SAN BERNARDINO VALLEY | A REGIONAL WATER AGENCY SINCE 1954

AGENDA

SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT
380 E. Vanderbilt Way, San Bernardino, CA 92408

BOARD OF DIRECTORS' SPECIAL MEETING - POLICY/ADMINISTRATION WORKSHOP
2:00 PM Thursday, August 6, 2026

ZOOM INFORMATION
Online: https://sbvmwd.zoom/us/j/88452499078
Telephone: (877) 853-5247 US Toll-free

Meeting ID: 884 5249 9078
PASSCODE: 3802026

If you are unable to participate online or by telephone, you may submit your comments and questions in writing for Board consideration by emailing comments@sbvmwd.com with the subject line Public Comment Item # (insert the agenda item number relevant to your comment) or Public Comment Non-Agenda Item. Submit your written comments no later than 6 p.m. the day prior to the meeting. All public comments will be provided to the Board President and may be read into the record or compiled as part of the record.

IMPORTANT PRIVACY NOTE: Online participants MUST log in with a Zoom account. The Zoom app is a free download. Please keep in mind: (1) This is a public meeting; as such, the virtual meeting information is published on the World Wide Web and available to everyone. (2) Should you participate remotely via telephone, your telephone number will be your identifier during the meeting and available to all meeting participants; there is no way to protect your privacy if you elect to call in to the meeting.

CALL TO ORDER

1) **INTRODUCTIONS**

2) **PUBLIC COMMENT**
Members of the public may address the Board regarding any item within the subject matter jurisdiction of the Board; however, no action may be taken on off-agenda items except as authorized by law. Each speaker is limited to a maximum of three (3) minutes.

3) **DISCUSSION AND POSSIBLE ACTION ITEMS**

3.1 Quarterly Investment Portfolio Update with PFM Asset Management (20 min) - Page 3
Staff Memo - Quarterly Investment Portfolio Update with PFM Asset Management
1. PFM Asset Management presentation on the District's investments through June 2026

3.2 Federal Legislative Update (10 min) - Page 22
Staff Memo - Federal Legislative Update

4) FUTURE BUSINESS

5) ADJOURNMENT

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DATE: August 6, 2026

TO: Board of Directors' Workshop – Policy/Administration

FROM: Cindy Saks, Chief Financial Officer / Deputy General Manager

SUBJECT: Quarterly Investment Portfolio Update with PFM Asset Management

Staff Recommendation

Receive and file the quarterly portfolio update report from PFM Asset Management.

Summary

Tiffany Tint, Relationship Manager from PFM Asset Management will be attending today's meeting to make a presentation on the status of the District's investments based on the current investment strategy.

Background

One of the specific tasks outlined by the Board is to meet quarterly with the investment advisor. The Board approved Investment Advisory services from PFM Asset Management and to continue with the investment strategy developed and adopted by the Board. Periodically over the years, the Board has reviewed the investment strategy. On February 10, 2022, the Board reviewed and directed staff to continue with the same investment strategy, which provides greater portfolio diversity with a slightly longer average maturity while not increasing risk, all of which is in accordance with the District's investment policy.

Fiscal Impact

There is no fiscal impact to receive and file the quarterly investment report.

Attachments

1) PFM Asset Management presentation on the District's investments through June 2026

San Bernardino Valley Municipal Water District

Investment Performance Review
For the Quarter Ended June 30, 2026

Client Management Team

PFM Asset Management,
a division of U.S. Bancorp Asset Management Inc.

Monique Spyke, Managing Director, Head of California Practice
Tiffany Tint, CFA, Director, Senior Relationship Manager

633 W 5th St., 25th Floor
Los Angeles, CA 90071
213-356-2010

213 Market Street
Harrisburg, PA 17101-2141
717-232-2723

Current Market Themes

- U.S. growth remains resilient as AI-driven investment offsets a moderating consumer
  - Headline inflation may be at or near its peak as the energy shock fades, though flare-ups in the Middle East conflict and potential delayed passthroughs to core inflation remain key risks
  - The labor market is in balance, though real wage growth remains modest
  - AI investment continues to drive growth while fueling inflation in tech-related categories

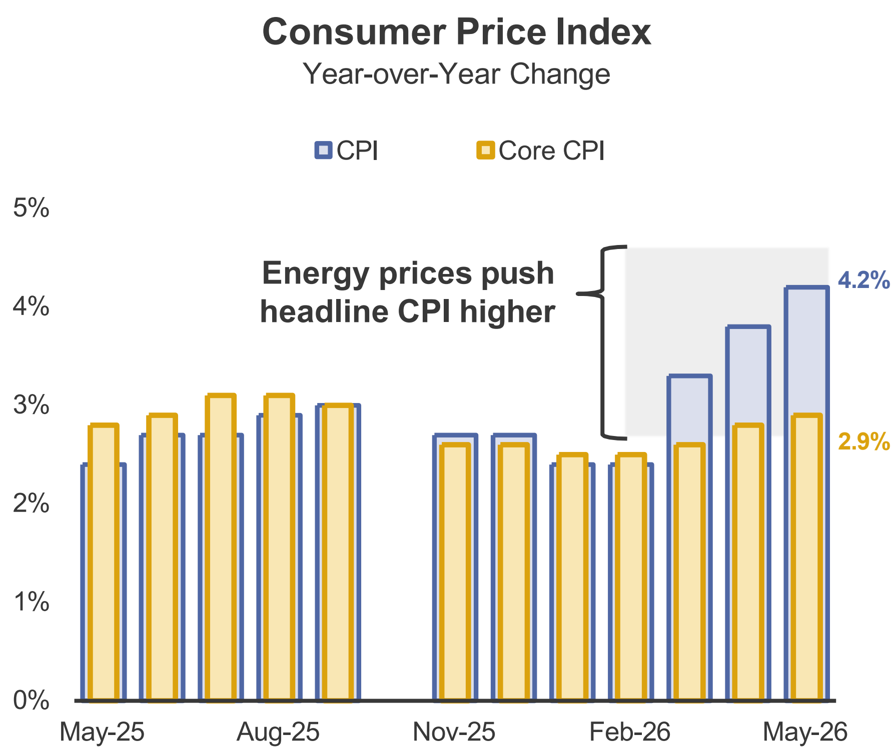
- The Federal Reserve (Fed) left policy rates unchanged at 3.50-3.75%
  - New Fed Chair Kevin Warsh stressed restoring price stability
  - Forward guidance was removed to refocus markets on economic fundamentals and incoming data rather than the Fed's policy response
  - Nine participants projected a 2026 rate hike though Warsh did not submit projections

- Treasury yields moved higher on a more hawkish Fed
  - Given current pricing of Fed rate hikes, we continue to find value in the front end
  - Longer-term rates face two-sided risks from inflation and growth dynamics
  - Credit spreads remain tight as resilient growth, stable labor conditions, and strong demand outweigh valuation concerns

Source: Details on market themes and economic indicators provided throughout the body of the presentation. Bloomberg Finance L.P., as of June 30, 2026.

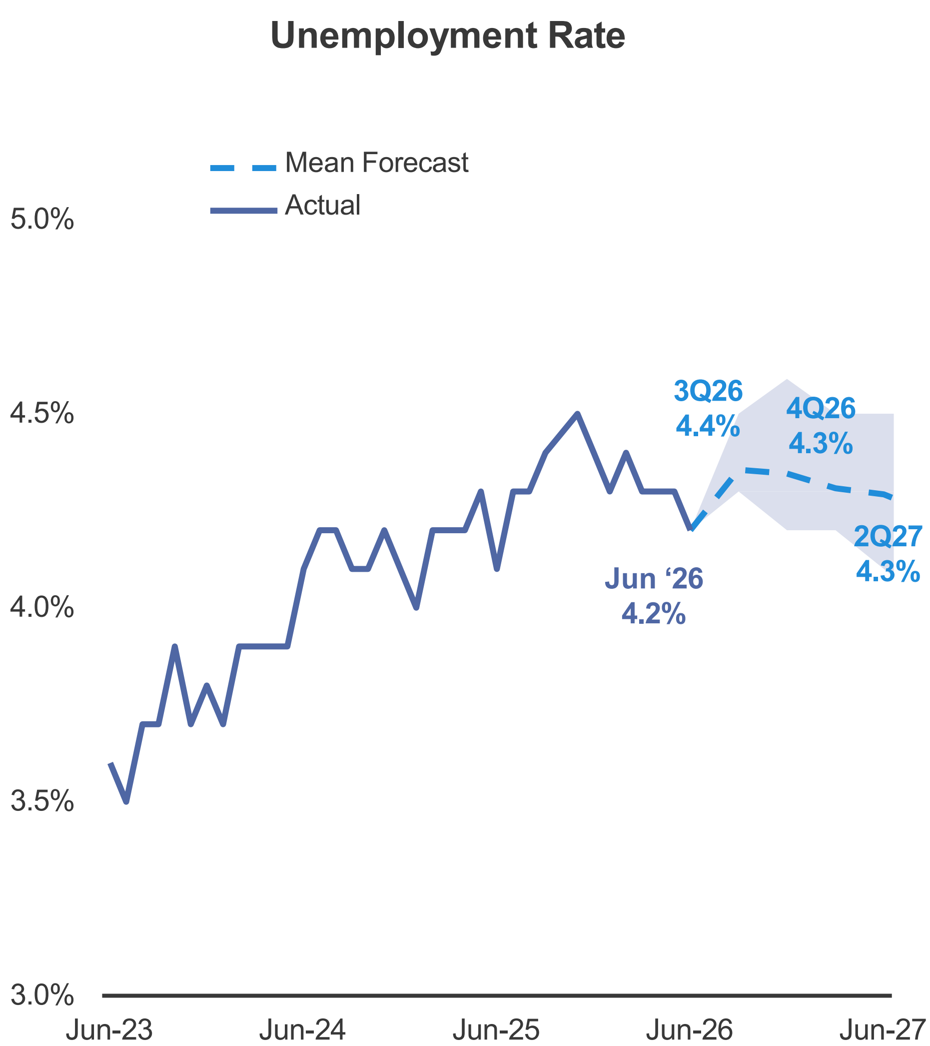
Implications of the Energy Shock

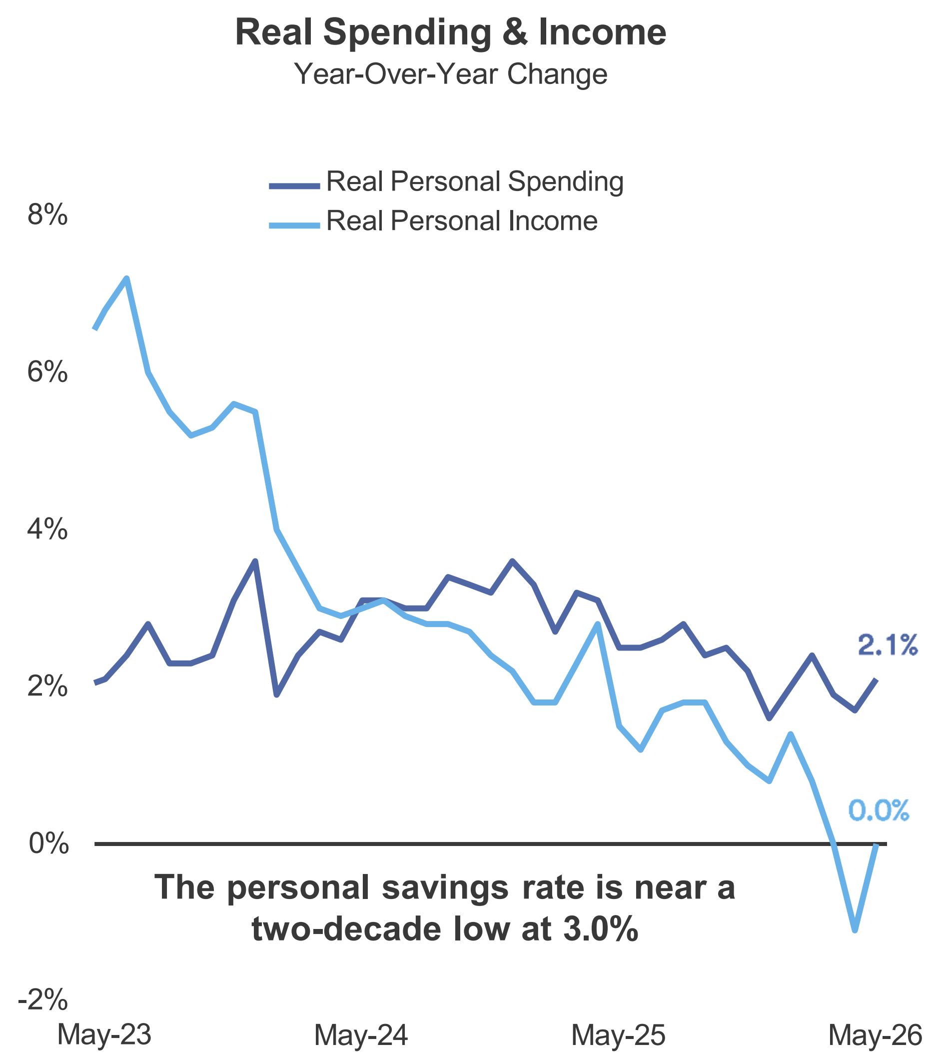
- **Higher energy costs lift headline inflation but the Fed remains attentive to broader passthroughs to core goods and services**
  - Oil prices ended the quarter near pre-conflict levels after peaking in April
  - Headline inflation may be at or near peak as energy supply normalizes
  - Fed remains focused on long-run inflation expectations



Source: Bloomberg Finance L.P. and Bureau of Labor Statistics. CPI as of May 2026. Market implied inflation expectations shown using 1-year and 5-year inflation swaps as of June 30, 2026.

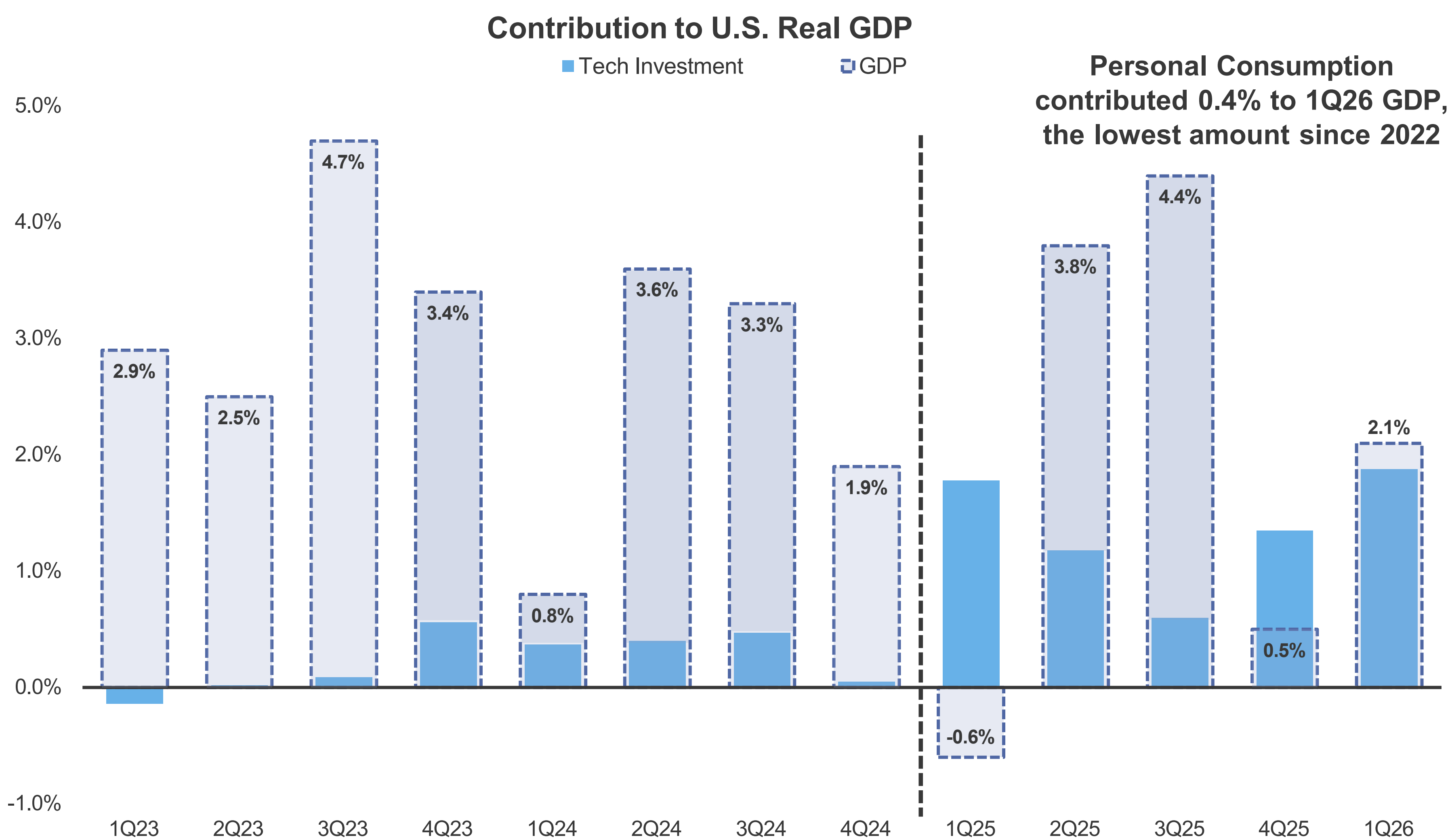
Labor Market Remains Balanced But Purchasing Power Erodes





Source: Bloomberg Finance L.P. and Bureau of Economic Analysis as of May 2026. Bureau of Labor Statistics as of June 2026. Survey responses after June 26, 2026, included in mean and forecast range. Shading represents the central 80% of the forecasts.

Technology Investment Offsets Moderating Consumption

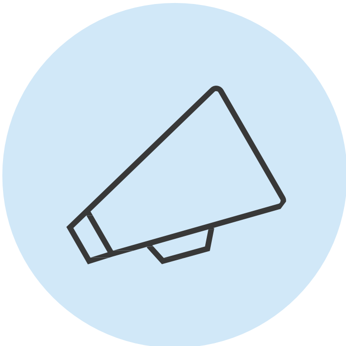


Source: Bloomberg Finance L.P. and Bureau of Economic Analysis as of March 2026. Tech investment contains contributions to GDP from computers and peripheral equipment, information processing equipment, and software.

New Fed Leadership and a Modified Approach

Hawkish Lean

- Fed voted unanimously to keep rates unchanged
- New Chair Kevin Warsh reaffirmed commitment to 2% inflation target, noting the Fed has "some work to do"
- Dot plot showed 9 of 18 participants projected at least one hike in 2026



Less Forward Guidance

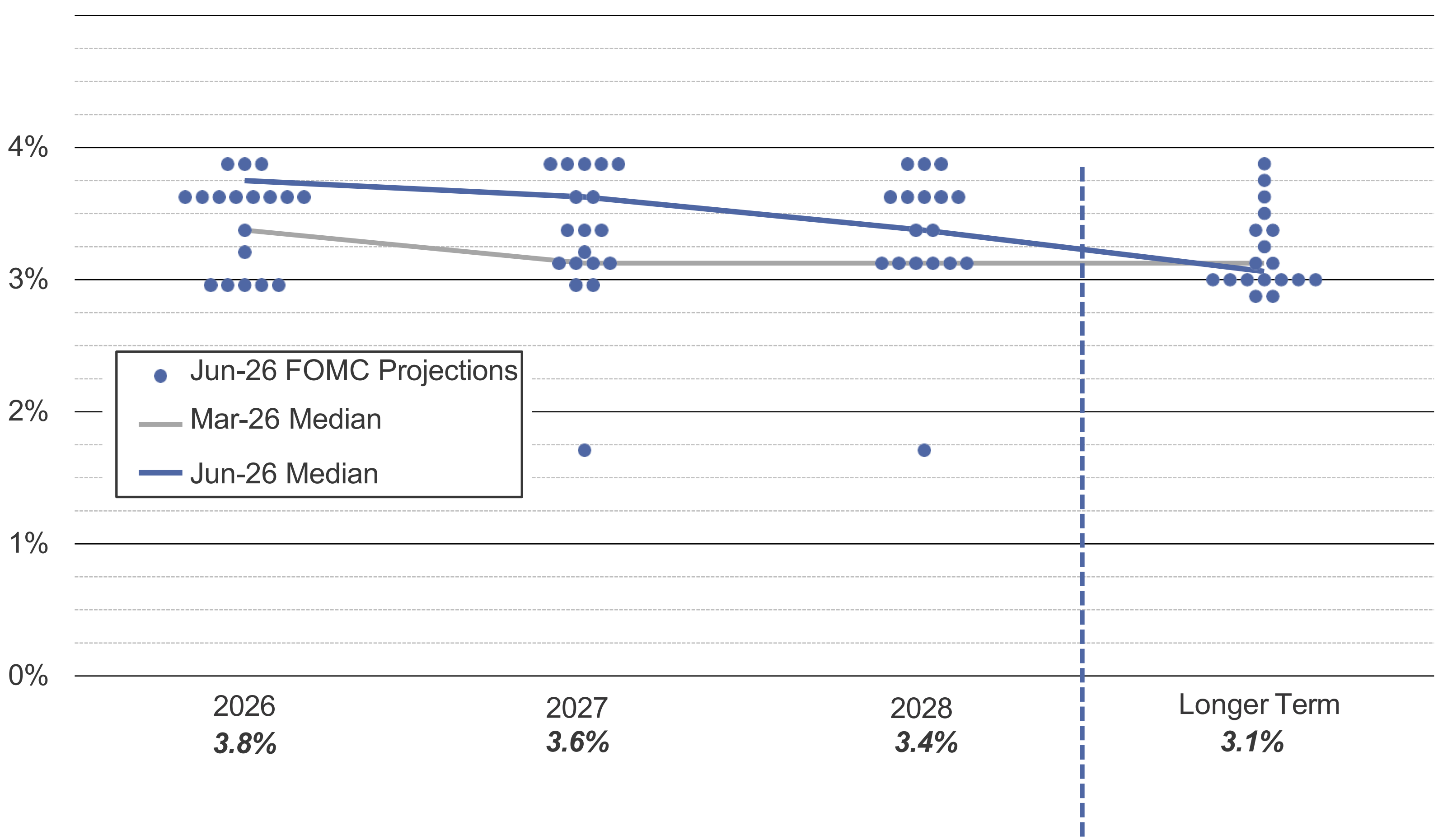
- Statement pared back and more factual in nature
- No dot or projections submitted by Warsh
- Chair Warsh argued markets should focus on economic fundamentals and incoming data rather than anticipated policy responses

New Task Forces

- Five task forces established with initial findings expected by year-end
- Covers communications, balance sheet, data, productivity and jobs, and inflation framework
- 2% inflation target not in scope of task forces

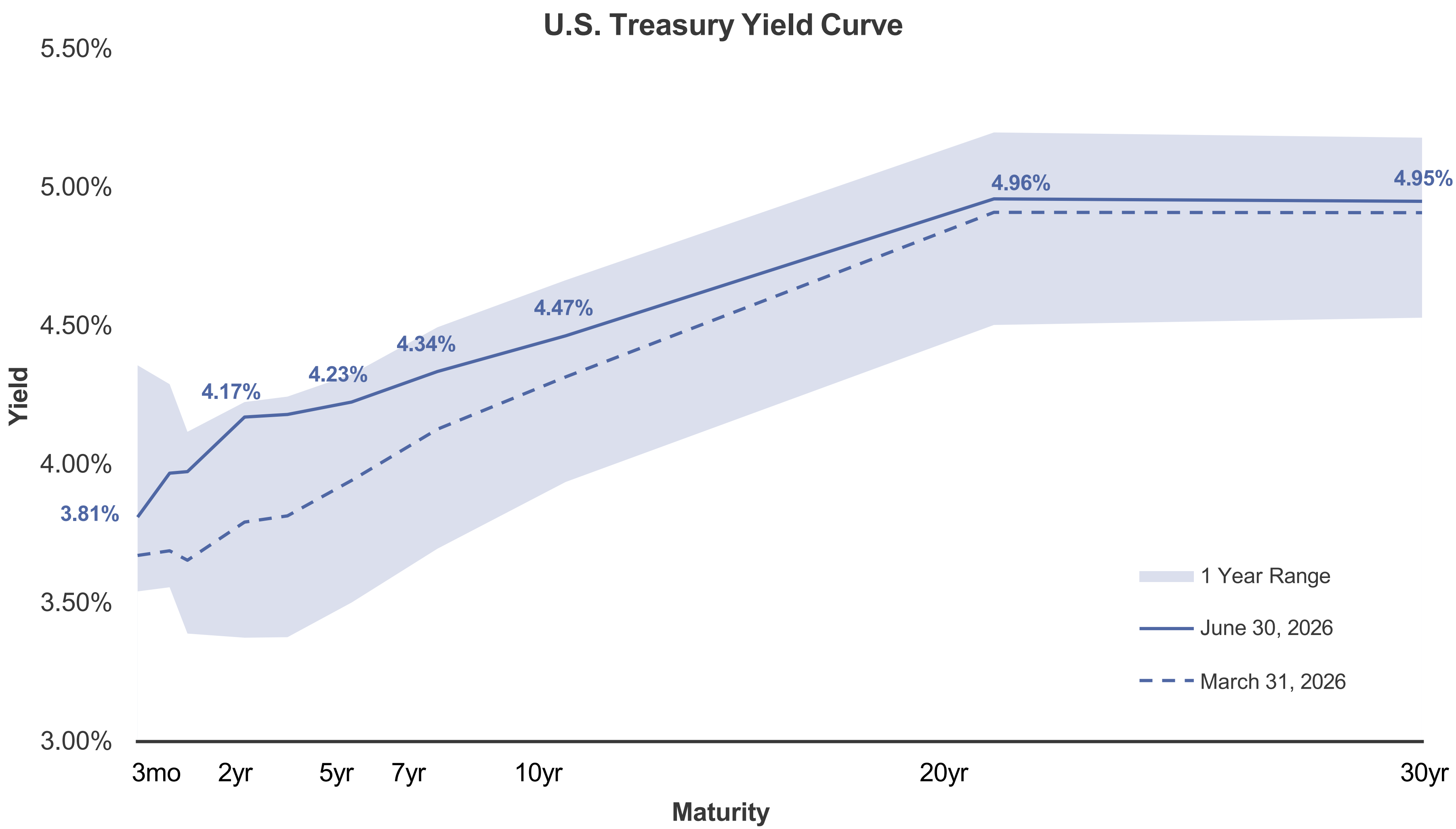
Source: Federal Reserve and Kevin Warsh as of June 17, 2026.

The Latest Fed "Dot Plot"



Source: Federal Reserve; Bloomberg Finance L.P. Individual dots represent each Fed member's judgement of the midpoint of the appropriate target range for the federal funds rate at each year-end. As of June 17, 2026.

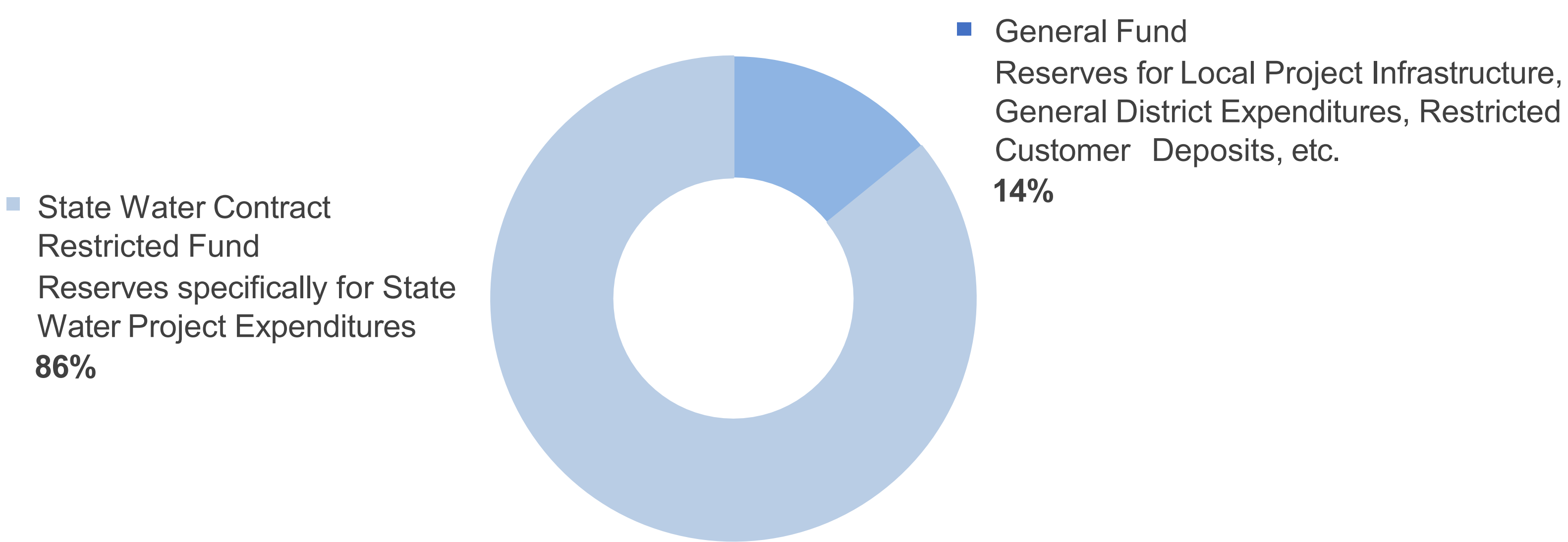
Treasury Yields Rise Across the Curve



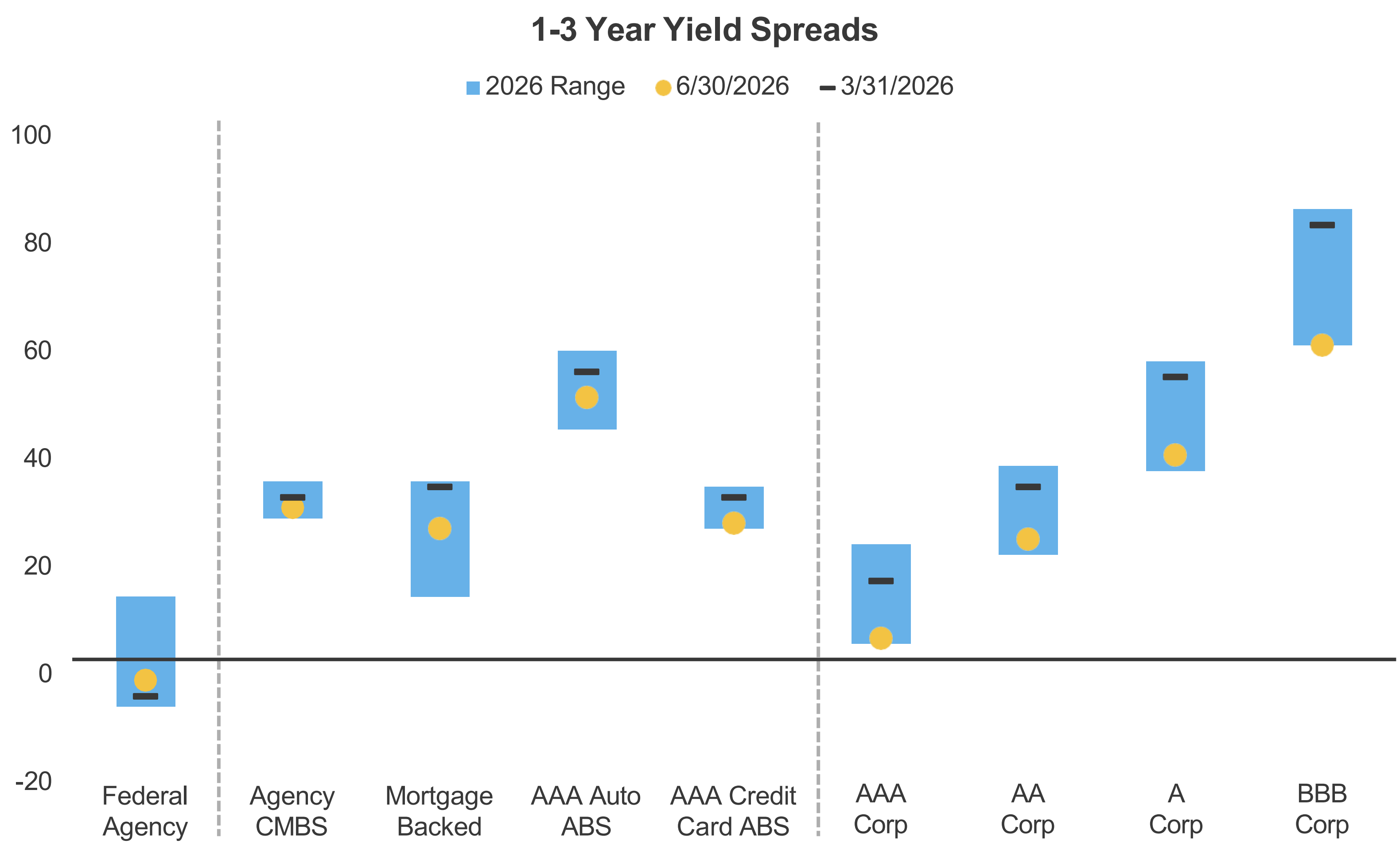
Source: Bloomberg Finance L.P., as of June 30, 2026.

Combined Portfolio – Balances (Includes Accrued Interest)

Fund	March 31, 2026	June 30, 2026
General Fund	$107,998,371	$119,554,825
State Water Contract Fund	$680,624,610	$725,223,175
Total	**$788,622,981**	**$844,778,000**



Sector Yield Spreads



Source: ICE BofA 1-3 year Indices via Bloomberg Finance L.P. as of June 30, 2026. Spreads on ABS and MBS are option-adjusted spreads based on weighted average life; spreads on agencies are relative to comparable maturity Treasuries.
CMBS is Commercial Mortgage-Backed Securities and represented by the ICE BofA Agency CMBS Index.

Combined Portfolio - Sector Allocations

Security Type	Market Value as of March 31, 2026	% of Portfolio	Market Value as of June 30, 2026	% of Portfolio	Quarter Change	Sector Limits
U.S. Treasury	$251,378,051	32.0%	$274,575,956	32.7%	0.6%	100%
Federal Agency	$0	0.0%	$0	0.0%	0.0%	100%
Municipal	$1,010,758	0.1%	$1,006,682	0.1%	0.0%	30%
Negotiable CDs	$13,811,188	1.8%	$10,703,609	1.3%	-0.5%	30%
Commercial Paper	$5,456,141	0.7%	$6,839,635	0.8%	0.1%	40%
Asset-Backed Security	$0	0.0%	$4,942,500	0.6%	0.6%	20%
Corporate Notes	$110,101,705	14.0%	$111,521,275	13.3%	-0.8%	30%
Securities Sub-Total	**$381,757,843**	**48.7%**	**$409,589,658**	**48.7%**		
Accrued Interest	$3,949,033		$3,858,412			
Securities Total	**$385,706,876**		**$413,448,070**			
LAIF	$71,816,316	9.2%	$72,520,086	8.6%	-0.5%	$75 Million
Money Market Fund	$817,918	0.1%	$119,872	0.0%	-0.1%	20.0%
CAMP	$330,281,871	42.1%	$358,689,973	42.7%	0.6%	50.0%
Total Liquidity	**$402,916,104**	**51.3%**	**$431,329,930**	**51.3%**		
Total Investments	**$788,622,981**	**100.0%**	**$844,778,000**	**100.0%**		

Certificate of Compliance

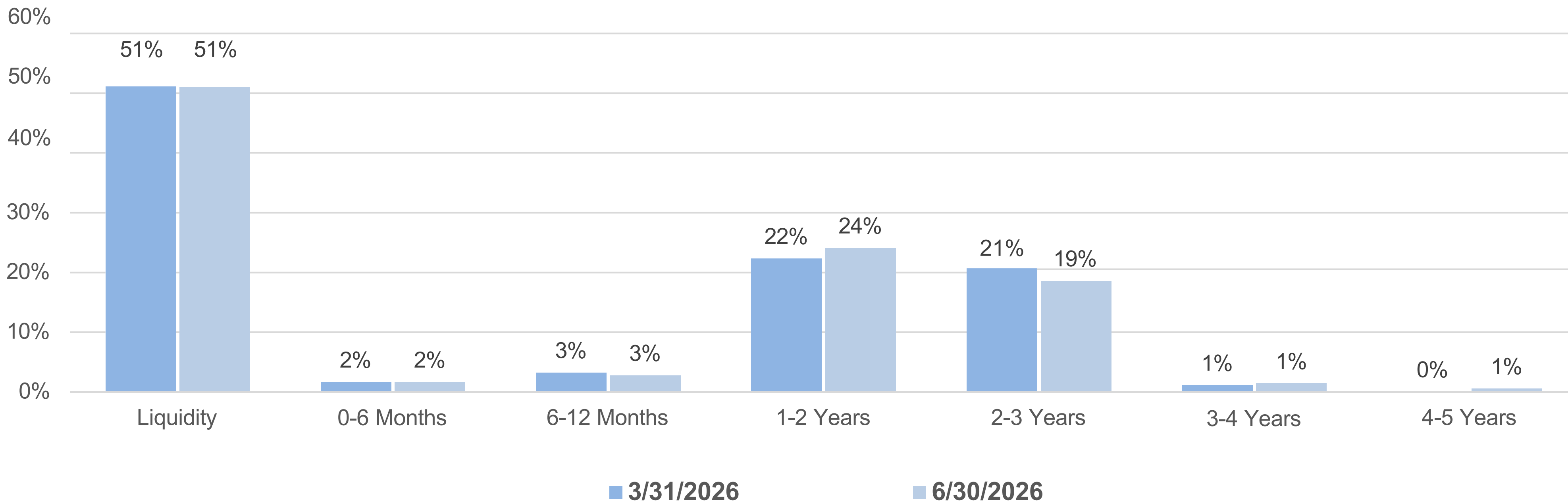
During the reporting period for the quarter ended June 30, 2026, the account(s) managed by PFM Asset Management ("PFMAM") were in compliance with the applicable investment policy and guidelines as furnished to PFMAM.

Acknowledged : *PFM Asset Management, a division of U.S. Bancorp Asset Management, Inc.*

Note: Pre- and post-trade compliance for the account(s) managed by PFM Asset Management is provided via Bloomberg Financial LP Asset and Investment Management ("AIM").

Combined Portfolio - Maturity Distribution

- The District maintains ample liquidity in the LAIF/CAMP.
- For the managed portfolio, we continue to emphasize maturities in the 1-3 year range, consistent with the strategies for the portfolios.



Weighted Average Maturity (Years)	March 31, 2026	June 30, 2026
Overall	0.93	0.95
Managed Portfolio with Cash	1.90	1.94

Managed Portfolio - Total Performance

- Despite market value depreciation due to rising interest rates, total returns were positive during the quarter as higher earnings on recent investments more than offset the market value declines.
- Total return expresses annualized rate of return over a specified period and incorporates all changes in value in the portfolio, including market value changes, cash flows, and interest earned plus realized gains/losses.

BofAML Indices	Duration (years)	Quarter	Past 12 Months	Past 5 Years	Past 10 Years
General Fund	**1.38**	**0.63%**	**3.47%**	**2.56%**	**2.24%**
State Water Contract Fund	**1.79**	**0.49%**	**3.20%**	**2.28%**	**2.09%**
ICE BofAML 1-3 Year UST Index (G1O2)	1.82	0.39%	2.94%	1.94%	1.77%

ICE BofAML Indices provided by Bloomberg Finance L.P.
The District's portfolios are not managed on a total return basis, so the indices are shown for information only. Performance on trade-date basis, gross (i.e., before fees), in accordance with the CFA Institute's Global Investment Performance Standards (GIPS).
Periods less than one year are on an unannualized basis. Periods greater than one year are on an annualized basis.
The lesser of 10 years or since inception is shown. Portfolio inception date as of June 30, 2012

Combined Portfolio - Market Value and Accrual Basis Earnings

Market Value Earnings	3 Months	1 Year	3 Years	5 Years	10 Years[1]
Interest Earned[2]	$3,837,221	$15,472,646	$42,754,958	$51,618,061	$81,527,027
Change in Market Value	($1,837,307)	($3,301,837)	$6,863,198	($10,651,206)	($8,227,596)
Total Dollar Return	**$1,999,914**	**$12,170,809**	**$49,618,156**	**$40,966,855**	**$73,299,431**

Accrual Basis Earnings	3 Months	1 Year	3 Years	5 Years	10 Years[1]
Interest Earned[2]	$3,837,221	$15,472,646	$42,754,958	$51,618,061	$81,527,027
Realized Gains / (Losses)[3]	$233,048	$1,146,635	($3,880,585)	($7,469,063)	($4,305,045)
Change in Amortized Cost	$99,952	$456,341	$1,986,610	$1,435,760	$1,077,360
Total Dollar Earnings	**$4,170,221**	**$17,075,622**	**$40,860,983**	**$45,584,758**	**$78,299,342**

1 The lesser of 10 years or since inception is shown. Performance inception date is June 30, 2012.
2 Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.
3 Realized gains / (losses) are shown on an amortized cost basis.

2-Year Treasury Yield Remains Attractive

Source: Bloomberg Finance L.P., as of June 30, 2026.

Important Disclosures

- Generally, PFMAM's market prices are derived from closing bid prices as of the last business day of the month as supplied by ICE Data Services. There may be differences in the values shown for investments due to accrued but uncollected income and the use of differing valuation sources and methods. Non-negotiable FDIC-insured bank certificates of deposit are priced at par. Although PFMAM believes the prices to be reliable, the values of the securities may not represent the prices at which the securities could have been bought or sold. Explanation of the valuation methods for a registered investment company or local government investment program is contained in the appropriate fund offering documentation or information statement.

- In accordance with generally accepted accounting principles, information is presented on a trade date basis; forward settling purchases are included in the monthly balances, and forward settling sales are excluded.

- Performance is presented in accordance with the CFA Institute's Global Investment Performance Standards (GIPS). Unless otherwise noted, performance is shown gross of fees. Quarterly returns are presented on an unannualized basis. Returns for periods greater than one year are presented on an annualized basis**. Past performance is not indicative of future returns.**

- ICE Bank of America Indices provided by Bloomberg Financial Markets.

- Money market fund/cash balances are included in performance and duration computations.

- Standard & Poor's is the source of the credit ratings. Distribution of credit rating is exclusive of money market fund/LGIP holdings.

- Callable securities in the portfolio are included in the maturity distribution analysis to their stated maturity date, although, they may be called prior to maturity.

- MBS maturities are represented by expected average life.

Important Disclosures

This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation, as it was prepared without regard to any specific objectives or financial circumstances.

PFMAM professionals have exercised reasonable professional care in the preparation of this performance report. Information in this report is obtained from sources external to PFMAM and is generally believed to be reliable and available to the public; however, we cannot guarantee its accuracy, completeness or suitability. We rely on the client's custodian for security holdings and market values. Transaction dates reported by the custodian may differ from money manager statements. While efforts are made to ensure the data contained herein is accurate and complete, we disclaim all responsibility for any errors that may occur. References to particular issuers are for illustrative purposes only and are not intended to be recommendations or advice regarding such issuers. Fixed income manager and index characteristics are gathered from external sources. When average credit quality is not available, it is estimated by taking the market value weights of individual credit tiers on the portion of the strategy rated by a NRSRO.

It is not possible to invest directly in an index. The index returns shown throughout this material do not represent the results of actual trading of investor assets. Third-party providers maintain the indices shown and calculate the index levels and performance shown or discussed. Index returns do not reflect payment of any sales charges or fees an investor would pay to purchase the securities they represent. The imposition of these fees and charges would cause investment performance to be lower than the performance shown.

The views expressed within this material constitute the perspective and judgment of PFMAM at the time of distribution and are subject to change. Any forecast, projection, or prediction of the market, the economy, economic trends, and equity or fixed-income markets are based upon certain assumptions and current opinion as of the date of issue and are also subject to change. Some, but not all assumptions are noted in the report. Assumptions may or may not be proven correct as actual events occur, and results may depend on events outside of your or our control. Changes in assumptions may have a material effect on results. Opinions and data presented are not necessarily indicative of future events or expected performance.

PFM Asset Management serves clients in the public sector and is a division of U.S. Bancorp Asset Management, Inc., which is the legal entity providing investment advisory services. U.S. Bancorp Asset Management, Inc. is a registered investment adviser, a direct subsidiary of U.S. Bank N.A. and an indirect subsidiary of U.S. Bancorp. U.S. Bank N.A. is not responsible for and does not guarantee the products, services, or performance of U.S. Bancorp Asset Management, Inc. The information contained is not an offer to purchase or sell any securities. Additional applicable regulatory information is available upon request.

For more information regarding PFMAM's services or entities, please visit www.pfmam.com.

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DATE:	August 6, 2026
TO:	Board of Directors' Special Meeting – Policy/Administration
FROM:	Kelly Malloy, Manager of Strategic Communications & Special Initiatives
SUBJECT:	Federal Legislative Update

Staff Recommendation

Receive and file.

Summary

The Agency continues monitoring legislative activities through Federal lobbyists, Innovative Federal Strategies, Inc., and State lobbyist firm, The Gualco Group. Both efforts include active legislation tracking, participating in various industry association discussions, facilitating meetings with legislative and regulatory elected officials and staff, and other activities. Representatives from Innovative Federal Strategies, Inc. will participate virtually in the workshop and provide updates on current significant legislation.

Background

The Gualco Group, Inc., is the Agency's State lobbyist in Sacramento. Innovative Federal Strategies, Inc. is the Agency's Federal lobbyist in Washington, D.C. focused on the Habitat Conservation Plan and Federal Budget monitoring. Given the different cyclical timing, State and Federal legislative advocates will provide brief presentations at the Policy/Administration workshop via Zoom to provide an update on current, significant legislative activity.

District Strategic Plan Application

The Agency's Federal and State legislation program aligns with the Agency's mission of *working collaboratively to provide a reliable and sustainable water supply to support the changing needs of our region's people and environme*nt. By staying active and engaged in legislative issues, the Agency can establish a presence and build relationships with our Federal and State legislators, which helps the Agency achieve its goal to *Establish San Bernardino Valley as an industry leader, recognized locally by the public and our peers for the leadership and positive impact we have within our region and the state*.

Fiscal Impact

There is no fiscal impact related to this update.