

# SAN BRUNO

## Community Foundation

*Investment Committee*

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

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### **AB-361 CORONAVIRUS COVID-19**

*On September 16, 2021, the Governor of California signed AB-361 suspending certain provisions of the Ralph M. Brown Act in order to allow for local legislative bodies to conduct their meetings telephonically or by other electronic means. To reduce the spread of COVID-19, meetings of the San Bruno Community Foundation's Investment Committee are being conducted electronically. The meeting is not available for in-person attendance. Members of the public may attend the meeting by video or phone following the links below in this agenda.*

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

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

## **AGENDA**

### **SAN BRUNO COMMUNITY FOUNDATION**

#### **Regular Meeting of the Investment Committee**

**February 15, 2023**

**4:30 p.m.**

#### **Zoom Meeting Details:**

<https://us02web.zoom.us/j/88231379529?pwd=Sk44WkRoYTV5RlIQZlNNaXFTNTdFdz09>

**Webinar ID: 882 3137 9529**

**Passcode: 363233**

**Dial-in: (669) 900-6833**

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1. **Call to Order**
2. **Roll Call**
3. **Public Comment:** Individuals are allowed three minutes. It is the Committee's policy to refer matters raised in this forum to staff for research and/or action where appropriate. The Brown Act prohibits the Committee from discussing or acting upon any matter not agendaized pursuant to State Law.
4. **Approval of Minutes:** November 16, 2022, Regular Investment Committee Meeting
5. **Executive Director's Report**
6. **Conduct of Business**
  - a. Receive Report from Sand Hill Global Advisors, LLC (SHGA) regarding SHGA's Investment Outlook and SBCF's Investment Portfolio Performance
  - b. Discuss and Provide Direction Regarding Cash Flow Strategies Related to Funding of Recreation and Aquatic Center Project
7. **Committee Member Comments**
8. **Adjourn:** The next regular meeting of the Investment Committee will be held on Wednesday, May 17, 2023, at 4:30 p.m.

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### MINUTES

#### SAN BRUNO COMMUNITY FOUNDATION

#### Regular Meeting of the Investment Committee

**November 16, 2022**

**4:30 p.m.**

#### Meeting Conducted via Zoom

- 1. Call to Order:** Committee Member Ross called the meeting to order at 4:30 p.m.
- 2. Roll Call:** Committee Members Clifford, Hayes, and Perry, and Ross, present; Committee Member Lin, excused.
- 3. Public Comment:** None.
- 4. Approval of Minutes:** August 17, 2022, Regular Investment Committee Meeting: Committee Member Clifford moved to approve the minutes of the August 17, 2022, Regular Meeting, seconded by Committee Member Perry, passed 3-0 by roll call vote (Hayes abstain, Lin 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:** The Foundation received 44 applications for Community Grants by the September 21 deadline, providing a robust and competitive applicant pool. The applications have been evaluated by a review panel of community volunteers. The Board will consider the panel's grant recommendations at the December 7 Board meeting; with a \$100,000 donation from Google.org/YouTube, the Foundation will award grants totaling \$300,000 this cycle.
- **Crestmoor Scholarship:** The 2023 Crestmoor Neighborhood Memorial Scholarship will launch in December, when the online application will be accessible and updated marketing materials will be distributed to local schools and throughout the community. The application deadline will be March 7, 2023.

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- Recreation and Aquatics Center (RAC): Ms. Hatamiya shared a recent photograph of construction on the San Bruno Recreation and Aquatic Center and noted that the facility remains on track for a fall 2023 opening.

She reported that the Board received its quarterly report from the City on the RAC in October. The City team reviewed work recently completed and upcoming work scheduled at the construction site. Key highlights include the steel building frame, the roof trusses and decking, the creek realignment, and the underground utilities (sewer and water) under the road. City Park Way remains closed through the end of the year.

The Foundation received the latest set of RAC grant reports in October and made payments totaling \$8.3 million. The Foundation has paid out a total of \$32.4 million in RAC grant payments.

- Tanforan Memorial: Ms. Hatamiya shared photos from the August 27 ribbon-cutting ceremony at the Tanforan Memorial, which the Foundation supported with a \$200,000 grant. SBCF President Malissa Netane-Jones spoke at the ceremony. Ms. Hatamiya encouraged Committee members to visit the memorial.
- Centennial Plaza Improvement Project: In November, the Board approved a \$500,000 strategic grant to the City of San Bruno to support the Centennial Plaza Improvement Project in downtown San Bruno. As part of its efforts to enhance and beautify San Mateo Avenue, the City plans to renovate Centennial Plaza - located at the intersection of San Mateo Avenue and Jenevein Avenue - and create a welcoming gathering space for outdoor dining, entertainment, and community events.
- Community Day: Also in November, the Board approved a \$30,000 strategic grant to the City of San Bruno to support San Bruno's 2023 Community Day celebration. Scheduled for the afternoon of Sunday, June 4, 2023, in conjunction with the San Bruno Lions Club's annual Posy Parade, the event will be held as a street festival on San Mateo Avenue in downtown San Bruno for the second year in a row and will highlight the community's rich cultural diversity and local businesses

Ms. Hatamiya noted that the Foundation's 2022 Annual Report was mailed to all San Bruno addresses the first week of October.

Ms. Hatamiya also reported that Novogradac & Company prepared the FY2021-2022 audited financials, which were accepted by the Board in November, and issued a clean opinion. The Foundation submitted its state and federal tax returns by the November 15 deadline.

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She reported that the Foundation Board reelected its officers for the 2023 term: President Malissa Netane-Jones, Vice President Jim Ruane, Secretary Raul Gomez, and Treasurer Pak Lin.

Ms. Hatamiya reviewed the schedule of transfers from the Quasi-Endowment and Strategic Pool accounts to the Liquidity Pool, but noted that the schedule may be modified based on actual cash needs and updates on the Recreation and Aquatic Center project. Transfers from the Quasi-Endowment to Liquidity-Operating include: (a) \$200,000 scheduled for December 2022, and (b) \$85,937 scheduled for May 2023. Transfers from the Strategic Pool to Liquidity-Operating to cover RAC cash needs are scheduled as follows: Transferred the entire Liquidity-RAC balance to Liquidity-Operating in July to cover the July/August RAC grant payments and closed the Liquidity-RAC Subaccount. Transfers from Strategic to Liquidity-Operating for non-RAC purposes are budgeted at \$4,392,754; \$323,000 was transferred in October to cover most non-RAC cash needs for the year, and additional transfers will take place later on in the year if additional strategic grants are approved.

Finally, Ms. Hatamiya reminded the Committee of its 2023 meetings: February 15, May 17, August 16, and November 15. She also noted that because Governor Newsom has announced his intention to end the pandemic state of emergency at the end of February, the Committee will likely begin meeting in person again starting with the May regular meeting.

### **6. Conduct of Business**

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

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

Mr. Dombkowski gave an overview of the firm's investment outlook, as well as a summary of the firm's current economic forecast, commenting on economic growth, interest rates, inflation, commodity markets, the employment market, corporate earnings, international developed markets, emerging markets, the housing market, and valuation. He highlighted the continuing market volatility but also noted underlying strengths in the economy, which he said do not suggest recessionary conditions.

Ms. Daters then reviewed the Foundation's Investment Dashboard for the third quarter of 2022, including September 30, 2022, balances of \$18,779,127 for the Quasi-Endowment, \$7,621,931 for the Strategic Pool, and \$25,886,954 for the Liquidity Pool, for a total of \$52,288,012 (increased to \$53,187,538 as of October 28, 2022). She also discussed the performance of the underlying funds in the Foundation's Quasi-Endowment, Strategic, and Liquidity pools. She explained the firm's recent portfolio adjustments, including increasing the bond allocation as interest rates continued to rise.

Mr. Dombkowski acknowledged the Committee's guidance at its August meeting to transfer the remaining balance of funds needed to cover future grants payments related to the RAC project – about \$20.7 million – from the Strategic Pool to the Liquidity Pool in September. This transfer took place in

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early September, which protected the funds from additional market volatility since then and ensured that the Foundation would be able to fulfill its grant obligations related to the RAC.

Committee members asked what the Foundation Board's plan is for the remaining balance of the Strategic Pool once the RAC grant payments are fully paid out. Executive Director Hatamiya said the Board will be discussing that topic in the coming year and that it may depend on if the Foundation is asked to provide additional funding for the RAC or provide a significant investment in another strategic initiative. Committee members then noted that if the Foundation Board decides to transfer all or some portion of the remaining funds in the Strategic Pool to the Quasi-Endowment Pool once the RAC grant payments are fully paid out, there would be a natural opportunity to rebalance the portfolio's asset allocation.

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

The Committee discussed cash flow strategies related to the RAC grants. Executive Director Hatamiya reported that since early 2018, the Foundation has made grant payments totaling \$32,435,552 related to the eight grants supporting the design and construction of the RAC. She said that the latest set of RAC grant payments totaling \$8,343,196 was made in early November based on the City's latest set of quarterly grant reports. The remaining balance of RAC grant payments to be paid is \$17,564,448, including about \$13,685,117 in the second half of the current fiscal year. The Committee agreed to keep discussion of cash flow strategies related to funding the RAC on the next Committee meeting agenda.

**7. Committee Member Comments:** Committee Members Ross and Hayes commended the Foundation's recent activities and grants.

**8. Adjourn:** Committee Member Hayes moved to adjourn the meeting at 5:33 p.m., seconded by Committee Member Perry, approved unanimously.

Respectfully submitted for approval at the Regular Investment Committee Meeting of February 15, 2023, by Investment Committee Chair Pak Lin.

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Pak Lin, Investment Committee Chair

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### Memorandum

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**DATE:** February 10, 2023

**TO:** Investment Committee, San Bruno Community Foundation

**FROM:** Leslie Hatamiya, Executive Director

**SUBJECT:** February 15, 2023, Investment Committee Regular Meeting

The Investment Committee of the San Bruno Community Foundation will hold its regular quarterly meeting at 4:30 p.m. on Wednesday, February 15, 2023, via Zoom.

#### **1. Executive Director's Report**

At each meeting, I will report on any follow-up items from the last Committee meeting as well as provide updates on the Foundation's programs and operations. Key items I will report on at the February 15 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).
- Schedule of transfers from the Quasi-Endowment and Strategic Pool accounts to the Liquidity Pool account for FY2022-2023 to cover the Foundation's cash needs through June 30, 2023, consistent with the FY2022-2023 budget passed by the Foundation Board in June 2022.
- A reminder of upcoming 2023 Investment Committee meetings, all at 4:30 p.m.: May 17, August 16, and November 15, 2023. Please note that since Governor Newsom has announced his intention to end the pandemic state of emergency on February 28, 2023, the Foundation will likely resume in-person meetings in March, and the Investment Committee will again meet at San Bruno City Hall, Room 101.

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

Representing SHGA at the Committee meeting will be CEO Brian Dombkowski, Senior Portfolio Manager Meghan DeGroot Daters, and Senior Wealth Manager Kristin Sun. The SHGA team will

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### Memorandum

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give a presentation to the Committee that will cover (a) SHGA's investment outlook, and (b) the performance of the Foundation's investment portfolio.

a. SHGA's Investment Outlook

In this portion of the presentation, the SHGA team will provide an overview of SHGA's current economic forecast, particularly for the first quarter of 2023, 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 fourth quarter of 2022 (second quarter of the fiscal year). The SHGA team will walk the Committee through the attached Investment Dashboard for December 31, 2022, a one-page summary of the Foundation's portfolio. At the meeting, the SHGA team will also provide more detailed and up-to-date information about the Foundation's investment holdings, including performance data of underlying funds.

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

As of early September 2022, the entire balance of funds needed to cover the remaining RAC grants (at that time approximately \$20.7 million) was transferred from the Strategic Pool to the Liquidity Pool. At the February 15 meeting, I will provide an update on the RAC grant payments, and the Committee will have the opportunity to discuss future cash flow strategies related to the RAC project and provide direction, as appropriate.

Attachments:

1. SBCF Investment Dashboard, as of December 31, 2022



# The San Bruno Community Foundation Investment Dashboard

As of December 31, 2022

## Current Outlook:

**Economic Environment:** Over the last year, interest rates have increased dramatically and are now estimated to be at levels that are restricting economic growth. The economy has also normalized during this time as the services industry recovered from the significant pandemic-induced slowdown, and areas of the economy that flourished during the pandemic are slowing. The ultimate economic impact from higher interest rates will be highly dependent on the length of the time that interest rates are held at restrictive levels. As of December, the Federal Reserve's projection for GDP growth in 2023 was less than 1%. This suggests that significant economic slowing will be tolerated before interest rates are lowered. The key, in our view, to avoiding a recession is maintaining job market strength. We expect that as consumers spend through their savings, many people will return to the workforce where the participation rate has been relatively low. Furthermore, if workers in parts of the economy that are experiencing weakness, such as goods and real-estate, fill some of the open positions in services, wage inflation may moderate. In our view, we are seeing signs that peak inflation is behind us and that the Federal Reserve is near the end of its rate hiking cycle. Our outlook for bonds has changed materially from where it was a year ago and, in our view, the risk/reward of the asset class is quite favorable. Parts of the equity market, such as U.S. small and mid cap, as well as international equity are also very attractive although volatility could persist as the economy digests the restrictive interest rate environment.

**Market Environment:** Market volatility continued into the final quarter of the year with the S&P 500 rallying in October and November, then giving up some gains in December. International equity markets were very strong during the quarter with both international developed and emerging markets delivering 10%+ returns as the U.S. dollar weakened, a warm winter in Europe contributed to gas prices falling, and China moved away from its zero-Covid policy. Commodities were positive during the quarter and ended the year with a return of over 15%. REITs were also up during the quarter but lagged the broader equity market. For the full year, REITs were one of the worst performing asset classes.

**Portfolio Response:** In early October, we identified U.S. mid-cap stocks as being attractive given that valuation was near an all-time low. Furthermore, we felt that their domestic focus would allow them to benefit from the relative economic strength of the U.S. economy. We also added to bonds as the risk-reward became favorable as interest rates stabilized and came closer to their peak. We funded these purchases by reducing market neutral and large cap equity.

Performance		Quasi-Endowment Pool			Custom Blended Benchmark		
		Quasi-Endowment Pool	Custom Blended Benchmark	+ / -	Strategic Pool	Custom Blended Benchmark	+ / -
Quarterly	Q1 - 1/31/23	5.91%	5.37%	0.54%	4.24%	3.78%	0.46%
	Q4 2022	5.95%	5.75%	0.20%	3.08%	3.07%	0.01%
	Q3 2022	-5.23%	-5.15%	-0.08%	-3.46%	-4.73%	1.27%
	Q2 2022	-11.39%	-10.70%	-0.69%	-6.91%	-6.50%	-0.41%
Annual	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%
	2019	17.45%	19.26%	-1.81%	10.01%	11.98%	-1.97%
	ITD - 1/31/23	6.57%	6.58%	-0.01%	2.73%	2.60%	0.13%

Quasi-Endowment Pool Portfolio Action			Growth/Capital Preservation
Increased	Decreased		
Q4 2022 Increased Fixed Income			62/38
Mid Cap Equity	Market Neutral		
Bonds	Large Cap Equity		
Q3 2022 Increased Fixed Income			63/37
Bond Allocation	Absolute Return		

Balances	Quasi-Endowment	Strategic	Liquidity	Total
Q4 2022	\$19,712,758	\$7,520,868	\$18,121,972	\$45,355,598
Q3 2022	\$18,779,127	\$7,621,931	\$25,886,954	\$52,288,012
Q2 2022	\$19,816,710	\$28,320,643	\$9,078,116	\$57,215,469
Q1 2022	\$22,494,942	\$30,423,398	\$14,951,629	\$67,869,968
Q4 2021	\$23,587,258	\$31,970,373	\$19,688,073	\$75,245,703

Asset Allocation	Quasi-Endowment Pool		Strategic Target		Strategic Target	
	31-Dec-22	Target	Strategic Pool	31-Dec-22	Target	Target
Large Cap Equity	\$6,535,641	33%	30%	\$696,509	9%	9%
SMID Cap Equity	\$2,211,264	11%	9%	\$313,368	4%	3%
International/EM Equity	\$2,478,940	13%	13%	\$383,530	5%	4%
Fixed Income	\$6,682,421	34%	30%	\$5,547,590	74%	70%
Real Assets	\$1,041,907	5%	8%	\$229,698	3%	4%
Market Neutral	\$520,395	3%	8%	\$253,524	3%	8%
Cash	\$242,190	1%	2%	\$96,649	1%	2%
<b>Total</b>	<b>\$19,712,758</b>	<b>100%</b>	<b>100%</b>	<b>\$7,520,868</b>	<b>100%</b>	<b>100%</b>

Withdrawals	Quasi-Endowment	Strategic	Liquidity	Total
Q4 2022	-\$200,000	-\$323,000	-\$7,937,000	-\$8,460,000
Q3 2022	\$0	-\$20,706,423	\$16,772,423	-\$3,934,000
Q2 2022	-\$112,932	\$0	-\$5,956,000	-\$6,068,932

Illiquidity as of 12/31/22	< 1 Yr	1-3 Yrs	> 3 Yr	Total
Quasi-Endowment Pool	0.00%	0.00%	0.00%	0.00%

## Governance Checklist

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

