

SAN BRUNO

Community Foundation

Investment Committee

Pak Lin, *Chair* • Anthony Clifford, Mark Hayes, Tim Ross, and Belinda Wong, *Members*

Leslie Hatamiya, *Executive Director*

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PUBLIC COMMENT: Attendees who want to provide public comment will be asked to fill out a speaker card and submit it with the SBCF Executive Director. Public comment may also be emailed to info@sbcf.org. Comments received via email will not be read aloud during the meeting. Materials related to the agenda distributed after it is published will be available for public inspection at San Bruno City Hall, 567 El Camino Real, San Bruno, in compliance with the Brown Act.

ACCESSIBILITY: In compliance with the Americans with Disabilities Act, individuals requiring special accommodations or modifications to participate in this meeting should contact the SBCF Office 48 hours prior to the meeting at (650) 763-0775 or info@sbcf.org.

Updated May 16, 2025

AGENDA

SAN BRUNO COMMUNITY FOUNDATION

Special Meeting of the Investment Committee

May 21, 2025

4:30 p.m.

Meeting Location:

San Bruno City Hall, 567 El Camino Real, Room 115, San Bruno

Teleconference Meeting: Investment Committee member Tony Clifford will be attending the meeting via teleconference at the following location: 2048 W. Cherry Lane, Boise, ID 83705. In accordance with the Brown Act, a copy of the meeting agenda will be posted at that location and members of the public may attend the meeting and address the legislative body directly at that location.

- 1. Call to Order**
- 2. Roll Call**
- 3. Public Comment:** Individuals are allowed three minutes at this time to comment on items within the jurisdiction of the Committee that are not on this agenda. 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:** February 19, 2025, Regular Investment Committee Meeting

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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. Adopt Resolution Recommending that the SBCF Board of Directors Redesignate \$1,000,000 Currently in the Quasi-Endowment Pool to the Strategic Pool for Fiscal Year 2024-2025
- c. Conduct Annual Review of SBCF's Investment Policy Statement and Investment Operating Plan and Recommend Modifications to the Investment Policy Statement and Investment Operating Plan and/or Redesignations of SBCF Investment Funds to the SBCF Board of Directors:
 - 1) Discuss the May 7, 2025, Directive from the Board to Review and Make Recommendations to Update the SBCF Investment Policy Statement and Investment Operating Plan to Reflect the Changes in Strategy Approved by the Board, including Spending Down Most of the Foundation's Total Net Assets as of the End of the Current Fiscal Year in the Near-to-Mid-Term on At Least One Large Legacy Project and Winding Down All Other Programs;
 - 2) Consider Two Options to Implement Investment Updates to Reflect the Changes in Strategy and Approve One of the Following Resolutions: (a) Resolution Recommending that the SBCF Board of Directors Approve the SBCF Restated Investment Policy Statement, Terminate the Investment Operating Plan, and Redesignate All Funds in the Quasi-Endowment Pool and the Strategic Pool as of July 1, 2025, to the Liquidity Pool, with an Interim Redesignation of All Funds in the Quasi-Endowment Pool to the Strategic Pool, if Necessary, or (b) Resolution Recommending that the SBCF Board of Directors Redesignate All Funds in the Quasi-Endowment Pool as of July 1, 2025, to the Strategic Pool; and
 - 3) Discuss Request by Community Members for the Foundation to Adopt a Socially Responsible Investment Strategy and Provide Any Guidance to the Board in Light of Changes in Strategy

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7. Committee Member Comments

8. **Adjourn:** The next regular meeting of the Investment Committee will be held on Wednesday, August 20, 2025, at 4:30 p.m.

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MINUTES

SAN BRUNO COMMUNITY FOUNDATION

Regular Meeting of the Investment Committee

February 19, 2025

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, Clifford, and Wong, present; Committee Members Hayes and Ross, excused.
- 3. Public Comment:** None.
- 4. Approval of Minutes:** November 20, 2024, Regular Investment Committee Meeting: Committee Member Wong moved to approve the minutes of the November 20, 2024, Regular Meeting, seconded by Committee Member Clifford, passed unanimously by roll call vote (Hayes and Ross, absent).
- 5. Executive Director's Report**

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

- **Community Grants Fund:** Ms. Hatamiya reported that the Foundation Board approved 29 Community Grants totaling \$300,000 in December. The Board has been busy presenting grant checks to the community groups, primarily in person.
- **Crestmoor Scholarship:** She said that the 2025 Crestmoor Scholarship program launched in December, with a March 4, 2025, application deadline. The Foundation plans to award \$165,000 in scholarships this spring.
- **Recreation and Aquatic Center (RAC):** Ms. Hatamiya reported that the Foundation received quarterly RAC grant reports from the City and paid out \$248,248 on the construction grant. In

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total, the Foundation has paid out about \$51.2 million of the \$51.5 million committed for the design and construction of the RAC, with a balance of approximately \$305,000 remaining to be paid. She noted that at the March Board meeting, City staff is scheduled to provide its final update on the construction of the RAC and the first report on the three-year, \$2.25 million RAC Startup Programming and Outreach grant the Board approved in September. No grant payments have yet been disbursed on the latter grant, as payments will be made on an annual basis starting in August 2025.

- **Downtown Beautification Grant:** Ms. Hatamiya reported that the City is moving forward with its various downtown beautification projects, but progress is going slower than expected and the schedule has been extended. As a result, the Foundation and the City are in the process of amending the grant agreement to extend the grant period through the end of 2025.
- **School Athletic Fields Grant:** Ms. Hatamiya reported that the improvements to the field at John Muir Elementary School have been completed and that both the school and local soccer groups are using the field. Improvements to the fields at Belle Air Elementary School and Parkside Intermediate School are still in the planning stages, and the school district is working with the soccer groups to determine the improvements for the Belle Air field. The Parkside field improvements will primarily benefit the softball fields, and the district is working with the San Bruno Girls Softball League to coordinate those improvements.
- **Crestmoor Fields Project:** Ms. Hatamiya reported that in December the Board approved a \$3.4 million strategic grant to the City of San Bruno to help fund Phase 1 of the Crestmoor Fields Project. The sale of the high school property from the San Mateo Union High School District to the developer was recently finalized, so the City is working on the design plans for the field as well as an improvement agreement with the developer, which will construct the fields. The City will begin submitting quarterly grant reports in July, after which the Foundation will begin making quarterly grant payments.
- **San Bruno-Narita Sister City Program Grant Request:** Ms. Hatamiya reported that in December the Board approved three-year grants totaling \$109,000 to the City and to the San Bruno Education Foundation (SBEF) to support the San Bruno-Narita Sister City exchange program and relationship. The Foundation disbursed the Year 1 payment of \$35,000 to SBEF in January and is in the process of disbursing the Year 1 payment of \$15,000 to the City. San Bruno will host this year's delegation from Narita in late March. The San Bruno Park School District is in the process of forming a community committee to help with the program and with fundraising.

Ms. Hatamiya noted that with the latest strategic grants awarded in December, the Foundation has committed the remaining balance of the Strategic Pool.

Ms. Hatamiya then reported on the strategic planning study session the Board held during its February meeting. The study session focused on a discussion of the Foundation's program and investment strategies once the grants totaling \$51.1 million supporting the design and construction of the RAC are

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fully paid out. The Board is focusing its discussions on two options - (1) spending down the remaining funds in the near-to-mid term on one or two large legacy projects and winding down all other programs, and (2) spending down the remaining funds over a set period of time (e.g., 10-25 years) with a target annual budget. After discussing the options and the potential benefits of pursuing a final legacy project, such as a new fire station or library, the Board confirmed that it is still primarily considering the two options. It also created a new Ad Hoc Committee on Strategic Planning, which is charged with researching and evaluating potential program and investment strategies for use of the Foundation's remaining assets, researching potential legacy projects and engaging with potential community partners, such as the City of San Bruno and the San Bruno Park School District, and making recommendations to the Board in the development of the Foundation's post-RAC strategic plan. The goal is to have the Board make at least some broad decisions this spring, so that they can be reflected in the fiscal year 2025-2026 budget, and the Investment Committee may be tasked with reviewing the Investment Policy Statement and the Investment Operating Plan to reflect the future strategy.

Ms. Hatamiya reported that in early December, the City Clerk's office began soliciting applications for one opening on the SBCF Board to be filled immediately for the remainder of Irving Torres' term (through December 31, 2025) and received several applications by the January 10, 2025, application deadline. The City Clerk's office is in the process of scheduling interviews of the Board applicants, after which the City Council will make an appointment.

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. Transfers from the Quasi-Endowment to Liquidity-Operating are budgeted at \$352,218, and \$200,000 was transferred in December 2024, with \$152,218 scheduled for May 2025. Transfers from Strategic to Liquidity are budgeted at \$3,030,152; \$500,000 was transferred in August 2024, and the remaining funds will be transferred as needed to cover expenses and other strategic grant payments.

Finally, Ms. Hatamiya reminded the Committee of its upcoming meetings in 2025: May 21, August 20, and November 19, 2025.

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 Senior Portfolio Manager Meghan DeGroot Daters, Senior Wealth Manager Kristin Sun, and Analyst George Angelopoulos represented SHGA at the meeting.

Ms. Daters gave an overview of the firm's investment outlook, as well as a summary of the firm's current economic forecast, commenting on global risk factors, economic growth, interest rates, inflation, commodity markets, the employment market, corporate earnings, international developed markets, emerging markets, the housing market, and valuation. She noted that through the end of 2024, the economy showed continued strength despite elevated long-term interest rates and that there are

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questions regarding the new federal administration's policies and how they might affect the economy and corporate earnings. She noted that after three years of significant interest rate hikes, the Federal Reserve has begun lowering rates, although the pace at which rates will continue to decline is uncertain.

Mr. Angelopoulos then reviewed the Foundation's Investment Dashboard for the fourth quarter of 2024, including December 31, 2024, balances of \$24,220,497 for the Quasi-Endowment, \$5,436,482 for the Strategic Pool, and \$1,427,413 for the Liquidity Pool (total of \$31,084,392 in all three accounts). He also discussed the performance of the underlying funds in the Foundation's Quasi-Endowment, Strategic, and Liquidity pools. He explained the firm trimmed overweight positions in the S&P 500 and added a new equal-weight S&P 500 ETF and reduced exposure to emerging market stocks.

In reviewing the portfolio balance update, Ms. Sun noted that total withdrawals from the portfolio since inception have been \$61,048,331 to support a long list of community benefits including RAC grants, with \$22,213,916 in total value added since inception.

7. Committee Member Comments: None.

8. Adjourn: Committee Member Clifford moved to adjourn the meeting at 5:30 p.m., seconded by Committee Member Wong, approved unanimously.

Respectfully submitted for approval at the Regular Investment Committee Meeting of May 21, 2025, by
Investment Committee Chair Pak Lin.

Pak Lin, Investment Committee Chair

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Memorandum

DATE: May 15, 2025

TO: Investment Committee, San Bruno Community Foundation

FROM: Leslie Hatamiya, Executive Director

SUBJECT: May 21, 2025, Investment Committee Special Meeting

The Investment Committee of the San Bruno Community Foundation will hold a special meeting at 4:30 p.m. on Wednesday, May 21, 2025, at San Bruno City Hall, Room 115.

1. Executive Director's Report

At each Committee 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 May 21 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.
- The Board's strategic deliberations and decisions made at its recent meeting on May 7, 2025.
- Schedule of transfers from the Quasi-Endowment and Strategic Pool accounts to the Liquidity Pool account for FY2024-2025 to cover the Foundation's cash needs through June 30, 2025, consistent with the FY2024-2025 budget passed by the Foundation Board in June 2024.
- A reminder of upcoming Investment Committee meetings in 2025: August 20 and November 19, both at 4:30 p.m. at San Bruno City Hall.

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, Senior Wealth Manager Kristin Sun, and Analyst George

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Angelopoulos. 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 second quarter of 2025, 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 first quarter of 2025 (third quarter of the fiscal year). The SHGA team will walk the Committee through the attached Investment Dashboard for March 31, 2025, 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. Resolution Recommending that the SBCF Board of Directors Redesignate \$1,000,000 Currently in the Quasi-Endowment Pool to the Strategic Pool for Fiscal Year 2024-2025

On March 2, 2016, on the recommendation of the Ad Hoc Committee on Investment Strategy, the SBCF Board approved selection of Sand Hill Global Advisors as the Foundation's investment adviser. On April 6, 2016, the Board approved the Foundation's Investment Policy Statement ("IPS"), as the high-level policy document governing the Foundation's investment practices. The IPS outlines the purpose and goals of the Foundation's investment portfolio, including three separate pools of 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 – and sets investment goals, objectives, and target asset allocations for each pool.

Also on April 6, 2016, the Board authorized the establishment of three brokerage accounts (for the Quasi-Endowment, Strategic, and Liquidity Pools) with Fidelity Investments and passed a resolution formally requesting the San Bruno City Council to authorize transfer of the remaining balance of the restitution funds to the Foundation. On April 26, 2016, the City Council unanimously approved the Investment Policy Statement, as required by the Foundation's

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Bylaws, and the transfer of the remaining balance of restitution funds (approximately \$69.7 million) to the Foundation.

On May 4, 2016, the Board approved the Foundation's Investment Operating Plan ("IOP") with Sand Hill. While the IPS is a high-level policy document, the IOP is the more detailed operating agreement between the Foundation and its investment adviser. Drafted jointly by the Ad Hoc Committee on Investment Strategy and the Sand Hill team, the Investment Operating Plan follows the principles outlined in the Investment Policy Statement and provides detailed instructions to Sand Hill regarding ongoing management of the three pools of money, including specific asset allocation targets and ranges, as well as guidelines regarding payout and withdrawals. The Board later approved an amendment to the IOP with regard to pool-specific operating guidelines for the Quasi-Endowment Pool on June 7, 2017.

Also on May 4, 2016, the Board approved the following distribution of the restitution funds immediately following receipt from the City of San Bruno to the three Fidelity brokerage accounts:

- \$15 million in the Quasi-Endowment Pool account;
- \$2 million in the Liquidity Pool account; and
- The balance (which was approximately \$52.7 million) in the Strategic Pool account.

The division of funds into the three pools reflected the Board's program strategy, based on the results of the 2015 Community Listening Campaign, to spend approximately \$55 million of the restitution funds on programs and operations in the next 7-10 years, including at least one major community facilities project with the City (which ultimately became the RAC), and designate \$15 million as a Quasi-Endowment with a long-term investment strategy. At the advice of the Sand Hill team, the non-Quasi-Endowment funds were split between the Strategic Pool, with a mid-term investment strategy, and the Liquidity Pool, which is essentially a holding account for funds that are meant to be spent in the near term (0-24 months).

Following the approval of several strategic grants totaling more than \$5.9 million earlier this fiscal year – including \$3.4 million for the Crestmoor Fields Project, \$2.25 million for startup outreach and programming activities at the RAC, \$150,000 for school athletic field improvements, and \$109,000 for the San Bruno-Narita Sister City Program – the Foundation has committed slightly more than the remaining balance of the Strategic Pool, so that as of April 30, 2025, the Foundation's total non-Quasi-Endowment unrestricted net assets is -\$334,787 on the Statement of Financial Position (balance sheet). Note that this depletion of the Strategic Pool took place in the ninth year after the pool's creation, well within the designated 7-10-year spend-down period.

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Accounting Consultant Frank Bittner and I have discussed this situation, and with guidance from our audit team at Novogradac & Company, we believe that to ensure that the Foundation's fiscal year-end financial statements clearly show how current liabilities will be covered, the Board should direct the release of Board-restricted funds for undesignated purposes by transferring a portion of the Board-designated Quasi-Endowment to the Strategic Pool. Upon recommendation from the Investment Committee, the Board could take this action at its June Board meeting, prior to the June 30, 2025, end date of the current fiscal year. Because the fiscal year-end balance of total non-Quasi-Endowment unrestricted net assets will depend in part on the value of the Strategic Pool, and because the market has been very volatile in recent months due to changes in federal tariff and other economic policies, we are recommending a re-designation of \$1 million in funds from the Quasi-Endowment to the Strategic Pool. This amount is more than enough to cover what will likely be the fiscal year-end negative balance of non-Quasi-Endowment unrestricted net assets and may also cover the Foundation's operating expenses in fiscal year 2025-2026. It will ensure that that total non-Quasi-Endowment unrestricted net assets will be a positive number on the Foundation's fiscal year-end financial statements.

We would like the Committee to discuss this issue and then consider the attached resolution recommending that the SBCF Board redesignate \$1,000,000 currently in the Quasi-Endowment Pool to the Strategic Pool by the end of fiscal year 2024-2025.

4. Annual Review of SBCF's Investment Policy Statement and Investment Operating Plan and Recommendations for Modifications to the Investment Policy Statement and Investment Operating Plan and/or Redesignations of SBCF Investment Funds to the SBCF Board of Directors

Under Section II.2.a. of the Investment Policy Statement, the Investment Committee is tasked to "review at least annually the Investment Policy Statement and Investment Operating Plan and monitor compliance with both documents." This year, the Committee's review will take place in the context of strategy decisions the Board recently made at its May 7, 2025, meeting.

a. Strategy Updates Approved by the SBCF Board

The SBCF Board has been engaged in a strategic planning process to review and update the Foundation's program and investment strategies once the grants totaling \$51.5 million supporting the design and construction of the RAC, the Foundation's most significant strategic initiative, are fully paid out. Upon recommendation of the Ad Hoc Committee on Strategic Planning and after considerable public comment and discussion by Board members, on May 7

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the Board approved a resolution providing direction on changes to the Foundation's strategy as follows:

- Update the Foundation's program and investment strategies to spend down the bulk of the Foundation's remaining total net assets at the end of the current fiscal year in the near-to-mid-term on at least one large legacy project and wind down all other programs;
- Identify a new Fire Station No. 52 as the Foundation's top choice for the legacy project to receive most of the total net assets earmarked for legacy projects and direct the Foundation President and Executive Director to send a letter to the San Bruno City Council to communicate this decision and seek the City Council's agreement to the Foundation serving as a funding partner on a new Fire Station No. 52;
- Direct the discontinuation of all other programs, including the Crestmoor Scholarship and the Community Grants Fund, at the end of the current fiscal year in order to maximize preservation of the Foundation's net assets for any legacy projects;
- Direct the Ad Hoc Committee on Strategic Planning to review the Foundation's Program Strategy Framework and recommend any needed updates to reflect the above changes in strategy;
- Direct the Investment Committee to review the Foundation's Investment Policy Statement and Investment Operating Plan and recommend any needed updates to both documents to reflect the above changes in strategy; and
- Direct the Executive Director to review staffing needs and begin trimming operating expenses, as appropriate, in the fiscal year 2025-2026 budget to reflect the above changes in strategy.

The Board approved these actions with the strong belief that spending down the remaining net assets on at least one additional legacy project, in combination with the nearly \$66 million in direct investments that the Foundation has made since 2016, fulfill the Foundation's purpose, as articulated in the Bylaws, 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 the Board's view, the RAC, a decade of Community Grants and Crestmoor Scholarships, about \$10 million in other strategic

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initiatives, and at least one more major capital project will be a tremendous and meaningful tribute to the Crestmoor neighborhood and leave a legacy whose impact would be felt for decades throughout the San Bruno community. Moreover, the Board believes that investing the bulk of the Foundation's remaining net assets in one or two legacy projects will have a more consequential and lasting impact than making smaller annual community investments by awarding Crestmoor Scholarships, Community Grants, and other, more modest strategic grants over the next 15-20 years. The Board noted that continuing the Foundation in perpetuity has never been a part of the Foundation's mandate and expressed concerns that operating expenses would make up a much larger percentage of the budget compared with grants and scholarships awarded if the Foundation were to continue its current programs indefinitely. The Board also noted that while ending popular programs like the Crestmoor Scholarship and the Community Grants Fund is difficult, concluding those programs is necessary to maximize the funds available for any final legacy projects.

The Board is targeting a new Fire Station No. 52 as the main legacy project to which to commit the bulk of its remaining net assets as the capital project that the City can most realistically accomplish in the next half decade. The City has identified Fire Station No. 52, which currently is located in the Crestmoor neighborhood, as outdated and in need of seismic improvements. Construction of a new fire station, which the City has been preliminarily exploring in the development and post-voter approval of Measure Q, is likely to be in the \$20 million-\$25 million range, and grant funding in the range of \$15 million to \$19 million from the Foundation would make a substantial contribution to the overall project cost, with Measure Q funds available to cover the remaining balance. A Foundation investment in the fire station replacement project will allow the City to redirect Measure Q funds currently penciled in for that use to much-needed and community-supported street and stormwater infrastructure improvements, estimates of which exceed the \$102 million that Measure Q will raise. Moreover, the Board views investment in a new Fire Station No. 52 as a fitting final, "full-circle" project for the Foundation, given the Foundation's origins.

While the Board is earmarking the bulk of the Foundation's remaining net assets for the fire station, it leaves open the possibility of considering one or two additional, smaller strategic grant initiatives to be funded by a portion of the remaining funds, such as the funding of permanent lighting as part of the Crestmoor Fields Project or a final contribution to support San Bruno's public schools.

To maximize the available funds for the final legacy projects, the Foundation will conclude the Community Grants Fund and the Crestmoor Scholarship at the end of this fiscal year. The Foundation will complete its current cycle of Crestmoor Scholarships, which are in the process of being awarded, and neither the Crestmoor Scholarship nor the Community Grants Fund will be offered during the 2025-2026 fiscal year. Discontinuation of these programs will not only

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preserve the funds that would otherwise be awarded in grants and scholarships, but also result in reductions in the Foundation's operational expenses.

Going forward, the Foundation will focus its program activities primarily on the development and implementation of the Fire Station No. 52 project and any other final legacy projects. The Foundation will likely structure its financial support for any major capital projects similar to the way it structured its investment in the RAC, with multiple grants funding various stages of the design and construction process. In addition to pursuing any legacy project options, the Foundation will finish the administration of previously awarded grants and scholarships, many of which are multi-year and involve additional payments of grant and scholarship funds and reporting obligations of grantees and scholarship recipients.

The total amount to be committed to the final legacy projects will likely be determined at the beginning of the 2025-2026 fiscal year based on the total net assets as of June 30, 2025 (the final day of the 2024-2025 fiscal year). As of April 30, 2025, total net assets were approximately \$23.8 million, down from \$24.5 million just two months earlier. The June 30 total net assets figure will depend on additional program and operating expenses incurred through the end of the fiscal year as well as the performance of the Foundation's investment portfolio.

To ensure that the Foundation has more than sufficient funds to cover its operating expenses through the completion of administration of any previously awarded grants and scholarships and any soon-to-be awarded legacy project grants (at least another five years), the Foundation will likely reserve \$5 million from the Foundation's June 30, 2025, total net assets, and the remaining balance will be the total amount available for the final legacy projects. The specific amount for the fire station project will be determined after the City has agreed to partner with the Foundation on the project and the Foundation has received additional cost and related information on permanent lighting at the Crestmoor Fields and the San Bruno Park School District's strategic initiatives. If there are any funds remaining, including any future investment income accrued, after all grant and scholarship commitments have been fully disbursed and administered, the Board will be able to grant all or a portion of those remaining funds to the fire station project or any other strategic initiatives as appropriate at that time.

Under its fifth directive above, the Board has tasked the Investment Committee with reviewing both the IPS and IOP and making recommendations for updates to reflect the Board's change in strategy. As part of the Committee's charge to provide guidance to the Board on all aspects of the investment management process, these recommendations may include redesignations of funds in the Foundation's investment portfolio as appropriate to reflect the change in strategy. As part of this review, the Investment Committee has also been asked to provide the Board with guidance on considering the request that several community members made last year for

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the Foundation to adopt a socially responsible investment strategy, given that the plan is to spend down the remaining assets in the next half decade or so.

b. Two Options for Committee Consideration

In consultation with the Sand Hill team, I present to the Committee two options for implementing needed updates to reflect the Board-approved changes in strategy.

The first option is to recommend that the Board transfer all funds in the Quasi-Endowment Pool and the Strategic Pool as of July 1, 2025, to the Liquidity Pool, amend the IPS to reflect the transition from three pools of funds to just one, and terminate the IOP.

It is instructive to recount the Foundation's cash flow strategy to cover the \$51.5 million awarded to the City for the design and construction of the RAC. Under the original three-pool structure, the funds earmarked for the RAC project came from the Strategic Pool and were gradually transferred to the Liquidity Pool to make payments on the eight RAC grants. In March 2017, the Board expressed its support for the concept of the Foundation making a strategic grant to the City of San Bruno for the planning, design, and construction of a new recreation and aquatic center in an amount not to exceed \$50 million and directed the Executive Director to proceed with negotiating and proposing the terms of such grant arrangement with the City of San Bruno. The Board approved the first RAC grant, for conceptual design, in late 2017, and the final and largest grant, for construction, was approved in June 2021.

In the spring of 2018, the architectural firm designing the RAC provided a preliminary timeline of the estimated expenditures of the key remaining stages of the project (construction documents and construction), which at the time was anticipated to run through fiscal year 2021-2022. Using this preliminary estimate of the cash flow needs anticipated to fund the RAC project along with estimates of other strategic grant commitments and annual operating expenses, the Sand Hill team presented the Committee with cash flow testing analysis of the Strategic Pool. With this analysis, the Committee discussed in May 2018 how best to manage funds in the Strategic Pool to meet the Foundation's cash flow needs with regard to the RAC project. The Committee weighed the desire to keep the funds needed for the RAC in the (conservatively invested) Strategic Pool account so that those funds would continue to have the potential to reap positive investment returns against the potential risk of experiencing a significant decline in value of the Strategic Pool due to market volatility. The Committee recommended, and the Board approved, transferring, at the beginning of fiscal year 2018-2019, \$10 million from the Strategic Pool to the Liquidity Pool to protect those funds from fluctuations in the market (we named this subaccount "Liquidity-RAC," as distinguished from the funds in the Liquidity Pool needed to pay out the current year's cash needs). The \$10 million figure was based, in part, on the architect's projection that cash flow needs for the RAC

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project would be about \$12.7 million in fiscal year 2019-2020. At the Investment Committee's recommendation, the Foundation continued to move additional funds, as needed, from the Strategic Pool to the Liquidity Pool for the RAC project. The Liquidity-RAC subaccount was depleted and closed in July 2022, and we completed the final transfer of \$20.7 million of the original \$50 million RAC commitment from the Strategic Pool to the Liquidity Pool for the RAC in September 2022. When the Board agreed to provide an additional \$1.5 million for construction contingency in the spring of 2023, at the Committee's recommendation we immediately transferred \$1.5 million from Strategic to Liquidity to cover the additional commitment of funds for construction contingency.

The Sand Hill team and I recommend that the Foundation take a similarly conservative approach with the funds in the Foundation's remaining investment accounts, now that the Board has committed to using the bulk of the total net assets in the next five years or so on a small number of final legacy projects. Once the Board committed in principle to the RAC project, we took steps to ensure that the funds would be available to cover the RAC grant payments as the project progressed, first by moving \$10 million to the Liquidity-RAC subaccount fairly early in the project and then moving the final \$20 million from Strategic to Liquidity once the projected conclusion of the grants was anticipated within the next two fiscal years.

Throughout the RAC project, the Quasi-Endowment served as a backstop in the event that a catastrophic market disruption significantly decreased the value of the Strategic Pool below the remaining balance needed to cover the RAC grants. Although the Quasi-Endowment was not intended to be used to fund the RAC, it could have been tapped if necessary to fulfill the Foundation's obligations under the RAC grants. Now, because the Board intends to spend down the remaining net assets, there will not be a similar cushion in the event of a significant market downturn. This means that it would be prudent for the Foundation to take an even more cautious approach to ensuring that the Foundation has the funds to fulfill its commitment to the fire station or any other additional legacy projects.

The most conservative approach is the option of transferring all funds in the Quasi-Endowment and the Strategic Pool as of July 1, 2025, to the Liquidity Pool to ensure that the Foundation's investment portfolio does not fall below its current level. It prevents the potential upside of having funds in the Quasi-Endowment or Strategic pools, but it also preserves the more than \$21 million in total value added to the portfolio since inception. Moreover, with interest rates remaining relatively high, the Liquidity Pool continues to realize investment gains.

This approach requires amending the IPS to reflect the single investment pool of funds and terminating the IOP. Ms. Sun has drafted a proposed updated version of the IPS ("Restated Investment Policy Statement" or "Restated IPS"). Attached to this memorandum is a clean

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version of the Restated IPS as well as a redline version showing how the new version differs from the original IPS. The Restated IPS is structured similarly to the original IPS, outlining the Foundation's purpose and goals, roles and responsibilities, policy review, investment goals and objectives, asset allocation, spending policy, and conflicts of interest – all focused solely on the Liquidity Pool. The IOP was created as an agreement between the Foundation and Sand Hill to provide detailed instructions regarding ongoing management of the three pools of money, including specific asset allocation targets and ranges, as well as guidelines regarding payout and withdrawals. The more detailed instructions have been particularly helpful and necessary with regard to the Quasi-Endowment and Strategic Pool. With the transition to just the Liquidity Pool, which is simpler and limited to cash/cash equivalents and short-duration fixed income, we feel that a separate IOP is not needed and key sections of the IOP can be incorporated into the Restated IPS. Thus, the proposed Restated IPS adds several sections on investment guidelines, investment procedures, and controls and monitoring, which were originally part of the IOP. The controls and monitoring section in the updated IPS is a combination of the investment manager reporting and evaluation section of the original IPS and the controls and monitoring section of the IOP. Please note that in terminating the IOP, the Foundation would not be terminating its relationship with Sand Hill; under the Foundation's professional services agreement with Sand Hill, Sand Hill would continue to serve as the Foundation's investment adviser and manage the Foundation's investment portfolio in accordance with the Restated IPS.

Under Article XVI of the SBCF Bylaws, any amendments to the IPS must be approved by the San Bruno City Council. Thus, if the Committee were to recommend this first option to the Board and the Board approves it at its next meeting on June 4, 2025, the Restated IPS would then be sent to the City Council for consideration and approval. With less than a month to the end of the fiscal year, there would be a real possibility that the City Council would not take action on the Restated IPS by June 30, 2025. In that case, the original IPS would remain in effect on July 1, 2025, and the Foundation would not be able to transfer all funds in the Quasi-Endowment and the Strategic Pool to the Liquidity Pool and stay in compliance with the original IPS until the City Council approves the Restated IPS. As a result, if the City Council has not approved the Restated IPS by June 30, 2025, the resolution implementing the first option calls for an interim redesignation of all funds in the Quasi-Endowment as of July 1, 2025, to the Strategic Pool. This interim step is similar to the second option below and would decrease the portfolio's exposure to market volatility by at least removing funds from the Quasi-Endowment. As explained below, if this step were needed, it would not require any revisions to the IPS. Once the City Council approves the Restated IPS, the Restated IPS would take effect and all funds would be redesignated from the Strategic Pool to the Liquidity Pool. Termination of the IOP would not take place until the Restated IPS becomes effective.

The second option is to leave the IPS and IOP in place in their current form at this time and to recommend that the Foundation transfer all funds in the Quasi-Endowment as of July 1, 2025,

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to the Strategic Pool, at least until the City formally accepts the Foundation's offer to help fund construction of a new Fire Station No. 52. Under the current IPS, the Strategic Pool is earmarked to cover the costs of major strategic grantmaking projects, including capital improvements of community facilities, over a 7-10 year period. The Strategic Pool has greater potential for capital appreciation than the Liquidity, and it may take months or longer for the Foundation to formally commit to another major legacy project, especially if the City decides to turn down the Foundation's funding offer. At the same time, the Strategic Pool brings greater investment risk than the Liquidity Pool, especially given the volatility the market has experienced in recent months. With the change in strategy the Board has embraced, the Quasi-Endowment may no longer be an appropriate investment pool for the Foundation's remaining investment funds. But moving all Quasi-Endowment funds to the Strategic Pool, rather than directly to the Liquidity Pool, might be an appropriate step while the Board waits for any final major legacy projects to be confirmed. This option does not require an immediate update to the IPS and would only require a decision by the Board to redesignate all funds in the Quasi-Endowment to the Strategic Pool. The Quasi-Endowment would continue to be referenced in the IPS and IOP, but the balance of that pool would be zero. Once any final legacy projects are confirmed, the Committee can then consider recommending updates to the Investment Policy Statement such as those included under the first option.

Attached are separate resolutions that reflect the two different options we ask the Committee to consider. We ask the Committee to consider both options on May 21 and to approve one of the two resolutions.

c. Guidance to the Board on the Request to Adopt a Socially Responsible Investment Strategy

As mentioned above, as part of this review, the Board has asked the Investment Committee to provide guidance on considering the request that several community members made last year for the Foundation to adopt a socially responsible investment strategy, and we would like the Committee to discuss this question on May 21. Both options being presented to the Committee effectively terminate the Quasi-Endowment, and according to the Sand Hill team, the options for following a socially responsible investment strategy would be limited and not advised for the Strategic Pool, which is greater than 72% fixed income, and virtually impossible for the Liquidity Pool, which is limited to short-duration fixed income and cash/cash equivalents. The Board's decision to spend down the remaining net assets and the related transfer of funds to either the Strategic Pool or Liquidity Pool appears to render the question of adopting a socially responsible investment strategy moot.

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Attachments:

1. SBCF Investment Dashboard, as of March 31, 2025
2. Resolution Recommending that the SBCF Board of Directors Redesignate \$1,000,000 Currently in the Quasi-Endowment Pool to the Strategic Pool for Fiscal Year 2024-2025
3. Resolution Recommending that the SBCF Board of Directors Approve the SBCF Restated Investment Policy Statement, Terminate the Investment Operating Plan, and Redesignate All Funds in the Quasi-Endowment Pool and the Strategic Pool as of July 1, 2025, to the Liquidity Pool, with an Interim Redesignation of All Funds in the Quasi-Endowment Pool to the Strategic Pool, if Necessary
4. Exhibit A: Restated SBCF Investment Policy Statement
5. Redline of Restated SBCF Investment Policy Statement, compared with the SBCF Investment Policy Statement, as approved by the SBCF Board of Directors on April 6, 2016, and by the San Bruno City Council on April 26, 2016
6. Resolution Recommending that the SBCF Board of Directors Redesignate All Funds in the Quasi-Endowment Pool as of July 1, 2025, to the Strategic Pool
7. SBCF Investment Policy Statement, as approved by the SBCF Board of Directors on April 6, 2016, and by the San Bruno City Council on April 26, 2016
8. SBCF Investment Operating Plan, as approved by the SBCF Board of Directors on May 4, 2016, and amended on June 7, 2017

The San Bruno Community Foundation Investment Dashboard

As of March 31, 2025

Current Outlook:

Economic Environment: When the year began, economic growth was healthy based on a broad range of measures. Recent surveys and sentiment indicators such as consumer confidence and business outlook surveys have shown signs of softening growth. Meanwhile, more concrete and quantifiable measures — including retail sales, inflation, corporate earnings, and industrial production — have suggested that overall economic health remains intact. Concerns over tariffs and their potential inflationary effects, along with the new administration’s extensive agenda, have contributed to market uncertainty. In our view, prolonged uncertainty — especially regarding tariffs — could amplify negative economic impacts. However, even if the economy slows, we don’t expect the decline to be significant enough to trigger a recession. We expect GDP growth during the first quarter to be muted as significant imports came into the country ahead of potential tariffs, and these detracted from growth. Importantly, underlying consumption trends have remained healthy and should support a growth in subsequent quarters. Furthermore, the current administration has yet to address regulation and corporate taxes, which if enacted, would support healthy business trends.

Market Environment: The first quarter of 2025 saw increased volatility, marking the first meaningful pullback since last summer. The primary drivers were concerns over potential tariff-driven inflation and its impact on corporate profitability and overall consumption. Diversification played a key role in mitigating volatility, as international equities, bonds, commodities, and REITs all posted gains during the quarter. Losses were mainly concentrated in U.S. stocks, with technology and growth sectors experiencing the steepest corrections.

Portfolio Response: Following a mid-teens pull back in growth stocks, we added a new position in an ETF that invests in the largest 100 stocks in the Nasdaq. We trimmed commodities and bonds to fund this purchase following strong performance from both asset classes.

| Performance | | Quasi-Endowment Pool | Custom Blended Benchmark | + / - | Strategic Pool | Custom Blended Benchmark | + / - |
|---------------|---------|----------------------|--------------------------|--------|----------------|--------------------------|--------|
| Quarterly | Q1 2025 | -0.37% | -0.15% | -0.22% | 1.68% | 1.75% | -0.07% |
| | Q4 2024 | -1.59% | -1.59% | 0.00% | -2.38% | -2.51% | 0.13% |
| | Q3 2024 | 6.19% | 6.49% | -0.30% | 5.63% | 5.68% | -0.05% |
| | Q2 2024 | 1.24% | 1.26% | -0.02% | 0.51% | 0.45% | 0.06% |
| Annual | 2024 | 10.95% | 10.36% | 0.59% | 4.62% | 4.27% | 0.35% |
| | 2023 | 13.99% | 14.08% | -0.09% | 8.03% | 8.31% | -0.28% |
| | 2022 | -15.16% | -14.49% | -0.67% | -11.84% | -13.12% | 1.28% |
| | 2021 | 13.21% | 12.81% | 0.40% | 4.47% | 3.42% | 1.05% |
| | 2020 | 14.55% | 11.61% | 2.94% | 8.79% | 8.48% | 0.31% |
| ITD - 3/31/25 | | 7.01% | 7.04% | -0.03% | 3.18% | 3.14% | 0.04% |

| Quasi-Endowment Pool Portfolio Action | Increased | Decreased | Growth/Capital Preservation |
|---------------------------------------|-------------------------------------|-----------------------------------|-----------------------------|
| Q1 2025 | Took Advantage Of Market Volatility | | 64/36 |
| | Large Cap Growth Stocks | Commodities Bonds | |
| Q4 2024 | Added to Domestic Equity | | 63/37 |
| | Equal Weight S&P 500 | S&P 500 Emerging Market Stocks | |

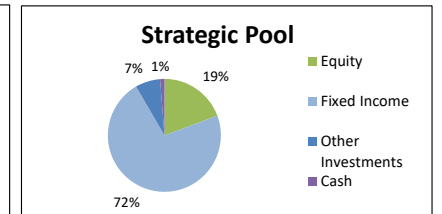
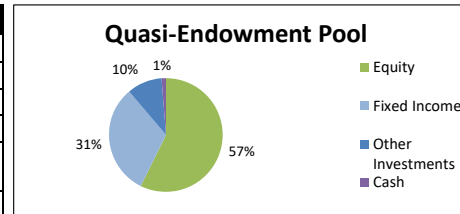
| Balances | Quasi-Endowment | Strategic | Liquidity | Total |
|----------|-----------------|-------------|-------------|--------------|
| Q1 2025 | \$24,135,126 | \$5,529,316 | \$794,353 | \$30,458,795 |
| Q4 2024 | \$24,220,497 | \$5,436,482 | \$1,427,413 | \$31,084,392 |
| Q3 2024 | \$24,794,060 | \$5,568,594 | \$1,543,419 | \$31,906,073 |
| Q2 2024 | \$23,344,053 | \$5,756,621 | \$1,310,339 | \$30,411,013 |

| Net Cash Flows | Quasi-Endowment | Strategic | Liquidity | Total |
|----------------|-----------------|------------|--------------|--------------|
| Q1 2025 | \$0 | \$0 | -\$647,000 | -\$647,000 |
| Q4 2024 | \$0 | \$0 | -\$327,250 | -\$327,250 |
| Q3 2024 | \$0 | -\$500,000 | \$212,000 | -\$288,000 |
| Q2 2024 | -\$172,843 | \$0 | -\$1,743,157 | -\$1,916,000 |

| Illiquidity as of 3/31/25 | < 1 Yr | 1-3 Yrs | > 3 Yr | Total |
|---------------------------|--------|---------|--------|-------|
| Quasi-Endowment Pool | 2.00% | 0.00% | 0.00% | 2.00% |

| Asset Allocation | Quasi-Endowment Pool | 31-Mar-25 | Strategic Target | Strategic Pool | 31-Mar-25 | Strategic Target |
|-------------------------|----------------------|-------------|------------------|--------------------|-------------|------------------|
| Large Cap Equity | \$8,174,016 | 34% | 30% | \$559,750 | 10% | 9% |
| SMID Cap Equity | \$2,471,141 | 10% | 9% | \$212,767 | 4% | 3% |
| International/EM Equity | \$3,190,089 | 13% | 13% | \$296,963 | 5% | 4% |
| Fixed Income | \$7,597,045 | 31% | 30% | \$3,997,895 | 72% | 70% |
| Real Assets | \$1,337,325 | 6% | 8% | \$141,605 | 3% | 4% |
| Market Neutral | \$1,073,619 | 4% | 8% | \$251,130 | 5% | 8% |
| Cash | <u>\$291,891</u> | <u>1%</u> | <u>2%</u> | <u>\$69,207</u> | <u>1%</u> | <u>2%</u> |
| Total | \$24,135,126 | 100% | 100% | \$5,529,316 | 100% | 100% |

| 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. | ✓ |



RESOLUTION NO. 2025-__

**RESOLUTION OF THE SAN BRUNO COMMUNITY FOUNDATION INVESTMENT COMMITTEE
RECOMMENDING THAT THE SBCF BOARD OF DIRECTORS REDESIGNATE \$1,000,000
CURRENTLY IN THE QUASI-ENDOWMENT POOL TO THE STRATEGIC POOL FOR FISCAL YEAR
2024-2025**

WHEREAS, on April 6, 2016, the SBCF Board of Directors approved the Foundation's Investment Policy Statement, as the high-level policy document governing the Foundation's investment practices;

WHEREAS, the Investment Policy Statement outlines the purpose and goals of the Foundation's investment portfolio, including three separate pools of 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 – and sets investment goals, objectives, and target asset allocations for each pool;

WHEREAS, also on April 6, 2016, the Board authorized the establishment of three brokerage accounts (for the Quasi-Endowment, Strategic, and Liquidity Pools) with Fidelity Investments and passed a resolution formally requesting the San Bruno City Council to authorize transfer of the remaining balance of the restitution funds resulting from the City of San Bruno's settlement agreement with PG&E subsequent to the 2010 gas pipeline explosion in the Crestmoor neighborhood to the Foundation;

WHEREAS, on April 26, 2016, the City Council unanimously approved the Investment Policy Statement, as required by the Foundation's Bylaws, and the transfer of the remaining balance of restitution funds (approximately \$69.7 million) to the Foundation;

WHEREAS, on May 4, 2016, the Board approved the following distribution of the restitution funds immediately following receipt from the City of San Bruno to the three Fidelity brokerage accounts: \$15 million in the Quasi-Endowment Pool account, \$2 million in the Liquidity Pool account, and the balance (which was approximately \$52.7 million) in the Strategic Pool account;

WHEREAS, following the approval of several strategic grants totaling more than \$5.9 million earlier this fiscal year – including \$3.4 million for the Crestmoor Fields Project, \$2.25 million for startup outreach and programming activities at the San Bruno Recreation and Aquatic Center, \$150,000 for school athletic field improvements, and \$109,000 for the San Bruno-Narita Sister City Program – the Foundation made commitments exceeding the remaining balance of the Strategic Pool; and

WHEREAS, to ensure that the Foundation’s fiscal year-end financial statements clearly show how current liabilities will be covered, the Investment Committee recommends that the Board release Board-restricted funds for undesignated purposes by transferring a portion of the Quasi-Endowment to the Strategic Pool prior to the end of the 2024-2025 fiscal year.

NOW, THEREFORE, BE IT RESOLVED that the Investment Committee recommends that the Board of Directors redesignate \$1,000,000 currently in the Quasi-Endowment Pool to the Strategic Pool for fiscal year 2024-2025 and direct the Executive Director, in consultation with the Foundation’s investment management team at Sand Hill Global Advisors, LLC, to implement this redesignation no later than June 30, 2025.

Dated: May 21, 2025

ATTEST:

Pak Lin, Investment Committee Chair

I, Pak Lin, Chair, do hereby certify that the foregoing Resolution No. 2025-__ was duly and regularly passed and adopted by the Investment Committee of the San Bruno Community Foundation on this 21st day of May, 2025, by the following vote:

AYES: Committee members:

NOES: Committee members:

ABSENT: Committee members:

RESOLUTION NO. 2025-__

**RESOLUTION OF THE SAN BRUNO COMMUNITY FOUNDATION INVESTMENT COMMITTEE
RECOMMENDING THAT THE SBCF BOARD OF DIRECTORS APPROVE THE SBCF RESTATED
INVESTMENT POLICY STATEMENT, TERMINATE THE INVESTMENT OPERATING PLAN, AND
REDESIGNATE ALL FUNDS IN THE QUASI-ENDOWMENT POOL AND THE STRATEGIC POOL AS
OF JULY 1, 2025, TO THE LIQUIDITY POOL, WITH AN INTERIM REDESIGNATION OF ALL FUNDS
IN THE QUASI-ENDOWMENT POOL TO THE STRATEGIC POOL, IF NECESSARY**

WHEREAS, on April 6, 2016, the SBCF Board of Directors approved the Foundation's Investment Policy Statement, as the high-level policy document governing the Foundation's investment practices;

WHEREAS, the Investment Policy Statement outlines the purpose and goals of the Foundation's investment portfolio, including three separate pools of 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 – and sets investment goals, objectives, and target asset allocations for each pool;

WHEREAS, also on April 6, 2016, the Board authorized the establishment of three brokerage accounts (for the Quasi-Endowment, Strategic, and Liquidity Pools) with Fidelity Investments and passed a resolution formally requesting the San Bruno City Council to authorize transfer of the remaining balance of the restitution funds resulting from the City of San Bruno's settlement agreement with PG&E subsequent to the 2010 gas pipeline explosion in the Crestmoor neighborhood to the Foundation;

WHEREAS, on April 26, 2016, the City Council unanimously approved the Investment Policy Statement, as required by the Foundation's Bylaws, and the transfer of the remaining balance of restitution funds (approximately \$69.7 million) to the Foundation;

WHEREAS, on May 4, 2016, the Board approved the following distribution of the restitution funds immediately following receipt from the City of San Bruno to the three Fidelity brokerage accounts: \$15 million in the Quasi-Endowment Pool account, \$2 million in the Liquidity Pool account, and the balance (which was approximately \$52.7 million) in the Strategic Pool account;

WHEREAS, also on May 4, 2016, the Board approved the Foundation's Investment Operating Plan with its investment adviser, Sand Hill Global Advisors, LLC, and the Investment Operating Plan follows the principles outlined in the Investment Policy Statement and provides detailed instructions to Sand Hill Global Advisors regarding ongoing management of the three

pools of money, including specific asset allocation targets and ranges, as well as guidelines regarding payout and withdrawals;

WHEREAS, on June 7, 2017, the Board approved an amendment to the Investment Operating Plan with regard to pool-specific operating guidelines for the Quasi-Endowment Pool;

WHEREAS, beginning in late 2023, the Board engaged in a strategic planning process to review and update the Foundation's program and investment strategies once the grants totaling \$51.5 million supporting the design and construction of the San Bruno Recreation and Aquatic Center, the Foundation's primary legacy project, are fully paid out;

WHEREAS, on May 7, 2025, the Board approved updating the Foundation's program and investment strategies to spend down the bulk of the Foundation's remaining total net assets as of the end of the current fiscal year in the near-to-mid term on at least one large legacy project and wind down all other programs, identified a new Fire Station No. 52 as the Foundation's top choice for the legacy project to receive most of the total net assets earmarked for legacy projects, and directed the discontinuation of all other programs, including the Crestmoor Scholarship and the Community Grants Fund, at the end of the current fiscal year in order to maximize preservation of the Foundation's net assets for any legacy projects;

WHEREAS, the Board also directed the Investment Committee to review the Foundation's Investment Policy Statement and Investment Operating Plan and recommend any needed updates to both documents to reflect the above changes in strategy; and

WHEREAS, now that the Board has committed to using the bulk of the total net assets as of June 30, 2025, in the next five years on a small number of final legacy projects and has communicated to the San Bruno City Council its desire to partner with the City of San Bruno to fund the construction of a new Fire Station No. 52, the Investment Committee recommends that the Foundation take a conservative approach to ensure preservation of all funds in the Foundation's investment portfolio.

NOW, THEREFORE, BE IT RESOLVED that the Investment Committee recommends that the Board of Directors approve the SBCF Restated Investment Policy Statement attached as Exhibit A, which reorganizes the Foundation's investment portfolio into a single pool of funds (Liquidity Pool) and incorporates relevant provisions of the Investment Operating Plan, to take effect no earlier than July 1, 2025, and, per Article XVI of the SBCF Bylaws, request that the San Bruno City Council consider and approve the SBCF Restated Investment Policy Statement.

BE IT RESOLVED FURTHER that the Investment Committee recommends that the Board of Directors terminate the Investment Operating Plan as of the date the SBCF Restated Investment Policy Statement becomes effective, as the Investment Operating Plan is no longer needed in light of the SBCF Restated Investment Policy Statement.

BE IT RESOLVED FURTHER that the Investment Committee recommends that the Board of Directors redesignate all funds in the Quasi-Endowment Pool and the Strategic Pool as of July 1, 2025, to the Liquidity Pool; however, if the San Bruno City Council has not approved the SBCF Restated Investment Policy Statement before July 1, 2025, all funds in the Quasi Endowment as of July 1, 2025, will be redesignated to the Strategic Pool, and then, at the time the San Bruno City Council has approved the SBCF Restated Investment Policy Statement, all funds in the Strategic Pool will be redesignated to the Liquidity Pool.

Dated: May 21, 2025

ATTEST:

Pak Lin, Investment Committee Chair

I, Pak Lin, Chair, do hereby certify that the foregoing Resolution No. 2025-__ was duly and regularly passed and adopted by the Investment Committee of the San Bruno Community Foundation on this 21st day of May, 2025, by the following vote:

AYES: Committee members:

NOES: Committee members:

ABSENT: Committee members:

SAN BRUNO

Community Foundation

RESTATED INVESTMENT POLICY STATEMENT

Amended and Restated by the SBCF Board of Directors, _____, 2025

Effective _____ 2025, this Investment Policy Statement supersedes the prior version approved by the SBCF Board of Directors on April 6, 2016, and the San Bruno City Council on April 26, 2016. It also supersedes the Investment Operating Plan approved by the SBCF Board of Directors on May 4, 2016, and amended on June 7, 2017. Effective immediately, SBCF will operate under this Restated Investment Policy Statement document.

SUMMARY
RESTATED INVESTMENT POLICY STATEMENT

San Bruno Community Foundation
Liquidity Pool

| | |
|---|--|
| <u>Portfolio Account Detail:</u> | San Bruno Community Foundation |
| <u>Investment Objective:</u> | Capital Preservation and Liquidity are the primary objectives. |
| <u>Withdrawal Requirement:</u> | It is expected that the Foundation will draw upon the funds as needed. |
| <u>Time Horizon:</u> | Short-Term |
| <u>Risk Tolerance:</u> | Conservative |
| <u>Target Return:</u> | Achieve a total return in excess of prevailing money market rates. |
| <u>Target Allocation:</u> | 100% cash, cash equivalents & short-term fixed income |
| <u>Evaluation Benchmark:</u> | U.S. 90-day Treasury Bill Index |

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 Liquidity Pool
- The roles and responsibilities of all parties involved in the investment process
- Investment goals and objectives
- 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 the Liquidity Pool

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.

In 2016, the SBCF Board 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, and (3) a Liquidity Pool to act as a holding account for expenditures planned in the subsequent 0-24 months.

In 2023, in anticipation of the completion of construction of the new San Bruno Recreation and Aquatic Center (RAC), which the Foundation funded with grants totaling \$51.5 million, the Foundation launched a new strategic planning process to determine the Foundation’s post-RAC program and investment strategies. In May 2025, the Foundation Board approved an updated strategy to spend down the bulk of the Foundation’s remaining total net assets as of the end of the current fiscal year on at least one large legacy project and wind down all other programs with the intent of exhausting the Foundation’s assets in approximately five years. The Quasi-Endowment Pool and the Strategic Pool are to be consolidated into the Liquidity Pool. The remaining Liquidity Pool will function to serve the Foundation’s new strategic goals until the account is exhausted. This Restated Investment Policy Statement has been adopted to address the Foundation’s new strategy.

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 the Foundation spending policy, as defined in section IX of this document.
 - e. Approval of any transfer of funds to or from the Liquidity Pool, as defined in section IX, beyond that specified in the Board-approved spending policy.
 - f. Maintain guidelines for the External Investment Manager to ensure that Foundation assets are invested in a manner consistent with the mission of the Foundation.
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 monitor compliance with the document.
 - b. Review the asset allocation of the Liquidity account.
 - c. Monitor the performance and risk profile of the investment assets of the Foundation as a whole.
 - 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 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 the account.

- 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 Investment Policy Statement, including the Foundation's spending policy, 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 investments in the Liquidity Pool represent assets that will be used to support the cash flow needs of the San Bruno Community Foundation. Funds will be held in short-term liquid vehicles that are intended to generate a return that exceeds the prevailing interest rates available on money market funds.

1. **Portfolio Risk Tolerance** - The risk tolerance is conservative and focused on capital preservation and liquidity.
2. **Withdrawal Requirements** - It is expected that the San Bruno Community Foundation will draw upon the funds as needed.
3. **Time Horizon** - The overall portfolio will be allocated with a short-term time horizon in mind.
4. **Tax Considerations** - None, since this organization is tax exempt.
5. **Illiquidity** - The overall portfolio should maintain daily liquidity.

V. ASSET ALLOCATION

The account will be managed as a portfolio of high-quality short-term cash, cash equivalents and ultra-short fixed income mutual funds, ETFs, or individual fixed income securities.

| | <u>Bottom Range</u> | <u>Top Range</u> |
|------------------------------------|---------------------|------------------|
| SHORT-DURATION FIXED INCOME | 0% | 100% |
| CASH AND CASH EQUIVALENTS | 0% | 100% |

Duration is defined as an approximate measure of a bond's price sensitivity to changes in interest rates. Shorter duration means less interest rate risk, and longer duration means more interest rate risk. The average duration of the fixed income portion of the Liquidity Pool will range from 0 to 12 months.

VI. INVESTMENT GUIDELINES

1. Individual Fixed Income Securities:

- The account may consist of U.S. Treasury securities, Federal Government Agency securities, commercial paper, and certificates of deposit (CDs). All securities will be rated investment grade by Moody's and Stand & Poor's rating agencies. CDs, if held, will be owned up to the limits of FDIC insurance. No single issue or security, except US Treasury & Agency securities, will be greater than 10% of the portfolio market value at the time of purchase. The Fixed income security selection will be a function of maturity distribution, yield curve, and yield differentials between U.S. Treasury, Agency, CDs, and commercial paper.
- Maturities will be selected to meet both the liquidity requirements set forth by the Foundation and to take advantage of yield curve opportunities. Maturities will not exceed 12 months from date of purchase.
- Direct investments in any fixed income securities of Pacific Gas & Electric Corporation are prohibited.

2. Commingled Bond Funds, Bond Mutual Funds and Bond Index Funds:

- The account may invest in ultra-short bond funds, commingled bond funds, bond mutual funds and bond index funds with an overall duration of less than 12 months.
- 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 relative expense ratios. Special care will be

taken in the selection of the appropriate type of security or class of shares to minimize the expense ratio and transaction costs. When appropriate, negotiations will occur with custodians for the waiver of loads, minimums, and transaction fees.

3. Cash/Cash Equivalents:

- Cash and cash equivalents may be held in Direct Accounts.
- Cash equivalent positions will be instruments with ratings of A-2, P-2 or higher. U.S. Treasury Bills, Eurodollar Certificates of Deposit, time deposits, money market funds, and repurchase agreements are acceptable instruments.

A Direct Account is defined as any investment account registered in the name of the Foundation.

VII. INVESTMENT PROCEDURES

1. 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.
2. 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.
3. 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.
4. Brokerage and Proxy Policy: The Investment Manager will seek best execution for all transactions effected for the Foundation. Proxy voting is delegated to the Investment Manager.

VIII. CONTROLS AND MONITORING

The San Bruno Community Foundation Investment Committee will monitor the total portfolio performance as follows:

1. Quarterly Reviews: The Investment Manager will provide the SBCF Investment Committee with quarterly performance and holdings reports to allow the Committee to review the investment performance of the Investment Manager and the individual investments (retained by the Investment Manager) in the portfolio with respect to the risk and return objectives established for SBCF. The review may include topics such as overall business management, organizational changes, and other relevant factors.

2. Annual Board Meeting: The Investment Manager will present to the full SBCF Board of Directors on an annual basis.

IX. SPENDING POLICY

The Liquidity Pool will include funds that have been earmarked for disbursement by the SBCF Board, with the guidance from the Investment Committee. As approved by the SBCF Board and directed by SBCF staff, withdrawals will take place as needed.

X. 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.

APPENDIX

1. Benchmark Composition:

The Liquidity Portfolio Benchmark is composed as follows:

| <u>Index</u> | <u>Weight</u> |
|---------------------------------|----------------------|
| U.S. Treasury Bill 90-day Index | 100% |

SAN BRUNO
Community Foundation

Exhibit A

SAN BRUNO
Community Foundation

RESTATED
INVESTMENT
POLICY
STATEMENT

Style Definition: Comment Reference

Style Definition: Comment Text

Style Definition: Comment Subject

~~Approved~~Amended and Restated by the SBCF Board of Directors, _____, 2025

Effective _____ 2025, this Investment Policy Statement supersedes the prior version approved by the SBCF Board of Directors on April 6, 2016, and the San Bruno City Council on April 26, 2016. It also supersedes the Investment Operating Plan approved by the SBCF Board of Directors on May 4, 2016, and amended on June 7, 2017. Effective immediately, SBCF will operate under this Restated Investment Policy Statement document.
Approved by the

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SUMMARY
RESTATED INVESTMENT POLICY STATEMENT

San Bruno City Council, April 26, 2016
Community Foundation

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Liquidity Pool

Portfolio Account Detail: San Bruno Community Foundation

Investment Objective: Capital Preservation and Liquidity are the primary objectives.

Withdrawal Requirement: It is expected that the Foundation will draw upon the funds
as needed.

Time Horizon: Short-Term

Risk Tolerance: Conservative

Target Return: Achieve a total return in excess of prevailing money market
rates.

Target Allocation: 100% cash, cash equivalents & short-term fixed income

Evaluation Benchmark: U.S. 90-day Treasury Bill Index

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~~ Liquidity Pool
- 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~~ the Liquidity Pool

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~~In 2016, the SBCF Board ~~has~~ approved the establishment of three separate pools of funds with varying purposes, time horizons, and withdrawal requirements.

- ~~1. A:~~ (1) a Quasi-Endowment Pool to support the annual operating and program expenses of the Foundation over the long term.

~~2. A:~~ (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., and (3) a Liquidity Pool to act as a holding account for expenditures planned in the subsequent 0-24 months.~~

~~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. In 2023, in anticipation of the completion of construction of the new San Bruno Recreation and Aquatic Center (RAC), which the Foundation funded with grants totaling \$51.5 million, the Foundation launched a new strategic planning process to determine the Foundation’s post-RAC program and investment strategies. In May 2025, the Foundation Board approved an updated strategy to spend down the bulk of the Foundation’s remaining total net assets as of the end of the current fiscal year on at least one large legacy project and wind down all other programs with the intent of exhausting the Foundation’s assets~~

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in approximately five years. The Quasi-Endowment Pool and the Strategic Pool are to be consolidated into the Liquidity Pool. The remaining Liquidity Pool will function to serve the Foundation's new strategic goals until the account is exhausted. This Restated Investment Policy Statement has been adopted to address the Foundation's new strategy.

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II. ROLES AND RESPONSIBILITIES

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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.

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~~d. Approval of an Investment Operating Plan executed with the External Investment Manager.~~

~~e. Approval of the Foundation spending policy, as defined in section VIII of this document.~~

~~f. Approval of any transfer of funds to or from the Quasi-Endowment Liquidity Pool or the Strategic Portfolio, as defined in section IX, beyond that specified in the Board-approved spending policy.~~

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~~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~~ the document.
- b. Review the ~~long-term~~ asset allocation of ~~each pool of funds~~ the Liquidity account.

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.

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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~~ the account.

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:

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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.

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III. POLICY REVIEW

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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.

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IV. INVESTMENT GOALS AND OBJECTIVES

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~~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).~~

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The investments in the Liquidity Pool represent assets that will be used to support the cash flow needs of the San Bruno Community Foundation. Funds will be held in short-term liquid vehicles that are

intended to generate a return that exceeds the prevailing interest rates available on money market funds.

1. **Portfolio Risk Tolerance** - The risk tolerance of each pool of funds is dictated by their conservative and focused on capital preservation and liquidity.
2. **Withdrawal Requirements** - It is expected that the San Bruno Community Foundation will draw upon the funds as needed.
3. **Time Horizon** - The overall portfolio will be allocated with a short-term time horizon and liquidity needs in mind.
4. **Tax Considerations** - None, since this organization is tax exempt.
5. **Illiquidity** - The overall portfolio should maintain daily liquidity.

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V. ASSET ALLOCATION

The account will be managed as a portfolio of high-quality short-term cash, cash equivalents and ultra-short fixed income mutual funds, ETFs, or individual fixed income securities.

| | Bottom Range | Top Range |
|------------------------------------|--------------|-----------|
| SHORT-DURATION FIXED INCOME | 0% | 100% |
| CASH AND CASH EQUIVALENTS | 0% | 100% |

Duration is defined as an approximate measure of a bond's price sensitivity to changes in interest rates. Shorter duration means less interest rate risk, 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: longer duration means more interest rate risk. The average duration of the fixed income portion of the Liquidity Pool will range from 0 to 12 months.

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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.

¶

VI. INVESTMENT POLICY AND ASSET ALLOCATION GUIDELINES

1. Asset Guidelines:

1. No individual equity securities (stocks) will be held in any Individual Fixed Income Securities:

- The account may consist of U.S. Treasury securities, Federal Government Agency securities, commercial paper, and certificates of deposit (CDs). All securities will be rated investment grade by Moody's and Stand & Poor's rating agencies. CDs, if held, will be owned up to the limits of FDIC insurance. No single issue or security, except US Treasury & Agency securities, will be greater than 10% of the portfolio market value at the time of purchase. The Fixed income security selection will be a function of maturity distribution, yield curve, and yield differentials between U.S. Treasury, Agency, CDs, and commercial paper.
- Maturities will be selected to meet both the liquidity requirements set forth by the Foundation and to take advantage of yield curve opportunities. Maturities will not exceed 12 months from date of purchase.

~~2. Direct Account: A Direct Account is defined as any investment account registered in the name of the Foundation:~~

- Direct investments in any securities, including equity and fixed income securities of Pacific Gas & Electric Corporation (Symbol: PCG) is prohibited.
- 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.

2. ~~Commingled funds, mutual funds, Bond Funds, Bond Mutual Funds and index funds may be held in Direct Accounts. Bond Index Funds:~~

- The account may invest in ultra-short bond funds, commingled bond funds, bond mutual funds and bond index funds with an overall duration of less than 12 months.

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- 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)-relative expense ratios. Special care will be taken in the selection of the appropriate type of security or class of shares to minimize the expense ratio and transaction costs. When appropriate, negotiations will occur with custodians for the waiver of loads, minimums, and transaction fees.
- 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.

3. Cash/Cash Equivalents:

- Cash and cash equivalents may be held in Direct Accounts.
- Cash equivalent positions will be high-quality instruments such as with ratings of A-2 P-2 or higher, U.S. Treasury Bills, Eurodollar Certificates of Deposit, time deposits (CDs), money market funds, and repurchase agreements are acceptable instruments.

A Direct Account is defined as any investment account registered in the name of the Foundation.

2. Investment Procedures:

- 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.
- 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.

VII. INVESTMENT PROCEDURES

1. 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.

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~~2. 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.

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~~3. 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.

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~~3. Asset Allocation:~~

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~~Brokerage and Proxy Policy:~~ The Investment Manager ~~shall invest~~will seek best execution for all transactions effected for 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~~Foundation. Proxy voting is delegated 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~~

~~4. The Investment Manager shall,~~

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VIII. CONTROLS AND MONITORING

~~The San Bruno Community Foundation Investment Committee will monitor the total portfolio performance as follows:~~

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~~1. Quarterly Reviews:~~ The Investment Manager will provide the SBCF Investment Committee with quarterly performance and holdings reports to allow the Committee to review the ~~overall~~

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investment performance of the Investment Manager and the individual ~~securities investments (retained by the Investment Manager)~~ in ~~each~~ the portfolio with respect to the risk and return objectives established for ~~the Foundation. At a minimum, the reports shall~~ SBCF. The review may include ~~the following:~~ topics such as overall business management, organizational changes, and other relevant factors.

- An accounting of all securities held in the investment accounts for the Foundation.
- Comparative returns for each pool of funds against their respective benchmarks.

2. ~~Additionally, the Annual Board Meeting: The~~ Investment Manager ~~shall will~~ present to the full SBCF Board of Directors on an annual basis.

VII

IX. 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 ~~The Liquidity Pool will include~~ funds that have been earmarked for disbursement by the SBCF Board, with the guidance from the Investment Committee. ~~As approved by the SBCF Board and~~ directed by SBCF staff, withdrawals will take place ~~in the subsequent 0-24 months following initial deposit into the Liquidity Pool as needed.~~

VIII

X. 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

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high ethical standards, and act in such a manner as to avoid any actual, perceived, or potential conflict of interest.

APPENDIX

1. Benchmark Composition:

The Liquidity Portfolio Benchmark is composed as follows:

| <u>Index</u> | <u>Weight</u> |
|---------------------------------|---------------|
| U.S. Treasury Bill 90-day Index | 100% |

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RESOLUTION NO. 2025-__

RESOLUTION OF THE SAN BRUNO COMMUNITY FOUNDATION INVESTMENT COMMITTEE RECOMMENDING THAT THE SBCF BOARD OF DIRECTORS REDESIGNATE ALL FUNDS IN THE QUASI-ENDOWMENT POOL AS OF JULY 1, 2025, TO THE STRATEGIC POOL

WHEREAS, on April 6, 2016, the SBCF Board of Directors approved the Foundation's Investment Policy Statement, as the high-level policy document governing the Foundation's investment practices;

WHEREAS, the Investment Policy Statement outlines the purpose and goals of the Foundation's investment portfolio, including three separate pools of 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 – and sets investment goals, objectives, and target asset allocations for each pool;

WHEREAS, also on April 6, 2016, the Board authorized the establishment of three brokerage accounts (for the Quasi-Endowment, Strategic, and Liquidity Pools) with Fidelity Investments and passed a resolution formally requesting the San Bruno City Council to authorize transfer of the remaining balance of the restitution funds resulting from the City of San Bruno's settlement agreement with PG&E subsequent to the 2010 gas pipeline explosion in the Crestmoor neighborhood to the Foundation;

WHEREAS, on April 26, 2016, the City Council unanimously approved the Investment Policy Statement, as required by the Foundation's Bylaws, and the transfer of the remaining balance of restitution funds (approximately \$69.7 million) to the Foundation;

WHEREAS, on May 4, 2016, the Board approved the following distribution of the restitution funds immediately following receipt from the City of San Bruno to the three Fidelity brokerage accounts: \$15 million in the Quasi-Endowment Pool account, \$2 million in the Liquidity Pool account, and the balance (which was approximately \$52.7 million) in the Strategic Pool account;

WHEREAS, also on May 4, 2016, the Board approved the Foundation's Investment Operating Plan with its investment adviser, Sand Hill Global Advisors, LLC, and the Investment Operating Plan follows the principles outlined in the Investment Policy Statement and provides detailed instructions to Sand Hill Global Advisors regarding ongoing management of the three pools of money, including specific asset allocation targets and ranges, as well as guidelines regarding payout and withdrawals;

WHEREAS, on June 7, 2017, the Board approved an amendment to the Investment Operating Plan with regard to pool-specific operating guidelines for the Quasi-Endowment Pool;

WHEREAS, beginning in late 2023, the Board engaged in a strategic planning process to review and update the Foundation's program and investment strategies once the grants totaling \$51.5 million supporting the design and construction of the San Bruno Recreation and Aquatic Center, the Foundation's primary legacy project, are fully paid out;

WHEREAS, on May 7, 2025, the Board approved updating the Foundation's program and investment strategies to spend down the bulk of the Foundation's remaining total net assets as of the end of the current fiscal year in the near-to-mid term on at least one large legacy project and wind down all other programs, identified a new Fire Station No. 52 as the Foundation's top choice for the legacy project to receive most of the total net assets earmarked for legacy projects, and directed the discontinuation of all other programs, including the Crestmoor Scholarship and the Community Grants Fund, at the end of the current fiscal year in order to maximize preservation of the Foundation's net assets for any legacy projects;

WHEREAS, the Board also directed the Investment Committee to review the Foundation's Investment Policy Statement and Investment Operating Plan and recommend any needed updates to both documents to reflect the above changes in strategy; and

WHEREAS, now that the Board has approved using the bulk of the total net assets as of June 30, 2025, in the next five years on a small number of final legacy projects and communicated to the San Bruno City Council its desire to partner with the City of San Bruno to fund construction of a new Fire Station No. 52, the Strategic Pool, as opposed to the Quasi-Endowment Pool, best matches the Foundation's updated purpose, goals, and time horizon for the remaining balance of its investment portfolio.

NOW, THEREFORE, BE IT RESOLVED that the Investment Committee recommends that the Board of Directors redesignate all funds in the Quasi-Endowment as of July 1, 2025, to the Strategic Pool.

Dated: May 21, 2025

ATTEST:

Pak Lin, Investment Committee Chair

I, Pak Lin, Chair, do hereby certify that the foregoing Resolution No. 2025-__ was duly and regularly passed and adopted by the Investment Committee of the San

Bruno Community Foundation on this 21st day of May, 2025, by the following vote:

AYES: Committee members:

NOES: Committee members:

ABSENT: Committee members:

SAN BRUNO

Community Foundation

INVESTMENT POLICY STATEMENT

Approved by the SBCF Board of Directors, April 6, 2016
Approved by the San Bruno City Council, April 26, 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.

San Bruno Community Foundation

Investment Operating Plan

Approved by the SBCF Board of Directors, May 4, 2016

SAN BRUNO COMMUNITY FOUNDATION
INVESTMENT OPERATING PLAN

SUMMARY INVESTMENT OPERATING PLAN

QUASI-ENDOWMENT POOL

| | |
|--------------------------------|--|
| <u>Investment Objective:</u> | Generate a return in excess of the specified blended portfolio benchmark over a complete market cycle. |
| <u>Risk Tolerance:</u> | Moderately Conservative |
| <u>Target Return:</u> | Over the long-term, exceed the blended portfolio benchmark, net of fees with similar risk. |
| <u>Evaluation Benchmark:</u> | The passive indices in similar weights to the target asset allocation as detailed in Appendix 1. |
| <u>Withdrawal Requirement:</u> | Up to 7% annual withdrawals, as determined by the SBCF Board. |
| <u>Time Horizon:</u> | Long-Term |
| <u>Target Allocation:</u> | Balanced Strategy (see specific allocation guidelines in Section IV.1 of this plan document) |

STRATEGIC POOL

| | |
|--------------------------------|---|
| <u>Investment Objective:</u> | Generate a return in excess of the specified blended portfolio benchmark over a complete market cycle. |
| <u>Risk Tolerance:</u> | Conservative |
| <u>Target Return:</u> | Over the long-term, exceed the blended portfolio benchmark, net of fees with similar risk. |
| <u>Evaluation Benchmark:</u> | The passive indices in similar weights to the target asset allocation as detailed in Appendix 1. |
| <u>Withdrawal Requirement:</u> | 100% withdrawn over 7-10 years, dictated by the timing of capital projects and as determined by the SBCF Board. |
| <u>Time Horizon:</u> | Mid-Term |
| <u>Target Allocation:</u> | Conservative Strategy (see specific allocation guidelines in Section IV.2 of this plan document) |

SAN BRUNO COMMUNITY FOUNDATION
INVESTMENT OPERATING PLAN

LIQUIDITY POOL

| | |
|--------------------------------|--|
| <u>Investment Objective:</u> | Generate a return in excess of the specified blended portfolio benchmark over a complete market cycle. |
| <u>Risk Tolerance:</u> | Conservative |
| <u>Target Return:</u> | Over the long-term, exceed the blended portfolio benchmark, net of fees with similar risk. |
| <u>Evaluation Benchmark:</u> | The passive indices in similar weights to the target asset allocation as detailed in Appendix 1. |
| <u>Withdrawal Requirement:</u> | 100% withdrawn within 24 months, as determined by the SBCF Board. |
| <u>Time Horizon:</u> | Short-Term |
| <u>Target Allocation:</u> | Short-Term Cash and Short-Duration Fixed Income Strategy (see specific allocation guidelines in Section IV.3 of this plan document) |

SAN BRUNO COMMUNITY FOUNDATION

INVESTMENT OPERATING PLAN

This Investment Operating Plan outlines the assumptions and understandings under which Sand Hill Global Advisors, LLC (the “Investment Manager” or “SHGA”) is to manage the assets of the San Bruno Community Foundation (“SBCF” or the “Foundation”). The content herein has been composed based upon meetings with the Board of Directors and staff in which discussions covered SBCF’s goals, attitudes, expectations, risk tolerance, desires for liquidity, and present and future cash flow requirements.

It is agreed that SHGA will meet with the Investment Committee on a quarterly basis to report on the status of the portfolio and to receive and provide information that will aid in the management of the portfolio. This Investment Operating Plan will be reviewed at least annually as to its appropriateness given any significant changes in SBCF’s needs or in light of significant shifts in the economy or the investment markets. Day-to-day contact with SBCF will be made via the telephone and e-mail.

This Investment Operating Plan shall adhere to the policies set forth in SBCF’s Investment Policy Statement, originally approved by the SBCF Board of Directors and San Bruno City Council in April 2016.

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 Investment Policy Statement establishes 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 grantmaking 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. 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

SAN BRUNO COMMUNITY FOUNDATION

INVESTMENT OPERATING PLAN

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 Investment Objectives:**

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.

a. Portfolio Return Objectives

- i. Total Portfolio Return: Achieve a time-weighted, real rate of return of 3-4%, after fees and program costs. This return will be sought using a diversified style of investment management, providing an average annual return that will be measured over a complete market cycle assumed to be five years.
- ii. Blended Benchmark Return: Over rolling five-year cycles, to achieve a return that exceeds the Blended Benchmark, net of fees with similar risk.

b. Portfolio Risk Tolerance - The risk to the portfolio must be moderately conservative, since the portfolio provides a source of funds that allows SBCF to perpetuate its mission.

c. Withdrawal Requirements - Up to 7% Annual Withdrawals as determined by the SBCF Board. The SBCF staff will provide Sand Hill Global Advisors with guidance in this area.

d. Time Horizon - Long-Term.

e. Tax Considerations - None, since this organization is tax exempt.

f. Illiquidity - The overall portfolio can maintain up to 10% illiquidity.

2. **Strategic Pool Investment Objectives:**

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.

a. Portfolio Return Objectives

- i. Total Portfolio Return: Achieve a time-weighted, real rate of return of 1-2%, after fees and program costs. This return will be sought using a diversified style of investment management, providing an average annual return that will be measured over a complete market cycle assumed to be five years.

SAN BRUNO COMMUNITY FOUNDATION INVESTMENT OPERATING PLAN

- ii. Blended Benchmark Return: Over rolling five-year cycles, to achieve a return that exceeds the Blended Benchmark, net of fees with similar risk.
 - b. Portfolio Risk Tolerance - The risk to the portfolio must be conservative.
 - c. Withdrawal Requirements - 100% withdrawn over 7-10 years, determined by timing of SBCF's strategic grant making projects. The SBCF staff will provide Sand Hill Global Advisors with guidance in this area.
 - d. Time Horizon - Mid-Term.
 - e. Tax Considerations - None, since this organization is tax exempt.
 - f. Illiquidity - The overall portfolio can maintain up to 5% illiquidity.
3. **Liquidity Pool Investment Objectives**:

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.

- a. Portfolio Return Objective - Achieve a time-weighted, real rate of return of above the prevailing rate of the U.S. 90 Day T-Bill, after fees and program costs.
- b. Portfolio Risk Tolerance - The risk to the portfolio must be conservative.
- c. Withdrawal Requirements - 100% drawdown within 24 months, as determined by the SBCF Board.
- d. Time Horizon - Short-Term.
- e. Tax Considerations - None, since this organization is tax exempt.
- f. Illiquidity - The overall portfolio must maintain 100% liquidity.

III. INVESTMENT AND ASSET GUIDELINES

Sand Hill Global Advisors will utilize an appropriate combination of individual securities in direct accounts and specialized third party, commingled fund or mutual fund alternatives to implement the asset allocation. Implementation will include passive strategies such as index funds or exchange-traded funds (ETFs) and active strategies. Third-party offerings will be used to enhance the portfolio's diversification in certain asset classes that require specialized expertise or where liquidity may be limited. In each case, the potential for added value, institutional share class fees and cost effectiveness will be a major consideration.

A Direct Account is defined as any investment account registered in the name of the Foundation.

SAN BRUNO COMMUNITY FOUNDATION
INVESTMENT OPERATING PLAN

1. Individual Equity Securities in the Direct Account:

- a. No individual equity securities (stocks) will be held in any Direct Account.
- b. Direct investments in any equity securities of Pacific Gas & Electric Corporation (Symbol: PCG) are prohibited.

2. Individual Fixed Income Securities in Direct Accounts:

- a. 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.
- b. With the exception of U.S. government securities and federal government agency securities, no more than 5% at cost of the portfolio may be invested in the securities of a single issuer.
- c. Up to 5% of the total account may be invested in below investment grade securities, commonly referred to as “high yield debt,” but only through adequately diversified investment vehicles.
- d. Direct investments in any fixed income securities of Pacific Gas & Electric Corporation are prohibited.

3. Commingled Funds, Mutual Funds and Index Funds:

- a. Commingled funds, mutual funds, and index funds may be held in Direct Accounts.
- b. 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). When appropriate, negotiations will occur with custodians for the waiver of loads, minimums, and transaction fees.

4. Other Investments:

- a. Other investments may be held in Direct Accounts.
- b. Other investments will be broadly defined, but not limited to, as 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.
- c. In the case of market neutral private partnerships, the diversification should be achieved through the use of a “fund of funds.”
- d. The real estate portion may be comprised of private and publicly held real estate investments.

SAN BRUNO COMMUNITY FOUNDATION

INVESTMENT OPERATING PLAN

5. Cash and Cash Equivalents:

- a. Cash and cash equivalents may be held in Direct Accounts.
- b. 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.

6. 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, alternative 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.

IV. ASSET ALLOCATION

Generally, the allocations for each pool will be within the ranges shown below; however, SHGA is permitted to have a more defensive position that may result from significant cash inflows or outflows. Initial implementation of all three pools will be achieved over a three-month transitional period involving staggered commitments. The initial funding of the three pools will be a combination of cash and fixed income securities (government bonds and CDs).

SAN BRUNO COMMUNITY FOUNDATION
INVESTMENT OPERATING PLAN

1. Quasi-Endowment Pool

| | <u>Bottom Range</u> | <u>Target</u> | <u>Top Range</u> |
|-----------------------------|-------------------------|---------------|----------------------|
| EQUITY | 40% | 52% | 65% |
| FIXED INCOME | 20% | 30% | 40% |
| REAL ESTATE AND COMMODITIES | 0% | 8% | 15% |
| MARKET NEUTRAL | 0% | 8% | 15% |
| CASH AND CASH EQUIVALENTS | 0% | 2% | 15% |

2. Strategic Pool

| | <u>Bottom Range</u> | <u>Target</u> | <u>Top Range</u> |
|-----------------------------|-------------------------|---------------|----------------------|
| EQUITY | 12% | 16% | 20% |
| FIXED INCOME | 53% | 70% | 88% |
| REAL ESTATE AND COMMODITIES | 0% | 4% | 8% |
| MARKET NEUTRAL | 0% | 8% | 12% |
| CASH AND CASH EQUIVALENTS | 0% | 2% | 15% |

3. Liquidity Pool

| | <u>Bottom Range</u> | <u>Top Range</u> |
|-----------------------------|---------------------|------------------|
| SHORT DURATION FIXED INCOME | 0% | 100% |
| CASH AND CASH EQUIVALENTS | 0% | 100% |

Duration is defined as an approximate measure of a bond's price sensitivity to changes in interest rates. Shorter the duration means the less interest rate risk and longer duration means more interest rate risk. The average duration of the fixed income portion of the Liquidity Pool will range from 0 to 24 months, consistent with spending timeline described in Section VII.3 of the Foundation's Investment Policy Statement.

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V. BROKERAGE AND PROXY POLICY

1. All transactions effected for SBCF will be “subject to the best price and execution.” Securities and cash will be held in custody at Fidelity Investments.
2. Proxy voting has been delegated to SHGA. SHGA has retained Broadridge to vote proxies.

VI. CONTROLS AND MONITORING

1. Payout and Withdrawals:

- a. For unplanned withdrawals from any SBCF pool, SBCF staff will notify SHGA a minimum of five business days in advance to allow time for trade execution, trade settlement and fund transfer through the Liquidity Pool (if necessary) and out to SBCF’s external operating account.
- b. Notice in excess of five business days will provide additional time for SHGA to manage the liquidation of securities.
- c. If notice is provided less than five business days in advance, SHGA will attempt to fulfill the withdrawal request on a best efforts basis. SBCF has restricted the use of margin on all accounts, therefore cash must be available to be withdrawn.
- d. Pool-Specific Operating Guidelines:

i. Quasi-Endowment Pool

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 prior quarter-ending Quasi-Endowment values. From the initial funding of the Quasi-Endowment Pool through the end of fiscal year 2016-2017, the payout rate will be 0%. During fiscal years 2017-2018 and 2018-2019, the default payout rate will be 3%, multiplied by the simple average of all quarter-ending Quasi-Endowment values available at the time of the annual payout decision. One-twelfth (1/12) of the annual payout amount will be withdrawn from the Quasi-Endowment and deposited in the Liquidity Pool on a monthly basis.

ii. Strategic Pool

Withdrawals will be determined by the timing of project expenditures, per guidance from the SBCF Board. SBCF will provide a schedule of likely withdrawals to SHGA at the time of the annual budget planning process. Cash proceeds will be deposited in the SBCF Liquidity Pool on an as-needed basis.

iii. Liquidity Pool

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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.

2. **Quarterly Reviews** – SHGA will provide the SBCF Investment Committee with quarterly performance and holdings reports to allow the Committee to review the investment performance of SHGA and the individual investments (retained by SHGA) in the portfolio with respect to the risk and return objectives established for SBCF. The review may include topics such as the overall business management, organizational changes and other relevant factors.
3. **Annual Board Meeting** – SHGA will present to the full SBCF Board of Directors on an annual basis.

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VII. SIGNATURES

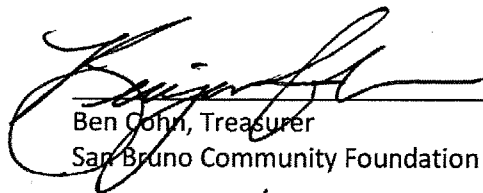
Reviewed and Accepted By:



Brian Dombkowski, CFA
Chief Executive Officer
Sand Hill Global Advisors, LLC

Date: 5/11/16

Reviewed and Accepted By:



Ben Cohn, Treasurer
San Bruno Community Foundation

Date: 5/4/16



Leslie Hatamiya, Executive Director
San Bruno Community Foundation

Date: 5/4/16

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APPENDIX

1. Benchmark Composition

The Blended Benchmark will be used for the total portfolio review and to review SHGA. Individual asset classes will be reviewed using the indices most appropriate and assigned to each manager or investment style.

The Blended Benchmark is composed as follows:

| Asset Class | Index | Weight | | |
|--------------------------------------|------------------------------------|------------|-----------|-----------|
| | | <u>QEP</u> | <u>SP</u> | <u>LP</u> |
| Equity | | | | |
| Domestic Large Capitalization | S&P 500 Index | 30% | 9% | 0% |
| Domestic Small Capitalization | Russell 2000 Index | 9% | 3% | 0% |
| International | MSCI All-Cap World Index excl. USA | 13% | 4% | 0% |
| Fixed Income | Barclays Capital Aggregate Index | 30% | 70% | 0% |
| Real Estate | NAREIT Index | 6% | 4% | 0% |
| Commodities/Natural Resources | Dow Jones UBS Commodity Index | 2% | 0% | 0% |
| Market Neutral | Barclays 1-3 Year Aggregate Index | 8% | 8% | 0% |
| Cash/Cash Equivalents | U.S. T-Bill 90 day Index | 2% | 2% | 100% |

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2. Benchmark Definitions

EQUITY MARKET INDICATORS

The market indicators included in this report are regarded as measures of equity or fixed-income performance results. The returns shown reflect both income and capital appreciation.

Standard & Poor's 500 Index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The index is capitalization-weighted, with each stock weighted by its proportion of the total market value of all 500 issues. Thus, larger companies have a greater effect on the index.

Russell 2000 Index is composed of the 2000 smallest stocks in the Russell 3000 Index, representing approximately 11% of the U.S. equity market capitalization.

INTERNATIONAL EQUITY MARKET INDICATORS

Morgan Stanley Capital International (MSCI) All Cap World Index (ACWI) Ex-USA Index is composed of approximately 6,000 equity securities representing the stock exchanges of Europe, Australia, New Zealand, the Far East and Emerging Market nations capturing 99% of the global investable market outside of the US. The index captures large, mid and small-cap companies. The index is capitalization-weighted and is expressed in terms of U.S. dollars.

FIXED-INCOME MARKET INDICATORS

Barclays Capital Aggregate Bond Index is a combination of the Mortgage Backed Securities Index and the intermediate and long-term components of the Government/Credit Bond Index.

OTHER INDICES

National Association of Real Estate Investment Trusts (NAREIT) Index is the only REIT index to include all REITs currently trading on the New York Stock Exchange, the NASDAQ National Market System and the American Stock Exchange. It is also the first index to include monthly historical statistics from 1972. It is often used as a publicly traded approximation for the illiquid private real estate market.

Dow Jones UBS Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. Commodities as an asset class have historically demonstrated returns that are negatively correlated with returns of stocks and bonds and that are positively correlated with inflation measures.

Barclays 1-3 Yr Aggregate Bond Index is a combination of the Mortgage Backed Securities Index and the shorter duration components of the Government/Credit Bond Index.

U.S. T-Bill 90 Day Index is the benchmark used to measure cash. It is also considered to be the “risk-free rate” for the purposes of performance measurement.

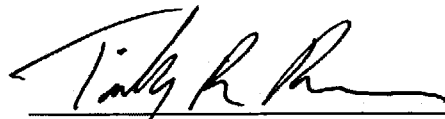
**AMENDMENT #1 TO INVESTMENT OPERATING PLAN
OF THE SAN BRUNO COMMUNITY FOUNDATION**

1. This Amendment, which is dated June 7, 2017, modifies the Investment Operating Plan of the San Bruno Community Foundation, approved by the San Bruno Community Foundation Board of Directors on May 4, 2016, and executed by the San Bruno Community Foundation and Sand Hill Global Advisors, LLC, on May 11, 2016 (a copy of which is attached hereto for reference).
2. Section VI.1.d.i., Pool-Specific Operating Guidelines for the Quasi-Endowment Pool, is amended in its entirety to be read as follows: ,

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 prior quarter-ending Quasi-Endowment values. From the initial funding of the Quasi-Endowment Pool through the end of fiscal year 2016-2017, the payout rate will be 0%. During fiscal year 2017-2018, the default payout rate will be 2.25%, multiplied by the simple average of all quarter-ending Quasi-Endowment values available at the time of the annual payout decision. Cash proceeds will be deposited in the SBCF Liquidity Pool on an as-needed basis.

3. In all other respects, the Investment Operating Plan is affirmed.

San Bruno Community Foundation:

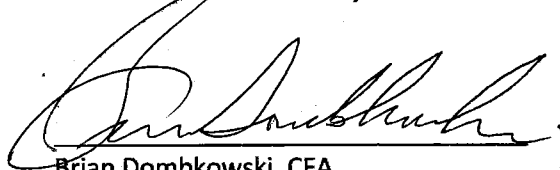


Tim Ross
Treasurer



Leslie Hatamiya
Executive Director

Sand Hill Global Advisors, LLC



Brian Dombkowski, CFA
Chief Executive Officer