

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

**Wednesday, October 7, 2020 – 1:30 P.M.**

In accordance with [Governor Newsom's Executive Order N-25-20 and N-29-20](#), this meeting is being conducted via teleconference/Zoom. Anyone wishing to join the meeting can join via Zoom: **Call in (669) 900-6833, Meeting ID: 832-9999-6282**

To join the Zoom Meeting online: <https://us02web.zoom.us/j/83299996282>

Note: Copies of staff reports and other documents relating to the items on this agenda are on file at the San Bernardino Valley Water Conservation District office and are available for public review during regular District business hours. New information relating to agenda topics listed, received, or generated by the District after the posting of this agenda, but before the meeting, will be made available upon request. The San Bernardino Valley Conservation Trust intends to follow California Open Meeting laws and the Americans with Disabilities Act (ADA) in all respects. If you need special assistance with respect to the agenda or other written materials forwarded to the members of the Board for consideration at the Board meeting, or if as an attendee or a participant at this meeting you will need special assistance, the District will attempt to accommodate you in every reasonable manner. Please contact Athena Monge at (909) 793-2503 at least 48 hours prior to the meeting to inform her of your particular needs and to determine if accommodation is feasible. Please advise us at that time if you will need accommodations to attend or participate in meetings on a regular basis.

**CALL TO ORDER  
ROLL CALL**

**1. PUBLIC PARTICIPATION**

*Members of the public may address the Board of Directors on any item that is within the jurisdiction of the Board; however, no action may be taken on any item not appearing on the agenda unless the action is otherwise authorized by Subdivision (b) Section 54954.2 of the Government Code.*

**2. APPROVAL OF MINUTES FROM JULY 13, 2020.....pg. 3**

***Presenter:*** Daniel Cozad

***Recommendation:*** Review and approve minutes from July 13, 2020, as presented.

**3. REINSTATE BOARD MEMBER PAUL WILLIAMS**

***Presenter:*** Daniel Cozad

***Recommendation:*** Reinstate Paul Williams to the Board as a Director.

**4. DRAFT AUDIT REPORT/UPDATE.....pg. 7**

***Presenter:*** Daniel Cozad

***Recommendation:*** Review and approve or provide comments on the Annual Audit Report

5. FINANCIAL ADVISOR REPORT .....pg. 19

***Presenter:*** Daniel Cozad

***Recommendation:*** Review and approve market update

6. FINANCIAL STATUS UPDATE.....pg. 39

***Presenter:*** Daniel Cozad

***Recommendation:*** Review and approve quarterly financial report

7. WASH PLAN PROGRESS UPDATE/OBLIGATION OF ENDOWMENT COSTS

***Presenter:*** Betsy Miller

***Recommendation:*** Receive update on Wash Plan and discuss obligating endowment costs for emergency work.

8. SAN BERNARDINO COUNTY TRANSPORTATION AUTHORITY’S COMMUNITY MITIGATION UPDATE

***Presenter:*** Betsy Miller

***Recommendation:*** Receive update on SBCTA status

9. RESOLUTION TO SET BOARD MEETINGS FOR FIRST MONDAY OF EACH QUARTER.....pg. 41

***Presenter:*** Daniel Cozad

***Recommendation:*** Approve Resolution No. 2020-03 to set Trust meetings for the first Monday of each quarter.

10. ADJOURN MEETING

The next regular scheduled Board of Directors Meeting will be on \_\_\_\_\_, 2020 at \_\_\_\_\_, at 1630 W. Redlands Blvd., Redlands, CA.

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

**Monday, July 13, 2020 – 1:30 pm**

CALL TO ORDER –1:35 p.m. (Via teleconference and Zoom)

ROLL CALL

David E. Raley, SBV Water Conservation District (District)  
Paul Williams, IE Resource Conservation District (Absent, Retired)  
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  
Mandy Parkes, IERCD

1. PUBLIC PARTICIPATION -Bob Stewart, SBV Water Conservation District
2. APPROVAL OF MINUTES FROM APRIL 20, 2020

**Action:** Motion was made by Director Navarro and seconded by Director Longville to approve the meeting minutes from April 20, 2020, as presented. The motion carried 3-0 with all Board members present voting in the affirmative.

Ayes: Raley, Longville, Navarro

Noes:

Absent:

Abstain:

3. DESIGNATION OF BOARD OF DIRECTORS

Mr. Cozad indicated the Trust's appreciation for Paul Williams' service on the Board. Mr. Williams chose to retire from the Board in May 2020. Mr. Cozad and Mandy Parkes from IERCD discussed finding his replacement. Ms. Parkes indicated she would provide a possible candidate for the Board to consider and, if they wish, nominate to replace Mr. Williams. Mr. Cozad noted that we had worked closely with IERCD as an organization, and both organizations have the expertise for the kind of transactions and management efforts the Trust will encounter. We utilized many of IERCD's agreements as templates during the creation of the Trust. It is in the Trust's best interest to have a member from IERCD on the Board if they have one available. Ms. Parkes thanked the District for their on-going support and partnership in mitigation efforts and their water conservation programming. She stated

IERCD does have a Board member, Rick Gomez, who would like to serve on the Trust's Board. She provided a brief background on Mr. Gomez's service history and education and recommended him as an excellent addition to the Board. The Board agreed to receive and review Mr. Gomez's resume and create an action item to appoint him at the next Board meeting if satisfied with his resume. The Board considered adding a 5<sup>th</sup> Board member. President Raley opposed additional member at this time. The Board agreed.

#### 4. APPOINTMENT OF OFFICERS

President Raley presented this item. He stated there is a vacancy in the Vice President position and requested recommendations. Director Navarro nominated Director Longville to be the new Vice President. Director Longville accepted the nomination.

**Action:** Motion was made by Director Navarro and seconded by President Raley to appoint Director Longville as the new Vice President. The motion carried 3-0 with all Board members present voting in the affirmative.

Ayes: Raley, Longville, Navarro

Noes:

Absent:

Abstain:

#### 5. FINANCIAL STATUS UPDATE

Mr. Cozad reviewed the financial status reports on package pages 7-8. He noted Wash Plan participants must pay approximately \$11 million to have their projects covered under the Wash Plan. Most have paid except for Robertson's and CEMEX. Director Navarro inquired as to when the miners must pay and if we know why they haven't yet. Mr. Cozad stated there is not a specific date in which they must pay, but there is a requirement that they must pay before they mine on any of the new lands. They will likely pay portions as they phase in their work. They will decide though as to whether they pay the full endowment on the entire acreage they intend to mine or if they will pay over time. Paying over time is convenient, but the downside is they don't have the certainty of an issued Certificate of Inclusion (COI). Mr. Cozad believes given regulatory uncertainty for kangaroo rat and other covered species, the miners will pay the full amount within the next year. This fits with the timing of their COI application submission and approval. Mr. Cosgrove added that the Conservation District is in negotiations for a new lease renewal with CEMEX and one of the conditions upon the District signing the renewal is that CEMEX pay, at minimum, their issuance costs. Ms. Miller stated Robertson's has already submitted their COI application, and they are anxious to get started. Payment will have to be made for them to move forward. President Raley asked if the Trust will have any issues paying to maintain the mitigated lands if the miners don't pay their portion. Mr. Cozad explained the amount of land we have to manage and make improvements on is related to the amount of take: the land used and species being taken. They can't use any land until they pay their costs, which remains in sync with how much land is mitigated. There will be less interest from our investments to work with if they don't pay, but we will still have enough to comply with our permit. President Raley asked if the land will decrease in value over time if it is not maintained. Mr. Cozad explained active intrusions of people destroying species and habitat could cause a decrease in land value, so there could be interim costs, but it is probably sufficient to wait a few years. In general, the land does well on its own and recovers over time. Mr. Cozad continued reviewing the

financial statements. With minimal activity, we are still able to show each transaction essentially through California Credit Union. US Bank holds our investments. Year-to-date totals show they earned about \$55,500 with expenses of roughly \$11,000, resulting in a net gain of \$47,924. There was a significant dip in the market value in February and March, but it came back fairly quickly. Just as a reminder, these funds are invested in a 70/30 bond fund, which is relatively aggressive, especially compared to public agency investments. We are aiming for about a 6% return, so we can extract 4% each year even on a down cycle. The Trust holds some money that it owes to the District for land purchased or work done by District staff, which is shown as a liability. The District can request those funds at any time. Pro-rata interest is shared, so it makes sense for both entities to keep the funds there for as long as is important. Mr. Cozad reviewed the Mitigation Agreement balances. He stated he believes Woodbridge is currently stalled due to their tentative track map expiring, so they are trying to figure out what to do with their project. President Raley requested a further breakdown of investment fees at the next meeting. This item was received and filed.

## **6. WASH PLAN PROGRESS UPDATE**

Ms. Miller reported the Wash Plan was District Board approved last week. The posting of the Record of Decision on USFWS's website is expected at any time. We are also expecting to receive our Biological Opinion (BO), Implementing Agreement (IA), and Incidental Take Permit (ITP) very soon. Mr. Cozad announced the fully executed IA and ITP were just received at 1:52 pm. Ms. Miller stated with that exciting news, we are actually done, and we can transition to implementation.

We have received our first Certificate of Inclusion application from Robertson's, which will be reviewed next week. Proposals are also being received from WP Task Force members who wish to participate in a joint permit for state environmental permits and potentially federal water permits, which are not included in the ITP. A Request for Proposals was sent out about a month ago for assistance to obtain these permits. Some very well-known and reputable firms have submitted proposals so far, and the deadline for submittal is today at 5 pm. Interviews will be conducted later this month. Our goal is to bring a recommendation to the District board in August. Ms. Miller stated she will now be looking at Year 1 habitat conservation tasks and determine who will be doing what, when, and with what money. Mr. Cozad added that the District's Plunge Creek Conservation Project is set to do some of its preliminary surveying and environmental work to begin actual construction on August 3. This project will be the first WP project to be implemented. A section 7 process was completed to move forward with the project to meet grant deadlines, which were moving ahead of Wash Plan approval. We received a Safe Harbor Agreement (SHA) for our state permitting process, which is the first SHA in Southern CA history. David Cosgrove advised the Board proposals have been solicited to perform the appraisal for the land being exchanged with BLM for the WP under federal legislation, which is due by July 17. Director Navarro commended Ms. Miller for her work. This item was received and filed.

## **7. SAN BERNARDINO COUNTY TRANSPORTATION AUTHORITY'S COMMUNITY MITIGATION UPDATE**

Ms. Miller stated two of our tasks had been completed for SBCTA's 210 freeway widening project in which SBCTA purchased mitigation property from the District to be managed by the Trust and hired the Trust to act in a consultant capacity for specific items under their state

permit. We received official confirmation from CDFW that the Trust can serve as both the interim and long-term Land Manager for the sites conserved under the project and as the Endowment Manager. We are currently working on the conservation easement language, which has benefitted from Mr. Cosgrove's expertise. A second prepaid agreement from SBCTA was received in April for \$52,500, and we amended our sub-consultants agreement. About half of the funds will stay with the Trust, and half will be a pass-through to sub-consultants for work related to SBKR. We have been approached by another developer who owns property adjacent to District lands and may want to bring the Trust on in a similar capacity, but there have been no formal requests at this time. Mr. Cosgrove stated that the conservation easement is held up due to some dueling bureaucracy requirements, but we are doing our best to bring the deal together. This item was received and filed.

8. ADJOURN MEETING – 2:15 pm.

**Action:** A motion was made by Director Longville and seconded by Director Navarro to adjourn the meeting. The next regular Board of Director's meeting will be held on Wednesday, October 7, 2020, at 1:30 pm via teleconference and Zoom. The motion carried 3-0 with all Directors present voting in the affirmative.

Ayes: Raley, Longville, Navarro

Noes:

Absent:

Abstain:

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Daniel B. Cozad  
Secretary/CFO

**San Bernardino Valley Conservation Trust**

**Financial Statements and  
Independent Auditor's Report**

**Year ended June 30, 2020**

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*Independent Auditor's Report*

To the Board of Directors  
San Bernardino Valley Conservation Trust  
Redlands, California

We have audited the accompanying financial statements of San Bernardino Valley Conservation Trust (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the San Bernardino Valley Conservation Trust as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

San Bernardino, California  
October 16, 2020

**San Bernardino Valley Conservation Trust**  
**Statement of Financial Position**  
**June 30, 2020**

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**DRAFT SUBJECT  
TO CHANGES**

**Assets**

Current Assets:

Cash and cash equivalents	\$ 709,376
Investments	2,647,136
Accounts receivable	<u>8,242,503</u>
Total current assets	<u>11,599,015</u>
Total assets	<u><u>\$ 11,599,015</u></u>

**Liabilities**

Current Liabilities:

Due to San Bernardino Valley Water Conservation District	\$ 1,422,119
Unearned revenue	<u>8,569,521</u>
Total current liabilities	<u>9,991,640</u>
Total liabilities	<u>9,991,640</u>

**Net assets**

Without donor restrictions	(565,236)
With donor restrictions	<u>2,172,611</u>
Total net assets	<u>1,607,375</u>
Total liabilities and net assets	<u><u>\$ 11,599,015</u></u>

*The accompanying notes are an integral part of these financial statements.*

**San Bernardino Valley Conservation Trust**  
**Statement of Activities**  
**For the year ended June 30, 2020**

**DRAFT SUBJECT  
TO CHANGES**

	Without donor restrictions	With donor restrictions	Total
<b>Revenues</b>			
Contributions	\$ 26,412	\$ -	\$ 26,412
Realized gain on investments	10,416	28,162	38,578
Unrealized gain on investments	12,016	32,486	44,502
Interest and dividends, net	12,325	33,324	45,649
Total revenues	61,169	93,972	155,141
<b>Expenses</b>			
Wash Plan	531,495	-	531,495
Insurance	1,351	-	1,351
Bank fees	3,500	-	3,500
Other expenses	3,115	-	3,115
Total expenses	539,461	-	539,461
Total change in net assets	(478,292)	93,972	(384,320)
Net assets, beginning of year	(86,944)	2,078,639	1,991,695
Net assets, end of year	\$ (565,236)	\$ 2,172,611	\$ 1,607,375

*The accompanying notes are an integral part of these financial statements.*

**San Bernardino Valley Conservation Trust**  
**Statement of Cash Flows**  
**For the year ended June 30, 2020**

**DRAFT SUBJECT  
TO CHANGES**

**Cash flows from operating activities**

Cash received from membership dues	\$ 345,508
Cash paid to suppliers for goods and services	(539,461)
Interest and dividends received, net of investment fees	<u>45,649</u>

Net cash used by operating activities	<u>(148,304)</u>
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**Cash flows from investing activities**

Proceeds from sale of investments	1,330,031
Purchase of investments	<u>(1,371,979)</u>

Net cash used for investing activities	<u>(41,948)</u>
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**Cash flows from financing activities**

Loan from San Bernardino Valley Water Conservation District	<u>571,731</u>
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Net cash provided by financing activities	<u>571,731</u>
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Net increase	381,479
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Cash and cash equivalents, beginning of year	<u>327,897</u>
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Cash and cash equivalents, end of year	<u><u>\$ 709,376</u></u>
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**Reconciliation of change in net assets to net  
cash used by operating activities**

Change in net assets	\$ (384,320)
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Adjustments to reconcile change in net assets to net cash  
used by operating activities:

Net realized gain on investments	(38,578)
Net unrealized gain on investments	(44,502)

Increase (decrease) in liabilities:

Deferred revenue	<u>319,096</u>
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Net cash used by operating activities	<u><u>\$ (148,304)</u></u>
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*The accompanying notes are an integral part of these financial statements.*

**Note 1: Nature of Activities and Significant Accounting Policies**

*Nature of Activities*

San Bernardino Valley Conservation Trust (the Trust) is a nonprofit 501(c)(3) charitable trust. The purpose of the Trust is the direct protection or stewardship of land, water and natural resources, including, but not limited to agricultural lands, wildlife habitat, wetlands endangered species habitat, open space areas and outdoor recreational areas. The Trust's revenue is derived from membership contributions, grant funds and other revenue related to its core mission.

*Basis of Accounting*

The Trust's policy is to prepare its financial statements on the accrual basis of accounting. Accordingly, contributions and other revenues are recognized when earned, and expenses are recognized when incurred.

*Basis of Presentation*

Under generally accepted accounting principles, the Trust is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

*Cash and Cash Equivalents*

For the purpose of the statement of cash flows, the Trust considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

*Investments*

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Marketable securities are valued at quoted market prices which represent the net asset values of shares held by the Trust at the end of the year. Unrealized gains and losses are included in the change in net assets. Investment income and gains that have donor-imposed restrictions that are met in the reporting period in which they are recognized, are recorded as an increase to unrestricted net assets.

*Financial Instruments*

The carrying amount of all financial instruments approximates fair value. The carrying amounts for cash and cash equivalents, investments, accounts receivable and accounts payable approximate fair value because of the short maturity of these instruments.

**Note 1: Nature of Activities and Significant Accounting Policies, (continued)**

*Accounts Receivable*

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with entities having outstanding balances and current relationships with them, it has been estimated that the realization losses on outstanding balances at year-end will be immaterial.

*Contributions*

All contributions are considered to be available for the general programs of the Trust unless specifically restricted by the donor. The Trust reports gifts of cash as restricted support if they are received with donor stipulations that limit the use of the donation. When a donor restriction expires, that is, when a stipulated time restriction ends and/or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The Trust contributions are payments into either an endowment for the Habitat Conservation Plan management or issuance costs for completion of the Habitat Conservation Plan. The funds contributed to the endowment are restricted by agreement with other parties.

*Income Tax Status*

The Trust is exempt from federal income taxes as a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code. A comparable exemption has been granted by the State of California. From time to time, the Trust has allowed advertising to support the publication of certain documents. When revenue for such advertising exceeds related costs, then the Trust will be subject to income taxes on unrelated business income. During the current reporting period, there was no net taxable unrelated business income.

The Trust's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending June 30, 2017, 2018 and 2019, is subject to examination by the IRS, generally for three years from the date of filing. The June 30, 2017 was the first tax return filed for the Trust.

*Use of Estimates*

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

**San Bernardino Valley Conservation Trust**  
**Notes to Financial Statements**  
**For the year ended June 30, 2020**

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**DRAFT SUBJECT  
TO CHANGES**

**Note 1: Nature of Activities and Significant Accounting Policies, (continued)**

*Restricted and Unrestricted Revenue*

Contributions received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions.

*Subsequent Events*

Management has evaluated subsequent events through **October 16, 2020**, which is the date the financial statements were available to be issued, and has determined that there are no transactions that will have a significant impact on the Trust.

**Note 2: Concentration of Credit Risk**

The Trust maintains cash balances at one local financial institution. The standard insurance amount under the Federal Deposit Insurance Corporation (FDIC) is \$250,000 per depositor, per insured bank, for each account ownership category. These balances may at times exceed the insured limits. At June 30, 2020, the Trust had \$459,376 above the federally insured limits.

**Note 3: Investments**

Investments at June 30, 2020 consisted of the following:

Mutual funds	<u>\$ 2,647,136</u>
Total investments	<u><u>\$ 2,647,136</u></u>

Investment gain (loss) for the year ended June 30, 2020 consisted of the following:

Interest and dividends	\$ 53,923
Investment fees	<u>(8,274)</u>
Interest and dividends, net	45,649
Unrealized gain	44,502
Realized gain	<u>38,578</u>
Total investment gain, net	<u><u>\$ 128,729</u></u>



**San Bernardino Valley Conservation Trust**  
**Notes to Financial Statements**  
**For the year ended June 30, 2020**

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**DRAFT SUBJECT  
TO CHANGES**

**Note 4: Fair Value Measurements**

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Trust has the ability to access.
- Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. The unobservable inputs should be developed based on the best information available in the circumstances and may include the Trust's own data.

The following tables present the Trust's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2020.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	<u>\$ 2,647,136</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,647,136</u>
Total investments	<u><u>\$ 2,647,136</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,647,136</u></u>

**Note 5: Related Parties**

The Trust shares common Executive Director/CEO and other office personnel with following entity:

San Bernardino Valley Water Conservation District (the District)

The entity shares common expenses which are reimbursed as needed from the related party. In addition, the District is currently making other payments on behalf of the Trust for the Wash Plan expenses. These payables were classified as amounts due to San Bernardino Valley Water Conservation District as shown in the statement of financial position. Net assets with donor restrictions were not used to cover Wash Plan expenses. As of June 30, 2020, the payable (due to) the District is \$1,422,119.

**San Bernardino Valley Conservation Trust**  
**Notes to Financial Statements**  
**For the year ended June 30, 2020**

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**DRAFT SUBJECT  
TO CHANGES**

**Note 6: Unearned Revenue**

Unearned revenue at June 30, 2020 consisted of the following:

Land and habitat	\$ 7,843,563
Land buy-in	398,940
Deposit - Mitigation projects	<u>327,018</u>
Total	<u><u>\$ 8,569,521</u></u>

**Note 7: Liquidity and Availability of Resources**

The Trust has \$1,424,103 of financial assets available within one year of the statement of financial position date (resources without restrictions) for general expenditure consisting of the following:

Cash and cash equivalents	\$ 709,376
Investments	<u>714,727</u>
Total	<u><u>\$ 1,424,103</u></u>

The Trust has financial assets that are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position date. The Trust has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, the Trust invests cash in excess of daily requirements in various investments, which it could draw upon in the event of an unanticipated liquidity need.

**Note 8: COMMITMENTS AND CONTINGENCIES**

*Covid-19*

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders for all but those deemed essential services. While the business disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and shelter in place orders. As a result, the outbreak has caused uncertainty in the financial markets. Although the Trust's major revenue sources are only indirectly impacted by these events, it is probable that this matter will have a limited negative impact on the Trust. The ultimate financial impact and duration cannot be estimated at this time.



# San Bernardino Valley Water Conservation District

*Endowment Fund*

## Market Update

### Presented by:

Ellen Clark, Director

October 7, 2020

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50 California Street  
Suite 2300  
San Francisco, CA 94111

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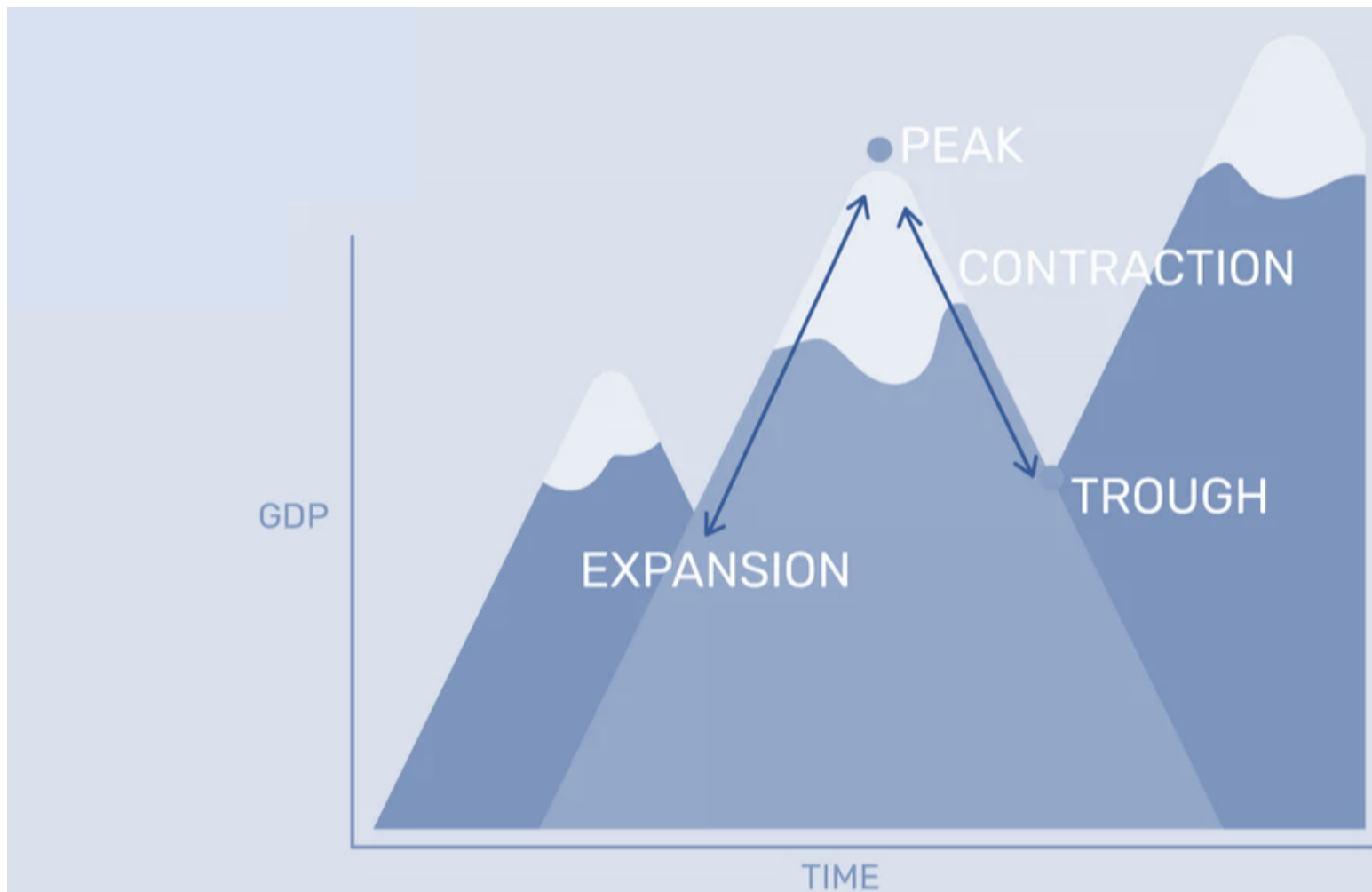
415.982.5544

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[www.pfm.com](http://www.pfm.com)



## Where Are We in the Business Cycle?





## Definition of Recession

A period of general ***economic decline***, defined usually as a ***contraction in the GDP*** for six months (two consecutive quarters) or longer. Marked by ***high unemployment, stagnant wages, and fall in retail sales***, a recession generally does not last longer than one year.

Source: [businessdictionary.com](https://www.businessdictionary.com).

## Definition of Expansion

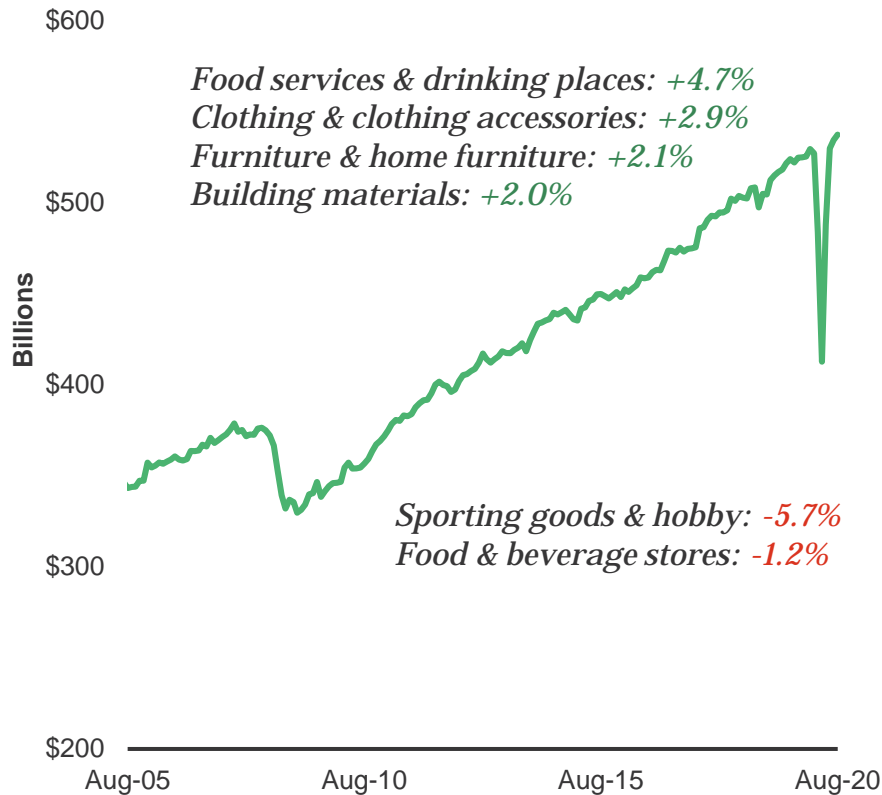
A period of ***expansion***, defined usually as ***3%+ growth in GDP*** for six months (two consecutive quarters) or longer. Marked by ***rising employment, a bull market, and increasing consumer confidence***.

Source: [investopedia.com](https://www.investopedia.com).



## Select Indicators Point to a Rebounding Economy

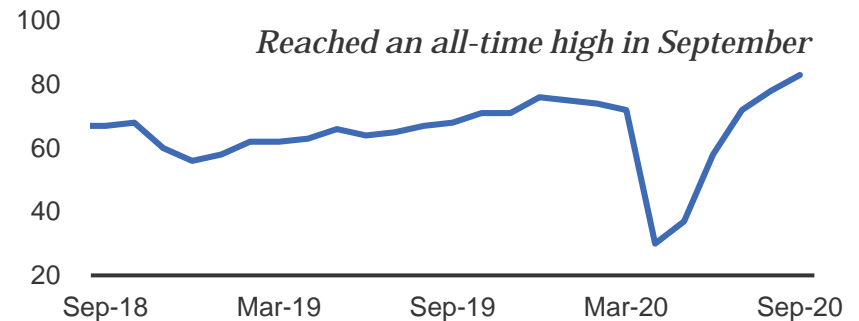
### Monthly Retail Sales



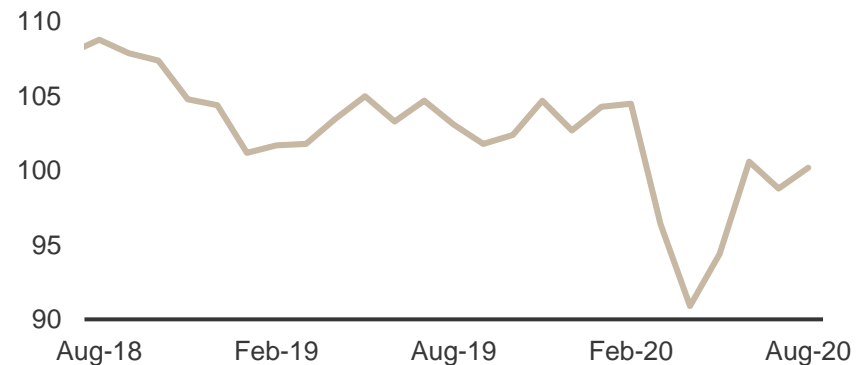
Note: The NAHB/Wells Fargo HMI is a weighted average of the Present Single-Family Sales index, Single-Family Sales for the Next Six Months index, and Traffic of Prospective Buyers index.

Sources: Bloomberg, data available as of 9/18/2020.

### NAHB/Wells Fargo Housing Market Index

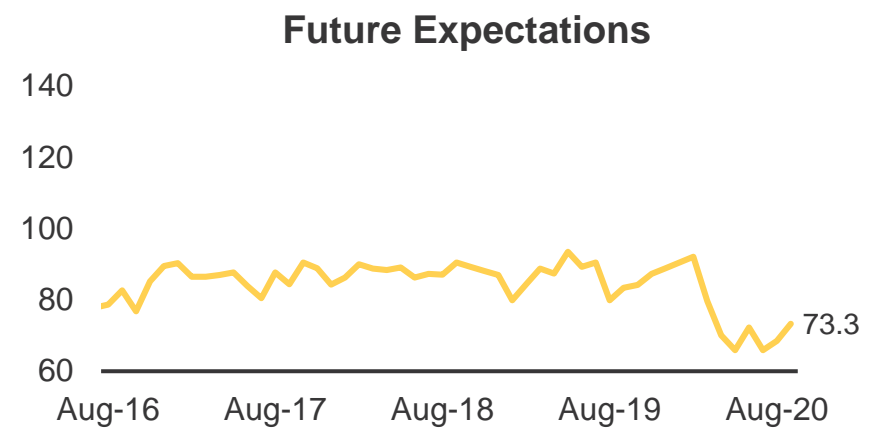
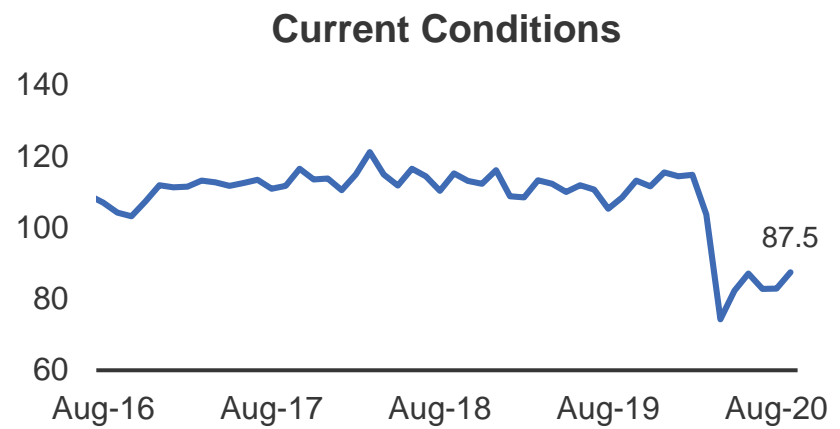
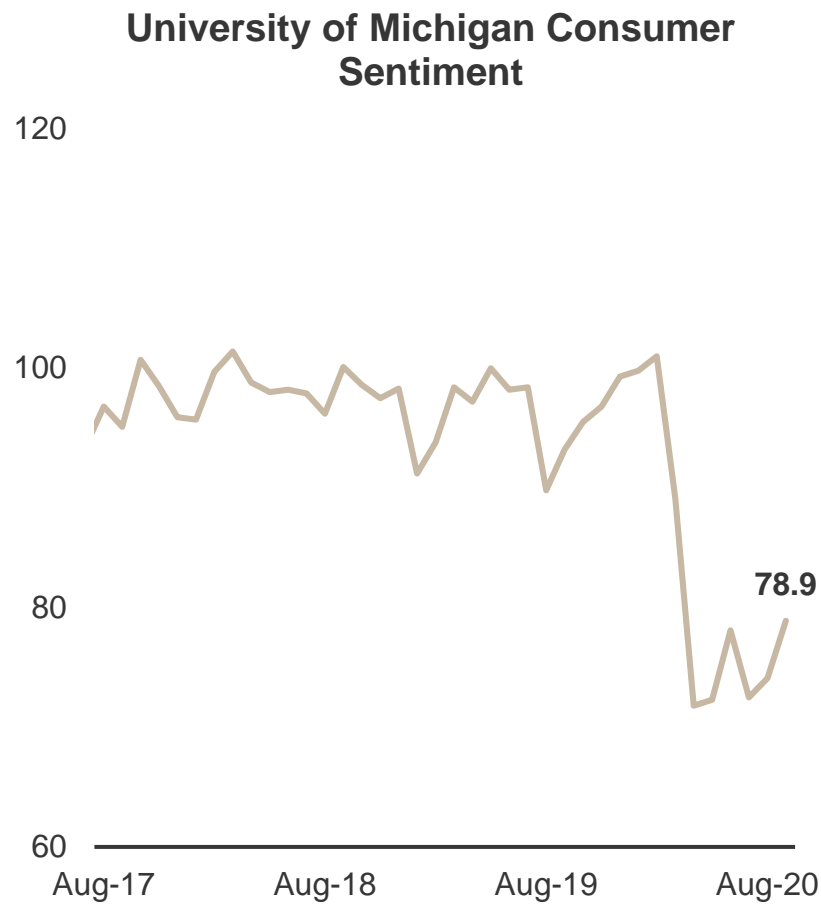


### NFIB Small Business Optimism Index





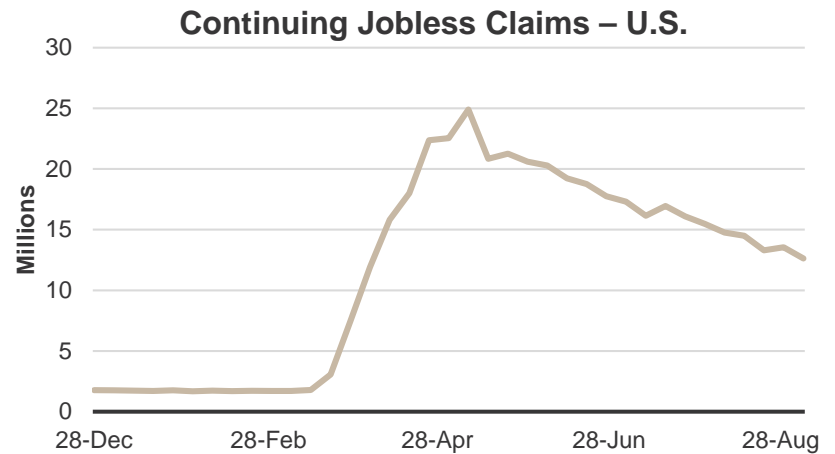
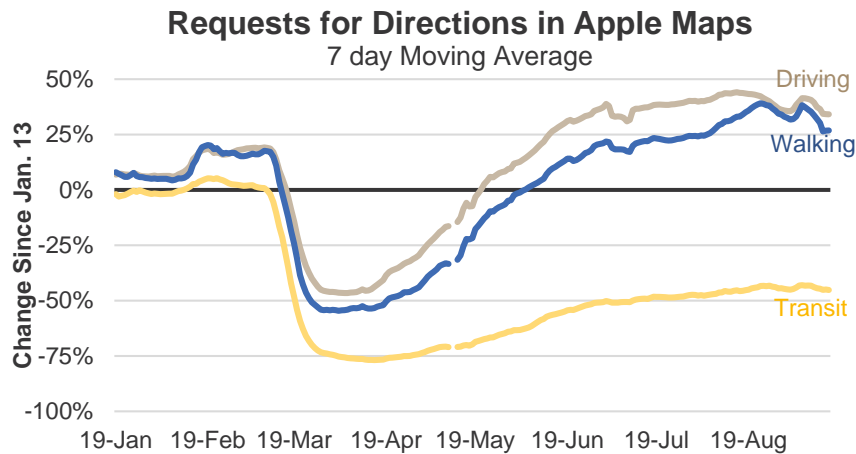
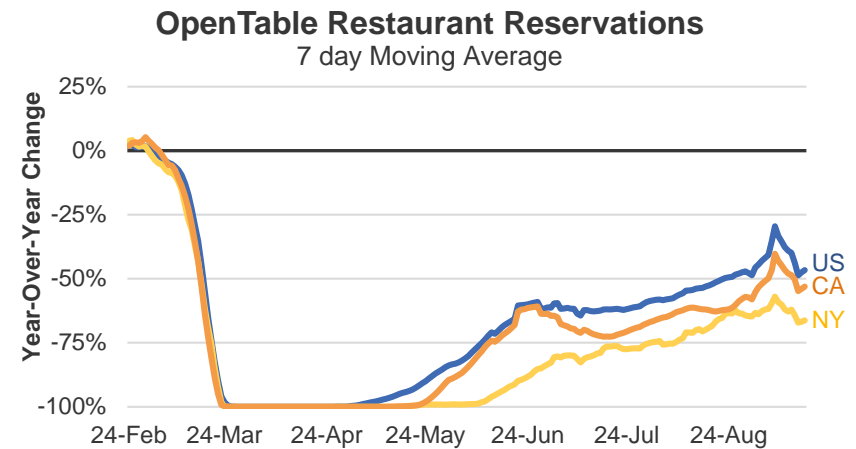
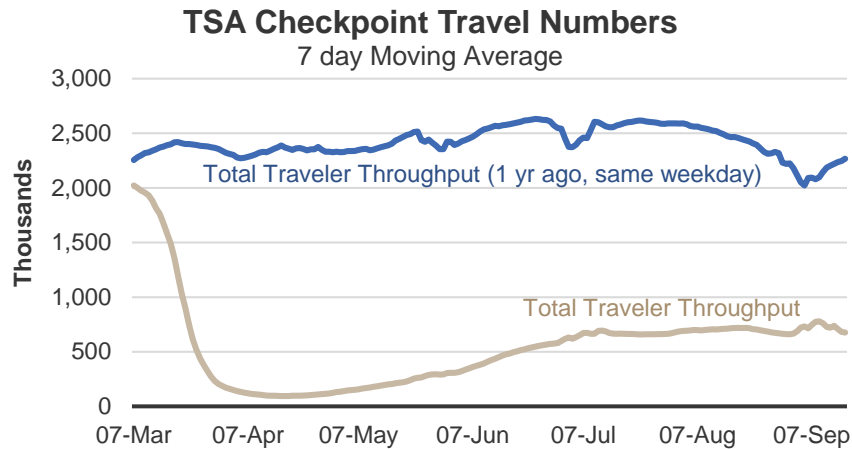
# Consumer Sentiment Portends a Longer Road to Recovery



Source: Bloomberg, as of September 2020.



## High Frequency Data Signals the Recovery Is Far From Complete

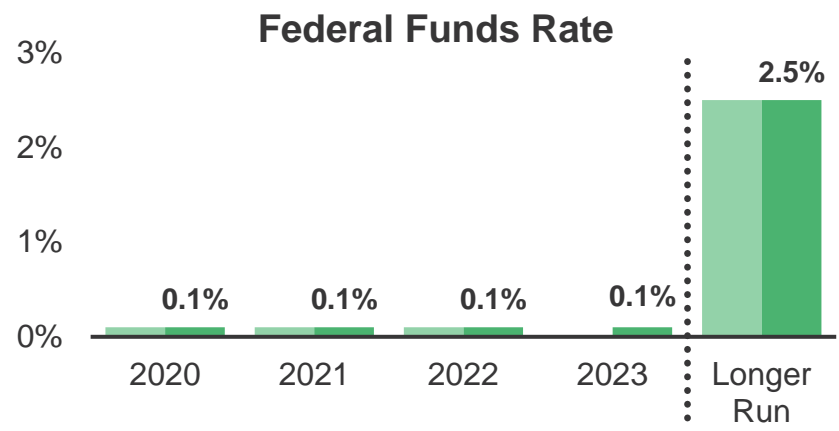
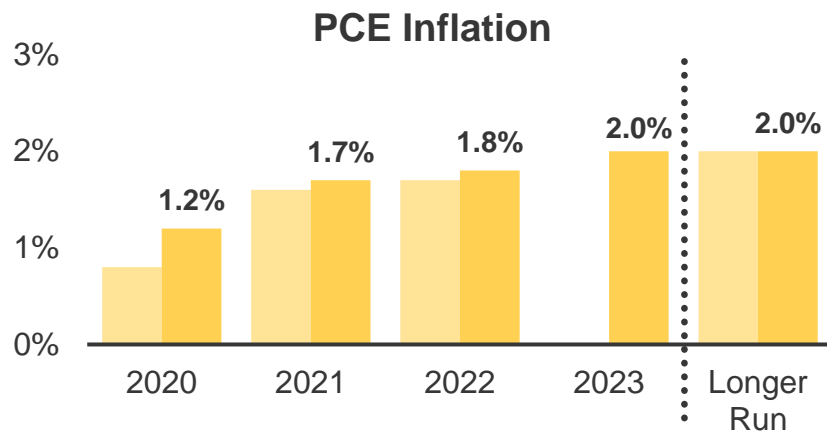
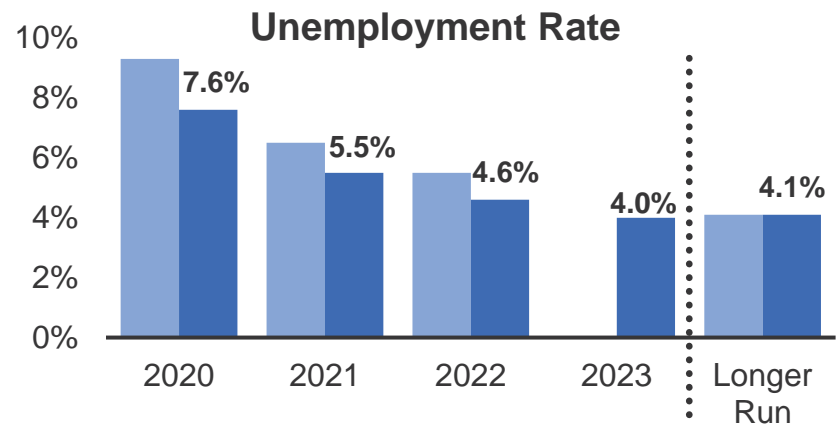
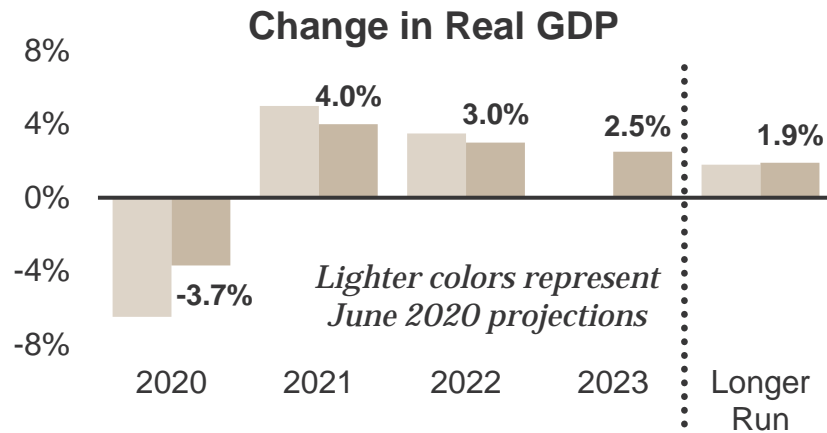


Source: (top left) Transportation Security Administration, PFM calculations, as of 9/17/2020. (top right) Includes phone, online, and walk-in diners; OpenTable, PFM calculations, as of 9/17/2020. (bottom left) Data for May 11-12 is not available; Apple, PFM calculations, as of 9/17/2020. (bottom right) Department of Labor, as of 9/16/2020.





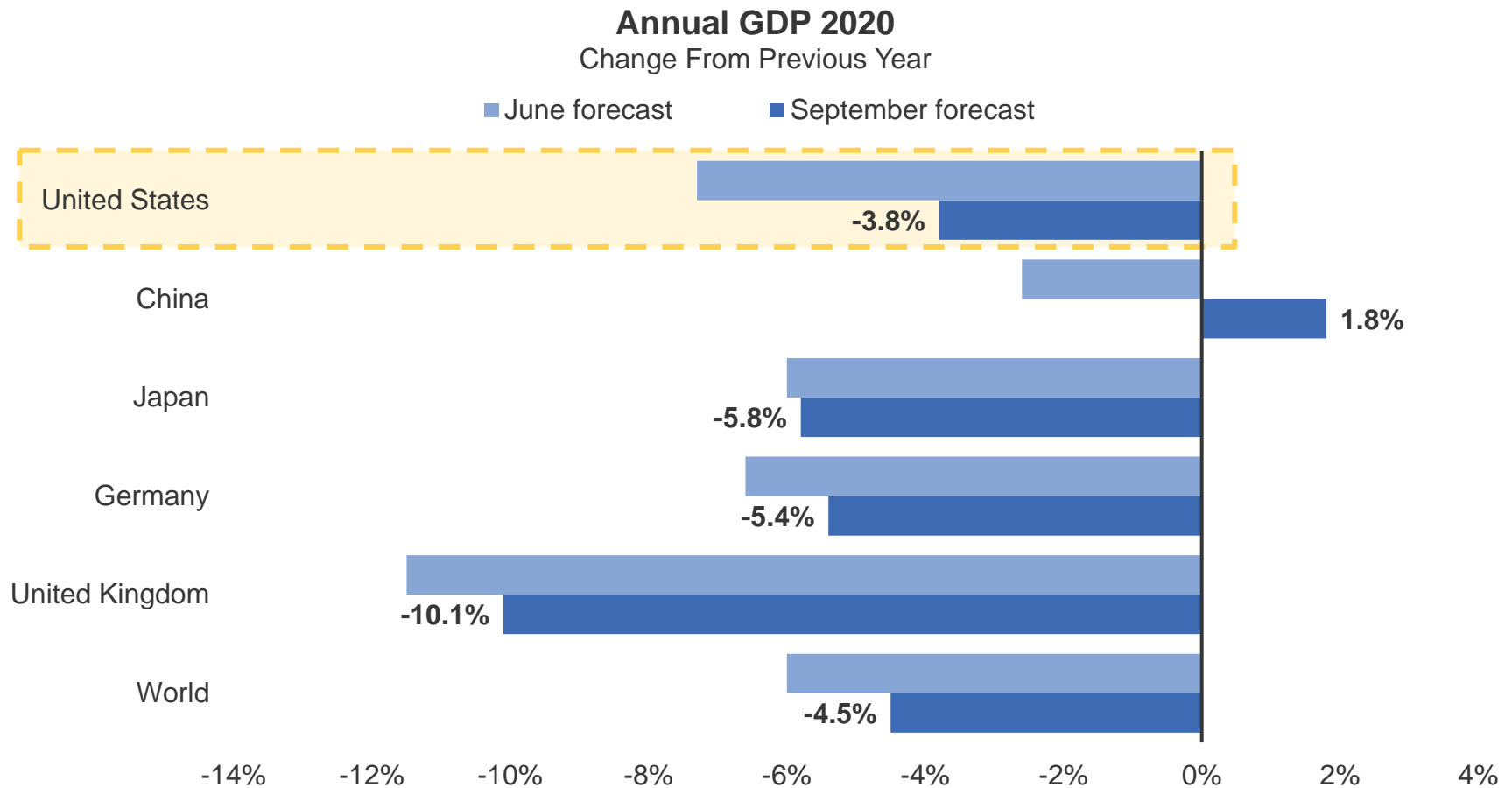
## The Fed's Updated Economic Projections Turn More Optimistic



Source: Federal Reserve, economic projections as of June and September 2020.



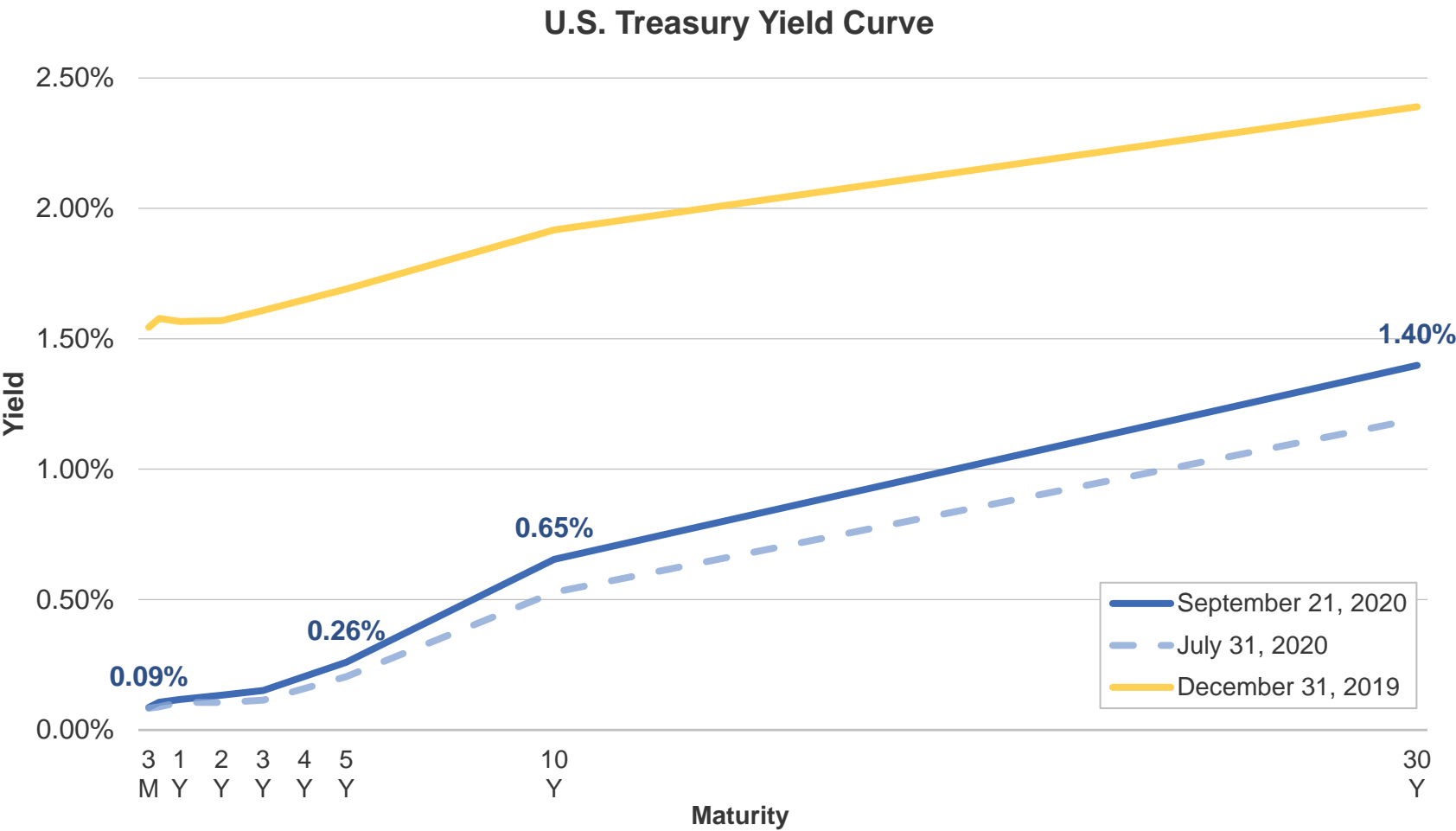
## Global Growth Forecasts Upgraded Amid Better-Than-Expected Data



Source: Organisation for Economic Co-operation and Development, as of September 2020.



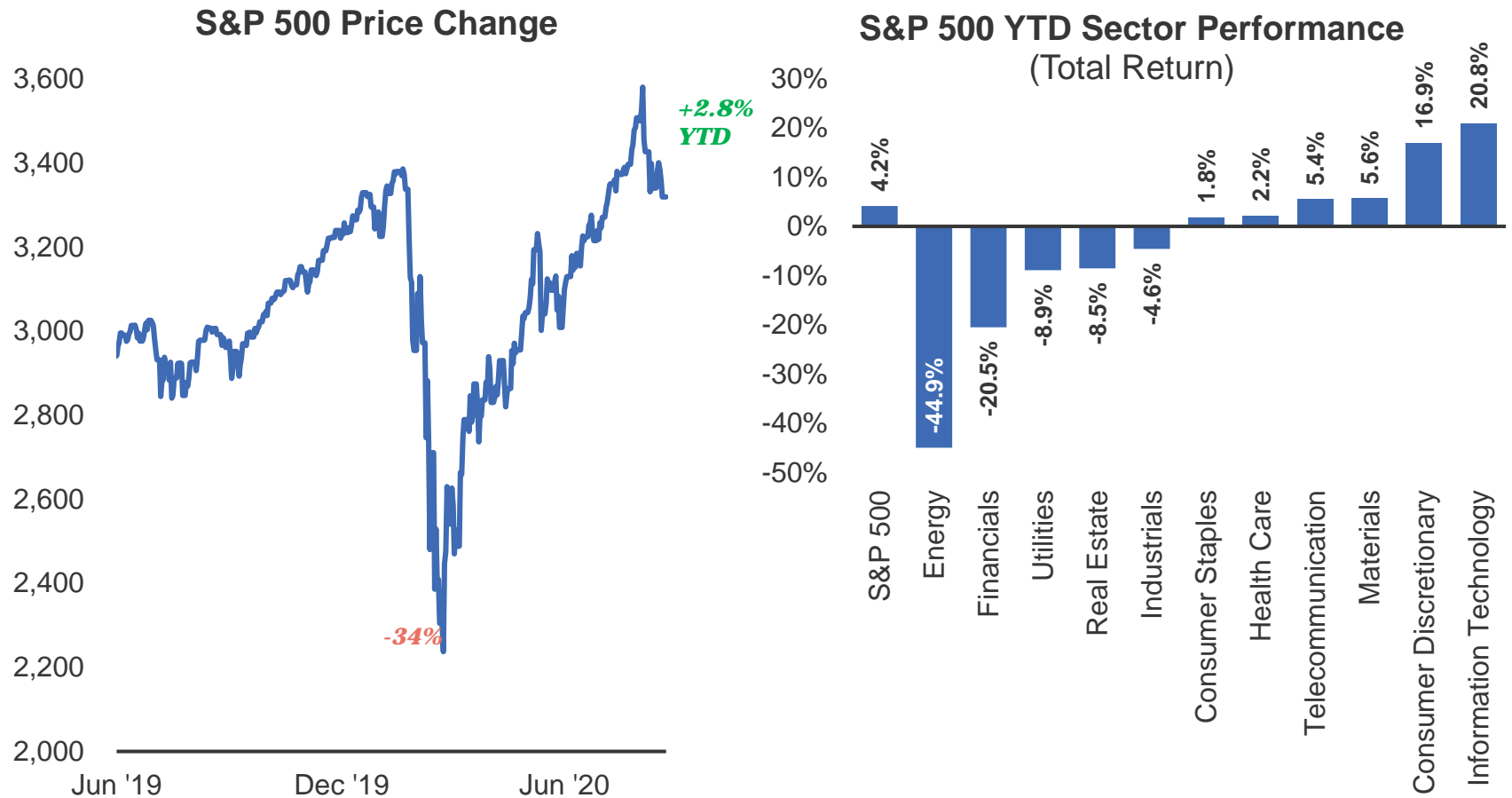
# Treasury Yield Curve Steepens Modestly Since July



Source: Bloomberg, as of 9/21/2020.



## Equity Market Still Positive for the Year Despite Pullback



Source: Bloomberg, as of 9/21/2020.



## Market Performance

Index Performance as of 9/30/20					
Domestic Equity	QTD	YTD	1 Year	3 Years	5 Years
S&P 500	8.9%	5.6%	15.1%	12.3%	14.1%
Russell 3000 Index	9.2%	5.4%	14.9%	11.6%	13.7%
Russell 2000 Index	4.9%	-8.7%	0.4%	1.8%	8.0%
International Equity	QTD	YTD	1 Year	3 Years	5 Years
MSCI ACWI ex US (Net)	6.3%	-5.4%	3.0%	1.2%	6.2%
MSCI EAFE Index	4.8%	-7.1%	0.5%	0.6%	5.3%
MSCI Emerging Markets Index	9.6%	-1.2%	10.5%	2.4%	9.0%
Fixed Income	QTD	YTD	1 Year	3 Years	5 Years
Bloomberg Barclays U.S. Aggregate	0.6%	6.8%	7.0%	5.2%	4.2%
Bloomberg Barclays Inter Govt/Credit	0.6%	5.9%	6.3%	4.4%	3.4%
Bloomberg Barclays U.S. Corp: High Yield	4.6%	0.6%	3.3%	4.2%	6.8%

Source: Bloomberg, as of 9/30/2020.

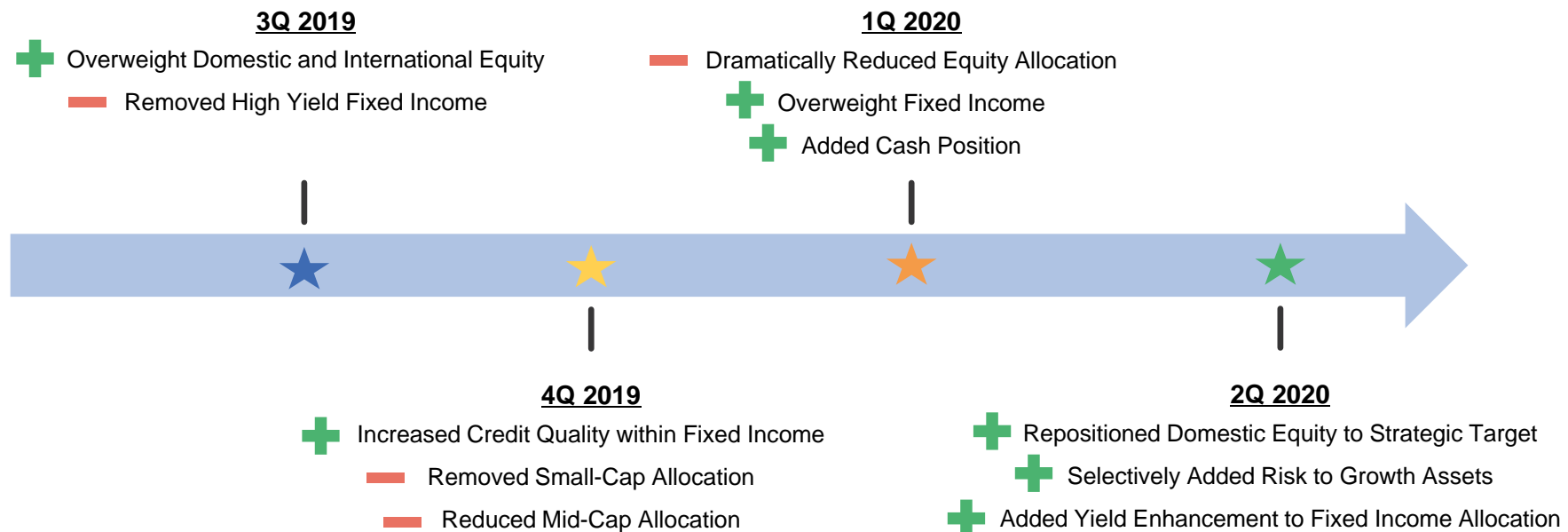


# **San Bernardino Valley Water Conservation District**

## **Endowment Fund**



## OPEB Trust Strategic Policy Changes





## SBVWCD - Endowment Assets (as of 6/30/20)

	Allocation		Performance(%)					
	Market Value (\$)	%	1 Quarter	Year To Date	1 Year	3 Years	Since Inception	Inception Date
<b>SBVC Trust - Total Fund</b>	2,647,136	100.00	14.45	-1.85	5.36	N/A	5.32	06/01/2018
<i>Blended Benchmark</i>			14.72	-2.13	4.92	N/A	5.70	06/01/2018
<b>Domestic Equity</b>								
PFM Multi-Manager Domestic Equity Fund	1,212,312	45.80	21.08	-3.10	6.37	N/A	7.64	06/01/2018
<i>Russell 3000 Index</i>			22.03	-3.48	6.53	10.04	7.76	06/01/2018
Vanguard Total Stock Market ETF - 60.28%			22.09	-3.41	6.44	10.04	-3.35	02/01/2020
<i>Russell 3000 Index</i>			22.03	-3.48	6.53	10.04	-3.37	02/01/2020
Vaughan Nelson Select - 15.5% (^)			25.85	-0.34	8.49	N/A	8.07	06/01/2018
Nuance All Cap Value - 14.8% (^)			13.28	-9.95	0.93	N/A	7.16	06/01/2018
<i>Russell 3000 Index</i>			22.03	-3.48	6.53	10.04	7.76	06/01/2018
Champlain Mid Cap Core - 8.03% (^)			26.72	2.20	8.39	N/A	11.67	06/01/2018
<i>S&amp;P MidCap 400</i>			24.07	-12.78	-6.70	2.39	-2.44	06/01/2018
Jacobs Levy Small Cap - 0.93% (^)			27.94	-15.18	-9.78	N/A	-10.39	05/01/2019
<i>S&amp;P SmallCap 600</i>			21.94	-17.85	-11.29	0.56	-11.25	05/01/2019
<b>International Equity</b>								
PFM Multi-Manager International Equity Fund	563,191	21.28	17.96	-10.00	-4.32	N/A	-2.57	06/01/2018
<i>MSCI AC World ex USA (Net)</i>			16.12	-11.00	-4.80	1.13	-2.62	06/01/2018
iShares Core MSCI Total Int'l Stock ETF - 39.34%			17.06	-11.16	-4.65	1.14	-8.63	02/01/2020
<i>MSCI AC World ex USA (Net)</i>			16.12	-11.00	-4.80	1.13	-8.54	02/01/2020
Lazard Int'l ACW ex US - 10.03% (^)			14.95	-13.51	-8.71	N/A	-3.23	06/01/2018
<i>MSCI AC World ex USA (Net)</i>			16.12	-11.00	-4.80	1.13	-2.62	06/01/2018
WCM Focused Growth International - 15.12% (^)			23.83	2.74	N/A	N/A	7.38	12/01/2019
<i>MSCI AC World ex USA (Net)</i>			16.12	-11.00	-4.80	1.13	-7.15	12/01/2019
Acadian Non-U.S. Equity - 10.13% (^)			17.78	-10.16	N/A	N/A	-10.16	01/01/2020
<i>MSCI EAFE (net)</i>			14.88	-11.34	-5.13	0.81	-11.34	01/01/2020
Aristotle International Equity - 9.93% (^)			15.63	-12.52	-6.92	N/A	-0.69	06/01/2018
<i>MSCI EAFE (net)</i>			14.88	-11.34	-5.13	0.81	-2.57	06/01/2018
JO Hambro Int'l Small Company - 5.85% (^)			16.42	-17.84	-10.33	N/A	-9.14	06/01/2018
<i>MSCI AC World ex USA Small Cap (Net)</i>			22.83	-12.80	-4.34	-0.17	-6.20	06/01/2018
Schroders Global Emerging Markets - 9.06% (^)			19.66	-8.40	N/A	N/A	-8.40	01/01/2020
<i>MSCI EM (net)</i>			18.08	-9.78	-3.39	1.90	-9.78	01/01/2020

Returns are net of mutual fund fees and are expressed as percentages.

(^\*) Performance information is gross of fund fees and should not be used to make investment decisions. It is provided by sub-advisors of the PFM Multi-Manager Equity Fund, PFM Multi-Manager International Equity Fund and PFM Multi-Manager Fixed Income Fund





## SBVWCD - Endowment Assets (as of 6/30/20)

	Allocation		Performance(%)					
	Market Value (\$)	%	1 Quarter	Year To Date	1 Year	3 Years	Since Inception	Inception Date
<b>Other Growth</b>								
SPDR Blmbg Barclays Convert Secs ETF	77,682	2.93	26.88	9.68	17.42	11.40	N/A	07/01/2020
<i>Bloomberg Barclays Liquid US Convertibles Index</i>			26.46	10.03	18.01	12.10	N/A	07/01/2020
<b>Fixed Income</b>								
PFM Multi-Manager Fixed-Income Fund	786,880	29.73	5.75	4.08	6.80	N/A	6.80	06/01/2018
<i>Blmbg. Barc. U.S. Aggregate</i>			2.90	6.14	8.74	5.32	7.89	06/01/2018
PGIM Core Fixed - 34% (^)			4.95	5.96	8.93	N/A	8.20	06/01/2018
TIAA Core Fixed - 34.98% (^)			5.99	5.89	9.02	N/A	8.19	06/01/2018
<i>Blmbg. Barc. U.S. Aggregate</i>			2.90	6.14	8.74	5.32	7.89	06/01/2018
iShares Core U.S. Aggregate Bond ETF - 3.95%			2.91	6.06	8.64	5.25	1.09	05/01/2020
<i>Blmbg. Barc. U.S. Aggregate</i>			2.90	6.14	8.74	5.32	1.10	05/01/2020
iShares National Muni Bond ETF - 5.97%			2.48	2.10	4.27	3.91	0.69	06/01/2020
<i>ICE BofA U.S. Municipal Securities Index</i>			2.66	1.97	4.30	4.22	0.99	06/01/2020
PineBridge IG Credit - 6.8% (^)			11.08	7.52	12.59	N/A	11.03	06/01/2018
<i>Blmbg. Barc. U.S. Credit Index</i>			8.22	4.82	9.07	6.14	9.06	06/01/2018
Brown Bros. Harriman Structured - 6.42% (^)			5.58	-0.44	1.17	N/A	3.20	06/01/2018
<i>ICE BofAML Asset-Bckd Fxd &amp; Fltng Rate AA-BBB Idx</i>			6.59	-0.53	0.68	2.84	2.81	06/01/2018
iShares JP Morgan USD Emerging Mkts Bond ETF - 2.96%			12.64	-2.79	0.56	3.21	N/A	07/01/2020
<i>JPM EMBI Global Diversified</i>			12.26	-2.76	0.49	3.60	N/A	07/01/2020
Nomura High Yield - 4.83% (^)			10.75	-4.16	-0.32	N/A	2.67	06/01/2018
<i>Blmbg. Barc. U.S. Corp: High Yield</i>			10.18	-3.80	0.03	3.33	3.74	06/01/2018
<b>Cash Equivalent</b>								
First American Government Obligation	7,070	0.27	0.16	0.47	1.49	1.77	1.93	06/01/2018

Returns are net of mutual fund fees and are expressed as percentages.

(^) Performance information is gross of fees and reflects sleeve level information (not specific to this client/investor). It is provided by sub-advisors of the PFM Multi-Manager Equity Fund, PFM Multi-Manager International Equity Fund and PFM Multi-Manager Fixed Income Fund.

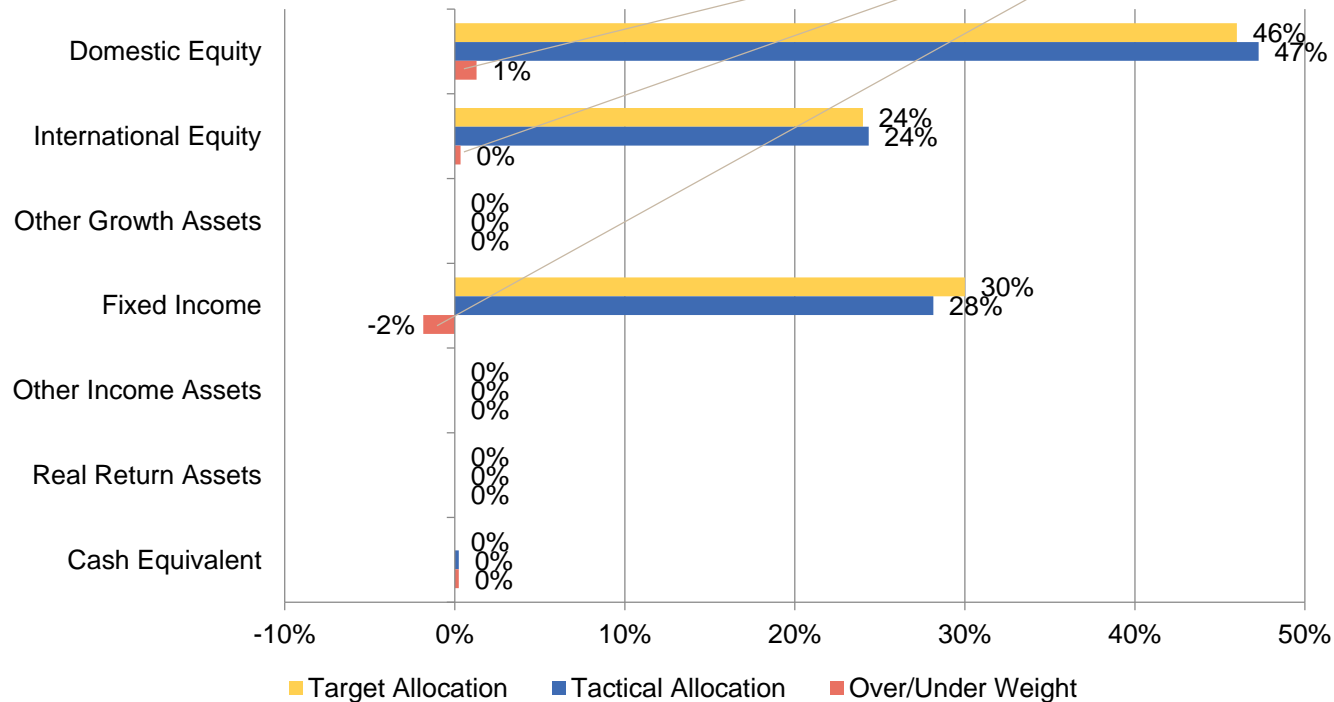


## Current Portfolio Positioning

### OPEB Trust Assets as of September 30, 2020

Total Market Value<sup>1</sup> \$2,803,364

Tactical  
Positioning<sup>1</sup>



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## PFM Investment Strategy Overview







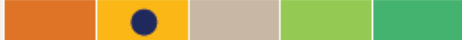

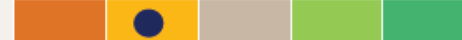
Asset Class	Our Investment Outlook	Comments
<b>U.S. EQUITIES</b>		<ul style="list-style-type: none"> <li>Improving fundamentals have made us cautiously optimistic, but we believe that the economic recovery will be gradual and protracted, rather than V-shaped. We remain defensive in our allocation to equities. The Fed's accommodative stance and continued expectation of a low level of interest rates remains a tailwind to equity valuations.</li> <li>Uncertainty around earnings and profit margins remain as some states are backtracking reopening efforts, impacting labor markets, consumer confidence and consumer spending.</li> <li>Small-caps are expected to be more vulnerable to cash flow disruptions. Currently, fiscal and monetary stimulus are backstopping some of the weaker companies.</li> </ul>
<b>Large-Caps</b>		
<b>Mid-Caps</b>		
<b>Small-Caps</b>		
<b>NON-U.S. EQUITIES</b>		<ul style="list-style-type: none"> <li>International equities continue to trade at a discount to U.S. equities but a sharp recession followed by gradual protracted recovery makes us cautious.</li> <li>The COVID-19 pandemic is impacting Brazil and India substantially; we are concerned that EM economies with stressed healthcare infrastructure are the most vulnerable, leading us to be cautious.</li> <li>International small caps are expected to be impacted more due to the slowdown as smaller companies are typically more vulnerable to cash flow disruption.</li> </ul>
<b>Developed Markets</b>		
<b>Emerging Markets</b>		
<b>International Small-Caps</b>		
<b>FIXED INCOME</b>		<ul style="list-style-type: none"> <li>Continued globally coordinated accommodative monetary policy measures have been a tailwind to fixed income returns. In the current period of uncertainty, our allocation to fixed income is driven by our defensive stance.</li> <li>We continue to monitor downgrades and defaults within the corporate bond space while opportunistically adding to areas of dislocation within spread sectors.</li> </ul>
<b>Long Duration, Interest-Rate-Sensitive Sectors</b>		
<b>Credit-Sensitive Sectors</b>		
<b>ALTERNATIVES</b>		<ul style="list-style-type: none"> <li>While valuations look attractive, disruption to rental income due to broad shutdowns, impacting residential and retail sectors, along with possibility of defaults in the future, makes us cautious.</li> <li>Tighter credit market conditions and prolonged business disruptions could hurt access to capital thereby impacting valuations, especially in the case of a prolonged slowdown.</li> <li>Private debt strategies are expected to be impacted by cash flow uncertainty as businesses adjust to lack of demand in the short-term.</li> <li>Select hedge fund strategies managed by talented managers may provide some benefit in the current market environment of increased volatility. We remain cautious on the overall hedge fund universe.</li> </ul>
<b>Real Estate</b>		
<b>Private Equity</b>		
<b>Private Debt</b>		
<b>Hedge Funds</b>		

● Current outlook ○ Outlook one quarter ago

Negative Slightly Negative Neutral Slightly Positive Positive



# PFM Investment Strategy Overview

<b>Monetary Policy:</b>  <ul style="list-style-type: none"> <li>Fed has embarked on accommodative monetary policy along with quantitative easing and other measures to offer liquidity and stability.</li> <li>Globally, all major central banks continue on the path of accommodative monetary policy.</li> </ul>	<b>Economic Growth:</b>  <ul style="list-style-type: none"> <li>In the U.S., improving fundamentals recently point to a recovery from the lows of April. Recovery is expected to be gradual rather than sharp.</li> <li>Global growth expectations are sharply lower with a possibility of second wave of infections leading it even lower.</li> </ul>	<b>Fiscal Stimulus:</b>  <ul style="list-style-type: none"> <li>Extension of unemployment benefits under CARES Act needs unified policy action, which might be difficult to achieve.</li> <li>Stimulus focused on infrastructure spending should be a positive.</li> </ul>
<b>COVID-19 Containment:</b>  <ul style="list-style-type: none"> <li>Rise in number of cases in the U.S. and the continued rise in economies that have reopened continues to impact reopening measures. Concerns around rise in second wave of infections remain a focal point for economic recovery in the fall.</li> </ul>	<b>Consumer Confidence (U.S.):</b>  <ul style="list-style-type: none"> <li>Labor market conditions have improved from the historic lows but the recent surge in cases could further increase jobless claims.</li> <li>Next round of fiscal stimulus support or extension of unemployment benefits will be a positive as will be the reopening of states.</li> </ul>	<b>Inflation (U.S.):</b>  <ul style="list-style-type: none"> <li>Range-bound inflation remains but concerns are rising that inflation could increase as the latent demand hits the economy post the relaxation of social distancing efforts.</li> </ul>
<b>Corporate Fundamentals:</b>  <ul style="list-style-type: none"> <li>Profit margins are expected to contract globally as a result of both demand and supply shocks. Uncertainty around earnings remains.</li> <li>Credit markets have continued to stabilize; rise in downgrades and defaults needs to be closely watched.</li> </ul>	<b>Valuations:</b>  <ul style="list-style-type: none"> <li>Equity market valuations look less attractive given the strong rebound but the low level of rates continues to be tailwind.</li> <li>Fed's actions that provide support to certain spread sectors is a tailwind to fixed income assets.</li> </ul>	<b>Political Risks:</b>  <ul style="list-style-type: none"> <li>Upcoming U.S. elections could cause policy uncertainty, especially as the focus to reopen the economy continues.</li> <li>Rising tensions in the U.S. – China relations adds to the political uncertainty.</li> </ul>

Stance  
Unfavorable to  
Risk Assets



Stance  
Favorable to  
Risk Assets

The view expressed within this material constitute the perspective and judgment of PFM Asset Management LLC at the time of distribution (6/30/2020) and are subject to change.



## Disclosures

This material is based on information obtained from sources generally believed to be reliable and available to the public, however PFM Asset Management LLC cannot guarantee its accuracy, completeness or suitability. This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation. All statements as to what will or may happen under certain circumstances are based on assumptions, some but not all of which are noted in the presentation. Assumptions may or may not be proven correct as actual events occur, and results may depend on events outside of your or our control. Changes in assumptions may have a material effect on results. Past performance does not necessarily reflect and is not a guaranty of future results. The information contained in this presentation is not an offer to purchase or sell any securities.



# Thank You

# San Bernardino Valley Conservation Trust

## Financial Status as of September 30, 2020

<b>Cash Status-California Credit Union</b>		As of 07/1/20	As of 09/30/20
	7/1/2020 Beginning Balance	709,375.99	
Income:	9/30/2020 Interest Earned (Jul-Sept)		86.28
Expenses:	8/13/2020 SBVWCD Inv 110-Earned Mitigation Credits		16,756.03
	9/30/2020 SBVWCD Inv 111-Earned Mitigation Credits		75,264.78
	<b>BALANCE</b>		<b>617,441.46</b>
<b>Investments-US Bank</b>		As of 07/1/20	As of 09/30/20
	7/1/2020 Beginning Balance	2,647,135.66	
Income:	9/30/2020 Accrued Income, Interest, Dividends (Jul-Sept)		4,998.50
	9/30/2020 Unrealized Gain/Loss (Jul-Sept)		141,479.91
	9/30/2020 Realized Gain/Loss (Jul-Sept)		14,281.04
Expenses:	7/9/2020 PFM Advisory & Management Fees		2,237.39
	9/30/2020 US Bank Administrative Trust Fees (Jul-Sept)		875.00
	<b>BALANCE</b>		<b>2,804,782.72</b>
<b>Accounts Receivable</b>			
	Cemex/Robertson's-Wash Plan MOU		8,242,503.00
	<b>BALANCE</b>		<b>8,242,503.00</b>
<b>Liabilities</b>			
	Balance at 06/30/20	1,381,882.49	
	7/31/2020	43,222.88	
	8/31/2020	32,340.04	
	9/30/2020	43,046.92	
	Due to SBVWCD-Wash Plan		1,500,492.33
	Due to SBVWCD-Earned Mitigation Credits		26,531.90
	Unearned Mitigation Credit Balance (see back)		246,955.14
	<b>BALANCE</b>		<b>1,773,979.37</b>

## Mitigation Agreement Balances as of September 30, 2020

Deposit Agreements	Date	Project	Deposits	Staff Time Expenses	Biologist Fees	Legal Fees	Mitigation Credit Balance
1. S-P Deerfield	2/28/2018	Blossom Trails	\$ 18,739.50	\$20,703.53		\$ 800.00	\$ (2,764.03)
2. Highland-Fifth Orange Partners	10/17/2018	Woodbridge	\$ 10,000.00	\$ 5,028.37			\$ 4,971.63
3. SB County Transportation Autho	3/17/2020	SR 210 Lane Addition	\$377,005.03	\$27,845.82	\$92,153.49	\$12,258.18	\$ 244,747.54
Total			\$405,744.53	\$53,577.72	\$92,153.49	\$13,058.18	\$ 246,955.14
Reimbursement Due to SBVWCD				\$26,531.90			



**RESOLUTION NO. 20120-03**

**A RESOLUTION OF SAN BERNARDINO VALLEY  
CONSERVATION TRUST ADOPTING THE SAN  
BERNARDINO VALLEY CONSERVATION TRUST'S  
ADOPTING QUARTERLY MEETINGS SET FOR THE FIRST  
MONDAY OF EACH QUARTER**

**WHEREAS**, San Bernardino Valley Conservation Trust (Conservation Trust) is a nonprofit public benefit corporation organized under the Nonprofit Public Benefit Corporation Law for charitable purposes; and

**WHEREAS**, Article VII of this corporation's bylaws provides that other regular meetings of the Board of Directors may be held at such time and place as shall from time to time be fixed by the Board of Directors.

**WHEREAS**, The Board of Directors wish to signal their intent to have regular quarterly meeting and set dates for each meeting.

**NOW, THEREFORE, BE IT RESOLVED** by the governing body of the Nonprofit Public Benefit Corporation San Bernardino Valley Conservation Trust as follows:

Section 1. That effective October 7, 2020 the Regular Quarterly Meetings of the Board of Directors will be held at 1:30 p.m. on the first Monday of each quarter at the District office, 1630 W Redlands Blvd., Ste. S., Redlands, California or remotely in accordance with the SBVWCD policies and Public Health Officer Guidance.

Section 2. The undersigned, Daniel B. Cozad, certifies that he is duly appointed Executive Director/Chief Financial Officer of this Trust, and that the above is a true and correct copy of the resolution that was duly adopted at a meeting of the Board of Directors, which was held in accordance with State law and the Bylaws of the Trust.

Section 3. This Resolution shall take effect at the earliest date permitted by law.

DATED: October 7, 2020

\_\_\_\_\_  
David E. Raley  
President

\_\_\_\_\_  
John Longville  
Vice President

\_\_\_\_\_  
Gil Navarro  
Director

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Paul Williams  
Director

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Daniel B. Cozad  
Executive Director/Chief Financial Officer