

# SAN BRUNO

## Community Foundation

### *Board of Directors*

Nancy A. Kraus, *President* • John P. McGlothlin, *Vice President* • Emily Roberts, *Secretary* • Ben Cohn, *Treasurer*  
Patricia Bohm • Frank Hedley • Regina Stanback Stroud  
Leslie Hatamiya, *Executive Director*

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## MINUTES

### SAN BRUNO COMMUNITY FOUNDATION

#### Regular Meeting of the Board of Directors

November 4, 2015

7:00 p.m.

#### Meeting Location:

San Bruno Senior Center, 1555 Crystal Springs Road, San Bruno

1. **Call to Order/Welcome:** President Nancy Kraus called the meeting to order at 7:00 p.m.
2. **Roll Call:** Board Members Kraus, McGlothlin, Cohn, Roberts, and Bohm present. Board Members Hedley and Stanback Stroud excused.
3. **Approval of Minutes:** October 7, 2015, Regular Board Meeting: Board Member Bohm moved to approve the minutes of the October 7, 2015, Regular Board Meeting, seconded by Vice President McGlothlin, approved unanimously.
4. **Board Member Comments**
  - a. **President:** President Kraus congratulated and thanked the Board, the Executive Director, City staff, and the public for accomplishing so much over this past year.
  - b. **Others:** Vice President McGlothlin mentioned that the SBCF meeting is competing with two other meetings this evening, the Traffic Safety and Parking Committee and the Bicycle and Pedestrian Safety Committee. He also shared that the Bicycle and Pedestrian Safety Committee has an online questionnaire to invite public input. He also reported that the San Bruno Park School District recently mailed a Report to the Community to all San Bruno residents and he complimented the SBPSD Superintendent for that.
5. **Executive Director's Report:** Executive Director Hatamiya reported that the SBCF office is now furnished. She also reported that following up on the October Board meeting's discussion, she is looking into alternative venues and ways to make Foundation Board meetings more accessible to the community, likely starting in 2016. She stated that if the Foundation were to use alternative meeting space, it would want to do so paying the market rental rates for nonprofits, so as not to create any appearance of a conflict of interest. She reported that she had visited the American Legion Hall as a possible venue. She also

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informed the Board that she hopes to have the bandwidth in the next few months to develop a Foundation website, which will allow it to better communicate with the public.

### **6. Consent Calendar**

- a. Adopt Resolution Scheduling a Special Board Meeting on November 18, 2015
- b. Adopt Resolution Ratifying 403(b) Retirement Plan Document and Appointing Leslie Hatamiya to Assist in Administering the Plan
- c. Adopt Resolution Requesting the San Bruno City Council to Authorize Transfer of \$206,000 in Restitution Funds to the San Bruno Community Foundation
- d. Receive and Approve Treasurer's Report (September 2015 Financial Statements)

Secretary Roberts moved to adopt the consent calendar, seconded by Vice President McGlothlin, approved unanimously.

### **7. Conduct of Business**

- a. Receive Report from Novogradac & Company LLP Regarding the San Bruno Community Foundation's Audited Financial Statements for the Year Ended June 30, 2015, and Adopt Resolution Approving the Audited Financial Statements for the Year Ended June 30, 2015

President Kraus thanked Vice President McGlothlin and Board Member Bohm for their service on the Audit Committee; she also thanked Accounting Consultant Frank Bittner for his work to assist the auditors.

Serving as Audit Committee Chair, Vice President McGlothlin introduced Lance Smith of Novogradac & Company LLP.

Mr. Smith reviewed the financial audit report from the Foundation's inception in July 2013 through the end of the past fiscal year on June 30, 2015. He walked the Board through the audited financial statements and shared his recommendations to strengthen internal controls given the small size of the Foundation staff. He made two specific suggestions to increase the Treasurer's oversight involvement, one that the Accounting Consultant have direct access to the Treasurer to flag any questions or irregularities, and one that the Treasurer sign off on the bank statement reconciliations.

Executive Director Hatamiya informed the Board that the Foundation's federal and state tax returns are almost complete and will have them available for the Board to review before they are filed by November 15.

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Vice President McGlothlin stated that an organization's first audit is important and it was good for the Foundation to receive a clean opinion in its first audit. He stated that the auditors' internal controls recommendations will be important as the Foundation takes custody of the restitution funds.

Community member Sandra Decker asked a question about the salary line in the financial statements.

Vice President McGlothlin moved to adopt the resolution approving the audited financial statements for the year ended June 30, 2015, seconded by President Kraus, approved unanimously.

Vice President McGlothlin also made a motion to establish an Ad Hoc Committee on Financial Internal Controls to review the auditors' internal control recommendations and propose updates to the Foundation's Fiscal Policies and Procedures manual in light of those recommendations, and to appoint Treasurer Ben Cohn, Vice President John McGlothlin, and Board Member Bohm to the Committee, seconded by Board Member Bohm, approved unanimously.

Secretary Roberts asked the Executive Director to prepare a roster of all Board committees and their duration, which the Executive Director agreed to do.

- b. Adopt Resolution Creating Ad Hoc Committee on Foundation Program Development to Research and Prepare Proposals for Creation of Scholarship Program and Community Grants Program

Executive Director Hatamiya reminded the Board that on October 7, 2015, it had tasked the Ad Hoc Committee on Program Strategy Development to research six near-term project concepts and return to the Board with specific funding proposals and that two of the concepts involved programs the Foundation would run – a memorial scholarship and a community grants program – and that the other four concepts would require partnerships with the City of San Bruno regarding City programs and facilities.

She reported that the Program Strategy Development Committee determined that the Board would best be served by dividing the work required to properly vet these project concepts. It concluded that it would handle the four concepts that require a partnership with the City and that a second ad hoc committee should be created to research and develop proposals for the memorial scholarship and the community grants program.

Secretary Roberts moved to adopt the resolution creating an Ad Hoc Committee on Foundation Program Development to research and prepare proposals for creation of scholarship program and community grant program, seconded by Board Member Bohm, approved unanimously.

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## 8. Study Session

- a. Presentation on Foundation Time Horizon and Quasi-Endowment Scenarios by Leslie Hatamiya, Executive Director

To open the Study Session, Executive Director Hatamiya gave a presentation on the questions facing the Board in determining whether the Foundation would treat some portion of the restitution funds as a quasi-endowment with a long-term investment strategy. She explained the need for the Board to provide guidance to the Ad Hoc Committee on Investment Strategy prior to the development of a request for proposals for investment management services and an investment policy, in anticipation of the Foundation taking possession of the restitution funds.

She reported that determining the size of a quasi-endowment is a function of the Foundation's program strategy: How does the Foundation use the restitution funds to best achieve its mission? She reviewed the Foundation's purpose, Program Strategy Framework, and the cost-modeling estimates for selected capital projects identified during the Community Listening Campaign that the Foundation received in July. She also reviewed the quasi-endowment presentation that the Board received in August, including the assumptions used in the quasi-endowment model and the sample payout scenarios based on quasi-endowment size.

Executive Director Hatamiya then presented four quasi-endowment scenarios for the Board to consider, each providing a different profile for how the Foundation would carry out its program strategy: (1) treat nearly all of the restitution funds as quasi-endowment and use only investment income to fund programs and operations; (2) a hybrid scenario in which \$40 million is treated as quasi-endowment and \$30 million of principal is used to fund programs and operations over the next several years; (3) a small quasi-endowment scenario in which \$15 million is treated as quasi-endowment and \$55 million of principal is used to fund programs and operations over the next several years; and (4) spend all of the restitution funds on programs and operations over the next several years and retain no funds as quasi-endowment, with the Foundation ceasing operations once the funds are spent.

She highlighted some factors for the Board to consider when evaluating these scenarios, including the tradeoff between capital projects and quasi-endowment, capital project cost escalation, opportunities to find funding partners and leverage the restitution funds, responsiveness to the views heard in the Community Listening Campaign, and the tension between competing desires to benefit the community sooner rather than later and to make the restitution funds last as long as possible.

After Executive Director Hatamiya gave the presentation, several Board members spoke. President Kraus thanked Executive Director Hatamiya for the presentation.

Vice President McGlothlin said he found the hybrid option the most appealing overall because it would allow some of the restitution funds to last and would also allow other organizations to accomplish goals. He expressed his concern about the capacity of organizations that receive

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Foundation grants to accomplish the grants' goals and said that grantees should find way to leverage Foundation funding.

Treasurer Cohn said he would like to explore what "long term" and "enduring" mean to the Board, individually and collectively, and to the public. President Kraus reminded the Board that it had wrestled with these definitions previously.

President Kraus noted that many different ideas and opinions came from the Listening Campaign, often in conflict with each other, and that the Board continues to need to hear from the public on these issues.

Board Member Bohm shared that she is leaning toward the hybrid option and said San Bruno is fortunate to have a business community to approach about leveraging the funds.

President Kraus shared that after initially leaning toward scenario #2, she now leans toward scenario #3, which offers a larger investment upfront so that the community can see tangible results soon.

Secretary Roberts is still thinking through the ideas but likes scenario #2 because it would enable the Foundation to do something significant up front while making meaningful investments to keep the Foundation in operation over the long term.

Several members of the public then shared their views.

Jim Evangelist shared that he attended two of the Listening Campaign town hall meetings and said he heard community members say they want community facilities built now. He recommended that if the Foundation has the ability to improve the community now, it should do it.

Maria Barr thanked the Board for the presentation and stated that for her, "long" and "enduring" mean a new library now that can be used for generations. She also requested that the Foundation fund a plaque with a phoenix rising at the entrance to the Crestmoor neighborhood at Sneath Lane and Claremont Drive in honor of the first responders and others who helped residents escape the fire in September 2010.

Darlene Esola addressed concerns about the Foundation's plans to give grants to community groups and the oversight required to ensure that the funds are used for their intended purposes. She also said that the rebuilding of the Crestmoor neighborhood has taken a toll on the residents, and that she would like to see the restitution funds used on something concrete now, like a library or recreation center. She said she was concerned that the current generation could be gone before significant benefits are realized from the restitution funds.

Representing the soccer community, Charlie Ringgenberg said that at the Listening Campaign meeting he attended, he heard most people talking about wanting the funds spent on concrete projects. He emphasized the need to build something concrete that makes a statement or impact and said he feared that creating a quasi-endowment is like putting the funds under a

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mattress. He urged the Board to spend the money wisely now and reminded the Board of his interest in developing a soccer complex.

Marty Medina said he agreed with what he was hearing about benefiting the community quickly. He also said he favored a new community swimming pool.

Barry Marquardt of the American Legion said he likes balance, favors the idea of a new pool, and does not understand the value of a new library. He suggested funding a parking lot at the corner of Huntington and San Bruno Avenue, which would generate income.

After hearing comments from the public, the Board continued its discussion. Treasurer Cohn raised several questions, including whether the current Board should make all decisions of what to do with the funds. He said that while he heard the desire for capital projects, he was also mindful of the value of investing in people and programs. He also wondered whether the Board should identify which capital projects it wants to fund and use that to determine the size of a quasi-endowment, which led to discussion from other Board members.

Secretary Roberts reminded the Board that the four scenarios are just examples and that the Board can consider other options.

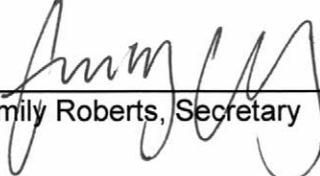
Vice President McGlothlin wondered what capital projects the City has the capacity to undertake. City Manager Connie Jackson explained that the City does not have a comprehensive facilities master plan and that the Foundation's project concept to help fund one for the City would help inform the City's plans for improving its community facilities.

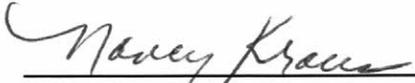
President Kraus concluded the Study Session by stating that the Board would continue the discussion at its November 18, 2015, meeting when all seven members are present.

**9. Public Comment:** None.

**10. Adjourn:** Board Member Bohm moved to adjourn the meeting at 9:15 p.m., seconded by Secretary Roberts, approved unanimously.

Respectfully submitted for approval at the Special Board Meeting of November 18, 2015, by Secretary Emily Roberts and President Nancy Kraus.

  
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Emily Roberts, Secretary

  
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Nancy Kraus, President