

SAN BRUNO

Community Foundation

Investment Committee

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

GOVERNOR'S EXECUTIVE ORDER N-25-20**
CORONAVIRUS COVID-19
AND SAN MATEO COUNTY HEALTH DIRECTIVE
FROM MARCH 14, 2020**

On March 17, 2020, the Governor of California issued Executive Order N-29-20 suspending certain provisions of the Ralph M. Brown Act in order to allow for local legislative bodies to conduct their meetings telephonically or by other electronic means. Pursuant to the current Shelter-In-Place Order issued by the San Mateo County Health Officer which became effective on March 17, 2020, and which was updated and extended on April 29, 2020; the statewide Shelter-In-Place Order issued by the Governor in Executive Order N-33-20 on March 19, 2020; and the CDC's social distancing guidelines which discourage large public gatherings, San Bruno City Hall is no longer open to the public for meetings of the Investment Committee of the San Bruno Community Foundation.

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

Individuals who require special assistance of a disability-related modification or accommodation to participate in this meeting, or who have a disability and wish to request an alternative format for the agenda, agenda packet or other writings that may be distributed at the meeting, should contact Melissa Thurman, City Clerk, 48 hours prior to the meeting at (650) 619-7070 or by email at mthurman@sanbruno.ca.gov. Notification in advance of the meeting will enable the San Bruno Community Foundation to make reasonable arrangements to ensure accessibility to this meeting, the materials related to it, and your ability to comment.

AGENDA

SAN BRUNO COMMUNITY FOUNDATION

Regular Meeting of the Investment Committee

February 17, 2021

4:30 p.m.

Zoom Meeting Details:

<https://us02web.zoom.us/j/84273644043?pwd=bGRGODZ5TmllepyQklqUkZnTWoyZz09>

Webinar or Meeting ID: 842 7364 4043

Webinar or Meeting Password: 915733

Zoom Phone Line: (669) 900-6833 (same webinar ID and password as above)

SAN BRUNO

Community Foundation

Investment Committee

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

1. Call to Order

2. Roll Call

3. Public Comment: Individuals are allowed three minutes. It is the Committee's policy to refer matters raised in this forum to staff for research and/or action where appropriate. The Brown Act prohibits the Committee from discussing or acting upon any matter not agendized pursuant to State Law.

4. Approval of Minutes: November 18, 2020, Regular Investment Committee Meeting

5. Executive Director's Report

6. Conduct of Business

- a. Receive Report from Sand Hill Global Advisors, LLC (SHGA) regarding SHGA's Investment Outlook and SBCF's Investment Portfolio Performance
- b. Discuss and Provide Direction Regarding Future Cash Flow Strategies Related to Funding of Recreation and Aquatics Center Project

7. Committee Member Comments

8. Adjournment: The next regular meeting of the Investment Committee will be held on Wednesday, May 19, 2021, at 4:30 p.m.

SAN BRUNO

Community Foundation

Investment Committee

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

MINUTES

SAN BRUNO COMMUNITY FOUNDATION

Regular Meeting of the Investment Committee

November 18, 2020

4:30 p.m.

Meeting Conducted via Zoom

- 1. Call to Order:** Committee Chair Tim Ross called the meeting to order at 4:31 p.m.
- 2. Roll Call:** Committee Members Ross, Clifford, Hayes, Hedley, and McGlothlin, present.
- 3. Public Comment:** None.
- 4. Approval of Minutes:** August 19, 2020, Regular Investment Committee Meeting: Committee Member Clifford moved to approve the minutes of the August 19, 2020, Regular Meeting, seconded by Committee Member McGlothlin, passed unanimously by roll call vote.

5. Executive Director's Report

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

- **Community Grants Fund:** The Foundation received 42 applications for Community Grants by the September 30 deadline. The applications are being evaluated by a review panel of community volunteers. The Board is to consider the panel's grant recommendations at the December 2 Board meeting; with a \$100,000 donation from Google.org/YouTube, the Foundation will award grants totaling \$300,000 this cycle.
- **Crestmoor Scholarship:** The 2021 program will launch the second week of December, with the opening of the application period. SBCF received two donations earmarked for the program, \$70,000 from the Joseph W Welch Jr Foundation and \$7,349 from the San Mateo County Association of REALTORS® Foundation, enabling the Foundation to again award \$190,000 in scholarships next spring.

SAN BRUNO

Community Foundation

Investment Committee

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

- Strategic Grants
 - Recreation and Aquatics Center: The City is waiting for three remaining environmental approvals/permits. The City is optimistic that it will ultimately obtain the approvals, but process will likely delay the start of construction by several months to spring 2021. The City plans to go out to bid for the general contractor at the end of the year, and through the pre-qualification process has already pre-qualified five firms. In addition, the City has identified funding of about \$60.4 million for the \$67.4 million project and is examining various options to close the remaining gap.

So far, the Foundation has disbursed a total of about \$5.16 million for the first six RAC grants. Under the most recent cash flow timeline, the Foundation would pay out about \$17 million in fiscal year 2020-2021 (July 2020-June 2021), but the most recent delay will likely result in payments this year being less than \$17 million. The cash flow timeline has not been updated since the Committee's last meeting; a more concrete timeline should be available once the contractor is on board.

- COVID-19 Relief Grants: In May, the SBCF Board approved a package of COVID relief grants to help San Bruno's schools and small businesses, including \$240,000 for new laptops for all San Bruno Park School District teachers, \$150,000 to the San Mateo County Strong Small Business Grant Program, and \$100,000 to the San Bruno Small Business Recovery and Assistance Program. All three grant agreements have been executed and the grants paid out. The teachers are receiving their laptops for the new school year. Fifteen San Bruno small businesses received \$10,000 grants as part of San Mateo County Strong. Finally, the Small Business Recovery Assistance Program has supported more than 40 companies.

Ms. Hatamiya also reported that Novogradac & Company prepared the FY2019-2020 audited financials, which were accepted by the Board in November, and issued a clean opinion. The Foundation submitted its state and federal tax returns by the November 15 deadline.

Ms. Hatamiya reported that the Foundation converted the program consultant to an employee position in light of AB 5. As part of this process, the Board in September approved an Employee Handbook and amendments to the Retirement Plan Document.

Ms. Hatamiya explained that the Foundation will soon undertake a three-part strategic planning process on the future of the Foundation once the Foundation has fully disbursed \$50 million to the City of San Bruno for the Recreation and Aquatic Center project. The Board created an Ad Hoc Committee to lead such a discussion of the Foundation's future program and investment strategy, its role in the community, and the size and scope of its ongoing operations.

Ms. Hatamiya described the effort as a three-part process, consisting of (1) diversity, equity, and inclusion (DEI) training for the Board to identify internal leanings and adopt practices that promote

SAN BRUNO

Community Foundation

Investment Committee

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

diversity, equity, and inclusion in the Foundation's operations and decision-making processes; (2) community listening campaign 2.0 to solicit from members of the San Bruno community feedback on the Foundation's programs thus far and input on current community needs and a vision for the Foundation going forward; and (3) strategic planning deliberations by the Board to develop a forward-looking plan articulating the Foundation's program and investment strategies once its investment portfolio decreases after the Recreation and Aquatic Center is funded, its role in the community, and the size and scope of its ongoing operations. The Committee is recommending that the Foundation move forward with two firms to assist with the process as follows: Halualani & Associates to conduct the DEI training, and the Public Dialogue Consortium to manage the community listening campaign and strategic planning components. The process will launch in early December and run through mid-summer 2021.

She noted that the results of this process could have implications for the Investment Committee's work, as a key question that will be considered is whether to continue following the original plan of maintaining a quasi-endowment to support a foundation in perpetuity at a lower budget, or if there is a desire to use the funds outright for another major initiative or two and eventually spend down the entire corpus, or some hybrid. She said the strategic planning phase may involve a role for the Investment Committee in thinking through these options, and that if the Board decides to follow a different course, the Committee will need to advise the Board in adjusting the Investment Policy documents accordingly.

Ms. Hatamiya explained the schedule of transfers from the Quasi-Endowment and Strategic Pool accounts to the Liquidity Pool, but noted that the schedule may be modified based on actual cash needs and updates on the Recreation and Aquatics Center project. Thus far this fiscal year, one transfer from the Strategic Pool to the Liquidity-Operating sub-account of \$15.25 million took place in early July, as recommended by this Committee.

Finally, Ms. Hatamiya reminded the Committee of its 2021 meeting dates, per the Committee's schedule: February 17, May 19, August 18, and November 17.

6. Conduct of Business

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

SHGA Chief Executive Officer Brian Dombkowski, Senior Portfolio Manager Meghan DeGroot, and Senior Wealth Manager Kristin Sun represented SHGA at the meeting.

Mr. Dombkowski gave an overview of the firm's investment outlook, particularly in light of COVID-19 impacts and the U.S. presidential election, focusing on federal government stimulus, the disease state, and economic indicators. He gave a summary of the firm's current economic forecast for the fourth quarter of 2020, commenting on economic growth, interest rates, the employment market, corporate earnings, international developed markets, emerging markets, inflation, commodity markets, valuation, and the housing market. He discussed the potential impacts of the ongoing pandemic and the upcoming

SAN BRUNO

Community Foundation

Investment Committee

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

presidential election on the financial markets. He also addressed questions from the Committee about a possible new Chair of the Federal Reserve and how that might impact financial markets.

Ms. Sun and Ms. DeGroot reviewed the Foundation's Investment Dashboard for the third quarter of 2020, including September 30, 2020, balances of \$19,317,811 for the Quasi-Endowment, \$29,866,882 for the Strategic Pool, and \$25,919,855 for the Liquidity Pool (total of \$75,104,548 in all three accounts). They highlighted some of the adjustments the firm made to the portfolio in the past quarter given market conditions.

The Sand Hill team also briefly responded to a question from Chair Ross about whether it would be possible to increase risk within the Liquidity Pool in the event that the Recreation and Aquatic Center project timeline gets pushed out substantially.

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

Chair Ross explained that this item will appear on the agenda for each Investment Committee meeting until the Foundation has completed all major grant payments for the Recreation and Aquatic Center to allow the Committee to discuss any changes in the cash flow timeline that may arise and potentially provide direction to the Board about cash flow strategies for the project. He noted that the Foundation has not received an update in the project cash flow timeline since the May meeting, and that Executive Director Hatamiya gave an update on the project during the Executive Director's report. The Committee briefly discussed how changes in the composition of the City Council as a result of the November election might affect the project.

7. Committee Member Comments: Committee members wished each other a happy Thanksgiving holiday.

8. Adjourn: Chair Ross moved to adjourn the meeting at 5:39 p.m., seconded by Committee Member Clifford, approved unanimously.

Respectfully submitted for approval at the Regular Investment Committee Meeting of February 17, 2021, by Investment Committee Chair Tim Ross.

Tim Ross, Investment Committee Chair

SAN BRUNO

Community Foundation

Memorandum

DATE: February 11, 2020

TO: Investment Committee, San Bruno Community Foundation

FROM: Leslie Hatamiya, Executive Director

SUBJECT: February 17, 2021, Investment Committee Special Meeting

The Investment Committee of the San Bruno Community Foundation will hold its regular quarterly meeting at 4:30 p.m. on Wednesday, February 17, 2021, via Zoom:

<https://us02web.zoom.us/j/84273644043?pwd=bGRGODZ5TmllepyQklqUkZnTWoyZz09>

Webinar or Meeting ID: 842 7364 4043

Webinar or Meeting Password: 915733

Zoom Phone Line: (669) 900-6833 (same webinar ID and password as above)

1. Executive Director's Report

At each meeting, I report on any follow-up items from the last Committee meeting as well as provide updates on the Foundation's programs and operations. Key items I will report on at the February 17 meeting include:

- Program highlights, including an update on the Community Grants Fund, the Crestmoor Neighborhood Memorial Scholarship program, and updates on strategic grant initiatives, including the Recreation and Aquatic Center Project and COVID-19 relief grants
- Schedule of transfers from the Quasi-Endowment, Strategic, and Liquidity-RAC Pool accounts to the Liquidity-Operating Pool account for FY2020-2021 to cover the Foundation's cash needs through June 30, 2021, consistent with the FY2020-2021 budget passed by the Foundation Board in June
- A reminder of upcoming 2021 Investment Committee meetings: May 19, August 18, and November 17, at 4:30 p.m.

SAN BRUNO

Community Foundation

Memorandum

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

Representing SHGA at the Committee meeting will be CEO Brian Dombkowski, Senior Portfolio Manager Meghan DeGroot, and Senior Wealth Manager Kristin Sun. The SHGA team will give a presentation to the Committee that will cover (a) SHGA's investment outlook, and (b) the performance of the Foundation's investment portfolio.

a. SHGA's Investment Outlook

In this portion of the presentation, the SHGA team will provide an overview of SHGA's current economic forecast, particularly for the first quarter of 2021, including the firm's perspective on economic growth, interest rates, employment market, corporate earnings, international market, housing market, inflation, commodity markets, and the impact of COVID-19 pandemic and the changes in Washington, D.C.

b. SBCF's Investment Performance

The second part of SHGA's presentation will review the performance of the Foundation's investment portfolio for the fourth quarter of 2020 (second quarter of the fiscal year). The SHGA team will walk the Committee through the attached Investment Dashboard for December 31, 2020, a one-page summary of the Foundation's portfolio. At the meeting, the SHGA team will also provide more detailed and up-to-date information about the Foundation's investment holdings, including performance data of underlying funds.

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

Although the Foundation has not received a revised overall cash flow timeline for the Recreation and Aquatics Center project since the Committee's last meeting, the Committee will have the opportunity to discuss future cash flow strategies related to the project and provide direction, as appropriate, under the second business item on February 17.

Attachments:

1. SBCF Investment Dashboard, as of December 31, 2020

The San Bruno Community Foundation Investment Dashboard

As of December 31, 2020

Current Outlook:

Economic Environment: Last year we experienced what will likely be classified as the worst global recession in history. However, with the help of significant economic stimulus that transferred over \$3 trillion to U.S. households, trends improved at a faster than expected pace. While the timeline of the rollout of vaccines is still uncertain, many professional forecasters are projecting that about half of the U.S. population will be vaccinated by the end of the second quarter. This suggests that the economy will expand at a much faster pace in the second half of the year than the first. Interest rates and inflation remain incredibly low but this could change as the year progresses and the economy recovers, which could cause the yield curve to steepen. Employment has partially recovered but jobs in the leisure and hospitality industries will be under pressure until the economy can reopen more meaningfully. Meanwhile, corporate earnings are poised to grow over 20% this year with more cyclical industries such as energy, industrials and materials outgrowing more traditional growth groups like technology. For this reason we have been shifting more client assets into these relatively depressed parts of the equity market.

Market Environment: The stock market experienced a significant rally following the Presidential election and the announcement that three highly effective vaccines were likely to be approved before the end of the year. During this rally, small cap, international and more value-oriented sectors experienced a significant catch-up. The yield curve began to steepen slightly with the 10-year Treasury ending the year at 0.9%. REITs and Commodities also rallied as investors anticipated a more meaningful economic recovery in the months ahead.

Portfolio Response: During the quarter, we added to commodities and also made a manager change in the process. We sold the Credit Suisse Commodity Fund and replaced it with the Vanguard Commodity Fund. We also trimmed bonds and used the proceeds to bring your commodities weight in-line with that of the benchmark. In addition, we rotated into a passive U.S. Large Cap Value fund and funded this with a sale of U.S. Large Cap Stocks.

Performance		Quasi-Endowment Pool			Custom Blended		
		Endowment Pool	Benchmark	+ / -	Strategic Pool	Benchmark	+ / -
Quarterly	Q4 2020	10.26%	9.50%	0.76%	4.05%	3.49%	0.56%
	Q3 2020	5.24%	4.43%	0.81%	2.03%	1.72%	0.31%
	Q2 2020	14.33%	12.26%	2.07%	7.18%	5.81%	1.37%
	Q1 2020	-13.65%	-13.06%	-0.59%	-4.39%	-2.61%	-1.78%
Annual	2020	14.55%	11.61%	2.94%	8.79%	8.48%	0.31%
	ITD	9.29%	9.32%	-0.03%	4.92%	5.40%	-0.48%

Quasi-Endowment Pool Portfolio Action	Increased	Decreased	Growth/Capital Preservation
Q4 2020	Shifted to Undervalued Assets		64/36
	Commodities	Fixed Income	
	U.S. Large Cap Value Stocks	U.S. Large Cap Stocks	
Q3 2020	Shifted Exposure to Undervalued Sectors		63/37
	Fixed Income	Technology Stocks	
	Global Value Stocks	U.S. Large Cap Stocks	
Q2 2020	Added to Undervalued Asset Classes		64/36
	Mid Cap Stocks	Small Cap Stocks	
	Commodities	Absolute Return	
	Actively Managed REITs	Passively Managed REITs	

Asset Allocation	Quasi-Endowment Pool		Strategic		Strategic	
	Endowment Pool	31-Dec-20	Target	Strategic Pool	31-Dec-20	Target
Large Cap Equity	\$7,166,416	34%	30%	\$3,485,639	11%	9%
SMID Cap Equity	\$2,291,889	11%	9%	\$947,252	3%	3%
International/EM Equity	\$3,176,945	15%	13%	\$1,664,814	5%	4%
Fixed Income	\$6,148,894	29%	30%	\$22,107,449	71%	70%
Real Assets	\$1,334,066	6%	8%	\$1,400,556	5%	4%
Market Neutral	\$668,831	3%	8%	\$788,780	3%	8%
Cash	<u>\$372,377</u>	<u>2%</u>	<u>2%</u>	<u>\$687,861</u>	<u>2%</u>	<u>2%</u>
Total	\$21,159,417	100%	100%	\$31,082,352	100%	100%

Balances	Quasi-Endowment	Strategic	Liquidity	Total
Q4 2020	\$21,159,417	\$31,082,352	\$25,447,146	\$77,688,915
Q3 2020	\$19,317,811	\$29,866,882	\$25,919,855	\$75,104,548
Q2 2020	\$18,353,443	\$44,435,133	\$12,380,265	\$75,168,840
Q1 2020	\$16,171,758	\$43,477,547	\$11,879,809	\$71,529,114

Illiquidity as of 12/31/20	< 1 Yr	1-3 Yrs	> 3 Yr	Total
Quasi-Endowment Pool	0.00%	0.00%	0.00%	0.00%

Governance Checklist

	OK
Asset allocation within target range: All weights are in compliance.	✓
No direct investments in any equity or debt securities of Pacific Gas & Electric.	✓
No individual equity securities (stocks) will be held in any direct account.	✓
No below investment grade allocation > 5% of portfolio value.	✓
With the exception of U.S. government securities, no more than 5% at cost of the portfolio may be invested in the securities of a single issuer.	✓
Quasi-Endowment Pool can maintain up to 10% illiquidity.	✓

