

SAN BRUNO

Community Foundation

Investment Committee

Tim Ross, *Chair* • Anthony Clifford, Mark Hayes, Frank Hedley, and Georganne Perkins, *Members*
Leslie Hatamiya, *Executive Director*

AGENDA

SAN BRUNO COMMUNITY FOUNDATION

Regular Meeting of the Investment Committee

February 21, 2018

4:30 p.m.

Meeting Location:

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

In compliance with the Americans with Disabilities Act, individuals requiring reasonable accommodations or appropriate alternative formats for notices, agendas, and records for this meeting should notify us 48 hours prior to meeting. Please call the City Clerk's Office at 650-616-7058.

- 1. Call to Order**
- 2. Roll Call**
- 3. Approval of Minutes:** November 15, 2017, Regular Investment Committee Meeting
- 4. Executive Director's Report**
- 5. Conduct of Business**
 - a. Receive Report from Sand Hill Global Advisors, LLC (SHGA) regarding SHGA's Investment Outlook and SBCF's Investment Portfolio Performance
- 6. Public Comment:** Individuals are allowed three minutes, groups in attendance, five minutes. If you are unable to remain at the meeting, contact the President to request that the Board consider your comments earlier. It is the Board's policy to refer matters raised in this forum to staff for research and/or action where appropriate. The Brown Act prohibits the Board from discussing or acting upon any matter not agendaized pursuant to State Law.
- 7. Committee Member Comments**
- 8. Adjourn**

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MINUTES

SAN BRUNO COMMUNITY FOUNDATION

Regular Meeting of the Investment Committee

November 15, 2017

4:30 p.m.

Meeting Location:

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

- 1. Call to Order:** Committee Chair Tim Ross called the meeting to order at 4:33 p.m.
- 2. Roll Call:** Committee Members Ross, Clifford, Hayes, and Hedley, present; Perkins excused.
- 3. Approval of Minutes:** August 23, 2017, Special Investment Committee Meeting: Committee Member Hayes moved to approve the minutes of the August 23, 2017, Special Meeting, seconded by Committee Member Clifford, passed with one abstention (Hedley).

4. Executive Director's Report

Executive Director Hatamiya gave an update on the Foundation, highlighting three items. First, she reported on the changes in leadership in the City of San Bruno, including a new Mayor, a new City Councilmember, and the retirements of the City Clerk, City Treasurer, City Manager, and Director of Community Services.

Second, she reported on the Foundation's recent program highlights:

- **Recreation and Aquatic Center:** The project is proceeding with a multi-phase approach, starting with conceptual design phase. The City Council is expected to approve an architectural firm for the conceptual design, and the Foundation will soon execute a \$550,000 grant agreement with the City for this stage.
- **Pedestrian Safety Initiative:** The Foundation will soon execute a grant agreement for \$263,952 with the City, of which YouTube is contributing \$126,000. The first flashing beacon is to be installed at the end of the year, with a groundbreaking scheduled for November 28.

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- Florida Avenue Park: There has been a delay in construction of the park due to inadequate construction drawings. The Foundation will likely pay the \$200,000 grant for this project in the first quarter of 2018.
- First Responder Effectiveness Strategic Initiative: This is a new strategic grant idea, as the Board in early November created ad hoc committee charged with partnering with the San Bruno Police and Fire Departments on important projects to improve effectiveness that the City is unable to fund.
- Community Grants Fund: The Foundation received 36 applications by the September 27 deadline, which the review panel is now evaluating. SBCF has committed to giving \$200,000 in Community Grants. With a \$100,000 donation from a community partner, the Foundation will be awarding a total of \$300,000 in Community Grants in December.
- Crestmoor Neighborhood Memorial Scholarship: The 2018 program will launch in early December. The Board has budgeted \$120,000 for scholarships this cycle.
- Music Education Strategic Initiative: Implementation of the program is proceeding on schedule, with a steering committee led by the San Bruno Education Foundation planning a spring fundraiser.

Finally, Ms. Hatamiya reported on the schedule of transfers from the Quasi-Endowment and Strategic Pool accounts to the Liquidity Pool account to cover the Foundation's cash needs through June 30, 2018, consistent with the fiscal year 2017-2018 budget passed by the Foundation Board in June (\$352,921 from the Quasi-Endowment and \$1,071,914 from the Strategic Pool). She noted that the initial transfer from the Strategic Pool to the Liquidity Pool of \$700,000 took place as scheduled on November 1, although no funds have been transferred to the Foundation's Wells Fargo bank accounts. She also reported that a transfer from the Quasi Endowment to the Liquidity Pool of \$352,921 is scheduled for December 1 and another transfer from the Strategic Pool to the Liquidity Pool of \$371,914 is scheduled for April 1.

5. Conduct of Business

- a. Adopt Resolution Canceling August 15 and November 21, 2018, Regular Meetings of the Investment Committee and Scheduling Special Meetings on August 22 and November 14, 2018

Executive Director Hatamiya explained the need to adjust the 2018 quarterly meeting schedule due to travel plans in August and to avoid having a meeting on the Wednesday before Thanksgiving.

Committee Member Hayes moved to adopt the resolution canceling the August 15 and November 21, 2018, Regular Meetings of the Investment Committee and scheduling Special Meetings on August 22 and November 14, 2018, seconded by Committee Member Hedley, passed unanimously.

SAN BRUNO

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- b. 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, Chief Investment Officer Brenda Vingiello, and Senior Wealth Manager Kristin Sun represented SHGA at the meeting.

Mr. Dombkowski gave an overview of the firm's investment outlook, describing the current stage of the economic cycle as mid-to-late cycle. He gave a summary of the firm's current economic forecast for the fourth quarter of 2017, commenting on economic growth, interest rates, the employment market, corporate earnings, international developed markets, emerging markets, inflation, commodity markets, valuation, and the housing market.

Ms. Vingiello reviewed the Foundation's Investment Dashboard for the third quarter of 2017, including September 30, 2017, balances of \$17,159,092 for the Quasi-Endowment, \$56,140,460 for the Strategic Pool, and \$89,109 for the Liquidity Pool. She reported that in the third quarter, SHGA increased European equity and small cap equity, while reducing fixed income and mid cap equity holdings. She also discussed SHGA's plans to invest in an insurance-linked securities fund. The SHGA team also reviewed performance data of underlying funds in the Foundation's Quasi-Endowment, Strategic, and Liquidity pools.

5. Public Comment: None.

6. Committee Member Comments: None.

7. Adjourn: Committee Member Hayes moved to adjourn the meeting at 5:51 p.m., seconded by Chair Ross, approved unanimously.

Respectfully submitted for approval at the Regular Investment Committee Meeting of February 21, 2018, by Investment Committee Chair Tim Ross.

Tim Ross, Investment Committee Chair

SAN BRUNO

Community Foundation

Memorandum

DATE: February 15, 2018

TO: Investment Committee, San Bruno Community Foundation

FROM: Leslie Hatamiya, Executive Director

SUBJECT: February 21, 2018, Investment Committee Special Meeting

The Investment Committee of the San Bruno Community Foundation will have its regular quarterly meeting at 4:30 p.m. on Wednesday, February 21, 2018, at San Bruno City Hall, Room 101, 567 El Camino Real, San Bruno.

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 February 21 meeting include:

- Program highlights, including an update on the second cycle of the Community Grants Fund, the third cycle of the 2018 Crestmoor Neighborhood Memorial Scholarship program now in progress, and updates on projects the City of San Bruno including the recreation center and swimming pool facility and a new first responder effectiveness strategic initiative
- Schedule of transfers from the Quasi-Endowment and Strategic Pool accounts to the Liquidity Pool account to cover the Foundation's cash needs through June 30, 2018, consistent with the FY2017-2018 budget passed by the Foundation Board in June (\$352,921 from the Quasi-Endowment and \$1,071,914 from the Strategic Pool)
- A reminder of upcoming 2018 Investment Committee meetings, all at 4:30 p.m. at San Bruno City Hall: May 16, August 22, and November 14

2. Report from Sand Hill Global Advisors, LLC (SHGA) Regarding SHGA's Investment Outlook and SBCF's Investment Performance

Representing SHGA at the Committee meeting will be Chief Executive Officer Brian Dombkowski and Senior Wealth Manager Kristin Sun. Mr. Dombkowski and Ms. Sun will give a two-part presentation to the Committee that will cover (a) SHGA's investment outlook and (b) the performance thus far of the Foundation's investment portfolio.

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Memorandum

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 first quarter of 2018, including the firm's perspective on economic growth, interest rates, employment market, corporate earnings, international market, housing market, inflation, and commodity markets.

b. SBCF's Investment Performance

The second part of SHGA's presentation will review the performance of the Foundation's investment portfolio for the fourth quarter of 2017 (second quarter of the fiscal year). The SHGA team will walk the Committee through the attached Investment Dashboard for December 31, 2017, 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 and a review of active managers.

Attachments:

1. SBCF Investment Dashboard, as of December 31, 2017

The San Bruno Community Foundation Investment Dashboard

As of December 31, 2017

Current Outlook:

Economic Environment: The fourth quarter rounded out a strong year as global growth expanded in a synchronized way for the first time since 2010. Financial markets reacted positively, even in the face of significant political and geopolitical tensions, as double digit corporate earnings growth supported strong returns in the equity market and yield curve flattening led to positive returns in fixed income. Commodity prices also began to rise as oil supply and demand became more balanced and demand for commodities grew. Our outlook remains favorable this year and is supported by strong domestic fundamentals, an improved global backdrop and a modest lift coming from recent tax policy changes. We project U.S. GDP growth will be in the range of 2-2.5%. Long term interest rates remained stubbornly low during 2017 and we anticipate this could change this year. A potential pick-up in inflation combined with the Federal Reserve's balance sheet continuing to shrink could result in the yield curve steepening. Additionally, other central banks are likely to begin reducing the size of their balance sheets in early 2019, potentially resulting in longer term interest rates rising globally. The outlook for corporate earnings growth continues to be robust, particularly outside the U.S. where corporations are still recovering from several years of earnings declines and this should support a positive, although more normalized, return environment this year. Inflation will be the wild card this year as it has been elusive but appears poised to increase as commodity prices recover and wages are likely to rise as the employment market tightens. Despite this being the ninth year of this economic cycle, we do not see signs of slowing growth as leading indicators continue to suggest further economic improvement and the global economy is healthy.

Market Environment: Domestic and international equity market returns were robust during the quarter and were driven by stronger than expected corporate earnings and a newly signed U.S. tax bill. Fixed income returns were more muted as the market anticipated the December Federal Reserve rate hike. Commodity prices continued to recover as demand increased and supply and demand for oil became more balanced.

Portfolio Response: Given the very robust returns in equity, the account was overweight equity when compared to our tactical target. Late in the quarter we rebalanced the portfolio by reducing equity and adding to fixed income.

Performance		Quasi-Endowment Pool			Custom Blended		
		Benchmark	+ / -	Strategic Pool	Benchmark	+ / -	
Quarterly	Q4 2017	3.82%	3.27%	0.55%	1.32%	1.24%	0.08%
	Q3 2017	3.22%	3.07%	0.15%	1.53%	1.50%	0.03%
	Q2 2017	2.03%	2.45%	-0.42%	1.32%	1.72%	-0.40%
	Q1 2017	3.58%	3.46%	0.12%	1.67%	1.65%	0.02%
Calendar	1 Year	13.25%	12.82%	0.43%	5.97%	6.26%	-0.29%
	ITD	11.49%	11.01%	0.48%	3.87%	3.75%	0.12%

Portfolio Action	Increased	Decreased	Growth/Capital Preservation
Q4 2017	Rebalanced Back to Target		64/36
	Fixed Income	Large Cap Equity	
Q3 2017	Shift to Attractively Valued Assets		64/36
	European Equity	Fixed Income	
	Small Cap Equity	Mid Cap Equity	
Q2 2017	Eliminating European Equity Underweight		62/38
	European Equity	Domestic Large Cap Equity	

Asset Allocation	Quasi-Endowment Pool	31-Dec-17	Strategic Target	Strategic Pool	31-Dec-17	Strategic Target
Large Cap Equity	\$5,393,954	31%	30%	\$5,147,354	9%	9%
SMID Cap Equity	\$1,819,237	10%	9%	\$1,743,075	3%	3%
International/EM Equity	\$2,934,516	17%	13%	\$4,371,372	8%	4%
Fixed Income	\$4,601,805	26%	30%	\$37,257,789	66%	70%
Real Assets	\$1,093,084	6%	8%	\$1,340,035	2%	4%
Market Neutral	\$1,326,331	8%	8%	\$4,920,563	9%	8%
Cash	\$288,833	2%	2%	\$1,397,345	2%	2%
Total	\$17,457,761	100%	100%	\$56,177,533	100%	100%

Balances	Quasi-Endowment	Strategic	Liquidity	Total
Q4 2017	\$17,457,761	\$56,177,533	\$1,144,112	\$74,779,405
Q3 2017	\$17,159,092	\$56,140,460	\$89,109	\$73,388,661
Q2 2017	\$16,618,083	\$55,279,359	\$88,489	\$71,985,931
Q1 2017	\$16,300,189	\$54,595,232	\$922,016	\$71,817,437

Illiquidity as of 12/31/2017	1-Year	3-Year	Longer	Total
Account Illiquidity	0.00%	0.00%	0.00%	0.00%

Governance Checklist	OK
Asset allocation within target range: All weights are in compliance.	✓
No Direct investments in any equity or debt securities of Pacific Gas & Electric.	✓
No individual equity securities (stocks) will be held in any Direct Account.	✓
No below investment grade allocation > 5% of portfolio value.	✓
With the exception of U.S. government securities, no more than 5% at cost of the portfolio may be invested in the securities of a single issuer.	✓
Quasi-Endowment Pool can maintain up to 10% illiquidity.	✓

