

# SAN BRUNO

## Community Foundation

*Investment Committee*

Pak Lin, *Chair* • Anthony Clifford, Mark Hayes, Tim Ross, and Supriya S. Perry, *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](mailto: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](mailto:info@sbcf.org).

### AGENDA

#### SAN BRUNO COMMUNITY FOUNDATION

#### Regular Meeting of the Investment Committee

**August 16, 2023**

**4:30 p.m.**

**Meeting Location:**

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

- 1. Call to Order**
- 2. Roll Call**
- 3. Public Comment:** Individuals are allowed three minutes at this time to comment on items 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:** May 17, 2023, 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

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

### **7. Committee Member Comments**

- 8. Adjourn:** The next regular meeting of the Investment Committee will be held on Wednesday, November 15, 2023, at 4:30 p.m.

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### MINUTES

#### SAN BRUNO COMMUNITY FOUNDATION

#### Regular Meeting of the Investment Committee

**May 17, 2023**

**4:30 p.m.**

#### Meeting Conducted via Zoom

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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**7. Committee Member Comments:** None.

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

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

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Pak Lin, Investment Committee Chair

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### Memorandum

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**DATE:** August 11, 2023

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

**FROM:** Leslie Hatamiya, Executive Director

**SUBJECT:** August 16, 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, August 16, 2023, at San Bruno City Hall Room 101.

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

As I do at each meeting, I will provide updates on the Foundation's programs and operations. Key items I will cover at the August 16 meeting include:

- Program highlights and updates on the Community Grants Fund, the Crestmoor Neighborhood Memorial Scholarship program, and strategic grant initiatives, including the San Bruno Recreation and Aquatic Center (RAC) project.
- Schedule of transfers from the Quasi-Endowment and Strategic Pool accounts to the Liquidity Pool account for FY2023-2024 to cover the Foundation's cash needs through June 30, 2024, consistent with the FY2023-2024 budget passed by the Foundation Board in June 2022.
- A reminder of upcoming Investment Committee meetings: November 15, 2023, February 21, 2024, May 15, 2024, and August 21, 2024, all at 4:30 p.m.

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

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



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#### a. SHGA's Investment Outlook

In this portion of the presentation, the SHGA team will provide an overview of SHGA's current economic forecast, particularly for the third quarter of 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 second quarter of 2023 (fourth quarter of the fiscal year). The SHGA team will walk the Committee through the attached Investment Dashboard for June 30, 2023, 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.

The SHGA team will also briefly preview the firm's annual report to the Foundation's Board of Directors, which Mr. Dombkowski will make at the September 6, 2023, Board meeting.

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

The Foundation's original commitment to the design and construction of a new San Bruno Recreation and Aquatic Center consists of eight grants totaling \$50 million. This past April, at the request of the City of San Bruno, the SBCF Board approved additional funding for RAC construction (RAC Grant #8) in an amount not to exceed \$1.5 million, which will go toward the project's construction contingency and will only be utilized if needed. (Any portion needed would be paid out in the 2023-2024 fiscal year.) In making the request for the funding, the City's project team explained that based on approved and anticipated change orders, it was estimated that by July the construction contingency would be \$605,400.75, which is about 4% of the remaining \$15 million worth of construction work to be completed. For construction projects of this size, it is a best practice to have 10% to 15% contingency of the remaining work to ensure there is adequate funding for any unforeseen work and to avoid schedule delays and increased project costs, and the additional \$1.5 million increases the construction contingency to 14% of the remaining work. The increase in grant amount for the construction grant raises the Foundation's overall commitment to the RAC project to an amount not to exceed \$51.5 million.

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As of September 2022, the Foundation had moved all funds needed to cover the remaining balance on the original \$50 million commitment from the Strategic Pool to the Liquidity Pool. At the May meeting, this Committee discussed the timing of transferring the additional \$1.5 million from Strategic to Liquidity to cover the additional grant funding and ultimately recommended, consistent with the original purpose of the Liquidity Pool, that the full \$1.5 million be transferred immediately from the Strategic Pool to the Liquidity Pool. The Committee noted that if the City does not need the full \$1.5 million for RAC construction contingency, the remaining balance can eventually be used for non-RAC strategic grants and operating expenses.

Through August 8, 2023, the Foundation has made grant payments totaling \$47,769,792.45 related to the eight grants supporting the design and construction of the RAC.

In the current 2023-2024 fiscal year, the Foundation recently disbursed RAC grant payments totaling \$4,882,479.41. The remaining balance of \$50 million commitment to be paid is \$2,230,207.55, all of which is expected to be disbursed in this fiscal year. None of the \$1.5 million committed for construction contingency has been disbursed.

I will provide an update on RAC grant payments and cash flow needs at the Committee meeting.

#### Attachments:

1. SBCF Investment Dashboard, as of June 30, 2023

# The San Bruno Community Foundation Investment Dashboard

As of June 30, 2023

## Current Outlook:

**Economic Environment:** Despite many predictions over the last year that the Federal Reserve's actions would result in a recession, the economy has remained remarkably resilient. GDP growth has continued at a pace of around 2% this year and has been driven by a strong labor market, excess consumer savings, and fiscal stimulus measures that have supported spending on areas such as manufacturing facilities and public construction. However, financial conditions have tightened as banks have become more reluctant to lend to smaller businesses and commercial property owners, forcing these borrowers to turn to the private lending market where interest rates are very high. Furthermore, some parts of the commercial real-estate market are facing an uncertain future as remote work has become more permanent in some parts of the country. Over time, we expect that these challenges will begin to have more of an impact on the broader economy. The key, in our view, to avoiding a recession is maintaining the health of the consumer. A strong job market, combined with excess savings, as well as the baby boomers who have an estimated \$74.8 trillion in net worth to spend during retirement could support ongoing strength even if some parts of the economy soften.

**Market Environment:** The stock market resilience continued in the second quarter resulting in the S&P 500 being up another 8%, bringing the return for the first half of the year to an impressive 16.8%. Small and mid-cap stocks, as well as international stocks, also appreciated but to a lesser extent. Bonds were slightly negative during the quarter as economic data continued to be strong suggesting that the Federal Reserve may continue raising interest rates. REITs were up slightly and commodities were down 2.5%.

**Portfolio Response:** Growth sectors have led the stock market rally this year and we transitioned out of a large cap value ETF and back into broad exposure to large cap stocks as we feel this trend could persist. We also added to emerging market stocks based on a step up in Chinese stimulus as well as attractive valuation and funded this addition by trimming commodities. Lastly, we decreased exposure to high yield bonds following strong performance. Going forward, we see risks to the credit environment as small businesses are forced to borrow in the private market and this risk was not being reflected in the valuation of high yield bonds.

Performance		Quasi-Endowment Pool	Custom Blended Benchmark	+ / -	Strategic Pool	Custom Blended Benchmark	+ / -
Quarterly	Q2 2023	3.28%	3.19%	0.09%	0.57%	0.51%	0.06%
	Q1 2023	4.78%	4.45%	0.33%	3.58%	3.34%	0.24%
	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%
Annual	2023 - 6/30/23	8.22%	7.78%	0.44%	4.17%	3.87%	0.30%
	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 - 6/30/23	6.50%	6.52%	-0.02%	2.56%	2.46%	0.10%

Portfolio Action	Increased	Decreased	Growth/Capital Preservation
<b>Q2 2023</b>	<b>Shifted To More Attractively Valued Assets</b>		<b>62/38</b>
	Large Cap Stocks	U.S. Value Stocks	
	Emerging Market Stocks	Commodities	
	Investment Grade Bonds	High Yield Bonds	
<b>Q1 2023</b>	<b>Maintained Positioning</b>		<b>62/38</b>

Balances	Quasi-Endowment	Strategic	Liquidity	Total
Q2 2023	\$21,225,679	\$6,309,009	\$9,010,671	<b>\$36,545,359</b>
Q1 2023	\$20,658,295	\$7,790,433	\$14,768,287	<b>\$43,217,015</b>
Q4 2022	\$19,712,758	\$7,520,868	\$18,121,972	<b>\$45,355,598</b>
Q3 2022	\$18,779,127	\$7,621,931	\$25,886,954	<b>\$52,288,012</b>
Q2 2022	\$19,816,710	\$28,320,643	\$9,078,116	<b>\$57,215,469</b>

Asset Allocation	Quasi-Endowment Pool		Strategic Target		Strategic Target	
	30-Jun-23	30-Jun-23	Strategic Pool	30-Jun-23	Strategic Pool	30-Jun-23
Large Cap Equity	\$6,911,254	33%	30%	\$579,825	9%	9%
SMID Cap Equity	\$2,407,734	11%	9%	\$270,213	4%	3%
International/EM Equity	\$3,184,824	15%	13%	\$335,178	5%	4%
Fixed Income	\$6,925,912	33%	30%	\$4,720,649	75%	70%
Real Assets	\$1,037,033	5%	8%	\$194,277	3%	4%
Market Neutral	\$527,166	2%	8%	\$124,508	2%	8%
Cash	<u>\$231,756</u>	<u>1%</u>	<u>2%</u>	<u>\$84,359</u>	<u>1%</u>	<u>2%</u>
<b>Total</b>	<b>\$21,225,679</b>	<b>100%</b>	<b>100%</b>	<b>\$6,309,009</b>	<b>100%</b>	<b>100%</b>

Withdrawals	Quasi-Endowment	Strategic	Liquidity	Total
Q2 2023	-\$85,937	-\$1,500,000	-\$5,856,063	<b>-\$7,442,000</b>
Q1 2023	\$0	\$0	-\$3,535,000	<b>-\$3,535,000</b>
Q4 2022	-\$200,000	-\$323,000	-\$7,937,000	<b>-\$8,460,000</b>

Illiquidity as of 6/30/23	< 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.	✓

