

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

**Wednesday, January 18, 2023 – 2:00 pm**

CALL TO ORDER –2:10 p.m.

ROLL CALL

David E. Raley, SBV Water Conservation District (District)  
John Longville, SBV Water Conservation District  
T. Milford Harrison, SBV Municipal Water District  
Jim Earsom, IE Resource Conservation District (Absent)

Betsy Miller, SBV Water Conservation District  
Angie Quiroga, SBV Water Conservation District  
Milan Mitrovich, SBV Water Conservation District  
David Cosgrove, SBV Water Conservation District  
Katelyn Scholte, SBV Water Conservation District  
Bob Stewart, SBV Water Conservation District  
Heather Dyer, SBV Municipal Water District  
Matt Smith, PFM Asset Management  
Terry Shea, Rogers Anderson, Malody, & Scott (RAMS)

1. PUBLIC PARTICIPATION -None
2. APPROVAL OF MINUTES FROM OCTOBER 19, 2022

**Action:** Motion was made by Vice President Longville and seconded by Director Harrison to approve the meeting minutes from October 19, 2022. The motion carried 3-0-1 with all members present voting in the affirmative.

President Raley: Yes  
Vice President Longville: Yes  
Director Harrison: Yes  
Director Earsom: Absent

3. CONFIRMATION REGARDING DESIGNATION OF BOARD OF DIRECTORS

David Cosgrove verified confirmation was received from the District and SBV Municipal Water District, respectively regarding the re-designation of David Raley and T. Milford Harrison to their subsequent three-year term of office.

#### 4. REVIEW DRAFT AUDIT REPORT AND CONSIDER APPROVAL

This item was taken out of order. Terry Shea from RAMS reviewed the Independent Auditor's Report on package page 10 noting that in the opinion of RAMS, the financial statements present fairly, in all material respects, the financial position of the Trust as of June 30, 2022. He briefly reviewed the Statement of Financial Position, Statement of Activities, Statement of Cash Flows and Notes to Financial Statements of the presented FY 2022 draft audit report. President Raley inquired if the Trust has the funds available to complete required work of the Wash Plan HCP. Mr. Mitrovich and Mr. Cosgrove confirmed the Trust is on track to meet liabilities.

**Action:** Motion was made by Vice President Longville and seconded by Director Harrison to approve the Audit Report as presented. The motion carried 3-0-1 with all members present voting in the affirmative.

President Raley: Yes

Vice President Longville: Yes

Director Harrison: Yes

Director Earsom: Absent

#### 5. PFM INVESTMENT ALLOCATION MODELING AND INVESTMENT POLICY UPDATE

Matthew Smith from PFM Asset Management provided a slide presentation of the Asset Allocation Modeling (AAM) used for annual review of and recommendations for the Trust's investments as well as their review of the Trust's Investment Policy Statement (IPS). Based on staff input of beginning assets (\$2.9 mm), cash flow expectations (4% spent annually, \$7-8mm contribution expected in mid '23), desired return (6.5%), time horizon (5+ years) and current allocation (70% equities/30% fixed income), PFM's modeling provides expected return, risk, and correlation across sub-asset classes over the intermediate term of 5 years, and the long term of 30 years. The modeling platform runs thousands of trials. PFM modeled allocations of 60/40, 65/35 and 70/30. Mr. Smith explained expected annualized returns over the long term are significantly narrower (within a smaller range of outcomes) than in the short term, especially in the equity market. All three modeled allocations would obtain the desired returns but due to the current discounted rate of equities, PFM does not recommend any changes at this time. Mr. Cosgrove asked if the debt ceiling crisis in Washington has any bearings on the stated short-term strategy. Mr. Smith responded that it does not. Based on past history, it is anticipated that the debt ceiling will be raised. If it isn't, PFM may adjust their stance at that time. Discussion ensued.

Mr. Smith followed up with PFM's review of the Trust's Investment Policy. The recommended changes are red-lined within the policy starting on package page 20. Mr. Smith reviewed PFM's observations within the policy and provided five areas for the Board to consider adjusting. The considerations are:

- To add language that provides some guidance around how contributions will be invested
- Define 4% spending and 2.5% inflation for the 6.5% return target
- Further define allowable investments to provide additional guidance for advisor and Board
- Removal of "Other Assets". Due to the size of the Fund and risk tolerance, using the term Other Assets such as illiquid alternatives are not appropriate for this portfolio

- The benchmark for fixed income uses an outdated name. Update Barclays U.S. Aggregate Bond Index to Bloomberg due to the merger

**Action:** Motion was made by Vice President Longville and seconded by Director Harrison to approve the investment allocation recommendation and updates to the Investment Policy as presented. The motion carried 3-0-1 with all members present voting in the affirmative.

President Raley: Yes

Vice President Longville: Yes

Director Harrison: Yes

Director Earsom: Absent

## 6. FINANCIAL STATUS UPDATE

Angie Quiroga directed the Board to package page 32. She advised the Board that the remaining donation deposits held for the NHCPC were received and pass-through payment of \$18,500 was expensed November 16<sup>th</sup>. Earned mitigation credits were expensed to the District in the amount of \$9,418.81 for their work through December 31, 2022 for SBCTA and S-P Deerfield mitigation agreements. An Independent Contribution of \$1,000 was received from ThunderWheel Communications. Investments with US Bank showed some signs of improvement and expenses included bank fees only. Liabilities increased \$135,832 to the District for Wash Plan implementation work of which \$44,887 will be reimbursed for state permitting fees from participants. Mitigation Agreement balances were provided notating a correction to September 30, 2022 balance for SBCTA. Mr. Cosgrove reminded the Board of the accounts receivable balance anticipated from Cemex and Robertson's under the Wash Plan MOU. He also stated the District is slow to request reimbursement of the Trust's liability as these funds are being applied to the same mitigation/goals. The Trust has more flexibility in investment options which allows for higher returns and is better for both entities.

**Action:** Motion was made by Vice President Longville and seconded by Director Harrison to approve the quarterly investment report as presented. The motion carried 3-0-1 with all members present voting in the affirmative.

President Raley: Yes

Vice President Longville: Yes

Director Harrison: Yes

Director Earsom: Absent

## 7. CALIFORNIA DEPARTMENT OF FISH AND WILDLIFE ENDANGERED SPECIES CONSERVATION AND RECOVERY GRANT PROGRAM APPLICATION

This item was taken out of order. Mr. Mitrovich stated this is an informational item in regards to CDFW Endangered Species Conservation and Recovery Grant Program application which was also discussed at last week's Conservation District's Board meeting. It is an effort by the Trust, the District, and a number of other partner agencies looking to put together an application to try and obtain federal funding to support monitoring work of SBKR across the region of the species. The Trust will be taking the lead by gathering materials and completing the application which will represent USGS, Valley District, Western Riverside County RCA, Cajon Creek Conservation Bank and SB County Flood Control District as well as CDFW and USFWS as a partnership. It comes from Section 6 funding from the government administered through CDFW. Tentative

application due date is next week with an informal due date of this Friday going to CDFW first. If awarded the grant, the Trust would be the responsible party managing contracts with USGS and other biological consultants to see the work done consistent with the work we have been doing out in the Wash Plan preserve for the last two years. Mr. Cosgrove added that the protocol the District has put together for SBKR mitigation implementation has been favorably reviewed by the resource agencies. They are looking to potentially expanding this protocol regionwide. There is a benefit, at least to the District, being on the ground floor of setting the protocol as it is going to yield a lot more efficiency and cost effectiveness in the District's own work with the species. Some of the monitoring will be outside of Conservation District boundaries which is why we are suggesting the Trust take the lead on the application. There is a requirement for matching funds up to \$235,000 and the District has already committed to it, at least in concept. As the application is moved toward finalizing, other agencies may participate. So, the matching funds, may be a shared cost but for application purposes, the District has committed to the funds to move the application forward. Heather Dyer, Valley District's General Manager, inquired if funds previously deposited for the Wash Plan can be used as matching funds for the grant and if staff time applies to matching funds as well. Mr. Mitrovich explained initial Wash Plan funds were committed for specific work in 2020-2022 and the grant funds would be for continuation of this mitigation work in 2024-2025. Staff time and consultant services may be used toward matching funds. This item was received and filed.

#### 8. COMMUNITY MITIGATION UPDATE

Milan Mitrovich advised staff has been in conversations with both SB County Flood Control for their Elder Creek Project and SB County Transportation Authority for the 210 FWY expansion project regarding the easements and endowments they will need for their projects. Review of the long-term management plan and property analysis record will assure we are requiring the appropriate amount of funding to hold the easement and funds for implementation of the long-term management plans. The 4.2-acre conservation easement for SB County Transportation Authority 210 FWY expansion record has been approved by CDFW. CDFW is providing the oversight role, free of charge, for this first conservation easement the Trust will be holding. This item was received and filed.

#### 9. DR HORTON TRESPASS UPDATE

David Cosgrove stated DR Horton put together a consultant's remediation plan in connection with the DR Horton development trespass that occurred in July 2021 on District property causing a 4/10 acre disturbance. The District approved a settlement which will require DR Horton to pay approximately an additional \$201k to the District above the \$48k deposit already received. The District assumes all responsibilities to remediation of the disturbed land. This agreement releases DR Horton of liability and allows them to close out their development project. The District feels they may be able to complete the remediation at or below the settlement amount. The District is currently in discussions with USFWS to determine the exact remediations requirements. It's possible, as some point, that the District may wish to retain the Trust to administer that mitigation and remediation plan. Discussion ensued. This item was received and filed.

#### 10. ADJOURN MEETING – 2:55 pm.

*Action:* A motion was made by Director Harrison and seconded by Vice President Longville to adjourn the meeting. The next Board of Director's meeting will be held on Wednesday, April 19, 2023, at 2:00 pm at 1630 W. Redlands Blvd., Redlands, CA or via teleconference and Zoom. The motion carried 3-0-1 with Director Earsom noted absent from the vote.

President Raley: Yes

Vice President Longville: Yes

Director Harrison: Yes

Director Earsom: Absent



Milan Mitrovich  
Executive Officer/Secretary