

# SAN BRUNO

## Community Foundation

Investment Committee

Pak Lin, Chair • Anthony Clifford, Mark Hayes, Frank Hedley, and Supriya S. Perry, Members  
Leslie Hatamiya, Executive Director

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### **GOVERNOR'S EXECUTIVE ORDER N-25-20\*\*\*\* CORONAVIRUS COVID-19**

*On March 17, 2020, the Governor of California issued Executive Order N-29-20 suspending certain provisions of the Ralph M. Brown Act in order to allow for local legislative bodies to conduct their meetings telephonically or by other electronic means. Pursuant to the CDC's social distancing guidelines which discourage large public gatherings, the Investment Committee of the San Bruno Community Foundation is now holding meetings via Zoom.*

*If you would like to make a Public Comment on an item not on the agenda, or comment on a particular agenda item, you may address the Council orally during the meeting, or you may email us at [info@sbcf.org](mailto:info@sbcf.org). The length of all emailed comments should be commensurate with the three minutes customarily allowed per speaker, which is approximately 300 words total. Emails received before the special or regular meeting start time will be forwarded to the Foundation Investment Committee, posted on the Foundation's website and will become part of the public record for that meeting. If emailed comments are received after the meeting start time, or after the meeting ends, they will be forwarded to the Foundation Investment Committee and filed with the agenda packet becoming part of the public record for that meeting.*

*Individuals who require special assistance of a disability-related modification or accommodation to participate in this meeting, or who have a disability and wish to request an alternative format for the agenda, agenda packet or other writings that may be distributed at the meeting, should contact Leslie Hatamiya, Executive Director, 48 hours prior to the meeting at (650) 763-0775 or by email at [info@sbcf.org](mailto:info@sbcf.org). Notification in advance of the meeting will enable the San Bruno Community Foundation to make reasonable arrangements to ensure accessibility to this meeting, the materials related to it, and your ability to comment.*

## **AGENDA**

### **SAN BRUNO COMMUNITY FOUNDATION**

#### **Regular Meeting of the Investment Committee**

**May 18, 2022**

**4:30 p.m.**

#### **Zoom Meeting Details:**

<https://us02web.zoom.us/j/87983530507?pwd=UJJUWHVKV1NTNTk4SXZxbVJ4WFVmQT09>

**Webinar ID:** 879 8353 0507

**Passcode:** 998726

**Dial-in:** (669) 900-6833

- 1. Call to Order**
- 2. Roll Call**
- 3. Public Comment:** Individuals are allowed three minutes. 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.

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- 4. Approval of Minutes:** February 16, 2022, Regular Investment Committee Meeting
- 5. Executive Director's Report**
- 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
  - b. Discuss and Provide Direction Regarding Future Cash Flow Strategies Related to Funding of Recreation and Aquatic Center Project
  - c. Adopt Resolution Recommending to the SBCF Board of Directors the Quasi-Endowment Payout Rate for Fiscal Year 2022-2023
  - d. Conduct Annual Review of SBCF's Investment Policy Statement and Investment Operating Plan
- 7. Committee Member Comments**
- 8. Adjourn:** The next regular meeting of the Investment Committee will be held on Wednesday, August 17, 2022, at 4:30 p.m.

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*Investment Committee*

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### MINUTES

#### SAN BRUNO COMMUNITY FOUNDATION

#### Regular Meeting of the Investment Committee

**February 16, 2022**

**4:30 p.m.**

#### Meeting Conducted via Zoom

- 1. Call to Order:** Committee Chair Pak Lin called the meeting to order at 4:33 p.m.
- 2. Roll Call:** Committee Members Lin, Hayes, Hedley, and Perry, present. Committee Member Clifford, absent.
- 3. Public Comment:** None.
- 4. Approval of Minutes:** November 17, 2021, Regular Investment Committee Meeting: Committee Member Hedley moved to approve the minutes of the November 17, 2021, Regular Meeting, seconded by Committee Member Perry, passed by roll call vote.

#### 5. Executive Director's Report

Executive Director Hatamiya began her report by welcoming Treasurer Lin and Board Member Perry to the Committee. She then gave an update on the Foundation's activities, first focusing on the Foundation's recent program highlights:

- **Community Grants Fund:** The Foundation Board approved 23 Community Grants totaling \$300,000 in December. The Board has been busy presenting grant checks virtually to the community groups.
- **Crestmoor Scholarship:** The 2022 Crestmoor Scholarship program launched the second week of December, with a March 1 application deadline. The Foundation plans to award \$190,000 in scholarships this spring.

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- 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.
- Tanforan Memorial: After receiving the necessary approvals from BART, the Tanforan Assembly Center Memorial Committee (TACMC) began construction on the Tanforan Memorial in February. TACMC held a well-attended groundbreaking ceremony on February 11, with U.S. Representative Jackie Speier, Supervisor Dave Pine, and San Bruno Mayor Rico Medina among the speakers.

Ms. Hatamiya reported that Jessica Carrillo joined the SBCF staff as the new Program Manager in late January.

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 Aquatics Center project. Transfers from the Quasi-Endowment to Liquidity-Operating are scheduled as follows: (a) \$200,000 in December 2021, and (b) \$112,932 in May 2022. Transfers from the Strategic Pool to Liquidity-Operating to cover non-RAC cash needs are scheduled as follows: (a) \$500,000 was transferred in September 2021, and (b) other transfers to be scheduled if and when the Board approves other large strategic grants this fiscal year. She noted that there have been no transfers from Liquidity-RAC to Liquidity-Operating and from Strategic to Liquidity-Operating to cover RAC-related cash, and transfers for the RAC grants would be discussed later in the meeting.

Finally, Ms. Hatamiya reminded the Committee of its 2022 meeting dates, per the Committee's schedule: May 18, 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.

## **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, including the evolving effects of the coronavirus pandemic on the market, inflation, consumer spending, and possible interest rate increases by the Federal Reserve, as well as a summary of the firm's current economic forecast for the first quarter of 2022, commenting on economic growth, interest rates, inflation, commodity markets, the employment market, corporate earnings, international developed markets, emerging markets, the housing market, and valuation. He characterized the current state of the global economy as a moderate recovery.

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Ms. DeGroot Daters then reviewed the Foundation's Investment Dashboard for the fourth quarter of 2022, including December 31, 2021, balances of \$23,587,258 for the Quasi-Endowment, \$31,970,373 for the Strategic Pool, and \$19,688,073 for the Liquidity Pool (total balance of \$75,245,703), and fourth quarter withdrawals of \$4,928,000. Mr. Dombkowski and Ms. DeGroot Daters also discussed the performance of the underlying funds in the Foundation's Quasi-Endowment, Strategic, and Liquidity pools. Ms. DeGroot Daters noted that the portfolio maintained an overweight to risk assets during the quarter.

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

Executive Director Hatamiya gave an update on cash needs related to the Recreation and Aquatic Center. She reviewed the Foundation's eight RAC grants totaling \$50 million, including payments already made (about \$14.7 million) and balance left to pay (about \$35.3 million).

Ms. Hatamiya proposed holding off for the time being any further transfers from the Strategic Pool to the Liquidity Pool this fiscal year, as it is likely that the funds in the two Liquidity Pools subaccounts (Liquidity-Operating and Liquidity-RAC) are likely sufficient to cover all remaining non-Quasi-Endowment-funded cash needs through the end of the fiscal year. After discussion, the Committee agreed with this recommendation and also agreed to revisit at its May meeting the issue of recommending transfers from the Strategic Pool later this fiscal year or in the next fiscal year.

**7. Committee Member Comments:** Committee Member Hedley welcomed Committee Chair Lin and Committee Member Perry to the Investment Committee.

**8. Adjourn:** Committee Member Hayes moved to adjourn the meeting at 5:54 p.m., seconded by Committee Member Hedley, approved unanimously.

Respectfully submitted for approval at the Regular Investment Committee Meeting of May 18, 2022, 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:** May 13, 2022

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

**FROM:** Leslie Hatamiya, Executive Director

**SUBJECT:** May 18, 2022, 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, May 18, 2022, via Zoom.

#### **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 May 18 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 FY2021-2022 to cover the Foundation's cash needs through June 30, 2022, consistent with the FY2021-2022 budget passed by the Foundation Board in June 2021.
- A reminder of upcoming 2022 Investment Committee meetings: August 17 and November 16, 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 Portfolio Manager Meghan DeGroot Daters, 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.

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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 second quarter of 2022, 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 first quarter of 2022 (third quarter of the fiscal year). The SHGA team will walk the Committee through the attached Investment Dashboard for March 31, 2022, 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 Future Cash Flow Strategies Related to Funding of Recreation and Aquatic Center Project

Since early 2018, the Foundation has made grant payments totaling \$20,534,208.22 related to the eight grants supporting the design and construction of the new San Bruno Recreation and Aquatic Center. In the current 2021-2022 fiscal year, RAC grant payments have totaled \$14,694,626.17. The remaining balance of RAC grant payments to be paid is \$29,465,791.78 – \$25,463,171 in fiscal year 2022-2023 and \$4,002,620 in fiscal year 2023-2024, according to the most recent RAC cash flow timeline the City of San Bruno has provided.

Similar to last year, I am planning to include in the fiscal year 2022-2023 budget transfers from (a) Liquidity-RAC and (b) Strategic Pool to Liquidity-Operating that together will cover the remaining \$29,465,791.78 in RAC grant payments. Also like last year, the budget resolution to be presented to the Board will 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. The April 30, 2022, balance for Liquidity-RAC is \$8,774,970. That means a transfer from Strategic to Liquidity-Operating of \$20,690,822 will be needed to cover the remaining RAC grant payments. 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, and transfer less than the approved amounts.

Transfer from Liquidity-RAC to Liquidity-Operating (4/30/22 balance)	\$8,774,970
Transfer from Strategic to Liquidity-Operating	\$20,690,822
<b>Remaining RAC Grant Payments</b>	<b>\$29,465,792</b>

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The question on which I would like the Investment Committee to provide guidance is the *timing* of the transfer(s) from Strategic to Liquidity-Operating, especially given the current volatility in the market. As a starting point for the discussion, I am suggesting that we do the transfer in two parts rather than all at once. The Sand Hill team is recommending that an initial transfer of \$10 million take place in July 2022, followed by a second transfer of \$10.7 million in October. This would mean the full amount would be moved 12 months in advance of the projected final payments, which are currently scheduled for the first quarter of fiscal year 2023-2024; this timing is well within the parameters of the Investment Policy Statement and Investment Operating Plan. The Sand Hill team is also recommending flexibility in the event the market provides an opportunity to move the funds earlier. For example, if there is a market rally between now and the end of June, Sand Hill would come to SBCF to discuss moving funds earlier. The budget resolution for the current fiscal year (approved in June 2021) authorized a transfer of \$26.5 million from Strategic to Liquidity-Operating in 2021-2022, and thus far this year we have only transferred \$500,000 (to cover non-RAC expenses), so we have the flexibility to move additional funds before the end of this fiscal year if desired. A similar early move could be made between July and October if the opportunity presented itself, under the budget resolution that will go before the Board.

We look forward to hearing the Committee's thoughts and recommendations on scheduling the transfers from Strategic to Liquidity-Operating.

#### **4. Resolution Recommending to the SBCF Board of Directors the Quasi-Endowment Payout Rate for Fiscal Year 2022-2023**

Section VII of the Foundation's Investment Policy Statement sets forth the spending policy. Section VII.1. states:

The SBCF Board will determine the spending policy for the Quasi-Endowment with input from the Investment Committee. The SBCF Board will use the following guidelines in approving a fixed payout amount each year. The SBCF Board will review this policy annually.

The payout amount will be determined once annually, prior to the conclusion of the Foundation's fiscal year for the subsequent fiscal year. The payout rate will range up to 7%, as determined by the Board, multiplied by the average of the latest available twelve (12) prior quarter-ending Quasi-Endowment values.

Section VI.1.d. of the Investment Operating Plan provides pool-specific operating guidelines for payout or other withdrawals. Last June, upon recommendation from the Investment Committee, the Board amended the payout guidelines for the Quasi-Endowment Pool:



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Payout amount will be determined once annually, prior to the conclusion of the Foundation's fiscal year for the subsequent fiscal year. The payout rate will range up to 7%, as determined by the Board, multiplied by the average of the latest available twelve prior quarter-ending Quasi-Endowment values. From the initial funding of the Quasi-Endowment Pool through the end of fiscal year 2016-2017, the payout rate will be 0%. During fiscal year 2017-2018, the default payout rate will be 2.25%, multiplied by the simple average of all quarter-ending Quasi-Endowment values available at the time of the annual payout decision. Cash proceeds will be deposited in the SBCF Liquidity Pool on an as-needed basis.

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.

For the past five years, the Committee decided to recommend – and the Board subsequently adopted – a Quasi-Endowment payout rate sufficient to meet the cash flow needs for the Crestmoor Scholarship and the Community Grants Fund in the upcoming fiscal year. The Board has approved the annual payout rate as follows:

<b>Fiscal Year</b>	<b>QE Payout Rate</b>	<b>Average QE Balance of Past 12 Quarters</b>	<b>Approved QE Payout</b>
FY2017-2018	2.25%	\$15,685,369	\$352,921
FY2018-2019	1.95%	\$16,409,212	\$319,980
FY2019-2020	1.90%	\$16,711,034	\$317,510
FY2020-2021	1.70%	\$17,392,997	\$295,681
FY2021-2022	1.70%	\$18,407,790	\$312,932

I recommend that the Committee continue to follow this practice for FY 2022-2023, which 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, especially 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. This option has been a reasonable compromise position – it draws from the Quasi-Endowment but at a low rate, and it taps into the Strategic Pool for all support costs but also leaves some amount for additional strategic grantmaking.

With the assistance of Accounting Consultant Frank Bittner, I am in the process of developing the 2022-2023 operating budget. Cash needs for the Crestmoor Scholarship and Community Grants Fund programs are estimated at \$284,127. This figure is a little lower than in previous

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years, mainly because the Foundation received restricted donations during the last few years that were not taken into account at the time the budget was created and the Quasi-Endowment payout rate was set. This year, I reconciled all past disbursements for the Community Grants Fund and the Crestmoor Scholarship with Quasi-Endowment payout and restricted donations for those two programs since fiscal year 2017-2018 (the first year we had Quasi-Endowment payout), and the Quasi-Endowment payout needed takes that reconciliation into consideration.

For Quasi-Endowment payout calculation purposes, we use the quarter-ending balances on our Fidelity statements rather than those provided by SHGA (the two differ slightly based on different methods for recording transactions near the end of the quarter). The average of the latest 12 quarter-ending Quasi-Endowment values (Q2 2019 to Q1 2022) is \$20,279,185. A payout rate of 1.41% would result in a Quasi-Endowment payout of \$285,937.

In sum, I recommend that the Committee adopt the attached resolution recommending to the SBCF Board of Directors the Quasi-Endowment payout rate for fiscal year 2022-2023.

#### **5. Annual Review of SBCF's Investment Policy Statement and Investment Operating Plan**

The Foundation's Investment Policy Statement was approved by the Foundation Board on April 6, 2016, and by the San Bruno City Council on April 26, 2016. The Investment Operating Plan was approved by the Foundation Board and signed by the Treasurer and Executive Director on May 4, 2016, and signed by the SHGA CEO on May 11, 2016. Following the May 2017 meeting of the Investment Committee and subsequent action of the Board of Directors in June of that year, an amendment to the Quasi-Endowment payout provision in the Investment Operating Plan was executed by SHGA and the Foundation on June 7, 2017.

Under Section II.2.a. of the Investment Policy Statement, the Investment Committee is tasked to "review at least annually the Investment Policy Statement and Investment Operating Plan and monitor compliance with both documents." At the May 20 meeting, the Committee will review the two documents as amended, which I have attached.

As a reminder, the Investment Policy Statement is intended to serve as a high-level policy document governing the Foundation's investment practices. Its goals include:

- Outlining the purpose and goals of the Foundation's investment portfolio, including three separate pools of funds
- Defining the roles and responsibilities for the Foundation's Board of Directors, Investment Committee, External Investment Manager, and the San Bruno City Council
- Setting investment goals, objectives, and target asset allocations for each pool of funds

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- Establishing asset guidelines and investment procedures
- Outlining the spending policy
- Establishing guidelines to monitor performance
- Providing continuity across changes in the Board of Directors, Investment Committee, and Foundation staff

Under the Foundation's Bylaws, the City Council is to approve the adoption, amendment, or repeal of the Foundation's Investment Policy Statement.

While the Investment Policy Statement is a high-level policy document, the Investment Operating Plan is the more detailed operating agreement between the Foundation and its investment adviser. Drafted jointly by the Committee and the SHGA team, the Investment Operating Plan follows the principles outlined in the Investment Policy Statement and provides detailed instructions to Sand Hill regarding ongoing management of the three pools of money, including specific asset allocation targets and ranges, as well as guidelines regarding payout and withdrawals.

Upon review of the two documents, I am not recommending changes to either document at this time. Of particular note, the asset allocation of the Strategic Pool has served us well as originally structured. 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. Moreover, the Investment Operating Plan also provides SHGA with asset allocation ranges that allows SHGA to make reasonable and sufficient adjustments to the Strategic Pool to accommodate the payment schedule.

I encourage Committee members to review both documents before the meeting and come with questions and suggestions for possible amendments, either now or in the future.

#### Attachments:

1. SBCF Investment Dashboard, as of March 31, 2022
2. Resolution Recommending to the SBCF Board of Directors the Quasi-Endowment Payout Rate for Fiscal Year 2022-2023
3. San Bruno Community Foundation Investment Policy Statement
4. San Bruno Community Foundation Investment Operating Plan with Sand Hill Global Advisors
5. Amendment #1 to the San Bruno Community Foundation Investment Operating Plan with Sand Hill Global Advisors

# The San Bruno Community Foundation Investment Dashboard

As of March 31, 2022

## Current Outlook:

**Economic Environment:** As 2022 has progressed, the economic outlook has grown decidedly cloudier as war-driven commodity inflation has served to increase inflation projections, particularly for food and energy. While the Federal Reserve is expected to increase interest rates seven times this year, the economic slowing this may cause may not have the desired impact on components of the commodity complex that are being impacted by war-driven lack of supply. Thus far, consumers have been resilient and ongoing strength in the job market should be supportive of this view. However, the lower income consumer is especially vulnerable to price increases in food and energy, and this could result in reduced spending in other categories. Most current economic growth projections have been reduced in anticipation of a greater impact from inflation and now range from 2-3% in 2022 before trends begin to normalize in 2023. This progression will be dependent on the path of the war, the pandemic, as well as the economy's ability to manage through a period of inflation. It is likely that we will experience periods of uneven economic growth similar to what we experienced in 2021.

**Market Environment:** Market volatility was historically high during the first quarter of this year and the S&P 500 experienced its first double-digit correction since 2020. Stocks rallied during the final weeks of the quarter, yet still ended the quarter in negative territory. Even so, stocks outperformed bonds as the price of the Barclays Aggregate Bond Index ended down 5.9%. Commodities handily outperformed other asset classes with an impressive return in excess of 25%. REITs traded in-line with broader equity market.

**Portfolio Response:** As the equity market corrected, we added to a U.S. value stock ETF as we continue to view this part of the equity market favorably. We funded this purchase by trimming bonds as well as small cap growth stocks. We also reduced exposure to emerging market stocks in Asia and increased exposure to developed market stocks.

Performance		Quasi-Endowment Pool			Custom Blended		
		Pool	Benchmark	+ / -	Strategic Pool	Benchmark	+ / -
Quarterly	Q1 2022	-4.64%	-4.53%	-0.11%	-4.83%	-5.37%	0.54%
	Q4 2021	4.58%	4.55%	0.03%	1.81%	1.69%	0.12%
	Q3 2021	-0.74%	-0.41%	-0.33%	-0.08%	-0.13%	0.05%
	Q2 2021	5.35%	5.16%	0.19%	3.08%	2.86%	0.22%
Annual	2021	13.21%	12.81%	0.40%	4.47%	3.42%	1.05%
	ITD	8.65%	8.63%	0.02%	3.74%	3.84%	-0.10%

Quasi-Endowment Pool Portfolio Action	Increased	Decreased	Growth/Capital Preservation
<b>Q1 2022</b>	<b>Added to U.S. Equity</b>		<b>65/35</b>
	U.S. Value Stocks	Bonds	
		Small Cap Growth Stocks	
	Developed Market Stocks	Emerging Market Stocks	
<b>Q4 2021</b>	<b>Maintained an Overweight to Risk Assets</b>		<b>64/36</b>
<b>Q3 2021</b>	<b>Shifted into Commodities</b>		<b>64/36</b>
	Commodities	Large Cap Stocks	

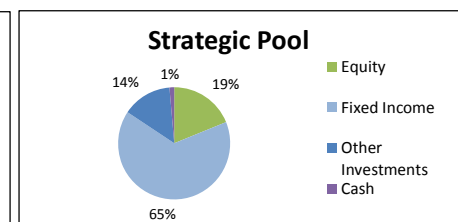
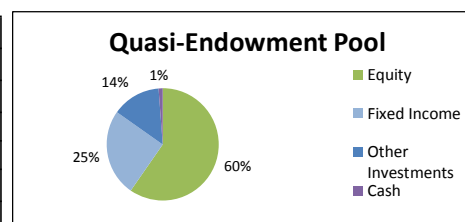
Asset Allocation	Quasi-Endowment Pool		Strategic Target		Strategic 31-Mar-22	
	Pool	31-Mar-22	Target	Strategic Pool	31-Mar-22	Target
Large Cap Equity	\$8,215,999	37%	30%	\$3,184,120	10%	9%
SMID Cap Equity	\$2,346,809	10%	9%	\$1,133,913	4%	3%
International/EM Equity	\$2,853,193	13%	13%	\$1,428,454	5%	4%
Fixed Income	\$5,656,192	25%	30%	\$19,902,747	65%	70%
Real Assets	\$1,707,432	8%	8%	\$1,551,574	5%	4%
Market Neutral	\$1,448,149	6%	8%	\$2,816,856	9%	8%
Cash	\$267,167	1%	2%	\$405,734	1%	2%
<b>Total</b>	<b>\$22,494,942</b>	<b>100%</b>	<b>100%</b>	<b>\$30,423,398</b>	<b>100%</b>	<b>100%</b>

Balances	Quasi-Endowment	Strategic	Liquidity	Total
Q1 2022	\$22,494,942	\$30,423,398	\$14,951,629	\$67,869,968
Q4 2021	\$23,587,258	\$31,970,373	\$19,688,073	\$75,245,703
Q3 2021	\$22,746,728	\$31,402,528	\$24,464,813	\$78,614,069
Q2 2021	\$22,915,741	\$31,922,419	\$24,351,470	\$79,189,630

Withdrawals	Quasi-Endowment	Strategic	Liquidity	Total
Q1 2022	\$0	\$0	-\$4,635,500	-\$4,635,500
Q4 2021	-\$200,000	\$0	-\$4,728,000	-\$4,928,000

Illiquidity as of 3/31/22	< 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.	✓
invested in the securities of a single issuer.	✓
Quasi-Endowment Pool can maintain up to 10% illiquidity.	✓



**RESOLUTION NO. 2022-\_\_**

**RESOLUTION OF THE SAN BRUNO COMMUNITY FOUNDATION INVESTMENT COMMITTEE  
RECOMMENDING TO THE SBCF BOARD OF DIRECTORS THE QUASI-ENDOWMENT PAYOUT  
RATE FOR FISCAL YEAR 2022-2023**

**WHEREAS**, under Section II.2.a. of the Investment Policy Statement of the San Bruno Community Foundation, the Investment Committee is tasked to “review at least annually the Investment Policy Statement and Investment Operating Plan and monitor compliance with both documents”;

**WHEREAS**, Section VII.1 of the Investment Policy Statement sets forth the spending policy for the Quasi-Endowment as follows:

The SBCF Board will determine the spending policy for the Quasi-Endowment with input from the Investment Committee. The SBCF Board will use the following guidelines in approving a fixed payout amount each year. The SBCF Board will review this policy annually.

The payout amount will be determined once annually, prior to the conclusion of the Foundation’s fiscal year for the subsequent fiscal year. The payout rate will range up to 7%, as determined by the Board, multiplied by the average of the latest available twelve (12) prior quarter-ending Quasi-Endowment values.

**WHEREAS**, Section VI.1.d.i. of the Investment Operating Plan with its investment adviser, Sand Hill Global Advisors, as amended, states, with regard to the Quasi-Endowment payout:

Payout amount will be determined once annually, prior to the conclusion of the Foundation’s fiscal year for the subsequent fiscal year. The payout rate will range up to 7%, as determined by the Board, multiplied by the average of the latest available twelve prior quarter-ending Quasi-Endowment values. From the initial funding of the Quasi-Endowment Pool through the end of fiscal year 2016-2017, the payout rate will be 0%. During fiscal year 2017-2018, the default payout rate will be 2.25%, multiplied by the simple average of all quarter-ending Quasi-Endowment values available at the time of the annual payout decision. Cash proceeds will be deposited in the SBCF Liquidity Pool on an as-needed basis.

**WHEREAS**, a Quasi-Endowment payout rate of 1.41%, multiplied by the simple average of the latest twelve quarter-ending Quasi-Endowment values available at the time of the annual payout decision, would result in a payout of \$285,937 and provide the necessary funds to cover cash flow needs for the Crestmoor Neighborhood Memorial Scholarship and the Community

Grants Fund in fiscal year 2022-2023, consistent with the original long-term vision for the Quasi-Endowment; and

**WHEREAS**, the Foundation’s Board of Directors will consider the Foundation’s fiscal year 2022-2023 budget, including transfers from the Quasi-Endowment to the operating budget, at its June 1, 2022, meeting.

**NOW, THEREFORE, BE IT RESOLVED** that the Investment Committee recommends that the Board of Directors approve, for fiscal year 2022-2023, a Quasi-Endowment payout rate of 1.41%, multiplied by the simple average of the latest twelve quarter-ending Quasi-Endowment values available at the time of the annual payout decision, resulting in a payout of \$285,937, to provide the funds to cover cash flow needs for the Crestmoor Neighborhood Memorial Scholarship and the Community Grants Fund in fiscal year 2022-2023, consistent with the original long-term vision for the Quasi-Endowment.

Dated: May 18, 2022

ATTEST:

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Pak Lin, Investment Committee Chair

I, Pak Lin, Chair, do hereby certify that the foregoing Resolution No. 2022-\_\_ was duly and regularly passed and adopted by the Investment Committee of the San Bruno Community Foundation on this 18<sup>th</sup> day of May, 2022, by the following vote:

AYES:           Committee members:

NOES:           Committee members:

ABSENT:        Committee members:

# **SAN BRUNO**

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Community Foundation

## **INVESTMENT POLICY STATEMENT**

Approved by the SBCF Board of Directors, April 6, 2016  
Approved by the San Bruno City Council, April 26, 2016

## **INVESTMENT POLICY STATEMENT**

This Investment Policy Statement (“Policy”) is intended to govern the investment practices of the capital assets of the San Bruno Community Foundation (“SBCF” or “Foundation”). It is to allow all parties who interact directly or indirectly with SBCF’s investment assets full understanding of how the assets will be managed. This policy addresses the following areas:

- The general goals of the Foundation
- The structure and purpose of the separate pools of funds
- The roles and responsibilities of all parties involved in the investment process
- Investment goals and objectives for each pool of funds
- Investment process including asset allocation framework and rebalancing policies
- Measurement and evaluation of investment performance
- The Foundation’s spending policy and how it interfaces with the investment management of each pool of funds

### **I. FOUNDATION’S PURPOSE AND GOALS**

The San Bruno Community Foundation was established in 2013 by the San Bruno City Council to administer, for the long-term benefit of the San Bruno community, approximately \$70 million in restitution funds resulting from the devastating 2010 gas pipeline explosion in San Bruno’s Crestmoor neighborhood. SBCF has been charged with determining the use of the funds and administering them to benefit the San Bruno community through enduring and significant contributions to, and investments in, charitable and community programs, and publicly owned community facilities, over the long term.

The SBCF Board has approved the establishment of three separate pools of funds with varying purposes, time horizons and withdrawal requirements.

1. A Quasi-Endowment Pool to support the annual operating and program expenses of the Foundation over the long term.
2. A Strategic Pool earmarked to cover the costs of major strategic grant making projects, including capital improvements of community facilities, over a 7-10 year period. The Strategic Pool will be fully exhausted either at the completion of those strategic projects, or by consolidation into the Quasi-Endowment Pool at the Board’s discretion.
3. A Liquidity Pool to act as a holding account for expenditures planned in the subsequent 0-24 months. The purpose of this pool is to mirror the Foundation’s operating accounts. This account may be funded by both the Quasi-Endowment and the Strategic Pool.

### **II. ROLES AND RESPONSIBILITIES**

1. The SBCF Board of Directors is responsible for the following:
  - a. Formation of the Investment Committee, including appointment of a sitting Board Member as the Committee Chair. The Committee can consist of a mix of SBCF Board



Members and non-Board Members. For non-Board Members, a preference will be given to individuals with experience and/or expertise in finance and investment management.

- b. Approval, termination, or replacement of the External Investment Manager.
  - c. Approval of this Investment Policy Statement and subsequent modifications to it.
  - d. Approval of an Investment Operating Plan executed with the External Investment Manager.
  - e. Approval of the Foundation spending policy, as defined in section VII of this document.
  - f. Approval of any transfer of funds to or from the Quasi-Endowment Pool or the Strategic Portfolio, as defined in section IV, beyond that specified in the Board-approved spending policy.
  - g. Maintain guidelines for the External Investment Manager to ensure that Foundation assets are invested in a manner consistent with the mission of the Foundation. It is at the Board's discretion to implement specific restrictions on how the assets of the Foundation shall be invested. Such restrictions may include but are not limited to Socially Responsible Investing known as Environmental, Social and Governance (ESG). Any active restrictions will be detailed within the Investment Operating Plan.
2. The Investment Committee, with support from the Executive Director, is responsible for providing guidance to the Board on all aspects of the investment management process. The Investment Committee is not empowered to approve decisions, as that power lies with the full Board. As part of its guidance to the Board, the Investment Committee will:
- a. Review at least annually the Investment Policy Statement and Investment Operating Plan and monitor compliance with both documents.
  - b. Review the long-term asset allocation of each pool of funds.
  - c. Monitor the performance and risk profile of the investment assets of the Foundation as a whole, including each pool of funds.
  - d. Review and address all potential conflicts of interest in accordance with the SBCF Conflict of Interest Policy.
  - e. Monitor the External Investment Manager.
3. The External Investment Manager (the "Investment Manager") is responsible for the following:

- a. Discretion to select, evaluate, and terminate the underlying fund managers and investments, as well as discretion to make tactical shifts within the parameters of the asset allocation established for each pool.
  - b. Monitor the appropriateness of each investment given the Foundation's risk tolerance and objectives.
  - c. Oversee the Foundation's investment assets and report on the status of the investments to the Investment Committee and Board of Directors.
4. The San Bruno City Council is responsible for the following:
- a. Approval of the initial Investment Policy Statement, including the Foundation's spending policy, as articulated in Section VII of this document, for the Foundation.
  - b. Approval of all future modifications to the Investment Policy Statement.

### **III. POLICY REVIEW**

This Statement shall be reviewed annually by the Investment Committee and any recommendations for modification shall be presented to the full Board of Directors. Updates to this Policy must be approved by both the SBCF Board and the San Bruno City Council.

### **IV. INVESTMENT GOALS AND OBJECTIVES**

The primary goal of the Foundation is to administer these funds for the long-term benefit of the San Bruno community. The specific goals for these funds include but are not limited to supporting SBCF's annual operating expenses and the three categories of program activities outlined in SBCF's Program Strategy Framework (strategic grant making, responsive grant making, and Foundation programs).

The risk tolerance of each pool of funds is dictated by the time horizon and liquidity needs, and as directed by the Board of Directors. The specific goals and objectives, risk tolerance, and time horizon for each pool of funds is as follows:

1. Quasi-Endowment Pool: The Foundation seeks to meet the current payout objectives while maintaining the total purchasing power of these assets for the San Bruno community in the future. As such, Capital Appreciation is the primary objective, with Capital Preservation as the secondary objective. The risk tolerance of the Quasi-Endowment can be described as Moderately Conservative and the time horizon as Long-Term.
2. Strategic Pool: The Foundation seeks to achieve growth of the portfolio at a conservative rate in excess of inflation. As such, Capital Preservation is the primary objective. The risk tolerance of the Strategic Pool can be described as Conservative. The goal of the Strategic Pool is to be drawn down to zero over a 7-10 year period. As such, the time horizon can be described as Mid-Term.
3. Liquidity Pool: The Foundation seeks to preserve the principal balance of all funds directed into this pool. As such, Capital Preservation and Liquidity are the primary objectives. The risk

tolerance of the Liquidity Pool can be described as Conservative. The goal of the Liquidity Pool is to cover Foundation expenditures that will be withdrawn within the succeeding 24 months from initial funding. As such, the time horizon can be described as Short-Term.

## V. INVESTMENT POLICY AND ASSET ALLOCATION

### 1. Asset Guidelines:

- a. No individual equity securities (stocks) will be held in any Direct Account. A Direct Account is defined as any investment account registered in the name of the Foundation.
- b. Direct investments in any securities, including equity and fixed income, of Pacific Gas & Electric Corporation (Symbol: PCG) is prohibited.
- c. Individual fixed income securities (bonds) may be held in Direct Accounts. These include, but are not limited to, municipal bonds, U.S. government securities, federal government agency securities, corporate debt (limited to U.S. or multinational corporations), and high-yield debt.
- d. Commingled funds, mutual funds, and index funds may be held in Direct Accounts. The fund selection process will incorporate criteria such as investment style and process, experience of the investment team, organizational stability, and performance analysis such as long-term, risk-adjusted returns, manager tenure, relative performance in up and down markets, consistency of management style, and the associated cost to own (expense ratio).
- e. Other investments may be held in Direct Accounts. Other investments will be broadly defined as, but not limited to, investments in market-neutral funds, commodities and gold, real return strategies, venture capital, and real estate. These categories are to be implemented only through diversified investment vehicles.
- f. Cash and cash equivalents may be held in Direct Accounts. Cash equivalent positions will be high-quality instruments such as U.S. Treasury Bills, Eurodollar Certificates of Deposit, time deposits (CDs), money market funds, and repurchase agreements.

### 2. Investment Procedures:

- a. Diversification: All portfolios will be managed as diversified portfolios. The goal of diversification across various asset classes, sectors, and security types is to minimize risk while improving performance.
- b. Investment Vehicles: Within the constraints of the target asset allocation of each portfolio, investments will be allocated across various asset classes, either directly or through pooled or commingled investment accounts (mutual funds and index funds), that might include domestic and foreign equities, bonds, real estate, other investments, and cash or cash equivalents. With each asset class, the Investment Manager will weigh factors including expense, market efficiency, transparency of information, and

diversification to determine whether direct investments or commingled investments are in the Foundation's best interests.

- c. Rebalancing: Rebalancing is designed to minimize portfolio deviations from allocation targets. The portfolio will be reviewed regularly by the Investment Manager and rebalanced whenever the weighting of a major asset class deviates materially from the target asset allocation, or a tactical opportunity presents itself.
- d. Custody of Assets: The Foundation's assets shall be held at a third-party custodian recommended by the Investment Committee and approved by the Board. The Investment Manager shall have discretion and authority to trade on behalf of the Foundation via the custodian's trading platform.
- e. Custodian's Margin Loan Option: A Margin Loan allows a brokerage account holder to gain access to cash by borrowing against the invested securities in the account. The margin loan option on any Direct Accounts shall be disabled.

### 3. Asset Allocation:

The Investment Manager shall invest the funds per the strategic asset allocation parameters established for each pool of funds. Investments will be categorized as either Capital Appreciation or Capital Preservation.

Capital Appreciation can be generally defined as a strategy where the primary goal is to grow the capital base over time. Investments in this category include, but are not limited to: equities (stocks), real estate, commodities, and natural resources.

Capital Preservation can be generally defined as a strategy where the primary goal is to preserve capital and prevent loss of principal. Investments in this category include, but are not limited to: high-quality fixed income (bonds), market-neutral investments, cash equivalents, and cash.

- a. Quasi-Endowment Pool: In accordance with the Foundation's risk tolerance, as well as the goals, objectives, time horizon, and liquidity needs of the Quasi-Endowment, management of this pool will target a 60/40 allocation: 60% Capital Appreciation and 40% Capital Preservation.
- b. Strategic Pool: In accordance with the Strategic Pool's goals, objectives, time horizon and liquidity needs, management of this pool will target a 20/80 allocation: 20% Capital Appreciation and 80% Capital Preservation.
- c. Liquidity Pool: In accordance with the Liquidity Pool's goals, objectives, time horizon and liquidity needs, management of this pool will target a 100% Capital Preservation allocation.

## **VI. INVESTMENT MANAGER REPORTING AND EVALUATION**

The Investment Manager shall provide the Investment Committee with quarterly performance and holdings reports to allow the Committee to review the overall investment performance of the

Investment Manager and the individual securities in each portfolio with respect to the risk and return objectives established for the Foundation. At a minimum, the reports shall include the following:

- An accounting of all securities held in the investment accounts for the Foundation.
- Comparative returns for each pool of funds against their respective benchmarks.

Additionally, the Investment Manager shall present to the Board of Directors on an annual basis.

## **VII. SPENDING POLICY**

### **1. Quasi-Endowment Pool**

The SBCF Board will determine the spending policy for the Quasi-Endowment with input from the Investment Committee. The SBCF Board will use the following guidelines in approving a fixed payout amount each year. The SBCF Board will review this policy annually.

The payout amount will be determined once annually, prior to the conclusion of the Foundation's fiscal year for the subsequent fiscal year. The payout rate will range up to 7%, as determined by the Board, multiplied by the average of the latest available twelve (12) prior quarter-ending Quasi-Endowment values.

### **2. Strategic Pool**

The Strategic Pool has been earmarked by the Board to fund strategic projects, including but not limited to capital improvement projects of community facilities, that benefit the San Bruno community. As such, withdrawals will be determined by the timing of project expenditures, as well as guidance from the SBCF Board. The Investment Committee and SBCF staff will provide direction to the Investment Manager regarding liquidation of investments to fund the withdrawals. Cash proceeds will be deposited in the SBCF Liquidity Pool on an as-needed basis.

### **3. Liquidity Pool**

The Liquidity Pool will contain funds that have been earmarked for disbursement by the SBCF Board, with the guidance from the Investment Committee. As directed by SBCF staff, withdrawals will take place in the subsequent 0-24 months following initial deposit into the Liquidity Pool.

## **VIII. CONFLICTS OF INTEREST**

In accordance with the SBCF Conflict of Interest Policy, all employees, members of the Board of Directors, and members of the Investment Committee are expected to use good judgment, adhere to high ethical standards, and act in such a manner as to avoid any actual, perceived, or potential conflict of interest.

San Bruno Community Foundation

# Investment Operating Plan

Approved by the SBCF Board of Directors, May 4, 2016

SAN BRUNO COMMUNITY FOUNDATION  
INVESTMENT OPERATING PLAN

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**SUMMARY INVESTMENT OPERATING PLAN**

**QUASI-ENDOWMENT POOL**

<u>Investment Objective:</u>	Generate a return in excess of the specified blended portfolio benchmark over a complete market cycle.
<u>Risk Tolerance:</u>	Moderately Conservative
<u>Target Return:</u>	Over the long-term, exceed the blended portfolio benchmark, net of fees with similar risk.
<u>Evaluation Benchmark:</u>	The passive indices in similar weights to the target asset allocation as detailed in Appendix 1.
<u>Withdrawal Requirement:</u>	Up to 7% annual withdrawals, as determined by the SBCF Board.
<u>Time Horizon:</u>	Long-Term
<u>Target Allocation:</u>	Balanced Strategy (see specific allocation guidelines in Section IV.1 of this plan document)

**STRATEGIC POOL**

<u>Investment Objective:</u>	Generate a return in excess of the specified blended portfolio benchmark over a complete market cycle.
<u>Risk Tolerance:</u>	Conservative
<u>Target Return:</u>	Over the long-term, exceed the blended portfolio benchmark, net of fees with similar risk.
<u>Evaluation Benchmark:</u>	The passive indices in similar weights to the target asset allocation as detailed in Appendix 1.
<u>Withdrawal Requirement:</u>	100% withdrawn over 7-10 years, dictated by the timing of capital projects and as determined by the SBCF Board.
<u>Time Horizon:</u>	Mid-Term
<u>Target Allocation:</u>	Conservative Strategy (see specific allocation guidelines in Section IV.2 of this plan document)

SAN BRUNO COMMUNITY FOUNDATION  
INVESTMENT OPERATING PLAN

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**LIQUIDITY POOL**

<u>Investment Objective:</u>	Generate a return in excess of the specified blended portfolio benchmark over a complete market cycle.
<u>Risk Tolerance:</u>	Conservative
<u>Target Return:</u>	Over the long-term, exceed the blended portfolio benchmark, net of fees with similar risk.
<u>Evaluation Benchmark:</u>	The passive indices in similar weights to the target asset allocation as detailed in Appendix 1.
<u>Withdrawal Requirement:</u>	100% withdrawn within 24 months, as determined by the SBCF Board.
<u>Time Horizon:</u>	Short-Term
<u>Target Allocation:</u>	Short-Term Cash and Short-Duration Fixed Income Strategy (see specific allocation guidelines in Section IV.3 of this plan document)



# SAN BRUNO COMMUNITY FOUNDATION

## INVESTMENT OPERATING PLAN

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This Investment Operating Plan outlines the assumptions and understandings under which Sand Hill Global Advisors, LLC (the “Investment Manager” or “SHGA”) is to manage the assets of the San Bruno Community Foundation (“SBCF” or the “Foundation”). The content herein has been composed based upon meetings with the Board of Directors and staff in which discussions covered SBCF’s goals, attitudes, expectations, risk tolerance, desires for liquidity, and present and future cash flow requirements.

It is agreed that SHGA will meet with the Investment Committee on a quarterly basis to report on the status of the portfolio and to receive and provide information that will aid in the management of the portfolio. This Investment Operating Plan will be reviewed at least annually as to its appropriateness given any significant changes in SBCF’s needs or in light of significant shifts in the economy or the investment markets. Day-to-day contact with SBCF will be made via the telephone and e-mail.

This Investment Operating Plan shall adhere to the policies set forth in SBCF’s Investment Policy Statement, originally approved by the SBCF Board of Directors and San Bruno City Council in April 2016.

### **I. FOUNDATION’S PURPOSE AND GOALS**

The San Bruno Community Foundation was established in 2013 by the San Bruno City Council to administer, for the long-term benefit of the San Bruno community, approximately \$70 million in restitution funds resulting from the devastating 2010 gas pipeline explosion in San Bruno’s Crestmoor neighborhood. SBCF has been charged with determining the use of the funds and administering them to benefit the San Bruno community through enduring and significant contributions to, and investments in, charitable and community programs, and publicly owned community facilities, over the long term.

The SBCF Investment Policy Statement establishes three separate pools of funds with varying purposes, time horizons, and withdrawal requirements:

1. A Quasi-Endowment Pool to support the annual operating and program expenses of the Foundation over the long term.
2. A Strategic Pool earmarked to cover the costs of major strategic grantmaking projects, including capital improvements of community facilities, over a 7-10 year period. The Strategic Pool will be fully exhausted either at the completion of those strategic projects, or by consolidation into the Quasi-Endowment Pool at the Board’s discretion.
3. A Liquidity Pool to act as a holding account for expenditures planned in the subsequent 0-24 months. The purpose of this pool is to mirror the Foundation’s operating accounts. This account may be funded by both the Quasi-Endowment and the Strategic Pool.

### **II. INVESTMENT GOALS AND OBJECTIVES**

The primary goal of the Foundation is to administer these funds for the long-term benefit of the San Bruno community. The specific goals for these funds include but are not limited to supporting SBCF’s annual

SAN BRUNO COMMUNITY FOUNDATION  
INVESTMENT OPERATING PLAN

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operating expenses and the three categories of program activities outlined in SBCF's Program Strategy Framework (strategic grant making, responsive grant making, and Foundation programs).

The risk tolerance of each pool of funds is dictated by the time horizon and liquidity needs, and as directed by the Board of Directors. The specific goals and objectives, risk tolerance, and time horizon for each pool of funds is as follows:

1. **Quasi-Endowment Pool Investment Objectives:**

The Foundation seeks to meet the current payout objectives while maintaining the total purchasing power of these assets for the San Bruno community in the future. As such, Capital Appreciation is the primary objective, with Capital Preservation as the secondary objective.

a. Portfolio Return Objectives

- i. Total Portfolio Return: Achieve a time-weighted, real rate of return of 3-4%, after fees and program costs. This return will be sought using a diversified style of investment management, providing an average annual return that will be measured over a complete market cycle assumed to be five years.
  - ii. Blended Benchmark Return: Over rolling five-year cycles, to achieve a return that exceeds the Blended Benchmark, net of fees with similar risk.
- b. Portfolio Risk Tolerance - The risk to the portfolio must be moderately conservative, since the portfolio provides a source of funds that allows SBCF to perpetuate its mission.
- c. Withdrawal Requirements - Up to 7% Annual Withdrawals as determined by the SBCF Board. The SBCF staff will provide Sand Hill Global Advisors with guidance in this area.
- d. Time Horizon - Long-Term.
- e. Tax Considerations - None, since this organization is tax exempt.
- f. Illiquidity - The overall portfolio can maintain up to 10% illiquidity.

2. **Strategic Pool Investment Objectives:**

The Foundation seeks to achieve growth of the portfolio at a conservative rate in excess of inflation. As such, Capital Preservation is the primary objective.

a. Portfolio Return Objectives

- i. Total Portfolio Return: Achieve a time-weighted, real rate of return of 1-2%, after fees and program costs. This return will be sought using a diversified style of investment management, providing an average annual return that will be measured over a complete market cycle assumed to be five years.

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INVESTMENT OPERATING PLAN

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- ii. Blended Benchmark Return: Over rolling five-year cycles, to achieve a return that exceeds the Blended Benchmark, net of fees with similar risk.
  
  - b. Portfolio Risk Tolerance - The risk to the portfolio must be conservative.
  
  - c. Withdrawal Requirements - 100% withdrawn over 7-10 years, determined by timing of SBCF's strategic grant making projects. The SBCF staff will provide Sand Hill Global Advisors with guidance in this area.
  
  - d. Time Horizon - Mid-Term.
  
  - e. Tax Considerations - None, since this organization is tax exempt.
  
  - f. Illiquidity - The overall portfolio can maintain up to 5% illiquidity.
3. **Liquidity Pool Investment Objectives**:

The Foundation seeks to preserve the principal balance of all funds directed into this pool. As such, Capital Preservation and Liquidity are the primary objectives.

- a. Portfolio Return Objective - Achieve a time-weighted, real rate of return of above the prevailing rate of the U.S. 90 Day T-Bill, after fees and program costs.
  
- b. Portfolio Risk Tolerance - The risk to the portfolio must be conservative.
  
- c. Withdrawal Requirements - 100% drawdown within 24 months, as determined by the SBCF Board.
  
- d. Time Horizon - Short-Term.
  
- e. Tax Considerations - None, since this organization is tax exempt.
  
- f. Illiquidity - The overall portfolio must maintain 100% liquidity.

**III. INVESTMENT AND ASSET GUIDELINES**

Sand Hill Global Advisors will utilize an appropriate combination of individual securities in direct accounts and specialized third party, commingled fund or mutual fund alternatives to implement the asset allocation. Implementation will include passive strategies such as index funds or exchange-traded funds (ETFs) and active strategies. Third-party offerings will be used to enhance the portfolio's diversification in certain asset classes that require specialized expertise or where liquidity may be limited. In each case, the potential for added value, institutional share class fees and cost effectiveness will be a major consideration.

A Direct Account is defined as any investment account registered in the name of the Foundation.

SAN BRUNO COMMUNITY FOUNDATION  
INVESTMENT OPERATING PLAN

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**1. Individual Equity Securities in the Direct Account:**

- a. No individual equity securities (stocks) will be held in any Direct Account.
- b. Direct investments in any equity securities of Pacific Gas & Electric Corporation (Symbol: PCG) are prohibited.

**2. Individual Fixed Income Securities in Direct Accounts:**

- a. Individual fixed income securities (bonds) may be held in Direct Accounts. These include, but are not limited to, municipal bonds, U.S. government securities, federal government agency securities, corporate debt (limited to U.S. or multinational corporations), and high yield debt.
- b. With the exception of U.S. government securities and federal government agency securities, no more than 5% at cost of the portfolio may be invested in the securities of a single issuer.
- c. Up to 5% of the total account may be invested in below investment grade securities, commonly referred to as “high yield debt,” but only through adequately diversified investment vehicles.
- d. Direct investments in any fixed income securities of Pacific Gas & Electric Corporation are prohibited.

**3. Commingled Funds, Mutual Funds and Index Funds:**

- a. Commingled funds, mutual funds, and index funds may be held in Direct Accounts.
- b. The fund selection process will incorporate criteria such as investment style and process, experience of the investment team, organizational stability and performance analysis such as long-term, risk-adjusted returns, manager tenure, relative performance in up and down markets, consistency of management style, and the associated cost to own (expense ratio). When appropriate, negotiations will occur with custodians for the waiver of loads, minimums, and transaction fees.

**4. Other Investments:**

- a. Other investments may be held in Direct Accounts.
- b. Other investments will be broadly defined, but not limited to, as investments in market-neutral funds, commodities and gold, real return strategies, venture capital, and real estate. These categories are to be implemented only through diversified investment vehicles.
- c. In the case of market neutral private partnerships, the diversification should be achieved through the use of a “fund of funds.”
- d. The real estate portion may be comprised of private and publicly held real estate investments.

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INVESTMENT OPERATING PLAN

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**5. Cash and Cash Equivalents:**

- a. Cash and cash equivalents may be held in Direct Accounts.
- b. Cash equivalent positions will be high quality instruments such as U.S. Treasury Bills, Eurodollar Certificates of Deposit, time deposits (CDs), money market funds, and repurchase agreements.

**6. Investment Procedures:**

- a. Diversification: All portfolios will be managed as diversified portfolios. The goal of diversification across various asset classes, sectors, and security types is to minimize risk while improving performance.
- b. Investment Vehicles: Within the constraints of the target asset allocation of each portfolio, investments will be allocated across various asset classes, either directly or through pooled or commingled investment accounts (mutual funds and index funds), that might include domestic and foreign equities, bonds, real estate, alternative investments, and cash or cash equivalents. With each asset class, the Investment Manager will weigh factors including expense, market efficiency, transparency of information, and diversification to determine whether direct investments or commingled investments are in the Foundation's best interests.
- c. Rebalancing: Rebalancing is designed to minimize portfolio deviations from allocation targets. The portfolio will be reviewed regularly by the Investment Manager and rebalanced whenever the weighting of a major asset class deviates materially from the target asset allocation, or a tactical opportunity presents itself.
- d. Custody of Assets: The Foundation's assets shall be held at a third-party custodian recommended by the Investment Committee and approved by the Board. The Investment Manager shall have discretion and authority to trade on behalf of the Foundation via the custodian's trading platform.
- e. Custodian's Margin Loan Option: A Margin Loan allows a brokerage account holder to gain access to cash by borrowing against the invested securities in the account. The margin loan option on any Direct Accounts shall be disabled.

**IV. ASSET ALLOCATION**

Generally, the allocations for each pool will be within the ranges shown below; however, SHGA is permitted to have a more defensive position that may result from significant cash inflows or outflows. Initial implementation of all three pools will be achieved over a three-month transitional period involving staggered commitments. The initial funding of the three pools will be a combination of cash and fixed income securities (government bonds and CDs).

SAN BRUNO COMMUNITY FOUNDATION  
INVESTMENT OPERATING PLAN

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**1. Quasi-Endowment Pool**

	<u>Bottom Range</u>	<u>Target</u>	<u>Top Range</u>
EQUITY	40%	52%	65%
FIXED INCOME	20%	30%	40%
REAL ESTATE AND COMMODITIES	0%	8%	15%
MARKET NEUTRAL	0%	8%	15%
CASH AND CASH EQUIVALENTS	0%	2%	15%

**2. Strategic Pool**

	<u>Bottom Range</u>	<u>Target</u>	<u>Top Range</u>
EQUITY	12%	16%	20%
FIXED INCOME	53%	70%	88%
REAL ESTATE AND COMMODITIES	0%	4%	8%
MARKET NEUTRAL	0%	8%	12%
CASH AND CASH EQUIVALENTS	0%	2%	15%

**3. Liquidity Pool**

	<u>Bottom Range</u>	<u>Top Range</u>
SHORT DURATION FIXED INCOME	0%	100%
CASH AND CASH EQUIVALENTS	0%	100%

Duration is defined as an approximate measure of a bond's price sensitivity to changes in interest rates. Shorter the duration means the less interest rate risk and longer duration means more interest rate risk. The average duration of the fixed income portion of the Liquidity Pool will range from 0 to 24 months, consistent with spending timeline described in Section VII.3 of the Foundation's Investment Policy Statement.

SAN BRUNO COMMUNITY FOUNDATION  
INVESTMENT OPERATING PLAN

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**V. BROKERAGE AND PROXY POLICY**

1. All transactions effected for SBCF will be “subject to the best price and execution.” Securities and cash will be held in custody at Fidelity Investments.
2. Proxy voting has been delegated to SHGA. SHGA has retained Broadridge to vote proxies.

**VI. CONTROLS AND MONITORING**

**1. Payout and Withdrawals:**

- a. For unplanned withdrawals from any SBCF pool, SBCF staff will notify SHGA a minimum of five business days in advance to allow time for trade execution, trade settlement and fund transfer through the Liquidity Pool (if necessary) and out to SBCF’s external operating account.
- b. Notice in excess of five business days will provide additional time for SHGA to manage the liquidation of securities.
- c. If notice is provided less than five business days in advance, SHGA will attempt to fulfill the withdrawal request on a best efforts basis. SBCF has restricted the use of margin on all accounts, therefore cash must be available to be withdrawn.
- d. Pool-Specific Operating Guidelines:

i. Quasi-Endowment Pool

Payout amount will be determined once annually, prior to the conclusion of the Foundation’s fiscal year for the subsequent fiscal year. The payout rate will range up to 7%, as determined by the Board, multiplied by the average of the latest available twelve prior quarter-ending Quasi-Endowment values. From the initial funding of the Quasi-Endowment Pool through the end of fiscal year 2016-2017, the payout rate will be 0%. During fiscal years 2017-2018 and 2018-2019, the default payout rate will be 3%, multiplied by the simple average of all quarter-ending Quasi-Endowment values available at the time of the annual payout decision. One-twelfth (1/12) of the annual payout amount will be withdrawn from the Quasi-Endowment and deposited in the Liquidity Pool on a monthly basis.

ii. Strategic Pool

Withdrawals will be determined by the timing of project expenditures, per guidance from the SBCF Board. SBCF will provide a schedule of likely withdrawals to SHGA at the time of the annual budget planning process. Cash proceeds will be deposited in the SBCF Liquidity Pool on an as-needed basis.

iii. Liquidity Pool

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The Liquidity Pool will contain funds that have been earmarked for disbursement by the SBCF Board, with the guidance from the Investment Committee. As directed by SBCF staff, withdrawals will take place in the subsequent 0-24 months following initial deposit into the Liquidity Pool.

2. **Quarterly Reviews** – SHGA will provide the SBCF Investment Committee with quarterly performance and holdings reports to allow the Committee to review the investment performance of SHGA and the individual investments (retained by SHGA) in the portfolio with respect to the risk and return objectives established for SBCF. The review may include topics such as the overall business management, organizational changes and other relevant factors.
3. **Annual Board Meeting** – SHGA will present to the full SBCF Board of Directors on an annual basis.

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**VII. SIGNATURES**

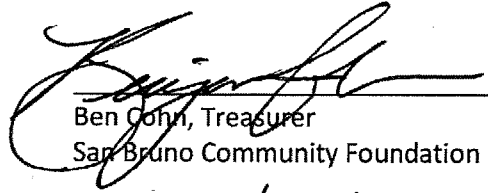
Reviewed and Accepted By:



Brian Dombkowski, CFA  
Chief Executive Officer  
Sand Hill Global Advisors, LLC

Date: 5/11/16

Reviewed and Accepted By:



Ben Cohn, Treasurer  
San Bruno Community Foundation

Date: 5/4/16



Leslie Hatamiya, Executive Director  
San Bruno Community Foundation

Date: 5/4/16

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**APPENDIX**

**1. Benchmark Composition**

The Blended Benchmark will be used for the total portfolio review and to review SHGA. Individual asset classes will be reviewed using the indices most appropriate and assigned to each manager or investment style.

The Blended Benchmark is composed as follows:

<b>Asset Class</b>	<b>Index</b>	<b>Weight</b>		
		<b><u>QEP</u></b>	<b><u>SP</u></b>	<b><u>LP</u></b>
<b>Equity</b>				
Domestic Large Capitalization	S&P 500 Index	30%	9%	0%
Domestic Small Capitalization	Russell 2000 Index	9%	3%	0%
International	MSCI All-Cap World Index excl. USA	13%	4%	0%
<b>Fixed Income</b>	Barclays Capital Aggregate Index	30%	70%	0%
<b>Real Estate</b>	NAREIT Index	6%	4%	0%
<b>Commodities/Natural Resources</b>	Dow Jones UBS Commodity Index	2%	0%	0%
<b>Market Neutral</b>	Barclays 1-3 Year Aggregate Index	8%	8%	0%
<b>Cash/Cash Equivalents</b>	U.S. T-Bill 90 day Index	2%	2%	100%

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**2. Benchmark Definitions**

**EQUITY MARKET INDICATORS**

The market indicators included in this report are regarded as measures of equity or fixed-income performance results. The returns shown reflect both income and capital appreciation.

**Standard & Poor's 500 Index** is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The index is capitalization-weighted, with each stock weighted by its proportion of the total market value of all 500 issues. Thus, larger companies have a greater effect on the index.

**Russell 2000 Index** is composed of the 2000 smallest stocks in the Russell 3000 Index, representing approximately 11% of the U.S. equity market capitalization.

**INTERNATIONAL EQUITY MARKET INDICATORS**

**Morgan Stanley Capital International (MSCI) All Cap World Index (ACWI) Ex-USA Index** is composed of approximately 6,000 equity securities representing the stock exchanges of Europe, Australia, New Zealand, the Far East and Emerging Market nations capturing 99% of the global investable market outside of the US. The index captures large, mid and small-cap companies. The index is capitalization-weighted and is expressed in terms of U.S. dollars.

**FIXED-INCOME MARKET INDICATORS**

**Barclays Capital Aggregate Bond Index** is a combination of the Mortgage Backed Securities Index and the intermediate and long-term components of the Government/Credit Bond Index.

**OTHER INDICES**

**National Association of Real Estate Investment Trusts (NAREIT) Index** is the only REIT index to include all REITs currently trading on the New York Stock Exchange, the NASDAQ National Market System and the American Stock Exchange. It is also the first index to include monthly historical statistics from 1972. It is often used as a publicly traded approximation for the illiquid private real estate market.

**Dow Jones UBS Commodity Index** is designed to be a highly liquid and diversified benchmark for the commodity futures market. Commodities as an asset class have historically demonstrated returns that are negatively correlated with returns of stocks and bonds and that are positively correlated with inflation measures.

**Barclays 1-3 Yr Aggregate Bond Index** is a combination of the Mortgage Backed Securities Index and the shorter duration components of the Government/Credit Bond Index.

**U.S. T-Bill 90 Day Index** is the benchmark used to measure cash. It is also considered to be the “risk-free rate” for the purposes of performance measurement.

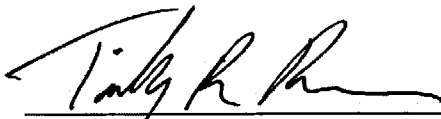
**AMENDMENT #1 TO INVESTMENT OPERATING PLAN  
OF THE SAN BRUNO COMMUNITY FOUNDATION**

1. This Amendment, which is dated June 7, 2017, modifies the Investment Operating Plan of the San Bruno Community Foundation, approved by the San Bruno Community Foundation Board of Directors on May 4, 2016, and executed by the San Bruno Community Foundation and Sand Hill Global Advisors, LLC, on May 11, 2016 (a copy of which is attached hereto for reference).
2. Section VI.1.d.i., Pool-Specific Operating Guidelines for the Quasi-Endowment Pool, is amended in its entirety to be read as follows: ,

Payout amount will be determined once annually, prior to the conclusion of the Foundation's fiscal year for the subsequent fiscal year. The payout rate will range up to 7%, as determined by the Board, multiplied by the average of the latest available twelve prior quarter-ending Quasi-Endowment values. From the initial funding of the Quasi-Endowment Pool through the end of fiscal year 2016-2017, the payout rate will be 0%. During fiscal year 2017-2018, the default payout rate will be 2.25%, multiplied by the simple average of all quarter-ending Quasi-Endowment values available at the time of the annual payout decision. Cash proceeds will be deposited in the SBCF Liquidity Pool on an as-needed basis.

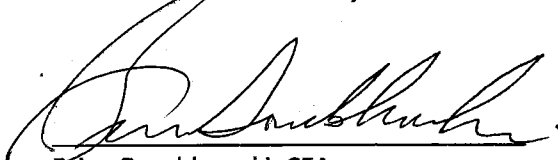
3. In all other respects, the Investment Operating Plan is affirmed.

**San Bruno Community Foundation:**

  
\_\_\_\_\_  
Tim Ross  
Treasurer

  
\_\_\_\_\_  
Leslie Hatamiya  
Executive Director

**Sand Hill Global Advisors, LLC**

  
\_\_\_\_\_  
Brian Dombkowski, CFA  
Chief Executive Officer