

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

Friday, September 28, 2018 – 2:00 p.m.

CALL TO ORDER – 2:08 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
Mandy Parkes, IERCD
Scott Manno, Rogers, Anderson, Malody & Scott, LLP (RAMS)

1. PUBLIC PARTICIPATION -None
2. APPROVAL OF MINUTES FROM MARCH 15, 2018

President Raley requested a correction be made in the last paragraph of Item 11 to correct his title from Vice President to President.

Action: Motion was made by Vice President Williams and seconded by Director Longville to approve the meeting minutes from March 15, 2018, with minor correction requested by President Raley. The motion carried 3-0 with all directors present voting in the affirmative.

Ayes: Raley, Williams, Longville

Noes:

Absent:

Abstain:

3. NO ITEM 3
4. REVIEW DRAFT AUDIT REPORT AND CONSIDER APPROVAL

Scott Manno from RAMS presented the draft Audit Report for Fiscal Year 2017/2018. He stated in the Independent Auditor's Report on package pages 10 & 11 that RAMS had provided the highest level of opinion that an auditor can give on financial statements. He noted the Trust has \$2.7 million in cash and investments and a \$577,004 liability owed to San Bernardino Valley Water Conservation District (District) for funds loaned to complete the Wash Plan. This loan is to be reimbursed upon demand by the District with interest. He

reviewed the cash flows statement and stated the notes describe items on the balance sheet in further detail. No comparisons were provided in this audit since it is the first year's audit.

It was moved by Director Longville and seconded by Vice President Williams to approve the draft audit report. The motion carried 3-0 with all Directors present voting in the affirmative.

Ayes: Raley, Williams, Longville

Noes:

Absent:

Abstain:

5. FINANCIAL STATUS UPDATE

Daniel Cozad reviewed the financial status report on package page 20. He recapped which participants have paid their share of the Wash Plan MOU agreement and whom we are awaiting payment from. He noted the \$20,000 in deposits for mitigation credit come from two developers which have submitted deposit agreements. One developer has a signed deposit agreement with us. He noted some cash is in our California Credit Union account and the majority of funds are invested and held in US Bank which is PFM Asset Management's custodial bank. The asset allocation 70/30 split for the investments has not done as well as expected in the short term. The listed liability due to the District is for the District's loan as previously mentioned and for funds, the Trust has collected from Wash Plan participants for land buy-in costs. This liability balance will become much larger once the aggregate mining companies pay their share. Discussion ensued.

This item was received and filed.

6. ENDOWMENT HOLDING REQUEST (NON-WASH PLAN)

Mr. Cozad stated Mandy Parkes and Jeff Beehler have been working on a request for the Trust to hold an endowment on a project that IERCD has been working on. Ms. Parkes explained IERCD also facilitates mitigation and they have been seeing a trend in which home-owner associations (HOA) and other onsite property owners want to increase their control over some responsibilities of perpetuity land maintenance. Four Seasons Beaumont's HOA is taking on some of the lighter maintenance duties to reduce the size of the endowment they have to pay IERCD. Because they have taken on so much, if they fail to complete their required tasks it would impact the mitigation size. So, the regulatory agencies are expecting them to have their own endowment. Four Seasons isn't qualified to hold an endowment, so they need a due diligence entity to hold that endowment for them. Ms. Parkes discussed the pros and cons to the Trust holding this endowment. One pro is the endowment would add bulk to the Trust's investments. A preset cost for administration and management expenses would be clearly documented. She stated Four Seasons does have other options if this is not the direction the Trust wants to go in. If the Trust would like to accept the endowment, the parties would enter into an agreement/MOU in which the HOA would provide a deposit and cover costs such as legal fees. It would clearly outline agreed on payment schedules of the interest from the non-wasting endowment. Per Mr. Beehler, it benefits the HOA because a non-profit can invest at a more aggressive rate which allows the size of the endowment to be substantially smaller. Mr. Cozad reviewed the pros and cons on package page 21. He stated it would lower our cost per investment overall which is a benefit to the Trust. Ms. Parkes stated

there would be no responsibility for the Trust to enforce HOA rules on their members and there would be minimal overhead work. It would strictly be a financial agreement. Discussion ensued.

It was moved by Director Longville and seconded by Vice President Williams to move into an agreement with Four Seasons Beaumont HOA if both parties can agree, and be brought back to the Board for final approval. The motion carried 3-0 with all Directors present voting in the affirmative.

Ayes: Raley, Williams, Longville

Noes:

Absent:

Abstain:

7. SBVMWD AND COMMUNITY MITIGATION REQUESTS

Mr. Cozad directed the Board to package page 23. He stated this item is mostly an update. The Trust has two deposit agreements. One agreement is fully executed with Blossom Trails, a residential development on Greenspot Road in Highland. California Fish & Wildlife Service (FWS) advised Blossom Trails they need about twice as many acres of mitigation than their consultant estimated. The District's Board set the mitigation conservation easement cost at \$130,000. This fee does not include the endowment or maintenance fees. The endowment fee is estimated by staff to be about \$23,000 and a \$5,000 contribution to the Trust per acre as the "broker" in this transaction. FWS has requested the Trust provide mitigation/conservation easement to San Bernardino County Transportation Authority on behalf of the Rail to Redlands project. A small piece of land, 0.15 acres, has been committed but costs have not yet been determined. Several Wash Plan participants, such as City of Redlands and City of Highland for the Orange Street Bike Trail, will need small areas of land for mitigation, so Staff is designating a couple of acres for these needs.

Mr. Cozad explained the new joint resolution to develop a Partnership Agreement between the District and San Bernardino Valley Municipal Water District to provide up to 295 acres of mitigation for SBKR in support of the River HCP. This will take up a majority of the land we have available for mitigation with a large endowment of nearly \$7 million and a contribution to the Trust of approximately \$1.5 million. The District has agreed to request the Conservation Trust add a representative to the Board of Directors representing Valley Municipal. Mr. Cozad believes it is a reasonable request. The Board is in agreement and may add a second seat opening to keep the Board with an odd number of members. The District has committed the funds obtained for this conservation easement will be used for additional recharge or purchase of land. The Partnership Agreement should be completed in November. Mr. Cozad briefly reviewed the other possible mitigation requests provided on the list. Discussion ensued. This item was received and filed.

8. CONSERVATION EASEMENT REQUIREMENTS

Mr. Beehler discussed the draft Conservation Easement Deed (Deed) provided on package page 24. He stated Staff anticipates a few agreements are in the near future for some of the projects previously discussed. This Deed is explicitly written for the Wash Plan. Typically conservation lands are set aside and may have a road or utility easement. In terms of the

Wash Plan, these are working lands. Activities are envisioned to occur on these lands forever such as sinking water, having wells, roads, maintenance, and facilities. These activities are built into the Wash Plan as “covered activities,” and specific mitigation has been set aside for these activities. There are some limitations in the deed which acknowledge basins and roads will be used but the habitat values of some of the interstitial areas between the basins won’t be impinged upon. The Wash Plan HCP is more of a patchwork ensemble of mitigation lands. Mr. Beehler discussed the Prohibited Uses on page 4 of the Deed and noted the Deed is explicitly designed for lands set aside as preserve land and the preserve boundaries are laid out pretty clearly. Mr. Beehler explained the Trust would hold the easement so even if the property is sold, the Trust can hold the easement and protect the conservation value in perpetuity. He encouraged the Board to bring forward any questions or concerns prior to finalizing the Deed. This item was received and filed.

9. DEPOSIT AGREEMENT REVISION REQUEST

Mr. Cozad stated the Woodbridge project deposit agreement had been previously approved, but there are some requested material changes that the Board needs to review. The other marked minor changes in the agreement have been evaluated by legal counsel. A specific request has been made by the developer’s lawyer on package page 41. In Section g their lawyer is requesting the deposit they make be credited back to them, once they pay for the easement and endowment, for the upfront costs to complete the process. Mr. Cozad stated he is not recommending the Board agrees with this request. The deposit is for offsetting costs incurred by the Trust for developing an agreement. If a requesting party decides to obtain their mitigation somewhere else and does not complete the process with the Trust, the Trust does not lose money. Mr. Cozad suggested increasing the price of the conservation easement if the Board wishes to agree with the request. The Trust would then take on the risk of losing money if a mitigation seeking party does not complete the process. The Board showed opposition and provided direction to Staff to deny this request.

It was moved by Vice President Williams and seconded by President Raley to deny the Woodbridge Project’s request to have their deposit credited back to them upon completion of the easement and endowment. The motion carried 3-0 with all Directors present voting in the affirmative.

Ayes: Raley, Williams, Longville

Noes:

Absent:

Abstain:

Mr. Cozad had a couple of additional items he wanted to discuss. He reminded the Board Staff obtained Directors and Officers Liability and General Liability insurance in the spring. The District has about 8 miles of trails that it may make available to the public at some point in the future. Mr. Cozad asked the Trust’s insurer how much it would cost to insure these trails. The insurer stated it would cost approximately \$80, but because the Trust, including these trails, is still under the minimum exposure, there would be no additional fee. Mr. Cozad advised the Board he went ahead and added these trails at no cost to the insurance, but if there is any opposition, the District can reimburse \$80 to the Trust. The Board was not opposed.

10. ADJOURN MEETING – 3:00 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 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