

**MINUTES FOR MEETING OF BOARD OF DIRECTORS
OF
SAN BERNARDINO VALLEY CONSERVATION TRUST,
a California Nonprofit Public Benefit Corporation**

Wednesday, October 18, 2023 – 2:00 pm

CALL TO ORDER –2:02 p.m.

ROLL CALL

David E. Raley, SBV Water Conservation District (District)
John Longville, SBV Water Conservation District (Arrival 2:15 pm)
Paul Kielhold, SBV Municipal Water District (Absent)
Brad Buller, IE Resource Conservation District

Milan Mitrovich, SBV Water Conservation District
Angie Quiroga, SBV Water Conservation District
David Cosgrove, SBV Water Conservation District
Bob Stewart, SBV Water Conservation District
Ellen Clark, PFM Asset Management(remote)
Sarah Hart, PFM Asset Management(remote)
Laura Arvizu, Rogers, Anderson, Malody & Scott, LLC (RAMS) (remote)
Joanna Gibson, SBV Municipal Water District (remote)
Kai Palenscar, US Fish & Wildlife Service (remote)

1. PUBLIC PARTICIPATION -None
2. APPROVAL OF MINUTES FROM JULY 19, 2023

Action: Motion was made by Vice President Longville and seconded by President Raley to approve the meeting minutes from July 19, 2023. The motion carried 3-0-1 with all members present voting in the affirmative.

President Raley: Yes
Vice President Longville: Yes
Director Kielhold: Absent
Director Buller: Yes

3. APPOINTMENT OF OFFICERS

Action: Motion was made by Director Buller and seconded by Vice President Longville to reappoint David Raley as President, John Longville as Vice President and Milan Mitrovich as Executive Officer/Secretary/CFO for another annual term. The motion carried 3-0-1 with all members present voting in the affirmative.

President Raley: Yes
Vice President Longville: Yes
Director Kielhold: Absent
Director Buller: Yes

4. REVIEW DRAFT AUDIT REPORT AND CONSIDER APPROVAL

Laura Arvizu, Audit Manager, from RAMS provided an overview of what the audit entails. RAMS' services include the audit of the financial statements and a letter of their findings. RAMS does assist the Trust in completing the financial statements solely based on what management provides but RAMS is only responsible for the audit of the report and their opinion letter. Mr. Cosgrove stated this is the disclaimer that would be made by any auditor. Ms. Arvizu stated the audit process is done in accordance with US Generally Accepted Accounting Principles (GAAP). RAMS reviews the recording of the financial transactions, internal controls, checks received, and payments sent out making sure the balances agree to what is shown in the Trust's records through June 30, 2023. There were no significant changes this year as far as presentation of the report. RAMS has determined an overall clean audit which is the cleanest opinion they can issue. Ms. Arvizu thanked management and stated it is always a pleasure working with Ms. Quiroga.

Action: Motion was made by Vice President Longville and seconded by Director Buller to approve the FY 2022/2023 audit report as presented. The motion carried 3-0-1 with all members present voting in the affirmative.

President Raley: Yes
Vice President Longville: Yes
Director Kielhold: Absent
Director Buller: Yes

5. FINANCIAL STATUS UPDATE

Angie Quiroga presented the financial status update starting on package page 19. The Trust received additional mitigation deposit funds from S-P Deerfield in the amount of \$5,000 and a new agreement and deposit of \$10,000 from TREH Partners. As discussed at the last meeting and reviewed by the auditors, \$351,153.64 was reimbursed to the District for the first three years of implementation expenses. She reviewed remaining revenue and expenses incurred for the quarter noting US Bank investments unrealized loss of \$131,029.82. She advised our accounts receivable remains unchanged at this time. The liability to the District was reduced by the reimbursement payment and increased by additional implementation costs for the quarter in the amount of \$106,085 leaving the current balance at \$2,298,551 and an unearned mitigation credit liability balance of \$179,766. President Raley inquired about the District loan. Mr. Mitrovich reminded the Board that the District has assisted the Trust with a loan to complete requirements of the Wash Plan HCP since approval in 2020 ahead of a fully-funded endowment. Both Cemex and Robertson's are waiting on approval and completion of the land exchange with BLM before paying their share of the endowment.

Action: Motion was made by Vice President Longville and seconded by Director Buller to approve the quarterly financial report as presented. The motion carried 3-0-1 with all members present voting in the affirmative.

President Raley: Yes
Vice President Longville: Yes
Director Kielhold: Absent
Director Buller: Yes

6. PFM INVESTMENT PERFORMANCE REVIEW UPDATE FOR QUARTER ENDED JUNE 30, 2023

Ellen Clark, PFM Asset Management Director, re-introduced herself and introduced Sarah Hart who has been with PFM for 7 years, joined the Multi-Asset Class team this past summer, and will be our new point of contact replacing Matt Smith. Ms. Hart provided a slide presentation touching on performance-to-date and the past year's economic factors. She discussed Federal rate hikes, effects of higher interest rates, gross domestic product (GDP), consumer confidence, unemployment and inflation. President Raley and Vice-President Longville requested, going forward, less detailed information on the overall market and more specific information to the status of the Trust's investments is what the Board would like to receive. Ms. Clark continued the slide presentation focusing on the status of the Trust's portfolio. She stated there is just over \$3.2 million in the portfolio as of June 30, 2023. There have been some robust return numbers, 3.6% on the quarter, the trailing one year at 9.5%, and since inception, which is just over 5 years, is 6.4% on an annualized basis. We are sitting just under the Blended benchmark which represents 46% allocation in Domestic Equities using the Russel 3000 index as the benchmark, 24% allocation in International Equities using MSCI AC World ex USA as the benchmark, and a fixed income index at 30% allocation using Bloomberg Aggregate Index as the benchmark. The portfolio is performing in line with expectations. Based on discussions with Mr. Mitrovich, the key number we are looking to achieve is 4% spending out of this portfolio with 2 or 2 ½% inflation so you will need 6-6 ½% returns which has been achieved over the last 5+ years. This item was received and filed.

7. COMMUNITY MITIGATION UPDATES

This item was taken out of order. Mr. Mitrovich stated work with San Bernardino County Transportation Authority (SBCTA) is moving forward on the mitigation lands and defining the conservation easement. We anticipate we will have it ready when we meet again in January. Mr. Cosgrove added in coordination with CDFW, we have retained Black Gold Surveying to do easement encumbrances mapping. We expect to see the work within a week and with this mapping, we believe we have everything to finalize the packet CDFW requires. Mr. Mitrovich stated we are also looking for available acreage through the projects in order to trade conservation easements in support of mitigation needs for the Blossom Trails project and Greenspot Crossings. The most significant work, in terms of size, is being completed on the 295 acres committed to Valley District under the River HCP which also falls within the community mitigation program. These are all easements the Trust will hold in time. SBCTA's project will generate the first conservation easement held by the Trust. President Raley requested staff re-review the Trust's use of California Credit Union and compare to other credit unions to make sure of the safest keeping of Trust funds. Director Buller added that IERCD recently did an evaluation of credit unions and banks, looking for those in the industry of green, and suggested reaching out to Mandy Parkes at IERCD for their results. This item was received and filed.

8. GRANT APPLICATION UPDATES

Mr. Mitrovich stated the BLM application for a fuels management grant that was discussed at our last meeting, has since been secured and we were awarded \$819,500 in September of federal funds to be used over the next five years. These funds provide the resources to manage fuels within our wash, consistent with the overarching Wash Plan HCP, in collaboration with BLM. We are working with two subcontractors: Origin Biological for biological monitoring and Nakae & Associates to do the restoration component of that work. The draft contracts were sent to all Board members by email this past weekend for review. With approval, we have the ability to move out this Fall/Winter with that work. There are additional funds that do come to the Trust to cover both my time in support of the project and Ms. Quiroga's administrative time as well. This work is done in partnership with the District so there are matching funds that are made available as we address the unhooded population, human activities and look to minimize ignition risk. This grant was in support of the California Fuels Management and Community Fire Assistance Program specific to the Investing in America Act. Because we were unable to get these contracts finalized for this meeting, the recommendation is to review and consider approval at another meeting date. We are looking at another date next week so we can move forward with the work before our next meeting in January. Mr. Cosgrove stated there is significant overlap in the activities that we are already required to do fuel and habitat management so with these funds, the contract work will have direct fire and fuel control benefits. BLM is reviewing the contracts but the contracts have to be on the agenda to get approval. Because the Trust does not have a policy to allow the Executive Officer the authority to approve any contracts regardless of amount without Board approval, staff will be presenting options of contract amount limits and a resolution in January requesting the Board give authority to the Executive Officer so smaller contracts can move forward ahead of meetings if necessary. Director Buller asked if they could Zoom in to the Special Meeting. Mr. Cosgrove advised there are Brown Act qualifications and request the Directors be in person to vote. The special meeting was set for Tuesday, October 24th at 2 pm. Mr. Mitrovich added the grant application was very well received. There was interest by Congressman Aguilar's office, the Director of BLM, the State Director as well as the Secretary of the Interior to see the Trust receive the award as well as see the awarding of the BLM and District land exchange. Unfortunately the event was postponed so we appreciate the Board making themselves available. This item was received and filed.

9. ADJOURN MEETING –3:02 pm.

Action: A motion was made by Vice President Longville and seconded by Director Buller to adjourn the meeting. The next Board of Director's meeting will be held on Wednesday, January 17, 2023, at 2:00 pm at 1630 W. Redlands Blvd., Redlands, CA, via teleconference and Zoom. The motion carried 3-0 -1 with all Directors present voting in the affirmative.

President Raley: Yes
Vice President Longville: Yes
Director Kielhold: Absent
Director Buller: Yes



Milan Mitrovich
Executive Officer/Secretary