

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

Special Meeting of the Investment Committee

November 27, 2018

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. Approval of Minutes: August 22, 2018, Special Investment Committee Meeting

4. Executive Director's Report

5. Conduct of Business

- a. Adopt Resolution Canceling the February 20, 2019, Regular Meeting of the Investment Committee and Scheduling a Special Meeting on February 13, 2019
- b. Receive Report from Sand Hill Global Advisors, LLC (SHGA) regarding SHGA's Investment Outlook and SBCF's Investment Portfolio Performance
- c. Adopt Resolution Recommending that the SBCF Board of Directors Authorize the Executive Director to Execute a Professional Services Agreement with Sand Hill Global Advisors, LLC, for Investment Management Services Commencing on March 11, 2019

6. 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

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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.

7. Committee Member Comments

8. Adjourn

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MINUTES

SAN BRUNO COMMUNITY FOUNDATION

Special Meeting of the Investment Committee

August 22, 2018

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 4:32 p.m.
- 2. Roll Call:** Committee Members Ross, Clifford, Hayes, Hedley, and Perkins, present.
- 3. Approval of Minutes:** May 16, 2018, Regular Investment Committee Meeting: Committee Member Hedley moved to approve the minutes of the May 16, 2018, Regular Meeting, seconded by Committee Member Clifford, passed unanimously.
- 4. Executive Director's Report**

Executive Director Hatamiya gave an update on the Foundation. First, she reported on several staff transitions in the City of San Bruno: New City Manager Jovan Grogan started on July 30; there are or will soon be a new Finance Director, Cable Director, and Community Services Director; and the Community Development Director is leaving at the end of the week.

She then reported on the Foundation's recent program highlights:

- **Crestmoor Scholarship:** The Foundation awarded nine Crestmoor Scholarships at the June Board meeting.
- **Community Grants Fund:** The third iteration of Community Grants Fund launched at the beginning of July. Two Grant Workshops were held, with a third scheduled for September 10. The application deadline is September 26. YouTube/Google is again donating \$100,000; with the Foundation's \$200,000, the Foundation will award \$300,000 in grants in December.

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- Music Education Strategic Initiative: Implementation is proceeding on schedule. The second set of grant payments were made mid-June. A steering committee led by SBEF is planning a fall fundraiser called “Music in the Air” to be held on November 3 at Capuchino High School.
- Schools Transformation Grant: In June, the Board approved a \$250,000 strategic grant to the San Bruno Education Foundation for two important pieces of its schools transformation project in the San Bruno Park School District: (a) Sobrato Early Academic Language (SEAL) program at Belle Air and Allen Elementary Schools, and (b) partnership with Partners in School Innovation to support the Parkside transformation.
- Recreation and Aquatics Center: The Foundation is funding the conceptual design phase with a \$550,000 grant. An upfront payment of \$381,500 was made earlier this year; staff is waiting for the City to submit its grant report to determine how much of second payment of up \$168,500 will be used. The San Bruno City Council approved the conceptual design in late June and in July approved moving forward to engage Group 4 Architecture to conduct the second stage (schematic design and development of construction documents).
- Pedestrian Safety Initiative: The first three sets of flashing beacons were installed at Portola Elementary School and Parkside Intermediate School in the spring and seem to be working well. One downtown site on San Mateo Avenue and another at John Muir Elementary School to be installed in September.
- Florida Avenue Park: There has been a delay in the park’s construction due to faulty construction drawings and issues regarding saving heritage trees. The Foundation disbursed the \$200,000 grant to the City in late February.
- First Responder Effectiveness Strategic Initiative: In March, the Board approved a \$160,723 strategic grant to the City for three first responder projects: mindfulness training, emergency shelter supplies, critical facilities site assessments. In the aftermath of the April shooting at YouTube’s San Bruno headquarters, Google and employees from Google and YouTube donated about \$300,000 to the Initiative. Staff has been in discussion with the City about additional first responder projects those funds could support.

Ms. Hatamiya also reported that the SBCF Board and San Bruno City Council approved the Foundation’s fiscal year 2018-2019 budget in June. As part of the resolution, the Board followed the Investment Committee’s recommendation of a \$319,980 transfer from the Quasi-Endowment account to the Liquidity account and a \$4.043 million transfer from the Strategic account to the Liquidity account to cover the Foundation’s cash flow needs this fiscal year. The Board also followed the Committee’s other recommendation to move \$10 million from the Strategic account to the Liquidity account for the recreation and aquatics center project to protect that amount from market volatility. She reported that the \$10 million transfer took place the first week of July and a transfer of \$700,000 from the Strategic account to the Liquidity account took place on August 1. Additional transfers from the Strategic account

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to the Liquidity account are scheduled for January and June, with transfers from the Quasi-Endowment to the Liquidity account scheduled for December and May.

Finally, Ms. Hatamiya reminded the Committee of its next meeting on November 27 and announced the 2019 meeting dates, per the Committee's schedule: February 20, May 15, August 21, and November 20. She asked Committee members to inform her of any conflicts with those dates.

5. Conduct of Business

- a. Adopt Resolution Canceling the November 14, 2018, Special Meeting of the Investment Committee and Scheduling a Special Meeting on November 27, 2018

Committee Member Hedley moved to adopt the resolution canceling the November 14, 2018, Special Meeting of the Investment Committee and scheduling a Special Meeting on November 27, 2018, seconded by Committee Member Hayes, approved unanimously.

- b. 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 mid-to-late cycle. He gave a summary of the firm's current economic forecast for the third quarter of 2018, 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 2018, including June 30, 2018, balances of \$17,521,667 for the Quasi-Endowment, \$55,451,122 for the Strategic Pool, and \$356,359 for the Liquidity Pool (total of \$73,329,147 in all three accounts). She reported that in the second quarter, SHGA increased the Foundation's short duration bond holdings and decreased energy equities and floating rate loans.

The Committee discussed the \$10 million transfer from the Strategic account to the Liquidity account at the beginning of July, and Ms. Sun confirmed that holdings in the Strategic account's portfolio were liquidated evenly across the board.

The Committee also briefly discussed preparations for Mr. Dombkowski's report to the Foundation Board of Directors on September 5.

5. Public Comment: None.

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6. Committee Member Comments: None.

7. Adjourn: Committee Member Hedley moved to adjourn the meeting at 5:38 p.m., seconded by Committee Member Hayes, approved unanimously.

Respectfully submitted for approval at the Special Investment Committee Meeting of November 27, 2018, by Investment Committee Chair Tim Ross.

Tim Ross, Investment Committee Chair

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Memorandum

DATE: November 20, 2018

TO: Investment Committee, San Bruno Community Foundation

FROM: Leslie Hatamiya, Executive Director

SUBJECT: November 27, 2018, Investment Committee Special Meeting

The Investment Committee of the San Bruno Community Foundation will have a special quarterly meeting at 4:30 p.m. on Wednesday, November 27, 2018, 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 27 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 FY2018-2019: (1) transfers to cover the Foundation's cash needs through June 30, 2019, consistent with the FY2018-2019 budget passed by the Foundation Board in June (\$319,980 from the Quasi-Endowment and \$4,043,704 from the Strategic Pool), and (2) a one-time transfer of \$10 million from the Strategic Pool in anticipation of upcoming cash needs for the recreation and aquatics center project

2. Resolution Canceling the February 20, 2019, Regular Meeting of the Investment Committee and Scheduling a Special Meeting on February 13, 2019

The Investment Committee's regularly meets on the third Wednesday of the middle month of each quarter of the fiscal year (August, November, February, and May) at 4:30 p.m. at San Bruno City Hall, Room 101, 567 El Camino Real, San Bruno, California. For 2019, those dates are February 20, May 15, August 21, and November 20.

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Memorandum

Two Committee members, including Chair Tim Ross, are unable to attend a meeting on February 20 due to conflicting plans. As a result, Chair Ross and I propose canceling the February 20, 2019, regular Committee meeting and scheduling a special Committee meeting on February 13, 2019.

I recommend that the Committee pass the attached resolution, which would formally cancel the February 20, 2019, regular meeting and schedule a special meeting on February 13, 2019.

3. 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.

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 2018, 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 2018 (first quarter of the fiscal year). The SHGA team will walk the Committee through the attached Investment Dashboard for September 30, 2018, 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.

4. Resolution Recommending that the SBCF Board of Directors Authorize the Executive Director to Execute a Professional Services Agreement with Sand Hill Global Advisors, LLC, for Investment Management Services Commencing on March 11, 2019

In March 2016, after a thorough vetting process that included a Request for Proposals for Investment Management Services resulting in 17 submissions and in-person interviews of five finalists, the SBCF Board of Directors selected SHGA as the Foundation's investment adviser. On March 11, 2016, Mr. Dombkowski, representing SHGA, and I, representing the Foundation,

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Memorandum

executed a professional services agreement for investment management services. The agreement is for a three-year term, beginning on March 11, 2016, and ending on March 10, 2019.

Given that the Investment Committee and Foundation Board have been very pleased with SHGA's management of the Foundation's investment portfolio and its responsive service to the Foundation, Chair Ross and I are supportive of the Foundation executing a new professional services agreement for investment management services with SHGA to commence on March 11, 2019. SHGA has agreed to all the terms in the original agreement. The one change supported by both parties is to not include a termination date, which is typical of investment management services agreements and how SHGA's usual agreements are structured (the agreement between SBCF and SHGA was drafted by the Foundation).

The revised term and termination provision would read as follows:

4. Term and Termination. SHGA shall serve as a consultant to the Foundation under this Agreement, commencing on March 11, 2019, and continuing until this Agreement is terminated as provided herein.

This Agreement may be terminated by either party with or without cause by written notice to the other party, effective thirty (30) days after receipt of such notice by the addressee or such later date as may be specified in such notice. The parties understand that at times Foundation assets will be invested in investments with limited liquidity, and SHGA may not be able to liquidate all Foundation holdings upon request. Liquidation on such holdings may take ninety (90) days or more to complete depending upon the size of the liquidity request, market conditions, distribution limits and other factors determined by managers of such limited liquidity investments. Foundation understands and acknowledges that SHGA will use its best efforts to provide for a timely liquidation of such investments upon notification of termination, but SHGA will not be liable for any loss Foundation may experience as a result of any reasonable delay in the liquidation of such investments. The Foundation shall pay SHGA for the portion of the Services that have been performed prior to the termination.

All other terms in the agreement, including fees, would remain the same.

We recommend that the Committee adopt the attached resolution recommending that the SBCF Board of Directors authorize the Executive Director to execute a new Professional Services Agreement with Sand Hill Global Advisors, LLC for Investment Management Services, to commence on March 11, 2019.

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Attachments:

1. Resolution Canceling the February 20, 2019, Regular Meeting of the Investment Committee and Scheduling a Special Meeting on February 13, 2019
2. SBCF Investment Dashboard, as of September 30, 2018
3. Resolution Recommending that the SBCF Board of Directors Authorize the Executive Director to Execute a New Professional Services Agreement with Sand Hill Global Advisors, LLC, for Investment Management Services Commencing on March 11, 2019

RESOLUTION NO. 2018-__

**RESOLUTION OF THE SAN BRUNO COMMUNITY FOUNDATION
INVESTMENT COMMITTEE CANCELING THE FEBRUARY 20, 2019, REGULAR COMMITTEE
MEETING AND SCHEDULING A SPECIAL COMMITTEE MEETING ON FEBRUARY 13, 2018**

WHEREAS, the Foundation's Investment Committee has a regular meeting scheduled for February 20, 2019; and

WHEREAS, the Committee may not have a quorum in attendance on February 20, 2019, due to Committee members' travel schedules.

NOW, THEREFORE, BE IT RESOLVED that the Investment Committee cancels the Regular Committee Meeting of February 20, 2019, and schedules a Special Committee Meeting at 4:30 p.m. on February 13, 2019.

Dated: November 27, 2018

ATTEST:

Tim Ross, Investment Committee Chair

I, Tim Ross, Chair, do hereby certify that the foregoing Resolution No. 2018-__ was duly and regularly passed and adopted by the Investment Committee of the San Bruno Community Foundation on this 27th day of November, 2018, by the following vote:

AYES: Committee members:

NOES: Committee members:

ABSENT: Committee members:

The San Bruno Community Foundation Investment Dashboard

As of September 30, 2018

Current Outlook:

Economic Environment: While the summer months are typically marked by volatility, the third quarter was unusually calm in domestic equity markets following a tumultuous first half. International markets, however, remained under pressure as international trade tensions persisted and political instability in some emerging market countries drove volatility in currency. Central banks globally remained accommodative as global growth slowed from its recent peak in 2017 but remaining above long-term historical averages. The U.S. economy is on track to grow at a 3-3.5% pace, business surveys suggest continued growth and the job market remains very healthy. While the US yield curve continued to flatten during the third quarter, it has begun to steepen in the early part of the fourth quarter following continued strength in economic data and another rate hike from the FOMC. The Federal Funds rate is now at 2.00-2.25%. We expect strong corporate earnings growth to persist through the end of the year which should be supportive of positive equity market returns. However, with profit margins at all time highs and the tailwind from U.S. corporate tax cuts subsiding in 2019, earnings growth may become more challenging next year. This is particularly relevant as labor costs continue to rise and interest rates move higher.

Market Environment: Domestic equity markets appreciated during the quarter with large cap stocks outperforming small cap stocks. International stocks declined as currency volatility increased and trade tensions persisted. Bond returns were flat. Commodities became increasingly volatile, with growing demand for oil outpacing supply, while metals and agriculture remained vulnerable to tariffs. REITs also remained volatile against a backdrop of increased consumer demand and rising rates.

Portfolio Response: Despite capturing good results in growth assets, our bias continues to be toward reducing risk exposure. We continue to prefer short duration in the fixed income portfolio, as the flattened yield curve has resulted in returns being similar across the curve. The equity portfolio maintains an overweight to international markets given very favorable valuation and attractive growth.

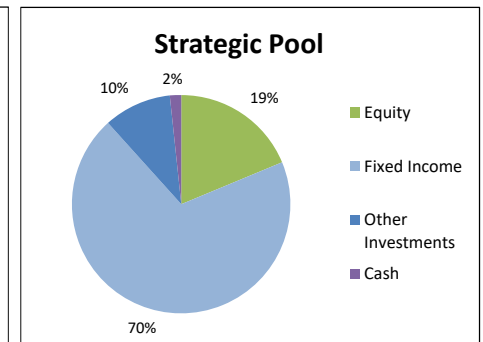
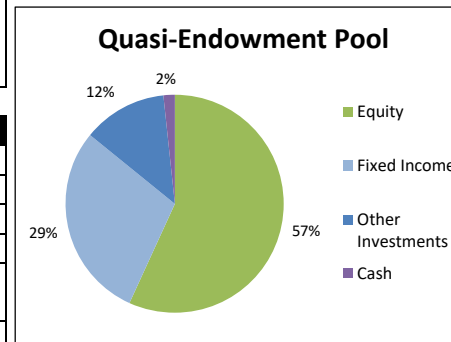
Performance		Quasi-Endowment Pool			Custom Blended		
		Benchmark	+ / -	Strategic Pool	Benchmark	+ / -	
Quarterly	Q3 2018	2.34%	2.75%	-0.41%	0.84%	0.90%	-0.06%
	Q2 2018	1.19%	1.86%	-0.67%	0.38%	0.68%	-0.30%
	Q1 2018	-0.76%	-1.17%	0.42%	-1.00%	-1.37%	0.37%
	Q4 2017	3.82%	3.27%	0.55%	1.32%	1.24%	0.08%
Calendar	1 Year	6.70%	6.83%	-0.13%	1.53%	1.44%	0.09%
	ITD	8.94%	8.93%	0.01%	2.70%	2.62%	0.08%

Quasi-Endowment Pool	Increased		Decreased	Growth/Capital Preservation
Portfolio Action	Risk Reduction in Stocks & Bonds			62/38
Q2 2018	Short Duration Bonds		Energy Equities	
			Floating Rate Loans	
Q1 2018	Opportunistic Addition to Global Equity			64/36
	Global Equities		Domestic Large Cap Equities	
Q4 2017	Rebalanced Back to Target			64/36
	Fixed Income		Large Cap Equities	

Asset Allocation	Quasi-Endowment Pool	30-Sep-18	Strategic Target	Strategic Pool	30-Sep-18	Strategic Target
Large Cap Equity	\$5,036,529	28%	30%	\$3,596,497	8%	9%
SMID Cap Equity	\$1,998,608	11%	9%	\$1,401,830	3%	3%
International/EM Equity	\$3,140,341	18%	13%	\$3,467,195	8%	4%
Fixed Income	\$5,204,269	29%	30%	\$31,406,882	70%	70%
Real Assets	\$829,978	5%	8%	\$443,821	1%	4%
Market Neutral	\$1,406,042	8%	8%	\$4,073,426	9%	8%
Cash	\$300,010	2%	2%	\$747,416	2%	2%
Total	\$17,915,777	100%	100%	\$45,137,066	100%	100%

Balances	Quasi-Endowment	Strategic	Liquidity	Total
Q3 2018	\$17,915,777	\$45,137,066	\$11,120,166	\$74,173,009
Q2 2018	\$17,521,667	\$55,451,122	\$356,359	\$73,329,147
Q1 2018	\$17,327,253	\$55,615,889	\$189,379	\$73,132,521
Q4 2017	\$17,457,761	\$56,177,533	\$1,144,112	\$74,779,405

Illiquidity as of 9/30/2018	< 1 Yr	1-3 Yrs	> 3 Yr	Total
Quasi-Endowment Pool	2.07%	0.00%	0.00%	2.07%



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.	✓

RESOLUTION NO. 2018-__

**RESOLUTION OF THE SAN BRUNO COMMUNITY FOUNDATION
INVESTMENT COMMITTEE RECOMMENDING THAT THE SBCF BOARD OF DIRECTORS
AUTHORIZE THE EXECUTIVE DIRECTOR TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT
WITH SAND HILL GLOBAL ADVISORS, LLC, FOR INVESTMENT MANAGEMENT SERVICES
COMMENCING ON MARCH 11, 2019**

WHEREAS, on March 2, 2016, after a thorough vetting process that included a Request for Proposals for Investment Management Services resulting in 17 submissions and in-person interviews of five finalists, the Board of Directors of the San Bruno Community Foundation determined that Sand Hill Global Advisors, LLC (SHGA), was the investment firm with the overall best fit to meet the Foundation's long-term investment needs, including service, cost, independence, and understanding of the Foundation's unique situation as the Foundation's investment adviser and selected SHGA as the Foundation's investment adviser;

WHEREAS, on March 11, 2016, the Foundation and SHGA executed a three-year professional services agreement for investment management services, beginning on March 11, 2016, and ending on March 10, 2019;

WHEREAS, since March 2016, SHGA has competently and diligently managed the Foundation's investment portfolio and has provided responsive service to the Foundation; and

WHEREAS, SHGA has agreed to execute a new professional services agreement for investment management services commencing on March 11, 2019, identical to the agreement executed on March 11, 2016, with one exception (consistent with SHGA's investment management agreements with its other clients, the agreement will not include a specific termination date, and both SHGA and the Foundation will be able to terminate at any time with or without cause with 30-days' written notice).

NOW, THEREFORE, BE IT RESOLVED that the Investment Committee recommends that the SBCF Board of Directors authorize the Executive Director to execute a professional services agreement with SHGA for investment management services commencing on March 11, 2019.

Dated: November 27, 2018

ATTEST:

Tim Ross, Investment Committee Chair

I, Tim Ross, Chair, do hereby certify that the foregoing Resolution No. 2018-__ was duly and regularly passed and adopted by the Investment Committee of the San Bruno Community Foundation on this 27th day of November, 2018, by the following vote:

AYES: Committee members:

NOES: Committee members:

ABSENT: Committee members: