The meeting teleconference will begin shortly.

Listen to the meeting by using your computer or tablet speakers or by calling (877) 853-5247 using meeting ID 831-755-936-63.

View the live meeting presentation at https://us04web.zoom.us/j/684456030.

Public comments, suggestions or questions regarding technical issues may be emailed to comments@sbvmwd.com.

Please use the chat feature in the Zoom toolbar to let the moderator know that you would like to make a comment during the meeting.

Your microphone will be muted during the meeting to reduce background noise. Click on the microphone icon to unmute your microphone if needed.
Call to Order

Board of Directors Workshop - Policy
Thursday, June 11, 2020

Chairperson – Director Longville
Vice-Chair – Director Kielhold
Introductions

Following the introduction of Directors and District staff, participants may use this time to state their name and agency/affiliation in order to be included in the formal record of attendees.
Public Comment

Any person may address the Board on matters within its jurisdiction.

- Please use the chat feature on the Zoom toolbar or digitally raise your hand to let the moderator know you would like to make a comment.
Summary of Previous Meeting

Board of Directors Workshop – Policy – May 14, 2020
Quarterly Investment Portfolio Update from PFM Asset Management

Staff Recommendation
Receive and file.
San Bernardino Valley Municipal Water District

Portfolio Update
Month Ending April 30, 2020

Richard Babbe, CCM, Senior Managing Consultant

PFM Asset Management LLC
601 South Figueroa Street, Suite 4500
Los Angeles, CA 90017
(949) 230-6896
pfm.com
Initial Jobless Claims Continue to Fall on Week-by-Week Basis

40,767,000
Total Jobless Claims since the week ended March 20

Source: Bloomberg, as of 6/1/2020. Data is seasonally adjusted.
Treasury Yields Hover Near All-Time Lows

Source: Bloomberg, as of 6/01/2020.
Treasury Yield Curve Relatively Unchanged Since End of March

U.S. Treasury Yield Curve

Source: Bloomberg, as of 6/1/2020.
## Combined Portfolio Composition – By Fund

<table>
<thead>
<tr>
<th>Fund</th>
<th>April 30, 2020</th>
<th>December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>$133,370,442</td>
<td>$130,384,181</td>
</tr>
<tr>
<td>State Water Contract Fund</td>
<td>$326,278,009</td>
<td>$307,738,858</td>
</tr>
<tr>
<td>Devil Canyon/Castaic Fund</td>
<td>$3,414,699</td>
<td>$3,377,960</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$463,063,151</strong></td>
<td><strong>$441,501,000</strong></td>
</tr>
</tbody>
</table>

Individual securities shown at market value including accrued interest. Numbers may not add to total due to rounding.
## Combined Portfolio Composition – By Sector

The portfolio is in compliance with the District’s Investment Policy and the California Government Code.

<table>
<thead>
<tr>
<th>Security Type</th>
<th>Market Value as of 4/30/20</th>
<th>% of Investments</th>
<th>Market Value as of 12/31/19</th>
<th>% of Investments</th>
<th>% Change vs. 12/31/19</th>
<th>Permitted by Policy</th>
<th>In Compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Treasury</td>
<td>$217,517,362</td>
<td>47.2%</td>
<td>$204,585,989</td>
<td>46.6%</td>
<td>+0.6%</td>
<td>100%</td>
<td>✓</td>
</tr>
<tr>
<td>Federal Agency</td>
<td>$23,874,278</td>
<td>5.2%</td>
<td>$16,806,048</td>
<td>3.8%</td>
<td>+1.4%</td>
<td>100%</td>
<td>✓</td>
</tr>
<tr>
<td>Municipal Obligations</td>
<td>$3,390,029</td>
<td>0.7%</td>
<td>$3,368,092</td>
<td>0.8%</td>
<td>-0.1%</td>
<td>30%</td>
<td>✓</td>
</tr>
<tr>
<td>Negotiable CDs</td>
<td>$42,324,473</td>
<td>9.2%</td>
<td>$38,539,345</td>
<td>8.8%</td>
<td>+0.4%</td>
<td>30%</td>
<td>✓</td>
</tr>
<tr>
<td>Corporate Notes</td>
<td>$80,341,215</td>
<td>17.4%</td>
<td>$94,728,245</td>
<td>21.6%</td>
<td>-4.2%</td>
<td>30%</td>
<td>✓</td>
</tr>
<tr>
<td><strong>Securities Sub-Total</strong></td>
<td><strong>$367,447,357</strong></td>
<td><strong>79.7%</strong></td>
<td><strong>$358,027,719</strong></td>
<td><strong>81.5%</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued Interest</td>
<td>$1,830,338</td>
<td></td>
<td>$2,364,042.06</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Securities Total</strong></td>
<td><strong>$369,277,695</strong></td>
<td></td>
<td><strong>$360,391,761</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LAIF</td>
<td>$61,362,914</td>
<td>13.3%</td>
<td>$48,798,966</td>
<td>11.1%</td>
<td>+2.2%</td>
<td>$75 Million</td>
<td>✓</td>
</tr>
<tr>
<td>Money Market Fund</td>
<td>$116,436</td>
<td>0.0%</td>
<td>$139,088</td>
<td>0.0%</td>
<td>-</td>
<td>20%</td>
<td>✓</td>
</tr>
<tr>
<td>CAMP</td>
<td>$32,306,106</td>
<td>7.0%</td>
<td>$32,171,185</td>
<td>7.3%</td>
<td>-0.3%</td>
<td>50%</td>
<td>✓</td>
</tr>
<tr>
<td><strong>Total Liquidity</strong></td>
<td><strong>$93,785,455</strong></td>
<td><strong>20.3%</strong></td>
<td><strong>$81,109,239</strong></td>
<td><strong>18.5%</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Investments</strong></td>
<td><strong>$463,063,151</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>$441,501,000</strong></td>
<td><strong>100.0%</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Numbers may not add to total due to rounding. Current investment policy as of January 2012.
Trade Activity - YTD

Gross Trading Activity

<table>
<thead>
<tr>
<th></th>
<th>Maturity/Sales</th>
<th>Purchases</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Treasury</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agency</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NCD</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corp</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Net Activity* (millions)

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Treasury</td>
<td>+$3.18</td>
</tr>
<tr>
<td>Agency</td>
<td>+$2.13</td>
</tr>
<tr>
<td>NCD</td>
<td>+$1.15</td>
</tr>
<tr>
<td>Corp</td>
<td>-$5.42</td>
</tr>
</tbody>
</table>

*Combined trade activity in the General Fund and State Water Contract Fund for the period 1/1/20 – 4/30/20. Numbers may not add to total due to rounding.
Trade Example in the Current Environment

- As we can’t predict the future, investment decisions are made to maintain the strategy over time.

```
<table>
<thead>
<tr>
<th>Type</th>
<th>Security</th>
<th>Trade</th>
<th>Maturity</th>
<th>Par (000s)</th>
<th>YTM-C</th>
<th>YTM-M</th>
<th>Earnings</th>
<th>G/L Sale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sell</td>
<td>U.S Treasury</td>
<td>4/30/20</td>
<td>6/30/21</td>
<td>$515</td>
<td>2.64%</td>
<td>0.18%</td>
<td>($15,712)</td>
<td>$14,617</td>
</tr>
<tr>
<td>Buy</td>
<td>Pepsi</td>
<td>4/29/20</td>
<td>4/22/25</td>
<td>$531</td>
<td>0.82%</td>
<td>0.82%</td>
<td>$5,049*</td>
<td>$0</td>
</tr>
</tbody>
</table>
```

*Earnings are adjusted for differences in par value. Earnings are calculated to the original maturity.
### The District’s Portfolios are Well Diversified

#### Corporate Notes (17.4%)
- BNY MELLON: 1.3%
- TOYOTA MOTOR CORP: 0.9%
- AMERICAN EXPRESS: 0.9%
- JP MORGAN CHASE & CO: 0.8%
- PACIFIC PACIFIC FINANCIAL CORP: 0.8%
- AMERICAN HONDA: 0.7%
- DEERE & COMPANY: 0.7%
- BB&T CORPORATION: 0.7%
- CATERPILLAR INC: 0.7%
- CHARLES SCHWAB: 0.6%
- CITIGROUP INC: 0.6%
- NATIONAL RURAL UT’L: 0.6%
- UNILEVER PLC: 0.6%
- APPLE INC: 0.6%
- 3M COMPANY: 0.6%
- MORGAN STANLEY: 0.6%
- PFIZER INC: 0.5%
- WAL-MART STORES INC: 0.5%
- BANK OF AMERICA CO: 0.4%
- WALT DISNEY CORP: 0.4%
- UNITED PARCEL SERVICE: 0.4%
- VISA INC: 0.4%
- BLACKROCK INC: 0.3%
- ORACLE CORP: 0.3%
- BOEING COMPANY: 0.3%
- US BANCORP: 0.3%
- GOLDMAN SACHS GROUP: 0.3%
- HERSHEY COMPANY: 0.3%

#### Certificates of Deposit (9.2%)
- WESTPAC BANKING CORP: 1.2%
- ROYAL BANK OF CANADA: 0.8%
- NORDEA BANK AB: 0.8%
- DNB ASA: 0.8%
- SKANDINAVISKA ENSKILDA: 0.8%
- SOCIETE GENERALE: 0.8%
- CREDIT AGRICOLE SA: 0.8%
- MITSUBISHI UFJ: 0.7%
- BANK OF MONTREAL: 0.7%
- BANK OF NOVA SCOTIA: 0.7%
- SWEDBANK AB: 0.7%
- SUMITOMO MITSUI: 0.6%

#### Federal Agency (5.2%)
- FANNIE MAE: 3.7%
- FREDDIE MAC: 1.2%

#### Issuer Allocations

As of April 30, 2020. Numbers may not add to total due to rounding.
Combined Portfolio Maturity Distribution

We found the most value along the one- to two-year space of the yield curve and continued to maintain a neutral duration stance relative to the benchmark, as we monitor the uncertainty surrounding COVID-19.

*Numbers may not add to total due to rounding.*
Combined Portfolio Yield and Earnings Comparison

Portfolio Month End Yields - Current Strategy vs. Baseline Strategy
April 2012 – April 2020

Estimated Cumulative Incremental Earnings - Current Strategy vs. Baseline Strategy
April 2013 – April 2020
Quarterly Managed Portfolio Total Return Performance

- Total return expresses annualized rate of return over a specified period and takes into account all changes in the portfolio, including market value changes, reinvestment rates, cash flows, and interest earned plus realized gains/losses.

<table>
<thead>
<tr>
<th>BofAML Indices</th>
<th>Duration (years)</th>
<th>Quarter</th>
<th>Past 12 Months</th>
<th>Past 3 Years</th>
<th>Since Inception</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Water Contract Fund</td>
<td>1.78</td>
<td>1.91%</td>
<td>4.69%</td>
<td>2.71%</td>
<td>1.63%</td>
</tr>
<tr>
<td>General Fund</td>
<td>1.79</td>
<td>1.95%</td>
<td>4.73%</td>
<td>2.75%</td>
<td>1.66%</td>
</tr>
<tr>
<td>ICE BofAML 1 Year UST Index (GC03)</td>
<td>0.90</td>
<td>1.72%</td>
<td>3.85%</td>
<td>2.30%</td>
<td>1.11%</td>
</tr>
<tr>
<td>ICE BofAML 1-3 Year UST Index (G1O2)</td>
<td>1.81</td>
<td>2.81%</td>
<td>5.42%</td>
<td>2.70%</td>
<td>1.42%</td>
</tr>
<tr>
<td>ICE BofAML 1-5 Year UST Index (GVQ0)</td>
<td>2.58</td>
<td>3.80%</td>
<td>6.86%</td>
<td>3.26%</td>
<td>1.77%</td>
</tr>
</tbody>
</table>

ICE BofAML Indices provided by Bloomberg Financial Markets.
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.
Portfolio inception date as of June 30, 2012.
### Quarterly Managed Portfolio Earnings

<table>
<thead>
<tr>
<th>Period</th>
<th>Q2 19</th>
<th>Q3 19</th>
<th>Q4 19</th>
<th>Q1 20</th>
<th>12-Mo. Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in 2-Yr Treasury</td>
<td>-0.51%</td>
<td>-0.13%</td>
<td>-0.05%</td>
<td>-1.32%</td>
<td>-2.01%</td>
</tr>
<tr>
<td>Market Value Earnings</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Earned</td>
<td>$2,048,706</td>
<td>$2,062,688</td>
<td>$2,063,971</td>
<td>$1,864,032</td>
<td>$8,039,398</td>
</tr>
<tr>
<td>Change in Value</td>
<td>$2,979,114</td>
<td>$514,615</td>
<td>($96,447)</td>
<td>$4,969,835</td>
<td>$8,367,118</td>
</tr>
<tr>
<td>Portfolio Earnings</td>
<td>$5,027,820</td>
<td>$2,577,303</td>
<td>$1,967,524</td>
<td>$6,833,868</td>
<td>$16,406,515</td>
</tr>
<tr>
<td>Accrual Earnings</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Earned</td>
<td>$2,048,706</td>
<td>$2,062,688</td>
<td>$2,063,971</td>
<td>$1,864,032</td>
<td>$8,039,398</td>
</tr>
<tr>
<td>Change in Value</td>
<td>$3,189</td>
<td>$75,910</td>
<td>$122,833</td>
<td>$336,875</td>
<td>$538,807</td>
</tr>
<tr>
<td>Portfolio Earnings</td>
<td>$2,051,895</td>
<td>$2,138,598</td>
<td>$2,186,804</td>
<td>$2,200,908</td>
<td>$8,578,205</td>
</tr>
</tbody>
</table>

Note: Earnings are for the PFM managed portion of the District’s portfolio only. Accrual earnings calculated on a trade date basis. Change in value calculated as the ending period value (market or amortized cost) less the beginning period value, plus net principal activity. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.
Portfolio Yield and Earnings Notes

• Portfolio Month End Yield

- The “Baseline Strategy” yield is a weighted average calculated by assuming 29% of the portfolio is invested in LAIF (at the average monthly yield) and the remainder of the portfolio invested in 1-year federal agencies (12-month rolling average of the month-end yield). The Baseline Strategy was reflective of the District’s investment strategy at the time PFM assumed management of the portfolio.

- The “Current Strategy” yield is a weighted average of the current yield of all of the investments in the portfolio. In aggregate, the Current Strategy represents a fundamentally different investment than the Baseline Strategy approach with a different risk profile.

• Estimated Cumulative Incremental Earnings

- The earnings are on a yield basis and do not include realized or unrealized market value gains or losses.

- The chart shows an estimate of the cumulative additional earnings being generated by the Current Strategy versus what the Baseline Strategy would have earned over the same period.

- The estimated monthly earnings for each of the strategies is calculated by multiplying the monthly yield of the strategy by the current balance of the overall portfolio.

- The incremental earnings is simply the difference between the Current Strategy estimated monthly earnings and the Baseline Strategy estimated monthly earnings on a cumulative basis over the period shown.

- The estimates are approximations to illustrate differences in investment approaches. The District’s actual earnings will vary.
Disclosures

PFM is the marketing name for a group of affiliated companies providing a range of services. Investment advisory services are provided by PFM Asset Management LLC which is registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940. Additional applicable regulatory information is available upon request.

The views expressed within this material constitute the perspective and judgment of PFM Asset Management LLC 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 current opinion as of the date of issue, and are also subject to change. Opinions and data presented are not necessarily indicative of future events or expected performance. Information contained herein is based on data obtained from recognized statistical services, issuer reports or communications, or other sources believed to be reliable. No representation is made as to its accuracy or completeness. This material is intended for informational purposes only and should not be relied upon to make an investment decision, as it was prepared without regard to any specific objectives or financial circumstances. It should not be construed as an offer to purchase/sell any investment. References to particular issuers are for illustrative purposes only, and are not intended to be recommendations or advice regarding such issuers.

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.

PFM Asset Management LLC has exercised reasonable professional care in the preparation of this performance report. However, information in this report on market indices and security characteristics, as well as information incorporated in the Market Commentary section, is received from sources external to PFM Asset Management LLC.

PFM Asset Management LLC relies 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.

For more information regarding PFM’s services or entities, please visit www.pfm.com.

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Director Comments and Discussion

T. Milford Harrison
President

Paul Kielhold
Vice President

Susan Longville
Treasurer

June Hayes
Director

Gil Navarro
Director

Staff Recommendation
Receive and file.
Discussion Item 5.1  (Pg. 31)

Bob Tincher, MS, PE - Deputy General Manager – Resources

Consider Continuing On-Call Grant Support Services

Staff Recommendation
Direct staff to place a contract extension for Kennedy Jenks Consultants to provide on-call grant services for an amount not to exceed $100,000 on an upcoming Board agenda for consideration.
Staff Recommendation
Direct staff to place a contract extension for Kennedy Jenks Consultants to provide on-call grant services for an amount not to exceed $100,000 on an upcoming Board agenda for consideration.
Discussion Item 5.2 (Pg. 38)

Bob Tincher, MS, PE - Deputy General Manager – Resources
Matt Howard, MS – Water Resources Senior Project Manager

Consider Agreement Terms for the City of Yucaipa Stormwater Recharge Basins

Staff Recommendation
Approve the proposed approach and terms for an LRIP stormwater capture agreement and direct staff to work with House Counsel to develop a one-time agreement with performance measures for Wilson III Phase I Project and an LRIP Agreement for Fremont Low Water Crossing Project.
## Background

### January 14 Workshop – Engineering
- Staff recommends funding both projects because they provide passive recharge of the Yucaipa Basin
- Board is supportive of the projects
- Board asks staff to consider funding the projects using LRIP

### February 13 Workshop – Resources
- Staff asks the Board to consider up-front funding of these projects since staff discussions on the projects began before LRIP was developed.
- Board wants performance measures that assures their money produces water. Asks staff to work toward LRIP or an arrangement similar to LRIP

### May 12 Workshop – Engineering
- Staff provides a progress update
- The City is supportive of funding for the Fremont project through LRIP
- The City requests up front funding for Wilson III
- Staff is working on an approach for Wilson III that includes performance measures
Yucaipa Recharge - Proposed Approach

<table>
<thead>
<tr>
<th>FREMONT PROJECT</th>
<th>WILSON III PROJECT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff began discussions with Yucaipa before Local Resources Investment Program (LRIP)</td>
<td>Staff began discussions with Yucaipa before LRIP</td>
</tr>
<tr>
<td>In the past, Valley District has paid Yucaipa one lump sum when partnering on a project</td>
<td>In the past, Valley District has paid Yucaipa one lump sum when partnering on a project</td>
</tr>
<tr>
<td>Yucaipa supportive of LRIP</td>
<td>Yucaipa requesting up-front payment for this project</td>
</tr>
</tbody>
</table>

**Approach:**

**LRIP**

**Approach:**

*One-time agreement with performance requirement*

All future stormwater projects will go through LRIP
Fremont Project - LRIP
LRIP Helps New Projects Get Up and Running

![Graph showing cost and rates over time, with LRIP highlighted.](image)
Same Cost, Added Reliability

Volume (acre-feet)

- 70,000
- 60,000
- 50,000
- 40,000
- 30,000
- 20,000
- 10,000
- 0

No LRIP
LRIP (20 years)
Post LRIP
Post LRIP - Extreme Drought

$173/AF to DWR
$173/AF to Agency
$173/AF to DWR
$173/AF to DWR

SWP  LRIP Payment  LRIP Supply
Valley District LRIP, To Date

- EVWD, 11,000
- SBMWD, 5,600
- Yucaipa, 1,000

- 5,000 10,000 15,000 20,000
LRIP Project Types

RECYCLED WATER

Consistent supply/Drought proof
Flow easily measured (consistent)
Outcome: Consistent flow for 20-years

STORMWATER CAPTURE
(WILSON III AND FREMONT)

Inconsistent supply (feast or famine)
Can be difficult to measure recharge amount
Outcome: Unpredictable recharge amount for 20 years since the flow is based on rainfall.
Proposed LRIP Terms for Stormwater Capture

RECYCLED WATER (EXISTING)

1. Design project
2. Build Project
3. Measure flow
4. Customer paid for the amount of water produced for 20-years

STORMWATER CAPTURE (PROPOSED)

1. Design project
2. Estimate average stormwater recharge (AF) per year (average recharge)
3. Performance Requirement (AF): average recharge x 20 years
4. Performance period: the number of years required to achieve the performance requirement.
5. Valley District pays the LRIP financial incentive to Customer
   1. Payment = LRIP incentive x average recharge
   2. Twenty (20) Payments paid
   3. Final payment dependent upon meeting the performance requirement
6. Build Project
7. Regular, annual maintenance required
8. Measure flow
   1. Option to install measuring device(s) or propose a method of analysis (to approved by Valley District)
      1. Measuring Device(s): Customer reports recharge amounts until performance requirement met
      2. Analysis:
         1. Customer provides first report of recharge amounts after 10 years
         2. Customer provides subsequent reports, as necessary, until performance requirement met.
10. Valley District pays for the water produced
Example – LRIP Stormwater

Performance Requirement

Cumulative Recharge

Modeling Analysis

Average Recharge

Actual Recharge

Payments

Est. Avg Recharge

Actual Recharge

LRIP Payment

Flow (acre-ft)

Year

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27

0 10,000 20,000 30,000 40,000 50,000 60,000 70,000 80,000 90,000 100,000

200,000 400,000 600,000 800,000 1,000,000 1,200,000 1,400,000 1,600,000 1,800,000 2,000,000 2,200,000 2,400,000

- 200,000 400,000 600,000 800,000 1,000,000 1,200,000 1,400,000 1,600,000 1,800,000 2,000,000 2,200,000 2,400,000
LRIP Application Process

1. Submit Application
2. Review Application
3. Develop Agreement
4. Valley District/Agency Approve Agreement

Staff to work with House Counsel on an LRIP Agreement for Stormwater Capture
Wilson III Project – One-Time Agreement
Proposed Terms for One-Time Agreement

STORMWATER CAPTURE - LRIP

1. Design project
2. Estimate average stormwater recharge (AF) per year (average recharge)
3. Performance Requirement (AF): average recharge x 20 years
4. Performance period: the number of years required to achieve the performance requirement.
5. Valley District pays the LRIP financial incentive to Customer
   1. Payment = LRIP incentive x average recharge
   2. Twenty (20) Payments paid
   3. Final payment dependent upon meeting the performance requirement
6. Build Project
7. Regular, annual maintenance required
8. Measure flow
   1. Option to install measuring device(s) or propose a method of analysis (to approved by Valley District)
   2. Analysis:
      1. Customer provides first report of recharge amounts after 10 years
      2. Customer provides subsequent reports, as necessary, until performance requirement met.
10. Valley District pays for the water produced

WILSON III – ONE-TIME AGREEMENT

1. Design project
2. Estimate average stormwater recharge (AF) per year (average recharge)
3. Performance Requirement (AF): total Valley District investment divided by the LRIP financial incentive (break even)
4. Performance period: the number of years required to achieve the performance requirement.
5. Valley District pays, as follows:
   1. Pays 95% of its portion of the cost up front
   2. Final payment (5%) dependent upon meeting the performance requirement
6. Build Project
7. Regular, annual maintenance required
8. Measure flow
   1. Option to install measuring device(s) or propose a method of analysis (to approved by Valley District)
   2. Analysis:
      1. Customer provides first report of recharge amounts after 10 years
      2. Customer provides subsequent reports, as necessary, until performance requirement met.
10. Valley District pays for the water produced
Example – Wilson III One-Time Agreement

Performance Requirement
Cumulative Recharge
Modeling Analysis

Flow (acre-ft)
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27

Year

Payments Est. Avg Recharge Actual Recharge

LRIP Payment

- 200,000 600,000 800,000 1,000,000 1,200,000 1,400,000 1,600,000 1,800,000 2,000,000 2,200,000 2,400,000
One-Time Agreement Process

- Submit Project
- Review Project
- Develop Agreement
- Valley District/Agency Approve Agreement

Staff to work with House Counsel on One-Time Agreement
Yucaipa Recharge - Next Steps

<table>
<thead>
<tr>
<th>FREMONT PROJECT</th>
<th>WILSON III PROJECT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorize staff to work with House Counsel to develop an LRIP stormwater capture agreement</td>
<td>Authorize staff to work with House Counsel to develop a one-time agreement with performance requirement</td>
</tr>
<tr>
<td>Return to the Board for approval</td>
<td>Return to the Board for approval</td>
</tr>
</tbody>
</table>
Director Comments and Discussion

Staff Recommendation
Approve the proposed approach and terms for an LRIP stormwater capture agreement and direct staff to work with House Counsel to develop a one-time agreement with performance measures for Wilson III Phase I Project and an LRIP Agreement for Fremont Low Water Crossing Project.
Discussion Item 5.3 (Pg. 56)

Kristeen Farlow, MPA – Manager of Water Use Efficiency/External Affairs

Discuss Legislative Program Update

Staff Recommendation
Receive and file.
State Legislative Highlights

BUDGET

- $203 billion budget proposed by Governor
- Senate Budget Committee proposal
- Deadline: June 15
State Legislative Highlights (cont.)

ASSEMBLY BILLS

- AB 2560 Water Quality Notification and Response Levels
- AB 2800 Climate Change, Infrastructure Planning
- AB 3256 Climate Resilience Bond

SENATE BILLS

- SB 1099 Emergency Backup Generators at Critical Facilities
- SB 1386 Local Government Assessment Fees

OTHER: Biological Opinions
Federal Legislative Highlights

- Water Resources Development Act
  *Consideration for Seven Oaks Dam*

- America’s Water Infrastructure Act
- Drinking Water Infrastructure Act

- Great American Outdoors Act
- Clean Water for All
- Twelve Appropriations bills or a CR by 9/30
Federal Highlights

COVID-19 RESPONSE

- Four bills passed
- $2.8 trillion in funding
- Fifth bill in consideration
Director Comments and Discussion

T. Milford Harrison  
President

Paul Kielhold  
Vice President

Susan Longville  
Treasurer

June Hayes  
Director

Gil Navarro  
Director

Staff Recommendation
Receive and file.
Discussion Item 5.4 (Pg. 64)

Kristeen Farlow, MPA – Manager of Water Use Efficiency/External Affairs

Water Use Efficiency and Education Update

Staff Recommendation
Receive and file.
WUE Rebate Program To Date:

Total Budget: $750,000

- Total Reimbursement Requests: $133,681
- Water Dept.: $127,249
- Budget Remailing: $489,070
Online Landscape Workshops

THREE WORKSHOPS

- Irrigation 101 - 10 participants
- Butterflies in your Backyard - 30 participants
- Maintaining your Water Efficient Landscape - 22 participants

Maintaining Your Water Efficient Landscape

We will begin shortly
Use the “Chat” function if you have questions

University of California
Agriculture and Natural Resources

San Bernardino Municipal Water District

Inland Empire Resource Conservation District
Director Comments and Discussion

T. Milford Harrison
President

Paul Kielhold
Vice President

Susan Longville
Treasurer

June Hayes
Director

Gil Navarro
Director

Staff Recommendation
Receive and file.
Discussion Item 5.5 (Pg. 81)

Kristeen Farlow, MPA – Manager of Water Use Efficiency/External Affairs

Update on Social Media Program

Staff Recommendation
Receive and file.
GOALS

- Enhance communication with the community, stakeholders, retailers
- Share information about the District’s projects, programs and initiatives
- Share trusted content
- Become a source of trusted content to the community and local media

STRATEGIES FOR SUCCESS

- Share content from trusted sources
- Use post boosts and ads to increase followers
- Use channels to deploy important information during a crisis or emergency
Current Channels

FACEBOOK: SBVALLEYDISTRICT
- Current likes: 267
- Total posts: 213
- Total impressions: 108,040
- Boosted posts
Current Channels

TWITTER: SBVMWD

- Current followers: 195
- Total tweets: 189
- Total mentions: 44
- 239 profile visits
- 86,447 post impressions
Next Steps

STRATEGIES TO GROW ENGAGEMENT

- Video content
- Graphics
- Increase engagement
- Ads and boosts

- Consider expanding platforms
- Regional campaigns
Director Comments and Discussion

T. Milford Harrison  
President

Paul Kielhold  
Vice President

Susan Longville  
Treasurer

June Hayes  
Director

Gil Navarro  
Director

Staff Recommendation
Receive and file.
Discussion Item 5.6 (Pg. 90)

Cindy Saks, CPA – Deputy General Manager - Administration

Presentation of “Schools and Communities First” Initiative

Staff Recommendation
Receive and file.
Review of Schools & Communities First
November 2020 Ballot Initiative

Presented by:
Cindy Saks, Deputy General Manager - Administration
Schools and Local Communities Initiative

The California Schools and Local Communities Funding Act, known as Schools and Communities First (SCF), is a statewide ballot measure that seeks to make changes to some provisions of California’s landmark 1978 property tax limitations, Proposition 13. Schools and Communities First is the first qualifying initiative that would make changes to Proposition 13 in over 40 years. The ballot initiative would raise additional local tax revenue for schools and local governments by changing how assessed values are determined for commercial and industrial properties.
Background on Proposition 13:

Proposition 13 passed in 1978 with 64 percent of voter approval which made three changes to California’s property tax law:

- Limited the property tax rate for all properties, regardless of type, to 1 percent of the value at the time of purchase.

- Established a ceiling for assessed value of at most 2 percent per year unless a change in ownership occurred or the property is remodeled.

- Amended the state constitution to require that any statewide tax increase would require a two-thirds vote in the Legislature and local state increases or designations would require two-thirds voter approval.
• The SCF initiative seeks to constitutionally change the property tax law enacted under Proposition 13 as it applies to commercial and industrial properties.

• This ballot measure is often referred to as “split roll” since it would split how commercial properties are taxed from residential, agricultural, and small business properties.

• If enacted, commercial and industrial properties would be required to undergo regular and ongoing reassessments to bring the property to its current market value. The property owners would then be required to pay property taxes on the newly assessed value.

• As proposed, the ballot measure does not affect the value assessment of residential, agricultural, or small business properties.

• In addition, the measure does not change the property tax rate of 1 percent, regardless of property type.

• To protect small businesses, the measure includes an exemption for businesses with a combined property value of $3 million or less and also eliminates the business personal property taxes on business fixtures and equipment up to $500,000.
Small Business Exemptions include:

- Properties valued $3 million or less as adjusted for inflation by the California State Board of Equalization every two years starting 2025

- Commercial Industrial property valued over $3 million but occupied 50% or more by a small business, can receive a delay of Split Roll until 2025.

Small Business is defined as:

- 50 or fewer full-time equivalent employees
- independently owned and operated
- located in California
- owned by California residents
- no major statewide influence on the industry
How the Split Roll Revenue would be distributed

1. **State General Fund**
   To backfill income tax losses coming from higher property tax deductions. Amount determined by Franchise Tax Board.

2. **County Assessors to cover administrative costs**
   Each county will be annually compensated for the actual direct administrative costs of implementing Split Roll each fiscal year.

3. **40% to Local Schools and Community College Property Tax Fund**

4. **60% to Cities, Counties, and Special Districts**

LAO estimates annual costs at $550 Million.
What is the estimated impact to Valley District upon the passage of the “Split Roll” Initiative:

• Based on many assumptions and information obtained from the San Bernardino County Auditor Controllers Office, San Bernardino County Assessor Office and recent report from USC Dornsife Program for Environmental and Regional Equity dated February 2020, staff presents the following information.

• Based on the calculations, estimates and assumptions on the spreadsheet attached. Staff is estimating additional revenues to the General Fund at $1.5 million dollars.

• Based on estimated revenue information in the USC report for San Bernardino County, Assessed Values (AV) could increase by $43.5 Billion dollars. After applying estimated percentages for the District’s service area, AV would increase by $10.2 Billion which based on the current State Water Contract tax rate of .1425 could generate additional tax revenue of $14.6 million dollars.
Additional information

- There are many assumptions made in calculating the estimated revenues to Valley District.
- County Assessors state concerns about
  - Additional costs of training employees, upgrading technology and administrative costs could range from $517 million to $639 million annually for the first decade.
  - As many as 900 new positions would be needed statewide
  - Difficulty in hiring qualified individuals.
  - Assessment Appeals will increase dramatically.
  - Counties would need to create new or expanded assessment appeals boards, along with staff to manage the significant increase in cases.
  - The number and complexity of appeals submitted will likely result in a major backlog requiring multiple years to resolve.
Additional information

• Many Statues still need determination by the Legislature which include:
  • Providing methodology for determining additional revenue generated in each county each fiscal year as a result of Split Roll.
    • Possible concerns include the amount of AV within Redevelopment Agencies. An estimated one third of the San Bernardino County AV is already allocated as RDA Increment.
  • Phase-in timeline of reassessments to be determined.
  • Create a “reasonable timeframe” when taxpayer has to pay taxes upon an increase due to reassessment.
  • Develop an expedited process for hearing appeals.
  • Define what constitutes as “Long-Term Residential Property” that sits on commercial and industrial property.
  • Clarify calculations to backfill the State General Fund for the decrease income tax and provide additional clarification on the approved direct costs for County Assessors.
Additional Information

- As with all Ballot Initiatives there are always Supporters and Opponents. Just a few examples of concern:
  
  - Supporters feel that corporations should contribute fairly to public society as they continue to benefit from California’s low property tax rate.

  - Opponents argue that by raising business and corporate property taxes, it will negatively impact businesses with higher costs and in turn, hurt consumers and California’s economy.

- As reported in a very recent article, even with the state facing a potential record-high $54 billion deficit due to the COVID-19 pandemic effecting the State and bracing for sweeping cuts to education and social services, Gov. Gavin Newsom has refused to fully wade into the fight over the future of Proposition 13.
Questions ?
Director Comments and Discussion

T. Milford Harrison
President

Paul Kielhold
Vice President

Susan Longville
Treasurer

June Hayes
Director

Gil Navarro
Director

Staff Recommendation
Receive and file.
Discussion Item 6.1

Heather Dyer, MS, MBA – General Manager

Director Requests for Consideration

Staff Recommendation
Staff recommends that the Board consider the following requests and provide direction to staff on each item.
I. Director’s Requested Activity to be Considered by the Board:

I would like to propose a study (done by Cindy or outsourced) to review our ad valorem policy and our water rate policy and that this be done sufficiently well before we actually review this material for the next tax role that we would have time to discuss deeply the implications of our rate structure on rate payers.

II. Discussion of Activity’s Value to Valley District and/or the Board:

The largest water users (schools, parks, and municipalities) do not pay property tax, and, therefore, do not support the ad valorem portion of the cost of bringing imported water to the valley. While I do not support a move into eliminating the ad valorem and a rate structure like Met’s, I do think that maybe a lowering of the ad valorem and an increase in water cost might result in a more equitable rate structure for residential and commercial rate payers and also provide an incentive for water conservation. But I don’t have facts to support this. A study would assist us in making a more informed decision as we approach the next meeting about this. Of course, the unknown is how the retailers and landlords would deal with any rate structure change and how this might tilt the balance. All fret for our mill....

III. Estimated Staff Time Required (to be completed by Staff):

Approximately 2 hours of Cindy Saks’ time to complete a review of Directors’ compensation and prepare a staff memo for a BOD workshop.

IV. Estimated Cost or Use of District Resources (to be completed by Staff):

Approximately 2 hours staff time.

V. Possible Modification or Suggested Alternative:

TO BE COMPLETED BY STAFF OR POTENTIALLY MODIFIED DURING WORKSHOP BASED ON DIRECTOR INPUT
Director Comments and Discussion

Staff Recommendation
Staff recommends that the Board consider the following requests and provide direction to staff on each item.
Adjournment