

SAN BRUNO

Community Foundation

Investment Committee

Tim Ross, Chair • Anthony Clifford, Mark Hayes, Frank Hedley, and John McGlothlin, Members
Leslie Hatamiya, Executive Director

GOVERNOR'S EXECUTIVE ORDER N-25-20** CORONAVIRUS COVID-19**

On March 17, 2020, the Governor of California issued Executive Order N-29-20 suspending certain provisions of the Ralph M. Brown Act in order to allow for local legislative bodies to conduct their meetings telephonically or by other electronic means. Pursuant to the CDC's social distancing guidelines which discourage large public gatherings, the Board of Directors of the San Bruno Community Foundation is now holding meetings via Zoom.

If you would like to make a Public Comment on an item not on the agenda, or comment on a particular agenda item, you may address the Council orally during the meeting, or you may email us at info@sbcf.org. The length of all emailed comments should be commensurate with the three minutes customarily allowed per speaker, which is approximately 300 words total. Emails received before the special or regular meeting start time will be forwarded to the Foundation Board of Directors, posted on the Foundation's website and will become part of the public record for that meeting. If emailed comments are received after the meeting start time, or after the meeting ends, they will be forwarded to the Foundation Board of Directors and filed with the agenda packet becoming part of the public record for that meeting.

Individuals who require special assistance of a disability-related modification or accommodation to participate in this meeting, or who have a disability and wish to request an alternative format for the agenda, agenda packet or other writings that may be distributed at the meeting, should contact Melissa Thurman, City Clerk, 48 hours prior to the meeting at (650) 619-7070 or by email at mthurman@sanbruno.ca.gov. Notification in advance of the meeting will enable the San Bruno Community Foundation to make reasonable arrangements to ensure accessibility to this meeting, the materials related to it, and your ability to comment.

AGENDA

SAN BRUNO COMMUNITY FOUNDATION

Regular Meeting of the Investment Committee

August 18, 2021

4:30 p.m.

Zoom Meeting Details:

<https://us02web.zoom.us/j/83188079082?pwd=QXAYYjE8E82U3hBU0tCZzB5djJlUT09>

Webinar ID: 831 8807 9082

Passcode: 491399

Dial-in: (669) 900-6833

1. Call to Order
2. Roll Call

SAN BRUNO

Community Foundation

Investment Committee

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

3. **Public Comment:** Individuals are allowed three minutes. 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 19, 2021, 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
 - b. Discuss and Provide Direction Regarding Future Cash Flow Strategies Related to Funding of Recreation and Aquatics Center Project
 - c. Discuss and Provide Direction Regarding Investment Strategy Proposal Under Consideration by the SBCF Board of Directors as Part of Strategic Planning Process
7. **Committee Member Comments**
8. **Adjourn:** The next regular meeting of the Investment Committee will be held on Wednesday, November 17, 2021, at 4:30 p.m.

SAN BRUNO

Community Foundation

Investment Committee

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

MINUTES

SAN BRUNO COMMUNITY FOUNDATION

Regular Meeting of the Investment Committee

May 19, 2021

4:30 p.m.

Meeting Conducted via Zoom

- 1. Call to Order:** Committee Chair Tim Ross called the meeting to order at 4:36 p.m.
- 2. Roll Call:** Committee Members Ross, Clifford, Hayes, Hedley, and McGlothlin, present.
- 3. Public Comment:** None.
- 4. Approval of Minutes:** February 17, 2021, Regular Investment Committee Meeting: Committee Member Hedley moved to approve the minutes of the February 17, 2021, Regular Meeting, seconded by Committee Member McGlothlin, passed unanimously by roll call vote.

5. Executive Director's Report

Executive Director Hatamiya gave an update on the Foundation. She first focused on the Foundation's recent program highlights:

- **Crestmoor Scholarship:** SBCF will soon announce the 2021 Crestmoor Scholars, with awards totaling \$195,000. The 13 Crestmoor Scholars will be recognized at the June 2 Board meeting on Zoom.
- **Community Grants Fund:** SBCF finished distributing the last round of grant checks right after the last Committee meeting in February. The sixth iteration of the Community Grants Fund will launch at the beginning of July, with a late September deadline.
- **Strategic Grants**
 - **Recreation and Aquatics Center:** Since February, the SBCF Board received two reports on the RAC project from the City. In March, Community Services Director Ann Mottola gave an

SAN BRUNO

Community Foundation

Investment Committee

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

update on the general contractor bidding process, renovation work on the Tom Lara Field parking lot, the relocation of the Memorial Sculpture near the tennis courts, the temporary relocation of the Community Services Department staff to Fireman's Hall on San Mateo Avenue, and the project schedule. Ms. Hatamiya shared with the Committee the City's fly-through video that provides a feel for what the inside of the new facility will look like when constructed.

In April, a team from the City of San Bruno – including City Manager Jovan Grogan, Community Services Director Mottola, and Consultant Audree Jones-Taylor – reported to the Board on recent progress on the Recreation and Aquatic Center Project. Most notably, the team gave a presentation on the Strategic Business Plan for the facility. Funded by a grant from SBCF, the Business Plan supports the City's efforts to create a new recreation model and vision to deliver quality services to the community. The Business Plan also makes recommendations related to operations, partnerships, programming, services, staffing levels, and associated costs, so that the City can take advantage of opportunities to recover costs that will sustain the center over the long term. Board members expressed excitement about the opportunities for the facility and engaged in a lively discussion with the City team.

The City also presented a request - which the Board approved - for the seventh grant related to the project - \$1,123,438 for renovations to the Tom Lara Field Parking Lot to increase parking capacity near the facility in San Bruno City Park. The work will double the number of parking spaces in the lot and include construction of stormwater biotreatment measures. Construction is expected to begin this summer and last approximately 60 days.

In terms of the construction contract bidding process, the City received six bids by the late March deadline. The City is finishing up the due diligence process and will bring a contract to the City Council for approval probably in June sometime. The bids came in lower than expected.

The City continues to wait for several remaining environmental/permitting approvals. The City believes it will get both approvals by July.

SBCF will not receive a new project cashflow timeline until the construction contractor has been approved. To prepare for the upcoming fiscal year budget, construction payments from the last cashflow timeline received have been pushed out about six months.

- COVID-19 Relief Grants: On March 3, the Board approved a second grant in the amount of \$157,000 to the San Mateo County Community College District to extend the Small Business Recovery and Assistance Program run by the Bay Area Entrepreneur Center of Skyline College through 2021. Last spring, the Foundation provided an initial grant of \$100,000 to get the program off the ground. With the first grant, the BAEC reached out to more than 225 San Bruno small businesses, offering 28 online workshops and a three-day Small Business Symposium. The BAEC also recorded and uploaded seventeen online workshops to

SAN BRUNO

Community Foundation

Investment Committee

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

- its YouTube channel. The 2020 micro grant initiative provided direct financial assistance and business coaching to 16 small businesses in San Bruno. Each business received more than \$4,000, plus six coaching sessions with program advisors. Micro Grant funding was used for expenses directly related to recovery from COVID-19 restrictions and for improvement of business operations, in response to new business safety requirements.
- The latest SBCF grant of \$157,000 enables the BAEC to continue the Small Business Recovery and Assistance Program, particularly the micro grant component, through 2021. The program will provide supplemental \$3,000 funding to the first round of micro grant recipients as well as \$7,000 micro grant funding to 15 additional San Bruno small businesses. The BAEC will focus its efforts on businesses that have been disproportionately impacted by the pandemic, such as restaurants, salons, and gyms.

Ms. Hatamiya then gave an update on the Board's strategic planning process. Community Listening Campaign 2.0 took place from late February to late April to solicit from members of the San Bruno community feedback on the Foundation's programs thus far and input on current community needs and a vision for the Foundation going forward. SBCF's consultants held seven focus groups with 70 participants. An online survey received 375 responses, and about 100 people attended two town hall webinars.

At a special Board meeting on May 12, the consultants presented the results of the Community Listening Campaign, which are also documented in a written report you can read. Their report included appreciations for SBCF, current community needs, investment strategies, program strategies, process recommendations, and town hall reactions to the results. Overall, there was strong appreciation for the work SBCF has already done, some suggestions for improvement, and a desire for the Foundation to continue to exist – both spend some funds now and invest the rest for the future. Not surprisingly, there were a number of community needs identified, including schools and education, downtown beautification, community and social services, library upgrades, parks and recreation.

The May 12 meeting also included a background primer that the Foundation's origins, the first Community Listening Campaign, and the development of SBCF's program and investment policies.

In addition, Ms. Sun gave a presentation on quasi-endowment scenarios. This presentation built off the presentation Committee Member Hayes gave to the Board in 2015 in determining the structure of the investment portfolio. Of note, she provided background information on what endowments are, assumptions behind the quasi-endowment model, and, most important, expected payouts at various endowment levels if the goal is to maintain the purchasing power of the original principal. Two more strategic planning sessions are scheduled on June 23 and July 7.

Ms. Hatamiya reviewed the schedule of transfers from the Quasi-Endowment and Strategic Pool accounts to the Liquidity Pool. Since the last Committee meeting, one transfer of \$150,691 from the Quasi-Endowment to the Liquidity sub-account took place.

SAN BRUNO

Community Foundation

Investment Committee

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

Finally, Ms. Hatamiya reminded the Committee of its upcoming 2021 meeting dates, per the Committee's schedule: August 18 and November 17.

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

Mr. Dombkowski gave an overview of the firm's investment outlook, particularly in light of COVID-19 impacts, focusing on the state of the pandemic and federal government stimulus. He gave a summary of the firm's current economic forecast for the second quarter of 2021, commenting on economic growth, interest rates, the employment market, corporate earnings, international developed markets, emerging markets, inflation, commodity markets, valuation, and the housing market. He said that leading economic indicators suggest a recovery is underway.

Ms. DeGroot and Ms. Sun reviewed the Foundation's Investment Dashboard for the first quarter of 2021, including March 31, 2021, balances of \$21,906,395 for the Quasi-Endowment, \$30,965,943 for the Strategic Pool, and \$24,739,788 for the Liquidity Pool (total of \$77,612,125 in all three accounts). They also reviewed the portfolio's fixed income exposure.

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

Executive Director Hatamiya explained that the City has not provided an updated RAC cashflow time timeline but plans to do so after the general contractor is approved. She said that to prepare for the upcoming fiscal year budget, she pushed out the construction payments in the last cashflow timeline about six months. As a result, she said cash needs to pay out RAC grants in fiscal year 2021-2022 could be at least \$41 million. In the end, she said she is thinking of including cash needs to cover all remaining RAC grants (about \$44.1 million) in the budget. To cover this amount, about \$13.4 million would come from the Strategic Payout carry forward from the current fiscal year, and about \$10.6 million would come from the Liquidity-RAC subaccount (and this subaccount would be closed). The remainder would be covered by Strategic Payout. Committee members agreed that it would be beneficial to include the full amount in the budget, so long as the Executive Director has the discretion to transfer less than the full amount, as circumstances warrant. They also recommended using the Liquidity-RAC and Strategic Payout carryforward funds first and only move new funds from the Strategic Pool to the Liquidity-Operating subaccount if and when they are needed.

SAN BRUNO

Community Foundation

Investment Committee

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

- c. Adopt Resolution Recommending to the SBCF Board of Directors the Quasi-Endowment Payout Rate for Fiscal Year 2021-2022

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 four 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 2021-2022 budget, she determined that the cash flow needs for the Crestmoor Scholarship and Community Grants Fund in the upcoming fiscal year are estimated at \$305,960 and that, with the average of the past 12 quarter-ending Quasi-Endowment values available from inception to today (Q2 2018 to Q1 2021) being \$18,407,790, a payout rate of 1.7% would result in a Quasi-Endowment payout of \$312,932.

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 Hedley moved to adopt the resolution recommending to the SBCF Board of Directors a Quasi-Endowment payout rate of 1.7% for fiscal year 2021-2022 (resulting in a payout of \$312,932), seconded by Committee Member McGlothlin, approved unanimously by roll call vote.

Committee Member McGlothlin departed from the meeting at 5:45 p.m.

- 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 (as funds are needed, they can be shifted from the Strategic Pool to the Liquidity Pool, which has a more conservative risk tolerance and higher liquidity requirement). Moreover, she noted that the Investment Operating Plan also provides SHGA with asset allocation ranges that allows it to make reasonable and sufficient adjustments to the Strategic Pool to accommodate the payment schedule. Ms. Sun mentioned that the appropriate time to review the Investment Policy Statement and Investment Operating Plan may be when the RAC grants are fully paid out and the Strategic Pool is depleted. After discussion, the Committee declined to recommend any changes to the Investment Policy Statement or Investment Operating Plan.

SAN BRUNO

Community Foundation

Investment Committee

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

Committee Member Clifford departed the meeting at 5:58 p.m.

7. Committee Member Comments: None.

8. Adjourn: Committee Member Hedley moved to adjourn the meeting at 6:05 p.m., seconded by Committee Member Hayes, approved unanimously.

Respectfully submitted for approval at the Regular Investment Committee Meeting of August 18, 2021,
by Investment Committee Chair Tim Ross.

Tim Ross, Investment Committee Chair

SAN BRUNO

Community Foundation

Memorandum

DATE: August 13, 2021

TO: Investment Committee, San Bruno Community Foundation

FROM: Leslie Hatamiya, Executive Director

SUBJECT: August 18, 2021, 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 18, 2021, via Zoom (<https://us02web.zoom.us/j/83188079082?pwd=QXAYYjIEB82U3hBU0tCZzB5djJlUT09>).

1. Executive Director's Report

At each meeting, I will 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 August 18 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 Aquatics Center (RAC) project and COVID-19 relief grants.
- Schedule of transfers from the Quasi-Endowment and Strategic Pool accounts to the Liquidity Pool account for FY2021-2022 to cover the Foundation's cash needs through June 30, 2022, consistent with the FY2021-2022 budget passed by the Foundation Board in June 2021.
- A reminder of upcoming 2021 and 2022 Investment Committee meetings, all at 4:30 p.m.: November 17, 2021, and February 16, May 18, August 17, and November 16, 2022.

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, and Senior Wealth Manager Kristin Sun. The SHGA team will give a

SAN BRUNO

Community Foundation

Memorandum

presentation to the Committee that will cover (a) SHGA's investment outlook, and (b) the performance 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 third quarter of 2021, including the firm's perspective on economic growth, interest rates, employment market, corporate earnings, international market, housing market, inflation, commodity markets, and the impact of COVID-19 pandemic and governmental response to it.

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 2021 (fourth quarter of the fiscal year). The SHGA team will walk the Committee through the attached Investment Dashboard for June 30, 2021, 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.

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 1, 2021, Board meeting.

3. Discussion Regarding Future Cash Flow Strategies Related to Funding of Recreation and Aquatics Center Project

At its June 15, 2021, meeting, the Board of Directors of the San Bruno Community Foundation approved a \$40,464,454 strategic grant to the City of San Bruno for the construction of the San Bruno Recreation and Aquatic Center to be built in San Bruno City Park. The construction grant is the eighth and final grant from SBCF funding the Recreation and Aquatic Center project, fulfilling a \$50 million commitment made to the City in 2017.

Due to the unique nature of the project and its importance to the community, the City determined that a Contractor Prequalification effort for the selection of a general contractor to build the facility was in the City's best interest and would provide the best value to the community. The prequalification process utilized the State of California's Department of Industrial Relations' Pre-Qualification of Contractors Model Questionnaire as its base template, and on June 22, 2020, the City issued the General Contractor Pre-Qualification Questionnaire for the San Bruno Recreation and Aquatic Center project. The City received a total of eight

SAN BRUNO

Community Foundation

Memorandum

submissions and, after review, determined that six were prequalified contractors permitted to bid on the project.

On January 15, 2021, City staff issued a notice inviting bids for the construction of the RAC project. The notice to bidders was sent to the six pre-qualified general contractors and posted on the City's website as well as at Barker Blue for general distribution. A total of six bids were received and opened on March 23, 2021, with bids received ranging from \$40,665,457 to \$46,650,000. The City was pleased with the bid results, as all bids were substantially below the architect's estimate.

Through its due diligence process and assisted by Griffin Structures, the City's project and construction management firm, the City received new information and determined that the two lowest bidders (BHM Construction and Thompson Builders) did not meet all of the prequalification requirements. The City informed these two firms that their bids would not be considered and did not receive any challenge or protest from either company by the deadline established in the bid documents.

The City found Lathrop Construction's bid to be responsive and its prequalification status intact and therefore deemed Lathrop Construction the lowest responsive and responsible bidder. The City issued a Notice of Intent to Award on May 21, 2021. Including all add alternates, Lathrop's bid totaled \$43,031,000.

The City determined that the total estimated budget for the RAC project, including the construction contract, is \$59,980,228 (not including solar):

| Estimated Project Costs | |
|--|---------------------|
| Design (Group 4) | \$6,484,371 |
| Environmental | 82,500 |
| Construction Management (Griffin Structures) | 1,279,000 |
| Geotechnical, T&I, Waterproofing, Commissioning Services | 486,262 |
| Construction Contract (Lathrop) | 43,031,000 |
| Contingency (11.32%) | 4,687,046 |
| Lara Field Parking Lot | 1,161,953 |
| Traffic signals, CityNet Fiber | 850,000 |
| Temporary space during construction | 375,000 |
| Furniture Fixtures and Equipment | 1,013,000 |
| Electronic systems and special equipment | 25,000 |
| Utility company connection and services | 131,523 |
| Fees / Administration / Business Plan | 373,573 |
| Approximate Total Project Cost | \$59,980,228 |

SAN BRUNO

Community Foundation

Memorandum

This budget exceeds the Foundation's \$50 million commitment by nearly \$10 million. To fund the remaining \$10 million, the City has identified eight additional funding sources, as listed in the chart below. These funding sources do not include incurring any debt.

| Project Cost and Funding Sources Summary | |
|--|---------------------|
| RAC Project Cost | |
| Base Project Cost (including outdoor pool & contingencies*) | \$59,424,228 |
| Add Alternatives (for design) | 556,000 |
| Subtotal Base Project + Adds for Design Alternatives | \$59,980,228 |
| Add Alternatives for Solar (currently unfunded – City staff will seek grant funding and examine alternative financing models for the solar system, with the goal of amending the project scope once funds are secured) | 1,298,843 |
| Total | \$61,279,071 |
| Funding Sources | |
| San Bruno Community Foundation Grant | \$50,000,000 |
| Park In-Lieu Fund | 1,720,000 |
| YouTube Community Benefit Payment (1400/1450 Bayhill) | 4,500,000 |
| PG&E Settlement Funds, Ex Parte Disclosures | 1,000,000 |
| Residual Funds from Crestmoor Neighborhood Rebuild Project | 900,000 |
| Water Fund | 594,000 |
| Sewer Fund | 476,000 |
| Measure A and Gas Tax Fund | 750,000 |
| City Art Fund | 50,000 |
| Subtotal | \$59,990,000 |

* Total contingencies within the project cost = \$5.088M

On June 8, 2021, the City Council approved the design of the RAC project, authorized the City Manager to execute a construction contract, in an amount not to exceed \$43,031,000, with Lathrop Construction for the project, authorized the City Manager to execute an agreement with Ninyo and Moore to provide geotechnical and testing and inspection services for the project in an amount not to exceed \$396,262, approved a construction contingency of \$4,687,046, and approved a total project budget in the amount of \$59,890,228. On June 22, 2021, the City Council formally approved the project funding plan as part of the City's FY2021-2022 operating and capital budget. In July, the City executed a construction contract with Lathrop Construction for \$43,031,000 for the project. The Foundation is working with outside counsel to prepare the grant agreement for the Foundation's \$40,464,454 grant to the City for the construction of the RAC.

SAN BRUNO

Community Foundation

Memorandum

As of the end of the 2020-2021 fiscal year, the Foundation has approved eight grants totaling the full \$50 million commitment, as follows:

| RAC Grant # | For | Total Grant Amount | Total Grant Payments Made as of 6/30/2021 | Balance to Pay |
|-------------|--|------------------------|---|------------------------|
| 1 | Conceptual Design | \$416,108.85 | \$416,108.85 | \$0.00 |
| 2 | Architectural Services | \$5,420,388.00 | \$4,564,786.24 | \$855,601.76 |
| 3 | Project & Construction Management Services | \$1,079,000.00 | \$371,137.48 | \$707,862.52 |
| 4 | City Compliance Review | \$1,061,611.00 | \$405,358.36 | \$656,252.64 |
| 5 | Temporary Facilities | \$375,000.00 | \$22,191.12 | \$352,808.88 |
| 6 | Business Plan | \$60,000.00 | \$60,000.00 | \$0.00 |
| 7 | Tom Lara Field Parking Lot | \$1,123,438.00 | \$0.00 | \$1,123,438.00 |
| 8 | Construction | \$40,464,454.15 | \$0.00 | \$40,464,454.15 |
| | TOTAL | \$50,000,000.00 | \$5,839,582.05 | \$44,160,417.95 |

SBCF staff recently received an updated RAC cash flow timeline from the City, based on its project and construction manager's best estimates of the construction process. The City recently received all remaining permits and approvals and expects to begin construction at the end of August/beginning of September. Based on this likely time frame, the City has requested a more detailed budget timeline from Lathrop Construction, which will provide more accurate cash flow information.

The current cash flow timeline estimates that SBCF will need to make RAC grant payments totaling approximately \$21,688,125 in fiscal year 2021-2022, \$22,255,048 in fiscal year 2022-2023, and \$217,245 in fiscal year 2023-2024.

In the Foundation's fiscal year 2021-2022 budget, at the Investment Committee's recommendation, the Board (and City Council) approved transfers from investment accounts covering the entire balance of the remaining RAC grant payments to allow the greatest flexibility in the event that payment demands in the construction contract are front-loaded. The approved budget resolution included transferring the entire balance of the Liquidity-RAC subaccount to Liquidity-Operating and closing the subaccount.

| Source of Funds Approved in FY2021-2022 Budget | \$ |
|---|---------------------|
| Carry Forward from FY2020-2021 | \$13,363,019 |
| Strategic Payout Specifically for RAC | \$20,165,898 |
| Liquidity-RAC Payout (balance as of 4/30/21) | \$10,631,501 |
| Total Funds Available for RAC Grant Payments | \$44,160,418 |

SAN BRUNO

Community Foundation

Memorandum

I propose that the Foundation use the Carry Forward from fiscal year 2020-2021 and the balance of the Liquidity-RAC subaccount (thereby closing that subaccount), which together total approximately \$23,994,520, to cover the estimated \$21,688,125 in RAC grant payments that the Foundation will need to pay this fiscal year. If the updated RAC budget projections from Lathrop and the City increase beyond 2021-2022 grant payments of \$24 million, then I recommend that the Foundation transfer an appropriate portion of the approved Strategic Payout to cover the overage. As funds are drawn from the Liquidity-Operating subaccount throughout fiscal year 2021-2022, the Committee and I can revisit the question of additional transfers from Strategic to Liquidity on a quarterly basis. Please note that the budget resolution granted me, as Executive Director, the discretion to divide the transfers into smaller increments, set the timing of the transfer of those increments, and transfer less than the approved amount, based on the Foundation's cash flow needs. At the August 18 meeting, I would like to receive feedback from the Investment Committee on this proposal for meeting the RAC grant payment needs in fiscal year 2021-2022.

4. Discussion Regarding Investment Strategy Proposal Under Consideration by the SBCF Board of Directors as Part of Strategic Planning Process

In three sessions on May 12, June 23, and July 7, the SBCF Board engaged in a strategic planning process, led by Public Dialogue Consortium President and Senior Consultant Shawn Spano, Ph.D., and informed by the data and insights gathered through the Foundation's recent Community Listening Campaign 2.0. The purpose of the strategic planning process is to develop a forward-looking plan articulating the Foundation's program and investment strategies once the Foundation has fully disbursed \$50 million to the City of San Bruno for the design and construction of the new Recreation and Aquatic Center in San Bruno City Park.

During the sessions, the Board discussed and considered the various process recommendations arising from the Listening Campaign. One such recommendation is to "actively attract additional funds" through fundraising, grants, and corporate donations. Dr. Spano noted the Foundation's current program-focused business model and the projected costs of transitioning to a model that is focused on both program and fund development, which would likely require the hiring of development staff. In agreeing to stay with the current program-focused model, Board members noted the Board's original decision not to fundraise to avoid competing with other local nonprofits, the costs of building up a fundraising operation, and the belief that the City might be better positioned to fundraise than the Foundation.

The Board considered other process recommendations from the Listening Campaign to ensure diversity of the Board as well as of decisionmakers for grants and scholarships, to broaden outreach and engagement to increase visibility, awareness, and transparency of the Foundation's work, and to continue to invest wisely to ensure broad community benefits. The

SAN BRUNO

Community Foundation

Memorandum

Board agreed to continue to prioritize diversity - broadly defined to include experience, skills sets, and demographics - in the makeup of its Board and review panels. The Board also voiced support for continuing its current staff-driven communications model, with input and support from the Board as needed.

At the second session, Ms. Sun presented sample spending scenarios for a quasi-endowment that continues on in perpetuity and one that is spent down over 25 years. Dr. Spano then led a discussion of the pros and cons of each of three main options:

- Spend all of the remaining funds in the near-to-mid-term (within the next five years or sooner)
- Spend down remaining funds over the next 25 years (with the option to spend some portion of the funds in the near term)
- Follow an endowment model, under which the Foundation is sustained in perpetuity using investment income so that the purchasing power of the principal is maintained (with the option to spend some portion of the funds in the near term)

The Board engaged in an extensive discussion of the possible investment strategies, including the time horizon and starting investment principal. No Board member favored the endowment-in-perpetuity strategy, as several Board members noted the modest annual budgets allowed by that model. A majority of the Board preferred a 25-year time horizon as a flexible approach, with the qualification that it will be assessed regularly and changed depending on emerging circumstances, and Board members expressed interest in exploring a shorter time horizon, such as 15 or 20 years. Some Board members noted the importance of the Community Grants Fund and Crestmoor Scholarship program, while others emphasized the impact of strategic grants in addressing community needs.

The Board revisited the investment strategy at the third strategic planning session. In response to the Board's request, Ms. Sun presented sample spending scenarios for a quasi-endowment that is spent down over 15, 20, and 25 years. After considerable discussion of the possible investment strategies, the Board tentatively reached consensus on a 20-year time horizon with a starting endowment size of \$25 million, which would allow for an ongoing annual budget of approximately \$1.7 million and the likely opportunity to spend at least \$5 million outright on larger strategic initiatives. The Board also expressed a preference for the Foundation to revisit the investment strategy on a regular basis (at least every five years).

In addition, the Board tasked the Investment Committee with reviewing the proposed strategy in light of the current Investment Policy Statement and expressed a desire to formally approve a final strategy through resolution at a future Board meeting.

SAN BRUNO

Community Foundation

Memorandum

Finally, Dr. Spano reviewed how the Board currently makes budget and funding decisions and inquired whether any changes are desired by the Board. The Board tentatively agreed to continue the annual budget allocations process and to create an ad hoc committee to revisit the strategic grant decision-making process and identify strategic community needs going forward.

On August 18, Treasurer Ross and I would like to solicit feedback from the Investment Committee on the proposed investment strategy, including practical implementation of the annual payout and potential changes to the Investment Policy Statement and Investment Operating Plan (both of which are attached as reference material for this discussion) in light of the revised strategy. We plan to share the Committee's feedback with the Board at its September 1 meeting.

Attachments:

1. SBCF Investment Dashboard, as of June 30, 2021
2. San Bruno Community Foundation Investment Policy Statement
3. San Bruno Community Foundation Investment Operating Plan with Sand Hill Global Advisors
4. Amendment #1 to the San Bruno Community Foundation Investment Operating Plan with Sand Hill Global Advisors

The San Bruno Community Foundation Investment Dashboard

As of June 30, 2021

Current Outlook:

Economic Environment: As vaccines have become widely available, overall infections and hospitalization have declined in the U.S., states have re-opened and the economy has continued to strengthen. We expect this trend to continue through the remainder of 2021 and into 2022. Forward-looking measures of economic activity in the manufacturing the services industries continue to suggest that a strong economic rebound will persist. The job market recovery has been muted by a lack of available labor, but we expect this will change in September when supplemental unemployment benefits expire and schools reopen for in-person instruction. The savings rate has also remained historically high, which could result in an increase in consumption layer this year and into 2022. Recent inflation measures have been elevated with roughly 2/3 of the increase driven by the pandemic environment while other price increases may be longer lasting. We expect inflation to level out at a slightly higher rate compared to the last two decades but we do not anticipate that it will be significant enough to derail the economic recovery. The Federal Reserve recently updated its expectations and now projects two rate hikes by 2023, up from zero previously. We feel this is a healthy development and expect that the yield curve will steepen as the economy continues to recover.

Market Environment: In contrast to the first quarter, all sectors of the equity market participated in the positive market return with U.S. large cap stocks leading. U.S. small cap and international equity also delivered a positive return. The yield curve flattened from Q1 levels resulting in a positive return for bonds. Both commodities and REITs delivered strong performance during the period.

Portfolio Response: During the quarter, we added a new position in an absolute return fund and funded this purchase with a reduction in traditional bonds. Bond yields have remained stubbornly low and expect this will change as the economy continues to recover and inflation expands modestly.

| Performance | | Quasi-Endowment Pool | Custom Blended Benchmark | + / - | Strategic Pool | Custom Blended Benchmark | + / - |
|-------------|---------|----------------------|--------------------------|-------|----------------|--------------------------|--------|
| Quarterly | Q2 2021 | 5.35% | 5.16% | 0.19% | 3.08% | 2.86% | 0.22% |
| | Q1 2021 | 3.52% | 3.03% | 0.49% | -0.37% | -1.00% | 0.63% |
| | Q4 2020 | 10.26% | 9.50% | 0.76% | 4.05% | 3.49% | 0.56% |
| | Q3 2020 | 5.24% | 4.43% | 0.81% | 2.03% | 1.72% | 0.31% |
| Annual | 2020 | 14.55% | 11.61% | 2.94% | 8.79% | 8.48% | 0.31% |
| | ITD | 10.21% | 10.09% | 0.12% | 4.98% | 5.24% | -0.26% |

| Quasi-Endowment Pool Portfolio Action | Increased | Decreased | Growth/Capital Preservation |
|---------------------------------------|--|-----------------------|-----------------------------|
| Q2 2021 | Shifted Into Absolute Return | | 64/36 |
| | Absolute Return | Fixed Income | |
| Q1 2021 | Moved Away From Traditional Fixed Income | | 64/36 |
| | Emerging Market Bonds | Fixed Income | |
| | Absolute Return | Fixed Income | |
| Q4 2020 | Shifted to Undervalued Assets | | 64/36 |
| | Commodities | Fixed Income | |
| | U.S. Large Cap Value Stocks | U.S. Large Cap Stocks | |

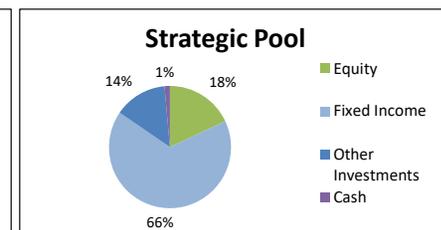
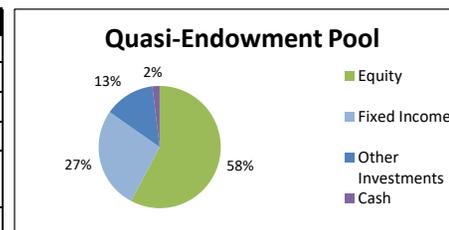
| Asset Allocation | Quasi-Endowment Pool | | Strategic | | Strategic | |
|-------------------------|----------------------|-------------|-------------|---------------------|-------------|-------------|
| | Pool | 30-Jun-21 | Target | Strategic Pool | 30-Jun-21 | Target |
| Large Cap Equity | \$7,409,028 | 32% | 30% | \$3,018,194 | 9% | 9% |
| SMID Cap Equity | \$2,565,117 | 11% | 9% | \$1,212,964 | 4% | 3% |
| International/EM Equity | \$3,265,040 | 14% | 13% | \$1,544,657 | 5% | 4% |
| Fixed Income | \$6,184,921 | 27% | 30% | \$21,192,118 | 66% | 70% |
| Real Assets | \$1,631,928 | 7% | 8% | \$1,617,159 | 5% | 4% |
| Market Neutral | \$1,425,112 | 6% | 8% | \$2,886,352 | 9% | 8% |
| Cash | \$434,594 | 2% | 2% | \$450,975 | 1% | 2% |
| Total | \$22,915,741 | 100% | 100% | \$31,922,419 | 100% | 100% |

| Balances | Quasi-Endowment | Strategic | Liquidity | Total |
|----------|-----------------|--------------|--------------|---------------------|
| Q2 2021 | \$22,915,741 | \$31,922,419 | \$24,351,470 | \$79,189,630 |
| Q1 2021 | \$21,906,395 | \$30,965,943 | \$24,739,788 | \$77,612,125 |
| Q4 2020 | \$21,159,417 | \$31,082,352 | \$25,447,146 | \$77,688,915 |
| Q3 2020 | \$19,317,811 | \$29,866,882 | \$25,919,855 | \$75,104,548 |

| Illiquidity as of 6/30/21 | < 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. | ✓ |



SAN BRUNO

Community Foundation

INVESTMENT POLICY STATEMENT

Approved by the SBCF Board of Directors, April 6, 2016
Approved by the San Bruno City Council, April 26, 2016

INVESTMENT POLICY STATEMENT

This Investment Policy Statement (“Policy”) is intended to govern the investment practices of the capital assets of the San Bruno Community Foundation (“SBCF” or “Foundation”). It is to allow all parties who interact directly or indirectly with SBCF’s investment assets full understanding of how the assets will be managed. This policy addresses the following areas:

- The general goals of the Foundation
- The structure and purpose of the separate pools of funds
- The roles and responsibilities of all parties involved in the investment process
- Investment goals and objectives for each pool of funds
- Investment process including asset allocation framework and rebalancing policies
- Measurement and evaluation of investment performance
- The Foundation’s spending policy and how it interfaces with the investment management of each pool of funds

I. FOUNDATION’S PURPOSE AND GOALS

The San Bruno Community Foundation was established in 2013 by the San Bruno City Council to administer, for the long-term benefit of the San Bruno community, approximately \$70 million in restitution funds resulting from the devastating 2010 gas pipeline explosion in San Bruno’s Crestmoor neighborhood. SBCF has been charged with determining the use of the funds and administering them to benefit the San Bruno community through enduring and significant contributions to, and investments in, charitable and community programs, and publicly owned community facilities, over the long term.

The SBCF Board has approved the establishment of three separate pools of funds with varying purposes, time horizons and withdrawal requirements.

1. A Quasi-Endowment Pool to support the annual operating and program expenses of the Foundation over the long term.
2. A Strategic Pool earmarked to cover the costs of major strategic grant making projects, including capital improvements of community facilities, over a 7-10 year period. The Strategic Pool will be fully exhausted either at the completion of those strategic projects, or by consolidation into the Quasi-Endowment Pool at the Board’s discretion.
3. A Liquidity Pool to act as a holding account for expenditures planned in the subsequent 0-24 months. The purpose of this pool is to mirror the Foundation’s operating accounts. This account may be funded by both the Quasi-Endowment and the Strategic Pool.

II. ROLES AND RESPONSIBILITIES

1. The SBCF Board of Directors is responsible for the following:
 - a. Formation of the Investment Committee, including appointment of a sitting Board Member as the Committee Chair. The Committee can consist of a mix of SBCF Board

Members and non-Board Members. For non-Board Members, a preference will be given to individuals with experience and/or expertise in finance and investment management.

- b. Approval, termination, or replacement of the External Investment Manager.
 - c. Approval of this Investment Policy Statement and subsequent modifications to it.
 - d. Approval of an Investment Operating Plan executed with the External Investment Manager.
 - e. Approval of the Foundation spending policy, as defined in section VII of this document.
 - f. Approval of any transfer of funds to or from the Quasi-Endowment Pool or the Strategic Portfolio, as defined in section IV, beyond that specified in the Board-approved spending policy.
 - g. Maintain guidelines for the External Investment Manager to ensure that Foundation assets are invested in a manner consistent with the mission of the Foundation. It is at the Board's discretion to implement specific restrictions on how the assets of the Foundation shall be invested. Such restrictions may include but are not limited to Socially Responsible Investing known as Environmental, Social and Governance (ESG). Any active restrictions will be detailed within the Investment Operating Plan.
2. The Investment Committee, with support from the Executive Director, is responsible for providing guidance to the Board on all aspects of the investment management process. The Investment Committee is not empowered to approve decisions, as that power lies with the full Board. As part of its guidance to the Board, the Investment Committee will:
- a. Review at least annually the Investment Policy Statement and Investment Operating Plan and monitor compliance with both documents.
 - b. Review the long-term asset allocation of each pool of funds.
 - c. Monitor the performance and risk profile of the investment assets of the Foundation as a whole, including each pool of funds.
 - d. Review and address all potential conflicts of interest in accordance with the SBCF Conflict of Interest Policy.
 - e. Monitor the External Investment Manager.
3. The External Investment Manager (the "Investment Manager") is responsible for the following:

- a. Discretion to select, evaluate, and terminate the underlying fund managers and investments, as well as discretion to make tactical shifts within the parameters of the asset allocation established for each pool.
 - b. Monitor the appropriateness of each investment given the Foundation's risk tolerance and objectives.
 - c. Oversee the Foundation's investment assets and report on the status of the investments to the Investment Committee and Board of Directors.
4. The San Bruno City Council is responsible for the following:
- a. Approval of the initial Investment Policy Statement, including the Foundation's spending policy, as articulated in Section VII of this document, for the Foundation.
 - b. Approval of all future modifications to the Investment Policy Statement.

III. POLICY REVIEW

This Statement shall be reviewed annually by the Investment Committee and any recommendations for modification shall be presented to the full Board of Directors. Updates to this Policy must be approved by both the SBCF Board and the San Bruno City Council.

IV. INVESTMENT GOALS AND OBJECTIVES

The primary goal of the Foundation is to administer these funds for the long-term benefit of the San Bruno community. The specific goals for these funds include but are not limited to supporting SBCF's annual operating expenses and the three categories of program activities outlined in SBCF's Program Strategy Framework (strategic grant making, responsive grant making, and Foundation programs).

The risk tolerance of each pool of funds is dictated by the time horizon and liquidity needs, and as directed by the Board of Directors. The specific goals and objectives, risk tolerance, and time horizon for each pool of funds is as follows:

1. Quasi-Endowment Pool: The Foundation seeks to meet the current payout objectives while maintaining the total purchasing power of these assets for the San Bruno community in the future. As such, Capital Appreciation is the primary objective, with Capital Preservation as the secondary objective. The risk tolerance of the Quasi-Endowment can be described as Moderately Conservative and the time horizon as Long-Term.
2. Strategic Pool: The Foundation seeks to achieve growth of the portfolio at a conservative rate in excess of inflation. As such, Capital Preservation is the primary objective. The risk tolerance of the Strategic Pool can be described as Conservative. The goal of the Strategic Pool is to be drawn down to zero over a 7-10 year period. As such, the time horizon can be described as Mid-Term.
3. Liquidity Pool: The Foundation seeks to preserve the principal balance of all funds directed into this pool. As such, Capital Preservation and Liquidity are the primary objectives. The risk

tolerance of the Liquidity Pool can be described as Conservative. The goal of the Liquidity Pool is to cover Foundation expenditures that will be withdrawn within the succeeding 24 months from initial funding. As such, the time horizon can be described as Short-Term.

V. INVESTMENT POLICY AND ASSET ALLOCATION

1. Asset Guidelines:

- a. No individual equity securities (stocks) will be held in any Direct Account. A Direct Account is defined as any investment account registered in the name of the Foundation.
- b. Direct investments in any securities, including equity and fixed income, of Pacific Gas & Electric Corporation (Symbol: PCG) is prohibited.
- c. Individual fixed income securities (bonds) may be held in Direct Accounts. These include, but are not limited to, municipal bonds, U.S. government securities, federal government agency securities, corporate debt (limited to U.S. or multinational corporations), and high-yield debt.
- d. Commingled funds, mutual funds, and index funds may be held in Direct Accounts. The fund selection process will incorporate criteria such as investment style and process, experience of the investment team, organizational stability, and performance analysis such as long-term, risk-adjusted returns, manager tenure, relative performance in up and down markets, consistency of management style, and the associated cost to own (expense ratio).
- e. Other investments may be held in Direct Accounts. Other investments will be broadly defined as, but not limited to, investments in market-neutral funds, commodities and gold, real return strategies, venture capital, and real estate. These categories are to be implemented only through diversified investment vehicles.
- f. Cash and cash equivalents may be held in Direct Accounts. Cash equivalent positions will be high-quality instruments such as U.S. Treasury Bills, Eurodollar Certificates of Deposit, time deposits (CDs), money market funds, and repurchase agreements.

2. Investment Procedures:

- a. Diversification: All portfolios will be managed as diversified portfolios. The goal of diversification across various asset classes, sectors, and security types is to minimize risk while improving performance.
- b. Investment Vehicles: Within the constraints of the target asset allocation of each portfolio, investments will be allocated across various asset classes, either directly or through pooled or commingled investment accounts (mutual funds and index funds), that might include domestic and foreign equities, bonds, real estate, other investments, and cash or cash equivalents. With each asset class, the Investment Manager will weigh factors including expense, market efficiency, transparency of information, and

diversification to determine whether direct investments or commingled investments are in the Foundation's best interests.

- c. Rebalancing: Rebalancing is designed to minimize portfolio deviations from allocation targets. The portfolio will be reviewed regularly by the Investment Manager and rebalanced whenever the weighting of a major asset class deviates materially from the target asset allocation, or a tactical opportunity presents itself.
- d. Custody of Assets: The Foundation's assets shall be held at a third-party custodian recommended by the Investment Committee and approved by the Board. The Investment Manager shall have discretion and authority to trade on behalf of the Foundation via the custodian's trading platform.
- e. Custodian's Margin Loan Option: A Margin Loan allows a brokerage account holder to gain access to cash by borrowing against the invested securities in the account. The margin loan option on any Direct Accounts shall be disabled.

3. Asset Allocation:

The Investment Manager shall invest the funds per the strategic asset allocation parameters established for each pool of funds. Investments will be categorized as either Capital Appreciation or Capital Preservation.

Capital Appreciation can be generally defined as a strategy where the primary goal is to grow the capital base over time. Investments in this category include, but are not limited to: equities (stocks), real estate, commodities, and natural resources.

Capital Preservation can be generally defined as a strategy where the primary goal is to preserve capital and prevent loss of principal. Investments in this category include, but are not limited to: high-quality fixed income (bonds), market-neutral investments, cash equivalents, and cash.

- a. Quasi-Endowment Pool: In accordance with the Foundation's risk tolerance, as well as the goals, objectives, time horizon, and liquidity needs of the Quasi-Endowment, management of this pool will target a 60/40 allocation: 60% Capital Appreciation and 40% Capital Preservation.
- b. Strategic Pool: In accordance with the Strategic Pool's goals, objectives, time horizon and liquidity needs, management of this pool will target a 20/80 allocation: 20% Capital Appreciation and 80% Capital Preservation.
- c. Liquidity Pool: In accordance with the Liquidity Pool's goals, objectives, time horizon and liquidity needs, management of this pool will target a 100% Capital Preservation allocation.

VI. INVESTMENT MANAGER REPORTING AND EVALUATION

The Investment Manager shall provide the Investment Committee with quarterly performance and holdings reports to allow the Committee to review the overall investment performance of the

Investment Manager and the individual securities in each portfolio with respect to the risk and return objectives established for the Foundation. At a minimum, the reports shall include the following:

- An accounting of all securities held in the investment accounts for the Foundation.
- Comparative returns for each pool of funds against their respective benchmarks.

Additionally, the Investment Manager shall present to the Board of Directors on an annual basis.

VII. SPENDING POLICY

1. Quasi-Endowment Pool

The SBCF Board will determine the spending policy for the Quasi-Endowment with input from the Investment Committee. The SBCF Board will use the following guidelines in approving a fixed payout amount each year. The SBCF Board will review this policy annually.

The payout amount will be determined once annually, prior to the conclusion of the Foundation's fiscal year for the subsequent fiscal year. The payout rate will range up to 7%, as determined by the Board, multiplied by the average of the latest available twelve (12) prior quarter-ending Quasi-Endowment values.

2. Strategic Pool

The Strategic Pool has been earmarked by the Board to fund strategic projects, including but not limited to capital improvement projects of community facilities, that benefit the San Bruno community. As such, withdrawals will be determined by the timing of project expenditures, as well as guidance from the SBCF Board. The Investment Committee and SBCF staff will provide direction to the Investment Manager regarding liquidation of investments to fund the withdrawals. Cash proceeds will be deposited in the SBCF Liquidity Pool on an as-needed basis.

3. Liquidity Pool

The Liquidity Pool will contain funds that have been earmarked for disbursement by the SBCF Board, with the guidance from the Investment Committee. As directed by SBCF staff, withdrawals will take place in the subsequent 0-24 months following initial deposit into the Liquidity Pool.

VIII. CONFLICTS OF INTEREST

In accordance with the SBCF Conflict of Interest Policy, all employees, members of the Board of Directors, and members of the Investment Committee are expected to use good judgment, adhere to high ethical standards, and act in such a manner as to avoid any actual, perceived, or potential conflict of interest.

San Bruno Community Foundation

Investment Operating Plan

Approved by the SBCF Board of Directors, May 4, 2016

SAN BRUNO COMMUNITY FOUNDATION
INVESTMENT OPERATING PLAN

SUMMARY INVESTMENT OPERATING PLAN

QUASI-ENDOWMENT POOL

| | |
|--------------------------------|--|
| <u>Investment Objective:</u> | Generate a return in excess of the specified blended portfolio benchmark over a complete market cycle. |
| <u>Risk Tolerance:</u> | Moderately Conservative |
| <u>Target Return:</u> | Over the long-term, exceed the blended portfolio benchmark, net of fees with similar risk. |
| <u>Evaluation Benchmark:</u> | The passive indices in similar weights to the target asset allocation as detailed in Appendix 1. |
| <u>Withdrawal Requirement:</u> | Up to 7% annual withdrawals, as determined by the SBCF Board. |
| <u>Time Horizon:</u> | Long-Term |
| <u>Target Allocation:</u> | Balanced Strategy (see specific allocation guidelines in Section IV.1 of this plan document) |

STRATEGIC POOL

| | |
|--------------------------------|---|
| <u>Investment Objective:</u> | Generate a return in excess of the specified blended portfolio benchmark over a complete market cycle. |
| <u>Risk Tolerance:</u> | Conservative |
| <u>Target Return:</u> | Over the long-term, exceed the blended portfolio benchmark, net of fees with similar risk. |
| <u>Evaluation Benchmark:</u> | The passive indices in similar weights to the target asset allocation as detailed in Appendix 1. |
| <u>Withdrawal Requirement:</u> | 100% withdrawn over 7-10 years, dictated by the timing of capital projects and as determined by the SBCF Board. |
| <u>Time Horizon:</u> | Mid-Term |
| <u>Target Allocation:</u> | Conservative Strategy (see specific allocation guidelines in Section IV.2 of this plan document) |

SAN BRUNO COMMUNITY FOUNDATION
INVESTMENT OPERATING PLAN

LIQUIDITY POOL

| | |
|--------------------------------|--|
| <u>Investment Objective:</u> | Generate a return in excess of the specified blended portfolio benchmark over a complete market cycle. |
| <u>Risk Tolerance:</u> | Conservative |
| <u>Target Return:</u> | Over the long-term, exceed the blended portfolio benchmark, net of fees with similar risk. |
| <u>Evaluation Benchmark:</u> | The passive indices in similar weights to the target asset allocation as detailed in Appendix 1. |
| <u>Withdrawal Requirement:</u> | 100% withdrawn within 24 months, as determined by the SBCF Board. |
| <u>Time Horizon:</u> | Short-Term |
| <u>Target Allocation:</u> | Short-Term Cash and Short-Duration Fixed Income Strategy (see specific allocation guidelines in Section IV.3 of this plan document) |

SAN BRUNO COMMUNITY FOUNDATION

INVESTMENT OPERATING PLAN

This Investment Operating Plan outlines the assumptions and understandings under which Sand Hill Global Advisors, LLC (the “Investment Manager” or “SHGA”) is to manage the assets of the San Bruno Community Foundation (“SBCF” or the “Foundation”). The content herein has been composed based upon meetings with the Board of Directors and staff in which discussions covered SBCF’s goals, attitudes, expectations, risk tolerance, desires for liquidity, and present and future cash flow requirements.

It is agreed that SHGA will meet with the Investment Committee on a quarterly basis to report on the status of the portfolio and to receive and provide information that will aid in the management of the portfolio. This Investment Operating Plan will be reviewed at least annually as to its appropriateness given any significant changes in SBCF’s needs or in light of significant shifts in the economy or the investment markets. Day-to-day contact with SBCF will be made via the telephone and e-mail.

This Investment Operating Plan shall adhere to the policies set forth in SBCF’s Investment Policy Statement, originally approved by the SBCF Board of Directors and San Bruno City Council in April 2016.

I. FOUNDATION’S PURPOSE AND GOALS

The San Bruno Community Foundation was established in 2013 by the San Bruno City Council to administer, for the long-term benefit of the San Bruno community, approximately \$70 million in restitution funds resulting from the devastating 2010 gas pipeline explosion in San Bruno’s Crestmoor neighborhood. SBCF has been charged with determining the use of the funds and administering them to benefit the San Bruno community through enduring and significant contributions to, and investments in, charitable and community programs, and publicly owned community facilities, over the long term.

The SBCF Investment Policy Statement establishes three separate pools of funds with varying purposes, time horizons, and withdrawal requirements:

1. A Quasi-Endowment Pool to support the annual operating and program expenses of the Foundation over the long term.
2. A Strategic Pool earmarked to cover the costs of major strategic grantmaking projects, including capital improvements of community facilities, over a 7-10 year period. The Strategic Pool will be fully exhausted either at the completion of those strategic projects, or by consolidation into the Quasi-Endowment Pool at the Board’s discretion.
3. A Liquidity Pool to act as a holding account for expenditures planned in the subsequent 0-24 months. The purpose of this pool is to mirror the Foundation’s operating accounts. This account may be funded by both the Quasi-Endowment and the Strategic Pool.

II. INVESTMENT GOALS AND OBJECTIVES

The primary goal of the Foundation is to administer these funds for the long-term benefit of the San Bruno community. The specific goals for these funds include but are not limited to supporting SBCF’s annual

SAN BRUNO COMMUNITY FOUNDATION
INVESTMENT OPERATING PLAN

operating expenses and the three categories of program activities outlined in SBCF's Program Strategy Framework (strategic grant making, responsive grant making, and Foundation programs).

The risk tolerance of each pool of funds is dictated by the time horizon and liquidity needs, and as directed by the Board of Directors. The specific goals and objectives, risk tolerance, and time horizon for each pool of funds is as follows:

1. **Quasi-Endowment Pool Investment Objectives:**

The Foundation seeks to meet the current payout objectives while maintaining the total purchasing power of these assets for the San Bruno community in the future. As such, Capital Appreciation is the primary objective, with Capital Preservation as the secondary objective.

a. Portfolio Return Objectives

- i. Total Portfolio Return: Achieve a time-weighted, real rate of return of 3-4%, after fees and program costs. This return will be sought using a diversified style of investment management, providing an average annual return that will be measured over a complete market cycle assumed to be five years.
 - ii. Blended Benchmark Return: Over rolling five-year cycles, to achieve a return that exceeds the Blended Benchmark, net of fees with similar risk.
- b. Portfolio Risk Tolerance - The risk to the portfolio must be moderately conservative, since the portfolio provides a source of funds that allows SBCF to perpetuate its mission.
- c. Withdrawal Requirements - Up to 7% Annual Withdrawals as determined by the SBCF Board. The SBCF staff will provide Sand Hill Global Advisors with guidance in this area.
- d. Time Horizon - Long-Term.
- e. Tax Considerations - None, since this organization is tax exempt.
- f. Illiquidity - The overall portfolio can maintain up to 10% illiquidity.

2. **Strategic Pool Investment Objectives:**

The Foundation seeks to achieve growth of the portfolio at a conservative rate in excess of inflation. As such, Capital Preservation is the primary objective.

a. Portfolio Return Objectives

- i. Total Portfolio Return: Achieve a time-weighted, real rate of return of 1-2%, after fees and program costs. This return will be sought using a diversified style of investment management, providing an average annual return that will be measured over a complete market cycle assumed to be five years.

SAN BRUNO COMMUNITY FOUNDATION
INVESTMENT OPERATING PLAN

- ii. Blended Benchmark Return: Over rolling five-year cycles, to achieve a return that exceeds the Blended Benchmark, net of fees with similar risk.

 - b. Portfolio Risk Tolerance - The risk to the portfolio must be conservative.

 - c. Withdrawal Requirements - 100% withdrawn over 7-10 years, determined by timing of SBCF's strategic grant making projects. The SBCF staff will provide Sand Hill Global Advisors with guidance in this area.

 - d. Time Horizon - Mid-Term.

 - e. Tax Considerations - None, since this organization is tax exempt.

 - f. Illiquidity - The overall portfolio can maintain up to 5% illiquidity.
3. **Liquidity Pool Investment Objectives**:

The Foundation seeks to preserve the principal balance of all funds directed into this pool. As such, Capital Preservation and Liquidity are the primary objectives.

- a. Portfolio Return Objective - Achieve a time-weighted, real rate of return of above the prevailing rate of the U.S. 90 Day T-Bill, after fees and program costs.

- b. Portfolio Risk Tolerance - The risk to the portfolio must be conservative.

- c. Withdrawal Requirements - 100% drawdown within 24 months, as determined by the SBCF Board.

- d. Time Horizon - Short-Term.

- e. Tax Considerations - None, since this organization is tax exempt.

- f. Illiquidity - The overall portfolio must maintain 100% liquidity.

III. INVESTMENT AND ASSET GUIDELINES

Sand Hill Global Advisors will utilize an appropriate combination of individual securities in direct accounts and specialized third party, commingled fund or mutual fund alternatives to implement the asset allocation. Implementation will include passive strategies such as index funds or exchange-traded funds (ETFs) and active strategies. Third-party offerings will be used to enhance the portfolio's diversification in certain asset classes that require specialized expertise or where liquidity may be limited. In each case, the potential for added value, institutional share class fees and cost effectiveness will be a major consideration.

A Direct Account is defined as any investment account registered in the name of the Foundation.

SAN BRUNO COMMUNITY FOUNDATION
INVESTMENT OPERATING PLAN

1. Individual Equity Securities in the Direct Account:

- a. No individual equity securities (stocks) will be held in any Direct Account.
- b. Direct investments in any equity securities of Pacific Gas & Electric Corporation (Symbol: PCG) are prohibited.

2. Individual Fixed Income Securities in Direct Accounts:

- a. Individual fixed income securities (bonds) may be held in Direct Accounts. These include, but are not limited to, municipal bonds, U.S. government securities, federal government agency securities, corporate debt (limited to U.S. or multinational corporations), and high yield debt.
- b. With the exception of U.S. government securities and federal government agency securities, no more than 5% at cost of the portfolio may be invested in the securities of a single issuer.
- c. Up to 5% of the total account may be invested in below investment grade securities, commonly referred to as “high yield debt,” but only through adequately diversified investment vehicles.
- d. Direct investments in any fixed income securities of Pacific Gas & Electric Corporation are prohibited.

3. Commingled Funds, Mutual Funds and Index Funds:

- a. Commingled funds, mutual funds, and index funds may be held in Direct Accounts.
- b. The fund selection process will incorporate criteria such as investment style and process, experience of the investment team, organizational stability and performance analysis such as long-term, risk-adjusted returns, manager tenure, relative performance in up and down markets, consistency of management style, and the associated cost to own (expense ratio). When appropriate, negotiations will occur with custodians for the waiver of loads, minimums, and transaction fees.

4. Other Investments:

- a. Other investments may be held in Direct Accounts.
- b. Other investments will be broadly defined, but not limited to, as investments in market-neutral funds, commodities and gold, real return strategies, venture capital, and real estate. These categories are to be implemented only through diversified investment vehicles.
- c. In the case of market neutral private partnerships, the diversification should be achieved through the use of a “fund of funds.”
- d. The real estate portion may be comprised of private and publicly held real estate investments.

SAN BRUNO COMMUNITY FOUNDATION
INVESTMENT OPERATING PLAN

5. Cash and Cash Equivalents:

- a. Cash and cash equivalents may be held in Direct Accounts.
- b. Cash equivalent positions will be high quality instruments such as U.S. Treasury Bills, Eurodollar Certificates of Deposit, time deposits (CDs), money market funds, and repurchase agreements.

6. Investment Procedures:

- a. Diversification: All portfolios will be managed as diversified portfolios. The goal of diversification across various asset classes, sectors, and security types is to minimize risk while improving performance.
- b. Investment Vehicles: Within the constraints of the target asset allocation of each portfolio, investments will be allocated across various asset classes, either directly or through pooled or commingled investment accounts (mutual funds and index funds), that might include domestic and foreign equities, bonds, real estate, alternative investments, and cash or cash equivalents. With each asset class, the Investment Manager will weigh factors including expense, market efficiency, transparency of information, and diversification to determine whether direct investments or commingled investments are in the Foundation's best interests.
- c. Rebalancing: Rebalancing is designed to minimize portfolio deviations from allocation targets. The portfolio will be reviewed regularly by the Investment Manager and rebalanced whenever the weighting of a major asset class deviates materially from the target asset allocation, or a tactical opportunity presents itself.
- d. Custody of Assets: The Foundation's assets shall be held at a third-party custodian recommended by the Investment Committee and approved by the Board. The Investment Manager shall have discretion and authority to trade on behalf of the Foundation via the custodian's trading platform.
- e. Custodian's Margin Loan Option: A Margin Loan allows a brokerage account holder to gain access to cash by borrowing against the invested securities in the account. The margin loan option on any Direct Accounts shall be disabled.

IV. ASSET ALLOCATION

Generally, the allocations for each pool will be within the ranges shown below; however, SHGA is permitted to have a more defensive position that may result from significant cash inflows or outflows. Initial implementation of all three pools will be achieved over a three-month transitional period involving staggered commitments. The initial funding of the three pools will be a combination of cash and fixed income securities (government bonds and CDs).

SAN BRUNO COMMUNITY FOUNDATION
INVESTMENT OPERATING PLAN

1. Quasi-Endowment Pool

| | <u>Bottom Range</u> | <u>Target</u> | <u>Top Range</u> |
|-----------------------------|-------------------------|---------------|----------------------|
| EQUITY | 40% | 52% | 65% |
| FIXED INCOME | 20% | 30% | 40% |
| REAL ESTATE AND COMMODITIES | 0% | 8% | 15% |
| MARKET NEUTRAL | 0% | 8% | 15% |
| CASH AND CASH EQUIVALENTS | 0% | 2% | 15% |

2. Strategic Pool

| | <u>Bottom Range</u> | <u>Target</u> | <u>Top Range</u> |
|-----------------------------|-------------------------|---------------|----------------------|
| EQUITY | 12% | 16% | 20% |
| FIXED INCOME | 53% | 70% | 88% |
| REAL ESTATE AND COMMODITIES | 0% | 4% | 8% |
| MARKET NEUTRAL | 0% | 8% | 12% |
| CASH AND CASH EQUIVALENTS | 0% | 2% | 15% |

3. Liquidity Pool

| | <u>Bottom Range</u> | <u>Top Range</u> |
|-----------------------------|---------------------|------------------|
| SHORT DURATION FIXED INCOME | 0% | 100% |
| CASH AND CASH EQUIVALENTS | 0% | 100% |

Duration is defined as an approximate measure of a bond's price sensitivity to changes in interest rates. Shorter the duration means the less interest rate risk and longer duration means more interest rate risk. The average duration of the fixed income portion of the Liquidity Pool will range from 0 to 24 months, consistent with spending timeline described in Section VII.3 of the Foundation's Investment Policy Statement.

SAN BRUNO COMMUNITY FOUNDATION
INVESTMENT OPERATING PLAN

V. BROKERAGE AND PROXY POLICY

1. All transactions effected for SBCF will be “subject to the best price and execution.” Securities and cash will be held in custody at Fidelity Investments.
2. Proxy voting has been delegated to SHGA. SHGA has retained Broadridge to vote proxies.

VI. CONTROLS AND MONITORING

1. Payout and Withdrawals:

- a. For unplanned withdrawals from any SBCF pool, SBCF staff will notify SHGA a minimum of five business days in advance to allow time for trade execution, trade settlement and fund transfer through the Liquidity Pool (if necessary) and out to SBCF’s external operating account.
- b. Notice in excess of five business days will provide additional time for SHGA to manage the liquidation of securities.
- c. If notice is provided less than five business days in advance, SHGA will attempt to fulfill the withdrawal request on a best efforts basis. SBCF has restricted the use of margin on all accounts, therefore cash must be available to be withdrawn.
- d. Pool-Specific Operating Guidelines:

i. Quasi-Endowment Pool

Payout amount will be determined once annually, prior to the conclusion of the Foundation’s fiscal year for the subsequent fiscal year. The payout rate will range up to 7%, as determined by the Board, multiplied by the average of the latest available twelve prior quarter-ending Quasi-Endowment values. From the initial funding of the Quasi-Endowment Pool through the end of fiscal year 2016-2017, the payout rate will be 0%. During fiscal years 2017-2018 and 2018-2019, the default payout rate will be 3%, multiplied by the simple average of all quarter-ending Quasi-Endowment values available at the time of the annual payout decision. One-twelfth (1/12) of the annual payout amount will be withdrawn from the Quasi-Endowment and deposited in the Liquidity Pool on a monthly basis.

ii. Strategic Pool

Withdrawals will be determined by the timing of project expenditures, per guidance from the SBCF Board. SBCF will provide a schedule of likely withdrawals to SHGA at the time of the annual budget planning process. Cash proceeds will be deposited in the SBCF Liquidity Pool on an as-needed basis.

iii. Liquidity Pool

SAN BRUNO COMMUNITY FOUNDATION
INVESTMENT OPERATING PLAN

The Liquidity Pool will contain funds that have been earmarked for disbursement by the SBCF Board, with the guidance from the Investment Committee. As directed by SBCF staff, withdrawals will take place in the subsequent 0-24 months following initial deposit into the Liquidity Pool.

2. **Quarterly Reviews** – SHGA will provide the SBCF Investment Committee with quarterly performance and holdings reports to allow the Committee to review the investment performance of SHGA and the individual investments (retained by SHGA) in the portfolio with respect to the risk and return objectives established for SBCF. The review may include topics such as the overall business management, organizational changes and other relevant factors.
3. **Annual Board Meeting** – SHGA will present to the full SBCF Board of Directors on an annual basis.

[Signature Page Follows]

SAN BRUNO COMMUNITY FOUNDATION
INVESTMENT OPERATING PLAN

VII. SIGNATURES

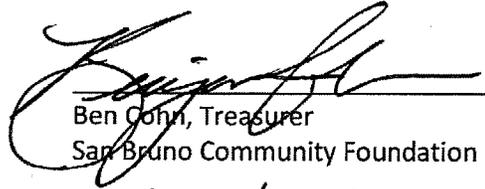
Reviewed and Accepted By:



Brian Dombkowski, CFA
Chief Executive Officer
Sand Hill Global Advisors, LLC

Date: 5/11/16

Reviewed and Accepted By:



Ben Cohn, Treasurer
San Bruno Community Foundation

Date: 5/4/16



Leslie Hatamiya, Executive Director
San Bruno Community Foundation

Date: 5/4/16

SAN BRUNO COMMUNITY FOUNDATION
INVESTMENT OPERATING PLAN

APPENDIX

1. Benchmark Composition

The Blended Benchmark will be used for the total portfolio review and to review SHGA. Individual asset classes will be reviewed using the indices most appropriate and assigned to each manager or investment style.

The Blended Benchmark is composed as follows:

| Asset Class | Index | Weight | | |
|--------------------------------------|------------------------------------|------------|-----------|-----------|
| | | <u>QEP</u> | <u>SP</u> | <u>LP</u> |
| Equity | | | | |
| Domestic Large Capitalization | S&P 500 Index | 30% | 9% | 0% |
| Domestic Small Capitalization | Russell 2000 Index | 9% | 3% | 0% |
| International | MSCI All-Cap World Index excl. USA | 13% | 4% | 0% |
| Fixed Income | Barclays Capital Aggregate Index | 30% | 70% | 0% |
| Real Estate | NAREIT Index | 6% | 4% | 0% |
| Commodities/Natural Resources | Dow Jones UBS Commodity Index | 2% | 0% | 0% |
| Market Neutral | Barclays 1-3 Year Aggregate Index | 8% | 8% | 0% |
| Cash/Cash Equivalents | U.S. T-Bill 90 day Index | 2% | 2% | 100% |

SAN BRUNO COMMUNITY FOUNDATION
INVESTMENT OPERATING PLAN

2. Benchmark Definitions

EQUITY MARKET INDICATORS

The market indicators included in this report are regarded as measures of equity or fixed-income performance results. The returns shown reflect both income and capital appreciation.

Standard & Poor's 500 Index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The index is capitalization-weighted, with each stock weighted by its proportion of the total market value of all 500 issues. Thus, larger companies have a greater effect on the index.

Russell 2000 Index is composed of the 2000 smallest stocks in the Russell 3000 Index, representing approximately 11% of the U.S. equity market capitalization.

INTERNATIONAL EQUITY MARKET INDICATORS

Morgan Stanley Capital International (MSCI) All Cap World Index (ACWI) Ex-USA Index is composed of approximately 6,000 equity securities representing the stock exchanges of Europe, Australia, New Zealand, the Far East and Emerging Market nations capturing 99% of the global investable market outside of the US. The index captures large, mid and small-cap companies. The index is capitalization-weighted and is expressed in terms of U.S. dollars.

FIXED-INCOME MARKET INDICATORS

Barclays Capital Aggregate Bond Index is a combination of the Mortgage Backed Securities Index and the intermediate and long-term components of the Government/Credit Bond Index.

OTHER INDICES

National Association of Real Estate Investment Trusts (NAREIT) Index is the only REIT index to include all REITs currently trading on the New York Stock Exchange, the NASDAQ National Market System and the American Stock Exchange. It is also the first index to include monthly historical statistics from 1972. It is often used as a publicly traded approximation for the illiquid private real estate market.

Dow Jones UBS Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. Commodities as an asset class have historically demonstrated returns that are negatively correlated with returns of stocks and bonds and that are positively correlated with inflation measures.

Barclays 1-3 Yr Aggregate Bond Index is a combination of the Mortgage Backed Securities Index and the shorter duration components of the Government/Credit Bond Index.

U.S. T-Bill 90 Day Index is the benchmark used to measure cash. It is also considered to be the “risk-free rate” for the purposes of performance measurement.

**AMENDMENT #1 TO INVESTMENT OPERATING PLAN
OF THE SAN BRUNO COMMUNITY FOUNDATION**

1. This Amendment, which is dated June 7, 2017, modifies the Investment Operating Plan of the San Bruno Community Foundation, approved by the San Bruno Community Foundation Board of Directors on May 4, 2016, and executed by the San Bruno Community Foundation and Sand Hill Global Advisors, LLC, on May 11, 2016 (a copy of which is attached hereto for reference).
2. Section VI.1.d.i., Pool-Specific Operating Guidelines for the Quasi-Endowment Pool, is amended in its entirety to be read as follows: ,

Payout amount will be determined once annually, prior to the conclusion of the Foundation's fiscal year for the subsequent fiscal year. The payout rate will range up to 7%, as determined by the Board, multiplied by the average of the latest available twelve prior quarter-ending Quasi-Endowment values. From the initial funding of the Quasi-Endowment Pool through the end of fiscal year 2016-2017, the payout rate will be 0%. During fiscal year 2017-2018, the default payout rate will be 2.25%, multiplied by the simple average of all quarter-ending Quasi-Endowment values available at the time of the annual payout decision. Cash proceeds will be deposited in the SBCF Liquidity Pool on an as-needed basis.

3. In all other respects, the Investment Operating Plan is affirmed.

San Bruno Community Foundation:

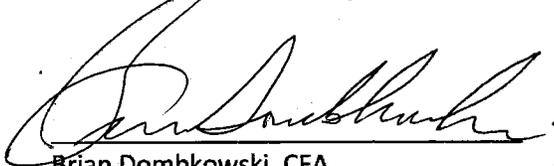


Tim Ross
Treasurer



Leslie Hatamiya
Executive Director

Sand Hill Global Advisors, LLC



Brian Dombkowski, CFA
Chief Executive Officer