

# SAN BRUNO

## Community Foundation

*Investment Committee*

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

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### MINUTES

#### SAN BRUNO COMMUNITY FOUNDATION

#### Regular Meeting of the Investment Committee

**May 20, 2020**

**4:30 p.m.**

**Meeting Conducted via Zoom**

1. **Call to Order:** Committee Chair Tim Ross called the meeting to order at 4:30 p.m.
2. **Roll Call:** Committee Members Ross, Clifford, Hayes, Hedley, and McGlothlin, present.
3. **Public Comment:** None.
4. **Approval of Minutes:** February 26, 2020, Special Investment Committee Meeting: Committee Member Hedley moved to approve the minutes of the February 26, 2020, Special Meeting, seconded by Committee Member Clifford, passed unanimously.
5. **Executive Director's Report**

Executive Director Hatamiya gave an update on the Foundation. She first focused on the Foundation's recent program highlights:

- **Crestmoor Scholarship:** The Foundation recently announced the 2020 Crestmoor Scholars, 13 impressive San Bruno students who will be honored at the June 3 Board meeting. Due to the pandemic, the meeting will be on Zoom, and no scholarship reception will be held. Scholarship awards total \$190,000 as a result of a \$70,000 donation to the program from the Joseph W Welch Jr Foundation.
- **Community Grants Fund:** The Foundation had just finished distributing the last round of grant checks when the shelter-in-place was instituted in mid-March. The Foundation has offered grantees flexibility in using their funds given the current situation; a few have requested extensions due to program cancellations this year. The fifth iteration of the Community Grants Fund will launch at the beginning of July, with late September deadline.

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- Strategic Grants
  - Recreation and Aquatics Center: The project is on schedule and is nearing the end of its second phase – schematic design and construction documents. As part of the CEQA process, the Environmental Impact Report, along with the planning entitlements for the Architectural Review Permit and Conditional Use Permit, will be reviewed by the Planning Commission in the near future. The City's plan is to go out to bid for contractor in the fall, with construction to start at the beginning of 2021.

The Foundation recently received an updated cash flow project timeline from the City. Under the updated cash flow timeline, payments of about \$17 million will be required in fiscal year 2020-2021 and of \$29 million in fiscal year 2021-2022. Remaining payments total more than \$46M, with nearly all to be paid by January 2022. This timeline will be updated at the end of the year, once the contractor is on board.

- COVID-19 Relief Grants: In May, the SBCF Board approved a package of COVID relief grants to help San Bruno's schools and small businesses. The three recently approved grants include:
  - \$240,000 to the San Bruno Education Foundation to provide all teachers in the San Bruno Park School District with new laptops to ensure that they have up-to-date digital tools necessary to adapt to online teaching methods in a new era of distance learning;
  - \$150,000 to support small businesses in San Bruno through the San Mateo County Strong Small Business Grant Program; and
  - \$100,000 to fund the creation, by the Bay Area Entrepreneur Center of Skyline College, of the San Bruno Small Business Recovery Assistance Program. This program will provide valuable financial and technical assistance to a broad pool of San Bruno small businesses to help them develop business plans for recovery from the COVID-19 damage they have experienced. Over the next six months, San Bruno businesses will have access to no-cost financial advising, business consulting, tax preparation, translation services, business tools, virtual workshops, and a recovery symposium.

Together, with a \$10,000 grant helping to provide internet access to low-income students for distance learning in partnership with the City, the San Bruno Education Foundation, San Bruno Rotary, and the San Bruno Police Association that was approved in April, these grants represent a \$500,000 investment in two key segments of the San Bruno community struggling to deal with the significant impacts of the COVID-19 pandemic.

- Music Education Strategic Initiative: Also at its May meeting, the SBCF Board approved a one-year extension of the Music Education Strategic Initiative. The grants to SBEF and CHSAA total \$68,000 and will continue to support the music programs in the midst of what will undoubtedly be a difficult fundraising year.

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- Community Day 2020: Community Day was scheduled for June 7 but was canceled due to the COVID-19 pandemic.

Ms. Hatamiya explained the schedule of transfers from the Quasi-Endowment and Strategic Pool accounts to the Liquidity Pool. Transfers that have already taken place this fiscal year include: transfers of \$200,000 and \$117,510 from the Quasi-Endowment to the Liquidity Pool in December 2019 and May 2020, respectively, and transfers from the Strategic Pool to the Liquidity Pool of \$700,000 in late July 2019, \$1 million in early October 2019, \$1 million in January 2020, and \$2,081,21 in May 2020. In consultation with Treasurer Ross, she decided to move the full remaining balance in May; although only about \$640K is needed through the end of the fiscal year, the Foundation will need about \$2 million in RAC payments at the beginning of the next fiscal year and the market had recovered by the beginning of May.

Finally, Ms. Hatamiya reminded the Committee of its remaining 2020 meeting dates and that, with the current terms of Investment Committee members ending in June 2020, the Board would consider appointments to new terms at its June 3 meeting.

### **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, and Senior Wealth Manager Kristin Sun represented SHGA at the meeting.

Mr. Dombkowski gave an overview of the firm's investment outlook, focusing on slowing global economic growth and concerns about trade tensions and the spread of the coronavirus. He gave a summary of the firm's current economic forecast for the first quarter of 2020, commenting on economic growth, interest rates, the employment market, corporate earnings, international developed markets, emerging markets, inflation, commodity markets, valuation, and the housing market. In particular, he highlighted the market downturn as a result of the COVID-19 pandemic, with a bottoming out on March 23, and its recovery since then. He described the downturn as an event-driven bear market and emphasized the importance staying the course with the Foundation's investment strategy.

Ms. Sun and Ms. DeGroot reviewed the Foundation's Investment Dashboard for the first quarter of 2020, including March 31, 2020, balances of \$16,171,758 for the Quasi-Endowment, \$43,477,547 for the Strategic Pool, and \$11,879,809 for the Liquidity Pool (total of \$71,529,114 in all three accounts). They noted that the portfolio had begun to recover since late March and highlighted some of the adjustments the firm made to the portfolio given market conditions.

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

Ms. Hatamiya presented the cash needs timeline for the City of San Bruno's Recreation and Aquatics Center (RAC) project. She explained that to date the Foundation has paid approximately \$3 million in RAC grant payments, with the remaining \$47 million to be paid out over the next three fiscal years (\$17 million in fiscal year 2020-2021, \$29 million in fiscal year 2021-2022, and \$1 million in fiscal year 2022-2023). She also noted that the Liquidity Pool currently contains \$10.34 million specifically earmarked for the RAC, as well as \$1.41 million in funds to be rolled over at the end of fiscal year 2019-2020. She presented three options for covering the cash needs of the RAC project in fiscal year 2020-2021:

- Option 1: \$5.25 million (in combination with the \$10.34 million in Liquidity-RAC, covers the fiscal year 2020-2021 cash needs)
- Option 2: \$15.25 million (transfer full fiscal year 2020-2021 need, leaving \$10 million in Liquidity-RAC)
- Option 3: \$36.25 million (transfer remaining project cost, leaving \$30 million in Liquidity-RAC)

The Committee extensively discussed the three options. The Sand Hill team noted that the expected return on the Liquidity Pool is in the 0%-1% range, while the expected return on the Strategic Pool is in the 3%-4% range. The Committee also discussed the timing of the transfer. After thorough discussion, the Committee agreed to recommend Option 2 to the Board.

Committee Member Hedley made a motion to recommend to the Board transferring \$15.25 million from Strategic to Liquidity-Operating to cover the cash needs for the RAC project in fiscal year 2020-2021, leaving \$10 million in Liquidity-RAC (Option 2), and recommending that the Executive Director execute the transfer as quickly as possible at the beginning of the fiscal year, seconded by Committee Member McGlothlin, approved unanimously by roll call vote.

- c. Adopt Resolution Recommending to the SBCF Board of Directors the Quasi-Endowment Payout Rate for Fiscal Year 2020-2021

Ms. Hatamiya reminded the Committee that under the Investment Policy Statement, the Quasi-Endowment payout rate is to be determined annually by the Board, which typically receives a recommendation from the Investment Committee.

Ms. Hatamiya reported that the past three years the Committee recommended and the Board approved a Quasi-Endowment payout rate sufficient to meet the cash flow needs for the Crestmoor Scholarship and the Community Grants Fund for the upcoming fiscal year. She noted that in preparing the fiscal year 2020-2021 budget, she determined that the cash flow needs for the Crestmoor Scholarship and Community Grants Fund in the upcoming fiscal year are estimated at \$294,990 and that, with the average of the past 12 quarter-ending Quasi-Endowment values available from inception to today (Q2 2017 to Q1 2020) being \$17,392,997, a payout rate of 1.70% would result in a Quasi-Endowment payout of \$295,681, which would cover the estimated cash needs of \$294,990.

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After discussion, the Committee decided to follow the past practice of recommending to the Board a Quasi-Endowment payout rate sufficient to meet the cash flow needs for the Crestmoor Scholarship and the Community Grants Fund for the upcoming fiscal year. This practice is consistent with the original long-term vision for the Quasi-Endowment – to fund those two programs plus support costs on an ongoing basis – and allows for some continued growth of the Quasi-Endowment, while the Foundation still has the Strategic funds to help support operational expenses. Strategic funds would cover cash needs for all strategic grants plus all support costs.

Committee Member Hedley moved to adopt the resolution recommending to the SBCF Board of Directors a Quasi-Endowment payout rate of 1.70% for fiscal year 2020-2021 (resulting in a payout of \$295,681), seconded by Committee Member Clifford, approved unanimously by roll call vote.

d. Conduct Annual Review of SBCF's Investment Policy Statement and Investment Operating Plan

The Committee also conducted its annual review of the Foundation's Investment Policy Statement and Investment Operating Plan. Ms. Hatamiya reported to the Committee that she was not recommending any adjustments to either document, as the structure of the three investment pools still serve the Foundation's purposes (as funds are needed, they can be shifted from the Strategic Pool to the Liquidity Pool, which has a more conservative risk tolerance and higher liquidity requirement). Moreover, she noted that the Investment Operating Plan also provides SHGA with asset allocation ranges that allows it to make reasonable and sufficient adjustments to the Strategic Pool to accommodate the payment schedule. In response to a question from a Committee member, Mr. Dombkowski said due to the decline in interest rates, there may come a time, when only the Quasi-Endowment and Liquidity pools remain, at which the Foundation may want to adjust the Quasi-Endowment asset allocation to be more heavily weighted to equities in order to support the annual payout rate. After discussion, the Committee declined to recommend any changes to the Investment Policy Statement or Investment Operating Plan.

**7. Committee Member Comments:** None.

**8. Adjourn:** Committee Member Hedley moved to adjourn the meeting at 6:12 p.m., seconded by Committee Member Hayes, approved unanimously.

Respectfully submitted for approval at the Regular Investment Committee Meeting of August 19, 2020,  
by Investment Committee Chair Tim Ross.



Tim Ross, Investment Committee Chair