

SAN BRUNO

Community Foundation

Investment Committee

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

Leslie Hatamiya, *Executive Director*

www.sbcf.org

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.

AGENDA

SAN BRUNO COMMUNITY FOUNDATION

Regular Meeting of the Investment Committee

November 15, 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 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:** August 16, 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, February 21, 2024, at 4:30 p.m.

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MINUTES

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:** Committee Member Ross called the meeting to order at 4:31 p.m.
- 2. Roll Call:** Committee Members Clifford, Hayes, Perry, and Ross, present. Committee Member Lin, excused.
- 3. Public Comment:** None.
- 4. Approval of Minutes:** May 17, 2023, Regular Investment Committee Meeting: Committee Member Perry moved to approve the minutes of the May 17, 2023, Regular Meeting, seconded by Committee Member Hayes, passed unanimously by roll call vote (Lin absent).

5. Executive Director's Report

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

- **Crestmoor Scholarship:** In June, the Foundation Board honored the ten 2023 Crestmoor Scholars.
- **Community Grants Fund:** The eighth iteration of the Community Grants Fund launched at the beginning of July, with a September 20 grant application deadline. The Foundation has scheduled two Grant Workshops on August 17 and September 5. YouTube and Google.org are again donating \$100,000 to the Community Grants Fund; with the Foundation's \$200,000, \$300,000 in grants will be awarded in December.

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- Recreation and Aquatic Center (RAC): Ms. Hatamiya shared a recent photograph of construction on the San Bruno Recreation and Aquatic Center. She noted that construction of the facility is moving, with the building expected to be completed in December, and reported that the project is on budget.
- 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. Under the current timeline, construction is scheduled to begin in the spring of 2024 and conclude in the fall of 2024.

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 include: (a) \$200,000 scheduled for December 2023, and (b) \$172,843 scheduled for May 2024. All funds needed for the remaining RAC grant payments have already been transferred from the Strategic Pool to the Liquidity Pool. Transfers from Strategic to Liquidity for non-RAC purposes are budgeted at \$1,441,576; \$500,000 was transferred in August, and the remaining funds will be transferred as needed to cover expenses and other strategic grant payments.

Ms. Hatamiya reported that the San Bruno City Council recently appointed Belinda Wong to the open Board seat resulting from Melissa Moreno's resignation. She noted that Belinda will likely join the Investment Committee in November, as Committee Member Perry has expressed a desire to roll off the committee due to family and work obligations. She also reported that President Malissa Netane-Jones, Vice President Jim Ruane, and Secretary Raul Gomez were reappointed to the Board and will serve second four-year terms that begin on January 1, 2024.

Finally, Ms. Hatamiya reminded the Committee of its upcoming meetings: November 15, 2023, and February 21, May 15, and August 21, 2024. All meetings will be held in person at San Bruno City Hall Room 101. She asked Committee members to let her know if they already know they will not be able to make any of these meetings.

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, 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, noting that recession monitors suggest that the economy remains strong. He also reviewed the firm's views on economic growth, interest rates, inflation, commodity markets, the employment market, corporate earnings, international

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developed markets, emerging markets, the housing market, and valuation. He emphasized the strength of the job market and indications that inflation peaked in June of 2022.

Ms. DeGroot Daters then reviewed the Foundation's Investment Dashboard for the third quarter of 2023, including June 30, 2023, balances of \$21,225,679 for the Quasi-Endowment, \$6,309,009 for the Strategic Pool, and \$9,010,671 for the Liquidity Pool (total of \$36,545,359 in all three accounts). Noting a market rally in the first half of 2023, she noted several adjustments to the portfolio to more attractively valued assets, including increases in large cap stocks, emerging market stocks, and investment grade bonds, and decreases in U.S. value stocks, commodities, and high-yield bonds. She reported that SHGA reduced the portfolio's exposure to commodities in favor of long-term Treasury bonds.

Ms. Sun previewed the SBCF portfolio balance update that Mr. Dombkowski plans to share with the Board at its next meeting, noting total withdrawals of \$55,864,581 and total value added of \$17,541,061 since inception.

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

The Committee briefly discussed cash flow strategies related to the San Bruno Recreation and Aquatic Center (RAC) grants. Ms. Hatamiya reported that as of late May 2023, the Foundation had moved all funds needed to cover the remaining balance on the original \$50 million commitment to the RAC project as well as the additional \$1.5 million for construction contingency that the Board approved in April, from the Strategic Pool to the Liquidity Pool. She also reported that through August 15, 2023, the Foundation made grant payments totaling \$47,769,792.45 related to the eight grants supporting the design and construction of the RAC.

7. Committee Member Comments: Committee Member Ross suggested that the Sand Hill team include the portfolio balance update slide at each meeting, and not just in preparation for its annual presentation to the Board.

8. Adjourn: Committee Member Hayes moved to adjourn the meeting at 5:19 p.m., seconded by Committee Member Clifford, approved unanimously (Lin absent).

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

Pak Lin, Investment Committee Chair

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Memorandum

DATE: November 9, 2023

TO: Investment Committee, San Bruno Community Foundation

FROM: Leslie Hatamiya, Executive Director

SUBJECT: November 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, November 15, 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 November 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) 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 2023.
- A reminder of upcoming Investment Committee meetings in 2024: February 21, May 15, August 21, and November 20, all 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 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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Memorandum

a. SHGA's Investment Outlook

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

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 is expected to be paid out in the 2023-2024 fiscal year.) 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.

As of May 2023, the Foundation had moved all funds needed to cover the remaining balance on the \$51.5 million commitment from the Strategic Pool to the Liquidity Pool.

Through November 9, 2023, the Foundation has made grant payments totaling \$49,179,901.54 related to the eight grants supporting the design and construction of the RAC.

The Foundation recently disbursed the latest set of quarterly RAC grant payments totaling \$1,410,109.09. The remaining balance of the original \$50 million commitment to be paid is \$820,098.46. None of the \$1.5 million committed for construction contingency has yet been disbursed.

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Memorandum

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

Attachments:

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

The San Bruno Community Foundation Investment Dashboard

As of September 30, 2023

Current Outlook:

Economic Environment: Economic growth in the United States has been surprisingly robust with GDP growth tracking well above 2% in the third quarter of this year. In the short-term we are unlikely to see a significant slowdown given the strong job market, an improving outlook for corporate earnings growth, fiscal policies that are promoting growth, and a manufacturing industry that is returning to normal following several years of pandemic distortions. 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. If interest rates remain high for an extended period, we expect that consumers will eventually feel more of an impact. Furthermore, some consumers have enjoyed a tax holiday as well as forgiveness from making student loan payments and that will end in October of this year. Yet, the strong job market and wage growth that has recently outpaced the level of inflation could offset these pressures.

Market Environment: Good economic news became bad news as financial markets came to terms with a healthy economy and the potential reality of interest rates staying higher for longer. This contributed to the 10 year Treasury yield reaching its highest level in over 15 years. Stocks and bonds were subsequently down during the quarter. Oil prices rose significantly as Saudi Arabia limited production and REITs were down along with other high dividend paying sectors of the equity market.

Portfolio Response: In late July, we trimmed equity following a significant rally as it had become overweight when compared to our target. The proceeds from this trim were invested in a new absolute return fund. Late in the quarter we made a manager change within emerging market equity.

Performance		Quasi-Endowment Pool	Custom Blended Benchmark	+ / -	Strategic Pool	Custom Blended Benchmark	+ / -
Quarterly	Q3 2023	-3.55%	-3.18%	-0.37%	-3.68%	-3.08%	-0.60%
	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%
Annual	2023 - 9/30/23	4.37%	4.35%	0.02%	0.34%	0.66%	-0.32%
	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 - 9/30/23	5.75%	5.83%	-0.08%	1.95%	1.94%	0.01%

Quasi-Endowment Pool Portfolio Action	Increased	Decreased	Growth/Capital Preservation
Q3 2023	Brought Equity Back to Target Weight		62/38
	Market Neutral	Equity	
Q2 2023	Shifted To More Attractively Valued Assets		62/38
	Large Cap Stocks	U.S. Value Stocks	
	Emerging Market Stocks	Commodities	
	Investment Grade Bonds	High Yield Bonds	

Asset Allocation	Quasi-Endowment Pool		Strategic Target		Strategic Target	
	Pool	30-Sep-23	Target	Strategic Pool	30-Sep-23	Target
Large Cap Equity	\$6,232,979	30%	30%	\$483,031	9%	9%
SMID Cap Equity	\$2,298,502	11%	9%	\$215,940	4%	3%
International/EM Equity	\$3,169,436	15%	13%	\$288,371	5%	4%
Fixed Income	\$6,605,015	32%	30%	\$4,104,614	73%	70%
Real Assets	\$962,186	5%	8%	\$153,212	3%	4%
Market Neutral	\$949,066	5%	8%	\$267,965	5%	8%
Cash	\$240,425	1%	2%	\$79,542	1%	2%
Total	\$20,457,608	100%	100%	\$5,592,674	100%	100%

Balances	Quasi-Endowment	Strategic	Liquidity	Total
Q3 2023	\$20,457,608	\$5,592,674	\$4,388,202	\$30,438,485
Q2 2023	\$21,225,679	\$6,309,009	\$9,010,671	\$36,545,359
Q1 2023	\$20,658,295	\$7,790,433	\$14,768,287	\$43,217,015
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

Withdrawals	Quasi-Endowment	Strategic	Liquidity	Total
Q3 2023	\$0	-\$500,000	-\$4,692,000	-\$5,192,000
Q2 2023	-\$85,937	-\$1,500,000	-\$5,856,063	-\$7,442,000
Q1 2023	\$0	\$0	-\$3,535,000	-\$3,535,000

Illiquidity as of 9/30/23	< 1 Yr	1-3 Yrs	> 3 Yr	Total
Quasi-Endowment Pool	0.00%	0.00%	0.00%	0.00%

Governance Checklist

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.	✓

