

SAN BRUNO

Community Foundation

Investment Committee

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

Leslie Hatamiya, *Executive Director*

www.sbcf.org

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. 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.

AGENDA

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**
- 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:** May 15, 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, SBCF's Investment Portfolio Performance, and Upcoming SHGA Reports to the SBCF Board of Directors

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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, November 20, 2024, at 4:30 p.m.

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MINUTES

SAN BRUNO COMMUNITY FOUNDATION

Regular Meeting of the Investment Committee

May 15, 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 4:30 p.m.
- 2. Roll Call:** Committee Members Lin, Clifford, Ross, and Wong, present; Hayes, excused.
- 3. Public Comment:** Matt Jones asked Committee members to think about the gas pipeline explosion that led to the creation of the Foundation and questioned whether the Foundation should continue to invest in companies that have problematic behavior. He also invited Committee members to attend the Nakba event outside City Hall to learn about the struggles of the Palestinian people.
- 4. Approval of Minutes:** February 21, 2024, Regular Investment Committee Meeting: Committee Member Wong moved to approve the minutes of the February 21, 2024, Regular Meeting, seconded by Committee Member Ross, passed unanimously by roll call vote (Hayes absent).

5. Executive Director's Report

Executive Director Hatamiya gave an update on the Foundation's activities, including summarizing recent program highlights:

- **Crestmoor Scholarship:** SBCF will soon announce the 2024 Crestmoor Scholars, with awards totaling \$160,000. The ten Crestmoor Scholars will be recognized at the June 5 Board meeting at the San Bruno Senior Center.
- **Community Grants Fund:** SBCF finished distributing the last round of grant checks in March. The ninth iteration of the Community Grants Fund will launch at the beginning of July, with a late September deadline.

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- **Recreation and Aquatic Center (RAC):** The end of construction is nearing, with the power drop taking place on April 5. If the project proceeds without any further delays, the City will begin occupying the building in mid-June, with a soft opening slated for mid-July and a grant opening ceremony in late August. The City is moving forward with staffing and program plans. The City has informed the Foundation that the full \$1.5 million in grant funds earmarked for contingency will be used.
- **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, the City held a ceremonial groundbreaking on April 19, which most members of the Foundation Board attended. The City expects construction to be completed by October.
- **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's planned activities include planter revitalization along San Mateo Avenue, the potential planting of trees on Jenevein Avenue, median landscape revitalization, the creation of new street pole banners, and the replacement of the marquee sign on the south end of San Mateo Avenue. The City is working on scope of work for the different project components. Once the City awards the bids, it will take about five months to complete. The City's goal is to have the improvements done by the end of the year.

Ms. Hatamiya reported that the Board's strategic planning process is on hold while the City and the San Bruno Park School District make decisions about potential capital projects the Foundation might be interested in funding. The City recently did a poll to gauge community support for a revenue measure to fund various projects, including street improvements, storm water improvements, new fire station, soccer fields, and park improvements. The City Council will make a decision about a revenue measure and what it would fund by July.

Ms. Hatamiya reviewed the schedule of transfers from the Quasi-Endowment and Strategic Pool accounts to the Liquidity Pool. Transfers from the Quasi-Endowment to Liquidity-Operating include: (a) \$200,000, which took place in December 2023, and (b) \$172,843, which took place at the beginning of May 2024. Transfers from Strategic to Liquidity are budgeted at \$1,441,576; \$500,000 was transferred in August 2023 and \$350,000 in February 2024 to cover most operating expenses for the year. It is unclear if the balance will need to be transferred this fiscal year, depending on the timing of various strategic grant payments.

Ms. Hatamiya noted that the current terms for all Investment Committee members except for Chair Lin conclude at the end of June, and she thanked Committee members for their willingness to serve another term on the Committee. She said that the Board will consider a resolution approving the appointments of Committee Members Clifford, Hayes, Ross, and Wong for new two-year terms beginning on July 1, 2024, at the June 5 Board meeting.

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Finally, Ms. Hatamiya reminded the Committee of its remaining 2024 meetings – August 21 and November 20.

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 Co-Chief Investment Officer Mark Strahs, Senior Wealth Manager Kristin Sun, and Analyst George Angelopoulos represented SHGA at the meeting.

Mr. Strahs gave an overview of the firm’s investment outlook, noting that the economy has continued to exhibit strength as unemployment has remained low, corporate earnings growth is projected to normalize, inflation is approaching the Federal Reserve’s target, and the manufacturing industry is returning to normal after several years of pandemic distortions. He noted that the Federal Reserve was expected to cut interest rates several times in 2024, though the number of expected rate cuts has since been reduced as of the meeting date, and that the economy appears to be making a “soft landing,” where inflation returns to the Federal Reserve’s target without triggering a recession.

Mr. Angelopoulos then reviewed the Foundation’s Investment Dashboard for the first quarter of 2024, including March 31, 2024, balances of \$23,259,971 for the Quasi-Endowment, \$5,726,928 for the Strategic Pool, and \$3,018,937 for the Liquidity Pool (total of \$32,005,836 in all three accounts). He reported that both the Quasi-Endowment and the Strategic Pool exceeded their respective performance benchmarks, with the Quasi-Endowment seeing gains of 4.87% and the Strategic Pool seeing gains of 0.94% in the first quarter of 2024. Ms. Sun noted that withdrawals from the portfolio since inception have totaled \$57.9 million to support a wide array of community benefits including the new Recreation and Aquatic Center, and that the total value added to the portfolio since inception totals \$19.8 million.

- 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 \$49,254,841 related to the eight grants supporting the design and construction of the RAC. The remaining balance of RAC grant payments to be paid is \$2,245,159, of which \$1.5 million is the additional amount that the Board approved for construction contingency earlier this year. She noted that all funds committed to the RAC grants have already been transferred to the Liquidity Pool.

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- c. Adopt Resolution Recommending to the SBCF Board of Directors the Quasi-Endowment Payout Rate for Fiscal Year 2024-2025

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 seven 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 2024-2025 budget, she determined that the cash flow needs for the Crestmoor Scholarship and Community Grants Fund in the upcoming fiscal year, minus funds rolled over from 2023-2024, are estimated at \$351,947 and that, with the average of the past 12 quarter-ending Quasi-Endowment values available from inception to today (Q2 2021 to Q1 2024) being \$21,476,720, a payout rate of 1.64% would result in a Quasi-Endowment payout of \$352,218.

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.

Committee Member Ross moved to adopt the resolution recommending to the SBCF Board of Directors a Quasi-Endowment payout rate of 1.64% for fiscal year 2024-2025 (resulting in a payout of \$352,218), seconded by Committee Member Wong, approved unanimously by roll call vote (Hayes absent).

- 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 serves the Foundation's purposes. She noted that the Board will revisit its post-RAC program and investment strategies in the coming fiscal year, and thus, it is likely the Investment Committee will be tasked next spring with recommending changes to the Investment Policy Statement and Investment Operating Plan consistent with the new strategies.

Community member Matt Jones requested that the Foundation consider altering its investment policy to follow a "values-based" or "socially responsible" investment strategy and seek community input in the development of such a strategy. Another community member, Sawsan, D., echoed Mr. Jones' comments and asked the Foundation to adopt a socially responsible investment policy that considers social and environmental factors. The Committee thanked the community members for attending the meeting and sharing their concerns with the Committee.

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The Committee did not make any recommendations for amendments to either document and noted that the most likely time to consider changes to both documents is during the next fiscal year as the Foundation Board determines the Foundation's post-RAC program and investment strategies.

7. Committee Member Comments: None

8. Adjourn: Committee Member Ross moved to adjourn the meeting at 5:34 p.m., seconded by Committee Member Clifford, approved unanimously.

Respectfully submitted for approval at the Regular Investment Committee Meeting of August 21, 2024,
by Investment Committee Chair Pak Lin.

Pak Lin, Investment Committee Chair

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Memorandum

DATE: August 15, 2024

TO: Investment Committee, San Bruno Community Foundation

FROM: Leslie Hatamiya, Executive Director

SUBJECT: August 21, 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, August 21, 2024, at San Bruno City Hall, Room 101.

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 21 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: November 20, 2024, February 19, 2025, May 21, 2025, and August 20, 2025, all at 4:30 p.m.

2. Report from Sand Hill Global Advisors (SHGA) Regarding SHGA's Investment Outlook, SBCF's Investment Performance, and SHGA's Upcoming Reports to the SBCF Board of Directors

Representing SHGA at the Committee meeting will be CEO Brian Dombkowski, Senior Portfolio Manager Meghan DeGroot Daters, Senior Wealth Manager Kristin Sun, and Analyst George Angelopoulos. The SHGA team will give a presentation to the Committee that will cover (a)

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SHGA's investment outlook, (b) the performance of the Foundation's investment portfolio, and (c) SHGA's upcoming presentations to the SBCF Board of Directors.

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 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 second quarter of 2024 (fourth quarter of the fiscal year). The SHGA team will walk the Committee through the attached Investment Dashboard for June 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.

c. SHGA's Upcoming Reports to the SBCF Board of Directors

The SHGA team will also briefly preview the firm's annual report to the Foundation's Board of Directors and the Board's study session on socially responsible investing that the SHGA team will lead, both of which will take place at the September 4, 2024, SBCF Board meeting.

Under SBCF's Investment Operating Plan, SHGA is obligated to present to the Board on an annual basis. This presentation typically takes place at the September Board meeting, following the Investment Committee's meeting in the quarter following the end of the fiscal year. This timing allows the SHGA team to cover the Foundation's investment portfolio performance for the previous fiscal year (which ends on June 30) as well as give its plans for the Foundation's portfolio and its perspective on the economic outlook for the current fiscal year. The presentation typically covers SHGA's investment outlook, the structure of the Foundation's investment portfolio, the performance of the Foundation's investment portfolio, and an update on the firm.

The study session on socially responsible investing will be a separate item on the September 4 Board meeting agenda. This study session is being held in response to a request from several community members at the May Investment Committee meeting and the June Board meeting that the Foundation consider altering its investment policy to follow a "values-based" or "socially responsible" investment strategy. At the August 21 Committee meeting, the SHGA

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team will give an overview on its plans for the September 4 study session, which will include a recap of the development of SBCF's Investment Policy Statement and a primer on what socially responsible investing is, what it could look like for a community foundation such as SBCF, and the governance questions that would be raised for SBCF when considering a socially responsible investment strategy.

3. Discussion Regarding Future 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 August 15, 2024, the Foundation has made grant payments totaling \$50,943,725.91 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 \$556,274.09. 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 June 30, 2024

The San Bruno Community Foundation Investment Dashboard

As of June 30, 2024

Current Outlook:

Economic Environment: As the first half of the year ended, many measures of the economy began to suggest that a normalization back to pre-pandemic levels was underway. This includes the labor market which had been on the verge of overheating but has now cooled. This outcome is in keeping with a “soft landing”, which means inflation is returning to the Federal Reserve’s target without triggering a recession but also means that economic growth has slowed from the unsustainably high levels we experienced during the second half of last year. In our view, this normalization eliminates the risk that the Federal Reserve will raise interest rates any further and suggests that a rate cut is highly likely by the end of this year. The lagged impact from higher rates will still likely be felt in areas such as commercial real estate where many loans are coming due, and floating rate borrowers in general. However, we expect consumption to remain healthy as the unemployment rate is near historic lows, the baby boomer generation has over \$75 trillion saved to sustain spending during their retirement years, and moderating interest rates as well as inflation should positively impact both individual and commercial spending.

Market Environment: During Q2, domestic stock market returns were narrow and largely driven by large cap technology stocks. Small and mid cap stocks were down as expectations for rate cuts declined in response to strong economic growth and sticky inflation. Emerging market stocks as well as commodities rose. Treasuries were flat to down while short duration and credit outperformed. The move in interest rates also contributed to REITs declining during the period.

Portfolio Response: Following significant outperformance of U.S. large cap equity, we replaced an active global equity manager with an active international equity manager. We also replaced a passive commodity fund with an active commodity fund and reduced the underweight to the asset class. We feel that an active manager can add more value at this stage in the inflationary cycle. At the end of the quarter we added exposure to private credit and reduced exposure to passive fixed income.

Performance	Quasi-Endowment Pool	Custom Blended Benchmark		Custom Blended Benchmark		Custom Blended Benchmark	
				+ / -	Strategic Pool	Benchmark	+ / -
Quarterly	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%
	Q3 2023	-3.55%	-3.18%	-0.37%	-3.68%	-3.08%	-0.60%
Annual	2024 YTD - 6/30/24	6.17%	5.32%	0.85%	1.46%	1.20%	0.26%
	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 - 06/30/24	7.15%	7.12%	0.03%	2.88%	2.84%	0.04%

Quasi-Endowment Pool Portfolio Action	Increased	Decreased	Growth/Capital Preservation
Q2 2024	Repositioned for Lower Inflation		63/37
	Developed International Equity	Domestic Large Cap Stocks	
	Private Credit	Passive Fixed Income	
	Commodities	Cash	
Q1 2024	Repositioned Following Market Moves		62/38
	Intermediate Duration Bond	Long Duration Bonds	
		Large Cap Stocks	

Balances	Quasi-Endowment	Strategic	Liquidity	Total
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
Q3 2023	\$20,457,608	\$5,592,674	\$4,388,202	\$30,438,485

Net Cash Flows	Quasi-Endowment	Strategic	Liquidity	Total
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
Q3 2023	\$0	-\$500,000	-\$4,692,000	-\$5,192,000

Asset Allocation	Quasi-Endowment Pool		Strategic Target		Strategic Target	
	30-Jun-24	Target	30-Jun-24	Target	30-Jun-24	Target
Large Cap Equity	\$7,395,611	32%	30%	\$550,029	10%	9%
SMID Cap Equity	\$2,508,722	11%	9%	\$215,179	4%	3%
International/EM Equity	\$3,549,679	15%	13%	\$285,536	5%	4%
Fixed Income	\$7,320,905	31%	30%	\$4,231,035	73%	70%
Real Assets	\$1,392,433	6%	8%	\$164,170	3%	4%
Market Neutral	\$964,244	4%	8%	\$252,728	4%	8%
Cash	<u>\$212,459</u>	<u>1%</u>	<u>2%</u>	<u>\$57,944</u>	<u>1%</u>	<u>2%</u>
Total	\$23,344,053	100%	100%	\$5,756,621	100%	100%

Illiquidity as of 6/30/24	< 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.	✓

