

# SAN BRUNO

## Community Foundation

*Investment Committee*

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

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### AGENDA

#### SAN BRUNO COMMUNITY FOUNDATION

#### Special Meeting of the Investment Committee

**February 26, 2020**

**4:30 p.m.**

**Meeting Location:**

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

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

**1. Call to Order**

**2. Roll Call**

**3. Public Comment:** Individuals are allowed three minutes, groups in attendance, five minutes. If you are unable to remain at the meeting, contact the President to request that the Board consider your comments earlier. It is the Board's policy to refer matters raised in this forum to staff for research and/or action where appropriate. The Brown Act prohibits the Board from discussing or acting upon any matter not agendaized pursuant to State Law.

**4. Approval of Minutes:** November 20, 2019, Regular Investment Committee Meeting

**5. Executive Director's Report**

**6. Conduct of Business**

- a. Receive Report from Sand Hill Global Advisors, LLC (SHGA) regarding SHGA's Investment Outlook and SBCF's Investment Portfolio Performance

**7. Committee Member Comments**

**8. Adjourn**

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### MINUTES

#### SAN BRUNO COMMUNITY FOUNDATION

#### Regular Meeting of the Investment Committee

**November 20, 2019**

**4:30 p.m.**

**Meeting Location:**

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

- 1. Call to Order:** Committee Chair Tim Ross called the meeting to order at 4:34 p.m.
- 2. Roll Call:** Committee Members Ross, Clifford, and Hedley, present. Committee Members Hayes and Perkins, excused.
- 3. Approval of Minutes:** August 21, 2019, Regular Investment Committee Meeting: Committee Member Clifford moved to approve the minutes of the August 21, 2019, Regular Meeting, seconded by Committee Member Hedley, passed unanimously.
- 4. Executive Director's Report**

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

- **Community Grants Fund:** The Foundation received 51 applications for Community Grants by the September 25 deadline, the largest number received in a cycle thus far. The applications are being evaluated by a review panel of community volunteers. The Board is to consider the panel's grant recommendations at the December 4 Board meeting; with a \$100,000 donation from [Google.org/YouTube](https://www.google.org/YouTube), the Foundation will award grants totaling \$300,000 this cycle.
- **Crestmoor Scholarship:** The Board created an Ad Hoc Committee on Crestmoor Scholarship to evaluate the program, after four years in operation, and suggest any changes or tweaks to improve it. Upon the advice of the Committee, the Foundation is not making any significant changes to the process and criteria, but outreach will be bolstered and the Board approved an increased program budget supported by the Quasi-Endowment payout rather than additional

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fundraising. Specifically, the Board increased the Quasi-Endowment payout for fiscal year 2019-2020 to 1.96%, or \$327,537. The final recommendation of the Committee was to form a committee to come up with a proposal for a vocational education strategic initiative. Based on San Bruno's demographics, there has been a desire to assist those seeking vocational training in the trades rather than pursue a four-year college degree, and the Committee determined that a separate initiative, rather than an expansion of the Crestmoor Scholarship, makes the most sense for addressing this idea. This committee will be formed in 2020 when the new Board members join the Board.

- Strategic Grants

- Recreation and Aquatics Center: The project's Phase 2 – schematic design and construction documents – continues, led by Group 4 Architecture, Research + Planning. Group 4 is currently in the design development stage and is proceeding with developing further detailed renderings and designs for City Council approval and subsequent construction. The project is proceeding through the California Environmental Quality Act (CEQA) process, which requires the City to identify the significant environmental impacts of the project and to avoid or mitigate those impacts, if feasible. With regard to temporary facilities, City staff is working with the San Mateo Union High School District to investigate the use of the former Crestmoor High School site as a satellite Recreation Center while the new Recreation and Aquatics Center is developed.

In terms of cash-flow needs for the project, under current projections, the Foundation will likely decline to request about \$1 million of the approved payout from the Strategic Pool this fiscal year.

- First Responder Effectiveness Strategic Initiative: The Board approved in June a second grant to the City of San Bruno, in an amount not to exceed \$303,545 and funded by Google/YouTube donations, to cover costs related to the acquisition of a mobile command vehicle that can be deployed at the scene of a critical incident, natural disaster, or planned large-scale event. The San Bruno Police Department is working with the vendor to finalize plans for the mobile command vehicle and City staff plans to bring the contract for construction and acquisition of the vehicle to the City Council for approval.
- Florida Avenue Park: Progress is being made in the development of a new City-owned park on Florida Avenue, which the Foundation has supported with a \$200,000 grant. On September 24, 2019, the City Council authorized modifications to the Florida Avenue Master Plan in response to the threat of a lawsuit by a group of community members related to the removal of two heritage trees on the site. City staff and the landscape architect are finalizing design drawings and cost estimates, which are projected to take two to three months, with formal construction bid process to occur shortly thereafter.

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Ms. Hatamiya also reported that Novogradac & Company prepared the FY2018-2019 audited financials, which were accepted by the Board in November, and issued a clean opinion. The Foundation submitted its state and federal tax returns by the November 15 deadline.

Ms. Hatamiya reported that the Board approved a Gift Acceptance Policy in November. She said the primary benefit of a gift acceptance policy is to maintain discipline in gift acceptance and administration, providing staff and the Board with guidance on what types of gifts are generally accepted, what types need further evaluation, and how the evaluation process is to occur. The policy provides the Executive Director with the general authority to accept gifts in accordance with the policy and outlines eight types of gifts that SBCF typically would not accept as well as a process for evaluating gifts that might fall within those categories.

She also reported that the Board elected its 2020 officers, with Emily Roberts becoming President and Jim Ruane Vice President on January 1 and Tim Ross and John McGlothlin remaining as Treasurer and Secretary, respectively.

Ms. Hatamiya explained the schedule of transfers from the Quasi-Endowment and Strategic Pool accounts to the Liquidity Pool, but noted that the schedule may be modified based on actual cash needs and updates on the Recreation and Aquatics Center project. Transfers from the Quasi-Endowment to the Liquidity Pool are scheduled as follows: (a) \$200,000 on December 1, 2019, and (b) \$119,980 on May 1, 2020. Transfers from the Strategic Pool to the Liquidity Pool are scheduled as follows: (a) \$700,000 was transferred in late July, (b) \$1 million in early October, (c) \$2 million (likely to be reduced to \$1 million) on January 1, 2020, and (d) balance of \$1,081,214 on April 1, 2020.

Finally, Ms. Hatamiya reminded the Committee of its 2020 meeting dates and that the current terms of Investment Committee members end in June 2020.

### **5. Conduct of Business**

- a. Receive Report from Sand Hill Global Advisors, LLC (SHGA) regarding SHGA's Investment Outlook and SBCF's Investment Portfolio Performance

SHGA Chief Executive Officer Brian Dombkowski and Senior Wealth Manager Kristin Sun represented SHGA at the meeting.

Mr. Dombkowski gave an overview of the firm's investment outlook, focusing on slowing global economic growth and concerns about trade tensions and political factors. He gave a summary of the firm's current economic forecast for the fourth quarter of 2019, 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 stated that although the firm does not anticipate that a major recession is on the horizon, a more conservative approach is warranted, and the firm has taken a defensive stance in positioning the Foundation's overall portfolio.

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Ms. Sun then reviewed the Foundation's Investment Dashboard for the third quarter of 2019, including September 30, 2019, balances of \$18,074,612 for the Quasi-Endowment, \$46,762,777 for the Strategic Pool, and \$10,757,265 for the Liquidity Pool (total of \$75,594,654 in all three accounts).

Mr. Dombkowski gave a brief update on the firm. He said SHGA recently acquired a small firm in San Francisco, so SHGA now has three employees and an office in San Francisco.

**6. Public Comment:** None.

**7. Committee Member Comments:** None.

**8. Adjourn:** Committee Member Hedley moved to adjourn the meeting at 6:00 p.m., seconded by Committee Member Clifford, approved unanimously.

Respectfully submitted for approval at the Special Investment Committee Meeting of February 26, 2020,  
by Investment Committee Chair Tim Ross.

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Tim Ross, Investment Committee Chair

# SAN BRUNO

## Community Foundation

### Memorandum

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**DATE:** February 21, 2020

**TO:** Investment Committee, San Bruno Community Foundation

**FROM:** Leslie Hatamiya, Executive Director

**SUBJECT:** February 26, 2020, 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, February 26, 2020, 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 February 26 meeting include:

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

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

Representing SHGA at the Committee meeting will be Chief Executive Officer Brian Dombkowski and Senior Wealth Manager Kristin Sun. They 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.

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### Memorandum

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#### 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 first quarter of 2020, 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 fourth quarter of 2019 (second quarter of the fiscal year). The SHGA team will walk the Committee through the attached Investment Dashboard for December 31, 2019, a one-page summary of the Foundation's portfolio. At the meeting, the SHGA team will also provide more detailed and up-to-date information about the Foundation's investment holdings, including performance data of underlying funds and a review of active managers.

#### Attachments:

1. SBCF Investment Dashboard, as of December 31, 2019

# The San Bruno Community Foundation Investment Dashboard

As of December 31, 2019

## Current Outlook:

**Economic Environment:** During 2019, economic growth slowed as global trade tensions rose. The Federal Reserve, along with many other Central Banks around the world, lowered interest rates. What began as an "insurance cut" resulted in three rate cuts, reversing three quarters of the rate tightening that had taken place in 2018. Overall GDP growth for the full year of 2019 is likely to come in around 2%. As the new year begins, economic conditions are decidedly looser than they were this time last year and global growth is showing signs of stabilization. In the U.S., growth continues to be characterized by a strong consumer and labor market while the manufacturing industry is still in a state of decline. The strong tie between global trade and manufacturing is notable and continued progress between U.S./China trade relations may result in a slow return to growth this year. Following last year's significant stock market rally that occurred against a backdrop of very little earnings growth, valuation of the U.S. equity market is now at the upper-end of the range it has been during this cycle. Meanwhile, emerging market equities continue to trade at a historical discount relative to the U.S. and the risk/reward appears favorable, particularly as incremental progress is made toward a U.S./China trade agreement. We expect global economic growth to persist this year as Central Banks remain accommodative. Returns are likely to be positive, but more muted, following last year's outsized returns for every asset class.

**Market Environment:** Equity markets around the world rose significantly during the fourth quarter as financial conditions loosened, lowering the odds of a recession in 2020, and interest rates remained near all-time lows. Meanwhile, commodities rallied on the prospect of a potential pick-up in global growth and REITs were flat following robust returns during the third quarter.

**Portfolio Response:** During the quarter we increased the duration of your fixed income allocation which is now within 0.7 years of the benchmark. We also reduced exposure to actively managed funds within the emerging market equity allocation in favor of passive managers. Lastly, we reduced exposure to commodities following a rally in the asset class in favor of U.S. large cap stocks and REITs.

Performance	Quasi-Endowment Pool			Custom Blended Strategic Pool			
	Endowment Pool	Benchmark	+ / -	Strategic Pool	Benchmark	+ / -	
Quarterly	Q4 2019	4.72%	4.96%	-0.24%	1.54%	1.65%	-0.11%
	Q3 2019	0.43%	1.24%	-0.81%	1.33%	1.98%	-0.65%
	Q2 2019	2.77%	3.13%	-0.36%	2.41%	3.00%	-0.59%
	Q1 2019	8.68%	8.83%	-0.15%	4.39%	4.89%	-0.50%
Calendar	2019	17.45%	19.26%	-1.81%	10.01%	11.98%	-1.97%
	ITD	7.87%	8.69%	-0.82%	3.87%	4.57%	-0.70%

Portfolio Action	Increased	Decreased	Growth/Capital Preservation
<b>Q4 2019</b>	<b>Shifted Existing Exposures</b>		<b>57/43</b>
Intermediate duration bonds		Short duration bonds	
Passively managed EM funds		Actively managed EM funds	
U.S. Large Cap Stocks & REITs		Commodities	
<b>Q3 2019</b>	<b>Moved to an Underweight in European Equity</b>		<b>57/43</b>
Diversified Bonds		European Equity	
<b>Q2 2019</b>	<b>Rotated Into Less Volatile Assets</b>		<b>61/39</b>
Diversified Bonds		Emerging Market Bonds	
Long/Short Equity		Mid Cap Stocks	

Asset Allocation	Quasi-Endowment Pool	31-Dec-19	Strategic Target	Strategic Pool	31-Dec-19	Strategic Target
Large Cap Equity	\$5,750,960	31%	30%	\$3,977,224	9%	9%
SMID Cap Equity	\$1,859,579	10%	9%	\$1,178,742	3%	3%
International/EM Equity	\$2,255,349	12%	13%	\$1,742,366	4%	4%
Fixed Income	\$6,375,949	34%	30%	\$33,098,745	71%	70%
Real Assets	\$1,019,323	5%	8%	\$1,390,551	3%	4%
Market Neutral	\$1,061,468	6%	8%	\$3,179,206	7%	8%
Cash	<u>\$405,538</u>	<u>2%</u>	<u>2%</u>	<u>\$1,900,707</u>	<u>4%</u>	<u>2%</u>
<b>Total</b>	<b>\$18,728,167</b>	<b>100%</b>	<b>100%</b>	<b>\$46,467,541</b>	<b>100%</b>	<b>100%</b>

Balances	Quasi-Endowment	Strategic	Liquidity	Total
Q4 2019	\$18,728,167	\$46,467,541	\$11,790,625	<b>\$76,986,333</b>
Q3 2019	\$18,074,612	\$46,762,777	\$10,757,265	<b>\$75,594,654</b>
Q2 2019	\$17,992,176	\$46,833,894	\$10,600,536	<b>\$75,426,606</b>
Q1 2019	\$17,632,371	\$45,735,542	\$11,151,236	<b>\$74,519,150</b>

Illiquidity as of 12/31/2019	< 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.	✓

