

# SAN BRUNO

## Community Foundation

*Investment Committee*

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

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### MINUTES

## SAN BRUNO COMMUNITY FOUNDATION

### Regular Meeting of the Investment Committee

**May 18, 2022**

**4:30 p.m.**

#### Meeting Conducted via Zoom

- 1. Call to Order:** Committee Chair Pak Lin called the meeting to order at 4:30 p.m.
- 2. Roll Call:** Committee Members Lin, Clifford, Hayes, Hedley, and Perry, present.
- 3. Public Comment:** Jim Evangelist expressed concerns regarding the scheduled time of the Investment Committee meeting and the Executive Director's compensation.
- 4. Approval of Minutes:** February 16, 2022, Regular Investment Committee Meeting: Committee Member Hedley moved to approve the minutes of the February 16, 2022, Regular Meeting, seconded by Committee Member Perry, passed by roll call vote (Clifford abstained).

#### **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:** SBCF recently announced the 2023 Crestmoor Scholars, with awards totaling \$190,000. The 12 Crestmoor Scholars will be recognized at the June 1 Board meeting on Zoom.
- **Community Grants Fund:** SBCF finished distributing the last round of grant checks in March. The seventh iteration of the Community Grants Fund will launch at the beginning of July, with a late September deadline.
- **Recreation and Aquatics Center (RAC):** Construction on the San Bruno Recreation and Aquatic Center began in the fall, and the project is on track for a fall 2023 opening.

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The Board received its quarterly report from the City on the RAC in April. The City team reviewed work recently completed and upcoming work scheduled at the construction site and gave a thorough presentation on its options for installing a solar photovoltaic system at the center, including a power purchase agreement with Peninsula Clean Energy. They also provided an update on the project budget, including additional expenses that the San Bruno City Council recently approved, and the potential need to find funding sources to cover some or all of the additional expenses.

- **Music Education Strategic Initiative:** At the April Board meeting, the Board approved a two-year extension of the Music Education Strategic Initiative to make music education a hallmark of San Bruno's public schools. Over the next two school years, the Foundation will make investments totaling \$290,000 in the music programs at Parkside Intermediate School and Capuchino High School. The grants will provide seed funding to launch a new music program for sixth grade students at Parkside as well as support transportation, instrument, and other music program expenses at Capuchino.
- **Community Day:** The Board also approved a \$30,000 grant to the City of San Bruno for the 2022 Community Day. Scheduled for the afternoon of Sunday, June 5, 2022, in conjunction with the San Bruno Lions Club's annual Posy Parade, this year's Community Day is being reimaged as a street fair on San Mateo Avenue in downtown San Bruno and will highlight the community's rich cultural diversity and local businesses.
- **Tanforan Memorial:** A year ago the Board originally approved a \$150,000 grant for the construction of the Tanforan Memorial. In April, the Board approved an additional \$50,000 in grant funding (totaling \$200,000). The Board increased its grant for the Tanforan Memorial to ensure that the project is completed this summer, especially because most surviving Tanforan internees are in their eighties and nineties. A ribbon-cutting ceremony will be scheduled in July or August.

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 in December 2021, and (b) \$112,932 earlier in May. Transfers from the Strategic Pool to Liquidity-Operating to cover non-RAC cash needs are scheduled as follows: \$500,000 was transferred in September 2021, and no other transfers are anticipated this fiscal year. There was one transfer of \$1.7 million from Liquidity-RAC to Liquidity-Operating to cover RAC grant payments.

Finally, Ms. Hatamiya reminded the Committee of its 2022 meeting dates, per the Committee's schedule: August 17 and November 16. She also noted that the terms of all Committee members except for Chair Lin are up on June 30, 2022, and that she would reach out to Committee members to gauge their interest in being appointed to new terms beginning in July.

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### 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 and Senior Portfolio Manager Meghan DeGroot Daters represented SHGA at the meeting.

Mr. Dombkowski gave an overview of the firm's investment outlook, particularly the impact of inflation, the Federal Reserve's response of raising interest rates, supply chain issues, and international geopolitical developments such as the war in Ukraine. He noted the volatility currently in the market and the likelihood that the market correction will last into the summer, and he said the firm continues to view the current economic scenario as a moderate recovery, with GDP growth projected to be around 2%-4% this year before growth normalizes in 2023 and converges with its pre-COVID trend by 2024.

Ms. DeGroot Daters then reviewed the Foundation's Investment Dashboard for the fourth quarter of 2022, including March 31, 2022, balances of \$22,494,942 for the Quasi-Endowment, \$30,423,398 for the Strategic Pool, and \$14,951,629 for the Liquidity Pool (total of \$67,869,968 in all three accounts). She reported that SHGA reduced the portfolio's exposure to traditional fixed income, small cap growth stocks, and emerging market stocks, in favor of U.S. value stocks and development market stocks, resulting in a slight overweight to equities. Mr. Dombkowski said that Sand Hill is confident that the Foundation will meet its \$50 million commitment to fund the RAC.

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

Executive Director Hatamiya reported that the Foundation has thus far made grant payments totaling \$20.5 million related to the eight grants supporting the design and construction of the RAC. In the current 2021-2022 fiscal year, RAC grant payments have totaled \$14.7 million. The remaining balance of RAC grant payments to be paid is \$29.5 million – \$25.5 in fiscal year 2022-2023 and \$4 million in fiscal year 2023-2024, according to the most recent RAC cash flow timeline the City of San Bruno has provided. She noted that fiscal year 2022-2023 budget transfers from the Liquidity-RAC and Strategic Pool accounts to the Liquidity-Operating account will together cover the remaining \$29.5 million in RAC grant payments, which is consistent with the time frame for moving funds to Liquidity-Operating (funds needed in the next 12-24 months). She reported that the April 30, 2022, balance for Liquidity-RAC was slightly under \$8.8 million, which means a transfer from Strategic to Liquidity-Operating of \$20.7 million will be needed to cover the remaining RAC grant payments. As in the past, the budget resolution will provide the Executive Director with the discretion to divide the transfers into smaller increments, set the timing of the transfer of those increments, transfer less than the approved amounts, and, in the case of Liquidity-RAC, authorize a transfer from the Liquidity-RAC subaccount to the Liquidity-Operating subaccount of the full account balance at the time of transfer as well as the closing of the Liquidity-RAC subaccount.

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Executive Director Hatamiya then sought guidance from the Committee on the timing of the transfer(s) from Strategic to Liquidity-Operating, especially given the current volatility in the market. After much discussion, the Committee noted that the balance in Liquidity-RAC should more than cover the first quarter of RAC grant payments in 2022-2023 and came to consensus to recommend that \$10 million be transferred from Strategic to Liquidity-RAC in the first month or so of the new fiscal year, so that 2-3 quarters' worth of RAC grant payments are in the Liquidity Pool, with the remaining funds to be transferred from Strategic to Liquidity-Operating later in 2022. The Committee recommended that the Executive Director have the discretion to work with Sand Hill to select the exact timing of the transfers and noted that the Committee would meet again in August, at which time it would discuss and provide additional guidance on the timing of transferring the remaining funds for the RAC grant payments.

- c. Adopt Resolution Recommending to the SBCF Board of Directors the Quasi-Endowment Payout Rate for Fiscal Year 2022-2023

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 five 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 2022-2023 budget, she determined that the cash flow needs for the Crestmoor Scholarship and Community Grants Fund in the upcoming fiscal year are estimated at \$284,127 and that, with the average of the past 12 quarter-ending Quasi-Endowment values available from inception to today (Q2 2019 to Q1 2022) being \$20,279,185, a payout rate of 1.41% would result in a Quasi-Endowment payout of \$285,937.

After discussion, 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. 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 1.41% for fiscal year 2022-2023 (resulting in a payout of \$285,937), seconded by Committee Member Clifford, approved unanimously by roll call vote.

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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 serve the Foundation's purposes. After a brief discussion, 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 when the Strategic Pool has been depleted.

**7. Committee Member Comments:** Committee Member Clifford apologized for missing the last Committee meeting in February.

**8. Adjourn:** Committee Member Perry moved to adjourn the meeting at 6:15 p.m., seconded by Committee Member Hedley, approved unanimously.

Respectfully submitted for approval at the Regular Investment Committee Meeting of August 17, 2022,  
by Investment Committee Chair Pak Lin.



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Pak Lin, Investment Committee Chair