

# SAN BRUNO

## Community Foundation

*Investment Committee*

Pak Lin, *Chair* • Anthony Clifford, Mark Hayes, Tim Ross, and Belinda Wong, *Members*

Leslie Hatamiya, *Executive Director*

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**PUBLIC COMMENT:** Attendees who want to provide public comment will be asked to fill out a speaker card and submit it with the SBCF Executive Director. Public comment may also be emailed to [info@sbcf.org](mailto:info@sbcf.org). Comments received via email will not be read aloud during the meeting. Materials related to the agenda distributed after it is published will be available for public inspection at San Bruno City Hall, 567 El Camino Real, San Bruno, in compliance with the Brown Act.

**ACCESSIBILITY:** In compliance with the Americans with Disabilities Act, individuals requiring special accommodations or modifications to participate in this meeting should contact the SBCF Office 48 hours prior to the meeting at (650) 763-0775 or [info@sbcf.org](mailto:info@sbcf.org).

### AGENDA

#### SAN BRUNO COMMUNITY FOUNDATION

#### Regular Meeting of the Investment Committee

**November 20, 2024**

**4:30 p.m.**

#### Meeting Location:

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

- 1. Call to Order**
- 2. Roll Call**
- 3. Public Comment:** Individuals are allowed three minutes at this time to comment on items within the jurisdiction of the Committee that are not on this agenda. 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:** August 21, 2024, Regular Investment Committee Meeting
- 5. Executive Director's Report**
- 6. Conduct of Business**
  - a. Receive and Discuss Reports from Sand Hill Global Advisors, LLC (SHGA) Regarding SHGA's Investment Outlook and SBCF's Investment Portfolio Performance

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

### **7. Committee Member Comments**

- 8. Adjourn:** The next regular meeting of the Investment Committee will be held on Wednesday, February 19, 2025, at 4:30 p.m.

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### MINUTES

#### SAN BRUNO COMMUNITY FOUNDATION

#### Regular Meeting of the Investment Committee

**August 21, 2024**

**4:30 p.m.**

**Meeting Location:**

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

- 1. Call to Order:** Committee Chair Lin called the meeting to order at 4:31 p.m.
- 2. Roll Call:** Committee Members Lin, Clifford, Hayes, Ross, and Wong, present.
- 3. Public Comment:** None.
- 4. Approval of Minutes:** May 15, 2024, Regular Investment Committee Meeting: Committee Member Clifford moved to approve the minutes of the May 15, 2024, Regular Meeting, seconded by Committee Member Wong, passed unanimously by roll call vote.

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

Executive Director Hatamiya began her report by congratulating Committee Members Clifford, Hayes, Ross, and Wong on their reappointment to the Investment Committee by the SBCF Board of Directors. She then gave an update on the Foundation's activities, including summarizing recent program highlights:

- **Crestmoor Scholarship:** In June, the Foundation Board honored the ten 2024 Crestmoor Scholars.
- **Community Grants Fund:** The ninth iteration of the Community Grants Fund launched at the beginning of July, with a September 18 grant application deadline. The Foundation conducted one Grant Workshop on August 15 and has a second one scheduled for September 3. 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.

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- **Recreation and Aquatic Center (RAC):** The RAC first started welcoming community members on July 24 and is in its “soft opening” phase. Community response has been positive. The Grand Opening is scheduled for Saturday, August 24, with the ribbon-cutting ceremony taking place at 1:00 p.m. This is a meaningful moment for the Foundation and for San Bruno.
- **RAC Startup Funding Request:** At the June Board meeting, City staff gave an overview of the operational budget for the RAC, emphasized that there would be a ramp-up period, as community members begin to sign up for memberships, other programs, and facility rentals, and previewed ideas the City has for promoting access to the new facility, including subsidized programming, transportation for seniors, fee waiver events, and programs for at-risk youth. The City team explained that the City would benefit from some level of seed funding to support its initial programming and operations and requested a total of \$2.25 million in grant funding over the first three years of operation to underwrite programs that promote access, marketing and outreach, and the ramp-up of operations. Following its regular process for evaluating strategic grant opportunities, the Board approved a resolution creating a new Ad Hoc Committee on Recreation and Aquatic Center Startup Activities to explore opportunities for the Foundation to support the ramp-up of programming at the new RAC. The committee will likely bring a grant recommendation to the full Board in September.
- **Centennial Plaza:** With regard to the Centennial Plaza Improvement Project, which the Foundation is helping fund with a \$500,000 grant to the City of San Bruno, construction is proceeding on schedule, and the City expects the new plaza to be completed this fall, with a ribbon-cutting likely to be in October. The City submitted its latest quarterly grant report for the Centennial Plaza grant at the end of July, and the Foundation made a grant payment of about \$220,000 in May. Thus far, the Foundation has paid out grant payments totaling nearly \$343,000, with a balance of \$157,000 of the \$500,000 grant remaining.
- **Downtown Beautification Grant:** In March, the Board approved a \$350,000 strategic grant to the City of San Bruno to support its Downtown Beautification Project, which is a series of improvements to improve the aesthetics of downtown San Bruno, replace aging amenities, and provide a welcoming environment for community members seeking to shop, dine, and gather along San Mateo Avenue. The City Council approved the project as part of the City’s Capital Improvement Plan in June. The City is moving along with the various project components and expects to complete them by the end of the year.
- **School Athletic Fields:** The Ad Hoc Committee on SBPSD Strategic Initiatives is reviewing a request from San Bruno Park School District Superintendent Matt Duffy for grant funding to help fund immediate improvements to the athletic fields at John Muir and Belle Air elementary schools and Parkside Intermediate School. With the impending closure of the soccer fields at the former Crestmoor High School site, the local youth soccer organizations are depending on use of fields at the various SBPSD school sites starting in the fall. Under its charge, the

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Committee is evaluating the district's request and will bring a grant funding recommendation to the full Board in September.

Ms. Hatamiya reviewed the schedule of transfers from the Quasi-Endowment and Strategic Pool accounts to the Liquidity Pool for fiscal years 2023-2024 and 2024-2025. For fiscal year 2023-2024, all budgeted transfers from the Quasi-Endowment to the Liquidity Pool (totaling \$372,843) took place by the end of the fiscal year. Fiscal year 2023-2024 transfers from Strategic to Liquidity ended up totaling \$850,000, and the remaining \$592,000 that was budgeted was not needed and not transferred. The fiscal year 2024-2025 transfers were approved by the Board as part of the budget in June. Fiscal year 2024-2025 transfers from Quasi-Endowment to Liquidity are budgeted at \$352,218 and scheduled to take place in two tranches in December and May. Fiscal year 2024-2025 transfers from Strategic to Liquidity are budgeted at \$3,030,152; \$500,000 was transferred in August to cover the year's operating expenses, and the timing of the balance will depend on what new strategic grants the Board approves and the timing of those grant payments.

Ms. Hatamiya reported that Board Member Irving Torres resigned from the Board effective August 22, 2024, as he is moving out of state for a new job. The Foundation is waiting for information from the City regarding the process for filling the open slot.

Finally, Ms. Hatamiya reminded the Committee of upcoming meetings, including one last meeting in 2024 (November 20), and four meetings in 2025 (February 19, May 21, August 20, and November 19).

### **6. Conduct of Business**

- a. Receive Report from Sand Hill Global Advisors, LLC (SHGA) regarding SHGA's Investment Outlook, SBCF's Investment Portfolio Performance, and Upcoming SHGA Reports to the SBCF Board of Directors

SHGA CEO Brian Dombkowski, Senior Portfolio Manager Meghan DeGroot Daters, and Senior Wealth Manager Kristin Sun represented SHGA at the meeting.

Mr. Dombkowski gave an overview of the firm's investment outlook, noting that many measures of the economy suggest that a normalization back to pre-pandemic levels is underway, inflation continues to decrease, the Federal Reserve is projecting at least one rate cut by the end of the year.

Ms. Daters then reviewed the Foundation's Investment Dashboard for the second quarter of 2024, including June 30, 2024, balances of \$23,344,053 for the Quasi-Endowment, \$5,756,621 for the Strategic Pool, and \$1,310,339 for the Liquidity Pool (total of \$30,411,013 in all three accounts). She reported that the Quasi-Endowment saw gains of 1.24% and the Strategic Pool saw gains of 0.51% in the second quarter of 2024. She also noted that Sand Hill had rebalanced the Foundation's portfolio to reposition for lower inflation, increasing developed international equity, private credit, and commodities, and decreasing domestic large cap stocks, passive fixed income, and cash holdings. Ms. Sun noted that withdrawals from the portfolio since inception have totaled \$60.1 million to support a wide array of

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community benefits including the new Recreation and Aquatic Center, and that the total value added to the portfolio since inception is nearly \$20.9 million.

The Sand Hill team also previewed the two presentations it was scheduled to give to the Foundation Board on September 4: its annual report to the Board, and a primer on socially responsible investing.

Community member Sawsan D. thanked the Foundation for scheduling the study session on socially responsible investing and urged the Foundation to adopt a socially responsible investment strategy.

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

The Committee briefly discussed cash flow strategies related to the San Bruno Recreation and Aquatic Center (RAC) grants. Ms. Hatamiya reported that since early 2018, the Foundation has made grant payments totaling \$50,943,726 related to the eight grants supporting the design and construction of the RAC. The remaining balance of RAC grant payments to be paid is \$556,274. She noted that all funds committed to the RAC grants have already been transferred to the Liquidity Pool.

Ms. Hatamiya also reported that at the end of May, the Foundation and the City executed amendments to the grant agreements for RAC Grants #4 (City Compliance Review), #5 (Temporary Facilities), and #8 (Construction). For all three, the amendments extended the end of the grant period from March 31, 2024, to December 31, 2024, to accommodate the current construction timeline. She explained that the amendment for the construction grant also acknowledges that the grant agreement for Grant #7 (Tom Lara Field Parking Lot Improvements) has been terminated pursuant to its terms and adds the remaining balance of that grant (\$89,720.23) to the "construction" portion of the grant amount for Grant #8; this is consistent with the Foundation's upfront agreement with the City that any remaining balances in the other grants would eventually be folded into the construction grant, to ensure that the City received the full \$50 million of the Foundation's original commitment to the project.

**7. Committee Member Comments:** Chair Lin congratulated Committee members on their reappointment to the Committee and said she hoped everyone had a wonderful summer.

**8. Adjourn:** Committee Member Hayes moved to adjourn the meeting at 5:18 p.m., seconded by Committee Member Ross, approved unanimously.

Respectfully submitted for approval at the Regular Investment Committee Meeting of November 20, 2024, by Investment Committee Chair Pak Lin.

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Pak Lin, Investment Committee Chair

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### Memorandum

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**DATE:** November 14, 2024

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

**FROM:** Leslie Hatamiya, Executive Director

**SUBJECT:** November 20, 2024, 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, November 20, 2024, at San Bruno City Hall Room 101.

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

As I do at each meeting, I will provide updates on the Foundation's programs and operations. Key items I will cover at the November 20 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 Aquatic Center (RAC) project.
- Schedule of transfers from the Quasi-Endowment and Strategic Pool accounts to the Liquidity Pool account for FY2024-2025 to cover the Foundation's cash needs through June 30, 2025, consistent with the FY2024-2025 budget passed by the Foundation Board in June 2024.
- A reminder of upcoming Investment Committee meetings in 2025: February 19, May 21, August 20, and November 19, all at 4:30 p.m.

#### **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 Wealth Manager Kristin Sun, and Analyst George Angelopoulos. 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.

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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 fourth quarter of 2024, including the firm's perspective on economic growth, interest rates, employment market, corporate earnings, international market, housing market, inflation, commodity markets, and valuation.

#### 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 2024 (first quarter of the fiscal year). The SHGA team will walk the Committee through the attached Investment Dashboard for September 30, 2024, 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 Cash Flow Strategies Related to Funding of Recreation and Aquatic Center Project**

The Foundation's original commitment to the design and construction of a new San Bruno Recreation and Aquatic Center consists of eight grants totaling \$50 million. In April 2023, at the request of the City of San Bruno, the SBCF Board approved additional funding for RAC construction (RAC Grant #8) in an amount not to exceed \$1.5 million, which will go toward the project's construction contingency and will only be utilized if needed. The increase in grant amount for the construction grant raised the Foundation's overall commitment to the RAC project to an amount not to exceed \$51.5 million.

As of May 2023, the Foundation had moved all funds needed to cover the remaining balance on the \$51.5 million commitment from the Strategic Pool to the Liquidity Pool.

Through October 31, 2024, the Foundation has made grant payments totaling \$50,946,446.97 related to the eight grants supporting the design and construction of the RAC. The remaining balance of the original \$50 million commitment to be paid is \$553,553.03. The entire \$1.5 million committed for construction contingency has been disbursed.

I will provide an update on RAC grant payments and cash flow needs at the Committee meeting.

#### Attachments:

1. SBCF Investment Dashboard, as of September 30, 2024



# The San Bruno Community Foundation Investment Dashboard

As of September 30, 2024

## Current Outlook:

**Economic Environment:** As this economic cycle has progressed, GDP growth has continued at a stronger than expected pace. More recently, some areas of the economy have shown signs of slowing. Yet, consumer spending has remained surprisingly strong, and the housing market is beginning to show more signs of life as mortgage rates have come off their highs. In our view, this suggests that a normalization is under way. Even though the economy is relatively healthy, the Federal Reserve preemptively began to lower interest rates in September and will likely lower rates one or two more times this year. This should provide some relief to floating rate borrowers, increase the supply of homes for sale as mortgage rates come down, and could spur an increase in M&A activity as the cost to borrow comes down. Despite many predictions that U.S. consumers would slow spending, ongoing strength has been driven by a relatively healthy job market, a meaningful increase in household net worth, and historically high level of assets and savings among the baby-boomer generation. GDP growth is projected to slow over the next year, but this may not occur if lower interest rates spur economic activity in areas of the economy that have been under pressure.

**Market Environment:** In anticipation of the Federal Reserve lowering interest rates for the first time during this economic cycle, areas of the market that had performed poorly as interest rates rose -- such as REITs and small cap stocks -- generated the strongest returns. Bonds also appreciated as interest rates came down. During the final week of the quarter, China announced a significant stimulus effort which drove positive returns in emerging market stocks. The end result was a period where most asset classes appreciated in value, adding to a year of impressive returns.

**Portfolio Response:** We maintained portfolio positioning during the quarter which included an overweight to mid-cap and emerging market stocks, a slight overweight to bonds and an underweight to alternative investments.

| Performance    |                    | Quasi-Endowment Pool | Custom Blended Benchmark | + / -  | Strategic Pool | Custom Blended Benchmark | + / -  |
|----------------|--------------------|----------------------|--------------------------|--------|----------------|--------------------------|--------|
| Quarterly      | Q3 2024            | 6.19%                | 6.49%                    | -0.30% | 5.63%          | 5.68%                    | -0.05% |
|                | Q2 2024            | 1.24%                | 1.26%                    | -0.02% | 0.51%          | 0.45%                    | 0.06%  |
|                | Q1 2024            | 4.87%                | 4.00%                    | 0.87%  | 0.94%          | 0.74%                    | 0.20%  |
|                | Q4 2023            | 9.21%                | 9.32%                    | -0.11% | 7.66%          | 7.60%                    | 0.06%  |
| Annual         | 2024 YTD - 9/30/24 | 12.74%               | 12.15%                   | 0.59%  | 7.17%          | 6.95%                    | 0.22%  |
|                | 2023               | 13.99%               | 14.08%                   | -0.09% | 8.03%          | 8.31%                    | -0.28% |
|                | 2022               | -15.16%              | -14.49%                  | -0.67% | -11.84%        | -13.12%                  | 1.28%  |
|                | 2021               | 13.21%               | 12.81%                   | 0.40%  | 4.47%          | 3.42%                    | 1.05%  |
|                | 2020               | 14.55%               | 11.61%                   | 2.94%  | 8.79%          | 8.48%                    | 0.31%  |
| ITD - 09/30/24 |                    | 7.70%                | 7.71%                    | -0.01% | 3.47%          | 3.43%                    | 0.04%  |

| Quasi-Endowment Pool Portfolio Action | Increased                        | Decreased                 | Growth/Capital Preservation |
|---------------------------------------|----------------------------------|---------------------------|-----------------------------|
| Q3 2024                               | Maintained Positioning           |                           | 63/37                       |
| Q2 2024                               | Repositioned for Lower Inflation |                           | 63/37                       |
|                                       | Developed International Equity   | Domestic Large Cap Stocks |                             |
|                                       | Private Credit                   | Passive Fixed Income      |                             |
|                                       | Commodities                      | Cash                      |                             |

| Balances | Quasi-Endowment | Strategic   | Liquidity   | Total        |
|----------|-----------------|-------------|-------------|--------------|
| Q3 2024  | \$24,794,060    | \$5,568,594 | \$1,543,419 | \$31,906,073 |
| Q2 2024  | \$23,344,053    | \$5,756,621 | \$1,310,339 | \$30,411,013 |
| Q1 2024  | \$23,259,971    | \$5,726,928 | \$3,018,937 | \$32,005,836 |
| Q4 2023  | \$22,179,248    | \$6,025,944 | \$3,149,964 | \$31,355,156 |

| Asset Allocation        | Quasi-Endowment Pool |             | Strategic Target |                    | Strategic 30-Sep-24 |             |
|-------------------------|----------------------|-------------|------------------|--------------------|---------------------|-------------|
|                         | Pool                 | 30-Sep-24   | Target           | Strategic Pool     | 30-Sep-24           | Target      |
| Large Cap Equity        | \$7,799,864          | 31%         | 30%              | \$519,319          | 9%                  | 9%          |
| SMID Cap Equity         | \$2,711,778          | 11%         | 9%               | \$232,221          | 4%                  | 3%          |
| International/EM Equity | \$3,782,720          | 15%         | 13%              | \$308,651          | 6%                  | 4%          |
| Fixed Income            | \$7,651,606          | 31%         | 30%              | \$4,034,064        | 72%                 | 70%         |
| Real Assets             | \$1,570,406          | 6%          | 8%               | \$171,654          | 3%                  | 4%          |
| Market Neutral          | \$1,035,924          | 4%          | 8%               | \$250,419          | 4%                  | 8%          |
| Cash                    | \$241,762            | 1%          | 2%               | \$52,266           | 1%                  | 2%          |
| <b>Total</b>            | <b>\$24,794,060</b>  | <b>100%</b> | <b>100%</b>      | <b>\$5,568,594</b> | <b>100%</b>         | <b>100%</b> |

| Net Cash Flows | Quasi-Endowment | Strategic  | Liquidity    | Total        |
|----------------|-----------------|------------|--------------|--------------|
| Q3 2024        | \$0             | -\$500,000 | \$212,000    | -\$288,000   |
| Q2 2024        | -\$172,843      | \$0        | -\$1,743,157 | -\$1,916,000 |
| Q1 2024        | \$0             | -\$350,000 | -\$172,500   | -\$522,500   |
| Q4 2023        | -\$200,000      | \$0        | -\$1,283,000 | -\$1,483,000 |

| Illiquidity as of 9/30/24 | < 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.   | ✓  |

