

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

Thursday, October 10, 2019 – 10:00 a.m.

CALL TO ORDER – 10:00 a.m.

ROLL CALL

David E. Raley, SBV Water Conservation District (District)
Paul Williams, IE Resource Conservation District (Absent)
John Longville, SBV Water Conservation District
Gil Navarro, SBV Municipal Water District
Daniel Cozad, SBV Water Conservation District
Betsy Miller, SBV Water Conservation District
Angie Quiroga, SBV Water Conservation District
David Cosgrove, Rutan & Tucker, LLP

1. PUBLIC PARTICIPATION -None
2. APPROVAL OF MINUTES FROM JULY 11, 2019

It was moved by Director Longville and seconded by President Raley to approve the meeting minutes from July 11, 2019, as presented. The motion carried 2-0. Director Navarro abstained from the vote.

Ayes: Raley, Longville

Noes:

Absent: Williams

Abstain: Navarro

3. INTRODUCTION OF VALLEY DISTRICT DESIGNATED BOARD DIRECTOR

Mr. Cozad introduced newly appointed Director Gil Navarro from San Bernardino Valley Municipal Water District (Valley District) as required in the 2019 Partnership Agreement for Joint Active Recharge Project Development. Director Navarro spoke briefly about his background. Mr. Cozad provided the history of the Trust to better familiarize Director Navarro with the Trust's function and mission. Mr. Cosgrove explained that while there is significant overlap between the Trust and the District, they are separate legal entities. They are currently closely linked together because the District is the prime member moving the Wash Plan forward. Funding for required habitat management will come from the Trust. Discussion ensued.

4. FINANCIAL STATUS UPDATE

Mr. Cozad reviewed the financial status of the Trust on package pages 7-8. He reminded the Board that the funds for the Trust come in as a two-part payment: one part is for the endowment, and the other part is for land/issuance costs. The Wash Plan partners paid a large portion of the cost of the Habitat Conservation Plan (HCP) upfront. The partners agreed to have the District loan the remaining funds to complete the HCP and for the Trust to reimburse the District with income collected for land/issuance costs. Mr. Cozad stated the Trust had received \$2.7 million from the partners to date, \$20.00 from an independent contributor, and \$20,000 in deposits for mitigation credit. He explained we have deposit agreements with two land developers who have asked us to assist them in obtaining mitigation for their projects. These deposits function as a retainer with District staff billing against the deposit as work is completed.

He reviewed cash held by California Credit Union and investments held by US Bank and managed by PFM Asset Management. We have begun earning interest income on our investments and will have approximately 1 ½ years in additional interest income by the time Wash Plan permitting is complete. The current liability to the District is \$948,330. Director Navarro inquired as to what formula was used to determine each partner's cost. Mr. Cozad explained both habitat value of land contributed and impact to species determined a partner's share of the cost. President Raley added that the Trust does not determine how much is paid. The Trust holds the easement, and the wildlife agencies determine the cost to maintain the land for habitat. This item was received and filed.

5. WASH PLAN PROGRESS UPDATE

Ms. Miller advised that progress has been made on the Wash Plan since the Board last met. In September, District staff completed and filed our application with the U.S. Fish and Wildlife Service (USFWS) for the HCP. District completed review of the Notice of Availability, prepared by USFWS, that will be published in the Federal Register. We provided our comments in the middle of September. A big milestone was on September 18th when the final EIS was presented to USFWS. USFWS estimated a 30-day review process for their solicitor and estimated the Department of Interior's briefing in early to mid-November. Director Navarro inquired about the Wash Plan Task Force. Mr. Cosgrove explained how it was formed, how the Task Force negotiated mining on the west side, water spreading on the east side, and the remainder of the needed projects throughout the remaining Wash Plan area. Once this plan was completed, it was presented to the resource agencies. This was the beginning of a very long process to get the resource agencies' buy-in and approval. We are now at a point where the federal government has approved what we are trying to do. Their lawyers are looking at the EIS to confirm all legal aspects are in place so that we can begin the public comment period. We believe we have done enough work with the applicable resource agencies and environmental advocacy groups that they will not sue on it, and about mid-next year, we expect the HCP to be complete. This is when the Trust will really start to do work. The land and remaining funds will go into the Trust, and that's when we will start managing the land. Discussion ensued. This item was received and filed.

6. COMMUNITY MITIGATION

President Raley noted Community Mitigation is outside of the Covered activities in the Wash Plan HCP. Mr. Cozad explained that the District in their Community Strategic Planning in 2017 came up with the concept of community mitigation. The District has land which is not pledged for the covered activities in the Wash Plan that could be used to mitigate other impacts and build out the habitat preserve. Offering community mitigation allows the District to manage this land in the long-term and the easement and endowment placed with the Trust would pay for land the District would have had to pay for anyway. Mr. Cozad directed the Board to the list of Community Mitigation requests on package page 9. For the most part, the developments are at the edge of District property on Greenspot Road. S.P. Deerfield's residential development is the furthest along based on feedback from FWS. They will be the first Low Effect HCP under the new rules and will essentially be our template. A Deposit Agreement was entered into with them in March 2018 in which they estimated they would need 11.5 acres of mitigation. We believe it could be more. The District set a \$130,000 per acre fee for conservation easements. That is based on land value of the property. The cost of the endowment is estimated at \$23,000 per acre. The Trust's Board has an interest in covering its overhead costs to do these agreements, and that is set at \$5,000 per acre. The amount shown as \$8,500 in red is an estimate to get this land ready for the preserve. We do not set these costs. The FWS will require some work beforehand which will determine the costs on an individual basis. In total, mitigation for San Bernardino Kangaroo Rat (SBKR) is roughly \$166,500 per acre. Mr. Cozad discussed the deposit agreement with Highland-Fifth-Orange Partners for a development that is also along Greenspot Road. This land has better habitat, and it will cost them more to mitigate. They are looking for ways to reduce the costs and keep the project viable. Mr. Cozad reviewed remaining potential entities who may request mitigation. The District has pledged up to 295 acres to offset SBKR mitigation in the River HCP partnership with Valley District. A discounted price of \$125,000 per acre for mitigation was provided for this agreement. An acre and a half have been set aside for the District's mitigation needs for their Plunge Creek project. The District purchased land from 7-W Enterprises, which added 25 acres of good habitat that can be pledged. Mr. Cozad explained that we do not consider that a request for mitigation to be formal until a deposit agreement is received. Mr. Cozad continued on package page 10 with an example of a habitat mitigation and monitoring plan (HMMP) that developers have to pledge to the federal government in order to get their permit. The developer is asking the Trust to accept this money and complete the necessary work for them over the next five years. Package page 11 estimates long-term management costs at approximately \$23,000 per acre. The final page of their assessment estimates the total cost. This par analysis report is done and is part of the developers' HCP. Once USFWS approves the HMMP, they will issue a biological opinion and then a take permit. The HMMP determines the dollar assessment. This assessment, along with legal agreements from the Trust's legal counsel, is what will come to the Trust Board. Mr. Cosgrove advised that these will be three party documents, having both the Trust and the District sign as well as the requesting party. Director Navarro requested a field visit to view the Wash Plan area. Mr. Cozad offered to set up a time. Discussion ensued.

7. ADJOURN MEETING – 10:58 A.M.

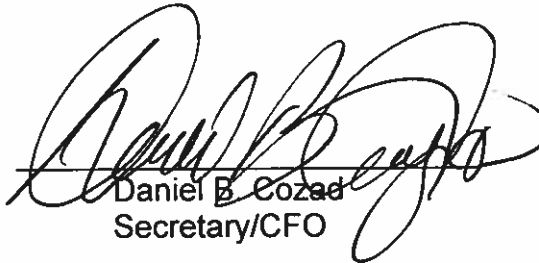
Action: Motion was made by Director Longville and seconded by Director Navarro to adjourn the meeting. The motion carried 3-0 with all Directors present voting in the affirmative.

Ayes: Raley, Longville, Navarro

Noes:

Absent: Williams

Abstain:



Daniel B. Cozad
Secretary/CFO