

SAN BRUNO

Community Foundation

Investment Committee

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

MINUTES

SAN BRUNO COMMUNITY FOUNDATION

Regular Meeting of the Investment Committee

May 17, 2023

4:30 p.m.

Meeting Location:

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

- 1. Call to Order:** Committee Chair Lin called the meeting to order at 4:31 p.m.
- 2. Roll Call:** Committee Members Lin, Hayes, Perry, and Ross, present. Committee Member Clifford, excused.
- 3. Public Comment:** None.
- 4. Approval of Minutes:** February 15, 2023, Regular Investment Committee Meeting: Committee Member Ross moved to approve the minutes of the February 15, 2023, Regular Meeting, seconded by Committee Chair Lin, passed unanimously by roll call vote (Clifford absent).

5. Executive Director's Report

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

- **Crestmoor Scholarship:** SBCF recently announced the 2023 Crestmoor Scholars, with awards totaling \$160,000. The ten Crestmoor Scholars will be recognized at the June 7 Board meeting at the San Bruno Senior Center.
- **Community Grants Fund:** SBCF finished distributing the last round of grant checks in March. The eighth iteration of the Community Grants Fund will launch at the beginning of July, with a late September deadline.
- **Recreation and Aquatic Center (RAC):** At the April Board meeting, the City requested and the Board approved an additional \$1.5M in grant funding for RAC Grant #8 (Construction) to bolster

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the construction contingency. The additional funding will go toward the project's construction contingency and will only be utilized if needed. The increase in grant amount for the construction grant raises the Foundation's overall commitment to the RAC project to an amount not to exceed \$51.5 million.

The Foundation received the latest set of RAC grant reports from the City in April and made payments in late April and early June totaling \$7.3 million. The Foundation has paid out a total of \$42.9 million in RAC grant payments, with a balance remaining of up to \$8.6 million.

The project team recently reported that construction is progressing well overall, with the completion projection still showing late fall 2023; the indoor pool excavation was completed and the outdoor pool excavation has started; and gymnasium and natatorium work continues on the roof, and exterior walls, while trenches and pavement on Crystal Springs Road and Desoto Way are being restored.

- Centennial Plaza: With regard to the Centennial Plaza Improvement Project, which the Foundation is helping fund with a \$500,000 grant to the City of San Bruno, the project continues in the construction documents phase. The project schedule has been pushed out about two months, as estimates for the City's review periods have been extended and extra time was added to allow for Planning Commission review of the project. Under the revised timeline, construction is scheduled to begin in the fall of this year and conclude by the spring of 2024.
- SBPSD Field Trips Grant: Last fall, the Foundation awarded a \$35,000 grant to the San Bruno Park School District to support field trips and assemblies this school year. All five elementary schools and Parkside Intermediate School have used a portion of their allocated funding for field trips and assemblies.
- Community Day: As it has done in past years, SBCF committed \$30,000 to the City of San Bruno for the 2023 Community Day. Community Day has typically been held on the first Sunday of June in conjunction with the Posy Parade. But this year, the Lions Club has requested some significant changes in the parade route, and the City does not have the bandwidth to close streets on that day in two different areas of town. Therefore, Community Day is being decoupled from the parade this year, and the City is working to identify a new date for Community Day.

Ms. Hatamiya reviewed the schedule of transfers from the Quasi-Endowment and Strategic Pool accounts to the Liquidity Pool. Transfers from the Quasi-Endowment to Liquidity-Operating include: (a) \$200,000, which took place in December 2022, and (b) \$85,937, which took place in May 2023. The Foundation transferred the entire Liquidity-RAC balance to Liquidity-Operating in July 2022 to cover the July/August RAC grant payments and closed the Liquidity-RAC Subaccount, and per the Committee's direction in August, \$20,706,423 was transferred from Strategic to Liquidity-Operating to cover all remaining RAC grant payments in September 2022. Transfers from Strategic to Liquidity-Operating for non-RAC purposes are budgeted at \$4,392,754; \$323,000 was transferred in October to cover most non-

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RAC cash needs for the year, and further transfers to cover non-RAC cash needs are not anticipated this fiscal year.

Ms. Hatamiya reported that Melissa Moreno resigned from the Foundation Board effective April 1 due to her appointment as Interim Chancellor of the San Mateo County Community College District. The first terms of three Board members – Malissa Netane-Jones, Jim Ruane, and Raul Gomez – conclude at the end of 2023, and all three are eligible to serve another four-year term. She reported that the City of San Bruno opened the application period for community members who want to serve on the Board, both for the current open position and also for the three openings at the end of the year. The City Council will review applications, interview applicants, and make appointments soon.

Finally, Ms. Hatamiya reminded the Committee of its remaining 2023 meetings – August 16 and November 15 – which will be held in person at San Bruno City Hall Room 101.

6. Conduct of Business

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

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

Mr. Dombkowski gave an overview of the firm's investment outlook, including an overview of 2023, and noted the lack of economic indicators that a recession is coming, in large part due to the strength of the job market. He also gave a summary of the firm's current economic forecast for the second quarter of 2023, commenting on economic growth, interest rates, inflation, commodity markets, the employment market, corporate earnings, international developed markets, emerging markets, the housing market, and valuation.

Ms. Sun then reviewed the Foundation's Investment Dashboard for the first quarter of 2023, including March 31, 2022, balances of \$20,658,295 for the Quasi-Endowment, \$7,790,433 for the Strategic Pool, and \$14,768,287 for the Liquidity Pool (total balance of \$43,217,015), and first quarter withdrawals of \$3,525,000. Mr. Dombkowski and Ms. Sun also discussed the performance of the underlying funds in the Foundation's Quasi-Endowment, Strategic, and Liquidity pools. Ms. Sun noted that Sand Hill maintained the portfolio's existing positioning during the first quarter of 2023, with an overweight in equities and fixed income and an underweight in market neutral holdings and commodities.

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

The Committee advised on the timing of transfers from the Foundation's investment accounts to its operating accounts to cover grant payments related to the RAC project, particularly the additional \$1,500,000 for construction contingency that the Board approved in April. After much discussion, the

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Committee recommended, consistent with the original purpose of the Liquidity Pool, that the full \$1,500,000 be transferred immediately from the Strategic Pool to the Liquidity Pool. The Committee noted that if the City does not need the full \$1.5 million for RAC construction contingency, the remaining balance can eventually be used for non-RAC strategic grants and operating expenses.

- c. Adopt Resolution Recommending to the SBCF Board of Directors the Quasi-Endowment Payout Rate for Fiscal Year 2023-2024

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

Ms. Hatamiya reported that the past six years the Committee recommended and the Board approved a Quasi-Endowment payout rate sufficient to meet the cash flow needs for the Crestmoor Scholarship and the Community Grants Fund for the upcoming fiscal year. She noted that in preparing the fiscal year 2023-2024 budget, she determined that the cash flow needs for the Crestmoor Scholarship and Community Grants Fund in the upcoming fiscal year, minus funds rolled over from 2022-2023, are estimated at \$371,690 and that, with the average of the past 12 quarter-ending Quasi-Endowment values available from inception to today (Q2 2020 to Q1 2023) being \$20,946,234, a payout rate of 1.78% would result in a Quasi-Endowment payout of \$372,843.

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

Committee Member Hayes moved to adopt the resolution recommending to the SBCF Board of Directors a Quasi-Endowment payout rate of 1.78% for fiscal year 2023-2024 (resulting in a payout of \$372,843), seconded by Committee Member Ross, approved unanimously by roll call vote (Clifford absent).

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

The Committee also conducted its annual review of the Foundation's Investment Policy Statement and Investment Operating Plan. Ms. Hatamiya reported to the Committee that she was not recommending any adjustments to either document, as the structure of the three investment pools still serve the Foundation's purposes. After a brief discussion, the Committee did not make any recommendations for amendments to either document and noted that the most likely time to consider changes to both documents is during the next fiscal year as the Foundation Board determines the Foundation's post-RAC program and investment strategies.

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7. Committee Member Comments: None.

8. Adjourn: Committee Member Hayes moved to adjourn the meeting at 5:56 p.m., seconded by Committee Member Perry, approved unanimously (Clifford absent).

Respectfully submitted for approval at the Regular Investment Committee Meeting of August 16, 2023,
by Investment Committee Chair Pak Lin.



Pak Lin, Investment Committee Chair