

SAN BRUNO

Community Foundation

Investment Committee

Pak Lin, *Chair* • Anthony Clifford, Mark Hayes, Supriya S. Perry, and Tim Ross, *Members*
Leslie Hatamiya, *Executive Director*

MINUTES

SAN BRUNO COMMUNITY FOUNDATION

Regular Meeting of the Investment Committee

August 17, 2022

4:30 p.m.

Meeting Conducted via Zoom

1. Call to Order: Committee Chair Lin called the meeting to order at 4:31 p.m. Chair Lin welcomed Committee Member Ross back to the Investment Committee.

2. Roll Call: Committee Members Lin, Clifford, Hedley, and Perry (arrived at 4:57 p.m.), present; Committee Member Hayes, excused.

3. Public Comment: None.

4. Approval of Minutes: May 18, 2022, Regular Investment Committee Meeting: Committee Member Clifford moved to approve the minutes of the May 18, 2022, Regular Meeting, seconded by Committee Member Ross, passed unanimously by roll call vote.

5. Executive Director's Report

At the beginning of her report, Executive Director Hatamiya congratulated Committee Members Clifford and Hayes for their reappointment to the Investment Committee and welcomed Committee Member Ross back to the Committee. She also thanked former Committee Member Frank Hedley for his six years of service on the Committee and noted that the Foundation Board recognized him at its July meeting. She also congratulated Ms. Sun on the birth of her daughter.

Ms. Hatamiya then summarized the Foundation's recent program highlights:

- **Crestmoor Scholarship:** In June, the Foundation Board honored the twelve 2022 Crestmoor Scholars.

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- **Community Grants Fund:** The seventh iteration of the Community Grants Fund launched at the beginning of July, with a September 21 grant application deadline. The Foundation offered its first Grant Workshop on August 16. 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.
- **Recreation and Aquatics Center (RAC):** Ms. Hatamiya shared a recent photograph of construction on the San Bruno Recreation and Aquatic Center and noted that the facility remains on track for a fall 2023 opening.

The Board received its quarterly report from the City on the RAC in July. The City team reviewed work recently completed and upcoming work scheduled at the construction site and gave an update on plans to install a solar photovoltaic system at the center as well as options for upgrading the traffic flow at the intersection of City Park Way, Oak, and Crystal Springs Road.

The Foundation received the latest set of RAC grant reports in July and made payments totaling approximately \$3.6 million.

- **Community Day:** SBCF was the major outside funder of the City of San Bruno's 2022 Community Day, with a \$30,000 grant. The City hosted the event on Sunday, June 5, right after the Posy Parade, along San Mateo Avenue. The event included cultural performances, vendors, information booths, community art activities, and a play area for children, while restaurants and other businesses welcomed community members.
- **Tanforan Memorial:** The Tanforan Assembly Center Memorial Committee scheduled a ribbon-cutting ceremony at the Tanforan Memorial, which the Foundation supported with a \$200,000 grant, on Saturday, August 27. SBCF President Malissa Netane-Jones was scheduled to speak as part of the program.

Ms. Hatamiya reported that the SBCF Board and San Bruno City Council approved the Foundation's fiscal year 2022-2023 budget in June. As part of the resolution, the Board followed the Investment Committee's recommended transfers from the Quasi-Endowment Pool to the Liquidity-Operating Subaccount, from the Strategic Pool to the Liquidity-Operating Subaccount, and from the Liquidity-RAC Subaccount to the Liquidity-Operating Subaccount and closing of the Liquidity-RAC Subaccount to cover the Foundation's cash flow needs this fiscal year. These transfers will enable the Foundation to cover all the RAC cash needs, if necessary, but the Executive Director has the discretion to only transfer what is needed.

Ms. Hatamiya then reported that the Foundation is in the process of finalizing the fiscal year 2021-2022 accounting books and starting the annual audit, using the same certified public accounting firm used in previous years, Novogradac & Company, to conduct the audit.

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Ms. Hatamiya reviewed 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 Aquatic Center project. Transfers from the Quasi-Endowment to Liquidity-Operating include: (a) \$200,000 scheduled for December 2022, and (b) \$85,937 scheduled for May 2023. Transfers from the Strategic Pool to Liquidity-Operating to cover RAC cash needs are scheduled as follows: Transferred the entire Liquidity-RAC balance to Liquidity-Operating in July to cover the July/August RAC grant payments and closed the Liquidity-RAC Subaccount. She noted that additional RAC-related transfers would be discussed later in the meeting. Transfers from Strategic to Liquidity-Operating for non-RAC purposes are budgeted at \$4,392,754 and will be transferred as needed to cover expenses.

Finally, Ms. Hatamiya reminded the Committee of its remaining meeting dates for this fiscal year: November 16, 2022, February 15, 2023, and May 17, 2023.

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 Daters, and Senior Wealth Manager Kristin Sun represented SHGA at the meeting.

Mr. Dombkowski gave an overview of the firm's investment outlook, particularly the significant market volatility in the first half of 2022, the impact of inflation, and the Federal Reserve's response of raising interest rates. He also reviewed firm's views on economic growth, commodity markets, the employment market, corporate earnings, international developed markets, emerging markets, the housing market, and valuation. He said the firm views the current economic scenario as a mid-cycle slow down rather than a recession.

Ms. DeGroot Daters then reviewed the Foundation's Investment Dashboard for the third quarter of 2022, including June 30, 2022, balances of \$19,816,710 for the Quasi-Endowment, \$28,320,643 for the Strategic Pool, and \$9,078,116 for the Liquidity Pool (total of \$57,215,469 in all three accounts). She reported that SHGA reduced the portfolio's exposure to commodities in favor of long-term Treasury bonds. Ms. Sun shared the Foundation's portfolio balance update, noting total value added since inception of \$16,994,267, as of August 10, 2022.

Committee Member Perry arrived in the middle of this agenda item.

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

The Committee discussed cash flow strategies related to the San Bruno Recreation and Aquatic Center (RAC) grants. Executive Director Hatamiya reported that since early 2018, the Foundation has made

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grant payments totaling \$24,092,356.18 related to the eight grants supporting the design and construction of the new San Bruno Recreation and Aquatic Center. She noted that in the current 2022-2023 fiscal year, RAC grant payments totaling \$3,558,147.96 were made in July and August based on the City's latest set of quarterly grant reports, and the remaining balance of RAC grant payments to be paid is \$25,907,643.82 (estimated at about \$22 million over the current fiscal year and about \$4 million in FY 2023-2024).

Ms. Hatamiya explained that this year's budget includes transfers from (a) Liquidity-RAC (of \$8,774,970) and (b) Strategic Pool (of \$20,690,822) to Liquidity-Operating to cover the remaining RAC grant payments. To cover the July RAC grant payments, she reported that she transferred the remaining balance of Liquidity-RAC (\$8,759,369) to Liquidity-Operating and closed the Liquidity-RAC subaccount. Those funds were then used to pay out the \$3,558,147.96 for the six active RAC grants. Since the beginning of the current fiscal year, no funds have been transferred from Strategic to Liquidity-Operating. She noted that the decision to delay any transfers from Strategic until after the August 17 Committee meeting was made in light of market volatility and in consultation with the Sand Hill team.

As approximately \$20.7 million will need to be transferred from Strategic to Liquidity over the next 12 months, if not sooner, to cover the remaining RAC grant payments, Ms. Hatamiya then sought the Committee's guidance on the timing and size of the transfers. The Committee engaged in a lengthy discussion, considering three main options: (1) transferring \$10 million in September and \$10.7 million at the end of the year, (2) transferring \$5 million each in September 2022, November 2022, and January 2023, and then \$5.7 million in March 2023, and (3) transferring the full \$20.7 million in September. After much deliberation, the Committee advised that the entire balance of funds needed to cover the remaining RAC grants be transferred from the Strategic Pool to the Liquidity Pool in September (option 3). The Committee noted that the Strategic Pool had recovered some of the unrealized losses experienced earlier in the year, that the funds would be needed well within the 12-24 month time horizon for the Liquidity Pool, and that it would be prudent to protect the funds from further market volatility. The Committee also noted that once the funds needed to complete all RAC grant payments are transferred to the Liquidity Pool, the remaining balance in the Strategic Pool, combined with the balance in the Quasi-Endowment Pool, would give the Board a clearer picture of the Foundation's assets post-RAC.

7. Committee Member Comments: Chair Lin thanked the Committee members for their contributions to the thoughtful RAC cash flow discussion. Committee Member Ross commended Chair Lin for her skill in leading the discussion.

8. Adjourn: Committee Member Ross moved to adjourn the meeting at 6:07 p.m., seconded by Committee Member Perry, approved unanimously.

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Respectfully submitted for approval at the Regular Investment Committee Meeting of November 16, 2022, by Investment Committee Chair Pak Lin.



Pak Lin, Investment Committee Chair