

SAN BRUNO

Community Foundation

Investment Committee

Tim Ross, *Chair* • Anthony Clifford, Mark Hayes, Frank Hedley, and Georganne Perkins, *Members*
Leslie Hatamiya, *Executive Director*

AGENDA

SAN BRUNO COMMUNITY FOUNDATION

Regular Meeting of the Investment Committee

November 20, 2019

4:30 p.m.

Meeting Location:

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

In compliance with the Americans with Disabilities Act, individuals requiring reasonable accommodations or appropriate alternative formats for notices, agendas, and records for this meeting should notify us 48 hours prior to meeting. Please call the City Clerk's Office at 650-616-7058.

- 1. Call to Order**
- 2. Roll Call**
- 3. Public Comment:** Individuals are allowed three minutes, groups in attendance, five minutes. If you are unable to remain at the meeting, contact the President to request that the Board consider your comments earlier. It is the Board's policy to refer matters raised in this forum to staff for research and/or action where appropriate. The Brown Act prohibits the Board from discussing or acting upon any matter not agendaized pursuant to State Law.
- 4. Approval of Minutes:** August 21, 2019, 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
- 7. Committee Member Comments**
- 8. Adjourn**

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MINUTES

SAN BRUNO COMMUNITY FOUNDATION

Regular Meeting of the Investment Committee

August 21, 2019

4:30 p.m.

Meeting Location:

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

- 1. Call to Order:** Committee Chair Tim Ross called the meeting to order at 4:31 p.m.
- 2. Roll Call:** Committee Members Ross, Clifford, Hayes, and Hedley, present. Committee Member Perkins, excused.
- 3. Approval of Minutes:** May 20, 2019, Special Investment Committee Meeting: Committee Member Hayes moved to approve the minutes of the May 20, 2019, Special Meeting, seconded by Committee Member Clifford, passed unanimously.
- 4. Executive Director's Report**

Executive Director Hatamiya gave an update on the Foundation. She first reported that Dr. Regina Stanback Stroud resigned from the Foundation's Board of Directors, effective June 30, to coincide with her retirement from Skyline College. She said that in July the San Bruno City Council appointed Jim Ruane to take her place and also appointed Mr. Ruane, Raul Gomez, and Malissa Netane-Jones to four-year terms starting January 1.

Ms. Hatamiya then reported on the Foundation's recent program highlights:

- **Crestmoor Scholarship:** The Foundation awarded nine Crestmoor Scholarships at the June Board meeting. This year's Crestmoor Scholars are once again a very impressive group.

In addition, the Board created a new Ad Hoc Committee on Crestmoor Scholarship to evaluate the program, after four years in operation, and suggest any changes or tweaks to improve it. The Committee will run its preliminary ideas by the Board in September; those ideas may

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include increasing the annual distribution for the scholarship to \$160,000 from \$120,000 to allow giving out two more scholarships per year. The original desire was to increase the annual distribution to \$200,000, but analysis provided by Chair Ross and Kristin Sun of Sand Hill Global Advisors, which examined the impact of an increase on the Quasi-Endowment over time, supported a smaller increase.

- **Community Grants Fund:** The fourth iteration of the Community Grants Fund launched at the beginning of July, with a September 25 grant application deadline. The Foundation offered its first Grant Workshop on August 20, and the application deadline is September 25. Very minimal changes from last year. 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.
- **Strategic Grants**
 - **Recreation and Aquatics Center:** The City continues the schematic design phase of the project. The Foundation has not received an updated cash flow timeline for the project, so a review of cash flow management strategies was not agendized for the meeting.
 - **First Responder Effectiveness Strategic Initiative:** The first three projects – emergency shelter supplies, critical facilities site assessments, and police mindfulness training – have been completed, and the Foundation has received the corresponding grant reports and made all grant payments. In June, the Board approved a grant up to \$303,545 for fourth First Responder project – acquisition of a mobile command vehicle – to be funded by donations from Google.org and employees of Google and YouTube. Once the San Bruno City Council approves the contract with the vendor for acquisition of the mobile command vehicle, the Foundation and the City will execute the grant agreement.
 - **Community Day 2019:** SBCF is again supporting Community Day with a \$30,000 grant and helping the City secure additional sponsorships. Community Day took place on Sunday, June 2, and it was another beautiful day in San Bruno City Park. Once the Foundation receives the grant report from the City, it will make the grant payment.
 - **Music Education Strategic Initiative:** The third year of the three-year Music Education Strategic Initiative has begun. The San Bruno Education Foundation and the Capuchino High School Alumni Association are working on fundraising plans so they can continue the music education programs once SBCF funding sunsets.

Ms. Hatamiya also reported that the Foundation's Annual Report is currently at the printer and will be mailed to every address in San Bruno right after Labor Day. She also reported that the Foundation is in the process of finalizing the fiscal year 2018-2019 accounting books and starting the annual audit, using the same certified public accounting firm, Novogradac & Company, to conduct the audit.

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Ms. Hatamiya reported that the SBCF Board and San Bruno City Council approved the Foundation's fiscal year 2019-2020 budget in June. As part of the resolution, the Board followed the Investment Committee's recommendation of a \$317,510 transfer from the Quasi-Endowment to the Liquidity Pool and a \$4,781,214 transfer from the Strategic Pool to the Liquidity Pool to cover the Foundation's cash flow needs this fiscal year and gave the Executive Director the explicit discretion not to request the full amounts if the funds are not needed.

Ms. Hatamiya explained 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 Aquatics Center project. Transfers from the Quasi-Endowment to the Liquidity Pool are scheduled as follows: (a) \$200,000 on December 1, 2019, and (b) \$119,980 on May 1, 2020. Transfers from the Strategic Pool to the Liquidity Pool are scheduled as follows: (a) \$700,000 was transferred in late July, (b) \$1 million on October 1, 2019, (c) \$2 million on January 1, 2020, and (d) balance of \$1,081,214 on April 1, 2020.

Finally, Ms. Hatamiya reminded the Committee of its next meeting on November 20 and announced the 2020 meeting dates, per the Committee's schedule: February 19, May 20, August 19, and November 18. She asked Committee members to inform her of any conflicts with those dates. She also said that the current terms of the three Board members who are not members of the Foundation Board will conclude in June 2020 and that all three are eligible for reappointment.

5. 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 and Senior Wealth Manager Kristin Sun represented SHGA at the meeting.

Mr. Dombkowski gave an overview of the firm's investment outlook, describing the current stage of the economic cycle as late cycle. He gave a summary of the firm's current economic forecast for the third quarter of 2019, commenting on economic growth, interest rates, the employment market, corporate earnings, international developed markets, emerging markets, inflation, commodity markets, valuation, the housing market, and the potential impact of recent U.S. tariff policy.

Ms. Sun then reviewed the Foundation's Investment Dashboard for the second quarter of 2019, including June 30, 2019, balances of \$17,992,176 for the Quasi-Endowment, \$46,833,894 for the Strategic Pool, and \$10,600,536 for the Liquidity Pool (total of \$75,426,606 in all three accounts). She reported that in the second quarter, SHGA reduced the portfolio's exposure in favor of vehicles that have the potential to participate in further market gains but are likely to be more defensive during a market correction. She also said SHGA exited a position in emerging market bonds in favor of a more diversified vehicle. Within equity, she reported that SHGA exited a mid-cap ETF in favor of a long/short equity fund.

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Committee members expressed a desire for SHGA to manage the Strategic Pool the same as it manages other similar pools as well as an interest in SHGA's guidance on moving funds from the Strategic Pool to the Liquidity Pool as part of the Foundation's investment strategy.

In response to a Committee question about the fixed income portfolio, Ms. Sun agreed to send the Foundation a report outlining the composition and risk profile of the fixed income portfolio after the meeting. Mr. Dombkowski also responded to questions about the portfolio's underperformance relative to the established benchmarks.

The Committee also briefly discussed preparations for Mr. Dombkowski's report to the Foundation Board of Directors on September 4.

6. Public Comment: None.

7. Committee Member Comments: None.

8. Adjourn: Committee Member Hedley moved to adjourn the meeting at 5:53 p.m., seconded by Committee Member Hayes, approved unanimously.

Respectfully submitted for approval at the Regular Investment Committee Meeting of November 20, 2019, by Investment Committee Chair Tim Ross.

Tim Ross, Investment Committee Chair

SAN BRUNO

Community Foundation

Memorandum

DATE: November 15, 2019

TO: Investment Committee, San Bruno Community Foundation

FROM: Leslie Hatamiya, Executive Director

SUBJECT: November 20, 2019, Investment Committee Special Meeting

The Investment Committee of the San Bruno Community Foundation will have its regular quarterly meeting at 4:30 p.m. on Wednesday, November 20, 2019, at San Bruno City Hall, Room 101, 567 El Camino Real, San Bruno.

1. Executive Director's Report

At each 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 November 20 meeting include:

- Program highlights, including an update on the Community Grants Fund, the Crestmoor Neighborhood Memorial Scholarship program, and updates on strategic grant initiatives, including the design of the new recreation and aquatics center
- Schedule of transfers from the Quasi-Endowment and Strategic Pool accounts to the Liquidity Pool account for FY2019-2020 to cover the Foundation's cash needs through June 30, 2020, consistent with the FY2019-2020 budget passed by the Foundation Board in June
- A reminder of upcoming 2020 Investment Committee meetings: February 19, May 20, August 19, and November 18 at 4:30 p.m. at San Bruno City Hall

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

Representing SHGA at the Committee meeting will be Chief Executive Officer Brian Dombkowski and Senior Wealth Manager Kristin Sun. Mr. Dombkowski and Ms. Sun will give a two-part presentation to the Committee that will cover (a) SHGA's investment outlook and (b) the performance thus far of the Foundation's investment portfolio.

SAN BRUNO

Community Foundation

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 2019, including the firm's perspective on economic growth, interest rates, employment market, corporate earnings, international market, housing market, inflation, and commodity markets.

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 2019 (first quarter of the fiscal year). The SHGA team will walk the Committee through the attached Investment Dashboard for September 30, 2019, 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 and a review of active managers.

Attachments:

1. SBCF Investment Dashboard, as of September 30, 2019

The San Bruno Community Foundation Investment Dashboard

As of September 30, 2019

Current Outlook:

Economic Environment: GDP is tracking just above 2% for the year-to-date period and has been driven by strong consumption. However, headwinds have emerged as trade barriers have risen, political tensions around the world have grown and global growth prospects have dimmed. These uncertainties have led to falling business confidence and a slowdown in several cyclical indicators. The Federal Reserve's response to the current environment has been evolving. What began as an "insurance" rate cut in July has now grown into a new rate-cutting cycle with a third rate cut now widely anticipated in October. Additionally, shortfalls in the short-term funding markets have resulted in a renewed quantitative easing program. This renewed stimulus comes in response to both global, and now domestic, signs of economic slowing. This policy response should serve to support looser financial conditions in the U.S. However, in other parts of the developed world, monetary stimulus is not having its desired effect as negative interest rates are leading to a pull-back in borrowing activity. The Federal Reserve has been projecting a return to trend growth which, in their view, is just under 2% GDP growth. However, ongoing trade tensions and signs of decelerating growth in the services sector bear watching as these have the potential to impact GDP growth in a more meaningful way.

Market Environment: Equity market volatility picked up significantly during the third quarter as global trade tensions escalated further and signs of economic contraction became more prevalent within the global manufacturing sector. Bond yields declined to their lowest levels in three years as central banks lowered interest rates. Meanwhile, the attack on Saudi Arabia's oil production facilities caused a significant, but brief, spike in oil prices as 5% of global production was impacted. REITs rallied as market participants continued to favor higher yielding equities.

Portfolio Response: Global trade tensions and persistent auto industry weakness have led to further deterioration in Europe's manufacturing economies. In spite of this, European equities have generated a positive return this year. We moved to an underweight position in this asset class during the third quarter as we expect these economic pressures to persist and are concerned that monetary policy in the region has reached its limit.

Performance	Quasi-Endowment Pool			Custom Blended			
	Benchmark	+ / -	Strategic Pool	Benchmark	+ / -		
Quarterly	Q3 2019	0.43%	1.24%	-0.81%	1.33%	1.98%	-0.65%
	Q2 2019	2.77%	3.13%	-0.36%	2.41%	3.00%	-0.59%
	Q1 2019	8.68%	8.83%	-0.15%	4.39%	4.89%	-0.50%
	Q4 2018	-8.49%	-7.44%	-1.05%	-2.17%	-1.34%	-0.83%
Calendar	YTD	12.16%	13.63%	-1.47%	8.33%	10.17%	-1.84%
	1 Year	2.63%	5.18%	-2.55%	5.98%	8.69%	-2.71%
	ITD	7.00%	7.80%	-0.80%	3.68%	4.41%	-0.73%

Quasi-Endowment Pool Portfolio Action	Increased	Decreased	Growth/Capital Preservation
Q3 2019	Moved to an Underweight in European Equity		57/43
	Diversified Bonds	European Equity	
Q2 2019	Rotated Into Less Volatile Assets		61/39
	Diversified Bonds	Emerging Market Bonds	
	Long/Short Equity	Mid Cap Stocks	
Q1 2019	Reduced Equity Into Strength		63/37
	Short Duration Bonds	Global Equity	
	Small Cap Equity	Regional Banks	
		Insurance Linked Securities	

Asset Allocation	Quasi-Endowment Pool	30-Sep-19	Strategic Target	Strategic Pool	30-Sep-19	Strategic Target
Large Cap Equity	\$5,534,282	31%	30%	\$4,068,696	9%	9%
SMID Cap Equity	\$1,717,339	10%	9%	\$1,321,501	3%	3%
International/EM Equity	\$2,095,671	12%	13%	\$1,922,056	4%	4%
Fixed Income	\$6,305,177	35%	30%	\$33,583,974	72%	70%
Real Assets	\$879,957	5%	8%	\$964,485	2%	4%
Market Neutral	\$1,056,821	6%	8%	\$3,311,768	7%	8%
Cash	\$485,364	3%	2%	\$1,590,298	3%	2%
Total	\$18,074,612	100%	100%	\$46,762,777	100%	100%

Balances	Quasi-Endowment	Strategic	Liquidity	Total
Q3 2019	\$18,074,612	\$46,762,777	\$10,757,265	\$75,594,654
Q2 2019	\$17,992,176	\$46,833,894	\$10,600,536	\$75,426,606
Q1 2019	\$17,632,371	\$45,735,542	\$11,151,236	\$74,519,150
Q4 2018	\$16,224,500	\$44,158,867	\$11,130,680	\$71,514,047

Illiquidity as of 9/30/2019	< 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.	✓

