

SAN BRUNO

Community Foundation

Investment Committee

Pak Lin, Chair • Anthony Clifford, Mark Hayes, Supriya S. Perry, and Tim Ross, Members
Leslie Hatamiya, Executive Director

AB-361 CORONAVIRUS COVID-19

On September 16, 2021, the Governor of California signed AB-361 suspending certain provisions of the Ralph M. Brown Act in order to allow for local legislative bodies to conduct their meetings telephonically or by other electronic means. To reduce the spread of COVID-19, meetings of the San Bruno Community Foundation's Investment Committee are being conducted electronically. The meeting is not available for in-person attendance. Members of the public may attend the meeting by video or phone following the links below in this agenda.

If you would like to make a Public Comment on an item not on the agenda, or comment on a particular agenda item, you may address the Committee orally during the meeting, or you may email us at info@sbcf.org. The length of all emailed comments should be commensurate with the three minutes customarily allowed per speaker, which is approximately 300 words total. Emails received before the special or regular meeting start time will be forwarded to the Foundation Investment Committee, posted on the Foundation's website and become part of the public record for that meeting. If emailed comments are received after the meeting start time, or after the meeting ends, they will be forwarded to the Foundation Investment Committee and filed with the agenda packet becoming part of the public record for that meeting. Emails received will not be read aloud during the meeting.

Individuals who require special assistance of a disability-related modification or accommodation to participate in this meeting, or who have a disability and wish to request an alternative format for the agenda, agenda packet or other writings that may be distributed at the meeting, should contact Leslie Hatamiya, Executive Director, 48 hours prior to the meeting at (650) 763-0775 or by email at info@sbcf.org. Notification in advance of the meeting will enable the San Bruno Community Foundation to make reasonable arrangements to ensure accessibility to this meeting, the materials related to it, and your ability to comment.

AGENDA

SAN BRUNO COMMUNITY FOUNDATION

Regular Meeting of the Investment Committee

November 16, 2022

4:30 p.m.

Zoom Meeting Details:

<https://us02web.zoom.us/j/81612105619?pwd=bDJ1djRiUU1nZUVTTTC9W0Ei3UDRLQT09>

Webinar ID: 816 1210 5619

Passcode: 873533

Dial-in: (669) 900-6833

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1. **Call to Order**
2. **Roll Call**
3. **Public Comment:** Individuals are allowed three minutes. 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:** August 17, 2022, 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
 - b. Discuss and Provide Direction Regarding 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, February 15, 2023, at 4:30 p.m.

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MINUTES

SAN BRUNO COMMUNITY FOUNDATION

Regular Meeting of the Investment Committee

August 17, 2022

4:30 p.m.

Meeting Conducted via Zoom

- 1. Call to Order:** Committee Chair Lin called the meeting to order at 4:31 p.m. Chair Lin welcomed Committee Member Ross back to the Investment Committee.
- 2. Roll Call:** Committee Members Lin, Clifford, Hedley, and Perry (arrived at 4:57 p.m.), present; Committee Member Hayes, excused.
- 3. Public Comment:** None.
- 4. Approval of Minutes:** May 18, 2022, Regular Investment Committee Meeting: Committee Member Clifford moved to approve the minutes of the May 18, 2022, Regular Meeting, seconded by Committee Member Ross, passed unanimously by roll call vote.
- 5. Executive Director's Report**

At the beginning of her report, Executive Director Hatamiya congratulated Committee Members Clifford and Hayes for their reappointment to the Investment Committee and welcomed Committee Member Ross back to the Committee. She also thanked former Committee Member Frank Hedley for his six years of service on the Committee and noted that the Foundation Board recognized him at its July meeting. She also congratulated Ms. Sun on the birth of her daughter.

Ms. Hatamiya then summarized the Foundation's recent program highlights:

- **Crestmoor Scholarship:** In June, the Foundation Board honored the twelve 2022 Crestmoor Scholars.

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- **Community Grants Fund:** The seventh iteration of the Community Grants Fund launched at the beginning of July, with a September 21 grant application deadline. The Foundation offered its first Grant Workshop on August 16. YouTube and Google.org are again donating \$100,000 to the Community Grants Fund; with the Foundation's \$200,000, \$300,000 in grants will be awarded in December.
- **Recreation and Aquatics Center (RAC):** Ms. Hatamiya shared a recent photograph of construction on the San Bruno Recreation and Aquatic Center and noted that the facility remains on track for a fall 2023 opening.

The Board received its quarterly report from the City on the RAC in July. The City team reviewed work recently completed and upcoming work scheduled at the construction site and gave an update on plans to install a solar photovoltaic system at the center as well as options for upgrading the traffic flow at the intersection of City Park Way, Oak, and Crystal Springs Road.

The Foundation received the latest set of RAC grant reports in July and made payments totaling approximately \$3.6 million.

- **Community Day:** SBCF was the major outside funder of the City of San Bruno's 2022 Community Day, with a \$30,000 grant. The City hosted the event on Sunday, June 5, right after the Posy Parade, along San Mateo Avenue. The event included cultural performances, vendors, information booths, community art activities, and a play area for children, while restaurants and other businesses welcomed community members.
- **Tanforan Memorial:** The Tanforan Assembly Center Memorial Committee scheduled a ribbon-cutting ceremony at the Tanforan Memorial, which the Foundation supported with a \$200,000 grant, on Saturday, August 27. SBCF President Malissa Netane-Jones was scheduled to speak as part of the program.

Ms. Hatamiya reported that the SBCF Board and San Bruno City Council approved the Foundation's fiscal year 2022-2023 budget in June. As part of the resolution, the Board followed the Investment Committee's recommended transfers from the Quasi-Endowment Pool to the Liquidity-Operating Subaccount, from the Strategic Pool to the Liquidity-Operating Subaccount, and from the Liquidity-RAC Subaccount to the Liquidity-Operating Subaccount and closing of the Liquidity-RAC Subaccount to cover the Foundation's cash flow needs this fiscal year. These transfers will enable the Foundation to cover all the RAC cash needs, if necessary, but the Executive Director has the discretion to only transfer what is needed.

Ms. Hatamiya then reported that the Foundation is in the process of finalizing the fiscal year 2021-2022 accounting books and starting the annual audit, using the same certified public accounting firm used in previous years, Novogradac & Company, to conduct the audit.

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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 and updates on the Recreation and Aquatic Center project. Transfers from the Quasi-Endowment to Liquidity-Operating include: (a) \$200,000 scheduled for December 2022, and (b) \$85,937 scheduled for May 2023. Transfers from the Strategic Pool to Liquidity-Operating to cover RAC cash needs are scheduled as follows: Transferred the entire Liquidity-RAC balance to Liquidity-Operating in July to cover the July/August RAC grant payments and closed the Liquidity-RAC Subaccount. She noted that additional RAC-related transfers would be discussed later in the meeting. Transfers from Strategic to Liquidity-Operating for non-RAC purposes are budgeted at \$4,392,754 and will be transferred as needed to cover expenses.

Finally, Ms. Hatamiya reminded the Committee of its remaining meeting dates for this fiscal year: November 16, 2022, February 15, 2023, and May 17, 2023.

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

Mr. Dombkowski gave an overview of the firm's investment outlook, particularly the significant market volatility in the first half of 2022, the impact of inflation, and the Federal Reserve's response of raising interest rates. He also reviewed firm's views on economic growth, commodity markets, the employment market, corporate earnings, international developed markets, emerging markets, the housing market, and valuation. He said the firm views the current economic scenario as a mid-cycle slow down rather than a recession.

Ms. DeGroot Daters then reviewed the Foundation's Investment Dashboard for the third quarter of 2022, including June 30, 2022, balances of \$19,816,710 for the Quasi-Endowment, \$28,320,643 for the Strategic Pool, and \$9,078,116 for the Liquidity Pool (total of \$57,215,469 in all three accounts). She reported that SHGA reduced the portfolio's exposure to commodities in favor of long-term Treasury bonds. Ms. Sun shared the Foundation's portfolio balance update, noting total value added since inception of \$16,994,267, as of August 10, 2022.

Committee Member Perry arrived in the middle of this agenda item.

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

The Committee discussed cash flow strategies related to the San Bruno Recreation and Aquatic Center (RAC) grants. Executive Director Hatamiya reported that since early 2018, the Foundation has made

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grant payments totaling \$24,092,356.18 related to the eight grants supporting the design and construction of the new San Bruno Recreation and Aquatic Center. She noted that in the current 2022-2023 fiscal year, RAC grant payments totaling \$3,558,147.96 were made in July and August based on the City's latest set of quarterly grant reports, and the remaining balance of RAC grant payments to be paid is \$25,907,643.82 (estimated at about \$22 million over the current fiscal year and about \$4 million in FY 2023-2024).

Ms. Hatamiya explained that this year's budget includes transfers from (a) Liquidity-RAC (of \$8,774,970) and (b) Strategic Pool (of \$20,690,822) to Liquidity-Operating to cover the remaining RAC grant payments. To cover the July RAC grant payments, she reported that she transferred the remaining balance of Liquidity-RAC (\$8,759,369) to Liquidity-Operating and closed the Liquidity-RAC subaccount. Those funds were then used to pay out the \$3,558,147.96 for the six active RAC grants. Since the beginning of the current fiscal year, no funds have been transferred from Strategic to Liquidity-Operating. She noted that the decision to delay any transfers from Strategic until after the August 17 Committee meeting was made in light of market volatility and in consultation with the Sand Hill team.

As approximately \$20.7 million will need to be transferred from Strategic to Liquidity over the next 12 months, if not sooner, to cover the remaining RAC grant payments, Ms. Hatamiya then sought the Committee's guidance on the timing and size of the transfers. The Committee engaged in a lengthy discussion, considering three main options: (1) transferring \$10 million in September and \$10.7 million at the end of the year, (2) transferring \$5 million each in September 2022, November 2022, and January 2023, and then \$5.7 million in March 2023, and (3) transferring the full \$20.7 million in September. After much deliberation, the Committee advised that the entire balance of funds needed to cover the remaining RAC grants be transferred from the Strategic Pool to the Liquidity Pool in September (option 3). The Committee noted that the Strategic Pool had recovered some of the unrealized losses experienced earlier in the year, that the funds would be needed well within the 12-24 month time horizon for the Liquidity Pool, and that it would be prudent to protect the funds from further market volatility. The Committee also noted that once the funds needed to complete all RAC grant payments are transferred to the Liquidity Pool, the remaining balance in the Strategic Pool, combined with the balance in the Quasi-Endowment Pool, would give the Board a clearer picture of the Foundation's assets post-RAC.

7. Committee Member Comments: Chair Lin thanked the Committee members for their contributions to the thoughtful RAC cash flow discussion. Committee Member Ross commended Chair Lin for her skill in leading the discussion.

8. Adjourn: Committee Member Ross moved to adjourn the meeting at 6:07 p.m., seconded by Committee Member Perry, approved unanimously.

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Respectfully submitted for approval at the Regular Investment Committee Meeting of November 16, 2022, by Investment Committee Chair Pak Lin.

Pak Lin, Investment Committee Chair

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Memorandum

DATE: November 10, 2022

TO: Investment Committee, San Bruno Community Foundation

FROM: Leslie Hatamiya, Executive Director

SUBJECT: November 16, 2022, 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, November 16, 2022, via Zoom.

1. Executive Director's Report

At each meeting, I will 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 November 16 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).
- Schedule of transfers from the Quasi-Endowment and Strategic Pool accounts to the Liquidity Pool account for FY2022-2023 to cover the Foundation's cash needs through June 30, 2023, consistent with the FY2022-2023 budget passed by the Foundation Board in June 2022.
- A reminder of upcoming 2023 Investment Committee meetings, all at 4:30 p.m.: February 15, May 17, August 16, and November 15, 2023. Please note that since Governor Newsom has announced his intention to end the pandemic state of emergency on February 28, 2023, the Foundation will likely resume in-person meetings in March.

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 Senior Wealth Manager Kristin Sun. The SHGA team will

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Memorandum

give 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 fourth quarter of 2022, 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 third quarter of 2022 (first quarter of the fiscal year). The SHGA team will walk the Committee through the attached Investment Dashboard for September 30, 2022, 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 and Direction Regarding Future Cash Flow Strategies Related to Funding of Recreation and Aquatics Center Project

After considerable deliberation at the August meeting, the Committee recommended that the entire balance of funds needed to cover the remaining RAC grants (approximately \$20.7 million) be transferred from the Strategic Pool to the Liquidity Pool in September. Following the Committee's advice, on August 22, I instructed the SHGA team to transfer the funds from Strategic to Liquidity by September 15. The SHGA team ultimately decided to raise the funds necessary for the transfer immediately, prior to the Federal Reserve's annual Jackson Hole Economic Symposium that was held in late August, which protected those funds from the dip in the markets that occurred after Chairman Jerome Powell's remarks about inflation at that meeting. On September 2, the SHGA team transferred \$20,706,423 from Strategic to Liquidity.

At the November 16 meeting, I will provide an update on the RAC grant payments, and the Committee will have the opportunity to discuss future cash flow strategies related to the RAC project and provide direction, as appropriate.

Attachments:

1. SBCF Investment Dashboard, as of September 30, 2022

The San Bruno Community Foundation Investment Dashboard

As of September 30, 2022

Current Outlook:

Economic Environment: As 2022 has progressed, many parts of the economy have experienced ongoing strength. Yet, as the Federal Reserve, along with many other central banks, continues to raise interest rates, the outlook for economic growth is growing more uncertain, particularly against a backdrop of persistent inflation. The U.S. Dollar has also strengthened materially which causes the price of U.S. goods and services to be less attractive in the global marketplace. Even in the face of rising prices, consumer spending, which makes up about two-thirds of the economy, has been remarkably resilient. This strength has been supported by a strong job market, historically low debt-burdens relative to income, and excess savings. However, the housing and auto markets - two industries that are immediately impacted by higher interest rates - are showing signs of a slowdown. This could result in slowing job growth as well as slowing inflationary pressure which would help facilitate the Federal Reserve's agenda. We expect that, over the intermediate term, economic growth will remain sluggish and that inflation will begin to come down more meaningfully as recent declines in commodity and shipping prices are ultimately reflected in consumer prices, demand slows, and the job market begins to soften putting less pressure on wage growth. Financial markets have meaningfully corrected this year and are pricing in downward revisions to earnings as well as the Federal Reserve continuing to raise interest rates. In our view, this has created opportunity in both asset classes.

Market Environment: Market volatility continued into the third quarter with the S&P 500 rallying in July and then falling to new lows in response to a hawkish Federal Reserve and persistent inflation. International equities underperformed U.S. markets as the U.S. Dollar continued to appreciate. Bond prices declined following the Federal Reserve's revised projections calling for a Fed Funds rate of 4.4% by the end of the year. Commodity prices were also down as fear of a global economic slowdown weighed on prices and REITs declined along with the broader stock market.

Portfolio Response: As interest rates continued to rise during the quarter, we added more exposure to traditional bonds and funded this purchase by selling an absolute return fund.

		Quasi-Endowment Pool			Custom Blended		
Performance		Pool	Benchmark	+ / -	Strategic Pool	Benchmark	+ / -
Quarterly	Q4TD - 10/28/22	4.49%	3.63%	0.86%	0.88%	0.53%	0.35%
	Q3 2022	-5.23%	-5.15%	-0.08%	-3.46%	-4.73%	1.27%
	Q2 2022	-11.39%	-10.70%	-0.69%	-6.91%	-6.50%	-0.41%
	Q1 2022	-4.64%	-4.53%	-0.11%	-4.83%	-5.37%	0.54%
Annual	2022 - 10/28/22	-16.32%	-16.20%	-0.12%	-13.72%	-15.26%	1.54%
	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%
	2019	17.45%	19.26%	-1.81%	10.01%	11.98%	-1.97%
	ITD - 10/28/22	5.67%	5.65%	0.02%	1.83%	1.72%	0.11%

Quasi-Endowment Pool		Growth/Capital Preservation	
Portfolio Action	Increased	Decreased	
Q3 2022	Increased Fixed Income		63/37
	Bond Allocation	Absolute Return	
Q2 2022	Reduced Commodities		63/37
	Long-Term Treasury Bonds	Commodities	

Asset Allocation	Quasi-Endowment Pool		Strategic		Strategic	
	Pool	30-Sep-22	Target	Strategic Pool	30-Sep-22	Target
Large Cap Equity	\$6,527,823	35%	30%	\$703,567	9%	9%
SMID Cap Equity	\$1,880,513	10%	9%	\$263,913	3%	3%
International/EM Equity	\$2,221,590	12%	13%	\$344,298	5%	4%
Fixed Income	\$5,991,757	32%	30%	\$5,567,240	73%	70%
Real Assets	\$958,993	5%	8%	\$208,149	3%	4%
Market Neutral	\$939,667	5%	8%	\$434,213	6%	8%
Cash	\$258,784	1%	2%	\$100,552	1%	2%
Total	\$18,779,127	100%	100%	\$7,621,931	100%	100%

Balances	Quasi-Endowment	Strategic	Liquidity	Total
Q4 - 10/28/22	\$19,630,003	\$7,359,611	\$26,197,923	\$53,187,538
Q3 2022	\$18,779,127	\$7,621,931	\$25,886,954	\$52,288,012
Q2 2022	\$19,816,710	\$28,320,643	\$9,078,116	\$57,215,469
Q1 2022	\$22,494,942	\$30,423,398	\$14,951,629	\$67,869,968
Q4 2021	\$23,587,258	\$31,970,373	\$19,688,073	\$75,245,703

Withdrawals	Quasi-Endowment	Strategic	Liquidity	Total
Q3 2022	\$0	-\$20,706,423	\$16,772,423	-\$3,934,000
Q2 2022	-\$112,932	\$0	-\$5,956,000	-\$6,068,932
Q1 2022	\$0	\$0	-\$4,635,500	-\$4,635,500

Illiquidity as of 9/30/22	< 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.	✓

