

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

Wednesday, July 19, 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
Paul Kielhold, SBV Municipal Water District
Brad Buller, IE Resource Conservation District

Milan Mitrovich, SBV Water Conservation District (remote)
Betsy Miller, SBV Water Conservation District
Angie Quiroga, SBV Water Conservation District
David Cosgrove, SBV Water Conservation District
Mandy Parkes, IE Resource Conservation District
Matt Smith, PFM Asset Management(remote)
Bob Stewart, SBV Water Conservation District (remote)
Joanna Gibson, SBV Municipal Water District (remote)

1. PUBLIC PARTICIPATION -None
2. APPROVAL OF MINUTES FROM MAY 03, 2023

Action: Motion was made by Director Kielhold and seconded by President Raley to approve the meeting minutes from May 03, 2023. The motion carried 3-0-1 with all members present voting in the affirmative and Director Buller abstaining from the vote.

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

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

Matt Smith from PFM Asset Management reviewed the economic activity and investment performance of the Trust's portfolio starting on package page 8. Mr. Smith noted the Trust ended the quarter at \$3,214,016 which represents a quarter return of about 3.6%. Year-to-date, the portfolio is up 9.18%, which is a nice bounce back in performance this year particularly in the equity markets and since inception, we are sitting on the benchmark return at 6.39%. We are under the benchmark so far this year particularly due to underperforming in domestic

equities. In early March, our investment committee saw a decline in inflation. Historically, when inflation starts to come down, there is an upswing in the market and smaller US stocks generally outperform their larger counterparts. Our team put heavy weight into domestic equities and then news of Silicon Valley bank broke a week later. Silicon Valley bank was just one of multiple regional banks that were hit by what we call a bank run which is when people start pulling their money out of the banks in fear that their money isn't safe and in turn causes a contagion of panic. This panic was largely caused by these individual banks' risk mismanagement. This incident caused headwinds for the small to mid-cap space. Unfortunately, PFM did not see this coming. We exited our overweight in domestic equities in May. We reallocated to large cap stocks. We have seen a strong performance in our international equities and fixed income investments. Although we are not happy to report that we underperformed the benchmark for this quarter, PFM's history over the last ten years is that we have outperformed the benchmark 80% of quarters. We are committed to our process that has worked well over time. Mr. Smith provided a graph chart, as requested, of the District's investment performance compared to the benchmark through May 2023. In the first two years, we trailed the benchmark. In 2021, we started outperforming the benchmark quite well and as of the end of May and into June, we are sitting right about at the benchmark. PFM's goal over longer periods of time is to outperform the benchmark and Mr. Smith is certain PFM will get back to that trend. The final slide showed the asset allocations relative to targets. PFM is currently comfortable with the slight overages and underages to target. Mr. Smith advised Spring and Fall reviews will be provided in the future. Typically, a full report is ready about four weeks after the end of the quarter. This item was received and filed.

4. FINANCIAL STATUS UPDATE

Angie Quiroga presented the financial status update starting on package page 16. She reviewed expenses incurred for the quarter. The District billed for work provided to the community mitigation agreements held by the Trust. She drew attention to the District's request for partial reimbursement of Wash Plan expenses in the amount of \$350,700.69. This amount has not yet been finalized but is based on jumpstart funds and interest earned by the Trust to cover implementation costs. This payment will offset the overall liability due to the District. Investment income included an unrealized gain of \$102,871 with an ending balance in US Bank of \$3,214,016. She advised our accounts receivable has not changed but we are still hopeful the land exchange with BLM will be completed and our receivable from Cemex and Robertson's will be paid by the end of the calendar year. Liabilities to the District increased \$133,207 for habitat management and implementation costs for April-June. With payment to the District of the previously stated \$350,700.69, our ending liability to the District is \$2,225,828. The mitigation agreements balances, for a total amount \$173,153.91, were provided on package page 17. Mr. Cosgrove added word was received from BLM that closure of the land exchange was anticipated for the end of July. Communications have recently stopped. We have been reaching out and have lobbyist assistance to pursue moving the exchange forward. We will continue our efforts and expect it will be resolved by yearend. Discussion ensued.

Action: Motion was made by President Raley and seconded by Director Kielhold to approve the quarterly financial report as presented. The motion carried 4-0 with all members present voting in the affirmative.

President Raley: Yes

Vice President Longville: Yes

Director Kielhold: Yes
Director Buller: Yes

5. COMMUNITY MITIGATION UPDATES

Milan Mitrovich stated we are working through the process of the Trust's first conservation easement of 4.2 acres with SBCTA for the 210 FWY Expansion project. Mr. Cosgrove has been principal in terms of developing documentation supporting finalization of the easement. We are equally discussing with the S-P Deerfield team for Blossom Trails the 20.8 acres they need in the community mitigation area to have set aside for conservation. Working with the District's land, the Trust will hold the easement and manage endowment funds for that property. In parallel, we are working with Valley District regarding the 295 acres of land set aside for mitigation needs tied to the River HCP. SBCTA will likely be the first to secure their easement. This item was received and filed.

6. GRANT APPLICATIONS UPDATE

Mr. Mitrovich provided updates on some of the first grant applications that the Trust has moved forward with this past calendar year. The first application was for Federal funds tied to Section 6 Implementation of the Wash Plan HCP. We have not heard anything back from the application which was submitted in and around February. This suggests funding will be going to other projects as administered by CDFW. He advised the USFWS has been a big proponent of the proposal that we put together this winter and submitted in January and they want to see this project move forward. This work is tied to the San Bernardino kangaroo rat and establishment of a monitoring protocol. We have been fully developing and implementing this protocol over the last nearly 3 years across the Wash Plan preserve. It is that activity with USGS that the USFWS has been supportive of and will be providing \$133,897 of their own inner office funds to the USGS for design, study, writing the protocol, training partners and designing the database for acceptance of material and information from a range wide SBKR monitoring program and database that supports recovery efforts and writing efforts of the recovery plan for the species. This is what we wrote up in the Section 6 grant application. USFWS decided to take it on and take on the first two tasks to see this work forward. This is validation of the work the District is doing and our partners are doing in terms of supporting the species. The second application we submitted is for a California Fuels Management Community Fire Systems Program. This is federal grant administered through BLM California. We applied in May and on July 8th, we received a success letter from BLM letting us know that our application was selected for award negotiations. This award allows the Trust to hire restoration contractors, fuel management contractors and biologists as well as to work with the District for implementation measures to address fuels within the Wash. It allows us to address fuel loads, invasive grasses, human activity, encampments, debris fields, illegal access, and the like. This is a 5-year project awarded at \$1,044,500 with \$225,000 to be provided by services of the SBVWCD. \$819,500 will come in as federal dollars for personnel and contract costs. There will be opportunities to bring in sediment from Mill Creek and our operations in Mill Creek into the wash. New opportunities for SBKR consistent with the Wash Plan that recognizes grasses as principal barriers for movement of the species Work is starting October 1st this year and will continue through 2028. Vice President Longville commended Staff for their work. Mr. Mitrovich stated none of this is possible without our relationship with BLM and in particular the Fuels Coordination Manager James Gannon who has been a wonderful asset. Also, collaboration with the District is paramount in making this work and providing the ability to showcase the work we do. This item was received and filed.

7. ADJOURN MEETING –2:33 pm.

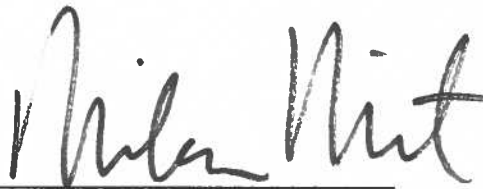
Action: A motion was made by President Raley and seconded by Director Kielhold to adjourn the meeting. The next Board of Director's meeting will be held on Wednesday, October 18, 2023, at 2:00 pm at 1630 W. Redlands Blvd., Redlands, CA or via teleconference and Zoom. The motion carried 4-0 with all Directors present voting in the affirmative.

President Raley: Yes

Vice President Longville: Yes

Director Kielhold: Yes

Director Buller: Yes

A handwritten signature in black ink, appearing to read "Milan Mitrovich", written over a horizontal line.

Milan Mitrovich
Executive Officer/Secretary