

# SAN BRUNO

## Community Foundation

*Investment Committee*

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

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### AGENDA

#### SAN BRUNO COMMUNITY FOUNDATION

#### Special Meeting of the Investment Committee

**August 22, 2018**

**4:30 p.m.**

#### **Meeting Location:**

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

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- 1. Call to Order**
- 2. Roll Call**
- 3. Approval of Minutes:** May 16, 2018, Regular Investment Committee Meeting
- 4. Executive Director's Report**
- 5. Conduct of Business**
  - a. Adopt Resolution Canceling the November 14, 2018, Special Meeting of the Investment Committee and Scheduling a Special Meeting on November 27, 2018
  - b. Receive Report from Sand Hill Global Advisors, LLC (SHGA) regarding SHGA's Investment Outlook and SBCF's Investment Portfolio Performance
- 6. Public Comment:** Individuals are allowed three minutes, groups in attendance, five minutes. If you are unable to remain at the meeting, contact the President to request that the Board consider your comments earlier. It is the Board's policy to refer matters raised in this forum to staff for research and/or action where appropriate. The Brown Act prohibits the Board from discussing or acting upon any matter not agendaized pursuant to State Law.
- 7. Committee Member Comments**
- 8. Adjourn**

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### MINUTES

## SAN BRUNO COMMUNITY FOUNDATION

### Regular Meeting of the Investment Committee

**May 16, 2018**

**4:30 p.m.**

**Meeting Location:**

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

- 1. Call to Order:** Committee Chair Tim Ross called the meeting to order at 4:31 p.m.
- 2. Roll Call:** Committee Members Ross, Clifford, Hayes, Hedley, and Perkins, present.
- 3. Approval of Minutes:** February 21, 2018, Regular Investment Committee Meeting: Committee Member Hedley moved to approve the minutes of the February 21, 2018, Regular Meeting, seconded by Committee Member Clifford, passed unanimously.
- 4. Executive Director's Report**

Executive Director Hatamiya gave an update on the Foundation. First, she reported on the Foundation's recent program highlights:

- **Crestmoor Neighborhood Memorial Scholarship:** The Foundation received 70 applications by the March 14 deadline. The selection panel selected nine Crestmoor Scholars, who will be honored at the June 6 Board meeting and scholarship reception.
- **Community Grants Fund:** The third iteration of the Community Grants Fund will launch at the beginning of July, with a September 26 grant application deadline. The budget will include \$200,000 in grants to be awarded in December.
- **Music Ed Strategic Initiative:** Implementation of the initiative is proceeding on schedule. The Foundation will pay the second set of grant payments in mid-June. The steering committee led by SBEF is planning a fall concert and fundraiser.

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- **Recreation and Aquatics Center:** The Foundation is funding the conceptual design phase with a \$550,000 grant, which includes an upfront payment of \$381,500. The City has hired Group 4 to do the conceptual design, and the first set of community outreach meetings is May 17 at the Rec Center. The second stage (construction documents) will begin this summer and run for about 18 months. The third stage (construction) will take 20-22 months starting in early 2020, ending around the end of 2021.
- **Pedestrian Safety Initiative:** The Foundation executed a grant agreement with the City for \$263,952 (YouTube contributed \$126,000 of that amount). First three sets of flashing beacons have been installed at Portola Elementary School and Parkside Intermediate School and seem to be working well. Two downtown sites will be installed at the end of the San Mateo Avenue sewer and water replacement project.
- **Florida Avenue Park Development:** There has been a delay in construction due to faulty construction drawings. The Foundation disbursed the \$200,000 grant payment in late February.
- **First Responder Effectiveness Strategic Initiative:** In March, Board approved a \$160,723 strategic grant to the City for three first responder projects: police mindfulness training, emergency shelter supplies, and critical facilities site assessments. In April, as a way of giving back to the community after the shooting at the YouTube headquarters, Google pledged \$100,000 to the initiative and agreed to match all employee donations. We expect the total donation to be close to \$300,000.
- **Possible Strategic Grant Supporting School Transformation:** San Bruno Park School District Superintendent Dr. Stella Kemp is new to the district this year and since arriving has been charging full-steam ahead with an ambitious vision of transforming the district into 21st century schools. Diverging from its normal protocol, the Foundation Board will, at its June meeting, consider a proposal to fund two key programs in this school district transformation – implementation of the Sobrato Early Academic Language (SEAL) program at Belle Air and Allen Elementary Schools and a partnership with Partners in School Innovation to support the transformation of Parkside Intermediate School. The Committee's advice to the Board on considering any new strategic grant opportunities will inform the Board's consideration of the request.

Ms. Hatamiya also reported that the scheduled transfers from the Quasi-Endowment and Strategic Pool accounts to the Liquidity Pool account to cover the Foundation's cash needs through June 30, 2018, consistent with the fiscal year 2017-2018 budget passed by the Foundation Board in June (\$352,921 from the Quasi-Endowment and \$1,071,914 from the Strategic Pool), have taken place as planned.

Finally, Ms. Hatamiya reminded the Committee of its next meeting on August 22. She noted that the last meeting of the year is scheduled for November 14, but Chair Ross will be traveling the first half of

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November. After discussion, Committee members agreed to look into rescheduling the meeting to Tuesday, November 27, 2018.

### **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 Investment Officer Brenda Vingiello and Senior Wealth Manager Kristin Sun represented SHGA at the meeting.

Ms. Vingiello gave an overview of the firm's investment outlook, describing the current stage of the economic cycle as mid-to-late cycle. She gave a summary of the firm's current economic forecast for the second quarter of 2018, commenting on economic growth, interest rates, the employment market, corporate earnings, international developed markets, emerging markets, inflation, commodity markets, valuation, and the housing market.

Ms. Vingiello then reviewed the Foundation's Investment Dashboard for the first quarter of 2018, including March 31, 2018, balances of \$17,327,253 for the Quasi-Endowment, \$55,615,889 for the Strategic Pool, and \$189,379 for the Liquidity Pool (total of \$73,132,521 in all three accounts). She reported that in the first quarter, SHGA increased the Foundation's global equity holdings and eliminated an overweight to large cap technology stocks.

- b. Adopt Resolution Recommending to the SBCF Board of Directors the Quasi-Endowment Payout Rate for Fiscal Year 2018-2019

Ms. Hatamiya reminded the Committee that under the Investment Policy Statement, the Quasi-Endowment payout rate is to be determined annually by the Board. She said that the City Attorney has advised that as amended, the Quasi-Endowment payout provision in the Investment Operating Plan does not need to be amended each year, and the Board – with guidance from the Investment Committee – can simply pass a resolution each year setting the next fiscal year's Quasi-Endowment payout rate.

Ms. Hatamiya reported that last year 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 2018-2019 budget, she determined that the cash flow needs for the Crestmoor Scholarship and Community Grants Fund in the upcoming fiscal year are estimated at \$320,000 and that, with the average of all quarter-ending Quasi-Endowment values available from inception to today (eight quarters) being \$16,409,212, a payout rate of 1.95% would result in a Quasi-Endowment payout of \$319,980, just \$20 under the estimated cash needs of \$320,000.

# SAN BRUNO

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After discussion, the Committee decided to follow last year's 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 Hayes moved to adopt the resolution recommending to the SBCF Board of Directors a Quasi-Endowment payout rate of 1.95% for fiscal year 2018-2019 (resulting in a payout of \$319,980), seconded by Committee Member Perkins, approved unanimously.

#### c. Discuss and Provide Direction Regarding Management of Strategic Pool Funds

Ms. Hatamiya informed the Committee that Group 4, the architectural firm managing for the City the conceptual design process for the Recreation and Aquatics Center project, provided the City and the Foundation with a very preliminary timeline of the estimated expenditures of the likely remaining two stages of the project (construction documents and construction), which should run through fiscal year 2021-2022.

Using this preliminary estimate of the cash flow that will be required to fund the \$50 million Recreation and Aquatics Center project along with estimates of other strategic grant commitments and annual operating expenses, Ms. Sun presented the Committee with cash flow testing analysis of the Strategic Pool at the May 16 Committee meeting. This analysis showed that on average, once the \$50 million is disbursed to fund the Recreation and Aquatics Center by 2022, on average the Strategic Pool account is likely to end up with a balance upwards of \$7 million. The analysis also cautions that if the account experiences negative returns in 2018-2019, the balance could be under \$1 million.

With this analysis, the Committee discussed how best to manage funds in the Strategic Pool to meet the Foundation's cash flow needs with regard to the Recreation and Aquatics Center project, other strategic grants, and its operating expenses. The Committee weighed the desire to keep the funds needed for the Recreation and Aquatics Center in the (conservatively invested) Strategic Pool account so that those funds continue to have the potential to reap positive investment returns against the potential risk of experiencing a significant decline in value of the Strategic Pool due to investment volatility. The Committee considered various actions it could take to decrease some of the risk of market volatility and ultimately decided against amending the Investment Operating Plan to adjust the asset allocation ranges for the Strategic Pool, noting that the investment strategy for that account is already conservative and that the Liquidity Pool was created to provide a structure for holding funds needed for strategic grants within the next 24 months.

After discussion, Committee Member Hayes made a motion to recommend to the Board a transfer, at the beginning of fiscal year 2018-2019, of \$10 million from the Strategic Pool to the Liquidity Pool to protect those funds from fluctuations in the market, which was seconded by Committee Member

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Hedley and passed unanimously. This \$10 million transfer would be in addition to a transfer needed to cover cash flow needs in fiscal year 2018-2019 and would not appear in the fiscal year 2018-2019 budget because it would not be intended for use in 2018-2019. The \$10 million figure was based, in part, on the architect's projection that cash flow needs for the Recreation and Aquatics Center project would be about \$12.7 million in fiscal year 2019-2020. This transfer would be consistent with the structure of the Liquidity Pool account, which can include funds to be disbursed over the next 24 months, not just the next fiscal year.

The Committee also discussed guidance it could provide to the Board as it considers other grantmaking opportunities funded by the Strategic Pool. The Committee agreed that the Board should take a conservative stance and exercise an abundance of caution when considering any new proposals for strategic grants until the funds for the Recreation and Aquatics Center project are fully disbursed.

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 specifically looked at one primary issue related to the item above regarding management of Strategic Pool funds as a possible candidate for amendment – that is, changes to the Strategic Pool's asset allocation now that the Foundation has made an initial grant to the City for the Recreation and Aquatics Center conceptual design phase and planning for the construction project is underway – but decided not to recommend any Strategic Pool asset allocation adjustments.

The Committee discussed the structure of the Foundation's three investment accounts – that is, in order to protect the value and ensure the liquidity of the funds as they will need to be paid out, the three investment pools were structured so that 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 – as well as the fact that the Investment Operating Plan provides SHGA will asset allocation ranges that allows SHGA to make reasonable and sufficient adjustments to the Strategic Pool to accommodate the payment schedule. After discussion, the Committee declined to recommend any changes to the Investment Policy Statement or Investment Operating Plan.

**5. Public Comment:** None.

**6. Committee Member Comments:** None.

**7. Adjourn:** Committee Member Perkins moved to adjourn the meeting at 6:30 p.m., seconded by Committee Member Hayes, approved unanimously.

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Respectfully submitted for approval at the Special Investment Committee Meeting of August 22, 2018,  
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:** August 17, 2018

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

**FROM:** Leslie Hatamiya, Executive Director

**SUBJECT:** August 22, 2018, Investment Committee Special Meeting

The Investment Committee of the San Bruno Community Foundation will hold a special meeting at 4:30 p.m. on Wednesday, August 22, 2018, at San Bruno City Hall, Room 101, 567 El Camino Real, San Bruno.

#### **1. Executive Director's Report**

At each meeting, I report on any follow-up items from the last Committee meeting as well as provide updates on the Foundation's programs and operations. Key items I will report on at the August 22 meeting include:

- Program highlights, including an update on the Community Grants Fund, the Crestmoor Neighborhood Memorial Scholarship program, and updates on strategic grant initiatives, including the design of the new recreation and aquatics center, the first responder effectiveness strategic initiative, and the schools transformation grant to benefit the San Bruno Park School District
- Approval by the SBCF Board of Directors and the San Bruno City Council of the Foundation's FY2018-2019 budget
- Schedule of transfers from the Quasi-Endowment and Strategic Pool accounts to the Liquidity Pool account for FY2018-2019: (1) transfers to cover the Foundation's cash needs through June 30, 2019, consistent with the FY2018-2019 budget passed by the Foundation Board in June (\$319,980 from the Quasi-Endowment and \$4,043,704 from the Strategic Pool), and (2) a one-time transfer of \$10 million from the Strategic Pool in anticipation of upcoming cash needs for the recreation and aquatics center project
- A reminder of upcoming 2018 Investment Committee meetings: November 27 at 4:30 p.m. at San Bruno City Hall



# SAN BRUNO

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### Memorandum

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#### **2. Resolution Canceling the November 14, 2018, Special Meeting of the Investment Committee and Scheduling a Special Meeting on November 27, 2018**

At the May 16, 2018, meeting, the Committee agreed to change the date of the November meeting from November 14 to November 27 to accommodate Committee members' travel schedules. I have confirmed conference room availability on the new date. Approval of this resolution will ratify the Committee's earlier decision.

#### **3. 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 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 third quarter of 2018, including the firm's perspective on economic growth, interest rates, employment market, corporate earnings, international market, housing market, inflation, and commodity markets.

##### **b. SBCF's Investment Performance**

The second part of SHGA's presentation will review the performance of the Foundation's investment portfolio for the second quarter of 2018. The SHGA team will walk the Committee through the attached Investment Dashboard for June 30, 2018, a one-page summary of the Foundation's portfolio. At the meeting, the SHGA team will also provide more detailed and up-to-date information about the Foundation's investment holdings, including performance data of underlying funds.

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 5, 2018, Board meeting.

#### **Attachments:**

1. Resolution Canceling the November 14, 2018, Special Meeting of the Investment Committee and Scheduling a Special Meeting on November 27, 2018
2. SBCF Investment Dashboard, as of June 30, 2018

**RESOLUTION NO. 2018-\_\_**

**RESOLUTION OF THE SAN BRUNO COMMUNITY FOUNDATION  
INVESTMENT COMMITTEE CANCELING THE NOVEMBER 14, 2018, SPECIAL COMMITTEE  
MEETING AND SCHEDULING A SPECIAL COMMITTEE MEETING ON NOVEMBER 27, 2018**

**WHEREAS**, on November 15, 2017, the Foundation's Investment Committee canceled its regular meeting scheduled for November 21, 2018 and scheduled a special meeting on November 14, 2018; and

**WHEREAS**, the Committee may not have a quorum in attendance on November 14, 2018, due to Committee members' travel schedules.

**NOW, THEREFORE, BE IT RESOLVED** that the Investment Committee cancels the Special Committee Meeting of November 14, 2018, and schedules a Special Committee Meeting at 4:30 p.m. on November 27, 2018.

Dated: August 22, 2018

ATTEST:

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Tim Ross, Investment Committee Chair

I, Tim Ross, Chair, do hereby certify that the foregoing Resolution No. 2018-\_\_ was duly and regularly passed and adopted by the Investment Committee of the San Bruno Community Foundation on this 22<sup>nd</sup> day of August, 2018, by the following vote:

AYES:           Committee members:

NOES:           Committee members:

ABSENT:        Committee members:

# The San Bruno Community Foundation Investment Dashboard

As of June 30, 2018

## Current Outlook:

**Economic Environment:** During the second quarter, economic growth picked up following the more subdued trends that characterized the first quarter. Retail sales growth, employment and inflation all expanded to near-cycle highs and contributed to GDP growing in the 4% range. Financial markets continued to be volatile even in the face of very strong corporate earnings growth as the topic of foreign relations became top of mind. A historic meeting between President Trump and North Korean President Kim Jong Un, as well as trade and tariff talks late in the quarter, contributed to volatility in currency, stocks and bonds. Domestic small cap stocks led the equity market as these companies are the biggest beneficiaries of recent tax reform, have little exposure to potential tariffs and are not generally impacted by currency fluctuations. Emerging market equities reacted the opposite way as a combination of currency weakness and mixed performance led to a decline during the quarter. U.S. large cap stocks were mixed and energy stocks made a come-back as the price of oil rose to its highest level since 2014. The Federal Reserve raised interest rates for the seventh time, bringing the Federal Funds rate to a range of 1.75-2.00%. Meanwhile, longer term interest rates were little changed. Global growth trends continued to track above historical averages and were supported by strong corporate earnings growth as well as accommodative central banks and very little inflation. This environment should support global equity markets while interest rates to continue to rise as the Federal Reserve raises interest rates. The imposition of tariffs could slow this trend but the level and extent of economic stimulus, particularly in the U.S., should serve to offset much of this potential impact.

**Market Environment:** Domestic equity markets appreciated during the quarter with small cap stocks outperforming their larger cap peers. International equity came under pressure as the U.S. dollar appreciated and concerns over international trade prevailed. Bonds ended the quarter and year-to-date period with a low single digit negative return as interest rates continued to rise. Meanwhile, REITs bounced back following a weak first quarter and commodities rose as oil demand outpaced supply and global consumption trends remained strong.

**Portfolio Response:** Following a strong rally in energy equities and significant outperformance of floating rate loans, we reduced exposure to both of these asset classes in favor of increasing your allocation to short duration bonds which are now yielding in excess of 2.5%.

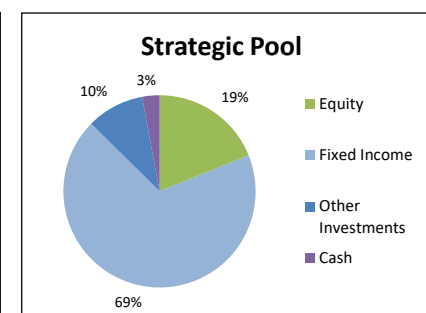
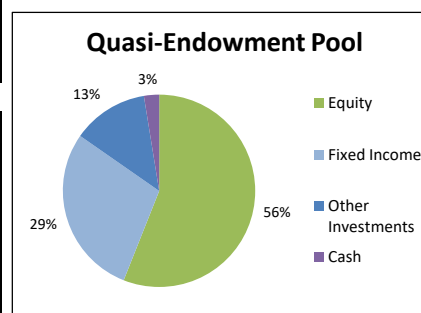
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Performance		Quasi-Endowment Pool	Benchmark	+ / -	Strategic Pool	Benchmark	+ / -
Quarterly	Q2 2018	1.19%	1.86%	-0.67%	0.38%	0.68%	-0.30%
	Q1 2018	-0.76%	-1.17%	0.42%	-1.00%	-1.37%	0.37%
	Q4 2017	3.82%	3.27%	0.55%	1.32%	1.24%	0.08%
	Q3 2017	3.22%	3.07%	0.15%	1.53%	1.50%	0.03%
Calendar	1 Year	7.62%	7.16%	0.46%	2.22%	2.04%	0.18%
	ITD	8.86%	8.64%	0.22%	2.62%	2.50%	0.12%

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

Asset Allocation	Quasi-Endowment Pool	30-Jun-18	Strategic Target	Strategic Pool	30-Jun-18	Strategic Target
Large Cap Equity	\$4,725,988	27%	30%	\$3,937,900	7%	9%
SMID Cap Equity	\$1,941,036	11%	9%	\$1,872,382	3%	3%
International/EM Equity	\$3,148,162	18%	13%	\$4,674,890	8%	4%
Fixed Income	\$5,018,390	29%	30%	\$37,988,698	69%	70%
Real Assets	\$842,903	5%	8%	\$762,942	1%	4%
Market Neutral	\$1,404,152	8%	8%	\$4,610,420	8%	8%
Cash	\$441,036	3%	2%	\$1,603,888	3%	2%
<b>Total</b>	<b>\$17,521,667</b>	<b>100%</b>	<b>100%</b>	<b>\$55,451,122</b>	<b>100%</b>	<b>100%</b>

Balances	Quasi-Endowment	Strategic	Liquidity	Total
Q2 2018	\$17,521,667	\$55,451,122	\$356,359	\$73,329,147
Q1 2018	\$17,327,253	\$55,615,889	\$189,379	\$73,132,521
Q4 2017	\$17,457,761	\$56,177,533	\$1,144,112	\$74,779,405
Q3 2017	\$17,159,092	\$56,140,460	\$89,109	\$73,388,661

Illiquidity as of 6/30/2018	< 1 Yr	1-3 Yrs	> 3 Yr	Total
Quasi-Endowment Pool	2.05%	0.00%	0.00%	2.05%



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.	✓