

**SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT  
MINUTES OF THE FINANCE & ADMINISTRATION COMMITTEE MEETING**

February 3, 2016  
1:00 P.M.

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Chairperson McDonald called the Finance & Administration Committee Meeting to order at 1:13 p.m.

**FINANCE & ADMINISTRATION COMMITTEE MEMBERS PRESENT:**

Melody McDonald, Chairperson  
David E. Raley, Director (Arrived 1:20 p.m.)

**FINANCE & ADMINISTRATION COMMITTEE MEMBERS ABSENT:**

None

**STAFF PRESENT:**

Daniel Cozad, General Manager  
Angie Quiroga, Administrative Services Specialist

**GUESTS PRESENT:**

None

1. PUBLIC PARTICIPATION

Chairperson McDonald announced this as the time for any persons present, who so desire, to make an oral presentation to the Committee. Hearing none, the meeting continued with published agenda items.

2. ADDITIONS/DELETIONS TO AGENDA

There were no additions or deletions to the agenda.

3. MEETING MINUTES FROM JANUARY 20, 2016 ARE TO BE APPROVED AT NEXT MEETING PER AGENDA

4. CONTINUED REVIEW AND DISCUSSION OF PFM ASSET MANAGEMENT STATEMENT OF INVESTMENT POLICY RECOMMENDATION FROM JANUARY 20, 2016.

Chairperson McDonald opened the meeting to continue the discussion from the January 20, 2016 Finance & Administration Committee meeting. The Committee discussed several factors to be considered when determining an appropriate ratio (stocks to bonds) of asset allocation investment options the Committee would recommend to the Board for approval. Factors such as risk of loss, annual return, and length of investment were discussed. Daniel Cozad indicated staff saw merit in taking more risk in the early stages of endowment holding to maximize returns and then modifying the investment portfolio in the near future. After the endowment has grown and comparable returns can be generated with reduced risk changes could be made. Mr. Cozad suggests the committee consider the 70/30 (stocks/bonds) portfolio since the likelihood is that bond returns will be very low over the next several years due to the need for interest rates to increase.

Discussion ensued. David Raley agreed that in the current environment, the investment portfolio should be more aggressive at either the 70/30 or 60/40 ratios as opposed to 50/50. Chairperson McDonald supports recommending the 70/30 portfolio. Mr. Raley showed concerns investing too much in stocks due to potential dips in the market at the times liquidating a portion of the portfolio is needed to fund maintenance of the Wash Plan. He suggested advising PFM Asset Management (PFM) to invest in stocks that pay high dividends to help offset market lows. Mr. Cozad agreed to inform PFM to be heavier in dividend or interest bearing stocks as opposed to just obtaining capital appreciation. Mr. Raley also believes investing in land is important. Mr. Cozad agreed.

Mr. Raley reiterated PFM needs to understand the investment needs to generate yearly income to support the maintenance of the Wash Plan. Mr. Cozad advised that once funding of the endowment begins, per our agreement, we are committing to spending \$27,000 per year for the first five years, not the \$400,000. There is time for growth of the investment. As the investment grows, the commitment increases up to \$400,000 or 4%. Mr. Cozad discussed looking into the option of longer term investing or possibly lending the \$5 million Robertson's Ready Mix (Robertson's) prepaid royalty to the endowment to help generate money for the Wash Plan and for the District until all Wash Plan participating parties have fully funded the endowment. Chairperson McDonald and Mr. Raley agreed that option is worth exploring. Mr. Raley suggested requesting a Letter of Understanding with San Bernardino Valley Municipal Water District (SBVMWD) that if Robertson's decides to terminate their agreement with the District and requests their \$5 million back, SBVMWD will lend \$5 million to the District, if needed. Discussion ensued.

Chairperson McDonald summarized the discussion of the meeting: the Committee shall recommend a 70/30 portfolio to the Board and the Conservation Trust Board and they will explore the option of investing Robertson's \$5 million if a backstop for return can be identified.

#### 5. ADJOURN

**It was moved by Director Raley and seconded by Chairperson McDonald to adjourn. The motion carried with all members present voting in the affirmative.**

**Director Raley: Yes**

**Chairperson McDonald: Yes**

There being no further business, the meeting adjourned at 2:20 p.m.