

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

Tuesday, February 19, 2019 – 1:30 p.m.

CALL TO ORDER – 1:37 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
Angie Quiroga, SBV Water Conservation District
Jeff Beehler, SBV Water Conservation District
David Cosgrove, Rutan & Tucker, LLP

1. PUBLIC PARTICIPATION -None
2. APPROVAL OF MINUTES FROM SEPTEMBER 28, 2018

Action: Motion was made by Vice President Williams and seconded by Director Longville to approve the meeting minutes from September 28, 2018 as presented. The motion carried 3-0 with all directors present voting in the affirmative.

Ayes: Raley, Williams, Longville

Noes:

Absent:

Abstain:

3. FINANCIAL STATUS UPDATE

Mr. Cozad reviewed the Trust financials provided on package pages 8-9. He stated the audit for last fiscal year has been finalized as well as state filings. Just under \$2 million has been received from Wash Plan MOU participants for land and species coverage and \$726,060 received for issuance costs/land buy-in for a total just over \$2.7 million dollars. Trust funds are invested and the status of investments show market value as well as unrealized gains and losses. We are also tracking what is owed to San Bernardino Valley Water Conservation District (District) for the costs associated with completing the Wash Plan. The two mining entities are the only two participants who have not yet paid. Payments from these entities will likely come upon finalization of agreements with the wildlife agencies and receipt of the take permits. District counsel is working with Cemex on an agreement to hopefully accelerate receipt of their payment. Robertson's would like to mine ahead of the Wash Plan. If this takes place, we would request payment of at least the issuance costs and a portion of their required endowment. Discussion ensued.

This item was received and filed.

4. SBVMWD PARTNERSHIP AGREEMENT UPDATE/PETITION TO EXPAND TRUST BOARD OF DIRECTORS

Mr. Cozad reviewed the signed Partnership Agreement between SBVMWD and the District on package page 10 previously discussed at the last Board meeting. He explained the agreement allows SBVMWD the opportunity to purchase District conservation easements with the Trust listed as the beneficiary or holder of the easement. In this agreement, the District has agreed to request the Trust consider adding additional board seats and identify one of these seats to be held by a SBVMWD appointed board member. Mr. Cozad explained the agreed \$36 million Conservation Easement Funding principal is to be used for new recharge facilities. The endowment portion is unknown at this point. Mr. Cosgrove advised that the endowment will be determined by the resource agencies upon completion of the River HCP. The endowment is what will come to the Trust. There is a proposal for a JPIA that will be reviewed by legal counsel.

This item was received and filed.

5. AMENDMENT TO TRUST BYLAWS

Mr. Cozad stated the request to add a SBVMWD Board member to the Trust's Board comes at a time close to when the Board was planning on considering adding two or more board members per the Trust Bylaws. It has been three years since the inception of the Trust. Mr. Cozad directed the Board to package page 38 which provides updated dates to consider with the already included language to add more board members. He also reviewed proposed wording changes on package page 39. These changes would increase the Board from three (3) to five (5) members with one of the members being a current SBVMWD Board member. Mr. Cosgrove explained a nuance to the requirements of being on the Trust's Board is that the members from both the District and SBVMWD have to be active sitting members on their respective boards. Discussion ensued as to the timing of when to add a SBVMWD board member. Mr. Cozad advised the Board to start considering who the fifth Board member may be. The Board discussed possible candidate characteristics. Director Longville suggested the start date for the new Board members should be July 1, 2019. The Board concurred. President Raley requested Staff to propose quarterly Trust meetings. Updated language for this change is provided on package page 40. Mr. Cozad advised this would increase Trust expenses. Legal counsel showed support for quarterly meetings.

It was moved by Director Longville and seconded by Vice President Williams to approve the proposed amendments to the bylaws indicating that the activation of the expanded Board of Directors would not be effective until July 1, 2019 and otherwise as presented subject to clerical revisions. The motion carried 3-0 with all Directors present voting in the affirmative.

Ayes: Raley, Williams, Longville

Noes:

Absent:

Abstain:

6. WASH PLAN PROGRESS UPDATE

Mr. Beehler presented this item. He stated the Wash Plan had some delays due to the government shutdown. Before the shutdown, the Wash Plan was undergoing final approval for publication in the federal register. The environmental documents, the EIR/EIS, were reworked to accommodate changes to the Department of Interior last summer limiting the size of an environmental document. The HCP has been approved by BLM and Fish & Wildlife Service (FWS). FWS is satisfied with the implementing agreement. The final items are the EIR/EIS which, upon approval, support the decision to implement the HCP. The delay lies between the FWS and BLM who have vastly different protocols and views as to what an EIS should look like. BLM wants to look at the land exchange on its own which limits the amount of spineflower population they will have where FWS is viewing the land exchange with the HCP in its entirety which increases spineflower population overall. We are asking BLM to consider the additional spineflower population. We have provided an offer to make BLM whole even if the Wash Plan doesn't happen which would provide conservation easements for the spineflower. FWS anticipates a breakthrough soon.

Mr. Beehler provided a handout on the relations and responsibilities between the Project proponents, the District, and the Trust. The handout links the coverage provided to the Project proponents upon compliance of HCP avoidance and minimization measures and mitigation funding. He advised the Board that the Trust must ensure the conditions listed in the conservation easement are met and management funds are dispensed to meet those goals and objectives. The District is responsible for making sure HCP activities are consistent with the HCP and that mitigation stays about 5% ahead of the projects. We are phasing the mitigation and we are phasing the projects.

Mr. Beehler provided a copy of a draft conservation easement deed prepared by legal counsel. He stated the District has agreed to place conservation easements on their land. Land is set aside and then the habitat is either maintained or improved. Payment for these easements goes straight to the District. Other funds cover specific mitigation. These funds are the responsibility of the Trust to collect and manage and make sure the terms of the easement are met. Another benefit to having this HCP is the District will get credit for the Plunge Creek project which will create waters of the state and waters of the US. Those waters are reserved for members who participate in these activities to cover impacts to waters and endangered species. Mr. Beehler advised project proponents not to put conservation easements on land prior to complete negotiation with the resource agencies and prior to their project impacts because they will not receive credit for that mitigation.

Mr. Cozad announced the Federal Lands bill passed the Senate. This bill also has the Land Exchange Act for the Wash Plan in it. The bill is expected to pass in the House of Representatives before the end of the month and will move on to the President's desk.

This item was received and filed.

7. COMMUNITY MITIGATION REQUESTS

Mr. Cozad provided a handout that lists preliminary discussions and deposit agreements with multiple owner/entity that have contacted the Trust with mitigation requests to complete their

prospective projects. He reviewed the status of each entity/owner. SP Deerfield LLC and Highland-Fifth-Orange Partners LLC are potential residential projects who have made deposits with the Trust under their deposit agreements. We are able to bill against these deposits for time spent working on them. Both projects are looking for mitigation lands and are trying to figure out if the project is going to work based on the necessary mitigation. He stated some of the smaller mitigation requests will be packaged together. Redlands and Highland's Orange Street Bike Trail project will be impacting woollystar preserves so it is outside the Wash Plan HCP. The grayed out projects are not currently being negotiated. The 7-W Enterprises project in green is negative acres so that project would add land for conservation easement. Mr. Cozad discussed the estimated costs the Trust would charge for each project's mitigation request and noted the SBVMWD/River HCP does not have the Trust overhead component because it is a Partnership Agreement. He estimated about 75% of all available District mitigation lands would be utilized if all of these agreements come to pass. President Raley inquired about the HOA that was discussed previously that was looking for mitigation. Mr. Cozad stated we have not heard anything more from them at this point.

This item was received and filed.

8. ADJOURN MEETING – 2:44 P.M.


Action: Motion was made by Director Longville and seconded by Vice President Williams to adjourn the meeting. The next regular Board of Directors Meeting will be held on Wednesday, May 29, 2019 at 1:30 PM at 1630 W Redlands Blvd, Suite A, Redlands, CA 92373. 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