

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
AND SAN MATEO COUNTY HEALTH DIRECTIVE
FROM MARCH 14, 2020**

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 current Shelter-In-Place Order issued by the San Mateo County Health Officer which became effective on March 17, 2020, and which was updated and extended on April 29, 2020; the statewide Shelter-In-Place Order issued by the Governor in Executive Order N-33-20 on March 19, 2020; and the CDC's social distancing guidelines which discourage large public gatherings, San Bruno City Hall is no longer open to the public for meetings of the Investment Committee of the San Bruno Community Foundation.

If you would like to make a Public Comment on an item not on the agenda, or comment on a particular agenda item, please email us at info@sbcf.org or at mthurman@sanbruno.ca.gov. 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 Investment Committee, 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 Investment Committee 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

November 18, 2020

4:30 p.m.

Zoom Meeting Details:

<https://us02web.zoom.us/j/85744836165?pwd=d2NDVDlrUmtyK2psOWxERXEwV3hRdz09>

Webinar or Meeting ID: 857 4483 6165

Webinar or Meeting Password: 819436

Zoom Phone Line: (669) 900-6833 (same webinar ID and password as above)

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Leslie Hatamiya, *Executive Director*

1. Call to Order

2. Roll Call

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 agendized pursuant to State Law.

4. Approval of Minutes: August 19, 2020, 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

7. Committee Member Comments

8. Adjournment: The next regular meeting of the Investment Committee will be held on Wednesday, February 17, 2021, at 4:30 p.m.

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MINUTES

SAN BRUNO COMMUNITY FOUNDATION

Regular Meeting of the Investment Committee

August 19, 2020

4:30 p.m.

Meeting Conducted via Zoom

- 1. Call to Order:** Committee Chair Tim Ross called the meeting to order at 4:30 p.m.
- 2. Roll Call:** Committee Members Ross, Clifford, Hayes, Hedley, and McGlothlin, present.
- 3. Public Comment:** San Bruno resident James Ruigomez thanked the Committee for all that the San Bruno Community Foundation does. As an employee of the San Mateo County Construction and Building Trades Council, he requested that the Foundation encourage the City of San Bruno and the contractor it selects to build the new Recreation and Aquatic Center to sign a community workforce agreement to use local labor on the project.
- 4. Approval of Minutes:** May 20, 2020, Regular Investment Committee Meeting: Chair Ross noted a typographical error on page 4 in the first sentence in the paragraph just before subsection c., where “million” should be inserted after “\$15.25,” so that the beginning of sentence should read: “Committee Member Hedley made a motion to recommend to the Board transferring \$15.25 million from Strategic to Liquidity-Operating...” Committee Member Hedley moved to approve the minutes of the May 20, 2020, Regular Meeting, as amended, seconded by Committee Member Clifford, 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:** The Foundation awarded 13 Crestmoor Scholarships at the June Board meeting, which was held on Zoom. This year’s Crestmoor Scholars are once again a very impressive group.

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- Community Grants Fund: The fifth iteration of the Community Grants Fund launched at the beginning of July, with a September 30 grant application deadline. The Foundation offered its first Grant Workshop on August 18. YouTube and Google.org are again donating \$100,000 to the Community Grants Fund; with the Foundation's \$200,000, \$300,000 in grants will be awarded in December.
- Strategic Grants
 - Recreation and Aquatics Center: The project is on schedule and is nearing the end of its second phase – schematic design and construction documents. As part of the CEQA process, in May the Planning Commission certified the final Environmental Impact Report and approved the use permit and architectural review permit. The City plans to go out to bid for the general contractor in the late fall, with construction to start in early 2021.

So far, the Foundation has disbursed a total of about \$4.7 million for the first three RAC grants, with a balance of about \$45.3 million remaining to be paid on the project. Under the most recent cash flow timeline, the Foundation expects to pay out about \$17 million in fiscal year 2020-2021 (July 2020-June 2021). The Foundation paid \$1.6 million in early August, with about \$15.4 million more to pay out this fiscal year.

The cash flow timeline has not been updated since the Committee's last meeting; a more concrete timeline should be available at the end of 2020 or the beginning of 2021, once the contractor is on board. It is unclear how the COVID situation will affect construction schedule and costs, if at all.

- COVID-19 Relief Grants: In May, the SBCF Board approved a package of COVID relief grants to help San Bruno's schools and small businesses, including \$240,000 for new laptops for all San Bruno Park School District teachers, \$150,000 to the San Mateo County Strong Small Business Grant Program, and \$100,000 to the San Bruno Small Business Recovery and Assistance Program. All three grant agreements have been executed and the grants paid out. The teachers are receiving their laptops for the new school year. Fifteen San Bruno small businesses received \$10,000 grants as part of San Mateo County Strong. Finally, the Small Business Recovery Assistance Program has supported more than 40 companies.

Ms. Hatamiya also reported that the Foundation's Annual Report is currently at the printer and will be mailed to every address in San Bruno right after Labor Day. She also reported that the Foundation is in the process of finalizing the fiscal year 2019-2020 accounting books and starting the annual audit, using the same certified public accounting firm, Novogradac & Company, to conduct the audit. She noted that she is in the process of converting the Foundation's program consultant to an employee position due to AB 5, which was enacted into law in California in 2019. As part of this process, the Board in September will be considering an Employee Handbook and amendments to the Retirement Plan Document.

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Ms. Hatamiya reported that the SBCF Board and San Bruno City Council approved the Foundation's fiscal year 2020-2021 budget in June. As part of the resolution, the Board followed the Investment Committee's recommendation of a \$295,681 transfer from the Quasi-Endowment to the Liquidity-Operating subaccount, a \$15,861,933 transfer from the Strategic account to the Liquidity-Operating subaccount, and a \$340,000 transfer from the Liquidity-RAC subaccount to the Liquidity-Operating subaccount to cover the Foundation's cash flow needs this fiscal year.

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 Liquidity-Operating are scheduled as follows: (a) \$144,990 in December 2020, and (b) \$150,691 in May 2021. Transfers from the Strategic Pool to Liquidity-Operating are scheduled as follows: (a) \$15.25 million was transferred in early July, as recommended by this Committee, (b) \$500,000 in December 2020, and (c) \$111,933 in March 2021. Transfers from Liquidity-RAC to Liquidity-Operating are scheduled as follows: (a) full amount of \$340,000 in March 2021.

Finally, Ms. Hatamiya reminded the Committee of its next meeting on November 18 and announced the 2021 meeting dates, per the Committee's schedule: February 17, May 19, August 18, and November 17. She asked Committee members to inform her of any conflicts with those dates.

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, describing COVID-19 as an event-driven shock to the marketplace and highlighting a faster-than-expected economic recovery. He gave a summary of the firm's current economic forecast for the third quarter of 2020, 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 discussed the potential impacts of the ongoing pandemic and the upcoming presidential election on the financial markets.

Ms. Sun and Ms. DeGroot reviewed the Foundation's Investment Dashboard for the second quarter of 2020, including June 30, 2020, balances of \$18,353,443 for the Quasi-Endowment, \$44,435,133 for the Strategic Pool, and \$12,380,2659 for the Liquidity Pool (total of \$75,168,840 in all three accounts). They highlighted some of the adjustments the firm made to the portfolio in the past quarter given market conditions.

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The Committee also briefly discussed preparations for Mr. Dombkowski's annual report to the Foundation Board of Directors on September 2.

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

Chair Ross explained that this item will appear on the agenda for each Investment Committee meeting until the Foundation has completed all major grant payments for the Recreation and Aquatic Center to allow the Committee to discuss any changes in the cash flow timeline that may arise and potentially provide direction to the Board about cash flow strategies for the project. He noted that the Foundation has not received an update in the project cash flow timeline since the May meeting, and that Executive Director Hatamiya gave an update on the project during the Executive Director's report. The Committee briefly discussed the City's timeline for hiring a contractor and its plans to cover project costs beyond the Foundation's committed funding.

7. Committee Member Comments: Chair Ross noted that the portfolio's recovery since the economic downturn in March reinforced the soundness of the Foundation's original asset allocation set up in the Investment Operating Plan.

8. Adjourn: Committee Member Hedley moved to adjourn the meeting at 5:26 p.m., seconded by Committee Member Clifford, approved unanimously.

Respectfully submitted for approval at the Regular Investment Committee Meeting of November 18, 2020, by Investment Committee Chair Tim Ross.

Tim Ross, Investment Committee Chair

SAN BRUNO

Community Foundation

Memorandum

DATE: November 13, 2020

TO: Investment Committee, San Bruno Community Foundation

FROM: Leslie Hatamiya, Executive Director

SUBJECT: November 18, 2020, Investment Committee Special Meeting

The Investment Committee of the San Bruno Community Foundation will hold its regular quarterly meeting at 4:30 p.m. on Wednesday, November 18, 2020, via Zoom:

<https://us02web.zoom.us/j/85744836165?pwd=d2NDVDlrUmtyK2psOWxERxEwV3hRdz09>

Webinar or Meeting ID: 857 4483 6165

Webinar or Meeting Password: 819436

Zoom Phone Line: (669) 900-6833 (same webinar ID and password as above)

1. Executive Director's Report

At each meeting, I report on any follow-up items from the last Committee meeting as well as provide updates on the Foundation's programs and operations. Key items I will report on at the November 18 meeting include:

- Program highlights, including an update on the Community Grants Fund, the Crestmoor Neighborhood Memorial Scholarship program, and updates on strategic grant initiatives, including the Recreation and Aquatic Center Project and COVID-19 relief grants
- Schedule of transfers from the Quasi-Endowment, Strategic, and Liquidity-RAC Pool accounts to the Liquidity-Operating Pool account for FY2020-2021 to cover the Foundation's cash needs through June 30, 2021, consistent with the FY2020-2021 budget passed by the Foundation Board in June (\$295,681 from the Quasi-Endowment, \$15,861,933 from the Strategic Pool, and \$340,000 from Liquidity-RAC)
- A reminder of upcoming 2021 Investment Committee meetings: February 17, May 19, August 18, and November 17, at 4:30 p.m.

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Memorandum

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 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 fourth quarter of 2020, 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 the presidential election.

b. SBCF's Investment Performance

The second part of SHGA's presentation will review the performance of the Foundation's investment portfolio for the third quarter of 2020 (first quarter of the fiscal year). The SHGA team will walk the Committee through the attached Investment Dashboard for September 30, 2020, 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.

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

Although the overall cash flow timeline for the Recreation and Aquatics Center project has not changed significantly since the Committee's last meeting, the Committee will have the opportunity to discuss future cash flow strategies related to the project and provide direction, as appropriate, under the second business item on November 18.

Attachments:

1. SBCF Investment Dashboard, as of September 30, 2020

The San Bruno Community Foundation Investment Dashboard

As of September 30, 2020

Current Outlook:

Economic Environment: During the early part of this year we experienced what will likely be classified as the worst global recession in history. However, with the help of significant economic stimulus that transferred over \$3 trillion to U.S. households, trends began to improve at a faster-than-projected pace during May and this pace of recovery continued throughout the third quarter. Of course the continuation of a recovery will be dependent on our ability to manage the disease state as well as the government's efforts to provide support to the economy until an effective vaccine is available and businesses can reopen more broadly. Even with a continuation of a strong recovery, it may take years for GDP to return to the level it was at prior to the pandemic. However, this doesn't necessarily mean that financial markets will follow a similar path. In the U.S., markets are dominated by companies that are fundamentally healthy and have continued to grow during this pandemic, cash levels are still elevated and will most likely be reinvested over time and the government will presumably provide continued support in the form of monetary and fiscal policy to facilitate an ongoing recovery.

Market Environment: The stock market rally that began during the second quarter continued with equity markets around the world delivering impressive returns. This pushed the S&P 500 into positive territory for the year and, by quarter-end, it was up over 5.5% for the year-to-date period. Emerging market equity and commodities also performed notably well during the period. Bond yields fell and credit outperformed Treasuries.

Portfolio Response: During the quarter, we sold the technology sector ETF (XLK) that was purchased in late March following an impressive return in a relatively short period of time. In our view, the technology sector may become vulnerable to market sector rotation as the economy continues to recover and more cyclically-oriented sectors begin to recover. We also added a new equity fund that invests in global value stocks to capture some of this trend and to increase exposure to developed market equity. We funded this purchase by trimming U.S. large cap equity as well as bonds. The net result was a 1pt reduction to growth assets.

Performance		Quasi-Endowment Pool	Benchmark	+ / -	Strategic Pool	Custom Blended Benchmark	+ / -
Quarterly	Q3 2020	5.24%	4.43%	0.81%	2.03%	1.72%	0.31%
	Q2 2020	14.33%	12.26%	2.07%	7.18%	5.81%	1.37%
	Q1 2020	-13.65%	-13.06%	-0.59%	-4.39%	-2.61%	-1.78%
	Q4 2019	4.72%	4.96%	-0.24%	1.54%	1.65%	-0.11%
Annual	2020 YTD	3.90%	1.92%	1.98%	4.56%	4.82%	-0.26%
	ITD	7.41%	7.61%	-0.20%	4.25%	4.89%	-0.64%

Portfolio Action	Increased	Decreased	Growth/Capital Preservation
Q3 2020	Shifted Exposure to Undervalued Sectors		63/37
	Bonds	Technology Stocks	
	Global Value Stocks	S&P 500	
Q2 2020	Added to Undervalued Asset Classes		64/36
	Mid Cap Stocks	Small Cap Stocks	
	Commodities	Absolute Return	
	Actively Managed REITS	Passively Managed REITS	
Q1 2020	Took Advantage of Market Volatility		63/37
	Large Cap Stocks	Diversified Bonds	
	Technology Stocks	Cash	

Asset Allocation	Quasi-Endowment Pool	30-Sep-20	Strategic Target	Strategic Pool	30-Sep-20	Strategic Target
Large Cap Equity	\$6,428,328	33%	30%	\$3,234,580	11%	9%
SMID Cap Equity	\$1,928,978	10%	9%	\$818,757	3%	3%
International/EM Equity	\$2,718,996	14%	13%	\$1,453,396	5%	4%
Fixed Income	\$6,126,434	32%	30%	\$21,807,568	73%	70%
Real Assets	\$1,180,270	6%	8%	\$1,275,493	4%	4%
Market Neutral	\$649,860	3%	8%	\$785,907	3%	8%
Cash	\$284,945	1%	2%	\$491,180	2%	2%
Total	\$19,317,811	100%	100%	\$29,866,882	100%	100%

Balances	Quasi-Endowment	Strategic	Liquidity	Total
Q3 2020	\$19,317,811	\$29,866,882	\$25,919,855	\$75,104,548
Q2 2020	\$18,353,443	\$44,435,133	\$12,380,265	\$75,168,840
Q1 2020	\$16,171,758	\$43,477,547	\$11,879,809	\$71,529,114
Q4 2019	\$18,728,167	\$46,467,541	\$11,790,625	\$76,986,333

Illiquidity as of 9/30/20	< 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.	✓

