Director*

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### AGENDA

#### SAN BRUNO COMMUNITY FOUNDATION

#### Special Meeting of the Investment Committee

**February 13, 2019**

**4:30 p.m.**

**Meeting Location:**

**San Bruno City Hall, 567 El Camino Real, Room 101, San Bruno**

In compliance with the Americans with Disabilities Act, individuals requiring reasonable accommodations or appropriate alternative formats for notices, agendas, and records for this meeting should notify us 48 hours prior to meeting. Please call the City Clerk's Office at 650-616-7058.

- 1. Call to Order**
- 2. Roll Call**
- 3. Approval of Minutes:** November 27, 2018, Special Investment Committee Meeting
- 4. Executive Director's Report**
- 5. Conduct of Business**
  - a. Receive Report from Sand Hill Global Advisors, LLC (SHGA) regarding SHGA's Investment Outlook and SBCF's Investment Portfolio Performance
  - b. Discuss Future Cash Flow Strategies Regarding Funding of Recreation and Aquatics Center Project
- 6. Public Comment:** Individuals are allowed three minutes, groups in attendance, five minutes. If you are unable to remain at the meeting, contact the President to request that the Board consider your comments earlier. It is the Board's policy to refer matters raised in this forum to staff for research and/or action where appropriate. The Brown Act prohibits the Board from discussing or acting upon any matter not agendaized pursuant to State Law.
- 7. Committee Member Comments**
- 8. Adjourn**

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### MINUTES

#### SAN BRUNO COMMUNITY FOUNDATION

#### Special Meeting of the Investment Committee

**November 27, 2018**

**4:30 p.m.**

**Meeting Location:**

**San Bruno City Hall, 567 El Camino Real, Room 101, San Bruno**

- 1. Call to Order:** Committee Chair Tim Ross called the meeting to order at 4:36 p.m.
- 2. Roll Call:** Committee Members Ross, Clifford, Hayes, and Hedley, present. Committee Member Perkins, excused.
- 3. Approval of Minutes:** August 22, 2018, Special Investment Committee Meeting: Committee Member Hedley moved to approve the minutes of the August 22, 2018, Special Meeting, seconded by Committee Member Clifford, passed unanimously.
- 4. Executive Director's Report**

Executive Director Hatamiya gave an update on the Foundation. First, she reported on the Foundation's recent program highlights:

- **Community Grants Fund:** The Foundation received 46 applications by the September 26 deadline. The Review Panel independently rated the applications and then met to select the proposals to recommend to the Board for funding. The Panel is recommending 25 grants totaling \$300,000 for approval at the December 5 Board meeting. It was a very competitive applicant pool. YouTube/Google is again donating \$100,000 of the \$300,000 being awarded.
- **Crestmoor Scholarship:** The 2019 program will launch the week of December 11, with a March 6, 2019, deadline. The Foundation will award \$120,000 in scholarships in the spring.
- **Music Education Strategic Initiative:** A very successful community event and fundraiser called "Music in the Air" took place on November 3 at Capuchino High School. It was an amazing night

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of music, with performances from students at Capuchino and Parkside, plus special guest stars opera singer Kevin Thompson, who flew in from New York to participate, and the Clint Baker All Stars, a New Orleans style jazz group. The evening ended with an inspirational promotional video funded by the SBCF grant.

- Schools Transformation Grant: In June, the SBCF Board approved a \$250,000 strategic grant to the San Bruno Education Foundation for two important pieces of its schools transformation project: (a) Sobrato Early Academic Language (SEAL) program at Belle Air and Allen Elementary Schools, and (b) partnership with Partners in School Innovation to support the Parkside transformation. School district is very excited about start of implementation this fall.
- Projects with the City
  - Recreation and Aquatics Center: SBCF funded the conceptual design with a \$550,000 grant, including an upfront payment of \$381,500. SBCF received the Grant Report from City and paid the balance of \$34,608.85. The City Council approved the conceptual design in late June, and the City is working on its deal with Group 4 Architects for next stage of architectural work; SBCF Board approved a grant of \$5.625MM to cover this stage. SBCF is waiting for the City to finalize its contract with Group 4 before drafting the next grant agreement. The City is in the process of hiring a firm to provide project and construction management services for the duration of project.
  - Pedestrian Safety Strategic Initiative: The first three sets of flashing beacons were installed at Portola Elementary School and Parkside Intermediate School earlier in the year. Final two sets – one downtown site on SM Avenue and another at John Muir Elementary School – were installed this fall. SBCF is waiting for the City to install recognition plaques and then submit its grant report, after which the grant funds will be disbursed.
  - First Responder Effectiveness Strategic Initiative: In March, the Board approved a \$160,723 strategic grant to the City for three first responder projects: mindfulness training, emergency shelter supplies, critical facilities site assessments. In addition, Google and employees from Google and YouTube have donated about \$300,000 to this effort and staff has been in discussion with the City about what those funds could support – most likely a mobile command vehicle with new emergency operations center communications technology.

Ms. Hatamiya also reported that Novogradac & Company prepared the FY2017-18 audited financials, which were accepted by the Board in November, and issued a clean opinion. The Foundation submitted its state and federal tax returns by the November 15 deadline.

She reported that the Board elected its 2019 officers at the November Board meeting. There will be a changing of the guard in 2019, as Nancy Kraus is stepping down as President and Frank Hedley will

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become President on January 1. Emily Roberts was elected Vice President. Tim Ross and John McGlothlin will remain as Treasurer and Secretary, respectively.

Ms. Hatamiya also reported that transfers from the Quasi-Endowment and Strategic Pool accounts to the Liquidity Pool are taking place as scheduled.

Finally, she reminded the Committee of its 2019 meeting schedule: February 13, May 15, August 21, and November 20.

### **5. Conduct of Business**

- a. Adopt Resolution Canceling the February 20, 2019, Regular Meeting of the Investment Committee and Scheduling a Special Meeting on February 13, 2019

Committee Member Hedley moved to adopt the resolution canceling the February 20, 2019, Regular Meeting of the Investment Committee and scheduling a Special Meeting on February 13, 2019, seconded by Committee Member Clifford, approved unanimously.

- b. Receive Report from Sand Hill Global Advisors, LLC (SHGA) regarding SHGA's Investment Outlook and SBCF's Investment Portfolio Performance

SHGA Chief Executive Officer Brian Dombkowski and Senior Wealth Manager Kristin Sun represented SHGA at the meeting.

Mr. Dombkowski gave an overview of the firm's investment outlook, describing the current stage of the economic cycle as mid-to-late cycle, with increasingly volatility. He gave a summary of the firm's current economic forecast for the fourth quarter of 2018, commenting on economic growth, interest rates, the employment market, corporate earnings, international developed markets, emerging markets, inflation, commodity markets, valuation, and the housing market. He emphasized that the market fundamentals remain strong and said he viewed the market volatility as a standard correction rather than the start of a bear market.

Ms. Sun then reviewed the Foundation's Investment Dashboard for the third quarter of 2018, including September 30, 2018, balances of \$17,915,777 for the Quasi-Endowment, \$45,137,066 for the Strategic Pool, and \$11,120,166 for the Liquidity Pool (total of \$74,173,009 in all three accounts). She also provided an intra-quarter snapshot of the Foundation's portfolio as of November 26, 2018.

- c. Adopt Resolution Recommending that the SBCF Board of Directors Authorize the Executive Director to Execute a Professional Services Agreement with Sand Hill Global Advisors, LLC, for Investment Management Services Commencing on March 11, 2019

Ms. Hatamiya reported that the Foundation's current professional services agreement with SHGA terminates on March 10, 2019. She reviewed the Foundation's history with SHGA: In March 2016, after

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a thorough vetting process that included a Request for Proposals for Investment Management Services resulting in 17 submissions and in-person interviews of five finalists, the Board selected SHGA as the Foundation's investment adviser. On March 11, 2016, Mr. Dombkowski, representing SHGA, and I, representing the Foundation, executed a three-year professional services agreement for investment management services, beginning on March 11, 2016, and ending on March 10, 2019.

The Committee discussed the Board's and its own high level of satisfaction with SHGA's management of the Foundation's investment portfolio and its responsive service to the Foundation. Ms. Hatamiya reported that SHGA has agreed to all the terms in the original agreement. The one change supported by both parties is to not include a termination date, which is typical of investment management services agreements and how SHGA's usual agreements are structured (the agreement between SBCF and SHGA was drafted by the Foundation). All other terms in the agreement, including fees, would remain the same.

Committee Member Hedley moved to adopt the resolution recommending that the Board authorize the Executive Director to execute a new professional services agreement for investment management services with SHGA to commence on March 11, 2019, seconded by Committee Member Clifford, approved unanimously.

**5. Public Comment:** None.

**6. Committee Member Comments:** None.

**7. Adjourn:** Committee Member Clifford moved to adjourn the meeting at 5:45 p.m., seconded by Chair Ross, approved unanimously.

Respectfully submitted for approval at the Special Investment Committee Meeting of February 13, 2019, by Investment Committee Chair Tim Ross.

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Tim Ross, Investment Committee Chair

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## Community Foundation

### Memorandum

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**DATE:** February 8, 2019

**TO:** Investment Committee, San Bruno Community Foundation

**FROM:** Leslie Hatamiya, Executive Director

**SUBJECT:** February 13, 2019, Investment Committee Special Meeting

The Investment Committee of the San Bruno Community Foundation will have a special quarterly meeting at 4:30 p.m. on Wednesday, February 13, 2019, at San Bruno City Hall, Room 101, 567 El Camino Real, San Bruno.

#### **1. Executive Director's Report**

At each meeting, I report on any follow-up items from the last Committee meeting as well as provide updates on the Foundation's programs and operations. Key items I will report on at the February 13 meeting include:

- Program highlights and updates on the Community Grants Fund, the Crestmoor Neighborhood Memorial Scholarship program, and strategic grant initiatives, including the design of the new recreation and aquatics center
- Schedule of transfers from the Quasi-Endowment and Strategic Pool accounts to the Liquidity Pool account for FY2018-2019: (1) transfers to cover the Foundation's cash needs through June 30, 2019, consistent with the FY2018-2019 budget passed by the Foundation Board in June (\$319,980 from the Quasi-Endowment and \$4,043,704 from the Strategic Pool), and (2) a one-time transfer of \$10 million from the Strategic Pool in anticipation of upcoming cash needs for the recreation and aquatics center project

#### **2. Report from Sand Hill Global Advisors, LLC (SHGA) Regarding SHGA's Investment Outlook and SBCF's Investment Performance**

Representing SHGA at the Committee meeting will be Chief Executive Officer Brian Dombkowski, Senior Wealth Manager Kristin Sun, and Senior Portfolio Manager Meghan DeGroot. They will give a two-part presentation to the Committee that will cover (a) SHGA's investment outlook and (b) the performance thus far of the Foundation's investment portfolio.

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### Memorandum

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#### a. SHGA's Investment Outlook

In this portion of the presentation, the SHGA team will provide an overview of SHGA's current economic forecast, particularly for the first quarter of 2019, including the firm's perspective on economic growth, interest rates, employment market, corporate earnings, international market, housing market, inflation, and commodity markets.

#### b. SBCF's Investment Performance

The second part of SHGA's presentation will review the performance of the Foundation's investment portfolio for the fourth quarter of 2018 (second quarter of the fiscal year). The SHGA team will walk the Committee through the attached Investment Dashboard for December 31, 2018, a one-page summary of the Foundation's portfolio. At the meeting, the SHGA team will also provide more detailed and up-to-date information about the Foundation's investment holdings, including performance data of underlying funds and a review of active managers. Ms. DeGroot will be able to speak in depth about the underlying investments in the portfolio as well as the recent tactical changes SHGA has implemented in the Foundation's portfolio.

### **3. Discussion of Future Cash Flow Strategies Regarding Funding of Recreation and Aquatics Center Project**

As discussed at previous Committee meetings, in March 2017 the Foundation Board expressed its support for the concept of the Foundation making a strategic grant to the City of San Bruno for the planning, design, and construction of a new recreation and aquatics center (RAC) in an amount not to exceed \$50 million and directed the Executive Director to proceed with negotiating and proposing the terms of such grant arrangement with the City of San Bruno. With the assistance of the Ad Hoc Committee of Program Strategy Development, I concluded that the best course of action in a project this complex would be to execute separate grant agreements for each stage of the project. As a result, in December 2017 the Foundation and the City executed a grant agreement for the first stage of the project (conceptual design) for an amount not to exceed \$550,000. The City hired Group 4 Architecture, Research + Planning to manage the conceptual design process, which began in early 2018 and was completed in the summer of June 2018. In the end, the total grant amount for conceptual design was \$416,108.85. The City has commenced the second phase of the project (schematic design and development of construction documents), and the Foundation and the City executed a grant agreement for up to \$5,420,388 to cover architectural services for the remainder of the project.

Last spring, Group 4 provided the City and the Foundation with a very preliminary timeline of the estimated expenditures through the duration of the project (through fiscal year 2021-2022). Using this preliminary estimate of the cash flow that will be required to fund the \$50

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million project, in May 2018 the SHGA team presented the Committee with cash flow testing analysis of the Strategic Pool.

With this analysis, the Committee discussed how best to manage funds in the Strategic Pool to meet the Foundation's cash flow needs with regard to the Recreation and Aquatics Center project, other strategic grants, and its operating expenses. The Committee weighed the desire to keep the funds needed for the Recreation and Aquatics Center in the (conservatively invested) Strategic Pool account so that those funds continue to have the potential to reap positive investment returns against the potential risk of experiencing a significant decline in value of the Strategic Pool due to investment volatility. The Committee considered various actions it could take to decrease some of the risk of market volatility and ultimately decided against amending the Investment Operating Plan to adjust the asset allocation ranges for the Strategic Pool, noting that the investment strategy for that account is already conservative and that the Liquidity Pool was created to provide a structure for holding funds needed for strategic grants within the next 24 months. After discussion, the Committee recommended to the Board a transfer, at the beginning of fiscal year 2018-2019, of \$10 million from the Strategic Pool to the Liquidity Pool to protect those funds from fluctuations in the market. This \$10 million transfer, which the Board approved in June 2018, was in addition to a transfer needed to cover cash flow needs in fiscal year 2018-2019 and does not appear in the fiscal year 2018-2019 budget because it is not intended for use in 2018-2019. The \$10 million figure was based, in part, on the architect's projection that cash flow needs for the Recreation and Aquatics Center project would be about \$12.7 million in fiscal year 2019-2020.

Having begun the project's second phase, the Group 4 architects have provided the Foundation with an updated timeline of the estimated expenditures through the duration of the project. Using this revised projection, at the February 13 meeting the SHGA team will lead the Committee in a review of the Foundation's cash flow needs over the next several years and a discussion of possible recommendations to the Board regarding cash flow management in light of the revised timeline. The Committee will have the opportunity to revisit this discussion at its May meeting, as part of the discussion regarding the Foundation's FY2019-2020 budget and transfers from the Quasi-Endowment and Strategic pools to the Liquidity account.

To assist in this discussion, attached to this memorandum are the Foundation's Investment Policy Statement and Investment Operating Plan.

#### Attachments:

1. SBCF Investment Dashboard, as of September 30, 2018
2. SBCF Investment Policy Statement, approved by the SBCF Board of Directors on April 6, 2016, and by the San Bruno City Council on April 26, 2016
3. SBCF Investment Operating Plan, approved by the SBCF Board of Directors on May 4, 2016, and amended on June 7, 2017



# The San Bruno Community Foundation Investment Dashboard

As of December 31, 2018

## Current Outlook:

**Economic Environment:** Following a strong year of above average GDP growth, we expect trends to moderate this year and be closer to long term average levels of 2%. Recent financial market expectations have adjusted significantly and now appear to be fully reflecting this change. Throughout the fourth quarter, the term “recession” was used loosely in the press and this likely contributed to the severity of the correction we experienced. There is an important distinction between a growth slowdown and a recession and data suggests a natural slowdown is occurring. Leading economic indicators such as surveys of the manufacturing and services industries, jobless claims and building permits all suggest economic growth will persist, albeit at a slower pace. Growth has softened globally and central banks’ recent effort to stimulate economies should provide some needed stability in the coming quarters. Furthermore, any additional progress made on global trade agreements should provide more visibility to companies with global supply chains and have a positive impact on the global economy. The Federal Reserve recently became more dovish and lowered their projections for rate hikes this year. At present levels, valuation of the equity market is attractive. Being disciplined, and not be swayed by the emotional response market volatility elicits, is of utmost importance in times such as these.

**Market Environment:** Financial markets across the board experienced significant volatility during the quarter. Domestic equities were down 19% or more from their peak and the full year, 2018, marked the worst annual return since the financial crisis. International equity fared better but was still down during the period. Commodities and REITs were also negative. Bond returns were flat while cash, the best performing asset class for the fourth quarter and year, appreciated 2% as a result of four Federal Reserve rate hikes throughout the year.

**Portfolio Response:** Prior to the fourth quarter we had been reducing exposure to large cap equity as a result of valuation concerns. In 4Q18, following the first stage of the correction, we added exposure to large cap equity as we felt a double digit return was possible. We also added a new local currency emerging market debt fund within fixed income as the asset class had depreciated significantly in the prior quarter, we felt that fundamentals were still positive, and yields were approaching 8%.

Performance		Quasi-Endowment Pool	Benchmark	+ / -	Strategic Pool	Custom Blended Benchmark	+ / -
<b>YTD as of Feb 4, 2019</b>		5.83%	5.79%	0.04%	2.37%	2.44%	-0.07%
<b>Quarterly</b>	Q4 2018	-8.49%	-7.44%	-1.05%	-2.17%	-1.34%	-0.83%
	Q3 2018	2.34%	2.75%	-0.41%	0.84%	0.90%	-0.06%
	Q2 2018	1.19%	1.86%	-0.67%	0.38%	0.68%	-0.30%
	Q1 2018	-0.76%	-1.17%	0.42%	-1.00%	-1.37%	0.37%
<b>Calendar</b>	1 Year	-5.95%	-4.22%	-1.73%	-1.97%	-1.13%	-0.84%
	ITD	4.39%	4.86%	-0.47%	1.57%	1.83%	-0.26%

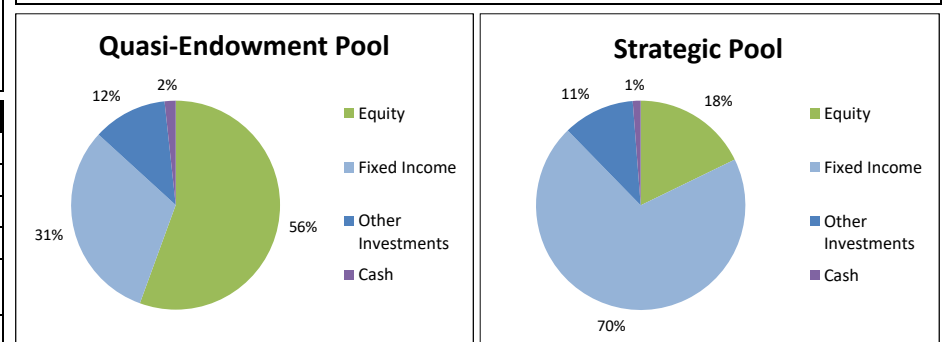
Asset Allocation	Quasi-Endowment Pool	31-Dec-18	Strategic Target	Strategic Pool	31-Dec-18	Strategic Target
Large Cap Equity	\$4,610,456	28%	30%	\$3,720,626	8%	9%
SMID Cap Equity	\$1,600,586	10%	9%	\$1,113,646	3%	3%
International/EM Equity	\$2,799,629	17%	13%	\$3,015,269	7%	4%
Fixed Income	\$5,075,588	31%	30%	\$30,887,074	70%	70%
Real Assets	\$760,194	5%	8%	\$849,129	2%	4%
Market Neutral	\$1,106,883	7%	8%	\$4,022,977	9%	8%
Cash	\$271,165	2%	2%	\$550,147	1%	2%
<b>Total</b>	<b>\$16,224,500</b>	<b>100%</b>	<b>100%</b>	<b>\$44,158,867</b>	<b>100%</b>	<b>100%</b>

Governance Checklist	OK
Asset allocation within target range: All weights are in compliance.	✓
No direct investments in any equity or debt securities of Pacific Gas & Electric.	✓
No individual equity securities (stocks) will be held in any direct account.	✓
No below investment grade allocation > 5% of portfolio value.	✓
With the exception of U.S. government securities, no more than 5% at cost of the portfolio may be invested in the securities of a single issuer.	✓
Quasi-Endowment Pool can maintain up to 10% illiquidity.	✓

Quasi-Endowment Pool Portfolio Action	Increased	Decreased	Growth/Capital Preservation
<b>Q4 2018</b>	<b>Taking Advantage of Market Correction</b>		<b>65/35</b>
	Large Cap Equity	U.S. Corporate Bonds	
	EM Local Currency Debt		
<b>Q2 2018</b>	<b>Risk Reduction in Stocks &amp; Bonds</b>		<b>62/38</b>
	Short Duration Bonds	Energy Equities	
		Floating Rate Loans	
<b>Q1 2018</b>	<b>Opportunistic Addition to Global Equity</b>		<b>64/36</b>
	Global Equities	Domestic Large Cap Equities	

Balances	Quasi-Endowment	Strategic	Liquidity	Total
Q4 2018	\$16,224,500	\$44,158,867	\$11,130,680	<b>\$71,514,047</b>
Q3 2018	\$17,915,777	\$45,137,066	\$11,120,166	<b>\$74,173,009</b>
Q2 2018	\$17,521,667	\$55,451,122	\$356,359	<b>\$73,329,147</b>
Q1 2018	\$17,327,253	\$55,615,889	\$189,379	<b>\$73,132,521</b>

Illiquidity as of 12/31/2018	< 1 Yr	1-3 Yrs	> 3 Yr	Total
Quasi-Endowment Pool	1.98%	0.00%	0.00%	1.98%



# **SAN BRUNO**

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Community Foundation

## **INVESTMENT POLICY STATEMENT**

Approved by the SBCF Board of Directors, April 6, 2016  
Approved by the San Bruno City Council, April 26, 2016

## **INVESTMENT POLICY STATEMENT**

This Investment Policy Statement (“Policy”) is intended to govern the investment practices of the capital assets of the San Bruno Community Foundation (“SBCF” or “Foundation”). It is to allow all parties who interact directly or indirectly with SBCF’s investment assets full understanding of how the assets will be managed. This policy addresses the following areas:

- The general goals of the Foundation
- The structure and purpose of the separate pools of funds
- The roles and responsibilities of all parties involved in the investment process
- Investment goals and objectives for each pool of funds
- Investment process including asset allocation framework and rebalancing policies
- Measurement and evaluation of investment performance
- The Foundation’s spending policy and how it interfaces with the investment management of each pool of funds

### **I. FOUNDATION’S PURPOSE AND GOALS**

The San Bruno Community Foundation was established in 2013 by the San Bruno City Council to administer, for the long-term benefit of the San Bruno community, approximately \$70 million in restitution funds resulting from the devastating 2010 gas pipeline explosion in San Bruno’s Crestmoor neighborhood. SBCF has been charged with determining the use of the funds and administering them to benefit the San Bruno community through enduring and significant contributions to, and investments in, charitable and community programs, and publicly owned community facilities, over the long term.

The SBCF Board has approved the establishment of three separate pools of funds with varying purposes, time horizons and withdrawal requirements.

1. A Quasi-Endowment Pool to support the annual operating and program expenses of the Foundation over the long term.
2. A Strategic Pool earmarked to cover the costs of major strategic grant making projects, including capital improvements of community facilities, over a 7-10 year period. The Strategic Pool will be fully exhausted either at the completion of those strategic projects, or by consolidation into the Quasi-Endowment Pool at the Board’s discretion.
3. A Liquidity Pool to act as a holding account for expenditures planned in the subsequent 0-24 months. The purpose of this pool is to mirror the Foundation’s operating accounts. This account may be funded by both the Quasi-Endowment and the Strategic Pool.

### **II. ROLES AND RESPONSIBILITIES**

1. The SBCF Board of Directors is responsible for the following:
  - a. Formation of the Investment Committee, including appointment of a sitting Board Member as the Committee Chair. The Committee can consist of a mix of SBCF Board

Members and non-Board Members. For non-Board Members, a preference will be given to individuals with experience and/or expertise in finance and investment management.

- b. Approval, termination, or replacement of the External Investment Manager.
  - c. Approval of this Investment Policy Statement and subsequent modifications to it.
  - d. Approval of an Investment Operating Plan executed with the External Investment Manager.
  - e. Approval of the Foundation spending policy, as defined in section VII of this document.
  - f. Approval of any transfer of funds to or from the Quasi-Endowment Pool or the Strategic Portfolio, as defined in section IV, beyond that specified in the Board-approved spending policy.
  - g. Maintain guidelines for the External Investment Manager to ensure that Foundation assets are invested in a manner consistent with the mission of the Foundation. It is at the Board's discretion to implement specific restrictions on how the assets of the Foundation shall be invested. Such restrictions may include but are not limited to Socially Responsible Investing known as Environmental, Social and Governance (ESG). Any active restrictions will be detailed within the Investment Operating Plan.
2. The Investment Committee, with support from the Executive Director, is responsible for providing guidance to the Board on all aspects of the investment management process. The Investment Committee is not empowered to approve decisions, as that power lies with the full Board. As part of its guidance to the Board, the Investment Committee will:
- a. Review at least annually the Investment Policy Statement and Investment Operating Plan and monitor compliance with both documents.
  - b. Review the long-term asset allocation of each pool of funds.
  - c. Monitor the performance and risk profile of the investment assets of the Foundation as a whole, including each pool of funds.
  - d. Review and address all potential conflicts of interest in accordance with the SBCF Conflict of Interest Policy.
  - e. Monitor the External Investment Manager.
3. The External Investment Manager (the "Investment Manager") is responsible for the following:

- a. Discretion to select, evaluate, and terminate the underlying fund managers and investments, as well as discretion to make tactical shifts within the parameters of the asset allocation established for each pool.
  - b. Monitor the appropriateness of each investment given the Foundation's risk tolerance and objectives.
  - c. Oversee the Foundation's investment assets and report on the status of the investments to the Investment Committee and Board of Directors.
4. The San Bruno City Council is responsible for the following:
- a. Approval of the initial Investment Policy Statement, including the Foundation's spending policy, as articulated in Section VII of this document, for the Foundation.
  - b. Approval of all future modifications to the Investment Policy Statement.

### **III. POLICY REVIEW**

This Statement shall be reviewed annually by the Investment Committee and any recommendations for modification shall be presented to the full Board of Directors. Updates to this Policy must be approved by both the SBCF Board and the San Bruno City Council.

### **IV. INVESTMENT GOALS AND OBJECTIVES**

The primary goal of the Foundation is to administer these funds for the long-term benefit of the San Bruno community. The specific goals for these funds include but are not limited to supporting SBCF's annual operating expenses and the three categories of program activities outlined in SBCF's Program Strategy Framework (strategic grant making, responsive grant making, and Foundation programs).

The risk tolerance of each pool of funds is dictated by the time horizon and liquidity needs, and as directed by the Board of Directors. The specific goals and objectives, risk tolerance, and time horizon for each pool of funds is as follows:

1. Quasi-Endowment Pool: The Foundation seeks to meet the current payout objectives while maintaining the total purchasing power of these assets for the San Bruno community in the future. As such, Capital Appreciation is the primary objective, with Capital Preservation as the secondary objective. The risk tolerance of the Quasi-Endowment can be described as Moderately Conservative and the time horizon as Long-Term.
2. Strategic Pool: The Foundation seeks to achieve growth of the portfolio at a conservative rate in excess of inflation. As such, Capital Preservation is the primary objective. The risk tolerance of the Strategic Pool can be described as Conservative. The goal of the Strategic Pool is to be drawn down to zero over a 7-10 year period. As such, the time horizon can be described as Mid-Term.
3. Liquidity Pool: The Foundation seeks to preserve the principal balance of all funds directed into this pool. As such, Capital Preservation and Liquidity are the primary objectives. The risk

tolerance of the Liquidity Pool can be described as Conservative. The goal of the Liquidity Pool is to cover Foundation expenditures that will be withdrawn within the succeeding 24 months from initial funding. As such, the time horizon can be described as Short-Term.

## V. INVESTMENT POLICY AND ASSET ALLOCATION

### 1. Asset Guidelines:

- a. No individual equity securities (stocks) will be held in any Direct Account. A Direct Account is defined as any investment account registered in the name of the Foundation.
- b. Direct investments in any securities, including equity and fixed income, of Pacific Gas & Electric Corporation (Symbol: PCG) is prohibited.
- c. Individual fixed income securities (bonds) may be held in Direct Accounts. These include, but are not limited to, municipal bonds, U.S. government securities, federal government agency securities, corporate debt (limited to U.S. or multinational corporations), and high-yield debt.
- d. Commingled funds, mutual funds, and index funds may be held in Direct Accounts. The fund selection process will incorporate criteria such as investment style and process, experience of the investment team, organizational stability, and performance analysis such as long-term, risk-adjusted returns, manager tenure, relative performance in up and down markets, consistency of management style, and the associated cost to own (expense ratio).
- e. Other investments may be held in Direct Accounts. Other investments will be broadly defined as, but not limited to, investments in market-neutral funds, commodities and gold, real return strategies, venture capital, and real estate. These categories are to be implemented only through diversified investment vehicles.
- f. Cash and cash equivalents may be held in Direct Accounts. Cash equivalent positions will be high-quality instruments such as U.S. Treasury Bills, Eurodollar Certificates of Deposit, time deposits (CDs), money market funds, and repurchase agreements.

### 2. Investment Procedures:

- a. Diversification: All portfolios will be managed as diversified portfolios. The goal of diversification across various asset classes, sectors, and security types is to minimize risk while improving performance.
- b. Investment Vehicles: Within the constraints of the target asset allocation of each portfolio, investments will be allocated across various asset classes, either directly or through pooled or commingled investment accounts (mutual funds and index funds), that might include domestic and foreign equities, bonds, real estate, other investments, and cash or cash equivalents. With each asset class, the Investment Manager will weigh factors including expense, market efficiency, transparency of information, and

diversification to determine whether direct investments or commingled investments are in the Foundation's best interests.

- c. Rebalancing: Rebalancing is designed to minimize portfolio deviations from allocation targets. The portfolio will be reviewed regularly by the Investment Manager and rebalanced whenever the weighting of a major asset class deviates materially from the target asset allocation, or a tactical opportunity presents itself.
- d. Custody of Assets: The Foundation's assets shall be held at a third-party custodian recommended by the Investment Committee and approved by the Board. The Investment Manager shall have discretion and authority to trade on behalf of the Foundation via the custodian's trading platform.
- e. Custodian's Margin Loan Option: A Margin Loan allows a brokerage account holder to gain access to cash by borrowing against the invested securities in the account. The margin loan option on any Direct Accounts shall be disabled.

### 3. Asset Allocation:

The Investment Manager shall invest the funds per the strategic asset allocation parameters established for each pool of funds. Investments will be categorized as either Capital Appreciation or Capital Preservation.

Capital Appreciation can be generally defined as a strategy where the primary goal is to grow the capital base over time. Investments in this category include, but are not limited to: equities (stocks), real estate, commodities, and natural resources.

Capital Preservation can be generally defined as a strategy where the primary goal is to preserve capital and prevent loss of principal. Investments in this category include, but are not limited to: high-quality fixed income (bonds), market-neutral investments, cash equivalents, and cash.

- a. Quasi-Endowment Pool: In accordance with the Foundation's risk tolerance, as well as the goals, objectives, time horizon, and liquidity needs of the Quasi-Endowment, management of this pool will target a 60/40 allocation: 60% Capital Appreciation and 40% Capital Preservation.
- b. Strategic Pool: In accordance with the Strategic Pool's goals, objectives, time horizon and liquidity needs, management of this pool will target a 20/80 allocation: 20% Capital Appreciation and 80% Capital Preservation.
- c. Liquidity Pool: In accordance with the Liquidity Pool's goals, objectives, time horizon and liquidity needs, management of this pool will target a 100% Capital Preservation allocation.

## **VI. INVESTMENT MANAGER REPORTING AND EVALUATION**

The Investment Manager shall provide the Investment Committee with quarterly performance and holdings reports to allow the Committee to review the overall investment performance of the

Investment Manager and the individual securities in each portfolio with respect to the risk and return objectives established for the Foundation. At a minimum, the reports shall include the following:

- An accounting of all securities held in the investment accounts for the Foundation.
- Comparative returns for each pool of funds against their respective benchmarks.

Additionally, the Investment Manager shall present to the Board of Directors on an annual basis.

## **VII. SPENDING POLICY**

### **1. Quasi-Endowment Pool**

The SBCF Board will determine the spending policy for the Quasi-Endowment with input from the Investment Committee. The SBCF Board will use the following guidelines in approving a fixed payout amount each year. The SBCF Board will review this policy annually.

The payout amount will be determined once annually, prior to the conclusion of the Foundation's fiscal year for the subsequent fiscal year. The payout rate will range up to 7%, as determined by the Board, multiplied by the average of the latest available twelve (12) prior quarter-ending Quasi-Endowment values.

### **2. Strategic Pool**

The Strategic Pool has been earmarked by the Board to fund strategic projects, including but not limited to capital improvement projects of community facilities, that benefit the San Bruno community. As such, withdrawals will be determined by the timing of project expenditures, as well as guidance from the SBCF Board. The Investment Committee and SBCF staff will provide direction to the Investment Manager regarding liquidation of investments to fund the withdrawals. Cash proceeds will be deposited in the SBCF Liquidity Pool on an as-needed basis.

### **3. Liquidity Pool**

The Liquidity Pool will contain funds that have been earmarked for disbursement by the SBCF Board, with the guidance from the Investment Committee. As directed by SBCF staff, withdrawals will take place in the subsequent 0-24 months following initial deposit into the Liquidity Pool.

## **VIII. CONFLICTS OF INTEREST**

In accordance with the SBCF Conflict of Interest Policy, all employees, members of the Board of Directors, and members of the Investment Committee are expected to use good judgment, adhere to high ethical standards, and act in such a manner as to avoid any actual, perceived, or potential conflict of interest.



San Bruno Community Foundation

# Investment Operating Plan

Approved by the SBCF Board of Directors, May 4, 2016

SAN BRUNO COMMUNITY FOUNDATION  
INVESTMENT OPERATING PLAN

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**SUMMARY INVESTMENT OPERATING PLAN**

**QUASI-ENDOWMENT POOL**

<u>Investment Objective:</u>	Generate a return in excess of the specified blended portfolio benchmark over a complete market cycle.
<u>Risk Tolerance:</u>	Moderately Conservative
<u>Target Return:</u>	Over the long-term, exceed the blended portfolio benchmark, net of fees with similar risk.
<u>Evaluation Benchmark:</u>	The passive indices in similar weights to the target asset allocation as detailed in Appendix 1.
<u>Withdrawal Requirement:</u>	Up to 7% annual withdrawals, as determined by the SBCF Board.
<u>Time Horizon:</u>	Long-Term
<u>Target Allocation:</u>	Balanced Strategy (see specific allocation guidelines in Section IV.1 of this plan document)

**STRATEGIC POOL**

<u>Investment Objective:</u>	Generate a return in excess of the specified blended portfolio benchmark over a complete market cycle.
<u>Risk Tolerance:</u>	Conservative
<u>Target Return:</u>	Over the long-term, exceed the blended portfolio benchmark, net of fees with similar risk.
<u>Evaluation Benchmark:</u>	The passive indices in similar weights to the target asset allocation as detailed in Appendix 1.
<u>Withdrawal Requirement:</u>	100% withdrawn over 7-10 years, dictated by the timing of capital projects and as determined by the SBCF Board.
<u>Time Horizon:</u>	Mid-Term
<u>Target Allocation:</u>	Conservative Strategy (see specific allocation guidelines in Section IV.2 of this plan document)

SAN BRUNO COMMUNITY FOUNDATION  
INVESTMENT OPERATING PLAN

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**LIQUIDITY POOL**

<u>Investment Objective:</u>	Generate a return in excess of the specified blended portfolio benchmark over a complete market cycle.
<u>Risk Tolerance:</u>	Conservative
<u>Target Return:</u>	Over the long-term, exceed the blended portfolio benchmark, net of fees with similar risk.
<u>Evaluation Benchmark:</u>	The passive indices in similar weights to the target asset allocation as detailed in Appendix 1.
<u>Withdrawal Requirement:</u>	100% withdrawn within 24 months, as determined by the SBCF Board.
<u>Time Horizon:</u>	Short-Term
<u>Target Allocation:</u>	Short-Term Cash and Short-Duration Fixed Income Strategy (see specific allocation guidelines in Section IV.3 of this plan document)

# SAN BRUNO COMMUNITY FOUNDATION

## INVESTMENT OPERATING PLAN

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This Investment Operating Plan outlines the assumptions and understandings under which Sand Hill Global Advisors, LLC (the “Investment Manager” or “SHGA”) is to manage the assets of the San Bruno Community Foundation (“SBCF” or the “Foundation”). The content herein has been composed based upon meetings with the Board of Directors and staff in which discussions covered SBCF’s goals, attitudes, expectations, risk tolerance, desires for liquidity, and present and future cash flow requirements.

It is agreed that SHGA will meet with the Investment Committee on a quarterly basis to report on the status of the portfolio and to receive and provide information that will aid in the management of the portfolio. This Investment Operating Plan will be reviewed at least annually as to its appropriateness given any significant changes in SBCF’s needs or in light of significant shifts in the economy or the investment markets. Day-to-day contact with SBCF will be made via the telephone and e-mail.

This Investment Operating Plan shall adhere to the policies set forth in SBCF’s Investment Policy Statement, originally approved by the SBCF Board of Directors and San Bruno City Council in April 2016.

### **I. FOUNDATION’S PURPOSE AND GOALS**

The San Bruno Community Foundation was established in 2013 by the San Bruno City Council to administer, for the long-term benefit of the San Bruno community, approximately \$70 million in restitution funds resulting from the devastating 2010 gas pipeline explosion in San Bruno’s Crestmoor neighborhood. SBCF has been charged with determining the use of the funds and administering them to benefit the San Bruno community through enduring and significant contributions to, and investments in, charitable and community programs, and publicly owned community facilities, over the long term.

The SBCF Investment Policy Statement establishes three separate pools of funds with varying purposes, time horizons, and withdrawal requirements:

1. A Quasi-Endowment Pool to support the annual operating and program expenses of the Foundation over the long term.
2. A Strategic Pool earmarked to cover the costs of major strategic grantmaking projects, including capital improvements of community facilities, over a 7-10 year period. The Strategic Pool will be fully exhausted either at the completion of those strategic projects, or by consolidation into the Quasi-Endowment Pool at the Board’s discretion.
3. A Liquidity Pool to act as a holding account for expenditures planned in the subsequent 0-24 months. The purpose of this pool is to mirror the Foundation’s operating accounts. This account may be funded by both the Quasi-Endowment and the Strategic Pool.

### **II. INVESTMENT GOALS AND OBJECTIVES**

The primary goal of the Foundation is to administer these funds for the long-term benefit of the San Bruno community. The specific goals for these funds include but are not limited to supporting SBCF’s annual

SAN BRUNO COMMUNITY FOUNDATION  
INVESTMENT OPERATING PLAN

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operating expenses and the three categories of program activities outlined in SBCF's Program Strategy Framework (strategic grant making, responsive grant making, and Foundation programs).

The risk tolerance of each pool of funds is dictated by the time horizon and liquidity needs, and as directed by the Board of Directors. The specific goals and objectives, risk tolerance, and time horizon for each pool of funds is as follows:

1. **Quasi-Endowment Pool Investment Objectives:**

The Foundation seeks to meet the current payout objectives while maintaining the total purchasing power of these assets for the San Bruno community in the future. As such, Capital Appreciation is the primary objective, with Capital Preservation as the secondary objective.

a. Portfolio Return Objectives

- i. Total Portfolio Return: Achieve a time-weighted, real rate of return of 3-4%, after fees and program costs. This return will be sought using a diversified style of investment management, providing an average annual return that will be measured over a complete market cycle assumed to be five years.
  - ii. Blended Benchmark Return: Over rolling five-year cycles, to achieve a return that exceeds the Blended Benchmark, net of fees with similar risk.
- b. Portfolio Risk Tolerance - The risk to the portfolio must be moderately conservative, since the portfolio provides a source of funds that allows SBCF to perpetuate its mission.
- c. Withdrawal Requirements - Up to 7% Annual Withdrawals as determined by the SBCF Board. The SBCF staff will provide Sand Hill Global Advisors with guidance in this area.
- d. Time Horizon - Long-Term.
- e. Tax Considerations - None, since this organization is tax exempt.
- f. Illiquidity - The overall portfolio can maintain up to 10% illiquidity.

2. **Strategic Pool Investment Objectives:**

The Foundation seeks to achieve growth of the portfolio at a conservative rate in excess of inflation. As such, Capital Preservation is the primary objective.

a. Portfolio Return Objectives

- i. Total Portfolio Return: Achieve a time-weighted, real rate of return of 1-2%, after fees and program costs. This return will be sought using a diversified style of investment management, providing an average annual return that will be measured over a complete market cycle assumed to be five years.

SAN BRUNO COMMUNITY FOUNDATION  
INVESTMENT OPERATING PLAN

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- ii. Blended Benchmark Return: Over rolling five-year cycles, to achieve a return that exceeds the Blended Benchmark, net of fees with similar risk.
  
  - b. Portfolio Risk Tolerance - The risk to the portfolio must be conservative.
  
  - c. Withdrawal Requirements - 100% withdrawn over 7-10 years, determined by timing of SBCF's strategic grant making projects. The SBCF staff will provide Sand Hill Global Advisors with guidance in this area.
  
  - d. Time Horizon - Mid-Term.
  
  - e. Tax Considerations - None, since this organization is tax exempt.
  
  - f. Illiquidity - The overall portfolio can maintain up to 5% illiquidity.
3. **Liquidity Pool Investment Objectives**:

The Foundation seeks to preserve the principal balance of all funds directed into this pool. As such, Capital Preservation and Liquidity are the primary objectives.

- a. Portfolio Return Objective - Achieve a time-weighted, real rate of return of above the prevailing rate of the U.S. 90 Day T-Bill, after fees and program costs.
  
- b. Portfolio Risk Tolerance - The risk to the portfolio must be conservative.
  
- c. Withdrawal Requirements - 100% drawdown within 24 months, as determined by the SBCF Board.
  
- d. Time Horizon - Short-Term.
  
- e. Tax Considerations - None, since this organization is tax exempt.
  
- f. Illiquidity - The overall portfolio must maintain 100% liquidity.

### **III. INVESTMENT AND ASSET GUIDELINES**

Sand Hill Global Advisors will utilize an appropriate combination of individual securities in direct accounts and specialized third party, commingled fund or mutual fund alternatives to implement the asset allocation. Implementation will include passive strategies such as index funds or exchange-traded funds (ETFs) and active strategies. Third-party offerings will be used to enhance the portfolio's diversification in certain asset classes that require specialized expertise or where liquidity may be limited. In each case, the potential for added value, institutional share class fees and cost effectiveness will be a major consideration.

A Direct Account is defined as any investment account registered in the name of the Foundation.

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**1. Individual Equity Securities in the Direct Account:**

- a. No individual equity securities (stocks) will be held in any Direct Account.
- b. Direct investments in any equity securities of Pacific Gas & Electric Corporation (Symbol: PCG) are prohibited.

**2. Individual Fixed Income Securities in Direct Accounts:**

- a. Individual fixed income securities (bonds) may be held in Direct Accounts. These include, but are not limited to, municipal bonds, U.S. government securities, federal government agency securities, corporate debt (limited to U.S. or multinational corporations), and high yield debt.
- b. With the exception of U.S. government securities and federal government agency securities, no more than 5% at cost of the portfolio may be invested in the securities of a single issuer.
- c. Up to 5% of the total account may be invested in below investment grade securities, commonly referred to as “high yield debt,” but only through adequately diversified investment vehicles.
- d. Direct investments in any fixed income securities of Pacific Gas & Electric Corporation are prohibited.

**3. Commingled Funds, Mutual Funds and Index Funds:**

- a. Commingled funds, mutual funds, and index funds may be held in Direct Accounts.
- b. The fund selection process will incorporate criteria such as investment style and process, experience of the investment team, organizational stability and performance analysis such as long-term, risk-adjusted returns, manager tenure, relative performance in up and down markets, consistency of management style, and the associated cost to own (expense ratio). When appropriate, negotiations will occur with custodians for the waiver of loads, minimums, and transaction fees.

**4. Other Investments:**

- a. Other investments may be held in Direct Accounts.
- b. Other investments will be broadly defined, but not limited to, as investments in market-neutral funds, commodities and gold, real return strategies, venture capital, and real estate. These categories are to be implemented only through diversified investment vehicles.
- c. In the case of market neutral private partnerships, the diversification should be achieved through the use of a “fund of funds.”
- d. The real estate portion may be comprised of private and publicly held real estate investments.

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**5. Cash and Cash Equivalents:**

- a. Cash and cash equivalents may be held in Direct Accounts.
- b. Cash equivalent positions will be high quality instruments such as U.S. Treasury Bills, Eurodollar Certificates of Deposit, time deposits (CDs), money market funds, and repurchase agreements.

**6. Investment Procedures:**

- a. Diversification: All portfolios will be managed as diversified portfolios. The goal of diversification across various asset classes, sectors, and security types is to minimize risk while improving performance.
- b. Investment Vehicles: Within the constraints of the target asset allocation of each portfolio, investments will be allocated across various asset classes, either directly or through pooled or commingled investment accounts (mutual funds and index funds), that might include domestic and foreign equities, bonds, real estate, alternative investments, and cash or cash equivalents. With each asset class, the Investment Manager will weigh factors including expense, market efficiency, transparency of information, and diversification to determine whether direct investments or commingled investments are in the Foundation's best interests.
- c. Rebalancing: Rebalancing is designed to minimize portfolio deviations from allocation targets. The portfolio will be reviewed regularly by the Investment Manager and rebalanced whenever the weighting of a major asset class deviates materially from the target asset allocation, or a tactical opportunity presents itself.
- d. Custody of Assets: The Foundation's assets shall be held at a third-party custodian recommended by the Investment Committee and approved by the Board. The Investment Manager shall have discretion and authority to trade on behalf of the Foundation via the custodian's trading platform.
- e. Custodian's Margin Loan Option: A Margin Loan allows a brokerage account holder to gain access to cash by borrowing against the invested securities in the account. The margin loan option on any Direct Accounts shall be disabled.

**IV. ASSET ALLOCATION**

Generally, the allocations for each pool will be within the ranges shown below; however, SHGA is permitted to have a more defensive position that may result from significant cash inflows or outflows. Initial implementation of all three pools will be achieved over a three-month transitional period involving staggered commitments. The initial funding of the three pools will be a combination of cash and fixed income securities (government bonds and CDs).



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INVESTMENT OPERATING PLAN

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**1. Quasi-Endowment Pool**

	<u>Bottom Range</u>	<u>Target</u>	<u>Top Range</u>
EQUITY	40%	52%	65%
FIXED INCOME	20%	30%	40%
REAL ESTATE AND COMMODITIES	0%	8%	15%
MARKET NEUTRAL	0%	8%	15%
CASH AND CASH EQUIVALENTS	0%	2%	15%

**2. Strategic Pool**

	<u>Bottom Range</u>	<u>Target</u>	<u>Top Range</u>
EQUITY	12%	16%	20%
FIXED INCOME	53%	70%	88%
REAL ESTATE AND COMMODITIES	0%	4%	8%
MARKET NEUTRAL	0%	8%	12%
CASH AND CASH EQUIVALENTS	0%	2%	15%

**3. Liquidity Pool**

	<u>Bottom Range</u>	<u>Top Range</u>
SHORT DURATION FIXED INCOME	0%	100%
CASH AND CASH EQUIVALENTS	0%	100%

Duration is defined as an approximate measure of a bond's price sensitivity to changes in interest rates. Shorter the duration means the less interest rate risk and longer duration means more interest rate risk. The average duration of the fixed income portion of the Liquidity Pool will range from 0 to 24 months, consistent with spending timeline described in Section VII.3 of the Foundation's Investment Policy Statement.

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INVESTMENT OPERATING PLAN

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**V. BROKERAGE AND PROXY POLICY**

1. All transactions effected for SBCF will be “subject to the best price and execution.” Securities and cash will be held in custody at Fidelity Investments.
2. Proxy voting has been delegated to SHGA. SHGA has retained Broadridge to vote proxies.

**VI. CONTROLS AND MONITORING**

**1. Payout and Withdrawals:**

- a. For unplanned withdrawals from any SBCF pool, SBCF staff will notify SHGA a minimum of five business days in advance to allow time for trade execution, trade settlement and fund transfer through the Liquidity Pool (if necessary) and out to SBCF’s external operating account.
- b. Notice in excess of five business days will provide additional time for SHGA to manage the liquidation of securities.
- c. If notice is provided less than five business days in advance, SHGA will attempt to fulfill the withdrawal request on a best efforts basis. SBCF has restricted the use of margin on all accounts, therefore cash must be available to be withdrawn.
- d. Pool-Specific Operating Guidelines:

i. Quasi-Endowment Pool

Payout amount will be determined once annually, prior to the conclusion of the Foundation’s fiscal year for the subsequent fiscal year. The payout rate will range up to 7%, as determined by the Board, multiplied by the average of the latest available twelve prior quarter-ending Quasi-Endowment values. From the initial funding of the Quasi-Endowment Pool through the end of fiscal year 2016-2017, the payout rate will be 0%. During fiscal years 2017-2018 and 2018-2019, the default payout rate will be 3%, multiplied by the simple average of all quarter-ending Quasi-Endowment values available at the time of the annual payout decision. One-twelfth (1/12) of the annual payout amount will be withdrawn from the Quasi-Endowment and deposited in the Liquidity Pool on a monthly basis.

ii. Strategic Pool

Withdrawals will be determined by the timing of project expenditures, per guidance from the SBCF Board. SBCF will provide a schedule of likely withdrawals to SHGA at the time of the annual budget planning process. Cash proceeds will be deposited in the SBCF Liquidity Pool on an as-needed basis.

iii. Liquidity Pool

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INVESTMENT OPERATING PLAN

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The Liquidity Pool will contain funds that have been earmarked for disbursement by the SBCF Board, with the guidance from the Investment Committee. As directed by SBCF staff, withdrawals will take place in the subsequent 0-24 months following initial deposit into the Liquidity Pool.

2. **Quarterly Reviews** – SHGA will provide the SBCF Investment Committee with quarterly performance and holdings reports to allow the Committee to review the investment performance of SHGA and the individual investments (retained by SHGA) in the portfolio with respect to the risk and return objectives established for SBCF. The review may include topics such as the overall business management, organizational changes and other relevant factors.
3. **Annual Board Meeting** – SHGA will present to the full SBCF Board of Directors on an annual basis.


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INVESTMENT OPERATING PLAN

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**VII. SIGNATURES**

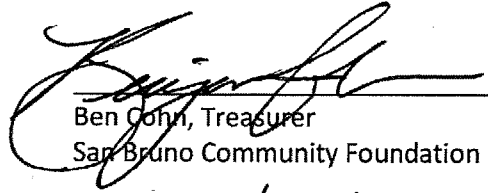
Reviewed and Accepted By:



Brian Dombkowski, CFA  
Chief Executive Officer  
Sand Hill Global Advisors, LLC

Date: 5/11/16

Reviewed and Accepted By:



Ben Cohn, Treasurer  
San Bruno Community Foundation

Date: 5/4/16



Leslie Hatamiya, Executive Director  
San Bruno Community Foundation

Date: 5/4/16

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**APPENDIX**

**1. Benchmark Composition**

The Blended Benchmark will be used for the total portfolio review and to review SHGA. Individual asset classes will be reviewed using the indices most appropriate and assigned to each manager or investment style.

The Blended Benchmark is composed as follows:

Asset Class	Index	Weight		
		<u>QEP</u>	<u>SP</u>	<u>LP</u>
<b>Equity</b>				
Domestic Large Capitalization	S&P 500 Index	30%	9%	0%
Domestic Small Capitalization	Russell 2000 Index	9%	3%	0%
International	MSCI All-Cap World Index excl. USA	13%	4%	0%
<b>Fixed Income</b>	Barclays Capital Aggregate Index	30%	70%	0%
<b>Real Estate</b>	NAREIT Index	6%	4%	0%
<b>Commodities/Natural Resources</b>	Dow Jones UBS Commodity Index	2%	0%	0%
<b>Market Neutral</b>	Barclays 1-3 Year Aggregate Index	8%	8%	0%
<b>Cash/Cash Equivalents</b>	U.S. T-Bill 90 day Index	2%	2%	100%

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**2. Benchmark Definitions**

**EQUITY MARKET INDICATORS**

The market indicators included in this report are regarded as measures of equity or fixed-income performance results. The returns shown reflect both income and capital appreciation.

**Standard & Poor's 500 Index** is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The index is capitalization-weighted, with each stock weighted by its proportion of the total market value of all 500 issues. Thus, larger companies have a greater effect on the index.

**Russell 2000 Index** is composed of the 2000 smallest stocks in the Russell 3000 Index, representing approximately 11% of the U.S. equity market capitalization.

**INTERNATIONAL EQUITY MARKET INDICATORS**

**Morgan Stanley Capital International (MSCI) All Cap World Index (ACWI) Ex-USA Index** is composed of approximately 6,000 equity securities representing the stock exchanges of Europe, Australia, New Zealand, the Far East and Emerging Market nations capturing 99% of the global investable market outside of the US. The index captures large, mid and small-cap companies. The index is capitalization-weighted and is expressed in terms of U.S. dollars.

**FIXED-INCOME MARKET INDICATORS**

**Barclays Capital Aggregate Bond Index** is a combination of the Mortgage Backed Securities Index and the intermediate and long-term components of the Government/Credit Bond Index.

**OTHER INDICES**

**National Association of Real Estate Investment Trusts (NAREIT) Index** is the only REIT index to include all REITs currently trading on the New York Stock Exchange, the NASDAQ National Market System and the American Stock Exchange. It is also the first index to include monthly historical statistics from 1972. It is often used as a publicly traded approximation for the illiquid private real estate market.

**Dow Jones UBS Commodity Index** is designed to be a highly liquid and diversified benchmark for the commodity futures market. Commodities as an asset class have historically demonstrated returns that are negatively correlated with returns of stocks and bonds and that are positively correlated with inflation measures.

**Barclays 1-3 Yr Aggregate Bond Index** is a combination of the Mortgage Backed Securities Index and the shorter duration components of the Government/Credit Bond Index.

**U.S. T-Bill 90 Day Index** is the benchmark used to measure cash. It is also considered to be the “risk-free rate” for the purposes of performance measurement.

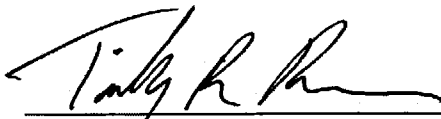
**AMENDMENT #1 TO INVESTMENT OPERATING PLAN  
OF THE SAN BRUNO COMMUNITY FOUNDATION**

1. This Amendment, which is dated June 7, 2017, modifies the Investment Operating Plan of the San Bruno Community Foundation, approved by the San Bruno Community Foundation Board of Directors on May 4, 2016, and executed by the San Bruno Community Foundation and Sand Hill Global Advisors, LLC, on May 11, 2016 (a copy of which is attached hereto for reference).
2. Section VI.1.d.i., Pool-Specific Operating Guidelines for the Quasi-Endowment Pool, is amended in its entirety to be read as follows: ,

Payout amount will be determined once annually, prior to the conclusion of the Foundation's fiscal year for the subsequent fiscal year. The payout rate will range up to 7%, as determined by the Board, multiplied by the average of the latest available twelve prior quarter-ending Quasi-Endowment values. From the initial funding of the Quasi-Endowment Pool through the end of fiscal year 2016-2017, the payout rate will be 0%. During fiscal year 2017-2018, the default payout rate will be 2.25%, multiplied by the simple average of all quarter-ending Quasi-Endowment values available at the time of the annual payout decision. Cash proceeds will be deposited in the SBCF Liquidity Pool on an as-needed basis.

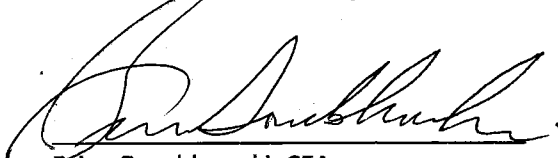
3. In all other respects, the Investment Operating Plan is affirmed.

**San Bruno Community Foundation:**

  
\_\_\_\_\_  
Tim Ross  
Treasurer

  
\_\_\_\_\_  
Leslie Hatamiya  
Executive Director

**Sand Hill Global Advisors, LLC**

  
\_\_\_\_\_  
Brian Dombkowski, CFA  
Chief Executive Officer