

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

**Thursday, March 15, 2018 – 1:30 p.m.**

CALL TO ORDER – 2:00 p.m.

ROLL CALL

David E. Raley, SBV Water Conservation District (District)  
Paul Williams, Inland Empire Resource Conservation District  
John Longville, SBV Water Conservation District  
Daniel Cozad, SBV Water Conservation District  
Athena Monge, SBV Water Conservation District  
Jeff Beehler, SBV Water Conservation District  
David Cosgrove, Rutan & Tucker, LLP  
Mandy Parkes, IERC  
Ellen Clark, PFM Asset Management (via teleconference)

1. PUBLIC PARTICIPATION -None
2. DESIGNATION OF BOARD OF DIRECTORS

Daniel Cozad stated Staff recommends re-designating Director John Longville and Vice President Paul Williams to a subsequent two year term as Board Directors.

**Action:** Motion was made by Vice President Williams and seconded by Director Longville to reappoint Paul Williams and John Longville for another term on the Board of Directors. The motion carried 3-0 with all directors present voting in the affirmative.

Ayes: Raley, Williams, Longville  
Noes:  
Absent:  
Abstain:

3. APPOINTMENT OF OFFICERS

**Action:** Motion was made by Director Longville and seconded by Vice President Williams to reappoint current officers for a second term. The motion carried 3-0 with all directors present voting in the affirmative.

Ayes: Raley, Williams, Longville  
Noes:  
Absent:  
Abstain:

#### 4. APPROVAL OF MINUTES FROM OCTOBER 5, 2017

**Action:** Motion was made by Director Longville and seconded by Vice President Williams to approve the meeting minutes from October 5, 2017. The motion carried 3-0 with all directors present voting in the affirmative.

Ayes: Raley, Williams, Longville

Noes:

Absent:

Abstain:

#### 5. FINANCIAL STATUS UPDATE

Mr. Cozad directed the Board to package page 22 which provides an update to the Trust's financial status as of March 15, 2018. He reviewed the covered parties which have paid their endowment in full. The Trust currently has just over \$2.7 million dollars in receipts. Based on the Trust's Investment Policy, there are adequate funds to make the first investments. This item was received and filed by the Board.

#### 6. AUDITOR PROCUREMENT AND SELECTION

This item was taken out of order.

Mr. Cozad presented this item. He reminded the Board they requested Staff at the last Board meeting to discuss with the District's current auditor, Rogers, Anderson, Malody & Scott (RAMS), about completing an audit for the Trust. After speaking with RAMS and conferring with others with like organizations, neither saw any conflict of interest in RAMS performing the audit. A proposal from RAMS in the amount of \$2,860 was provided. One other verbal quote was received in the amount of \$5,000.

**It was moved by Director Longville and seconded by Vice President Williams to approve the proposal from RAMS to complete the Trust's audit. The motion carried 3-0 with all Directors present voting in the affirmative.**

Ayes: Raley, Williams, Longville

Noes:

Absent:

Abstain:

#### 7. INVESTMENT ADVISOR AGREEMENT/INITIAL INVESTMENTS

Ellen Clark with PFM Asset Management (PFM) joined the meeting via teleconference and presented a slide presentation, "Investing in Volatile Markets". Mr. Cozad provided a handout of PFM's presentation. Ms. Clark discussed updates on current capital markets, previous decisions the Board has made on their investment policy, and what PFM is thinking about investing in today. Ms. Clark reviewed the presentation in detail. She stated slightly riskier investments have been paying off. PFM does diversify the portfolio in order to provide the greatest return without taking too much additional risk. The Board originally set asset allocation targets for the Trust at 70% stocks, 30% fixed income. Based on current investment data, PFM suggests underweighting fixed income at this time: diversification is

key making slight adjustments as needed. Ms. Clark explained once the Board approves transferring funds to the custodian, PFM would likely invest 50% in US stocks, 25% in International stocks, and 25% in fixed income dividing the investments amongst the managers/sub-advisors listed on page 16 of the presentation. Discussion ensued. Mr. Cozad proposes the Board approve investing up to \$2.5 million of the Trust's current assets allocated as PFM recommends, leaving remaining funds as cash to cover upcoming expenses.

**It was moved by Director Longville and seconded by Vice President Williams to approve investing up to \$2.5 million pursuant to the investment strategy provided by PFM on page 16, open a brokerage account, and allow PFM to make investments in accordance with the Trust's Investment Policy. The motion carried 3-0 with all Directors present voting in the affirmative.**

**Ayes: Raley, Williams, Longville**

**Noes:**

**Absent:**

**Abstain:**

## 8. DIRECTORS AND OFFICERS INSURANCE

Mr. Cozad presented this item stating the Board previously requested Staff to look into obtaining Directors and Officers Insurance. Two quotes were received and are provided as handouts. A general description from Non-Profit Insurance Alliance (NPIA) is also provided on package page 36 & 37. IQ Risk, a brokerage firm, obtained three quotes and provided their best quote in the amount of \$5,585.00. NPIA only insures 501c (3) organizations and requires the inclusion of General Liability with Directors and Officers Insurance. Their quote came in significantly lower in the amount of \$1,260. Staff recommends NPIA.

**It was moved by Director Longville and seconded by Vice President Williams to obtain General Liability, Directors and Officers Insurance from Non-Profit Insurance Alliance. The motion carried 3-0 with all Directors present voting in the affirmative.**

**Ayes: Raley, Williams, Longville**

**Noes:**

**Absent:**

**Abstain:**

## 9. COMMUNITY MITIGATION POLICY

Mr. Cozad recommended the Board adopt a Community Mitigation Policy. A draft policy is provided on package page 38. No action was taken.

## 10. COMMUNITY MITIGATION DEPOSIT AGREEMENTS

Mr. Cozad directed the Board to the list on package page 44 of entities/owners who have discussed with Staff about providing a Deposit Agreement and a Deposit for Community Mitigation. Mr. Cozad explained the District, in their most recent Strategic Plan, discussed working with entities outside of regular water districts who would like mitigation on land that is not required for the District or recharge on land not owned by the District. A map of the

projects was provided. The majority of requests so far are located in the City of Highland along Greenspot Road, directly adjacent to the Wash Plan. They are good candidates because either USFWS or CDFW recommended them. Mr. Cozad provided a brief description of each entity's request and pointed out their location on the map. The District has identified about 200 acres of land that was not required for the Wash Plan that could be made available for community mitigation. Mr. Cozad reviewed the Community Mitigation Deposit Agreement in detail on package page 41-43 that was put together by District Council. This information is provided to the Board as status and to let the Board know what Staff is doing on the Board's behalf. Discussion ensued. Mandy Parkes provided two companies that can provide appraisals for mitigation lands: Riggs & Riggs and Mason & Mason. No action was taken.

## 11. EASEMENT REQUIREMENTS

David Cosgrove presented this item. He stated he is working through what the form of our easement would be for purposes both inside and outside the Wash Plan. Mr. Cosgrove is conceptually looking to have the District as the grantor with both USFWS and the Trust as the grantee. Mr. Cozad stated he believes USFWS is in agreement to have the Trust holding the easement in its entirety as long as the Board pledges to enforce the easement to the maximum extent possible. Mr. Cosgrove explained the District would remain the licensee and would be responsible for any lapse in enforcement so additional language may need to be included in the Easement. In the District's agreement with the Trust, the District has the authority to make changes if the Trust isn't doing its job per Mr. Cozad which may be sufficient. Mr. Beehler added the USFWS is on the Preserve Management Committee which also helps enforce the Trust is following through with its obligations. Regarding Phase 1 environmental assessments, Mr. Cosgrove believes there should be a baseline set up and due diligence completed prior to accepting a conservation easement. Mr. Cozad asked the Board to determine, both from a legal and policy standpoint, whether or not the Trust will need or have interest in a Phase 1 where the District is the fee title owner and the Trust is holding the conservation easement since the liability will continue to rest with the District. This situation may be different for land coming from other entities to the District. Ms. Parkes stated IERCD always requires a Phase 1 when purchasing property and passes the cost along to the mitigating party as part of their due diligence. Discussion ensued.

Mr. Cozad stated some property coming from the City of Redlands and BLM through the Wash Plan will have homeless/dumping issues in which the homeless are impacting the habitat values that the Trust will be entrusted, through the conservation easement, to protect. The District and the Trust will need to work together with them and determine which entity is best suited to deal with the homeless situation in the most effective way. Ms. Parkes suggested adding an additional fee to easement agreements that is set up in a separate fund to address homeless issues. President Raley recommends looking into adding this fee. Mr. Cosgrove added title review for land should also be completed prior to acceptance. No action was taken.

## 12. WASH PLAN AND PRESERVE MANAGEMENT COMMITTEE

Jeff Beehler provided a handout on the Preserve Management Committee (PMC). He explained any HCP done through Section 10 in the USFWS has a PMC. It is defined in the Act. He noted the members of the PMC and their functions: USFWS and CDFW (the regulatory component), the District (permittee/ Preserve Manager), San Bernardino County

Flood Control District (managers of the WISPA, a large inholding within the HCP) and Bureau of Land Management (BLM). Some mitigation is being done on BLM land. BLM is providing the land and we are providing the lift and getting mitigation credit for managing that land. Flood Control will have a separate Implementing Agreement with the District and may or may not use the Trust and all of its amenities for management. The Santa Ana Regional Water Quality Control Board has requested to participate on the PMC possibly in an advisory capacity. The function of the PMC is to review HCP progress and compliance, to develop an annual work plan, and to prepare a draft budget for the permittee and Trust consideration. This is limited to the resources available. The PMC will help the Trust Board determine allocation of available funds to most essential tasks. No action was taken.

### 13. WHISTLEBLOWER POLICY

Mr. Cozad directed the Board to package page 45-46. Staff prepared a Whistleblower Policy coordinated with the Trust's Bylaws and Ethic Statement. Legal council recommended the Board approve the presented policy.

**It was moved by Director Longville and seconded by Vice President Williams to approve the San Bernardino Valley Conservation Trust-Whistleblower Policy as presented. The motion carried 3-0 with all Directors present voting in the affirmative.**

**Ayes: Raley, Williams, Longville**

**Noes:**

**Absent:**

**Abstain:**

### 14. ADJOURN MEETING – 3:35 P.M.

**Action:** Motion was made by Director Longville and seconded by Vice President Williams to adjourn meeting. The next regular Board of Directors Meeting will be determined at a later date. The motion carried 3-0 with all Directors present voting in the affirmative.

**Ayes: Raley, Williams, Longville**

**Noes:**

**Absent:**

**Abstain:**



Daniel B. Cozad  
Secretary/CFO