

SAN BRUNO

Community Foundation

Investment Committee

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

AB-361 CORONAVIRUS COVID-19

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

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

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

AGENDA

SAN BRUNO COMMUNITY FOUNDATION

Regular Meeting of the Investment Committee

August 17, 2022

4:30 p.m.

Zoom Meeting Details:

<https://us02web.zoom.us/j/82470804372?pwd=b3VPeXVIWEsxMjFIWkxRbkg0eEJOQT09>

Webinar ID: 824 7080 4372

Passcode: 302126

Dial-in: (669) 900-6833

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1. **Call to Order**
2. **Roll Call**
3. **Public Comment:** Individuals are allowed three minutes. It is the Committee's policy to refer matters raised in this forum to staff for research and/or action where appropriate. The Brown Act prohibits the Committee from discussing or acting upon any matter not agendaized pursuant to State Law.
4. **Approval of Minutes:** May 18, 2022, Regular Investment Committee Meeting
5. **Executive Director's Report**
6. **Conduct of Business**
 - a. Receive Report from Sand Hill Global Advisors, LLC (SHGA) regarding SHGA's Investment Outlook and SBCF's Investment Portfolio Performance
 - b. Discuss and Provide Direction Regarding Cash Flow Strategies Related to Funding of Recreation and Aquatic Center Project
7. **Committee Member Comments**
8. **Adjourn:** The next regular meeting of the Investment Committee will be held on Wednesday, November 16, 2022, at 4:30 p.m.

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MINUTES

SAN BRUNO COMMUNITY FOUNDATION

Regular Meeting of the Investment Committee

May 18, 2022

4:30 p.m.

Meeting Conducted via Zoom

- 1. Call to Order:** Committee Chair Pak Lin called the meeting to order at 4:30 p.m.
- 2. Roll Call:** Committee Members Lin, Clifford, Hayes, Hedley, and Perry, present.
- 3. Public Comment:** Jim Evangelist expressed concerns regarding the scheduled time of the Investment Committee meeting and the Executive Director's compensation.
- 4. Approval of Minutes:** February 16, 2022, Regular Investment Committee Meeting: Committee Member Hedley moved to approve the minutes of the February 16, 2022, Regular Meeting, seconded by Committee Member Perry, passed by roll call vote (Clifford abstained).
- 5. Executive Director's Report**

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

- **Crestmoor Scholarship:** SBCF recently announced the 2023 Crestmoor Scholars, with awards totaling \$190,000. The 12 Crestmoor Scholars will be recognized at the June 1 Board meeting on Zoom.
- **Community Grants Fund:** SBCF finished distributing the last round of grant checks in March. The seventh iteration of the Community Grants Fund will launch at the beginning of July, with a late September deadline.
- **Recreation and Aquatics Center (RAC):** Construction on the San Bruno Recreation and Aquatic Center began in the fall, and the project is on track for a fall 2023 opening.

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The Board received its quarterly report from the City on the RAC in April. The City team reviewed work recently completed and upcoming work scheduled at the construction site and gave a thorough presentation on its options for installing a solar photovoltaic system at the center, including a power purchase agreement with Peninsula Clean Energy. They also provided an update on the project budget, including additional expenses that the San Bruno City Council recently approved, and the potential need to find funding sources to cover some or all of the additional expenses.

- **Music Education Strategic Initiative:** At the April Board meeting, the Board approved a two-year extension of the Music Education Strategic Initiative to make music education a hallmark of San Bruno's public schools. Over the next two school years, the Foundation will make investments totaling \$290,000 in the music programs at Parkside Intermediate School and Capuchino High School. The grants will provide seed funding to launch a new music program for sixth grade students at Parkside as well as support transportation, instrument, and other music program expenses at Capuchino.
- **Community Day:** The Board also approved a \$30,000 grant to the City of San Bruno for the 2022 Community Day. Scheduled for the afternoon of Sunday, June 5, 2022, in conjunction with the San Bruno Lions Club's annual Posy Parade, this year's Community Day is being reimagined as a street fair on San Mateo Avenue in downtown San Bruno and will highlight the community's rich cultural diversity and local businesses.
- **Tanforan Memorial:** A year ago the Board originally approved a \$150,000 grant for the construction of the Tanforan Memorial. In April, the Board approved an additional \$50,000 in grant funding (totaling \$200,000). The Board increased its grant for the Tanforan Memorial to ensure that the project is completed this summer, especially because most surviving Tanforan internees are in their eighties and nineties. A ribbon-cutting ceremony will be scheduled in July or August.

Ms. Hatamiya reviewed the schedule of transfers from the Quasi-Endowment and Strategic Pool accounts to the Liquidity Pool, but noted that the schedule may be modified based on actual cash needs and updates on the Recreation and Aquatic Center project. Transfers from the Quasi-Endowment to Liquidity-Operating include: (a) \$200,000 in December 2021, and (b) \$112,932 earlier in May. Transfers from the Strategic Pool to Liquidity-Operating to cover non-RAC cash needs are scheduled as follows: \$500,000 was transferred in September 2021, and no other transfers are anticipated this fiscal year. There was one transfer of \$1.7 million from Liquidity-RAC to Liquidity-Operating to cover RAC grant payments.

Finally, Ms. Hatamiya reminded the Committee of its 2022 meeting dates, per the Committee's schedule: August 17 and November 16. She also noted that the terms of all Committee members except for Chair Lin are up on June 30, 2022, and that she would reach out to Committee members to gauge their interest in being appointed to new terms beginning in July.

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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 and Senior Portfolio Manager Meghan DeGroot Daters represented SHGA at the meeting.

Mr. Dombkowski gave an overview of the firm's investment outlook, particularly the impact of inflation, the Federal Reserve's response of raising interest rates, supply chain issues, and international geopolitical developments such as the war in Ukraine. He noted the volatility currently in the market and the likelihood that the market correction will last into the summer, and he said the firm continues to view the current economic scenario as a moderate recovery, with GDP growth projected to be around 2%-4% this year before growth normalizes in 2023 and converges with its pre-COVID trend by 2024.

Ms. DeGroot Daters then reviewed the Foundation's Investment Dashboard for the fourth quarter of 2022, including March 31, 2022, balances of \$22,494,942 for the Quasi-Endowment, \$30,423,398 for the Strategic Pool, and \$14,951,629 for the Liquidity Pool (total of \$67,869,968 in all three accounts). She reported that SHGA reduced the portfolio's exposure to traditional fixed income, small cap growth stocks, and emerging market stocks, in favor of U.S. value stocks and development market stocks, resulting in a slight overweight to equities. Mr. Dombkowski said that Sand Hill is confident that the Foundation will meet its \$50 million commitment to fund the RAC.

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

Executive Director Hatamiya reported that the Foundation has thus far made grant payments totaling \$20.5 million related to the eight grants supporting the design and construction of the RAC. In the current 2021-2022 fiscal year, RAC grant payments have totaled \$14.7 million. The remaining balance of RAC grant payments to be paid is \$29.5 million – \$25.5 in fiscal year 2022-2023 and \$4 million in fiscal year 2023-2024, according to the most recent RAC cash flow timeline the City of San Bruno has provided. She noted that fiscal year 2022-2023 budget transfers from the Liquidity-RAC and Strategic Pool accounts to the Liquidity-Operating account will together cover the remaining \$29.5 million in RAC grant payments, which is consistent with the time frame for moving funds to Liquidity-Operating (funds needed in the next 12-24 months). She reported that the April 30, 2022, balance for Liquidity-RAC was slightly under \$8.8 million, which means a transfer from Strategic to Liquidity-Operating of \$20.7 million will be needed to cover the remaining RAC grant payments. As in the past, the budget resolution will provide the Executive Director with the discretion to divide the transfers into smaller increments, set the timing of the transfer of those increments, transfer less than the approved amounts, and, in the case of Liquidity-RAC, authorize a transfer from the Liquidity-RAC subaccount to the Liquidity-Operating subaccount of the full account balance at the time of transfer as well as the closing of the Liquidity-RAC subaccount.

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Executive Director Hatamiya then sought guidance from the Committee on the timing of the transfer(s) from Strategic to Liquidity-Operating, especially given the current volatility in the market. After much discussion, the Committee noted that the balance in Liquidity-RAC should more than cover the first quarter of RAC grant payments in 2022-2023 and came to consensus to recommend that \$10 million be transferred from Strategic to Liquidity-RAC in the first month or so of the new fiscal year, so that 2-3 quarters' worth of RAC grant payments are in the Liquidity Pool, with the remaining funds to be transferred from Strategic to Liquidity-Operating later in 2022. The Committee recommended that the Executive Director have the discretion to work with Sand Hill to select the exact timing of the transfers and noted that the Committee would meet again in August, at which time it would discuss and provide additional guidance on the timing of transferring the remaining funds for the RAC grant payments.

- c. Adopt Resolution Recommending to the SBCF Board of Directors the Quasi-Endowment Payout Rate for Fiscal Year 2022-2023

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 five 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 2022-2023 budget, she determined that the cash flow needs for the Crestmoor Scholarship and Community Grants Fund in the upcoming fiscal year are estimated at \$284,127 and that, with the average of the past 12 quarter-ending Quasi-Endowment values available from inception to today (Q2 2019 to Q1 2022) being \$20,279,185, a payout rate of 1.41% would result in a Quasi-Endowment payout of \$285,937.

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 1.41% for fiscal year 2022-2023 (resulting in a payout of \$285,937), seconded by Committee Member Clifford, approved unanimously by roll call vote.

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- 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 when the Strategic Pool has been depleted.

7. Committee Member Comments: Committee Member Clifford apologized for missing the last Committee meeting in February.

8. Adjourn: Committee Member Perry moved to adjourn the meeting at 6:15 p.m., seconded by Committee Member Hedley, approved unanimously.

Respectfully submitted for approval at the Regular Investment Committee Meeting of August 17, 2022,
by Investment Committee Chair Pak Lin.

Pak Lin, Investment Committee Chair

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Community Foundation

Memorandum

DATE: August 12, 2022

TO: Investment Committee, San Bruno Community Foundation

FROM: Leslie Hatamiya, Executive Director

SUBJECT: August 17, 2022, Investment Committee Regular Meeting

The Investment Committee of the San Bruno Community Foundation will hold its regular quarterly meeting at 4:30 p.m. on Wednesday, August 17, 2022, via Zoom.

1. Executive Director's Report

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

- Program highlights and updates on the Community Grants Fund, the Crestmoor Neighborhood Memorial Scholarship program, and strategic grant initiatives, including the San Bruno Recreation and Aquatic Center (RAC) project.
- Schedule of transfers from the Quasi-Endowment and Strategic Pool accounts to the Liquidity Pool account for FY2022-2023 to cover the Foundation's cash needs through June 30, 2023, consistent with the FY2022-2023 budget passed by the Foundation Board in June 2022.
- A reminder of upcoming Investment Committee meetings: November 16, 2022, February 15, 2023, and May 17, 2023, at 4:30 p.m.

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

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

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Memorandum

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 third quarter of 2022, including the firm's perspective on economic growth, interest rates, employment market, corporate earnings, international market, housing market, inflation, commodity markets, and valuation.

b. SBCF's Investment Performance

The second part of SHGA's presentation will review the performance of the Foundation's investment portfolio for the second quarter of 2022 (fourth quarter of the fiscal year). The SHGA team will walk the Committee through the attached Investment Dashboard for June 30, 2022, a one-page summary of the Foundation's portfolio. Please note that this quarter's Dashboard includes balances through August 10, 2022, to bring the Committee up-to-date on changes since the end of the second quarter. 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 Cash Flow Strategies Related to Funding of Recreation and Aquatic Center Project

Since early 2018, the Foundation has made grant payments totaling \$24,092,356.18 related to the eight grants supporting the design and construction of the new San Bruno Recreation and Aquatic Center. In the current 2022-2023 fiscal year, RAC grant payments have totaled \$3,558,147.96. The remaining balance of RAC grant payments to be paid is \$25,907,643.82 (estimated at about \$22 million over the current fiscal year and about \$4 million in FY 2023-2024).

This year's budget includes transfers from (a) Liquidity-RAC and (b) Strategic Pool to Liquidity-Operating to cover the remaining RAC grant payments:

Transfer from Liquidity-RAC to Liquidity-Operating (4/30/22 balance)	\$8,774,970
Transfer from Strategic to Liquidity-Operating	\$20,690,822
Total	\$29,465,792

To cover the July RAC grant payments, I transferred the remaining balance of Liquidity-RAC (about \$8.75 million) to Liquidity-Operating and closed the Liquidity-RAC subaccount. Those funds were then used to pay out the \$3,558,147.96 for the six active RAC grants. Since the beginning of the current fiscal year, no funds have been transferred from Strategic to Liquidity-Operating. The decision to delay any transfers from Strategic until after the August 17

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Committee meeting was made in light of market volatility and in consultation with the Sand Hill team.

About \$20.7 million will need to be transferred from Strategic to Liquidity over the next 12 months, if not sooner, to cover the remaining RAC grant payments. We are considering transfers in \$5 million or \$10 million increments. We would like to get guidance from the Committee on the timing and size of the transfers, given current market conditions and a desire to recoup some of the unrealized losses of the past few months.

We look forward to hearing the Committee's thoughts and recommendations on scheduling the transfers from Strategic to Liquidity-Operating.

Attachments:

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

The San Bruno Community Foundation Investment Dashboard

As of August 10, 2022

Current Outlook:

Economic Environment: As 2022 has progressed, the economic outlook has grown decidedly cloudier as inflation has remained stubbornly high, we worked through another wave of the pandemic, the Russian-Ukrainian war has continued, and China's zero-Covid policy has weighed on supply chains. Financial conditions have begun to tighten, and the Federal Reserve has announced plans to aggressively raise the Federal Funds rate to 3.4% by the end of this year. Even in the face of rising prices, consumer spending, which makes up about two-thirds of the economy, has been remarkably resilient, which has been supported by a strong job market and a historically high level of personal savings. However, the lower income consumer is especially vulnerable to price increases in food and energy and recent data suggests these prices are rising at a double-digit pace year over year. Most current economic growth projections have been reduced in anticipation of a greater impact from inflation and higher interest rates and now range from 1-3% in 2022 before trends begin to normalize in 2023. This progression will be dependent on the path of the Russia-Ukraine conflict, the pandemic, as well as the economy's ability to manage through a period of inflation. It is likely that we will experience periods of uneven economic growth similar to what we experienced in 2021 until clarity on the Federal Reserve's policy unfolds.

Market Environment: Market volatility continued into the second quarter with the S&P 500 officially falling into bear market territory (defined as a decline of 20% or more). Despite U.S. dollar strength, both developed and emerging market equities were down, but outperformed U.S. equity markets. Bond prices declined slightly as yields rose following the Federal Reserve's June rate increase to 1.5%. Commodity prices were also down as fear of a global economic slowdown weighed on prices.

Portfolio Response: Following the significant outperformance of commodities during the first quarter of the year, we reduced exposure and added a new position in long-term Treasuries. At the time, long-term Treasury bond prices were down 20% for the year-to-date period. We expect that long-term yields have likely peaked and view this asset class as being attractive, particularly in a slow-growth or recessionary environment.

Performance		Quasi-Endowment	Custom	+ / -	Custom	+ / -	
		Pool	Blended Benchmark		Blended Benchmark		
Quarterly	Q3 - 8/10/22	6.89%	6.39%	0.50%	3.36%	3.16%	0.20%
	Q2 2022	-11.39%	-10.70%	-0.69%	-6.91%	-6.50%	-0.41%
	Q1 2022	-4.64%	-4.53%	-0.11%	-4.83%	-5.37%	0.54%
	Q4 2021	4.58%	4.55%	0.03%	1.81%	1.69%	0.12%
	Q3 2021	-0.74%	-0.41%	-0.33%	-0.08%	-0.13%	0.05%
Annual	2022 - 8/10/22	-9.68%	-9.30%	-0.38%	-8.43%	-8.72%	0.29%
	2022 - 6/30/22	-15.50%	-14.74%	-0.76%	-11.41%	-11.52%	0.11%
	ITD - 8/10/22	7.19%	7.21%	-0.02%	2.88%	3.01%	-0.13%

Quasi-Endowment Pool	Growth/Capital Preservation	
Portfolio Action	Increased	Decreased
Q2 2022	Reduced Commodities	
Long-Term Treasury Bonds		Commodities
Q1 2022	Added to U.S. Equity	
U.S. Value Stocks		Bonds
Developed Market Stocks		Small Cap Growth Stocks
		Emerging Market Stocks

Asset Allocation	Quasi-Endowment Pool	30-Jun-22	Strategic Target	Strategic Pool	30-Jun-22	Strategic Target
Large Cap Equity	\$6,906,310	35%	30%	\$2,677,509	9%	9%
SMID Cap Equity	\$1,922,734	10%	9%	\$943,946	3%	3%
International/EM Equity	\$2,504,035	13%	13%	\$1,244,067	4%	4%
Fixed Income	\$5,784,805	29%	30%	\$19,183,736	68%	70%
Real Assets	\$1,075,385	5%	8%	\$1,067,765	4%	4%
Market Neutral	\$1,403,296	7%	8%	\$2,844,924	10%	8%
Cash	\$220,144	1%	2%	\$358,696	1%	2%
Total	\$19,816,710	100%	100%	\$28,320,643	100%	100%

Balances	Quasi-Endowment	Strategic	Liquidity	Total
Q3 - 8/10/22	\$21,199,557	\$29,281,468	\$5,405,335	\$55,886,360
Q2 2022	\$19,816,710	\$28,320,643	\$9,078,116	\$57,215,469
Q1 2022	\$22,494,942	\$30,423,398	\$14,951,629	\$67,869,968
Q4 2021	\$23,587,258	\$31,970,373	\$19,688,073	\$75,245,703
Q3 2021	\$22,746,728	\$31,402,528	\$24,464,813	\$78,614,069

Withdrawals	Quasi-Endowment	Strategic	Liquidity	Total
Q3 - 8/10/22	\$0	\$0	-\$3,680,000	-\$3,680,000
Q2 2022	-\$112,932	\$0	-\$5,956,000	-\$6,068,932
Q1 2022	\$0	\$0	-\$4,635,500	-\$4,635,500

Illiquidity as of 6/30/22	< 1 Yr	1-3 Yrs	> 3 Yr	Total
Quasi-Endowment Pool	0.00%	0.00%	0.00%	0.00%

Governance Checklist

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

