

SAN BRUNO

Community Foundation

Investment Committee

Pak Lin, *Chair* • Anthony Clifford, Mark Hayes, Tim Ross, and Belinda Wong, *Members*

Leslie Hatamiya, *Executive Director*

www.sbcf.org

PUBLIC COMMENT: Attendees who want to provide public comment will be asked to fill out a speaker card and submit it with the SBCF Executive Director. Public comment may also be emailed to info@sbcf.org. Comments received via email will not be read aloud during the meeting. Materials related to the agenda distributed after it is published will be available for public inspection at San Bruno City Hall, 567 El Camino Real, San Bruno, in compliance with the Brown Act.

ACCESSIBILITY: In compliance with the Americans with Disabilities Act, individuals requiring special accommodations or modifications to participate in this meeting should contact the SBCF Office 48 hours prior to the meeting at (650) 763-0775 or info@sbcf.org.

AGENDA

SAN BRUNO COMMUNITY FOUNDATION

Regular Meeting of the Investment Committee

February 21, 2024

4:30 p.m.

Meeting Location:

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

- 1. Call to Order**
- 2. Roll Call**
- 3. Public Comment:** Individuals are allowed three minutes at this time to comment on items within the jurisdiction of the Committee that are not on this agenda. It is the Committee's policy to refer matters raised in this forum to staff for research and/or action where appropriate. The Brown Act prohibits the Committee from discussing or acting upon any matter not agendaized pursuant to State Law.
- 4. Approval of Minutes:** November 15, 2023, Regular Investment Committee Meeting
- 5. Executive Director's Report**
- 6. Conduct of Business**
 - a. Receive Report from Sand Hill Global Advisors, LLC (SHGA) regarding SHGA's Investment Outlook and SBCF's Investment Portfolio Performance

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- b. Discuss and Provide Direction Regarding Future Cash Flow Strategies Related to Funding of Recreation and Aquatic Center Project

7. Committee Member Comments

- 8. Adjourn:** The next regular meeting of the Investment Committee will be held on Wednesday, May 15, 2024, at 4:30 p.m.

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MINUTES

SAN BRUNO COMMUNITY FOUNDATION

Regular Meeting of the Investment Committee

November 15, 2023

4:30 p.m.

Meeting Location:

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

- 1. Call to Order:** Committee Chair Lin called the meeting to order at 4:30 p.m. She welcomed SBCF Board Member Wong to her first meeting serving on the Investment Committee.
- 2. Roll Call:** Committee Members Lin, Clifford, Hayes, Ross, and Wong, present.
- 3. Public Comment:** None.
- 4. Approval of Minutes:** August 16, 2023, Regular Investment Committee Meeting: Committee Member Ross moved to approve the minutes of the August 16, 2023, Regular Meeting, seconded by Committee Member Clifford, passed unanimously by roll call vote.
- 5. Executive Director's Report**

Executive Director Hatamiya gave an update on the Foundation's activities, first summarizing recent program highlights:

- **Community Grants Fund:** The Foundation received 48 applications for Community Grants by the September 20 deadline, providing a robust and competitive applicant pool. The applications have been evaluated by a review panel of community volunteers. The Board will consider the panel's grant recommendations at the December 6 Board meeting; with a \$100,000 donation from [Google.org/YouTube](https://www.google.org/YouTube), the Foundation will award grants totaling \$300,000 this cycle.
- **Crestmoor Scholarship:** The 2024 Crestmoor Neighborhood Memorial Scholarship will launch in December, when the online application will be accessible and updated marketing materials will be distributed to local schools and throughout the community. The application deadline will be March 5, 2024.

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- Recreation and Aquatic Center (RAC): Ms. Hatamiya noted that the project had some hiccups in the past few months, due to weather and power issues. She noted that construction will be completed in 2024 and that it is likely that the full \$1.5 million in additional construction contingency will be utilized.
- Centennial Plaza: With regard to the Centennial Plaza Improvement Project, which the Foundation is helping fund with a \$500,000 grant to the City of San Bruno, the project schedule has been pushed out. She said the City plans to go out to bid for a contractor soon, with the project likely completed in late 2024.
- Community Day: Ms. Hatamiya reported that because the City decided not to hold a Community Day event in 2023, the City and Foundation terminated the grant agreement for the 2023 grant, and the City will return with a request for funding for a 2024 event once it has a plan in place.
- Music Education Strategic Initiative: She reported that the Board received a report from the San Bruno Park School District, the San Bruno Education Foundation, and Capuchino High School on the music programs being funded by the most recent set of music education grants. They highlighted the robust music program at Parkside Intermediate School, particularly the extensive sixth grade offerings that SBCF is supporting, the music programs offered at the elementary schools, and the recent accomplishments of Capuchino High School's choir, instrumental music, and color guard programs.
- SBPSD School Field Trip Grant: Ms. Hatamiya reported that San Bruno Park School District Superintendent Matt Duffy also gave a report on the recent \$35,000 grant the Foundation awarded to the school district for field trips and assemblies. He said that the field trips are making a memorable mark in students' experiences and that the grant funding is inspiring teachers to reinvest time and energy to identify and implement programming beyond the school walls.

Ms. Hatamiya noted that the Foundation's 2023 Annual Report was mailed to all San Bruno addresses the first week of October.

Ms. Hatamiya also reported that Novogradac & Company prepared the FY2022-2023 audited financials, which were accepted by the Audit Committee in October and approved 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 Foundation Board reelected its officers for the 2024 term: President Malissa Netane-Jones, Vice President Jim Ruane, Secretary Raul Gomez, and Treasurer Pak Lin.

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Ms. Hatamiya noted that the Board began its post-RAC strategic planning process in November, looking at whether there are some larger legacy projects to fund. She said the Investment Committee would become involved in making recommended amendments to the Investment Policy Statement and Investment Operating Plan once the Board makes some decisions on program and investment strategy.

Ms. Hatamiya reviewed the schedule of transfers from the Quasi-Endowment and Strategic Pool accounts to the Liquidity Pool, but noted that the schedule may be modified based on actual cash needs. Transfers from the Quasi-Endowment to Liquidity-Operating include: (a) \$200,000 scheduled for December 2023, and (b) \$172,843 scheduled for May 2024. All funds needed for the remaining RAC grant payments have already been transferred from the Strategic Pool to the Liquidity Pool. Transfers from Strategic to Liquidity for non-RAC purposes are budgeted at \$1,441,576; \$500,000 was transferred in August, and the remaining funds will be transferred as needed to cover expenses and other strategic grant payments.

Finally, Ms. Hatamiya reminded the Committee of its upcoming meetings: February 21, May 15, August 21, and November 20, 2024. All meetings will be held in person at San Bruno City Hall Room 101.

6. Conduct of Business

- a. 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, Senior Portfolio Manager Meghan DeGroot Daters, Senior Wealth Manager Kristin Sun, and Analyst George Angelopoulos represented SHGA at the meeting.

Mr. Dombkowski gave an overview of the firm's investment outlook, as well as a summary of the firm's current economic forecast, commenting on global risk factors, economic growth, interest rates, inflation, commodity markets, the employment market, corporate earnings, international developed markets, emerging markets, the housing market, and valuation. He noted that it was uncommon to see both stocks and bonds fall at the same time, that fears of a recession have abated, that interest rates appear to have peaked, and that in 2024, growth is expected to normalize around the 2% level.

Ms. Daters then reviewed the Foundation's Investment Dashboard for the third quarter of 2023, including September 30, 2023, balances of \$20,457,608 for the Quasi-Endowment, \$5,592,674 for the Strategic Pool, and \$4,388,202 for the Liquidity Pool, for a total of \$30,438,485. She also discussed the performance of the underlying funds in the Foundation's Quasi-Endowment, Strategic, and Liquidity pools. She explained the firm's recent portfolio adjustment bringing the equity allocation back to target weight, with a modest increase to market neutral assets offsetting the decrease in equities.

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- b. Discuss and Provide Direction Regarding Future Cash Flow Strategies Related to Funding of Recreation and Aquatic Center Project

The Committee briefly discussed cash flow strategies related to the San Bruno Recreation and Aquatic Center (RAC) grants. Ms. Hatamiya reported that since early 2018, the Foundation has made grant payments totaling \$49,179,902 related to the eight grants supporting the design and construction of the RAC. The latest set of RAC grant payments totaling \$8,343,196 was made in early November based on the City's latest set of quarterly grant reports. The remaining balance of RAC grant payments to be paid is \$2,320,098, of which \$1.5 million is the additional amount that the Board approved for construction contingency earlier this year. She noted that all funds committed to the RAC grants have already been transferred to the Liquidity Pool.

7. Committee Member Comments: None

8. Adjourn: Committee Member Wong moved to adjourn the meeting at 5:18 p.m., seconded by Committee Member Hayes, approved unanimously.

Respectfully submitted for approval at the Regular Investment Committee Meeting of February 21, 2023, by Investment Committee Chair Pak Lin.

Pak Lin, Investment Committee Chair

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Memorandum

DATE: February 16, 2024

TO: Investment Committee, San Bruno Community Foundation

FROM: Leslie Hatamiya, Executive Director

SUBJECT: February 21, 2024, Investment Committee Regular Meeting

The Investment Committee of the San Bruno Community Foundation will hold its regular quarterly meeting at 4:30 p.m. on Wednesday, February 21, 2024, at San Bruno City Hall Room 101.

1. Executive Director's Report

As I do at each meeting, I will provide updates on the Foundation's programs and operations. Key items I will cover at the February 21 meeting include:

- Program highlights and updates on the Community Grants Fund, the Crestmoor Neighborhood Memorial Scholarship program, and strategic grant initiatives, including the San Bruno Recreation and Aquatic Center (RAC) project.
- Update on the strategic planning process currently being undertaken by the SBCF Board of Directors.
- Schedule of transfers from the Quasi-Endowment and Strategic Pool accounts to the Liquidity Pool account for FY2023-2024 to cover the Foundation's cash needs through June 30, 2024, consistent with the FY2023-2024 budget passed by the Foundation Board in June 2023.
- A reminder of upcoming Investment Committee meetings in 2024: May 15, August 21, and November 20, all at 4:30 p.m. at San Bruno City Hall.

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

Representing SHGA at the Committee meeting will be CEO Brian Dombkowski, Senior Portfolio Manager Meghan DeGroot Daters, and Analyst George Angelopoulos. The SHGA team will give

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a presentation to the Committee that will cover (a) SHGA's investment outlook, and (b) the performance of the Foundation's investment portfolio.

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 2024, including the firm's perspective on economic growth, interest rates, employment market, corporate earnings, international market, housing market, inflation, commodity markets, and valuation.

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 2023 (second quarter of the fiscal year). The SHGA team will walk the Committee through the attached Investment Dashboard for December 31, 2023, 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.

3. Discussion Regarding Cash Flow Strategies Related to Funding of Recreation and Aquatic Center Project

The Foundation's original commitment to the design and construction of a new San Bruno Recreation and Aquatic Center consists of eight grants totaling \$50 million. This past April, at the request of the City of San Bruno, the SBCF Board approved additional funding for RAC construction (RAC Grant #8) in an amount not to exceed \$1.5 million, which will go toward the project's construction contingency and will only be utilized if needed. (Any portion needed is expected to be paid out in the 2023-2024 fiscal year.) The increase in grant amount for the construction grant raises the Foundation's overall commitment to the RAC project to an amount not to exceed \$51.5 million.

As of May 2023, the Foundation had moved all funds needed to cover the remaining balance on the \$51.5 million commitment from the Strategic Pool to the Liquidity Pool.

Through February 15, 2024, the Foundation has made grant payments totaling \$49,254,840.79 related to the eight grants supporting the design and construction of the RAC.

The Foundation recently disbursed the latest set of quarterly RAC grant payments totaling \$74,939.25. The remaining balance of the original \$50 million commitment to be paid is

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\$745,159.21. None of the \$1.5 million committed for construction contingency has yet been disbursed.

I will provide an update on RAC grant payments and cash flow needs at the Committee meeting.

Attachments:

1. SBCF Investment Dashboard, as of December 31, 2023

The San Bruno Community Foundation Investment Dashboard

As of December 31, 2023

Current Outlook:

Economic Environment: The United States economy has been surprisingly strong with GDP growth expected to be around 2.5% for the full year in 2023. In the short-term we are unlikely to see a significant slowdown given the strong job market, an improving outlook for corporate earnings growth, fiscal policies that are promoting growth, and a manufacturing industry that is returning to normal following several years of pandemic distortions. During the December FOMC meeting, the Federal Reserve pivoted and is now projecting interest rate cuts of 0.75% this year. Financial conditions subsequently eased as long-term interest rates moved lower, and the equity market experienced a broad-based rally. This, combined with an improving inflation outlook, has increased the odds of the U.S. economy avoiding a recession this year. The key, in our view, to avoiding a recession is maintaining the health of the consumer. Currently, consumers are enjoying a strong job market, real wage growth, and an environment where inflation is easing. However, even though interest rates will come down this year, they will still be higher than they have been over the last fifteen years. As time goes on, we expect to see more of an impact from higher rates as corporate bonds and loans mature and companies are forced to manage through a period where their cost of capital is higher. Lastly, it is rare for recessions to develop during election years when political spending and aspirations are high.

Market Environment: Following a better than expected inflation report and dovish commentary from the Federal Reserve, long-term Treasury bond yields fell significantly during the fourth quarter and this contributed to a strong rally in the stock market. Small cap stocks outpaced large cap stocks as the stock market rally broadened beyond the mega-cap technology stocks that drove returns earlier in the year. Longer duration bonds outperformed and REITs rose. Commodities were the only asset class that declined as oil prices fell.

Portfolio Response: We maintained our positioning which included an overweight to mid-cap and emerging market stocks, an overweight to bonds with duration that was longer than the benchmark, and an underweight to all areas within alternative investments.

Performance		Quasi-Endowment Pool	Custom Blended Benchmark	+ / -	Strategic Pool	Custom Blended Benchmark	+ / -
Quarterly	Q4 2023	9.21%	9.32%	-0.11%	7.66%	7.60%	0.06%
	Q3 2023	-3.55%	-3.18%	-0.37%	-3.68%	-3.08%	-0.60%
	Q2 2023	3.28%	3.19%	0.09%	0.57%	0.51%	0.06%
	Q1 2023	4.78%	4.45%	0.33%	3.58%	3.34%	0.24%
Annual	2023	13.99%	14.08%	-0.09%	8.03%	8.31%	-0.28%
	2022	-15.16%	-14.49%	-0.67%	-11.84%	-13.12%	1.28%
	2021	13.21%	12.81%	0.40%	4.47%	3.42%	1.05%
	2020	14.55%	11.61%	2.94%	8.79%	8.48%	0.31%
	ITD - 12/31/23	6.79%	6.87%	-0.08%	2.88%	2.86%	0.02%

Quasi-Endowment Pool Portfolio Action	Increased	Decreased	Growth/Capital Preservation
Q4 2023	Maintained Positioning		62/38
Q3 2023	Brought Equity Back to Target Weight		62/38
	Market Neutral	Equity	

Balances	Quasi-Endowment	Strategic	Liquidity	Total
Q4 2023	\$22,179,248	\$6,025,944	\$3,149,964	\$31,355,156
Q3 2023	\$20,457,608	\$5,592,674	\$4,388,202	\$30,438,485
Q2 2023	\$21,225,679	\$6,309,009	\$9,010,671	\$36,545,359
Q1 2023	\$20,658,295	\$7,790,433	\$14,768,287	\$43,217,015

Asset Allocation	Quasi-Endowment Pool		Strategic Target		Strategic Target	
	31-Dec-23	31-Dec-23	Target	31-Dec-23	Target	Target
Large Cap Equity	\$6,751,560	30%	30%	\$535,002	9%	9%
SMID Cap Equity	\$2,554,141	12%	9%	\$242,784	4%	3%
International/EM Equity	\$3,406,570	15%	13%	\$308,413	5%	4%
Fixed Income	\$7,070,713	32%	30%	\$4,389,381	73%	70%
Real Assets	\$1,082,759	5%	8%	\$178,929	3%	4%
Market Neutral	\$948,966	4%	8%	\$268,235	4%	8%
Cash	\$364,539	2%	2%	\$103,200	2%	2%
Total	\$22,179,248	100%	100%	\$6,025,944	100%	100%

Net Cash Flows	Quasi-Endowment	Strategic	Liquidity	Total
Q4 2023	-\$200,000	\$0	-\$1,283,000	-\$1,483,000
Q3 2023	\$0	-\$500,000	-\$4,692,000	-\$5,192,000
Q2 2023	-\$85,937	-\$1,500,000	-\$5,856,063	-\$7,442,000
Q1 2023	\$0	\$0	-\$3,535,000	-\$3,535,000

Illiquidity as of 12/31/23	< 1 Yr	1-3 Yrs	> 3 Yr	Total
Quasi-Endowment Pool	0.00%	0.00%	0.00%	0.00%

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.	✓

