

SAN BRUNO

Community Foundation

Board of Directors

Nancy A. Kraus, *President* • Frank Hedley, *Vice President* • Emily Roberts, *Secretary* • Ben Cohn, *Treasurer*
Patricia Bohm • John P. McGlothlin • Regina Stanback Stroud
Leslie Hatamiya, *Executive Director*

AGENDA

SAN BRUNO COMMUNITY FOUNDATION

Regular Meeting of the Board of Directors

April 6, 2016

7:00 p.m.

Meeting Location:

San Bruno Senior Center, 1555 Crystal Springs Road, 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/Welcome

2. Roll Call

3. Approval of Minutes: March 2, 2016, Regular Board Meeting

4. Board Member Comments

- a. President
- b. Others

5. Executive Director's Report

6. Consent Calendar: All items are considered routine or implement an earlier Board action and may be enacted by one motion; there will be no separate discussion unless requested by a Board Member or staff.

- a. Receive and Approve Treasurer's Report (February 2016 Financial Statements)

7. Conduct of Business

- a. Receive Report from Ad Hoc Committee on Foundation Program Development Regarding Crestmoor Neighborhood Memorial Scholarship Program and Development of Community Grants Program

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- b. Receive Report from the Ad Hoc Committee on Program Strategy Development Regarding Proposals to the San Bruno City Council Related to Near-Term Projects
- c. Receive Report from the Ad Hoc Committee on Investment Strategy and Adopt Resolutions:
 - i. Approving San Bruno Community Foundation Investment Policy Statement
 - ii. Authorizing Establishment of Three Brokerage Accounts at Fidelity Investments, Authorizing Deposit of Restitution Funds into Such Accounts, and Establishing Signatories on the Accounts
 - iii. Requesting the San Bruno City Council to Authorize Transfer of Remaining Balance of Restitution Funds to the San Bruno Community Foundation
- d. Receive Report from Ad Hoc Committee on Bylaws and Corporate Governance Policy Revisions and Adopt Resolutions:
 - i. Adopting the San Bruno Community Foundation's Amended and Restated Articles of Incorporation
 - ii. Adopting the San Bruno Community Foundation's Amended and Restated Bylaws
 - iii. Adopting Revised Whistleblower Policy
 - iv. Adopting Revised Document Retention and Destruction Policy

8. 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.

9. Adjourn

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MINUTES

SAN BRUNO COMMUNITY FOUNDATION

Regular Meeting of the Board of Directors

March 2, 2016

7:00 p.m.

Meeting Location:

San Bruno Senior Center, 1555 Crystal Springs Road, San Bruno

- 1. Call to Order/Welcome:** President Nancy Kraus called the meeting to order at 7:01 p.m.
- 2. Roll Call:** Board Members Kraus, Cohn, Roberts, Bohm, McGlothlin, and Stanback Stroud present; Hedley excused.
- 3. Approval of Minutes:** February 3, 2016, Special Board Meeting, and the February 3, 2016, Regular Board Meeting: Board Member Stanback Stroud moved to approve the minutes of the February 3, 2016, Special and Regular Board Meetings, seconded by Board Member McGlothlin, approved unanimously.
- 4. Board Member Comments**
 - a. President: President Kraus stated that in her mind, the three most important decisions this Board will have made during its tenure are hiring an Executive Director; engaging the community in a listening campaign; and retaining the services of an investment management firm to help the Board oversee the \$70 million in restitution funds. She said that the third decision is on this meeting's agenda and marks a major accomplishment for the Board, thanks to the efforts of the Executive Director and the Ad Hoc Committee on Investment Strategy.
 - b. Others: None.
- 5. Executive Director's Report:** Executive Director Hatamiya reported on four items related to the administrative operations of the Foundation. First, she reported that under her contract authority, she was authorizing renewal of the Foundation's commercial general liability and workers compensation insurance policies, which were to expire on March 21. Second, she reported that, under her contract authority, she has retained the services of Dr. Mark Hayes, who had previously been serving in a voluntary capacity, to assist the Foundation in the selection of an investment management firm (including participating in the investment firm interviews) and in the development of the Foundation's investment policy statement. She

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reported that his expertise was critical in assisting the Ad Hoc Committee on Investment Strategy on these important tasks. Third, she reported that the Foundation's initial engagement with Shake Technologies had concluded and that she was in the process of negotiating a second contract with the IT consulting firm, which would include designing and building the Salesforce backend for the Foundation's scholarship and grant applications, building the online application for the community grants program to be launched later this year, completing the transition to @sbcf.org email for staff and Board members, configuring a more developed backup system for the Foundation's electronic files, and setting up online cloud storage for the Foundation's files. She notified the Board that the expended fees would likely result in consultants' fees exceeding the budgeted amount by several thousand dollars. Finally, she notified the Board that the Foundation office lease at 901 Sneath Lane, Suite 209, was to terminate at the end of March and that she planned to sign a one-year lease extension offered by the landlord, San Bruno Office Associates, at a rate of \$1,064.24 per month (or \$2.75 per square foot per month). She reported that this rental rate was an increase of 17%, but that it was competitive in the current rental market for office space and that it seemed unlikely that the Foundation would be able to find comparable space in San Bruno at a lower rate.

6. Consent Calendar

- a. Adopt Resolution Approving Directors and Officers Liability Insurance Policy from Philadelphia Insurance Companies for an Amount Not to Exceed \$13,878
- b. Receive and Approve Treasurer's Report (January 2016 Financial Statements)

Board Member McGlothlin moved to accept the Consent Calendar as presented, seconded by Board Member Stanback Stroud, approved unanimously.

7. Conduct of Business

- a. Receive Report of Ad Hoc Committee on Investment Management Strategy and Adopt Resolution Authorizing Executive Director Leslie Hatamiya to Execute a Contract with Sand Hill Global Advisors for Investment Management Services

Committee Chair Cohn explained the search process for the investment management firm, including issuing a Request for Proposals (RFP) in early January, receiving 17 proposals in response to the RFP in late January, interviewing five finalists, doing reference calls on the finalists, deliberating over the finalists, and ultimately selecting Sand Hill Global Advisors as the Committee's recommendation to the Board. He cited Dr. Mark Hayes' invaluable assistance throughout the process and recognized Committee Member McGlothlin for his significant contributions to the Committee's work.

Committee Member McGlothlin commented on the search process, emphasizing a thorough interview process, the high-quality proposals received, and the usefulness of the reference checks, many of which he conducted. He said he also realized the need to attract some investment expertise on the Board and the Investment Committee.

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Sand Hill Global Advisors CEO Brian Dombkowski then addressed the Board. Joined in attendance by his colleagues Tony Craun and Kristin Sun, he said it was an honor to be selected to be the Foundation's fiduciary partner and that the Sand Hill team has deep respect for the circumstances leading to the restitution funds. He also complimented the Foundation's compelling mission. He introduced the firm, explaining that Sand Hill is an employee-owned, local firm that has been in business for three decades and currently manages \$1.5 billion in assets. He emphasized how Sand Hill would serve as the Foundation's fiduciary partner and that asset allocation would be the primary driver of the portfolio's returns over time. He explained that the next step would be the development of an investment policy statement.

When no other Board members expressed a desire to speak, the public was given an opportunity to ask questions. Jim Evangelist asked whether the Foundation's risk tolerance was addressed during the search process and whether the firm was questioned about the types of investments it would recommend to obtain 4%-5% returns.

Mr. Dombkowski replied that there is an established industry practice for risk tolerance for nonprofit endowment portfolios. He also stated that risk tolerance for a nonprofit organization must be balanced; an organization can fail by taking on too much or too little risk.

Participating in the meeting by phone, Dr. Hayes stated that the Board's decision to allocate \$15 million to a quasi-endowment and \$54 million for strategic projects determined the risk profile for the two pools of funds and allowed the Committee to ask the investment firms for their proposals for handling both pools of funds.

Board Member McGlothlin moved to adopt the resolution authorizing Executive Director Leslie Hatamiya to execute a contract with Sand Hill Global Advisors for investment management services, seconded by Board Member Stanback Stroud, approved unanimously.

b. Receive Report from Audit Committee Regarding Preparations for 2015-2016 Audit

Committee Chair McGlothlin reported that the Foundation completed its first audit on time last November, receiving an unqualified opinion and filing state and federal tax returns by the November 15 deadline. He said that at the end of the process, the Committee decided to have a "post mortem" debriefing, which took place on February 4. At the meeting, the Committee discussed issues to handle differently in the future and preparations for the next audit. He reported that the Committee agreed to continue to use the same certified public accounting firm, Novogradac & Company, this year and has scheduled an April 20 meeting to meet with the firm's representatives.

c. Receive Report from Ad Hoc Committee on Foundation Program Development Regarding Crestmoor Neighborhood Memorial Scholarship Program

Committee Chair Bohm reported that the Committee is excited to disburse \$100,000 in scholarships through the Crestmoor Neighborhood Memorial Scholarship Program. She commended Executive Director Hatamiya and IT consulting firm Shake Technologies for getting the Foundation's website and online scholarship application launched. She also thanked

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colleagues on the Board for assisting with outreach efforts, reporting that the Foundation saturated San Bruno with flyers and posters marketing the scholarship program. She reported that the Executive Director was in the process of finalizing the selection panel that would select the scholarship recipients.

Chair Bohm also reported that the Committee's next step would be developing a community grants program for launch this summer or fall.

President Nancy Kraus said that she has heard enthusiasm in the community regarding the community grants program.

- d. Receive Report from the Ad Hoc Committee on Program Strategy Development Regarding Proposals to the San Bruno City Council Related to Four Near-Term Projects

Committee Chair Kraus reminded the Board of four projects the Foundation had proposed, in writing, to the City Council in January: (1) \$30,000 to sponsor Community Day; (2) \$170,000 for pedestrian improvements; (3) \$200,000 to develop a new neighborhood park at 324 Florida Avenue, and (4) \$300,000 to fund a Community Facilities Vision Plan focused on the Foundation's capital project strategic priorities and related facilities. She reported that the Council discussed the Foundation's proposals for the second time at its February 23 meeting, resulting in the Mayor formally responding to the Foundation's proposals in a letter, summarized as follows:

- Community Day: The City approved the Foundation's proposal to sponsor Community Day and is moving forward with plans to hold the event in late spring. The City reached out to the Lions Club, and this year Community Day will be held in partnership with the Lions Club's annual Posy Parade on June 5.
- Pedestrian Safety: Because Google/YouTube and Walmart have both entered into discussions with the City about pedestrian improvements on Cherry Avenue and the company's participation in funding those improvements, the City would like to focus on pedestrian improvements funded by the Foundation on San Mateo Avenue in downtown San Bruno. The City will task the Traffic Safety and Parking Committee to review and recommend proposed pedestrian improvements to benefit the downtown.
- Park at 324 Florida Ave: To develop the vision and plan for this new park, the City envisions employing a community park planning process that it is currently being used in the Crestmoor neighborhood to develop the vision and plan for replacement of the Earl/Glenview Park that was destroyed in the 2010 gas pipeline explosion. Under the guidance of a landscape architecture firm, this process brings together neighborhood residents, other interested community members, and a subcommittee of the Parks and Recreation Commission to develop a comprehensive design for the park site. The Council is enthusiastic about this project on the east side of San Bruno and shares the Foundation's desire to work toward completion of the park by the end of 2016.

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- Community Facilities Vision Plan: The City retained the services of Anderson Brule Architects (ABA) to conduct a pre-planning process to determine the scope of the Community Facilities Vision Plan. ABA conducted the first of two pre-planning meetings at City Hall on February 24. The Council's subcommittee, City Manager Connie Jackson, and key members of the City's Community Services staff participated in the meeting. President Kraus and Executive Director Hatamiya participated as the Foundation's representatives. The City anticipates that the pre-planning will be completed within the next two months, after which the City will determine the best approach for selecting an architectural planning firm to work with the City to prepare the Community Facilities Vision Plan.

Regarding the pedestrian safety proposal, Treasurer Cohn suggested that the City consider pedestrian safety improvements in San Bruno City Park.

Board Member McGlothlin also expressed concern about pedestrian safety and suggested improvements in areas, such as near schools, where large numbers of young people walk. He also wondered about the benefits of the pedestrian crossing signs on San Mateo Avenue and the lighted crosswalks on San Bruno Avenue.

- e. Discuss Efforts to Enhance Communication with the San Bruno Community, Including Launch of the Foundation Website, Regular Email Newsletters, and Board Meeting Arrangements such as Other Meeting Venues and Videotaping or Televising of Board Meetings

Executive Director Hatamiya updated the Board on efforts to enhance the Foundation's communication with the community – including the launch of the Foundation's website, the commencement of a regular email newsletter, and considering Board meeting arrangements – and solicited input on additional ideas to promote openness with the community.

She reported that in concert with the launch of the Crestmoor Neighborhood Memorial Scholarship Program, the Foundation launched its own website at www.sbcf.org on February 11. She displayed the website on the screen and demonstrated the different sections of the website.

As a cost-effective way to push more information out to the community about the Foundation's activities, she also reported on plans to begin sending out an email newsletter – typically within a week of a Board meeting – to provide the public with a summary of what transpired at each Board meeting and disseminate other important Foundation news.

A third idea she proposed is an annual “report to the community” that would be mailed to every San Bruno address, similar to what the San Bruno Park School District began this year. She described the report to the community as an effective attempt to reach all residents and businesses in town to update them on Foundation activities and how the Foundation is using the restitution funds to benefit the community.

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Finally, she reminded the Board of its October 2015 discussion about alternative arrangements for Board meetings to make them more accessible to the public, which included presentation of the cost of televising meetings on San Bruno Cable, concerns about the effectiveness of televising meetings given San Bruno Cable's declining subscribership, the possibility of simply videotaping the meetings on a cell phone and posting the recordings to YouTube, and suggestions for finding a lower-cost alternative meeting venue, such as the American Legion hall on San Mateo Avenue. She reported that soon after the October Board meeting, she and President Kraus visited the American Legion hall, ultimately concluding that the hall presented several challenges in terms of scheduling and staffing and that, despite the American Legion's generous offer to allow the Foundation to use its hall for free, because the Foundation will soon be making grants to various community groups, the Foundation should pay the regular rental rate at any meeting venue it uses to avoid any appearance of a conflict of interest. She reported that since the October meeting, she had received no inquires or comments from the public about televising or videotaping Board meetings.

Barry Marquardt reiterated the American Legion's willingness to provide support to the Foundation and host Board meetings. He also suggested that the Foundation purchase its own video cameras and provide videotapes of the meetings to San Bruno Cable to broadcast.

Secretary Emily Roberts said she appreciated the creative ideas and is particularly interested in figuring out how to better communicate with hard-to-reach segments of the community, such as those who do not speak English as a first language and those with lower literacy levels.

Treasurer Cohn thanked the Executive Director for these efforts. He said that most require proactive engagement by community members and he would like to consider televising meetings as a more passive way to reach the community. He asked whether the Foundation can obtain data on viewership of City Council and City board and commission meetings, to which City Attorney Marc Zafferano replied that the City does not keep data on who is watching San Bruno Cable programming.

Michael Salazar reported that as a proxy for San Bruno Cable viewership, one can look at the hits the recordings of the meetings receive on YouTube, which he said average only about 12 per meeting.

Board Member McGlothlin also expressed an interest in continuing the discussion on televising meetings, but also acknowledged the need to be prudent.

Board Member Bohm asked how many hits the Foundation website has received thus far, and Secretary Roberts asked whether there is a way to track how many people are opening Foundation email blasts. Executive Director Hatamiya said she will investigate those questions.

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Several other San Bruno community members spoke. Jim Evangelist encouraged televising meetings on San Bruno Cable. Carolyn Livengood stated that if the Foundation is considering moving meetings to the American Legion Hall, parking near that location can be problematic.

Barry Marquardt asked whether San Bruno has a community college and whether it has a media department what could tape meetings. Board Member Stanback Stroud replied, explaining that she is the President of Skyline College, that Skyline no longer has a television studio, and that the college hires outside consultants when it seeks to tape events in broadcast quality.

8. Public Comment

David Nigel complimented the Board and thanked it for its efforts on behalf of the community. He stated that the Parks and Recreation Commission televises one meeting each quarter and has the same difficulty obtaining viewership data. He also invited those in attendance to attend the Bicycle and Pedestrian Advisory Committee's next meeting on the second Wednesday of the month and the Parks and Recreation Commission meeting on the third Wednesday of the month.

Carolyn Livengood requested that Board members speak slowly and clearly so that they can be better heard by those who are hearing impaired. She also praised the Foundation for not using many acronyms on its website and requested that definitions be given when acronyms are used.

9. Adjourn: Secretary Roberts moved to adjourn the meeting at 8:33 pm, seconded by Board Member Stanback Stroud, approved unanimously.

Respectfully submitted for approval at the Regular Board Meeting of April 6, 2016, by Secretary Emily Roberts and President Nancy Kraus.

Emily Roberts, Secretary

Nancy Kraus, President

SAN BRUNO

Community Foundation

Memorandum

DATE: April 1, 2016

TO: Board of Directors, San Bruno Community Foundation

FROM: Leslie Hatamiya, Executive Director

SUBJECT: Executive Director's Report

Since the March 2, 2016, special Board meeting, I have continued to focus on supporting the committees charged with developing the Investment Policy Statement, revising the Foundation's corporate documents and corporate governance policies, administering the Scholarship Program and developing the Community Grants Program, and partnering with the City on near-term projects, all of which will be covered during the business portion of the April 6, 2016, regular Board meeting.

Related to this work, I have also handled a variety of administrative matters, including the following:

1. Insurance Policy Renewals

In March, the Board approved renewal of the Foundation's directors and officers liability insurance policy, including the addition of a fiduciary liability rider, with Philadelphia Insurance Companies. Also in March, I advised the Board that I would be renewing the Foundation's commercial general liability insurance policy, which also includes property and auto liability coverage (also with Philadelphia Insurance Companies), and workers compensation insurance policy (with State Compensation Insurance Fund). All three policies were renewed on March 21.

2. IT Consultant

As I previewed in March, I executed a new agreement for IT services with Shake Technologies, the San Francisco-based IT consulting firm that works primarily with social justice and other nonprofit organizations and created the Foundation's online scholarship application. The contract extends through May 20 for an amount not to exceed \$8,320. The services to be provided include supporting implementation of the online scholarship application, building the online application for the community grants program to be launched later this year, designing and building the Salesforce backend for the Foundation's scholarship and grant applications, completing the transition to @sbcf.org email for staff and Board members, configuring a more developed backup system for the Foundation's electronic files, and setting up online cloud storage for the Foundation's files.

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Memorandum

3. Office Lease

The Foundation's office lease at 901 Sneath Lane, Suite 209, was scheduled to conclude at the end of March. As reported at the March Board meeting, the landlord, San Bruno Office Associates, offered the Foundation a one-year lease extension that increases the monthly rent from \$909.45 per month to \$1,064.24 per month. I executed the one-year lease extension, which takes effect April 1.

4. Email Newsletter

The Foundation sent out its first email newsletter on March 11 using the Wix ShoutOut feature on the Foundation's website builder. The newsletter reminded readers of the Crestmoor Scholarship application deadline, summarized the proceedings of the March 2 Board meeting, and listed upcoming meeting dates. The newsletter was sent to 513 email addresses. About 49% of those recipients opened the email, and the newsletter was viewed, either in email or as posted on the web, 549 times. In addition, about 10% of recipients clicked on the email, either to view it in an Internet browser or to be linked to the SBCF website.

5. Website Hits

At the last Board meeting, Secretary Emily Roberts asked about the number of visitors to the SBCF website. Unfortunately, the Wix platform on which the site is built does not provide analytics data; rather, sites must subscribe to Google Analytics to obtain information about who and how many people are visiting them. Yesterday I enlisted the assistance of the Shake Technologies team to register the Foundation with Google Analytics. Next month we hope to have website visitor data to share with the Board.

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Memorandum

DATE: April 1, 2016
TO: Board of Directors, San Bruno Community Foundation
FROM: Leslie Hatamiya, Executive Director
SUBJECT: Consent Calendar for the April 6, 2016, Regular Board Meeting

For the April 6, 2016, Regular Meeting of the Board of Directors of the San Bruno Community Foundation, the Consent Calendar includes one item related to administrative and operational functions of the Foundation:

1. Receive and Approve Treasurer's Report (February 2016 Financial Statements)

The February 2016 financial statements consist of a Budget Report and Balance Sheet. The attached Budget Narrative provides a thorough explanation of the financial statements. The Budget Report includes the revised budget figures approved at the October 7, 2015, Board meeting.

I recommend that the Board receive and approve the Treasurer's Report as part of the Consent Calendar.

Attachments:

1. February 2016 Financial Statements

SAN BRUNO

Community Foundation

February 2016

Budget Narrative

This report primarily describes amounts in column a (Actual Year to Date) of the monthly Budget Report. When projections vary from Budget (column b), the changes will be reflected in columns d (Final Expected Amount) and e (Change in Budget), and also be explained. First eight months equal 67% of the fiscal year.

INCOME

Line 1 Restitution Funds – \$206,000 received in December. Transfer of approximately \$69.7 million expected after the April 26th City Council meeting. Final expected amount increased \$50,073 based on San Bruno Finance Director March 18th report.

Line 2 Interest & Investment Income – Minimal earnings (\$23) from Wells Fargo accounts.

EXPENSES

Line 4 Salaries & Wages – Executive Director continues as only employee. Final expected amount decreased \$50,000 based on no new hire planned for this fiscal year.

Line 5 Payroll Taxes & Benefits – Year to date costs (\$15,799) include: Social Security/Medicare (\$6,326); Workers' Compensation Insurance (\$1,224); accrued Paid Time Off (\$2,240); Retirement (\$5,833); and Life Insurance (\$176). Final expected amount reduced \$13,587 based on projection of current costs.

Line 7 Grants & Assistance – No grants & assistance have been awarded. \$100,000 Scholarship program has been launched. Revised budget includes \$1 million to be awarded by June 30, 2016.

Line 8 Occupancy – Only cost is office lease (\$909 per month). Rent will increase to \$1,064 per month in April. Final expected amount increased \$173.

Line 9 Insurance – Year to date actual (\$11,029) is for: Directors & Officers (D&O) coverage (\$8,565); crime coverage (\$1,816); and package non-profit liability coverage (\$648). These are monthly amounts that will be recorded every month regardless of when premiums are paid. A fiduciary liability rider related to retirement plan coverage is being added to the D&O policy upon renewal in March.

Line 10 Telecommunications – Year to date cost (\$871) includes cell phone account (\$508), and internet access (\$363). A land line account was established beginning in February at monthly cost of about \$31. Billing for the service began in March. Final expected reduction of \$1,380 is based on the cost of internet access, cell phone, and land line service for the remainder of the year.

Line 11 Postage & Shipping – \$270 year to date cost is only 6.4% of budget. The budget includes cost for one city-wide mailing. Some costs related to Scholarships program were incurred in February.

Line 12 Marketing & Communications – Total (\$1,900) includes \$1,635 for Scholarship related costs; and \$259 for logo design and website domain.

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February 2016 2015-2016 Budget Report

	(a)	(b)	(c)	(d)	(e)
	Actual Year to Date	Budget	Actual as % of Budget (a/b)	Final Expected Amount	Change in Budget (d - b)
INCOME					
1 Restitution Funds	\$ 206,000	\$ 69,678,944	0.3%	\$ 69,729,017	\$ 50,073
2 Interest & Investment Income	23	200	11.5%	200	-
3 Total Income	206,023	69,679,144	0.3%	69,729,217	50,073
EXPENSES					
4 Salaries & Wages	116,667	225,000	51.9%	175,000	(50,000)
5 Payroll Taxes & Benefits	15,799	38,556	41.0%	24,969	(13,587)
6 Subtotal Personnel	132,466	263,556	50.3%	199,969	(63,587)
7 Grants & Assistance	-	1,000,000		1,000,000	-
8 Occupancy	7,276	11,050	65.8%	11,223	173
9 Insurance	11,029	16,799	65.7%	16,799	-
10 Telecommunications	871	2,856	30.5%	1,476	(1,380)
11 Postage & Shipping	270	4,187	6.4%	4,187	-
12 Marketing & Communications	1,900	15,500	12.3%	15,500	-
13 Office Supplies	812	2,760	29.4%	2,760	-
14 Office Equipment & Furniture	1,886	4,300	43.9%	4,300	-
15 Legal Fees	19,206	30,000	64.0%	30,000	-
16 Auditor & Payroll Fees	7,122	7,781	91.5%	7,585	(196)
17 Investment Consultant	4,250	15,000	28.3%	15,000	-
18 Other Consultants	33,451	45,750	73.1%	46,750	1,000
19 Travel, Meetings & Conferences	3,990	10,000	39.9%	6,990	(3,010)
20 Miscellaneous	526	3,000	17.5%	3,000	-
21 Subtotal Non-Personnel	92,589	1,168,983	7.9%	1,165,570	(3,413)
22 Total Expenses	225,055	1,432,539	15.7%	1,365,539	(67,000)
23 Net Surplus/(Loss)	\$ (19,032)	\$ 68,246,605	0.0%	\$ 68,363,678	\$ 117,073

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Statement of Financial Position as of February 29, 2016

ASSETS

Cash, Wells Fargo General	\$ 31,610.66	
Cash, Wells Fargo Payroll	9,785.31	
Cash, Wells Fargo Savings	130,032.20	
Total Cash		171,428.17
Prepaid Rent	909.45	
Prepaid Insurance	1,553.20	
Total Other Current Assets		2,462.65
Deposits	1,520.45	
Total Other Assets		1,520.45
TOTAL ASSETS		<u>\$ 175,411.27</u>

LIABILITIES & NET ASSETS

LIABILITIES

Accounts Payable	9,358.50	
Accrued Employee PTO	7,847.25	
Total Liabilities		17,205.75

NET ASSETS

Unrestricted, 7/1/2015 Balance	177,237.78	
Year to Date Net Income	(19,032.26)	
Total Net Assets		158,205.52
TOTAL LIABILITIES & NET ASSETS		<u>\$ 175,411.27</u>

Line 13 Office Supplies – Total (\$812) includes: toner (\$410); Accounting software fees (\$229); and miscellaneous supplies (\$173).

Line 14 Office Equipment & Furniture – Total cost (\$1,886) includes: file cabinet (\$817); projector (\$436); stackable chairs (\$246); and table (\$202).

Line 15 Legal Fees – Total cost of \$19,206 for: a) internal policies and by-laws (\$7,340); b) IRS classification issues and amendment to Articles of Incorporation (\$7,927); and c) reimbursements to City of San Bruno (\$3,939).

Line 16 Auditor & Payroll Fees – Total cost (\$7,122) includes audit (\$6,000) and payroll (\$1,122) fees. Audit fees, paid in full for the year, are \$300 less than amount budgeted. Final expected amount reduced \$196.

Line 17 Investment Consultant – Total cost (\$4,250) for assistance in review of proposals and selection of Investment Manager.

Line 18 Other Consultants - Total costs (\$33,451) include \$15,224 for sample project cost modeling, \$12,112 for Accounting consultant, \$3,580 for Scholarship related costs, \$1,715 for creation of retirement plan, and \$780 for general technology costs. Final expected amount increased \$1,000 based on projected accounting and technology services.

Line 19 Travel, Meetings & Conferences – Total cost (\$3,990) is almost entirely for Board meetings, including \$2,025 for audio recording, \$1,099 for Senior Center facility rent, and \$713 for City of San Bruno support staff. Final expected cost reduced \$3,010 based on projected meeting costs for final four months of the year.

Line 20 Miscellaneous – Cost (\$526) is for organizational membership (\$350) and various governmental filing and bank fees (\$176).

SUMMARY

Two expense line items (Auditor & Payroll Fees; and Other Consultants) are over the 67% benchmark for the first eight months of the year.

- Auditor & Payroll Fees are over budget by 25%. This variance exists only because audit fees have been paid in full for the year. Costs should be within budget by year-end.
- The Other Consultant variance (6%) is less than \$3,000. Technology consultant costs of \$4,160 have been incurred for the online Scholarship Application and other internet based systems.

Because the revised budget includes \$1 million for estimated amount of SBCF's initial Grants & Assistance, expenses for the first eight months are only 15.7% of budget. After removing the \$1 million, year to date costs are 52% of budget, which is still 15% less than the benchmark for first eight months of the year. Projected year end expenses have been reduced by \$67,000 with 95% of the cost reduction in Personnel costs.

Since inception, the organization has received \$697,031 in restitution funds from City of San Bruno. The remaining funds (approximately \$69.7 million) are being held by the City of San Bruno in custodial accounts at Wells Fargo Advisors and First National Bank in accordance with the City's investment policies, pending the Foundation's establishment of investment policies, hiring of an investment management firm, and opening of investment account(s).

SAN BRUNO

Community Foundation

Memorandum

DATE: April 1, 2016

TO: Board of Directors, San Bruno Community Foundation

FROM: Leslie Hatamiya, Executive Director

SUBJECT: Report from the Ad Hoc Committee on Foundation Program Development
Re: Crestmoor Neighborhood Memorial Scholarship and Community Grants Program

At the April 6, 2016, Board meeting, the Ad Hoc Committee on Foundation Program Development will give an update on the implementation of Crestmoor Neighborhood Memorial Scholarship Program and the development of a new Community Grants Program. The two Board members who sit on the Committee are Patricia Bohm, who serves as chair, and Secretary Emily Roberts.

1. Crestmoor Neighborhood Memorial Scholarship Program

On February 3, 2016, the Foundation Board of Directors approved the creation of the Crestmoor Neighborhood Memorial Scholarship Program and the 2016 program budget (\$100,000). We launched the Scholarship – the Foundation’s first program initiative – the following week on February 11, when the online application went live and we began efforts to broadcast information about the Scholarship Program throughout the San Bruno community.

The Scholarship application deadline was March 18. The outreach efforts resulted in 45 applications being submitted by the deadline: 40 from high school seniors planning to enroll in a four-year college or community college, and five from community college students planning to transfer to a four-year institution. Applications came from students enrolled at six area high schools: Capuchino High School, Mills High School, Junipero Serra High School, St. Ignatius College Preparatory, Alma Heights Christian High School, and Sacred Heart Cathedral Preparatory. All of the community college applicants attend Skyline College.

As the first step in the review process, I reviewed all application submissions and identified which applicants had submitted complete application packets with all required documentation.

On March 28, I forwarded the complete application packets to the Selection Panel for evaluation. The Selection Panel consists of 11 volunteers and includes San Bruno community members and individuals with experience in high school and college

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counseling and administration. Panelists have been required to complete and sign conflict of interest and confidentiality agreements.

The Committee held a conference call with the Selection Panel on March 28, explaining the evaluation process and criteria. As articulated in the program materials, applicants are being evaluated on five criteria: demonstrated commitment to the San Bruno community; financial need; leadership, teamwork, and collaboration; extracurricular activities; and academic record.

The Selection Panel will meet during the third week in April to select the Scholarship recipients. The Foundation will notify recipients of their selection by the beginning of May. We hope to have Foundation representatives announce the Scholarship recipients at their high school awards ceremonies in May. Payment of the Scholarship awards will begin in June upon proof of enrollment at their selected college for the fall term.

2. Community Grants Program

The Committee met on March 23 to discuss plans for the Community Grants Program, for which the Board has budgeted \$200,000 for disbursements in 2016. The idea behind this responsive grantmaking program is to allow local community groups to apply for grant funding to support new or existing programs that benefit the San Bruno community in one of the 11 focus areas identified in the Foundation's Program Strategy Framework (publicly owned community facilities; community health and safety; sports and recreation; education; youth activities; public spaces, parks, and open space; community-building; human and social services for all; economic vitality; intra-San Bruno transit; and healthy, stable, and affordable housing).

In creating the program proposal, the Committee is considering the following issues and would like to receive feedback from the Board on them:

- **Activities eligible for funding:** Consistent with the Program Strategy Framework, the Committee will likely propose funding three categories of activity: (a) programs and projects, (b) capital projects, and (c) capacity-building efforts. However, due to the overall budget for this program and the desire to fund a wide range of proposals, the Committee has concerns about capital project proposals and the amount of funding those proposals are likely to request.
- **Activities ineligible for funding:** Per the Program Strategy Framework, the Committee is likely to propose not funding the following categories: (a) existing deficits, (b) direct contributions to restricted endowments, (c) lobbying or political activity, and (d) religious activity that government agencies are legally prohibited from funding.

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- **Grant award amounts and timing:** Given that the overall program budget for 2016 is \$200,000 and the Committee hopes to fund a wide variety of proposals, the Committee is considering capping grants to a single organization at \$25,000. The Committee is also considering limiting grants to single disbursements, although the grant funds could be spent over more than one year. The Committee is also considering limiting the frequency that a particular organization can receive a grant; for example, the Foundation could institute a rule where an organization can receive a grant (for the same or different projects) for up to two consecutive years, but then is ineligible to apply in the third year (and can apply again in the fourth year).
- **Criteria:** The main criteria would be that a proposal falls within one of the Foundation's focus areas and benefits the San Bruno community. The Committee is still considering the best ways to measure benefit and impact, as there are many small organizations in San Bruno that do good work but directly touch a relatively small circle of community members.
- **Grant cycle:** Based on the Foundation's staffing limitations and other demands on staff time, the Committee will likely recommend that the Community Grants Program operate annually. This year, the goal is to launch the application portal and begin distributing marketing materials in June, with an application deadline at the end of September. This timing would allow potential applicants three months to prepare proposals, and groups that may be dormant over the summer would still have one month after the beginning of the school year to prepare a proposal. The review process would take place in October and November, with the Board approving grant awards at the December Board meeting.
- **Application form:** The Committee is aware that many San Bruno community organizations are small and volunteer-driven, so the Committee hopes to design an application that obtains the information necessary to evaluate the proposal but does not overburden applicants. Like the Scholarship application form, the Community Grants application form will be online, created with the assistance of Shake Technologies.
- **Selection process:** The Committee will likely recommend that the Board approve all grant awards, with the Executive Director appointing a volunteer review panel to assist in evaluating proposals and recommending grant awards to the Board. This panel would likely be comprised of three individuals from outside San Bruno (to avoid any potential conflicts of interest) with experience in nonprofit grantmaking.

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- **Eligible organizations:** From the creation of the Foundation, the intent has been for the Foundation to be able to support a broad range of community organizations engaged in San Bruno. In working with the Ad Hoc Committee on Bylaws and Corporate Governance Policy Revisions and outside counsel to review the Bylaws, however, I realized that the Foundation's status as a supporting organization places some limits on the categories of tax-exempt organizations to which the Foundation can make grants. Supporting organizations can fund most 501(c)(3) public charities. Outside of 501(c)(3) public charities, there is a limited exception for 501(c)(4) social welfare organizations, 501(c)(5) labor and agricultural organizations, and 501(c)(6) business leagues that meet the public support requirements of Internal Revenue Code Section 509(a)(2). Other types of tax-exempt entities cannot be directly funded by a supporting organization. To ensure that 501(c)(4), (c)(5), and (c)(6) organizations that meet the narrow legal exception are eligible for Foundation grants, the Ad Hoc Committee on Bylaws and Corporate Governance Policy Revisions is recommending an amendment to the Articles of Incorporation and Bylaws that would explicitly make those types of organizations that benefit the San Bruno community eligible for Foundation grants. However, those amendments do not resolve this issue, as outside counsel advises that the exception for 501(c)(4), (c)(5), and (c)(6) organizations would be difficult to implement and it does not address the Foundation's ability to fund tax-exempt organizations beyond 501(c)(3)s, (c)(4)s, (c)(5)s, and (c)(6)s. The Committee and I are looking into other options for supporting other tax-exempt organizations, such as through the other tax-exempt organizations partnering with eligible 501(c)(3) public charities for funding or through the establishment of a fiscal sponsorship program by which the Foundation would partner with another 501(c)(3) to support the other tax-exempt organizations. This is a highly technical tax law issue, but one that has real implications for the Foundation's ability to support as broad a range of organizations as possible.
- **Conflict of interest issues:** Members of the Foundation Board were appointed to the Board, in large part, as a result of their active engagement in the San Bruno community. That means, almost by definition, that one or multiple Board members will have affiliations with many of the community organizations likely to apply for community grants. The affiliation may be paid employment, consulting arrangements, or service as an officer, board member, or active volunteer. The Foundation is committed to running an impartial grant review process, and the fact that we may face many conflict of interest issues due to a relatively small universe of organizations that may apply for funding and the deep community engagement of our Board members complicates matters. The conflict issues include actual conflicts of interest, where a Board member stands to gain financially from a decision of the Foundation, as well as perceived conflicts, which is likely to be the more common scenario. The City Attorney and I have

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discussed this issue extensively and believe that it would be advisable to establish up front standard operating procedures for handling these conflict situations related to program disbursements.

The Committee welcomes feedback from other Board member on the issues raised above. The Committee's goal is to return to the Board with a final proposal for the creation of the Community Grants Program at the May Board meeting, enabling the project to be launched in June.

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Memorandum

DATE: April 1, 2016

TO: Board of Directors, San Bruno Community Foundation

FROM: Leslie Hatamiya, Executive Director

SUBJECT: Report from the Ad Hoc Committee on Program Strategy Development Regarding Proposals to the San Bruno City Council Related to Near-Term Projects

As you know, in early January, the Foundation proposed to the City of San Bruno a partnership on four strategic projects for 2016:

- Grant of up to \$300,000 to the City for the completion of a Community Facilities Vision Plan focused on the Foundation's capital project strategic priorities and related facilities, including a pre-planning process with Anderson Brule Architects to develop the scope of work and work plan;
- Grant of up to \$30,000 to the City to underwrite the costs of holding the third annual Community Day in 2016 and encouraging the City to merge the event with the annual Posy Parade in early June;
- Grant of up to \$170,000 to the City to improve pedestrian safety along Cherry Avenue in the Bayhill area and along San Mateo Avenue in the downtown area by installing lighted crosswalks, lighted signage, or other similarly high-visibility pedestrian safety features; and
- Grant of up to \$200,000 to develop the City-owned lot at 324 Florida Avenue into a new community park.

As reported previously by the Ad Hoc Committee on Program Strategy Development, which consists of Chair Nancy Kraus and Committee Members Frank Hedley and Dr. Regina Stanback Stroud, the City Council has discussed the proposals at two Council meetings. In February, the Mayor responded to the Foundation in a written letter, expressing continued enthusiasm for moving forward on all four projects.

At the April 6 Board meeting, the Committee will report on updates regarding two of the projects.

First, as was previously reported, the City retained the services of Anderson Brule Architects (ABA) to conduct a pre-planning process to determine the scope of the

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Community Facilities Vision Plan. ABA conducted the second of two pre-planning meetings at City Hall on March 14. Mayor Jim Ruane, Councilmember Irene O'Connell, City Manager Connie Jackson, and key members of the City's Community Services staff participated in the meeting. President Kraus and I represented the Foundation at the meeting. The City anticipates that the pre-planning will be completed within the next month, and the City is in the process of determining the best approach for selecting an architectural planning firm to work with the City to prepare the Community Facilities Vision Plan.

Second, City staff is moving forward with plans to hold Community Day on June 5 in conjunction with the annual Posy Parade, which is sponsored by the Lions Club.

With regard to these two projects, the Foundation will provide to the City grants of \$25,000 for the CFVP pre-planning process and \$30,000 for Community Day to the City. As they are the first grants the Foundation will make, City Attorney Marc Zafferano and I will be working on paperwork to properly document these grant arrangements (e.g., a grant agreement form). We expect to make the grant disbursements by the end of the fiscal year, after the Foundation has taken possession of the balance of the restitution funds.

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Memorandum

DATE: April 1, 2016

TO: Board of Directors, San Bruno Community Foundation

FROM: Leslie Hatamiya, Executive Director

SUBJECT: Report from the Ad Hoc Committee on Investment Strategy and Adoption of Resolutions: (1) Approving Investment Policy Statement; (2) Authorizing Establishment of Three Brokerage Accounts at Fidelity Investments, Authorizing Deposit of Restitution Funds into Such Accounts, and Establishing Signatories on the Accounts; and (3) Requesting Transfer of Remaining Balance of Restitution Funds from the City of San Bruno

On March 2, 2016, on the recommendation of the Ad Hoc Committee on Investment Strategy, the San Bruno Community Foundation Board of Directors approved selection of Sand Hill Global Advisors, an employee-owned investment management firm founded in 1982 and based in Palo Alto, with client assets exceeding \$1.5 billion, as the Foundation's investment adviser. On March 11, as Executive Director I executed, on behalf of the Foundation, a contract with Sand Hill for investment management services.

1. Investment Policy Statement

Upon execution of the contract, the Sand Hill team immediately began working with the Committee to develop the Foundation's Investment Policy Statement. The Committee – including Chair Ben Cohn and Committee Members Frank Hedley and John McGlothlin – met with Sand Hill CEO Brian Dombkowski and Wealth Manager Kristin Sun on March 16 to discuss the Investment Policy Statement. Investment Consultant Mark Hayes and I also participated in the meeting. The Committee, staff, and the Sand Hill team went back and forth on several drafts of the Investment Policy Statement, resulting in the document that the Board will consider for approval on April 6.

The Investment Policy Statement is intended to serve as a high-level policy document governing the Foundation's investment practices. Its goals include:

- Outlining the purpose and goals of the Foundation's investment portfolio, including three separate pools of funds
- Defining the roles and responsibilities for the Foundation's Board of Directors, Investment Committee, External Investment Manager, and the San Bruno City Council
- Setting investment goals, objectives, and target asset allocations for each pool of funds

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- Establishing asset guidelines and investment procedures
- Outlining the spending policy
- Establishing guidelines to monitor performance
- Providing continuity across changes in the Board of Directors, Investment Committee, and Foundation staff

The Investment Policy Statement is divided into eight sections, as follows:

- a. Foundation's Purpose and Goals: This section provides brief background information on the Foundation and defines the establishment of three pools of funds: quasi-endowment pool, strategic pool, and liquidity pool. The Board previously identified the quasi-endowment pool (\$15 million) and the strategic pool (approximately \$54 million). At the recommendation of Sand Hill, the policy also establishes a liquidity pool to address the Foundation's liquidity needs. Its goal is to cover Foundation expenditures that will be withdrawn within the next 24 months. For example, the quasi-endowment payout will be moved to the liquidity account on a determined schedule for eventual transfer to the Foundation's checking account. Similarly, as funds are needed for strategic projects, funds can be transitioned from the strategic pool to the liquidity pool for transfer to the checking account when the program disbursement is to be paid. All transfers from the investment pools will run from the liquidity pool account to the checking account.
- b. Roles and Responsibilities: This section outlines the investment-related roles and responsibilities of the Foundation Board, a to-be-created Investment Committee, the External Investment Manager, and the San Bruno City Council. The Ad Hoc Committee on Investment Strategy will make a recommendation to the Board in the next two months on the establishment and composition of an Investment Committee that will provide guidance to the Board on all aspects of the investment management process.
- c. Policy Review: This brief section provides the procedure for annual review of the Investment Policy Statement.
- d. Investment Goals and Objectives: This section outlines the specific goals and objectives, risk tolerance, and time horizon for each of the three pools of funds in support of the Foundation's annual operating expenses and the three categories of program activities outlined in the Program Strategy Framework.
- e. Investment Policy and Asset Allocation: This section sets forth specific guidelines for each asset class, investment procedures, and specific asset allocation parameters for each of the three pools of funds.

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- f. Investment Manager Reporting and Evaluation: This section details the External Investment Manager's reporting requirements to the Investment Committee and the Board of Directors.
- g. Spending Policy: This section sets forth the spending, or payout, policy for each of the three pools of funds.
- h. Conflicts of Interest: This section ensures that all investment activities are carried out in accordance with the Foundation's Conflict of Interest Policy and establishes the expectation that the Board, Investment Committee, and staff are to adhere to high ethical standards and avoid actual, perceived, and potential conflicts of interest.

Attached to this memorandum are both the Investment Policy Statement and the resolution approving the Investment Policy Statement. The resolution directs the Executive Director to submit the Investment Policy Statement to the City Council for approval, as required by the Foundation's Bylaws.

In addition to the Investment Policy Statement, the Ad Hoc Committee on Investment Strategy is working with the Sand Hill team to develop an Investment Operating Plan to be executed by the Foundation and Sand Hill. The Investment Operating Plan will provide detailed instructions to Sand Hill regarding ongoing management of the three pools of money, including specific asset allocation targets and ranges. The to-be-created Investment Committee will be responsible for reviewing the Investment Operating Plan annually, making recommendations to the Board regarding adjustments to the Operating Plan, and monitoring Sand Hill's compliance with the Operating Plan. The Committee intends to bring the Investment Operating Plan to the Board for approval in May.

2. Establishment of Brokerage Accounts at Fidelity Investments

Sand Hill has recommended that the Foundation use Fidelity Investments as the custodian for the Foundation's three pools of funds. Over the past two decades of partnering with Sand Hill on institutional relationships, Fidelity has demonstrated to Sand Hill its ability to meet the unique needs of nonprofit institutions such as SBCF through its commitment to a robust operational infrastructure. Fidelity also offers a competitive trading platform with low transaction costs. As of December 31, 2015, total customer assets held at Fidelity totaled \$5.15 trillion.

As a result, the second attached resolution seeks to accomplish three tasks. It:

- a. Delegates to Treasurer Ben Cohn the authority to establish and open three brokerage accounts with Fidelity on behalf of SBCF and to deposit the

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- restitution funds, upon transfer from the City, into such accounts. Article IX, Section 4, of the Foundation's Bylaws states that "The Treasurer shall deposit, or cause to be deposited, all money and other valuables in the name and to the credit of the [Foundation] with such depositories as the board may designate." One account will be opened for each pool of funds: quasi-endowment pool, strategic pool, and liquidity pool.
- b. Designates Treasurer Ben Cohn, President Nancy Kraus, and Executive Director Leslie Hatamiya to serve as SBCF's authorized signatories on the three Fidelity brokerage accounts. This designation is consistent with the Foundation's Fiscal Policies and Procedures. The Treasurer, President, and Executive Director also serve as the signatories on the Foundation's Wells Fargo bank accounts.
 - c. Establishes requirements related to the transfer of funds from the Fidelity accounts to the Foundation's operating bank accounts. These requirements are consistent with provisions in the Fiscal Policies and Procedures, as follows: (i) Transfers from the brokerage accounts to non-brokerage accounts must be made exclusively from the liquidity pool brokerage account to the Foundation's checking account; (ii) a transfer of funds from the liquidity pool account exceeding \$2,500 requires the approval of two signatories; (iii) a transfer of an amount under \$2,500 requires the approval of one signatory; (iv) transfers cannot be split into multiple transfers to evade the dual-approval requirement of (ii); and (v) check-writing capabilities will be disabled for all brokerage accounts. All disbursements from the Foundation to outside entities must be made from the checking account.

The Committee will review the Fiscal Policies and Procedures and make recommendations for incorporating these requirements into the document and other investment-related requirements to strengthen internal controls related to the brokerage accounts. I am hopeful that the Committee will be able to bring the revised Fiscal Policies and Procedures to the Board for approval in May.

3. Transfer of Remaining Balance of Restitution Funds from the City of San Bruno to the Foundation

The third attached resolution requests the San Bruno City Council to authorize transfer of the remaining balance of the restitution funds to the Foundation. Now that the Foundation has hired Sand Hill as its investment management firm, has developed its Investment Policy Statement, and is authorizing the establishment of brokerage accounts at Fidelity, the Foundation is prepared to take possession of the remaining restitution funds. So far, the Foundation has received two transfers totaling \$697,031 to cover the Foundation's reimbursement to the City of costs incurred in the Foundation's

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formation as well as operating costs from February 2015 through June 2016. According to the City's Finance Director, the balance in the custodial account as of March 18, 2016, was approximately \$69,729,000.

I have been working with the City Treasurer regarding the logistics of the transfer of funds. All but about \$1.24 million (which accounts for the proceeds from the sale of land that was part of the original settlement from PG&E) are in an investment account with Wells Fargo Advisors. Upon advice of Sand Hill, we are planning to have the assets in the Wells Fargo account transferred to the Foundation's Fidelity account in kind, which will save the Foundation in fees and commissions. Because the transfer involves two separate entities with different tax identification numbers (the Foundation and the City) and two separate financial institutions, the transfer will be a two-step process, where the City first transfers the assets in kind to a Fidelity account opened in its name and then transfers the assets in kind from its Fidelity account to the Foundation's Fidelity liquidity account.

The proceeds from the sale of land are currently sitting in the City's bank account at First National Bank. Transfer of those funds to the Foundation's Fidelity liquidity pool account will require a simple wire transfer since those funds are already sitting in cash.

Once the funds are in the Foundation's Fidelity liquidity account, \$15 million will be transferred to the quasi-endowment account, the bulk of the remaining funds will be transferred to the strategic pool account, and a small portion will remain in the liquidity account to cover the Foundation's anticipated cash-flow needs in the next year. These cash-flow needs include the \$1 million in near-term projects that the Foundation has already committed (such as the \$100,000 in Crestmoor Neighborhood Memorial Scholarships, \$200,000 for a Community Grants Program to launch later this year, and four projects in partnership with the City) as well as the Foundation's operating expenses.

I recommend that the Board approve all three resolutions at its April 6 meeting.

Over the next one to two months, the Investment Strategy Committee will work with Sand Hill to prepare the Investment Operating Plan, review the Fiscal Policies and Procedures and make recommendations to add provisions related to the handling of the investment brokerage accounts, and prepare a proposal for the creation of an ongoing Investment Committee – all for Board approval. Dr. Hayes will continue to work with the Committee through the completion of these tasks.

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Attachments:

1. Resolution Approving San Bruno Community Foundation Investment Policy Statement
2. Exhibit A: Investment Policy Statement
3. Resolution Authorizing Establishment of Three Investment Accounts at Fidelity Investments, Authorizing Deposit of Restitution Funds into Such Accounts, and Establishing Signatories on the Accounts
4. Resolution Requesting Transfer of Remaining Balance of Restitution Funds from the City of San Bruno

RESOLUTION NO. 2016-__

**RESOLUTION OF THE SAN BRUNO COMMUNITY FOUNDATION
APPROVING SAN BRUNO COMMUNITY FOUNDATION INVESTMENT POLICY
STATEMENT**

WHEREAS, consistent with the City of San Bruno's restitution settlement agreement with Pacific Gas & Electric Co. in the aftermath of the devastating 2010 gas pipeline explosion in the Crestmoor neighborhood, the City established the San Bruno Community Foundation to administer the \$70 million in restitution funds;

WHEREAS, Article III of the Foundation's Bylaws sets forth the Foundation's purpose as "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";

WHEREAS, under Article XVI(b) of the Bylaws, the San Bruno City Council must approve the Foundation's "investment policy and its spending policy";

WHEREAS, the Foundation selected Sand Hill Global Advisors to provide investment management services to the Foundation, including assisting in the development of the Foundation's investment policy statement and management of the Foundation's investment portfolio; and

WHEREAS, with the guidance of Sand Hill Global Advisors, the Foundation's Ad Hoc Committee on Investment Strategy has drafted the Investment Policy Statement, which includes the Foundation's spending policy, to serve as the guiding document for the Foundation's investment activities.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors approves the Investment Policy Statement attached as Exhibit A.

FURTHER BE IT RESOLVED that the Board of Directors directs the Executive Director to submit the Investment Policy Statement attached as Exhibit A to the San Bruno City Council for consideration and approval.

Dated: April 6, 2016

ATTEST:

Emily Roberts, Secretary

I, Emily Roberts, Secretary, do hereby certify that the foregoing Resolution No. 2016-__ was duly and regularly passed and adopted by the Board of Directors of the San Bruno Community Foundation on this 6th day of April, 2016, by the following vote:

AYES: Board members:

NOES: Board members:

ABSENT: Board members:

EXHIBIT A

SAN BRUNO

Community Foundation

**INVESTMENT
POLICY
STATEMENT**

Approved by the SBCF Board of Directors, April __, 2016
Approved by the San Bruno City Council, April __, 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.

RESOLUTION NO. 2016-___

**RESOLUTION OF THE SAN BRUNO COMMUNITY FOUNDATION
AUTHORIZING ESTABLISHMENT OF THREE BROKERAGE ACCOUNTS AT
FIDELITY INVESTMENTS, AUTHORIZING DEPOSIT OF RESTITUTION FUNDS
INTO SUCH ACCOUNTS, AND ESTABLISHING SIGNATORIES ON THE
ACCOUNTS**

WHEREAS, the San Bruno Community Foundation is adopting its Investment Policy Statement and requesting from the City of San Bruno transfer of the balance of the restitution funds resulting from the City's settlement with Pacific Gas & Electric Co. following the 2010 gas pipeline explosion in San Bruno's Crestmoor neighborhood;

WHEREAS, the Foundation's Investment Policy Statement establishes three pools of investment funds – (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, and (3) a liquidity pool to act as a holding account for expenditures planned in the subsequent 0-24 months from deposit;

WHEREAS, Article IX, Section 4, of the SBCF Bylaws states that "The Treasurer shall deposit, or cause to be deposited, all money and other valuables in the name and to the credit of the Corporation with such depositories as the board may designate."

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors delegates to Treasurer Ben Cohn the authority to establish and open three brokerage accounts with Fidelity Investments, on behalf of SBCF, and to deposit the restitution funds into such accounts.

FURTHER BE IT RESOLVED that the Board of Directors designates Treasurer Ben Cohn, President Nancy Kraus, and Executive Director Leslie Hatamiya to serve as SBCF's authorized signatories on its Fidelity brokerage accounts, with the following requirements for the transfer of funds from the Fidelity accounts to SBCF's operating bank accounts:

- (a) Transfers from the brokerage accounts to non-brokerage accounts are to be made exclusively from SBCF's liquidity pool brokerage account to SBCF's operating checking account;
- (b) Any single transfer of funds from the liquidity pool brokerage account in excess of \$2,500 requires the written approval of two of the authorized signatories;

- (c) Any single transfer of funds from the liquidity pool brokerage account not exceeding \$2,500 requires the written approval of any one of the authorized signatories;
- (d) Payment for an obligation in excess of \$2,500 may not be split into multiple transfers of funds to evade the dual-approval requirement of (b) above; and
- (e) Check-writing capabilities will be disabled for all brokerage accounts.

Dated: April 6, 2016

ATTEST:

Emily Roberts, Secretary

I, Emily Roberts, Secretary, do hereby certify that the foregoing Resolution No. 2016-__ was duly and regularly passed and adopted by the Board of Directors of the San Bruno Community Foundation on this 6th day of April, 2016, by the following vote:

AYES: Board members:

NOES: Board members:

ABSENT: Board members:

RESOLUTION NO. 2016-__

**RESOLUTION OF THE SAN BRUNO COMMUNITY FOUNDATION
REQUESTING THE SAN BRUNO CITY COUNCIL TO AUTHORIZE TRANSFER OF
REMAINING BALANCE OF RESTITUTION FUNDS TO THE SAN BRUNO
COMMUNITY FOUNDATION**

WHEREAS, pursuant to the Settlement Agreement between the City of San Bruno and Pacific Gas & Electric Company settling all claims arising out of the tragic 2010 gas pipeline explosion in San Bruno's Crestmoor Neighborhood, the City received restitution consisting of five vacant plots of land valued at \$1,250,000 and \$68,750,000 in cash, which was to be transferred to a tax-exempt nonprofit entity;

WHEREAS, the San Bruno City Council created the San Bruno Community Foundation to administer the restitution funds in 2013;

WHEREAS, the City of San Bruno has been holding the restitution funds in a custodial account until SBCF has developed an investment policy, hired an investment management firm, and is otherwise prepared to take possession of the funds;

WHEREAS, on February 10, 2015, the San Bruno City Council adopted a resolution authorizing a transfer of funds totaling \$491,031 from the City's custodial account to SBCF to cover SBCF's reimbursement to the City of costs incurred in the formation of SBCF and approximately one year of operating expenses;

WHEREAS, on November 24, 2015, the San Bruno City Council adopted a resolution authorizing a transfer of funds totaling \$206,000 from the City's custodial account to SBCF to cover SBCF's operating expenses through the end of the 2015-2016 fiscal year;

WHEREAS, as of March 18, 2016, the balance in the custodial account was approximately \$69,729,000; and

WHEREAS, SBCF has hired an investment management firm, Sand Hill Global Advisors, has approved its Investment Policy Statement, has authorized the establishment of brokerage accounts at Fidelity Investments, and is otherwise prepared to take possession of the remaining restitution funds.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors requests the San Bruno City Council to authorize transfer of the remaining balance of the restitution funds to the San Bruno Community Foundation.

Dated: April 6, 2016

ATTEST:

Emily Roberts, Secretary

I, Emily Roberts, Secretary, do hereby certify that the foregoing Resolution No. 2016-__ was duly and regularly passed and adopted by the Board of Directors of the San Bruno Community Foundation on this 6th day of April, 2016, by the following vote:

AYES: Board members:

NOES: Board members:

ABSENT: Board members:

SAN BRUNO

Community Foundation

Memorandum

DATE: April 1, 2016

TO: Board of Directors, San Bruno Community Foundation

FROM: Leslie Hatamiya, Executive Director

SUBJECT: Report from the Ad Hoc Committee on Bylaws and Corporate Governance Policy Revisions and Adoption of Resolutions Approving Amended and Restated Articles of Incorporation, Amended and Restated Bylaws, Revised Whistleblower Policy, and Revised Document Retention and Destruction Policy

In creating the San Bruno Community Foundation, the San Bruno City Council drafted and adopted the Foundation's Articles of Incorporation and Bylaws in 2013. The Foundation's Board of Directors approved various corporate governance policies, including a Conflict of Interest Policy, a Document Retention Policy, and a Whistleblower Policy, in 2014.

Since the Articles, Bylaws, and corporate governance policies were adopted, the Foundation has undergone a significant transformation. It is now a fully functioning nonprofit organization with its own staff, office, and bank accounts, and it has developed its program strategy and is in the process of considering its first set of program grants. In October 2015, the Foundation amended, with the approval of the City Council, the Foundation's Articles of Incorporation to ensure that they are in compliance with nonprofit tax law.

Recognizing that the time had come to properly review the Foundation's corporate documents and governance policies, in January 2016, the Board authorized creation of an Ad Hoc Committee on Bylaws and Corporate Governance Policy Revisions and appointed President Nancy Kraus and Board Member Regina Stanback Stroud to serve on the Committee.

The Committee was originally charged with reviewing and recommending changes to the Bylaws, Conflict of Interest Policy, Whistleblower Policy, and Document Retention Policy. As I began working with the Ad Hoc Committee on Foundation Program Development to create a Community Grants Program and consulted with outside nonprofit counsel, I realized that additional changes to the Articles of Incorporation were needed to ensure that a broad range of community organizations would be eligible to receive Foundation grants. As a result, the Committee also presents amendments to the Articles of Incorporation for Board approval, along with amendments to the Bylaws and revised Whistleblower and Document Retention Policies. The Committee has not

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yet completed revisions to the Conflict of Interest Policy and will bring those to the Board for approval at a later date.

Both the City Attorney and I have been actively involved in the revision process. In addition, I sought review of the documents by nonprofit counsel at NEO Law Group. The amendments to the Articles of Incorporation were prepared by attorneys at the Manatt law firm, which assisted in the October 2015 amendments.

1. Amended and Restated Articles of Incorporation

When it granted the Foundation tax-exempt 501(c)(3) status, the Internal Revenue Service (IRS) classified the Foundation as a Type 1 supporting organization, with the City of San Bruno as the supported organization. Last summer, as it reviewed a draft of the Foundation's Program Strategy Framework, the NEO Law Group called to my attention the IRS regulations limiting the groups and individuals to which a supporting organization can provide cash grants and raised the question of whether the Foundation, as a supporting organization, could provide grants to nonprofit community organizations and government entities beyond the City.

Because the City Council's original vision for the Foundation – and the Board's understanding of that vision – included the making of grants to nonprofit community organizations and other government entities beyond the City, such as the two main school districts serving San Bruno, I sought additional legal advice from the Manatt law firm, which has a team of lawyers who are experts in the niche area of nonprofit law related to supporting organizations. To ensure that the Foundation is able to carry out the City Council's vision – that is, able to award grants to nonprofit community organizations and government entities, including but not limited to the City, to benefit the San Bruno community – while also ensuring compliance with the tax laws and regulations related to supporting organizations, the Manatt lawyers recommended that the Foundation amend its Articles of Incorporation to state that the Foundation supports a *class* of supported organizations – in lay terms, 501(c)(3) public charities and government agencies that benefit the San Bruno community – including but not limited to the City of San Bruno. As a result, last October the Board approved the Amended and Restated Articles of Incorporation, which were subsequently filed with the California Secretary of State's Office.

More recently, as the Ad Hoc Committee on Foundation Program Development began deliberating over the creation of a Community Grants Program at the same time that I was consulting with outside counsel regarding the Ad Hoc Bylaws Committee's review of the Bylaws, I realized that while the amendment to the Articles approved last fall expanded the class of supported organizations (that is, the group of entities to which the Foundation can make grants) from just the City to other government entities and public charities (as defined by Internal Revenue Code Section 509(a)(1) and 509(a)(2)), the

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class does not include other types of tax-exempt entities that the Foundation might want to support. After further consultation with counsel, I learned that supporting organizations can support only 501(c)(3) public charities as defined by Internal Revenue Code Section 509(a)(1) and 509(a)(2), although the law also carves out a narrow exception for 501(c)(4) social welfare organizations, 501(c)(5) labor and agricultural organizations, and 501(c)(6) business leagues that meet the public support requirements of Section 509(a)(2). Other types of tax-exempt entities cannot be directly funded by a supporting organization.

As part of the Foundation Program Development Committee's efforts, I am investigating other avenues for funding a broad range of non-501(c)(3) public charities, including the possibility of establishing a fiscal sponsorship. However, in order to define the Foundation's class of supported organizations as broadly as possible, the Bylaws Committee recommends that the Board approve the amendment to the purpose statement in the Articles of Incorporation. The amendment expands the class of supported organizations to include (501)(c)(4) social welfare organizations, 501(c)(5) labor and agricultural organizations, and 501(c)(6) business leagues that meet the public support requirements of Section 509(a)(2). Outside counsel has advised that verifying that 501(c)(4), (5), and (6) organizations meet the public support requirements of Section 509(a)(2) can be difficult, and the Foundation may ultimately choose to support these organizations through a fiscal sponsorship. However, it makes sense, prior to the launch of the Community Grants Program, to amend the Articles to include 501(c)(4), (5), and (6) organizations that meet the public support requirements of Section 509(a)(2), so that the Foundation has the option of funding these organizations directly.

The amendment to the Articles is technical and reflects the Foundation's efforts, within the bounds of the laws and regulations governing supporting organizations, to implement the City Council's vision for the Foundation and its ability to support a wide variety of organizations that benefit San Bruno.

The attached resolution directs the Executive Director to forward the approved Amended and Restated Articles of Incorporation to the City Council for consideration and approval. Assuming the Board approves the resolution, the City Council will consider the Amended and Restated Articles on April 26.

Filing the Restated Articles does not affect the prior federal or state approvals for the Foundation's tax-exempt status.

2. Amended and Restated Bylaws

The City Council approved the Bylaws on October 21, 2013. At that time, the Foundation was just an idea, without Board members yet appointed or employees yet

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hired. Now that the Foundation has been fully functioning with a Board of seven, an Executive Director, and an office, the time has come to review the Bylaws and ensure they fully support the Foundation's current operations.

As you will see, many of the revisions are clean-up efforts: correcting misspellings, making capitalization of terms and usage of numbers consistent, clarifying vague language, and adding in proper legal code references. Two versions of the Amended and Restated Bylaws are attached: (1) a redlined version showing changes from the original Bylaws, and (2) a clean version with no editing markings.

Key substantive changes to the Bylaws are as follows:

Article II, Section 1	Updates SBCF office address.
Article III	Makes the purpose statement consistent with the amended purposes statement in the Articles of Incorporation.
Article V, Section 3(c)	Clarifies the requirement that a majority of Directors must be San Bruno residents and more clearly states the preference for non-residents.
Article V, Section 5	(b) is not needed here. Director qualifications are already set forth in Section 3, and removal due to no longer meeting the qualifications is moved to Section 7.
Article V, Section 6	Establishes a specific start date for Directors' terms and clarifies definition of a term when a Director serves less than a complete term.
Article V, Section 7	Section 7(c) incorporates the spirit of old Section 5(b). Old Section 7(e) is deleted here because it pertains to the removal of officers, and this section is about removal of Directors.
Article V, Section 10	Added to set forth the Board's responsibilities in approving the Executive Director's compensation. Language regarding agents and employees is moved to Article IX, Section 5.
Article VII, Section 4	Deleted Executive Committee as a standing committee. The Executive Committee serves as an ad hoc committee to assist the Executive Director when needed, without having any ongoing subject matter jurisdiction.

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- Article VIII, Section 1 Adds the Executive Director as an officer, per the Board's intention when hiring an Executive Director. Under nonprofit law, the President would serve as the CEO unless the Executive Director is identified in these Bylaws as the CEO.
- Article VIII, Section 2 Establishes a specific start date for officers' terms (except for the Executive Director) and clarifies that the City Council also approves the elected officers.
- Article IX, Section 5 Establishes the Executive Director as an officer and the CEO. Language is primarily taken from what was formerly Article V, Section 10.
- Article XIII, Section 8 Clarifies that the Conflict of Interest Policy covers Foundation agents and employees, but not City officers or employees.
- Article XVI Renamed for two reasons: (1) The Bylaws are the Foundation's governing document; it does not make sense for the City Council to "reserve" powers in the Foundation's governing document. To the extent that any powers are reserved, it would be the Foundation Board reserving them. (2) "Approval" rather than "reserved powers" more accurately reflects the City Council's role. "Reserved powers" implies a more active role in each item (e.g., the drafting of the any Bylaws amendments, the annual budget, or the grant and investment policies), with a correlating level of liability.

The attached resolution directs the Executive Director to forward the approved Amended and Restated Bylaws to the City Council for consideration and approval. Assuming the Board approves the resolution, the City Council will consider the Amended and Restated Bylaws on April 26. The Foundation will be required to disclose the Amended and Restated Articles and Bylaws to the IRS when filing Form 990 and to the Franchise Tax Board when filing the Form 199 in November.

3. Revised Whistleblower Policy

The American Competitiveness and Corporate Accountability Act of 2002, commonly known as the Sarbanes-Oxley Act, was signed into law on July 30, 2002. The Act was passed in response to several corporate scandals and was intended to rebuild public trust in the corporate sector. Although most provisions of Sarbanes-Oxley apply only to public companies, several criminal provisions apply to nonprofit organizations, including provisions prohibiting retaliation against whistleblowers. Consistent with Sarbanes-

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Oxley, it is considered good nonprofit corporate governance to implement a whistleblower policy.

The Foundation Board approved a Whistleblower Policy in April 2014. Many of the recommended revisions to the Policy are clerical in nature – e.g., making terminology consistent and correcting punctuation.

The main substantive changes are in Section IV, Procedures for Reporting. At the time the Policy was originally approved, the Foundation had no staff. As a result, the Board President and the City Manager were the two individuals to whom “Reporting Parties” could submit concerns about improper activity. Typically, the Executive Director or chief executive officer is designated as the primary individual to whom reports are submitted. As such, the recommended revisions state that “Reporting Parties may submit concerns to the Executive Director.” Reporting Parties may, alternatively, report directly to the Board President or Vice President if they are not comfortable reporting to the Executive Director or do not believe that the issue is being properly addressed.

In addition, at the suggestion of nonprofit counsel, the revisions strengthen the “no retaliation” provisions of Section IV, consistent with federal and state law.

4. Document Retention and Destruction Policy

Another Sarbanes-Oxley provision applying to nonprofits prohibits the destruction, alteration, or concealment of certain documents or the impediment of investigations. Consistent with Sarbanes-Oxley, good nonprofit corporate governance dictates that a nonprofit enact a document retention and destruction policy. In addition to ensuring compliance with the law, such a policy promotes the appropriate retention, maintenance, and destruction of organizational documents and records, regardless of physical form.

In May 2014, the Foundation Board approved a Document Retention Policy that mirrored the City’s document retention policy pertaining to documents related to the Crestmoor neighborhood explosion and fire. The City’s policy required that documents related to the Crestmoor disaster be retained permanently. Given the nature of the disaster, the City sought to retain all records for historical purposes, and that reasoning applied to the Foundation as well. The Policy passed by the Board also set forth that retention of email messages would be 90 days.

Now that the Foundation is a fully operating nonprofit with a wide range of financial, program, and administrative records, it makes sense for it to adopt a document retention and destruction policy more typical for nonprofit. Holding on to documents that are no longer required to be kept by law and that no longer have practical use for the organization can be an unnecessary expense and an administrative burden.

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The revised Policy, now named the Document Retention and Destruction Policy, is based on a template for nonprofits provided by the NEO Law Group. The Policy sets forth a schedule for the retention and, where appropriate, destruction of various categories of records that the Foundation maintains or is likely to maintain. Of note is Section VII, which requires the preservation of records, the rest of the Policy notwithstanding, relevant to any pending, threatened, or reasonably foreseeable litigation, audit, or investigation.

I recommend that the Board adopt the four resolutions approving the Amended and Restated Articles of Incorporation, the Amended and Restated Bylaws, the revised Whistleblower Policy, and the revised Document Retention and Destruction Policy, respectively.

The Committee continues to work on revisions to the Foundation's Conflict of Interest Policy, which is of increased importance as the Foundation looks to make its first program disbursements this year. The Committee intends to bring a revised Conflict of Interest Policy to the Board for approval in the next two months.

Attachments:

1. Resolution Approving the San Bruno Community Foundation's Amended and Restated Articles of Incorporation
2. Exhibit A: Restated Articles of Incorporation Certificate
3. Restated Articles of Incorporation – Redlined
4. Resolution Approving the San Bruno Community Foundation's Amended and Restated Bylaws
5. Exhibit A: Amended and Restated Bylaws
6. Amended and Restated Bylaws – Redlined
7. Resolution Approving Revised Whistleblower Policy
8. Exhibit A: Revised Whistleblower Policy
9. Revised Whistleblower Policy – Redlined
10. Resolution Approving Document Retention and Destruction Policy
11. Exhibit A: Revised Document Retention and Destruction Policy
12. Original Document Retention Policy (Resolution No. 2014-6)

RESOLUTION NO. 2016-__

**RESOLUTION OF THE SAN BRUNO COMMUNITY FOUNDATION
ADOPTING THE SAN BRUNO COMMUNITY FOUNDATION'S AMENDED AND
RESTATED ARTICLES OF INCORPORATION**

WHEREAS, in 2014 the Internal Revenue Service (IRS) determined that The San Bruno Community Foundation is an organization exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code;

WHEREAS, the IRS also originally determined that the Foundation is a Type I supporting organization under Internal Revenue Code section 509(a)(3) having the City of San Bruno as the supported organization;

WHEREAS, in October 2015 the Board of Directors amended, with approval from the San Bruno City Council, the Foundation's Articles of Incorporation to define the class of organizations that the Foundation supports to include 501(c)(3) public charities and government agencies, including the City of San Bruno, that benefit the San Bruno community;

WHEREAS, the Foundation, as envisioned by the San Bruno City Council at the Foundation's creation, seeks to provide grants to as wide a range of governmental entities and tax-exempt community organizations that benefit the San Bruno community as possible, including but not limited to the City of San Bruno, 501(c)(3) public charities, (501)(c)(4) social welfare organizations, 501(c)(5) labor and agricultural organizations, and 501(c)(6) business leagues;

WHEREAS, the Board of Directors seeks to broaden the definition, by an amendment to the Foundation's Articles of Incorporation, of the class of organizations that the Foundation supports in a manner consistent with the vision of the City Council; and

WHEREAS, under Article XVI of the Foundation's Bylaws, amendments to the Foundation's Articles of Incorporation must be approved by the City Council.

NOW, THEREFORE, BE IT RESOLVED, that the proposed amendment to the Foundation's Articles of Incorporation is hereby approved by the Board; and

RESOLVED FURTHER, that the Foundation's staff shall present the proposed amendment to the Foundation's Articles of Incorporation to, and seek approval of the same from, the City Council; and

RESOLVED FURTHER, that, subject to approval by the City Council:

1. the Foundation's Articles of Incorporation shall be amended to read in full in the form presented to the Board, a copy of which shall be attached to the minutes of this meeting;

2. the President and the Secretary of the Foundation be, and they hereby are, authorized and directed to restate the Foundation's Articles of Incorporation consistent with the amendment adopted pursuant to these resolutions and to execute and file the said restated Articles of Incorporation with the California Secretary of State; and

3. the officers of the Foundation be, and they hereby are, authorized and directed, for and on behalf of the Foundation, to take such other actions as the officers deem necessary or advisable to effectuate the intent of the preceding resolutions.

Dated: April 6, 2016

ATTEST:

Emily Roberts, Secretary

I, Emily Roberts, Secretary, do hereby certify that the foregoing Resolution No. 2016-__ was duly and regularly passed and adopted by the Board of Directors of the San Bruno Community Foundation on this 6th day of April, 2016, by the following vote:

AYES: Board members:

NOES: Board members:

ABSENT: Board members:

Restated Articles of Incorporation

The undersigned certify that:

1. They are the President and the Secretary, respectively, of The San Bruno Community Foundation, a California nonprofit public benefit corporation (the “Corporation”).
2. The Articles of Incorporation of the Corporation are amended and restated to read as follows:

I

The name of the corporation is The San Bruno Community Foundation (the “Corporation”).

II

(A) This Corporation is a nonprofit public benefit corporation and is not organized for the private gain of any person. It is organized under the Nonprofit Public Benefit Corporation Law for public and/or charitable purposes.

(B) The specific purpose of this Corporation is 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. In furtherance of that purpose, this Corporation is organized and shall be operated exclusively for charitable purposes (within the meaning of Internal Revenue Code Section 501(c)(3)) by conducting or supporting activities for the benefit, or to carry out the purposes, of organizations, including but not limited to, the City of San Bruno, that: (i) benefit the San Bruno community, and (ii) are described in either (x) Internal Revenue Code Sections 501(c)(4), 501(c)(5), or 501(c)(6) but only if they would be described in Internal Revenue Code Section 509(a)(2) were they organizations described in Internal Revenue Code Section 501(c)(3), or (y) Internal Revenue Code Sections 509(a)(1) or (a)(2).

III

It is intended that this Corporation shall have the status of a corporation which is exempt from federal income tax under Internal Revenue Code Section 501(a) as an organization described in Internal Revenue Code Section 501(c)(3), and which is other than a private foundation by reason of being described in Internal Revenue Code Section 509(a)(3). These Articles shall be construed accordingly, and all powers and activities of this Corporation shall be limited accordingly.

IV

The Corporation shall have no members. References to “members” are to the Board of Directors as provided in Section 5310 of the Nonprofit Corporation Law. Each director shall be entitled to one vote.

EXHIBIT A

V

(A) Notwithstanding any other provision in these Articles, the Corporation shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the purposes of this Corporation, and the Corporation shall not carry on any other activities not permitted to be carried on by: (a) a corporation exempt from federal income tax under Internal Revenue Code Section 501(c)(3); or (b) a corporation, contributions to which are deductible under Internal Revenue Code Sections 170(b), 170(c)(2), 2055(a)(2), or 2522(a).

(B) No substantial part of the activities of this Corporation shall consist of carrying on propaganda, or otherwise attempting to influence legislation, and the Corporation shall not participate or intervene in any political campaign (including the publishing or distribution of statements) on behalf of (or in opposition to) any candidate for public office.

VI

(A) The property of this Corporation is irrevocably dedicated to public and/or charitable purposes, and no part of the net income or assets of this Corporation shall ever inure to the benefit of any director, officer or member thereof or to the benefit of any private person.

(B) Upon the dissolution or winding up of the Corporation, its assets remaining after payment, or provision for payment, of all debts and liabilities of this Corporation shall be distributed to a nonprofit fund, foundation or corporation which is organized and operated exclusively for public and/or charitable purposes and which has established its tax exempt status under Internal Revenue Code Section 501(c)(3).

All references in these Articles to sections of the Internal Revenue Code shall be deemed to be references to the Internal Revenue Code of 1986, as amended, and to the corresponding provisions of any similar law subsequently enacted.

3. The foregoing amendment to and restatement of the Articles of Incorporation have been duly approved by the board of Directors of the Corporation in accordance with Section 5812 of the California Corporations Code.
4. The Corporation has no members.

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of our own knowledge.

DATE: April 6, 2016

Nancy Kraus, President

Emily Roberts, Secretary

Restated Articles of Incorporation

The undersigned certify that:

1. They are the President and the Secretary, respectively, of The San Bruno Community Foundation, a California nonprofit public benefit corporation (the “Corporation”).
2. The Articles of Incorporation of the Corporation are amended and restated to read as follows:

I

The name of the corporation is The San Bruno Community Foundation (the “Corporation”).

II

(A) This Corporation is a nonprofit public benefit corporation and is not organized for the private gain of any person. It is organized under the Nonprofit Public Benefit Corporation Law for public and/or charitable purposes.

(B) The specific purpose of this Corporation is 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. In furtherance of that purpose, this Corporation is organized and shall be operated exclusively for charitable purposes (within the meaning of Internal Revenue Code Section 501(c)(3)) by conducting or supporting activities for the benefit, or to carry out the purposes, of organizations, including but not limited to, the City of San Bruno, that: (i) ~~that benefit the San Bruno community, and (ii) are described in either (x) Internal Revenue Code Sections 501(c)(4), 501(c)(5), or 501(c)(6) but only if they would be described in Internal Revenue Code Section 509(a)(2) were they organizations described in Internal Revenue Code Section 501(c)(3) and, or (y) Internal Revenue Code Sections 509(a)(1) or (a)(2), and (ii) that benefit the San Bruno community, including but not limited to, the City of San Bruno.~~

III

It is intended that this Corporation shall have the status of a corporation which is exempt from federal income tax under Internal Revenue Code Section 501(a) as an organization described in Internal Revenue Code Section 501(c)(3), and which is other than a private foundation by reason of being described in Internal Revenue Code Section 509(a)(3). These Articles shall be construed accordingly, and all powers and activities of this Corporation shall be limited accordingly.

IV

The Corporation shall have no members. References to “members” are to the Board of Directors as provided in Section 5310 of the Nonprofit Corporation Law. Each director shall be entitled to one vote.

V

(A) Notwithstanding any other provision in these Articles, the Corporation shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the purposes of this Corporation, and the Corporation shall not carry on any other activities not permitted to be carried on by: (a) a corporation exempt from federal income tax under Internal Revenue Code Section 501(c)(3); or (b) a corporation, contributions to which are deductible under Internal Revenue Code Sections 170(b), 170(c)(2), 2055(a)(2), or 2522(a).

(B) No substantial part of the activities of this Corporation shall consist of carrying on propaganda, or otherwise attempting to influence legislation, and the Corporation shall not participate or intervene in any political campaign (including the publishing or distribution of statements) on behalf of (or in opposition to) any candidate for public office.

VI

(A) The property of this Corporation is irrevocably dedicated to public and/or charitable purposes, and no part of the net income or assets of this Corporation shall ever inure to the benefit of any director, officer or member thereof or to the benefit of any private person.

(B) Upon the dissolution or winding up of the Corporation, its assets remaining after payment, or provision for payment, of all debts and liabilities of this Corporation shall be distributed to a nonprofit fund, foundation or corporation which is organized and operated exclusively for public and/or charitable purposes and which has established its tax exempt status under Internal Revenue Code Section 501(c)(3).

All references in these Articles to sections of the Internal Revenue Code shall be deemed to be references to the Internal Revenue Code of 1986, as amended, and to the corresponding provisions of any similar law subsequently enacted.

3. The foregoing amendment to and restatement of the Articles of Incorporation have been duly approved by the board of Directors of the Corporation in accordance with Section 5812 of the California Corporations Code.

4. The Corporation has no members.

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of our own knowledge.

DATE: ~~October 7, 2015~~ April 6, 2016

Nancy Kraus, President

Emily Roberts, Secretary

RESOLUTION NO. 2016-__

**RESOLUTION OF THE SAN BRUNO COMMUNITY FOUNDATION
ADOPTING THE SAN BRUNO COMMUNITY FOUNDATION'S AMENDED AND
RESTATED BYLAWS**

WHEREAS, the San Bruno City Council approved the San Bruno Community Foundation's original Bylaws on October 21, 2013;

WHEREAS, the Foundation Board created the Ad Hoc Committee on Bylaws and Corporate Governance Policies to review the Bylaws;

WHEREAS, based on guidance from staff and nonprofit counsel, the Committee recommends a series of administrative and substantive amendments that clean up minor errors, clarify details, bring provisions into compliance with applicable law, reflect the Foundation's current operations, and make the Bylaws consistent with amendments being made concurrently to the Foundation's Articles of Incorporation;

WHEREAS, under Article XVI of the Foundation's Bylaws, amendments to the Foundation's Bylaws must be approved by the City Council.

NOW, THEREFORE, BE IT RESOLVED, the Board of Directors adopts the Amended and Restated Bylaws attached as Exhibit A.

RESOLVED FURTHER, that the Foundation's staff shall present the Amended and Restated Bylaws to, and seek approval of the same from, the City Council.

Dated: April 6, 2016

ATTEST:

Emily Roberts, Secretary

I, Emily Roberts, Secretary, do hereby certify that the foregoing Resolution No. 2016-__ was duly and regularly passed and adopted by the Board of Directors of the San Bruno Community Foundation on this 6th day of April, 2016, by the following vote:

AYES: Board members:

NOES: Board members:

ABSENT: Board members:

EXHIBIT A

**BYLAWS OF
THE SAN BRUNO COMMUNITY FOUNDATION**
A California Nonprofit Public Benefit Corporation

Amended and Restated by the SBCF Board of Directors, April __, 2016
Approved by the San Bruno City Council, April __, 2016

ARTICLE I.

NAME

Section 1. Corporate Name

The name of this corporation is: The San Bruno Community Foundation (the "Corporation").

ARTICLE II.

OFFICES OF THE CORPORATION

Section 1. Principal Office.

The principal office for the transaction of the activities and affairs of the Corporation (principal office) is located at:

901 Sneath Lane, Suite 209
San Bruno, CA 94066

Section 2. Other Offices.

The Board may at any time establish branch or subordinate offices at any place or places where the Corporation is qualified to conduct its activities. Any change shall be noted in these Bylaws, or this Section may be amended to state the new location.

ARTICLE III.

PURPOSE

The primary purpose of the Corporation is 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. In furtherance of that purpose, this Corporation is organized and shall be operated exclusively for charitable purposes (within the meaning of Internal Revenue Code Section 501(c)(3)) by conducting or supporting activities for the benefit, or to carry out the purposes, of organizations, including but not limited to, the City of San Bruno, that: (i) benefit the San Bruno community, and (ii) are described in either (x) Internal Revenue Code Sections 501(c)(4), 501(c)(5), or 501(c)(6) but only if they would be described in

Internal Revenue Code Section 509(a)(2) were they organizations described in Internal Revenue Code Section 501(c)(3), or (y) Internal Revenue Code Sections 509(a)(1) or (a)(2).

ARTICLE IV.

MEMBERS

Section 1. Member.

The Corporation shall have no voting members within the meaning of the Nonprofit Corporation Law.

ARTICLE V.

BOARD OF DIRECTORS

Section 1. General Corporate Powers.

Subject to the provisions and limitations of the California Nonprofit Public Benefit Corporation Law and any other applicable laws, all powers and activities of the Corporation shall be exercised directly by or under the ultimate direction of the Board.

Section 2. Specific Powers.

Without prejudice to the general powers set forth in Section 1 of this Article, but subject to the same limitations and to the approval rights of the City Council of the City of San Bruno (the "City" or "City Council") provided in Article XVI, the Board of Directors shall have the power to:

- (a) Appoint and remove, at the pleasure of the Board, all the Corporation's officers and agents, prescribe powers and duties for them that are consistent with law, with the Articles of Incorporation, and with these Bylaws, and require from them security for faithful performance of their duties.
- (b) Adopt and use a corporate seal and alter the forms of the seal and certificates.
- (c) Borrow money and incur indebtedness on behalf of the Corporation and cause to be executed and delivered for the Corporation's purposes, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations, and other evidences of debt and securities, subject to the reserved powers set forth in Section 3, below.

Section 3. Authorized Number and Qualifications.

- (a) The authorized number of Directors shall be an odd number not fewer than five (5) and no more than eleven (11), as determined by action of the City Council.

- (b) No Director shall serve concurrently as a member of the San Bruno City Council.
- (c) A majority of the authorized number of Directors shall be residents of the City of San Bruno; provided, however, that a non-resident Director shall not be removed solely to comply with such requirement. Among non-residents, preference may be given to representatives of a business or other entity located in or with a substantial interest in the City. Directors should include individuals with particular expertise in areas applicable to the operation of a nonprofit entity, such as financial, investment, legal, philanthropic, or community-based programs.
- (d) Directors shall serve without compensation.

Section 4. Restriction of Interested Persons as Directors.

No person serving on the Board may be an interested person. An interested person is:

- (a) Any person compensated by the Corporation for services rendered to it within the previous twelve (12) months, whether as a full-time or part-time employee, independent contractor, or otherwise, excluding any reasonable compensation or expense reimbursement paid to a Director as Director; and
- (b) Any brother, sister, ancestor, descendant, spouse, domestic partner, brother-in-law, sister-in-law, son-in-law, daughter-in-law, mother-in-law, or father-in-law of such person.

However, any violation of the provisions of this Section shall not affect the validity or enforceability of any transaction entered into by the Corporation.

Section 5. Designation of Directors.

All Directors shall be designated by the City Council, as designator.

Section 6. Term.

Terms shall be for four years, starting on January 1 of each year, staggered so that a roughly equal number of terms ends every two years, with designated Directors having initial two-year terms where necessary. No Director shall hold office for longer than two consecutive terms; provided, however, that an unexpired term of less than one-half of a full term shall not count as a term for the purpose of this limitation. A Director may be reappointed two years after serving two consecutive four-year terms.

Section 7. Events Causing Vacancy.

A vacancy or vacancies on the Board shall exist on the occurrence of the following:

- (a) The death or resignation of any Director;
- (b) The declaration by resolution of the Board of a vacancy in the office of a Director who has been declared of unsound mind by an order of court, convicted of a felony, or found by final order or judgment of any court to have breached a duty under Article 3 of Chapter 2 of the California Nonprofit Public Benefit Corporation Law;
- (c) The declaration, by majority vote of the Directors who meet all of the required qualifications to be a Director, of a vacancy when a Director fails or ceases to meet any required qualification of a Director that was in effect at the beginning of that Director's current term of office;
- (d) The action of the City Council to remove any Director upon a finding of cause by a two-thirds (2/3) vote of the total number of authorized Directors;
- (e) The increase of the authorized number of Directors;
- (f) Expiration of a Director's term of office; or
- (g) Action by the City Council to remove a Director pursuant to Article XVI.

Vacancies shall be filled by the City Council as provided in Section 5.

Section 8. Resignations.

Except as provided below, any Director may resign by giving written notice to the President or Secretary of the Board. The resignation shall be effective when the notice is given unless it specifies a later time for the resignation to become effective. If a Director's resignation is effective at a later time, the City Council shall appoint a successor to take office as of the date when the resignation becomes effective. Except on notice to the Attorney General of California, no Director may resign if the Corporation would be left without a duly selected Director or Directors. A Director's resignation may not be rescinded, revoked, or withdrawn.

Section 9. Compensation and Reimbursement.

The Directors shall serve without compensation, though they may be reimbursed for their reasonable expenditures on behalf of the Corporation if approved by the Board.

Section 10. Approval of Executive Compensation.

The Board (or an authorized committee of the Board) shall review and approve the compensation, including benefits, of the Executive Director to assure that such compensation is just and reasonable and given in return for services actually rendered to this Corporation. This review and approval shall occur upon the hiring of the officer, whenever the officer's term of

employment (if any) is renewed or extended, and whenever the officer's compensation is modified (unless the modification extends to substantially all employees).

ARTICLE VI.

DIRECTORS' MEETINGS

Section 1. Place of Meetings.

Regular meetings of the Board shall be held at any place in the City of San Bruno. At least four (4) meetings of the Board shall be held each year, including the annual meeting required by Section 3, below.

Section 2. Method of Meetings.

All meetings of the Board of Directors, or any committee thereof, shall be called, noticed, held, and conducted in accordance with the applicable provisions of the Ralph M. Brown Act (the "Brown Act") (commencing with Section 54950 of the California Government Code). The Board of Directors shall take no action other than at a meeting called, noticed, and held pursuant to these Bylaws.

Section 3. Annual Meeting.

The Board shall hold a regular meeting for purposes of organization, election of officers, and transaction of other business. Notwithstanding any other provision of these Bylaws, the annual meeting shall be held at the principal place of business of the Corporation.

Section 4. Other Regular Meetings.

Other regular meetings of the Board may be held at such time and place as the Board may fix from time to time.

Section 5. Authority to Call Special Meetings.

Special meetings of the Board for any purpose may be called at any time pursuant to the Brown Act.

Section 6. Quorum.

A majority of the authorized number of Directors shall constitute a quorum for the transaction of business, except to adjourn. Every action taken or decision made by a majority of the Directors present at a duly held meeting at which a quorum is present shall be the act of the Board, including, without limitation, those provisions relating to:

- (a) Approval of certain transactions between corporations having common directorships;
- (b) Creation of and appointments to committees of the Board; and

- (c) Indemnification of Directors.

A meeting at which a quorum is initially present may continue to transact business, despite the withdrawal of Directors, if any action taken or decision made is approved by at least a majority of the required quorum for that meeting.

Section 7. Adjournment.

A majority of the Directors present, whether or not a quorum is present, may adjourn any meeting to another time and place pursuant to the Brown Act.

ARTICLE VII.

COMMITTEES

Section 1. Committees of the Board.

The Board, by resolution adopted by a majority of the Directors then in office provided a quorum is present, may create one or more committees, each consisting of two or more Directors and no one who is not a Director, to serve at the pleasure of the Board. Members of Committees shall serve without compensation. Committees are authorized to create subcommittees in their discretion to assist in the work of the committee. Appointments to committees of the Board shall be by majority vote of the Directors then in office. No committee, regardless of Board resolution, may:

- (a) Fill vacancies on the Board or on any committee that has the authority of the Board;
- (b) Fix compensation of the Directors for serving on the Board or on any committee;
- (c) Amend or repeal Bylaws or adopt new Bylaws;
- (d) Amend or repeal any resolution of the Board that by its express terms is not so amendable or repealable;
- (e) Create any other committees of the Board or appoint the members of committees of the Board;
- (f) Expend corporate funds to support a nominee for Director after more people have been nominated for Director than can be appointed;
- (g) Approve any contract or transaction to which the Corporation is a party and in which one or more of its Directors has a material financial interest, except as special approval is provided for in Section 5233(d)(3) of the California Corporations Code; or

- (h) Approve the merger, reorganization, voluntary dissolution, or disposition of substantially all of the assets of the Corporation.

Section 2. Meetings and Action of Committees of the Board.

Meetings and actions of committees of the Board shall be governed by, held, and taken in accordance with the provisions of these Bylaws and conducted in accordance with the applicable provisions of the Brown Act concerning meetings and other Board actions, except that the time for regular meetings of such committees and the calling of special meetings of such committees may be determined either by Board resolution or, if there is none, by resolution of the committee of the Board. Minutes of each meeting of any committee of the Board shall be kept and shall be filed with the corporate records. The Board may adopt rules for the governance of any committee, provided they are consistent with these Bylaws, or, in the absence of rules adopted by the Board, the committee may adopt such rules. The below enumerated committees may be created by the Board, but are not limited to:

Section 3. Advisory Committees.

The Board may also create one or more advisory committees which may contain any number of Director and non-Director committee members. None of the powers of the Board can be delegated to any advisory committee, except that management of the Corporation's activities may be delegated to such a committee to the same extent that those powers may be delegated to anyone pursuant to California Corporations Code §5210 and other provisions of these Bylaws.

Section 4. Audit Committee.

The Corporation shall have an Audit Committee consisting of at least two (2) Directors appointed by the Board. Directors who are employees or officers of the Corporation or who receive, directly or indirectly, any consulting, advisory, or other compensatory fees from the Corporation (other than for service as Director) may not serve on the Audit Committee. The Audit Committee shall perform the duties, but are not limited to:

- (a) Assisting the Board in choosing an independent auditor and recommending termination of the auditor, if necessary;
- (b) Negotiating the auditor's compensation;
- (c) Conferring with the auditor regarding the Corporation's financial affairs; and
- (d) Reviewing and accepting or rejecting the audit.

Members of the Audit Committee shall not receive compensation for their service on the Audit Committee. If the Corporation has a Finance Committee, a majority of the members of the Audit Committee may not concurrently serve as members of the Finance Committee, and the chair of the Audit Committee may not serve on the Finance Committee. Members of the Audit Committee shall not include the President and the Treasurer.

ARTICLE VIII.

OFFICERS

Section 1. Officers of the Corporation.

The officers of the Corporation shall be a President, a Vice President, a Secretary, a Treasurer, and an Executive Director. The Corporation may also have, at the Board's discretion, one or more Assistant Secretaries, one or more Assistant Treasurers, and such other officers as may be appointed in accordance with Section 3 of this Article. Any number of offices may be held by the same person, except that neither the Secretary nor the Treasurer may serve concurrently as the President.

Section 2. Election of Officers.

The officers of the Corporation, except the Executive Director and those appointed under Section 3 of this Article, shall be chosen annually by the Board for one-year terms starting on January 1 and shall serve at the pleasure of the Board, subject to the rights, if any, of any officer under any contract of employment, and subject to the approval of the City Council.

Section 3. Other Officers.

The Board may appoint and may authorize the President or other officer to appoint any other officers that the Corporation may require. Each officer so appointed shall have the title, hold office, have the authority, and perform the duties specified in the Bylaws or determined by the Board.

Section 4. Removal of Officers.

Without prejudice to any rights of an officer, any officer may be removed with or without cause by the Board and also by any officer on whom the Board may confer that power of removal.

Section 5. Resignation of Officers.

Any officer may resign at any time by giving written notice to the Corporation. The resignation shall take effect as of the date the notice is received or at any later time specified in the notice and, unless otherwise specified in the notice, the resignation need not be accepted to be effective. Any resignation shall be without prejudice to the rights, if any, of the Corporation. An officer may not rescind, revoke, or withdraw a resignation.

Section 6. Vacancies in Office.

A vacancy in any office because of death, resignation, removal, disqualification, or any other cause shall be filled in the manner prescribed in these Bylaws for regular appointments to that office.

ARTICLE IX.

RESPONSIBILITIES OF OFFICERS

Section 1. President.

The President shall preside at all Board meetings and shall have such other powers and duties as the Board or the Bylaws may prescribe.

Section 2. Vice President.

If the President is absent or disabled, the Vice President shall perform all duties of the President. When so acting, the Vice President shall have all powers of and be subject to all restrictions on the President. The Vice President shall have such other powers and perform such other duties as the Board or the Bylaws may prescribe.

Section 3. Secretary.

The Secretary shall keep or cause to be kept, at the Corporation's principal office or such other place as the Board may direct, a book of minutes of all meetings, proceedings, and actions of the Board and of committees of the Board. The minutes of meetings shall include the time and place that the meeting was held, whether the meeting was annual, regular, or special, and, if special, how authorized, the notice given, and the names of those present at Board and committee meetings. The Secretary shall keep or cause to be kept, at the principal office in California, a copy of the Articles of Incorporation and Bylaws, as amended to date.

The Secretary shall give, or cause to be given, notice of all meetings of the Board and of committees of the Board required by these Bylaws to be given. The Secretary shall keep the corporate seal in safe custody and shall have such other powers and perform such other duties as the Board or the Bylaws may prescribe.

Section 4. Treasurer.

The Treasurer shall be the chief financial officer of the Corporation and shall keep and maintain, or cause to be kept and maintained, adequate and correct books and accounts of the Corporation's properties and transactions. The Treasurer shall send or cause to be given to the Directors such financial statements and reports as are required to be given by law, by these Bylaws, or by the Board.

The books of account shall be open to inspection by any Director at all reasonable times. The Treasurer shall deposit, or cause to be deposited, all money and other valuables in the name and to the credit of the Corporation with such depositories as the Board may designate, shall disburse the Corporation's funds as the Board may order, shall render to the President and the Board, when requested, an account of all transactions as Treasurer and of the financial condition of the Corporation, and shall have such other powers and perform such other duties as the Board or the Bylaws may prescribe.

If required by the Board, the Treasurer shall give the Corporation a bond in the amount and with the surety or sureties specified by the Board for faithful performance of the duties of the office and for restoration to the Corporation of all of its books, papers, vouchers, money, and other property of every kind in the possession or under the control of the Treasurer on his or her death, resignation, retirement, or removal from office.

Section 5. Executive Director.

The Board shall appoint an Executive Director, who shall serve as the Corporation's chief executive officer at the pleasure of the Board and whose terms and conditions of employment shall be specified by the Board. The Executive Director shall be responsible for the day-to-day administration of the Corporation and shall have other such powers and duties as are prescribed by the Board. The Executive Director shall hire, direct, and discharge all other agents and employees, who shall have such authority and perform such duties as may be required to carry out the operations of the Corporation in accordance with the policies established by the Board.

The Executive Director shall attend all meetings of the Board and committees, except the Audit Committee; provided, however, that the Board or any committee of the Board may enter into a closed session without the presence of the Executive Director at the President's discretion in compliance with the Brown Act.

ARTICLE X.

STANDARD OF CARE

Section 1. General.

A Director shall perform the duties of a Director, including duties as a member of any committee of the Board on which the Director may serve, in good faith, in a manner such director believes to be in the best interest of this Corporation and with such care, including reasonable inquiry, as an ordinarily prudent person in a like situation would use under similar circumstances.

In performing the duties of a Director, a Director shall be entitled to rely on information, opinions, reports, or statements, including financial statements and other financial data, in each case prepared or presented by:

- (a) One (1) or more officers or employees of the Corporation whom the Director believes to be reliable and competent in the matters presented;
- (b) Counsel, independent accountants, or other persons as to matters which the Director believes to be within such person's professional or expert competence; or
- (c) A committee of the Board upon which the Director does not serve that is composed exclusively of any or any combination of Directors and persons described in subsection (a) and (b) of this Section 1, as to matters within its

designated authority, which committee the Director believes to merit confidence, so long as in any such case, the Director acts in good faith, after reasonable inquiry when the need thereof is indicated by the circumstances and without knowledge that could cause such reliance to be unwarranted.

A person who performs the duties of a Director in accordance with the above shall have no liability based upon any failure or alleged failure to discharge that person's obligations as Director, including, without limiting the generality of the foregoing, any actions or omissions which exceed or defect a public or charitable purpose to which the Corporation, or assets held by it, are dedicated.

Section 2. Standard of Care - Investments.

Except with respect to assets held for use or used directly in carrying out this Corporation's charitable activities, in investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing this Corporation's investments, the Board shall avoid speculation, looking instead to the permanent disposition of the funds, considering the probable incomes, as well as the probable safety of this Corporation's capital.

Section 3. Standard of Care – Self-Dealing Transactions.

Pursuant to California Government Code Section 1090, the Board shall not approve a self-dealing transaction. A self-dealing transaction is one in which the Corporation is a party and in which one (1) or more of the Directors has a material financial interest or a transaction between this Corporation and any entity in which one (1) or more of its directors has a material financial interest.

Section 4. Inspection.

Every Director shall have the right at any reasonable time during the business hours of the Corporation to inspect and copy all books, records, and documents pursuant to the California Nonprofit Public Benefit Corporation Law and the California Public Records Act, and to inspect the physical properties of this Corporation.

ARTICLE XI.

INDEMNIFICATION; LIABILITY OF THE CORPORATION

Section 1. Right of Indemnity.

To the fullest extent permitted by law, this Corporation shall indemnify its Directors, officers, employees, and other persons described as "agents" in Section 5238(a) of the California Corporations Code, including persons formerly occupying such position, against all expenses, judgments, fines, settlements and other amounts actually and reasonably incurred by them in connection with any "proceeding," as that term is used in that Section, and including an action by or in the right of the Corporation, by reason of the fact that the person is or was a person

described in that Section. "Expenses," as used in these Bylaws, shall have the same meaning as in Section 5238(a) of the California Corporations Code.

Section 2. Approval of Indemnity.

On written request to the Board by any person seeking indemnification under Section 5238(b) or Section 5238(c) of the California Corporations Code, the Board shall promptly determine under Section 5238(e) of the California Corporations Code whether the applicable standard of conduct set forth in Section 5238(b) or Section 5238(c) has been met and, if so, the Board shall authorize indemnification.

Section 3. Advancement of Expenses.

To the fullest extent permitted by law and except as otherwise determined by the Board in a specific instance, expenses incurred by a person seeking indemnification under Sections 1 and 2 of this Article in defending any proceeding covered by those Sections shall be advanced by the Corporation before final disposition of the proceeding, on receipt by the Corporation of an undertaking by or on behalf of that person that the advance will be repaid unless it is ultimately determined that the person is entitled to be indemnified by the Corporation for those expenses.

Section 4. Insurance.

The Corporation shall have the right to purchase and maintain insurance to the full extent permitted by law on behalf of its officers, Directors, employees, and other agents, against any liability asserted against or incurred by any officer, Director, employee, or agent in such capacity or arising out of the officer's, Director's employee's, or agent's status as such.

Section 5. Liability of the Corporation.

The Corporation itself shall be responsible for the management and fiscal affairs of the Corporation and for the payment of any debts and liabilities incurred by the Corporation.

ARTICLE XII.

RECORDS AND REPORTS

Section 1. Maintenance of Corporate Records.

The Corporation shall keep:

- (a) Adequate and correct books and records of account; and
- (b) Written minutes of the proceedings of its Board and committees of the Board.

The Corporation shall abide by the provisions of the California Public Records Act.

Section 2. Maintenance and Inspection of Articles and Bylaws.

The Corporation shall keep at its principal office, or if its principal office is not in California, at its principal business office in this state, the original or a copy of the Articles of Incorporation and its Bylaws, as amended to date, which shall be open to inspection by the Directors at all reasonable times during office hours.

Section 3. Annual Report.

The Board shall cause an annual report to be sent to the Directors within one hundred twenty (120) days after the end of the Corporation's fiscal year. That report shall contain the following information, in appropriate detail, for the fiscal year:

- (a) The assets and liabilities, including the trust funds, of the Corporation as of the end of the fiscal year;
- (b) The principal changes in assets and liabilities, including trust funds;
- (c) The revenue or receipts of the Corporation, both unrestricted and restricted to particular purposes;
- (d) The expenses or disbursements of the Corporation for both general and restricted purposes; and
- (e) Any information required by Section 4 of this Article.

The annual audited financial report shall be prepared by independent accountants, or, if there is no such report, the certificate of an authorized officer of the Corporation shall indicate that such statements were prepared without audit from the Corporation's books and records.

This requirement of an annual report shall not apply if the Corporation receives less than \$25,000 in gross receipts during the fiscal year, provided, however, that the information specified above for inclusion in an annual report must be furnished annually to all Directors.

Section 4. Annual Statement of Certain Transactions and Indemnifications.

The Corporation shall annually prepare and furnish to each Director a statement of any transaction or indemnification of the following kind within one hundred twenty (120) days after the end of the Corporation's fiscal year:

- (a) Any transaction in which the Corporation, its parent, or its subsidiary was a party;
- (b) Any transaction in which an "interested person" had a direct or indirect material financial interest; and

- (c) Any transaction which involved more than \$50,000, or was one of a number of transactions with the same interested person involving, in the aggregate, more than \$50,000. For the purposes of this subparagraph, and subparagraph (b) above, an “interested person” is either of the following:
 - i) Any Director or officer of the Corporation, its parent, or subsidiary (but mere common directorship shall not be considered such an interest); or
 - ii) Any holder of more than ten (10) percent of the voting power of the Corporation, its parent, or its subsidiary. The statement shall include a brief description of the transaction, the names of interested persons involved, their relationship to the Corporation, the nature of their interest in the transaction, and, if practicable, the amount of that interest, provided that if the transaction was with a partnership in which the interested person is a partner, only the interest of the partnership need be stated.
- (d) Any indemnifications or advances aggregating more than \$10,000 paid during the fiscal year to any officer or Director of the Corporation under Article X, Sections 1, 2 and 3 of these Bylaws.

ARTICLE XIII.

MISCELLANEOUS

Section 1. Fiscal Year.

The fiscal year of this Corporation shall end each year on June 30.

Section 2. Contracts.

All contracts entered into on behalf of this Corporation must be authorized by the Board, or, where the contract is for less than twenty-five thousand dollars (\$25,000), by the President, Treasurer, or Executive Director.

Section 3. Execution of Checks.

Except as otherwise provided by law, every check, draft, promissory note, money order, or other evidence of indebtedness of the Corporation shall be signed by such individuals as are authorized by the Board.

Section 4. Independent Audit.

The Corporation shall retain an independent auditor and conduct annual independent audits in accordance with the applicable provisions of the Supervision of Trustees and Fundraisers for Charitable Purposes Act (commencing with Section 12586 of the California Government Code).

Section 5. Amendment of Bylaws.

The Bylaws may be amended or repealed and new Bylaws adopted by the vote of a majority of all the Directors then in office and the approval of the City Council. Such amended or newly adopted Bylaws shall take effect immediately upon approval of the City Council.

Section 6. Applicable Law.

This Corporation shall be subject to any and all applicable state, federal, and local laws, including, but not limited to, such laws as may be applicable as a result of the Corporation's affiliation with the City.

Section 7. Ralph M. Brown Act.

All meetings of the Board of Directors, or any committee thereof, shall be called, noticed, held and conducted in accordance with the applicable provisions of the Ralph M. Brown Act (commencing with Section 54950 of the California Government Code).

Section 8. Conflict of Interest.

The Board shall develop, establish, and implement a conflict of interest policy. The policy shall provide that the Board and the Corporation's agents and employees shall not be financially interested in a contract made by them in their official capacity, or by anybody or board of which they are members pursuant to Government Code Section 1090. In addition, the Corporation shall not authorize any contract in which an officer of the City of San Bruno has a financial interest, either directly or through a body or board of which they are members. Nor shall the Board, its agents, or its employees be purchasers at any sale or vendors at any purchase made by them in their official capacity pursuant to Government Code Section 1090.

ARTICLE XIV.

DISSOLUTION OF THE CORPORATION

Subject to the provisions governing distribution upon dissolution set forth in the Articles of Incorporation of the Corporation, in the event of a dissolution of the Corporation the residual assets shall be distributed as provided in the Articles of Incorporation.

ARTICLE XV.

CONSTRUCTION AND DEFINITIONS

Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the General Provisions of the California Nonprofit Corporation Law and the California Nonprofit Public Benefit Corporation Law shall govern the construction of the Bylaws. Without limiting the generality of the preceding sentence, the masculine gender includes

the feminine and neuter, the singular includes the plural, the plural includes the singular, and the term “person” includes both a legal entity and a natural person.

ARTICLE XVI.

APPROVAL OF THE CITY COUNCIL

The following actions shall require approval by the City Council:

- (a) Approval of any change in the Articles of Incorporation or Bylaws of the Corporation;
- (b) Approval of adoption, amendment, or repeal of the Corporation’s investment policy and its spending policy;
- (c) Approval of the Corporation’s annual budget;
- (d) Approval or amendment of the Corporation’s grant policies;
- (e) Approval of election of officers of the Corporation;
- (f) Approval of any agreement for the management of the affairs of the Corporation;
- (g) Approval of the acquisition of real estate or of any project that would require the use of City property or resources;
- (h) Approval of incurrence of indebtedness by the Corporation in excess of twenty-five thousand dollars (\$25,000);
- (i) Affiliation of the Corporation with any other entity (“Affiliation” meaning any arrangement whereby the Corporation controls, is controlled by, or is under common control with any other entity or any other similar arrangement); and/or
- (j) Designation and removal of Directors.

**BYLAWS OF
THE SAN BRUNO COMMUNITY FOUNDATION**
A California Nonprofit Public Benefit Corporation

Amended and Restated by the SBCF Board of Directors, April __, 2016
Approved by the San Bruno City Council, April __, 2016

ARTICLE I.

NAME

Section 1. Corporate Name

The name of this corporation is: The San Bruno Community Foundation (the “Corporation”).

ARTICLE II.

OFFICES OF THE CORPORATION

Section 1. Principal Office.

The principal office for the transaction of the activities and affairs of the Corporation (principal office) is located at:

~~567 El Camino Real~~901 Sneath Lane, Suite 209
San Bruno, CA 94066

Section 2. Other Offices.

The Board may at any time establish branch or subordinate offices at any place or places where the Corporation is qualified to conduct its activities. Any change shall be noted in these Bylaws, or this ~~S~~ection may be amended to state the new location.

ARTICLE III.

PURPOSE

The primary purpose of the Corporation is 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. In furtherance of that purpose, this Corporation is organized and shall be operated exclusively for charitable purposes (within the meaning of Internal Revenue Code Section 501(c)(3)) by conducting or supporting activities for the benefit, or to carry out the purposes, of organizations, including but not limited to, the City of San Bruno, that: (i) benefit the San Bruno community, and (ii) are described in either (x) Internal Revenue Code Sections 501(c)(4), 501(c)(5), or 501(c)(6) but only if they would be described in

Internal Revenue Code Section 509(a)(2) were they organizations described in Internal Revenue Code Section 501(c)(3), or (y) Internal Revenue Code Sections 509(a)(1) or (a)(2).

ARTICLE IV.

MEMBERS

Section 1. Member.

The Corporation shall have no voting members within the meaning of the Nonprofit Corporation Law.

ARTICLE V.

BOARD OF DIRECTORS

Section 1. General Corporate Powers.

Subject to the provisions and limitations of the California Nonprofit Public Benefit Corporation Law and any other applicable laws, all powers and activities of the Corporation shall be exercised directly by or under the ultimate direction of the Board.

Section 2. Specific Powers.

Without prejudice to the general powers set forth in Section 1 of this Article, but subject to the same limitations and to the approval rights of the City Council of the City of San Bruno (the "City" or "City Council") provided in Article XVI, the Board of Directors shall have the power to:

- (a) Appoint and remove, at the pleasure of the Board, all the Corporation's officers and agents, prescribe powers and duties for them that are consistent with law, with the Articles of Incorporation, and with these Bylaws, and require from them security for faithful performance of their duties.
- (b) Adopt and use a corporate seal and alter the forms of the seal and certificates.
- (c) Borrow money and incur indebtedness on behalf of the Corporation and cause to be executed and delivered for the Corporation's purposes, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations, and other evidences of debt and securities, subject to the reserved powers set forth in Section 3-, below.

Section 3. Authorized Number and Qualifications.

- (a) The authorized number of Directors shall be an odd number not fewer than five (5) and no more than eleven (11), as determined by action of the City Council ~~of the City of San Bruno (the “City” or “City Council”).~~
- (b) No Director shall serve concurrently as a member of the San Bruno City Council.
- (c) A majority of the authorized number of Directors shall be residents of the City of San Bruno; provided, however, that a non-resident Director shall not be removed solely to comply with such requirement. Among non-residents, preference may be given to Any Director may be a representatives of a business or other entity located in, or with a substantial interest in the City. Directors should include individuals with particular expertise in areas applicable to the operation of a non-profit entity, such as financial, investment, legal, philanthropic, or community-based programs.
- (d) Directors shall serve without compensation.

Section 4. Restriction of Interested Persons as Directors.

No person serving on the Board may be an interested person. An interested person is:

- (a) Any person compensated by the Corporation for services rendered to it within the previous twelve (12) months, whether as a full-time or part-time employee, independent contractor, or otherwise, excluding any reasonable compensation or expense reimbursement paid to a ~~D~~irector as ~~D~~irector; and;
- (b) Any brother, sister, ancestor, descendant, spouse, domestic partner, brother-in-law, sister-in-law, son-in-law, daughter-in-law, mother-in-law, or father-in-law of such person.

However, any violation of the provisions of this ~~s~~Section shall not affect the validity or enforceability of any transaction entered into by the Corporation.

Section 5. Designation ~~and Qualification~~ of Directors.

~~(a) — All~~The Directors shall be designated by the City Council, as designator ~~(the “City Council”) of the City in accordance with Article V, Section 3.~~

~~(b) — At the time any Director ceases to meet the qualifications set forth herein, that director’s membership shall cease. The Director’s successor shall meet the qualifications set forth herein.~~

Section 6. Term.

Terms shall be for four years, starting on January 1 of each year, staggered so that a roughly equal number of terms ends every two years, with designated Directors having initial two-year

terms where necessary. No Director shall hold office for longer than two consecutive terms; provided, however, that an unexpired term of less than one-half of a full term shall not count as a term for the purpose of this limitation. A Director may be reappointed two years after serving two consecutive four--year terms.

Section 7. Events Causing Vacancy.

A vacancy or vacancies on the Board shall exist on the occurrence of the following:

- (a) The death or resignation of any Director;
- (b) The declaration by resolution of the Board of a vacancy in the office of a Director who has been declared of unsound mind by an order of court, convicted of a felony, or found by final order or judgment of any court to have breached a duty under Article 3 of Chapter 2 of the California Nonprofit Public Benefit Corporation Law;
- (c) The declaration, by majority vote of the Directors who meet all of the required qualifications to be a Director, of a vacancy when a Director fails or ceases to meet any required qualification of a Director that was in effect at the beginning of that Director's current term of office;
- ~~(d)~~ The action of the City Council to remove any Director upon a finding of cause by a two-thirds (2/3) vote of the total number of authorized ~~D~~irectors ~~of the Board~~;
- ~~(e)~~ The increase of the authorized number of Directors;
- ~~(e) — The membership of Board of Directors may remove, by a two-thirds vote of the membership present, any elected officer for non-performance of duties, or for any violation of these by laws;~~
- (f) Expiration of a Director's term of office; or
- (g) Action by the City Council to remove a Director pursuant to Article XVI~~When a Director ceases to possess any qualification for election to the Board as set forth herein.~~

Vacancies shall be filled by the City Council as provided ~~by~~ in Section 5.

Section 8. Resignations.

Except as provided below, any Director may resign by giving written notice to the President or ~~S~~ecretary of the Board. The resignation shall be effective when the notice is given unless it specifies a later time for the resignation to become effective. If a Director's resignation is effective at a later time, the City Council shall appoint a successor to take office as of the date when the resignation becomes effective. Except on notice to the Attorney General of California,

no Director may resign if the Corporation would be left without a duly ~~selected~~ Director or Directors. A Director's resignation may not be rescinded, revoked, or withdrawn.

Section 9. Compensation and Reimbursement.

The Directors shall serve without compensation, though they may be reimbursed for their reasonable expenditures on behalf of the Corporation if approved by the Board.

Section 10. Approval of Executive Compensation.

The Board (or an authorized committee of the Board) shall review and approve the compensation, including benefits, of the Executive Director to assure that such compensation is just and reasonable and given in return for services actually rendered to this Corporation. This review and approval shall occur upon the hiring of the officer, whenever the officer's term of employment (if any) is renewed or extended, and whenever the officer's compensation is modified (unless the modification extends to substantially all employees).

Agents and Employees.

~~The Board shall appoint an Executive Director, who shall serve at the pleasure of the Board and whose terms and conditions of employment shall be specified by the Board. The Executive Director shall be responsible for the day to day administration of the Corporation, will be supervised by a member of the Board as appointed by the Board, and shall have other such powers and duties as are prescribed by the Board. The Executive Director shall hire, direct, and discharge all other agents and employees, who shall have such authority and perform such duties as may be required to carry out the operations of the Corporation in accordance with the policies established by the Board. Any employee or agent may be removed at any time with or without cause.~~

~~The Executive Director shall attend all meetings of the Board and committees, serving as an ex-officio member, without a vote.~~

ARTICLE VI.

DIRECTORS' MEETINGS

Section 1. Place of Meetings.

Regular meetings of the Board shall be held at any place in the City of San Bruno. At least four (4) meetings of the Board shall be held each year, including the annual meeting required by Section 3, below.

Section 2. Method of Meetings.

All meetings of the Board of Directors, or any committee thereof, shall be called, noticed, held, and conducted in accordance with the applicable provisions of the Ralph M. Brown Act (the "Brown Act") (commencing with Section 54950 of the California Government Code). The

Board of Directors shall take no action other than at a meeting called, noticed, and held pursuant to these Bylaws.

Section 3. Annual Meeting.

The Board shall hold a regular meeting for purposes of organization, election of officers, and transaction of other business. Notwithstanding any other provision of these Bylaws, the annual meeting shall be held at the principal place of business of the Corporation.

Section 4. Other Regular Meetings.

Other regular meetings of the Board may be held at such time and place as the Board may fix from time to time.

Section 5. Authority to Call Special Meetings.

Special meetings of the Board for any purpose may be called at any time pursuant to the Brown Act.

Section 6. Quorum.

A majority of the authorized number of Directors shall constitute a quorum for the transaction of business, except to adjourn. Every action taken or decision made by a majority of the Directors present at a duly held meeting at which a quorum is present shall be the act of the Board, including, without limitation, those provisions relating to:

- (a) Approval of certain transactions between corporations having common directorships;
- (b) Creation of and appointments to committees of the Board; and;
- (c) Indemnification of Directors.

A meeting at which a quorum is initially present may continue to transact business, despite the withdrawal of Directors, if any action taken or decision made is approved by at least a majority of the required quorum for that meeting.

Section 7. Adjournment.

A majority of the Directors present, whether or not a quorum is present, may adjourn any meeting to another time and place pursuant to the Brown Act.

ARTICLE VII.

COMMITTEES

Section 1. Committees of the Board.

The Board, by resolution adopted by a majority of the Directors then in office provided a quorum is present, may create one or more committees, each consisting of two or more Directors, and no one who is not a Director, to serve at the pleasure of the Board. Members of Committees shall serve without compensation. Committees are authorized to create subcommittees in their discretion to assist in the work of the committee. Appointments to committees of the Board shall be by majority vote of the Directors then in office. No committee, regardless of Board resolution, may:

- (a) Fill vacancies on the Board or on any committee that has the authority of the Board;
- (b) Fix compensation of the Directors for serving on the Board or on any committee;
- (c) Amend or repeal Bylaws or adopt new Bylaws;
- (d) Amend or repeal any resolution of the Board that by its express terms is not so amendable or repealable;
- (e) Create any other committees of the Board or appoint the members of committees of the Board;
- (f) Expend corporate funds to support a nominee for Director after more people have been nominated for Director than can be appointed; ~~or~~
- (g) Approve any contract or transaction to which the Corporation is a party and in which one or more of its Directors has a material financial interest, except as special approval is provided for in Section 5233(d)(3) of the California Corporations Code; or
- (h) Approve the merger, reorganization, voluntary dissolution, or disposition of substantially all of the assets of the Corporation.

Section 2. Meetings and Action of Committees of the Board.

Meetings and actions of committees of the Board shall be governed by, held, and taken in accordance with the provisions of these Bylaws and conducted in accordance with the applicable provisions of the ~~Ralph M. Brown Act (commencing with Section 54950 of the California Government Code)~~ concerning meetings and other Board actions, except that the time for regular meetings of such committees and the calling of special meetings of such committees may be determined either by Board resolution or, if there is none, by resolution of the committee of the Board. Minutes of each meeting of any committee of the Board shall be kept and shall be filed with the corporate records. The Board may adopt rules for the ~~governance~~ of any committee, provided they are consistent with these Bylaws, or, in the absence of rules adopted by the Board, the committee may adopt such rules. The below enumerated ~~c~~Committees may be created by the Board, but are not limited to:

Section 3. Advisory Committees.

The Board may also create one or more advisory committees which may contain any number of ~~Director and non-D~~irector committee members. None of the powers of the Board can be delegated to any advisory committee, except that management of the Corporation's activities may be delegated to such a committee to the same extent that those powers may be delegated to anyone pursuant to California Corporations Code §5210 and other provisions of these Bylaws.

Section 4. ~~Executive Committee.~~

~~The Board shall have an Executive Committee, consisting of the president, the vice president, the secretary and the treasurer. The Executive Committee shall be responsible for taking action to carry out policies as delegated by the Board of Directors.~~

Section 45. Audit Committee.

The Corporation shall have an Audit Committee consisting of at least two (2) Directors appointed by the Board. Directors who are employees or officers of the Corporation or who receive, directly or indirectly, any consulting, advisory, or other compensatory fees from the Corporation (other than for service as Director) may not serve on the Audit Committee. The Audit Committee shall perform the duties, but are not limited to:

- (a) Assisting the Board in choosing an independent auditor and recommending termination of the auditor, if necessary;
- (b) Negotiating the auditor's compensation;
- (c) Conferring with the auditor regarding the Corporation's financial affairs; and
- (d) Reviewing and accepting or rejecting the audit.

Members of the Audit Committee shall not receive compensation for their service on the Audit Committee. If the Corporation has a Finance Committee, a majority of the members of the Audit Committee may not concurrently serve as members of the Finance Committee, and the chair of the Audit Committee may not serve on the Finance Committee. Members of the Audit Committee shall not include the President and the Treasurer.

ARTICLE VIII.

OFFICERS

Section 1. Officers of the Corporation.

The officers of the Corporation shall be a President, a Vice President, a Secretary, ~~and a Treasurer, and an Executive Director~~. The Corporation may also have, at the Board's discretion, one or more Assistant Secretaries, one or more Assistant Treasurers, and such other officers as may be appointed in accordance with Section 3 of this Article. Any number of offices may be held by the same person, except that neither the Secretary nor the Treasurer may serve concurrently as the President.

Section 2. Election of Officers.

The officers of the Corporation, except the Executive Director and those appointed under Section 3 of this Article, shall be chosen annually by the Board for one-year terms starting on January 1 and shall serve at the pleasure of the Board, subject to the rights, if any, of any officer under any contract of employment, and subject to the approval of the City Council.

Section 3. Other Officers.

The Board may appoint and may authorize the President or other officer to appoint any other officers that the Corporation may require. Each officer so appointed shall have the title, hold office, have the authority, and perform the duties specified in the Bylaws or determined by the Board.

Section 4. Removal of Officers.

Without prejudice to any rights of an officer, any officer may be removed with or without cause by the Board and also by any officer on whom the Board may confer that power of removal.

Section 5. Resignation of Officers.

Any officer may resign at any time by giving written notice to the Corporation. The resignation shall take effect as of the date the notice is received or at any later time specified in the notice and, unless otherwise specified in the notice, the resignation need not be accepted to be effective. Any resignation shall be without prejudice to the rights, if any, of the Corporation. An officer may not rescind, revoke, or withdraw a resignation.

Section 6. Vacancies in Office.

A vacancy in any office because of death, resignation, removal, disqualification, or any other cause shall be filled in the manner prescribed in these Bylaws for regular appointments to that office.

ARTICLE IX.

RESPONSIBILITIES OF OFFICERS

Section 1. President.

The President shall preside at all Board meetings, and shall have such other powers and duties as the Board or the Bylaws may prescribe.

Section 2. Vice President.

If the President is absent or disabled, the Vice President shall perform all duties of the President. When so acting, the Vice President shall have all powers of and be subject to all

restrictions on the President. The Vice President shall have such other powers and perform such other duties as the Board or the Bylaws may prescribe.

Section 3. Secretary.

The Secretary shall keep or cause to be kept, at the Corporation's principal office or such other place as the Board may direct, a book of minutes of all meetings, proceedings, and actions of the Board, and of committees of the Board. The minutes of meetings shall include the time and place that the meeting was held, whether the meeting was annual, regular, or special, and, if special, how authorized, the notice given, and the names of those present at Board and committee meetings. The Secretary shall keep or cause to be kept, at the principal office in California, a copy of the Articles of Incorporation and Bylaws, as amended to date.

The Secretary shall give, or cause to be given, notice of all meetings of the Board and of committees of the Board required by these Bylaws to be given. The Secretary shall keep the corporate seal in safe custody and shall have such other powers and perform such other duties as the Board or the Bylaws may prescribe.

Section 4. Treasurer.

The Treasurer shall be the chief financial officer of the Corporation and shall keep and maintain, or cause to be kept and maintained, adequate and correct books and accounts of the Corporation's properties and transactions. The Treasurer shall send or cause to be given to the Directors such financial statements and reports as are required to be given by law, by these Bylaws, or by the Board.

The books of account shall be open to inspection by any Director at all reasonable times. The Treasurer shall deposit, or cause to be deposited, all money and other valuables in the name and to the credit of the Corporation with such depositories as the Board may designate, shall disburse the Corporation's funds as the Board may order, shall render to the President and the Board, when requested, an account of all transactions as Treasurer and of the financial condition of the Corporation, and shall have such other powers and perform such other duties as the Board or the Bylaws may prescribe.

If required by the Board, the Treasurer shall give the Corporation a bond in the amount and with the surety or sureties specified by the Board for faithful performance of the duties of the office and for restoration to the Corporation of all of its books, papers, vouchers, money, and other property of every kind in the possession or under the control of the Treasurer on his or her death, resignation, retirement, or removal from office.

Section 5. Executive Director Agents and Employees.

The Board shall appoint an Executive Director, who shall serve as the Corporation's chief executive officer at the pleasure of the Board and whose terms and conditions of employment shall be specified by the Board. The Executive Director shall be responsible for the day-to-day administration of the Corporation, ~~will be supervised by a member of the Board as appointed by~~

~~the Board,~~ and shall have other such powers and duties as are prescribed by the Board. The Executive Director shall hire, direct, and discharge all other agents and employees, who shall have such authority and perform such duties as may be required to carry out the operations of the Corporation in accordance with the policies established by the Board. ~~Any employee or agent may be removed at any time with or without cause.~~

The Executive Director shall attend all meetings of the Board and committees, ~~serving as an ex-officio member, without a vote, except the Audit Committee; provided, however, that the Board or any committee of the Board may enter into a closed session without the presence of the Executive Director at the President's discretion in compliance with the Brown Act.~~

ARTICLE X.

STANDARD OF CARE

Section 1. General.

A Director shall perform the duties of a Director, including duties as a member of any committee of the Board on which the Director may serve, in good faith, in a manner such director believes to be in the best interest of this Corporation and with such care, including reasonable inquiry, as an ordinarily prudent person in a like situation would use under similar circumstances.

In performing the duties of a Director, a Director shall be entitled to rely on information, opinions, reports, or statements, including financial statements and other financial data, in each case prepared or presented by:

- (a) One (1) or more officers or employees of the Corporation whom the Director believes to be reliable and competent in the matters presented;
- (b) Counsel, independent accountants, or other persons as to matters which the Director believes to be within such person's professional or expert competence; or
- (c) A committee of the Board upon which the Director does not serve that is composed exclusively of any or any combination of Directors and persons described in subsection (a) and (b) of this Section 1, as to matters within its designated authority, which committee the Director believes to merit confidence, so long as in any such case, the Director acts in good faith, after reasonable inquiry when the need thereof is indicated by the circumstances and without knowledge that could cause such reliance to be unwarranted.

A person who performs the duties of a Director in accordance with the above shall have no liability based upon any failure or alleged failure to discharge that person's obligations as Director, including, without limiting the generality of the foregoing, any actions or omissions

which exceed or defect a public or charitable purpose to which the Corporation, or assets held by it, are dedicated.

Section 2. Standard of Care - Investments.

Except with respect to assets held for use or used directly in carrying out this Corporation's charitable activities, in investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing this Corporation's investments, the Board shall avoid speculation, looking instead to the permanent disposition of the funds, considering the probable incomes, as well as the probable safety of this Corporation's capital.

Section 3. Standard of Care – Self-Dealing Transactions.

Pursuant to California Government Code Section 1090, The Board shall not approve a self-dealing transaction. A self-dealing transaction is one in which the Corporation is a party and in which one (1) or more of the Directors has a material financial interest or a transaction between this Corporation and any entity in which one (1) or more of its directors has a material financial interest.

Section 4. Inspection.

Every Director shall have the right at any reasonable time during the business hours of the Corporation to inspect and copy all books, records, and documents pursuant to the California Nonprofit Public Benefit Corporation Law and the California Public Records Act, and to inspect the physical properties of this Corporation.

ARTICLE XI.

INDEMNIFICATION; LIABILITY OF THE CORPORATION

Section 1. Right of Indemnity.

To the fullest extent permitted by law, this Corporation shall indemnify its Directors, officers, employees, and other persons described as "agents" in Section 5238(a) of the California Corporations Code, including persons formerly occupying such position, against all expenses, judgments, fines, settlements and other amounts actually and reasonably incurred by them in connection with any "proceeding," as that term is used in that Section, and including an action by or in the right of the Corporation, by reason of the fact that the person is or was a person described in that Section. "Expenses," as used in these Bylaws, shall have the same meaning as in Section 5238(a) of the California Corporations Code.

Section 2. Approval of Indemnity.

On written request to the Board by any person seeking indemnification under Section 5238(b) or Section 5238(c) of the California Corporations Code, the Board shall promptly determine under Section 5238(e) of the California Corporations Code whether the applicable standard of

conduct set forth in ~~S~~section 5238(b) or ~~S~~section 5238(c) has been met and, if so, the ~~B~~board shall authorize indemnification.

Section 3. Advancement of Expenses.

To the fullest extent permitted by law and except as otherwise determined by the ~~B~~board in a specific instance, expenses incurred by a person seeking indemnification under Sections 1 and 2 of this Article in defending any proceeding covered by those Sections shall be advanced by the Corporation before final disposition of the proceeding, on receipt by the Corporation of an undertaking by or on behalf of that person that the advance will be repaid unless it is ultimately determined that the person is entitled to be indemnified by the Corporation for those expenses.

Section 4. Insurance.

The Corporation shall have the right to purchase and maintain insurance to the full extent permitted by law on behalf of its officers, ~~D~~irectors, employees, and other agents, against any liability asserted against or incurred by any officer, ~~D~~irector, employee, or agent in such capacity or arising out of the officer's, ~~D~~irector's employee's, or agent's status as such.

Section 5. Liability of the Corporation.

The Corporation itself shall be ~~solely~~ responsible for the management and fiscal affairs of the Corporation and for the payment of any debts and liabilities incurred by the Corporation.

ARTICLE XII.

RECORDS AND REPORTS

Section 1. Maintenance of Corporate Records.

The Corporation shall keep:

- (a) Adequate and correct books and records of account; and,
- (b) Written minutes of the proceedings of its ~~B~~board, and committees of the ~~B~~board.

The Corporation shall abide by the provisions of the California Public Records Act.

Section 2. Maintenance and Inspection of Articles and Bylaws.

The Corporation shall keep at its principal office, or if its principal office is not in California, at its principal business office in this state, the original or a copy of the Articles of Incorporation and its Bylaws, as amended to date, which shall be open to inspection by the ~~D~~irectors at all reasonable times during office hours.

Section 3. Annual Report.

The ~~B~~board shall cause an annual report to be sent to the ~~D~~irectors within one hundred twenty (120) days after the end of the Corporation's fiscal year. That report shall contain the following information, in appropriate detail, for the fiscal year:

- (a) The assets and liabilities, including the trust funds, of the Corporation as of the end of the fiscal year;
- (b) The principal changes in assets and liabilities, including trust funds;
- (c) The revenue or receipts of the Corporation, both unrestricted and restricted to particular purposes;
- (d) The expenses or disbursements of the Corporation for both general and restricted purposes; and;
- (e) Any information required by Section 4 of this Article.

The annual audited financial report shall be prepared by independent accountants, or, if there is no such report, ~~by~~ the certificate of an authorized officer of the Corporation shall indicate that such statements were prepared without audit from the Corporation's books and records.

This requirement of an annual report shall not apply if the Corporation receives less than \$25,000 in gross receipts during the fiscal year, provided, however, that the information specified above for inclusion in an annual report must be furnished annually to all ~~D~~irectors.

Section 4. Annual Statement of Certain Transactions and Indemnifications.

The Corporation shall annually prepare and furnish to each ~~D~~irector a statement of any transaction or indemnification of the following kind within one hundred twenty (120) days after the end of the Corporation's fiscal year:

- (a) Any transaction in which the Corporation, its parent, or its subsidiary was a party;
- (b) Any transaction in which an "interested person" had a direct or indirect material financial interest; and;
- (c) Any transaction which involved more than \$50,000, or was one of a number of transactions with the same interested person involving, in the aggregate, more than \$50,000. For the purposes of this subparagraph, and subparagraph (b) above, an "interested person" is either of the following:
 - i) Any ~~D~~irector or officer of the Corporation, its parent, or subsidiary (but mere common directorship shall not be considered such an interest); or

- ii) Any holder of more than ten (10) percent of the voting power of the Corporation, its parent, or its subsidiary. The statement shall include a brief description of the transaction, the names of interested persons involved, their relationship to the Corporation, the nature of their interest in the transaction, and, if practicable, the amount of that interest, provided that if the transaction was with a partnership in which the interested person is a partner, only the interest of the partnership need be stated.
- (d) Any indemnifications or advances aggregating more than \$10,000 paid during the fiscal year to any officer or Director of the Corporation under Article X, Sections 1, 2 and 3 of these Bylaws.

ARTICLE XIII.

MISCELLANEOUS

Section 1. Fiscal Year.

The fiscal year of this Corporation shall end each year on June 30.

Section 2. Contracts.

All contracts entered into on behalf of this Corporation must be authorized by the Board, or, where the contract is for less than ~~t~~Twenty-f~~ive~~ ~~t~~housand ~~d~~ollars (\$25,000), by the President, Treasurer, or Executive Director.

Section 3. Execution of Checks.

Except as otherwise provided by law, every check, draft, promissory note, money order, or other evidence of indebtedness of the Corporation shall be signed by such individuals as are authorized by the Board.

Section 4. Independent Audit.

The Corporation shall retain an ~~d~~ independent auditor and conduct annual independent audits in accordance with the applicable provisions of the Supervision of Trustees and Fundraisers for Charitable Purposes Act (commencing with Section 12586~~(d)~~) of the California Government Code).

Section 5. Amendment of Bylaws.

The Bylaws may be amended or repealed and new Bylaws adopted by the vote of a majority of all the ~~Directors~~members of the Board then in office and the approval of the City Council, ~~provided that any amendment must receive the prior written consent of the City Council.~~ Such amended or newly adopted Bylaws shall take effect immediately upon approval of the City Council.

Section 6. Applicable Law.

This Corporation shall be subject to any and all applicable state, federal, and local laws, including, but not limited to, such laws as may be applicable as a result of the Corporation's affiliation with the City.

Section 7. Ralph M. Brown Act.

All meetings of the Board of Directors, or any committee thereof, shall be called, noticed, held and conducted in accordance with the applicable provisions of the Ralph M. Brown Act (commencing with Section 54950 of the California Government Code).

Section 8. Conflict of Interest.

The Board shall develop, establish, and implement a conflict of interest policy. ~~In the policy, the policy shall provide that the Board and the Corporation's, its~~ agents and employees, ~~city officers, or city employees~~ shall not be financially interested in a contract made by them in their official capacity, or by anybody or board of which they are members pursuant to Government Code ~~S~~section 1090. In addition, the Corporation shall not authorize any contract in which an officer of the City of San Bruno has a financial interest, either directly or through a body or board of which they are members. Nor shall the Board, its agents, ~~or its and~~ employees, ~~city officers, or city employees~~ be purchasers at any sale or vendors at any purchase made by them in their official capacity pursuant to Government Code ~~S~~section 1090.

ARTICLE XIV.

DISSOLUTION OF THE CORPORATION

Subject to the provisions governing distribution upon dissolution set forth in the Articles of Incorporation of the Corporation, in the event of a dissolution of the Corporation the residual assets shall be distributed as provided in the Articles of Incorporation.

ARTICLE XV.

CONSTRUCTION AND DEFINITIONS

Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the General Provisions of the California Nonprofit Corporation Law and the California Nonprofit Public Benefit Corporation Law shall govern the construction of the Bylaws. Without limiting the generality of the preceding sentence, the masculine gender includes the feminine and neuter, the singular includes the plural, the plural includes the singular, and the term "person" includes both a legal entity and a natural person.

ARTICLE XVI.

APPROVAL OF THE CITY COUNCIL RESERVED POWERS

The following actions shall require approval ~~are reserved~~ by the City Council:

- (a) Approval of any change in the Articles of Incorporation or Bylaws of the Corporation;
- (b) Approval of adoption, amendment, or repeal of the Corporation's investment policy and its spending policy;
- (c) Approval of the Corporation's annual budget;
- (d) Approval or amendment of the Corporation's grant policies;
- (e) Approval of election of officers of the Corporation;
- (f) Approval of any agreement for the management of the affairs of the Corporation;
- (g) Approval of the acquisition of real estate or of any project that would require the use of City property or resources;
- (h) Approval of incurrence of indebtedness by the Corporation in excess of twenty-five thousand dollars (\$25,000);
- (i) Affiliation of the Corporation with any other entity ("Affiliation" meaning any arrangement whereby the Corporation controls, is controlled by, or is under common control with any other entity or any other similar arrangement); and/or
- (j) ~~Appointment~~ Designation and removal ~~or members of the Board of~~ Directors.

RESOLUTION NO. 2016-__

**RESOLUTION OF THE SAN BRUNO COMMUNITY FOUNDATION
ADOPTING REVISED WHISTLEBLOWER POLICY**

WHEREAS, the San Bruno City Council approved the San Bruno Community Foundation's original Whistleblower Policy on April 17, 2014;

WHEREAS, the Foundation Board created the Ad Hoc Committee on Bylaws and Corporate Governance Policy Revisions to review corporate governance policies including the Whistleblower Policy;

WHEREAS, based on guidance from staff and nonprofit counsel, the Committee recommends a series of substantive and administrative revisions, including updating the procedures for reporting now that the Foundation has an Executive Director;

NOW, THEREFORE, BE IT RESOLVED, the Board of Directors adopts the revised version of the San Bruno Community Foundation Whistleblower Policy attached as Exhibit A.

Dated: April 6, 2016

ATTEST:

Emily Roberts, Secretary

I, Emily Roberts, Secretary, do hereby certify that the foregoing Resolution No. 2016-__ was duly and regularly passed and adopted by the Board of Directors of the San Bruno Community Foundation on this 6th day of April, 2016, by the following vote:

AYES: Board members:

NOES: Board members:

ABSENT: Board members:

**SAN BRUNO COMMUNITY FOUNDATION
WHISTLEBLOWER POLICY**

Adopted April __, 2016

I. PURPOSE

The San Bruno Community Foundation (“Foundation”) requires directors, officers, volunteers, contractors, consultants, and employees (hereinafter “Reporting Parties”) to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. As representatives of the Foundation, Reporting Parties must practice honesty and integrity in fulfilling their responsibilities and comply with all applicable laws and regulations.

II. SCOPE

All Reporting Parties are covered by the scope of this policy and its guidelines.

III. POLICY

It is the responsibility of all Reporting Parties to comply with this policy by reporting violations or suspected violations in accordance with this policy.

The objective of this policy is to:

- Prevent or detect and correct improper activities;
- Encourage all Reporting Parties to report what they in good faith believe to be a material violation of law, policy, questionable accounting, or auditing matter by the Foundation;
- Ensure the receipt, documentation, retention of records, and resolution of reports received under this policy; and
- Protect Reporting Individuals from retaliatory action.

Reporting Parties must also notify the Foundation if an action needs to be taken in order for the Foundation to be in compliance with law, policy, or generally accepted accounting practices. The types of concerns that should be reported include, for purposes of illustration and without being limited to, the following:

- Providing false or misleading information in the Foundation’s financial documents, grant reports, tax returns, or other public documents;
- Providing false information to or withholding material information (other than in order to comply with legal obligations of confidentiality) from the Foundation’s auditors, accountants, lawyers, directors, officers, contractors, consultants, and volunteers or other representatives responsible for ensuring the Foundation’s compliance with fiscal and legal responsibilities;

EXHIBIT A

- Embezzlement, private benefit, or misappropriation of funds;
- Material violation of Foundation policies including, among others, confidentiality, conflict of interest, whistleblower, ethics, and document retention;
- Discrimination based on race, gender, sexual orientation, ethnicity, disability, or other classifications protected by law; and/or
- Facilitation or concealing any of the above or similar actions.

IV. PROCEDURES FOR REPORTING

Reporting Parties may submit concerns to the Executive Director. If the Reporting Party is not comfortable reporting to the Executive Director, or if he/she does not believe the issue is being properly addressed, the Reporting Party may report directly to the Board President or, alternatively, to the Vice President.

The Executive Director (or the Board President or Vice President, if appropriate) will acknowledge receipt of the report to the Reporting Party if the Reporting Party is known and will then investigate all reports filed in accordance with this policy to determine if the allegations are substantiated, whether the issue reported is material, and what, if any, corrective actions are necessary. A report of all matters raised under this policy will be provided to the full Board of Directors.

The Executive Director (or the Board President or Vice President, if appropriate) shall have full authority to investigate concerns raised in accordance with this policy and may retain outside legal counsel, accountants, private investigators, or any other resource that he/she believes is necessary to conduct a full and complete investigation of the allegations.

A. No Retaliation

No Reporting Party who in good faith reports a violation of any applicable law or regulation internally to the Executive Director (or the Board President or Vice President, if appropriate), or externally to a government or law enforcement agency or any public body conducting an investigation, hearing, or inquiry, shall suffer harassment, retaliation, or adverse employment consequence as a result of such good faith report. An employee who retaliates against a Reporting Party who in good faith reports a violation is subject to discipline up to and including termination of employment. This policy is intended to encourage and enable Reporting Parties to raise serious concerns within the organization prior to seeking resolution outside the organization.

B. Obligation to Act in Good Faith

Anyone filing a complaint concerning a violation or suspected violation of this policy must be acting in good faith and have reasonable grounds for believing the information disclosed

EXHIBIT A

indicates a violation of this policy. Any allegations that are determined to be unsubstantiated and/or to have been made maliciously or knowingly to be false will be viewed as a serious disciplinary offense.

C. Confidentiality

Violations or suspected violations of this policy may be submitted on a confidential basis by the Reporting Party or may be submitted anonymously. Reports of violations or suspected violations will be kept confidential to the extent possible, consistent with the need to conduct an adequate investigation and with applicable law.

**SAN BRUNO COMMUNITY FOUNDATION
WHISTLEBLOWER POLICY**

Adopted April 17~~__~~, 2016~~4~~

I. PURPOSE

The San Bruno Community Foundation (“~~Foundation~~”~~SBCF~~) requires directors, officers, volunteers, contractors, consultants, and employees (hereinafter “Reporting ~~Parties~~~~Individuals~~”) to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. As representatives of ~~the Foundation~~~~SBCF~~, ~~Reporting Parties~~~~we~~ must practice honesty and integrity in fulfilling ~~their~~~~our~~ responsibilities and comply with all applicable laws and regulations.

II. SCOPE

All Reporting ~~Parties~~~~Individuals~~ are covered by the scope of this policy and its guidelines.

III. POLICY

It is the responsibility of all Reporting ~~Individuals~~~~Parties~~ to comply with this policy by reporting violations or suspected violations in accordance with this policy.

The objective of this policy is to:

- Prevent or detect and correct improper activities~~;~~
- Encourage all Reporting ~~Parties~~~~Individuals~~ to report what they in good faith believe to be a material violation of law, policy, questionable accounting, or auditing matter by the ~~Foundation~~~~SBCF~~~~;~~
- Ensure the receipt, documentation, retention of records~~,~~ and resolution of reports received under this policy~~;~~ and
- Protect Reporting Individuals from retaliatory action~~.~~

Reporting ~~Parties~~~~Individuals~~ must also notify the ~~Foundation~~~~SBCF~~ if an action needs to be taken in order for the ~~Foundation~~~~SBCF~~ to be in compliance with law, policy~~,~~ or ~~with~~ generally accepted accounting practices. The types of concerns that should be reported include, for purposes of illustration and without being limited to, the following:

- Providing false or misleading information in the ~~Foundation~~~~SBCF~~'s financial documents, grant reports, tax returns~~,~~ or other public documents~~;~~
- Providing false information to or withholding material information (other than in order to comply with legal obligations of confidentiality) from the ~~Foundation~~~~SBCF~~'s auditors,

accountants, lawyers, directors, officers, contractors, consultants, and volunteers or other representatives responsible for ensuring the FoundationSBCF's compliance with fiscal and legal responsibilities;

- Embezzlement, private benefit, or misappropriation of funds;
- Material violation of FoundationSBCF policies including, among others, confidentiality, conflict of interest, whistleblower, ethics, and document retention;
- Discrimination based on race, gender, sexual orientation, ethnicity, disability, or other classifications protected by law; and/or
- Facilitation or concealing any of the above or similar actions.

IV. PROCEDURES FOR REPORTING

Reporting Parties may submit concerns to the Executive Director~~board chair~~. If the Reporting Party is not comfortable reporting to the Executive Director~~board chair~~, or if he/she does not believe the issue is being properly addressed, the Reporting Party may report directly to the Board President or, alternatively, to the Vice President~~City Manager of the City of San Bruno~~.

The Executive Director~~SBCF~~ (or the Board President or Vice President~~City Manager~~, if appropriate) will acknowledge receipt of the report to the Reporting Party if the Reporting Party is known; and will then investigate all reports filed in accordance with this policy to determine if the allegations are substantiated, whether the issue reported is material, and what, if any, corrective actions are necessary. A ~~-~~report of all matters raised under this policy will be provided to the full Board of Directors.

The Executive Director~~board chair~~ (or the Board President or Vice President~~City Manager~~, if appropriate) shall have full authority to investigate concerns raised in accordance with this policy and may retain outside legal counsel, accountants, private investigators, or any other resource that he/she~~they~~ believes is necessary to conduct a full and complete investigation of the allegations.

A. No Retaliation

No Reporting Party who in good faith reports a violation of any applicable law or regulation internally to the Executive Director (or the Board President or Vice President, if appropriate), or externally to a government or law enforcement agency or any public body conducting an investigation, hearing, or inquiry, this policy shall ~~suffer~~be subjected to harassment, retaliation, or adverse ~~action~~ employment consequence as a result of such good faith report. An employee who retaliates against a Reporting Party who in good faith reports a violation is subject to discipline up to and including termination of employment. This policy is intended to encourage and enable Reporting Parties to raise serious concerns within the organization prior to seeking resolution outside the organization.

B. Obligation to Act in Good Faith

Anyone filing a complaint concerning a violation or suspected violation of this policy must be acting in good faith and have reasonable grounds for believing the information disclosed indicates a violation of this policy. Any allegations that are determined to be unsubstantiated and/or to have been made maliciously or knowingly to be false will be viewed as a serious disciplinary offense.

C. Confidentiality

Violations or suspected violations of this policy may be submitted on a confidential basis by the Reporting Party or may be submitted anonymously. Reports of violations or suspected violations will be kept confidential to the extent possible, consistent with the need to conduct an adequate investigation and with applicable law.

RESOLUTION NO. 2016-__

**RESOLUTION OF THE SAN BRUNO COMMUNITY FOUNDATION
ADOPTING REVISED DOCUMENT RETENTION AND DESTRUCTION POLICY**

WHEREAS, on May 15, 2014, the San Bruno City Council approved the San Bruno Community Foundation's original Document Retention Policy, which mirrored the City of San Bruno's policy of retaining all records related to the 2010 Crestmoor neighborhood explosion and fire;

WHEREAS, the Foundation Board created the Ad Hoc Committee on Bylaws and Corporate Governance Policy Revisions to review corporate governance policies including the Document Retention Policy;

WHEREAS, the Foundation is now a fully operating nonprofit with a wide range of financial, program, and administrative records; and

WHEREAS, based on guidance from staff and nonprofit counsel, the Committee recommends a wholly revised Document Retention and Destruction Policy that outlines retention and, as applicable, destruction schedules for various categories of records that the Foundation currently maintains or is likely to retain.

NOW, THEREFORE, BE IT RESOLVED, the Board of Directors adopts the revised version of the San Bruno Community Foundation Document Retention and Destruction Policy attached as Exhibit A.

Dated: April 6, 2016

ATTEST:

Emily Roberts, Secretary

I, Emily Roberts, Secretary, do hereby certify that the foregoing Resolution No. 2016-__ was duly and regularly passed and adopted by the Board of Directors of the San Bruno Community Foundation on this 6th day of April, 2016, by the following vote:

AYES: Board members:

NOES: Board members:

ABSENT: Board members:

EXHIBIT A

**SAN BRUNO COMMUNITY FOUNDATION
DOCUMENT RETENTION AND DESTRUCTION POLICY**

Adopted April __, 2016

I. PURPOSE

The purposes of this Document Retention and Destruction Policy of The San Bruno Community Foundation (the “Foundation”) are to: (1) facilitate compliance with applicable laws, and (2) promote the appropriate retention, maintenance, and destruction of organizational documents and records. This Policy covers all records and documents, regardless of physical form.

II. GENERAL GUIDELINES

The law requires the Foundation to maintain certain types of corporate records, usually for a specified period of time. Failure to retain those records for those minimum periods of time could subject employees, consultants, and the Foundation to penalties, fines, and/or sanctions, and otherwise seriously disadvantage or harm the Foundation.

Records should not be kept if they are no longer required to be kept by law and are no longer of practical advantage or use to the Foundation, and such records should be eliminated from the files in a timely manner. Questions regarding the retention or destruction of records or documents should be directed to the Executive Director.

III. DOCUMENT RETENTION

The Foundation follows the document retention procedures outlined below. Documents that are not listed but are substantially similar to those listed in the schedule will be retained for the appropriate length of time.

While the schedule stated below establishes minimum retention periods, the retention of the records identified and of records in general should be based primarily on consideration of the general guidelines affecting document retention identified above, as well on as the exception for documents relevant to any pending, threatened, or otherwise reasonably foreseeable litigation, audit, or investigation and any other pertinent factors. The following policies and guidelines set forth below may not contain all of the records the Organization may be required to retain in the future.

Corporate Documents

Governing documents, including the Foundation’s articles of incorporation, bylaws, and conflict of interest policy	Permanent
Jurisdictional (e.g., state) charity registrations and registration renewals	10 years

Board Minutes and Materials

Minutes (including resolutions passed), agendas, and packets for meetings of the Board of Directors	Permanent
Minutes, agendas, and packets for meetings of Committees subject to the Brown Act	Permanent

Corporate Tax Records

Applications for tax exemption (e.g., Form 1023, Form 3500) and determination letters from the Internal Revenue Service and Franchise Tax Board	Permanent
Federal, state, and local tax returns (non-payroll)	Permanent
Form 1099s	7 years

Employment/Personnel Records

Employment applications	3 years
Retirement and pension records	Permanent
Other employment and personnel records	7 years after termination of relevant employee

Payroll and Employment Tax Records

Payroll registers and tax returns	Permanent
W-2 statements	Permanent

Accounting and Bank Records

Annual financial statements and audits	Permanent
General ledger and journal	Permanent
A/P documentation and vendor files	10 years
Cash receipts	10 years
Bank statements and reconciliation	10 years

Fixed Asset Records

Land and buildings documentation	Permanent
Equipment documentation	7 years after equipment no longer in use

Program Records

Scholarships and Community Grants Programs: Program applications for non-recipients	4 years after funding period ended
Scholarships and Community Grants Programs: Program recipient documentation and files	10 years after funding period ended
Strategic Grants: Program recipient documentation and files	Permanent
List of all program recipients	Permanent
List of all program applications	Permanent

Marketing Documents/Press Releases

Press releases and publicly filed documents	Permanent
Final copies of marketing documents	3 years

Legal, Insurance, and Safety Records

Insurance policies, records, claims, accident reports	Permanent
Litigation files	5 years following close of case
Copyright, trademark, and patent registrations	Permanent
Contracts	Permanent

IV. ELECTRONIC DOCUMENTS AND RECORDS

Electronic documents will be retained as if they were paper documents. Therefore, any electronic files that fall into one of the document types on the above schedule will be maintained for the appropriate amount of time.

If a user has sufficient reason to keep an email message, the message should be printed in hard copy and kept in the appropriate file or moved to an “archive” computer file folder. All other email messages shall follow a retention schedule of 90 days.

Such electronic documents and records will be backed up at least once a month, and backup files will be maintained offsite. Backup and recovery methods will be tested on a regular basis.

V. EMERGENCY PLANNING

The Foundation’s records will be stored in a safe, secure and accessible manner. Documents and financial files, including archived email messages, that are essential to keeping the Foundation operating in an emergency will be duplicated, or, in the case of electronic documents and records, backed up electronically, at least once a month and maintained off site.

VI. DOCUMENT DESTRUCTION

The Foundation’s Executive Director is responsible for the ongoing process of identifying records that have met the required retention period and overseeing their destruction. Destruction of financial and personnel-related documents will be accomplished by shredding.

VII. LITIGATION, AUDIT, AND INVESTIGATION EXCEPTION

If an employee or consultant believes, or the Foundation informs an employee or consultant, that any of the Foundation’s records are relevant to any pending, threatened, or otherwise reasonably foreseeable litigation, audit, or investigation, then the employee or consultant must preserve those records until it is determined and the employee or consultant is informed by the Foundation that it is no longer necessary to preserve such records. This exception supersedes any previously or subsequently established destruction schedule for such records.

VIII. COMPLIANCE

Failure on the part of employees and appropriate consultants to follow this policy can result in possible civil and criminal sanctions against the Foundation and its employees and possible disciplinary action against responsible individuals. The Executive Director will periodically review these procedures with legal counsel and/or the Foundation's certified public accountant to ensure that they are in compliance with new or revised regulations.

All employees and any program, accounting, and information technology consultants shall receive a copy of this Policy.

RESOLUTION No. 2014 - 6

**RESOLUTION OF THE SAN BRUNO COMMUNITY FOUNDATION
ADOPTING DOCUMENT RETENTION POLICY**

WHEREAS, on June 25, 2013, the San Bruno City Council adopted Resolution 2013-53 amending the City's document retention policy to provide that documents related to the Glenview disaster be retained permanently;

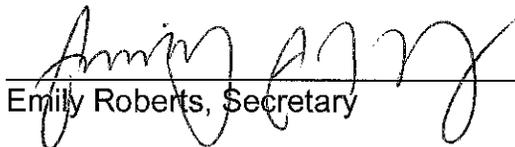
WHEREAS, the Board of Directors has reviewed and discussed the Document Retention Policy attached as Exhibit A and agrees that the Foundation should adopt the City of San Bruno's document retention schedule for Crestmoor-related documents; and

WHEREAS, The Board of Directors determined that the Document Retention Policy attached as Exhibit A is appropriate for this Foundation and that email retention will be for ninety (90) days.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors adopt the Document Retention Policy attached as Exhibit A.

Dated: May 15, 2014

ATTEST:



Emily Roberts, Secretary

I, Emily Roberts, Secretary, do hereby certify that the foregoing Resolution No. 2014-6 was duly and regularly passed and adopted by the Board of Directors of the San Bruno Community Foundation on this 15th day of May, 2014, by the following vote:

AYES: Boardmembers: Bohm, Cohn, Hedley, Roberts, McGlothlin, Kraus

NOES: Boardmembers: None

ABSENT: Boardmembers: Stanback Stroud

Exhibit A RECORDS RETENTION SCHEDULE: CITY-WIDE STANDARDS

Office of Record	Retention No.	Records Description	Retention / Disposition							Comments / Reference
			Active (in office)	Inactive Storage (Off-site, OD or Mfr)	Total Retention	Vital?	Media Options	Image: I=Import M=Mfr S=Scan	Destroy Paper after Imaged & QC'd?	
<i>Retentions apply to the department that is NOT the Office of Record (OFR), or the "Lead Department". If you are the OFR, refer to your department retention schedule.</i>										
<i>Retentions begin when the act is completed, and imply a full file folder (e.g. last document + 2 years), since destruction is normally performed by file folder.</i>										
<i>Litigation, claims, complaints, audits and/or investigations suspend normal retention periods (retention resumes after settlement or completion).</i>										
Lead Dept.	CW-025	Drafts & Notes: Drafts that are revised (retain final version)	When No Longer Required		When No Longer Required		Mag, Ppr			As long as the drafts and notes are not retained in the "Regular Course of Business". Consult the City Attorney to determine if a record is considered a draft. GC §§34090, 6252, 6254(a)
Lead Dept.	CW-026	Facility Use Applications / Facility Use Permits	2 years		2 years		Mag, Ppr			GC §34090
Lead Dept.	CW-027	GIS Database / Data / Layers (both City-wide and Specialized)	When No Longer Required		When No Longer Required	Yes	Mag			The Lead Department should print out historical documents (or save source data) prior to replacing the data, if they require the data or output for historical purposes; Department Preference (Preliminary documents); GC §34090 et seq.
Lead Dept.	CW-061	Glenview PG&E Pipeline Explosion, September 10, 2010	When No Longer Required	P	P	Yes	Mag, Ppr		No	
Lead Dept.	CW-028	Grants (UNSUCCESSFUL Applications, Correspondence)	2 years		2 years		Mag, Ppr			GC §34090