

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

**Wednesday, October 07, 2020 – 1:30 pm**

CALL TO ORDER –1:33 p.m. (Via teleconference and Zoom)

ROLL CALL

David E. Raley, SBV Water Conservation District (District)  
John Longville, SBV Water Conservation District  
Gil Navarro, SBV Municipal Water District  
Paul Williams, Inland Empire Resource Conservation District

Daniel Cozad, SBV Water Conservation District  
Betsy Miller, SBV Water Conservation District  
Angie Quiroga, SBV Water Conservation District  
David Cosgrove, Rutan & Tucker, LLP  
Laura Arvizu, Rogers, Anderson, Malody & Scott, LLC (RAMS)  
Ellen Clark, PFM Asset Management  
Joseph Frederico, PFM Asset Management

1. PUBLIC PARTICIPATION -None
2. APPROVAL OF MINUTES FROM JULY 13, 2020

**Action:** Motion was made by Vice President Longville and seconded by Director Navarro to approve the meeting minutes from July 13, 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. REINSTATE BOARD MEMBER PAUL WILLIAMS

Mr. Cozad indicated former Board member Paul Williams' request for reinstatement to the Trust's Board.

**Action:** Motion was made by Vice President Longville and seconded by Director Navarro to reinstate Board Member Paul Williams. The motion carried 3-0 with all Board members present voting in the affirmative.

Ayes: Raley, Longville, Navarro

Noes:

Absent:

Abstain:

#### 4. DRAFT AUDIT REPORT/UPDATE

Laura Arvizu from RAMS briefly highlighted key items in the draft audit report. She stated the Independent Auditor's Report provides RAMS' endorsement that all statements appear to be presented fairly indicating a clean audit opinion. The biggest change noted from prior year is under Statement of Financial Position on report page 3. There is an increase in unearned revenue under liabilities related to the mitigation agreement with San Bernardino County Transportation Authority (SBCTA). The Statement of Activities shows Wash Plan expenses went up from prior year, partially due to an increase in costs for administrative services the District provided the Trust and additional fees for general counsel matters throughout the year. Mr. Cozad advised the Board the current year will see increased expenses as work for the SBCTA project and Wash Plan implementation are incurred. He noted Trust funds are characterized by the auditors as with and without donor restrictions. However, virtually all funds have limitations and from a management perspective are earmarked for specific purposes by contract or other agreements. They are mostly fiduciary funds and need to be used or reimbursed. We should have some transactions soon which will result in unallocated general fund revenue without obligated commitments.

**Action:** Motion was made by Vice President Longville and seconded by Director Navarro to approve the financial statements and the audit report as presented. The motion carried 4-0 with all Board members present voting in the affirmative.

Ayes: Raley, Longville, Navarro, Williams

Noes:

Absent:

Abstain:

#### 5. FINANCIAL ADVISOR REPORT

Ellen Clarke joined by colleague Joseph Frederico from PFM Asset Management provided a market update presentation and status of the Trust's endowment fund. Ms. Clarke stated that the business cycle reached peak in February and the annual low was recorded on March 23<sup>rd</sup>. The economy was technically in a recession with negative GDP for two consecutive quarters. Third quarter numbers are not available yet, but rebounds have occurred, especially in the US stock market. Significant uncertainty remains in the market with the pandemic and upcoming election. Ms. Clarke reviewed recession and expansion definitions noting the US GDP is about  $\frac{2}{3}$ - $\frac{3}{4}$  dependent on consumer spending. Indicators that point to a rebounding economy include increased monthly retail sales, a positive housing market, and the Small Business Optimism Index. The consumer sentiment indicators shows a longer road to recovery due to lack of optimism for the future. Additional indicators were reviewed. She noted very low interest rates are expected to continue through 2021 and 2022 and possibly through 2023. In the longer run, a more normal inflation of about 2% is expected. Currently there is a struggle to earn inflation rates on cash holdings. Unemployment is very high but has come down significantly. Expect unemployment to settle in the 4-4  $\frac{1}{2}$ % range in the next couple of years. GDP has improved but is still likely to be negative for 2020. A rebound is expected in 2021 with a 2  $\frac{1}{2}$ -3% growth

rate. The challenge with the stock market is it is being dominated by Facebook, Amazon, Netflix, Apple, and Google which account for about 25% of the S&P500. The other 495 stocks are barely up on the year. These tech stocks are distorting the index. PFM utilizes the Russell 3000 Index for domestic stocks which includes the S&P 500, large and small cap stocks. Year-to-date (YTD) is a 5.4% return. Previous years saw double digit returns. PFM does not expect such gains in the future but more moderate returns between 6-7%. MSCI ACWI Index is used on the international side; this index posted a positive last quarter but was down -5.4% on a YTD basis at -5.4%. PFM believes these stocks have the 6.2% potential return similar to their 5-year average. For Fixed Income stocks, PFM primarily follows Bloomberg Barclays US Aggregate. At 6.8% YTD returns, these stocks are giving the best returns right now.

Mr. Frederico reviewed strategic policy changes made primarily in the 1<sup>st</sup> and 2<sup>nd</sup> quarter of 2020 to the endowment fund to minimize loss of capital as the coronavirus pandemic began affecting the market. He provided a breakdown of endowment assets worth \$2,647,136 as of June 30, 2020, currently held in domestic equities (45.8%), international equities (21.28%), fixed income (29.73%), other growth stocks (2.93%) and cash equivalents (.27%). First quarter returns earned 14.45%. On a YTD basis, the fund is outperforming the benchmark as of the second quarter. Mr. Frederico continued with the current portfolio positioning as of September 30, 2020, with total market value at \$2,803,364. With greater than \$100,000 appreciation in third quarter, the fund is currently positive. He reviewed current allocations for each asset class and noted they are within 2% of target levels. On a YTD basis through September 25<sup>th</sup>, the portfolio is up 2.7% above benchmark of 1.9. From end of 1<sup>st</sup> quarter to end of 2<sup>nd</sup> quarter, PFM has not adjusted our position. On package page 35 and 36, Mr. Frederico discussed PFM's investment outlook for each asset class and factors PFM is considering positioning the portfolio over the next 6-12 months. President Raley asked if we are going to meet our target return of 4% to provide money for our core mission of Wash Plan implementation. Ms. Clarke responded that the portfolio through June 30<sup>th</sup> has 5.3% annualized rate of return and she expects an increase by the end of September. The returns are in line with investment opportunities in the markets since June 2018. Mr. Cozad commended PFM on their steadfastness while taking into account the Trust's policies. This item was received and filed.

## 6. FINANCIAL STATUS UPDATE

Mr. Cozad reviewed the financials on package pages 39-40 noting they are in a slightly different format. Income and expenses are listed for both cash status and our investment accounts with the cash balance currently at \$617,441. A clearer view is provided of entries for work being completed on the SBCTA and Blossom Trails mitigation projects. Accounts receivable is generally Wash Plan endowment receivables that we expect from the mining entities. They are both likely to contribute their entire endowment and obligate all of the lands they have for mining within the next year or so. The District is finalizing its agreement with Cemex and Robertson's should have their permitting strategy in line by yearend. The liabilities are primarily funds the District advanced to the Trust for the Wash Plan. Unearned mitigation credit balances are from the entities who have made deposits for work to be completed on their projects, such as SBCTA. We work against the deposit and as the funds are depleted, more funds are requested if needed.

**Action:** Motion was made by Vice President Longville and seconded by Director Williams to approve the financial status as presented. The motion carried 4-0 with all Board members present voting in the affirmative.

Ayes: Raley, Longville, Navarro, Williams

Noes:

Absent:

Abstain:

## 7. WASH PLAN PROGRESS UPDATE/OBLIGATION OF ENDOWMENT COSTS

Ms. Miller provided the Wash Plan update. She stated we are in Year 1 of implementation. District staff joined IERCD for a site visit to discuss weed control tasks that are required by the Wash Plan and included in the District approved budget. We are also working to finalize draft monitoring methods for SBKR and gnatcatchers with the wildlife agencies and schedule a Preserve Management Committee meeting to present those items. The goal is to have these methodologies complete and accepted by yearend so we can have our contracting in place to begin monitoring and management following spring rains. Work is also continuing on remaining state and waters permits, and we have developed a conceptual permitting strategy with our consultants. Next steps include scheduling field surveys and scheduling initial calls with regulators to discuss permit applications. We continue to work with BLM on the land exchange and Land Management MOU. We had our first big event following Wash Plan approval when a fire occurred on BLM land at Orange Street that will become District managed. BLM provided updates right away and access to do emergency post-fire work. There are specific post-fire items required in the Wash Plan specific to weeding and cactus protection. We also had an opportunity to do some SBKR surveys in the burn area. Seven healthy animals were found on the first night which verifies SBKR are able to survey small fires. Emergency funds will be used to cover these costs and the funds will be reimbursed by the Trust endowment. This item was received and filed.

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

Ms. Miller stated the SBKR backpack tracking has been completed on SBCTA land and the transmitters have been removed from the animals. Raw data has been reviewed by District staff and consultants and additional analysis may be available following analysis by the San Diego Zoo. The Trust has been approved by CDFW as the endowment and land manager for SBCTA's project. SBCTA has been working on their project security with the District and CDFW which has put a hold on part of the project. SBCTA will be considering some additional documents at their Board meeting on November 4<sup>th</sup> relating to how they are funding their mitigation requirements. We do expect some additional payments to the Trust once that is completed and then we can move forward on some additional items for their project. This item was received and filed.

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

**Action:** Motion was made by Vice President Longville and seconded by Director Navarro to approve the resolution as presented. The motion carried 4-0 with all Board members present voting in the affirmative.

Ayes: Raley, Longville, Navarro, Williams


Noes:  
Absent:  
Abstain:

10. ADJOURN MEETING – 2:38 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 Monday, January 2, 2021, at 1:30 pm via teleconference and Zoom. The motion carried 4-0 with all Directors present voting in the affirmative.

Ayes: Raley, Longville, Navarro, Williams

Noes:  
Absent:  
Abstain:



Daniel B. Cozad  
Secretary/CFO