



SPECIAL NOTICE REGARDING CORONAVIRUS DISEASE 2019 (COVID-19) AND PARTICIPATION IN PUBLIC MEETINGS

On March 4, 2020, Governor Newsom declared a State of Emergency resulting from the threat of COVID-19. On September 16, 2021, Governor Newsom signed Assembly Bill No. 361 into law. Assembly Bill No. 361 amends Government Code section 54953(e) by adding provisions for remote teleconferencing participation in meetings by members of a legislative body, without the requirements of Government Code section 54953(b)(3), subject to the existence of certain conditions. The San Bernardino Valley Municipal Water District adopted a resolution determining, by majority vote, that, as a result of the declared State of Emergency, a meeting in person would present imminent risks to the health or safety of attendees. Accordingly, it has been determined that all Board and Workshop meetings of the San Bernardino Valley Municipal Water District will be held pursuant to the Brown Act and will be conducted via teleconference. There will be no public access to the meeting venue.

BOARD OF DIRECTORS WORKSHOP - POLICY THURSDAY, FEBRUARY 10, 2022 – 2:00 P.M.

PUBLIC PARTICIPATION

Public participation is welcome and encouraged. You may participate in the February 10, 2022, meeting of the San Bernardino Valley Municipal Water District online and by telephone as follows:

Dial-in Info: (877) 853 5247 US Toll-free

Meeting ID: 831 7559 3663

PASSCODE: 3802020

<https://sbvmwd.zoom.us/j/83175593663>

If you are unable to participate online or by telephone, you may also submit your comments and questions in writing for the District's consideration by sending them to 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 by 6:00 p.m. on Wednesday, February 9, 2022. All public comments will be provided to the Chair and may be read into the record or compiled as part of the record.

IMPORTANT PRIVACY NOTE: Participation in the meeting via the Zoom app is strongly encouraged. 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.



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

BOARD OF DIRECTORS WORKSHOP - POLICY

AGENDA

2:00 PM Thursday, February 10, 2022

CALL TO ORDER

Chairperson: Director Botello

Vice-Chair: Director Kielhold

1) INTRODUCTIONS

2) PUBLIC COMMENT

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

3) SUMMARY OF PREVIOUS MEETING

3.1 Board of Directors' Workshop - Policy - January 13, 2022 (Page 3)
[Summary Notes BOD Workshop - Policy 011322](#)

4) DISCUSSION ITEMS

4.1 Quarterly Investment Portfolio Update with PFM Asset Management and Review of the District's Long Term Investment Strategy (Page 9)
[Staff Memo - Quarterly Investment Portfolio Update with PFM Asset Management and Review of the District's Long Term Investment Strategy](#)
[SBVMWD Current Long Term Investment Strategy](#)
[PFM 4th Quarter 2021 Investment Portfolio Presentation](#)

4.2 Discuss State and Federal Legislative Update (Page 32)
[Staff Memo - Discuss State and Federal Legislative Update](#)

5) FUTURE BUSINESS

6) ADJOURNMENT

PLEASE NOTE:

Materials related to an item on this Agenda submitted to the Board after distribution of the agenda packet are available for public inspection in the District's office located at 380 E. Vanderbilt Way, San Bernardino, during normal business hours. Also, such documents are available on the District's website at www.sbvmd.com subject to staff's ability to post the documents before the meeting. The District recognizes its obligation to provide equal access to those individuals with disabilities. Please contact Melissa Zoba at (909) 387-9228 two working days prior to the meeting with any special requests for reasonable accommodation.



DATE: February 10, 2022

TO: Board of Directors Workshop – Policy

FROM: Staff

SUBJECT: Summary of January 13, 2022 Board of Directors Workshop – Policy

The Policy Workshop convened on January 13, 2022, via Zoom teleconference. Director Botello chaired the meeting.

Directors Present: President Kielhold, Vice President Hayes, Director Botello, Director Harrison, and Director Longville.

Staff Present:

Heather Dyer, MS, MBA – Chief Executive Officer/General Manager
Jose Macedo, ML, CPT-P (USA Retired) – Chief of Staff/Clerk of the Board
Cindy Saks, CPA – Deputy General Manager/Chief Financial Officer
Bob Tincher, PE, MS – Deputy General Manager/Chief Water Resources Officer
Melissa Zoba, MBA, MPA – Chief Information Officer

Kristeen Farlow, MPA – Strategic Communications Manager
Anthony Flordelis – Business Systems Analyst
Matthew E. Howard, MS – Water Resources Senior Planner
Adekunle Ojo, MPA – Water Resources Manager
Shavonne Turner – Water Conservation Program Manager

Members of the Public Present:

James Morales, East Valley Water District
Jackson R. Gualco, The Gualco Group
Nyles O’Harra, Yucaipa Valley Water District
David E. Raley, San Bernardino Valley Water Conservation District
Melody McDonald, San Bernardino Valley Water Conservation District
Graham Bradner, Delta Conveyance Design and Construction Authority
Johnson Yeh, Geoscience
MAYOR (Guest)
Dave Romero
David Barnes

Pursuant to the provisions of the Brown Act, this meeting will be conducted by teleconference only.

1. Introductions

Chief Executive Officer/General Manager Heather Dyer introduced staff members present.

2. Public Comment

Chair Gil Botello invited public comment. There was none.

3. Summary of Previous Meeting

The summary notes from the December 9, 2021, Board of Directors Workshop – Policy were accepted with no comments.

4.1 Discuss State and Federal Legislative Update

Jackson R. Gualco with The Gualco Group advised that the State legislature reconvened on January 3, 2022, and the impacts of the coronavirus Omicron variant were immediately felt in reduced number of staff in the Capitol and slower business than usual. Mr. Gualco pointed out that January is a critical month for bills that are left over from 2021, and many may fall by the wayside. He anticipated that the February report will be short due to the failure of bills to meet the January 31 deadline.

New bills are beginning to trickle in but will be mostly submitted by the introduction deadline of February 18, Mr. Gualco noted.

Mr. Gualco discussed the policy and political impacts of redistricting, COVID, and the temporary Capitol annex. He warned about incumbents declining to run for reelection due to redistricting, and major term limit expiration which will result in loss of 2/3 of the legislature, with new legislators joining.

Due to the COVID-19 situation, the legislature considered taking a break, but leadership decided to move forward, Mr. Gualco explained.

Mr. Gualco reminded the Board that the governor, legislature, and Department of Finance moved to temporary quarters, limiting opportunity for private meetings.

The Gualco Group is combing through the <\$200 billion proposed State budget which was announced by the Governor on Monday, January 10 and will share their report with staff once research is complete. Major themes are drought relief, wildfire, housing, homelessness, and crime, Mr. Gualco said. The administration will also spend time implementing funding decisions made in 2021 as they are one- to three-year appropriations cycles, he explained. It is a very healthy budgetary picture at this point, he added.

Mr. Gualco briefed the Board on key bills of note:

- SB 559 – would set up the fund into which subsidence mitigation funds would be placed
- AB 1001 – would require that as part of the CEQA analysis for projects, the potential impacts on disadvantaged communities be clearly identified and mitigated. This would impact water projects, including the State Water Project. Director Harrison requested a copy.

In response to Vice President Hayes, Mr. Gualco reviewed the State bill process.

CEO / General Manager Heather Dyer reported drought funding appears to be a more reactive than a proactive investment to better withstand future droughts. A budget surplus is the perfect opportunity to invest in transformative, proactive projects, she opined. Mr. Gualco noted that the budget vice chairs sent a letter to the governor encouraging that, and explained current trends toward infrastructure. He noted that AB 1001 could impact the Sites Reservoir project.

Director Longville indicated she heard about a potential bill to insist that more studies be done on the impacts of water efficiency, aimed at delaying the approval of the Department of Water Resources recommended efficiency standard. She also advised of her interest in a bill regarding more credits for recycled water. Mr. Gualco pointed out that the author of AB 1434 which restricts residential water use will allow the bill to die, and will reintroduce it in 2022.

Strategic Communications Manager Kristeen Farlow provided the federal legislative update. She noted the return of the legislature in January. Due to the stall in negotiations over Build Back Better, the Senate is expected to turn their attention elsewhere, however the legislators are hopeful that those conversations can resume later this month, she reported.

The status of appropriations was also halted in December, she said. A continuing resolution is in place to fund the federal government through February 18, 2022, and it is expected that the 2023 budget will be released sometime in March.

Another round of community project funding is expected in both the House and Senate, Farlow noted. Another Water Resources Development Act (WRDA) will be coming out, she advised.

Action Item(s): Receive and file.

4.2 Update on the Delta Conveyance Project

Deputy General Manager/Chief Water Resources Officer Bob Tincher advised this update is per request regarding the Bethany Alternative alignment. He introduced Graham Bradner, executive director of the Delta Conveyance Design and Construction Authority and reminded the Board of the importance of the Delta Conveyance to Valley District.

The District's return on investment in the State Water Project (SWP) is waning due to much of the water captured being sent to the ocean in an unsuccessful attempt to help the fish; the Delta conveyance will help restore much of what has been lost, Mr. Tincher explained. He provided an overview of the Delta Conveyance, its functions, and proposed facilities.

The Bethany Alignment alternative offers some advantages, Mr. Tincher continued. He detailed the proposed second intake and the conveyance of water. He explained the mitigation of sea level rise, breakage of levies, and more by bypassing the Delta. In all cases, the State Water Project is better off with the Delta Conveyance Project than without it, Mr. Tincher explained, and detailed the estimated benefits.

Mr. Tincher noted as the project is engineered, the cost estimate will change. The current estimate is approximately \$16 billion, about 2.8 percent (\$.5 billion) of which is currently Valley District's share, depending on the final participation. This will restore about 15,000 acre-feet (af) of the supply lost at a reasonable cost per acre-foot.

Mr. Bradner presented a schedule of major planning milestones through mid-2024 and explained the process. He noted the major milestone of completion of conceptual designs. If approved, the project will proceed to a final design phase of several years, overlapping with the beginning of early construction activities, he advised. The construction period is anticipated to be 12 years, he added.

Director Longville indicated support for the Bethany Alternative, saying it has tremendous potential. She commented on the construction timeline, noting that completion in 2036 is a long way off. She asked about the obstacles to be overcome and relation to the Delta smelt.

Mr. Bradner indicated that the development of the Bethany Alternative was a team effort, has some distinct benefits, and is very different from some of the past variations of the project. He noted that the completion is actually several years beyond 2036 and acknowledged the gap between current status and anticipated completion.

Director Harrison asked if the Bethany Alternative has had better reception or if there is still opposition. Mr. Bradner advised that the move by the DWR to change the preferred proposed project to the Bethany Alignment was based on it having the least environmental impact of the three alternatives, but he acknowledged there will still be opposition. Mr. Tincher pointed out changes to the project have been made in response to public comment.

Director Botello emphasized the original intent of Valley District is to assure plentiful, safe, affordable water in the valley. Mr. Tincher reiterated that this project restores water that has been lost over the years and the SWP is a high-quality source of supply. Because of that, Mr. Tincher continued, it is anticipated that millions of dollars will be saved on desalting facilities down the road.

Action Item(s): Receive and file.

4.3 Consider Contract Amendments with Geoscience Support Services and Balleau Groundwater to Address Review Comments on the Integrated Water Quality Model

Deputy General Manager/Chief Water Resources Officer Bob Tincher explained Valley District and Western Municipal Water District (WMWD) have been developing an integrated water quality model for the upper watershed to work in coordination with the Chino Basin model and which will allow water quality modeling from Yucaipa to Prado Basin. He reminded that the Board authorized the project and explained the process which includes peer review team, professional, and stakeholder input from the beginning to ensure the best model possible and buy-in. Geoscience Support Services, Inc. has been building the model, Mr. Tincher stated, and they and Balleau Groundwater have provided estimates for what it will take to process comments and complete the review.

Mr. Tinchler emphasized the importance of the model, which will be used to develop a Salt and Nutrient Management Plan (SNMP) which is anticipated to prevent the need to build desalination facilities.

In response to Director Harrison, Ms. Dyer stated she is supportive of having as much input as possible, noted that the team of project scientists is capable and inspiring, and said the model will be valuable over time to the region.

Director Botello clarified the action today whether to recommend to the full Board the amendments to the existing Geoscience Support Services, Inc., and Balleau Groundwater contracts for the development of the Upper Santa Ana River Integrated Water Quality Model to evaluate comments provided by West Yost (formerly Wildermuth Environmental).

Director Longville requested additional information as the project moves forward.

Action Item(s): The Board voted to move this item forward for consideration to a regular Board of Directors meeting by the following roll-call vote:

There was no motion or second.	APPROVED: 5-0
AYES:	Botello, Harrison, Hayes, Kielhold, Longville
NOES:	None
ABSTAIN:	None
ABSENT:	None

5. Future Business

Vice President Hayes inquired about the Association of San Bernardino County Special District dinner in person given the current increase in COVID-19 cases. Director Harrison reported the number of attendees registered to attend was low, but the Board is meeting on Monday to make a final determination.

6. Adjournment

The meeting was adjourned at 2:06 p.m.



DATE: February 10, 2022

TO: Board of Directors' Workshop - Policy

FROM: Cindy Saks, CFO / Deputy General Manager

SUBJECT: Quarterly Investment Portfolio Update with PFM Asset Management and Review of the District's Long Term Investment Strategy

Recommendation

Receive and file the quarterly portfolio update report from PFM and provide direction to staff regarding the District's Long Term 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 which is attached for reference. The current investment strategy 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.

Richard Babbe, Senior Managing Consultant of PFM Asset Management will be available via the Zoom meeting to make a presentation on the status of the District's investments based on the current investment strategy, review options on investment strategy and provide a brief market update.

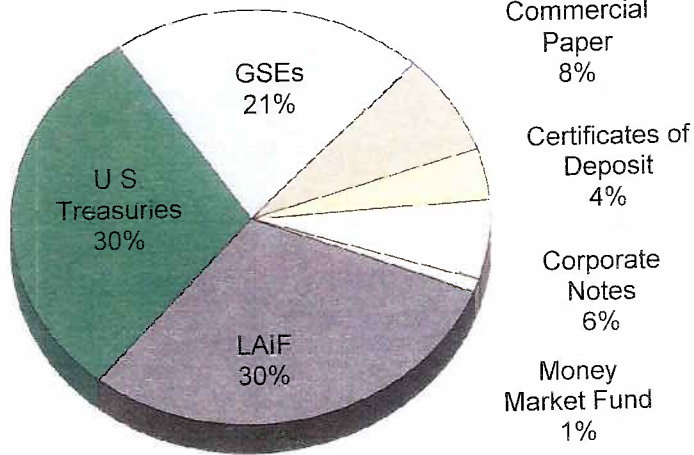
Attachment

- Current Long Term Investment Strategy adopted by the Board
- PFM Asset Management presentation on the District's investments through December 2021 including Long Term Investment Strategy Options

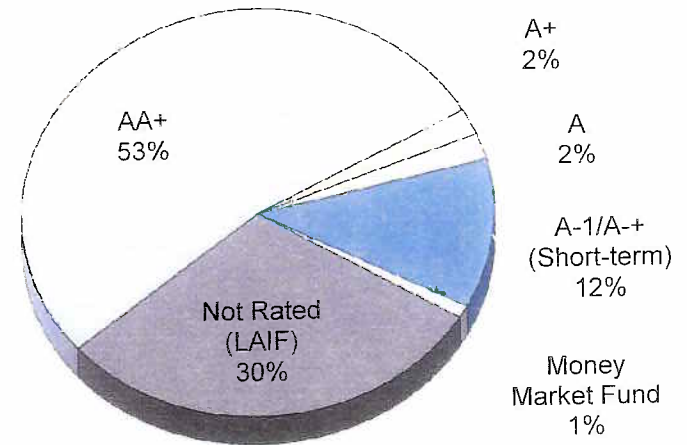


Longer-Term Strategy

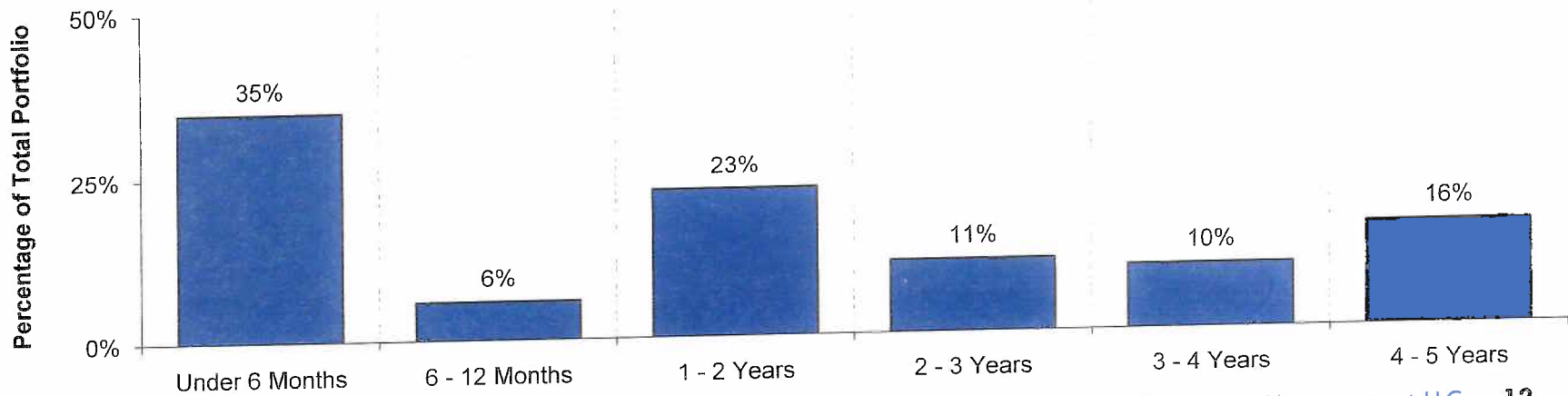
Sector Distribution



Credit Quality Distribution



Maturity Distribution





San Bernadino Valley Municipal Water District

Investment Performance Review For the Quarter Ended December 31, 2021

Client Management Team

Sarah Meacham, Managing Director
James Sims, CFO, Managing Director
Richard Babbe, CCM, Senior Managing Consultant

PFM Asset Management LLC

633 W 5th St., 25th Floor
Los Angeles, CA 90071
213-415-1699

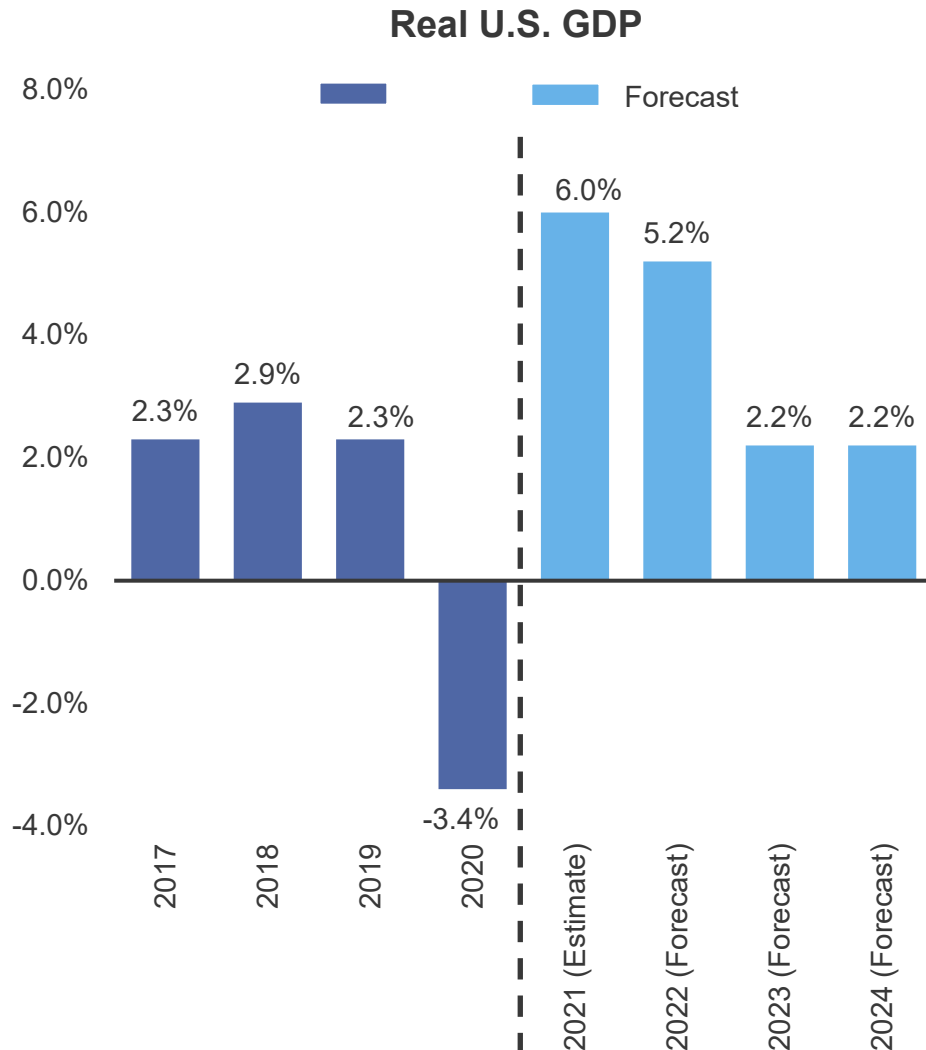
213 Market Street
Harrisburg, PA 17101-2141
717-232-2723

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NOT FDIC INSURED : NO BANK GUARANTEE : MAY LOSE VALUE

Market Summary

U.S. GDP Rebounds from Pandemic



Factors Driving Growth...

- ▶ Better-than-expected corporate profit margins fueling equity markets
- ▶ Unprecedented accommodative monetary policy and fiscal stimulus
- ▶ Access to COVID-19 vaccines and reduction of pandemic-era lockdowns
- ▶ Continued adaptation of all sectors of the economy to the challenging health situation

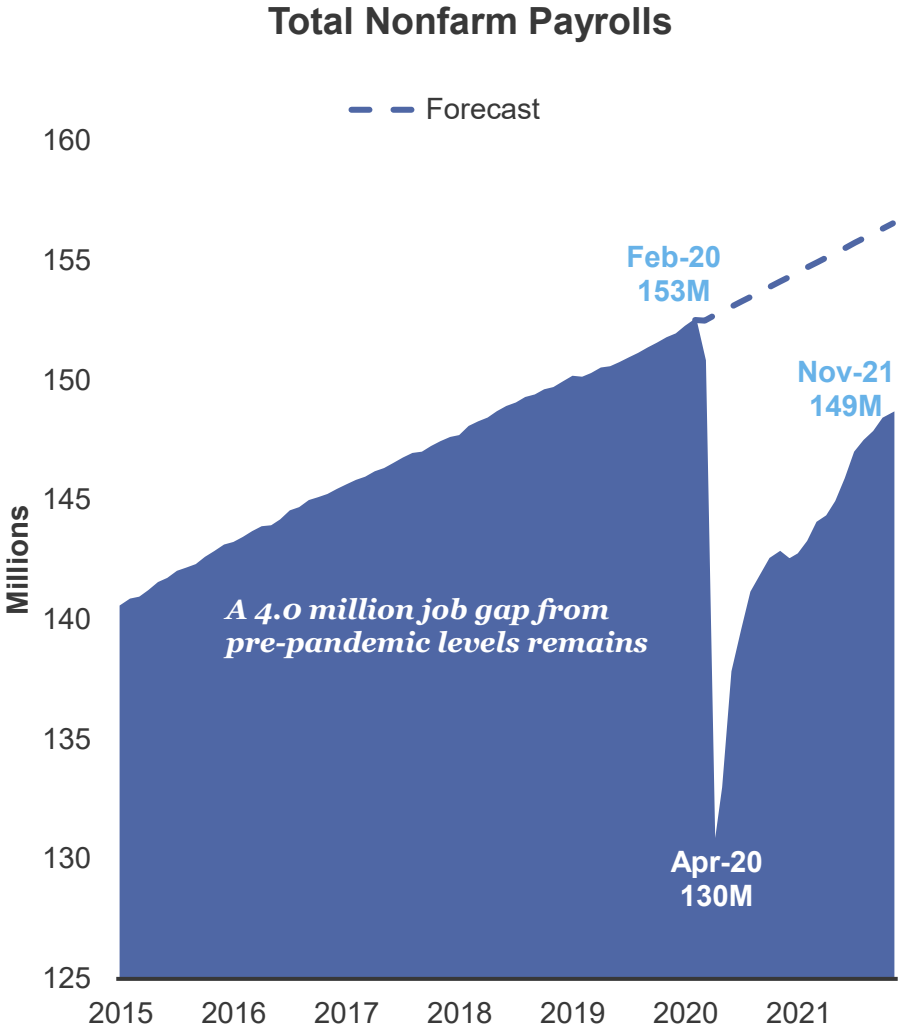
Growth is Expected to Moderate...

- ▶ Persistent damage to supply chains continues to disrupt the production and distribution network
- ▶ Age-related impacts to labor force growth predating the pandemic
- ▶ Return to more normal household income and saving trends
- ▶ Normalizing fiscal and monetary policies

Source: International Monetary Fund, October 2021 World Economic Outlook

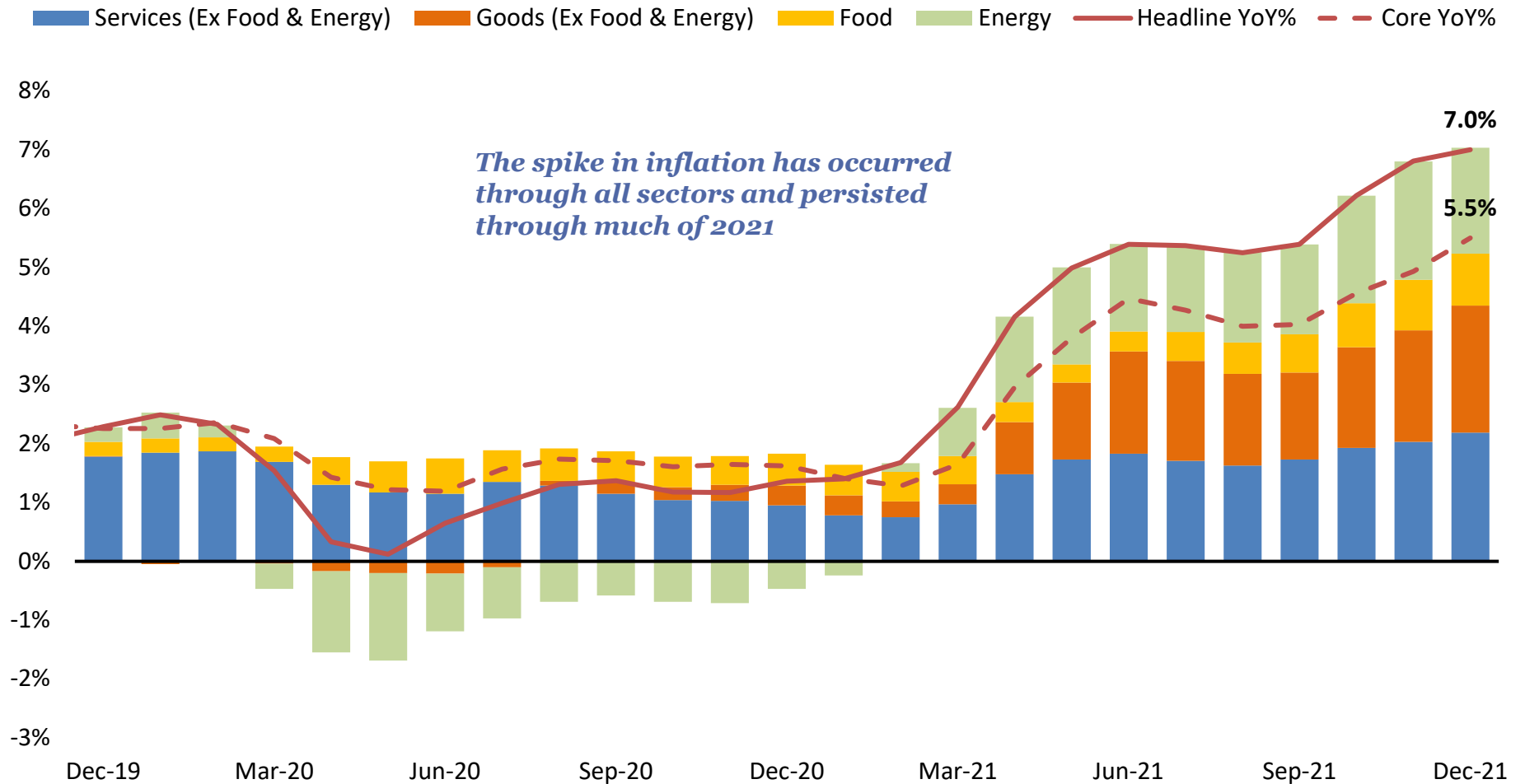
Uneven Labor Market Recovery Post-Pandemic

Economic Indicator	Pre-Pandemic	Pandemic Peak/Trough	Current
Unemployment Rate	3.6%	14.7%	3.9%
Labor Force Participation Rate (Total)	63.3%	60.2%	61.9%
Labor Force Participation Rate (Prime Age)	82.9%	79.9%	81.9%
Average Hourly Earnings Growth	2.9%	0.3%	4.7%
Job Opening Level	6.8 MM	4.6 MM	10.6 MM
Turnover Rate	3.7%	10.8%	4.2%
Quits Rate	2.3%	1.6%	3.0%
Initial Jobless Claims	218 K	6.1 MM	207 K
Continuing Claims	1.8 MM	23.1 MM	1.8 MM



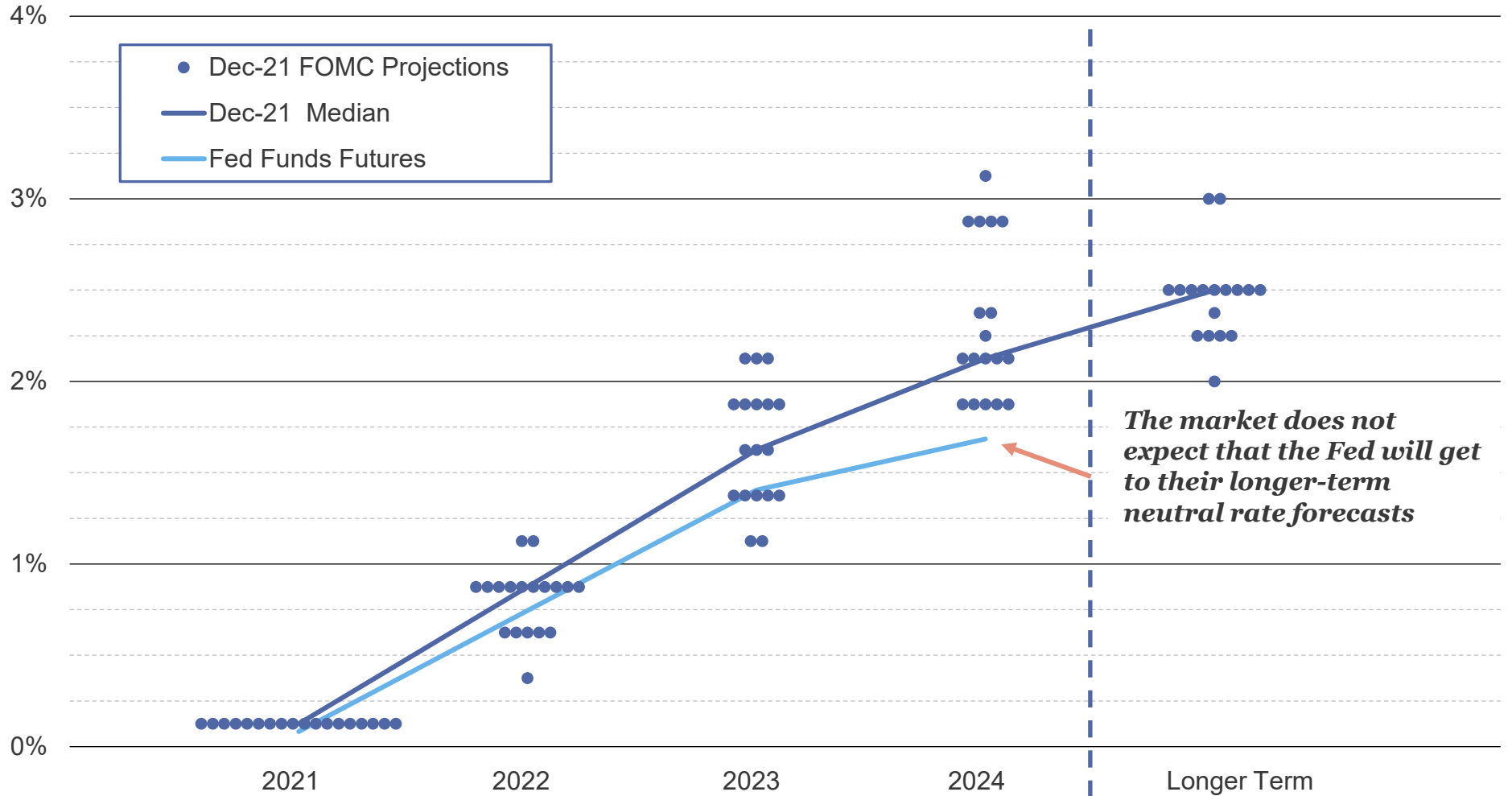
Consumer Prices Rise to Four Decade High

Top-Line Contributions and CPI YoY



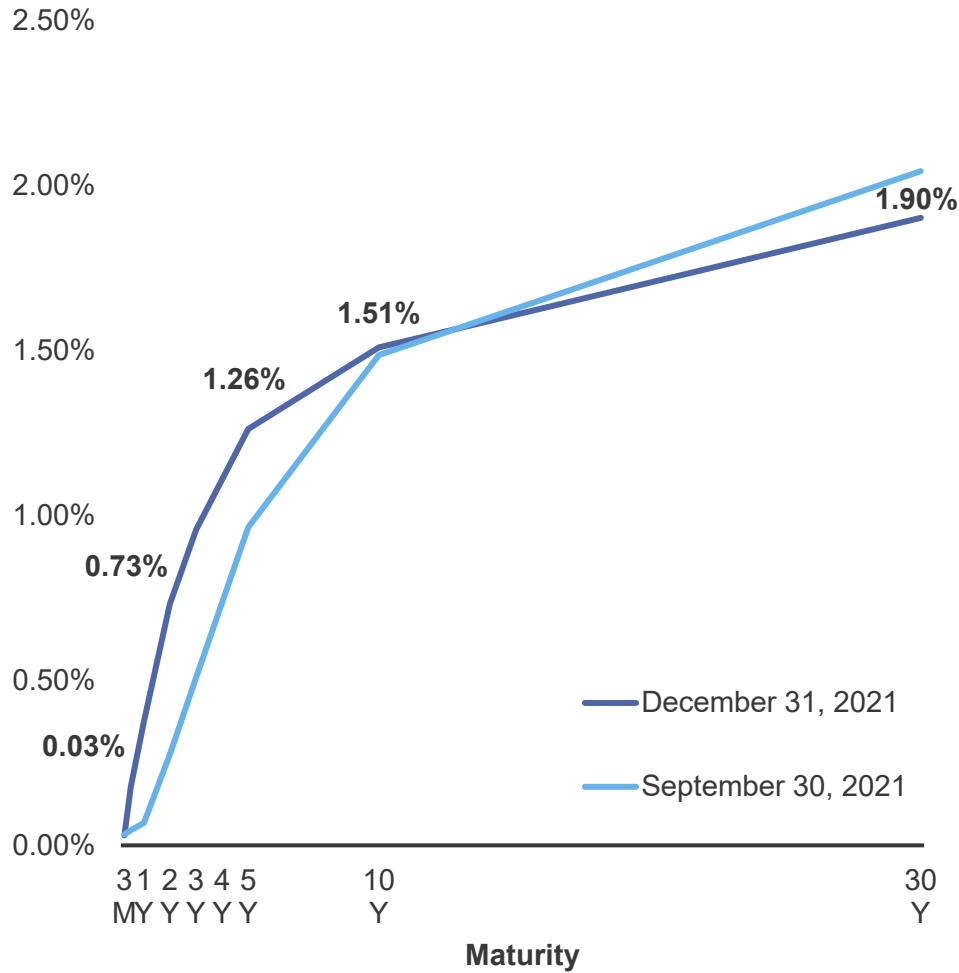
FOMC Accelerates Asset Purchase Tapering and Prepares for Rate Lift-off

Fed Participants' Assessments of 'Appropriate' Monetary Policy

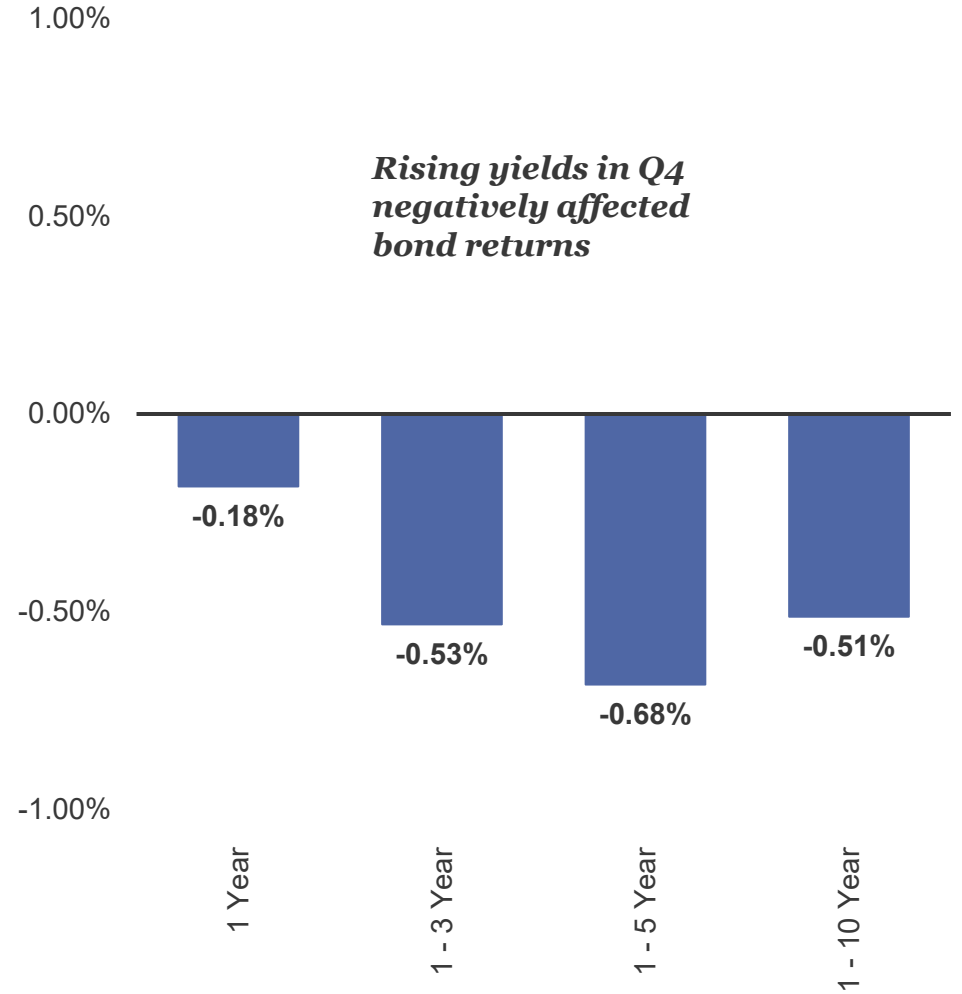


Impact of Curve Flattening on Performance

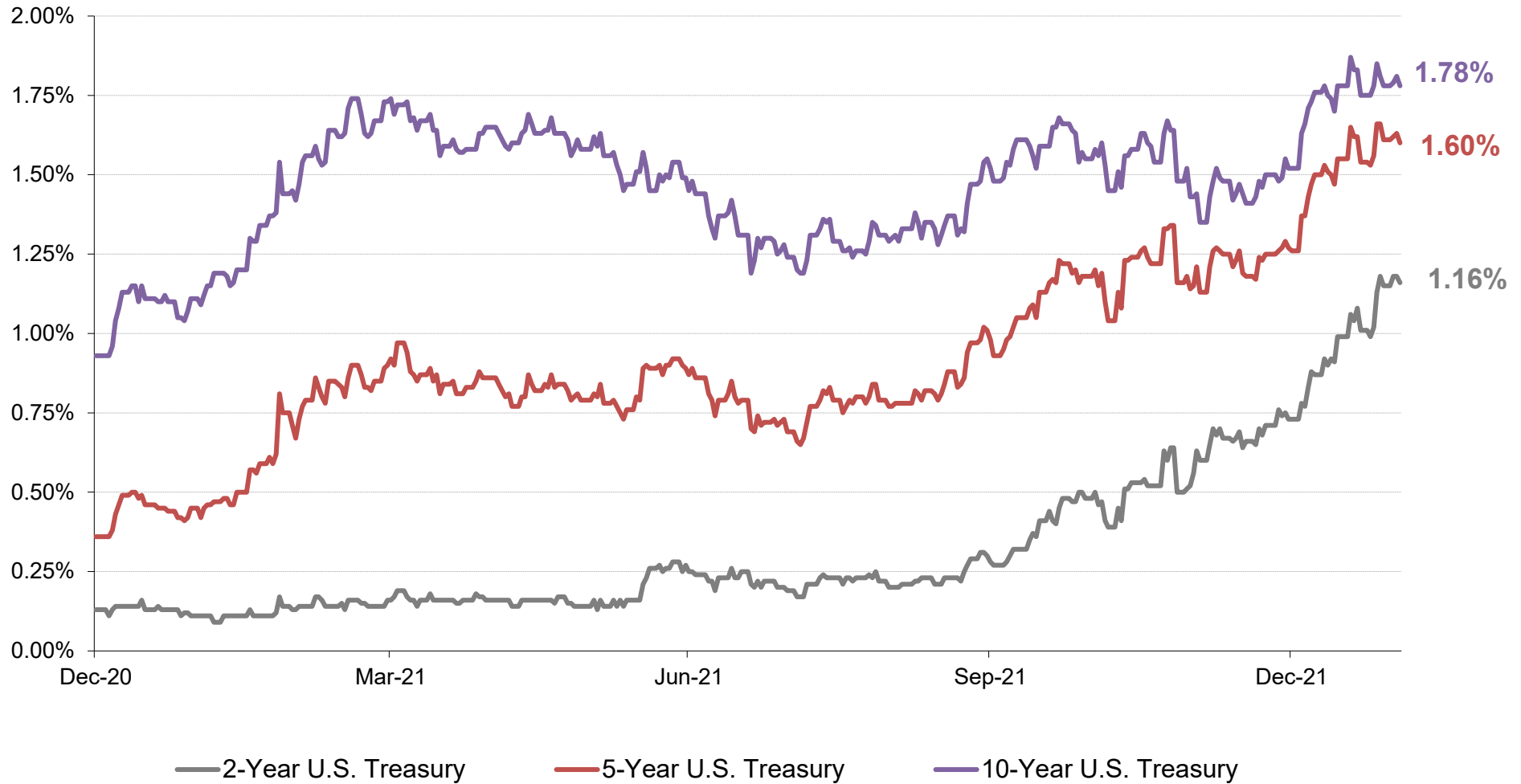
U.S. Treasury Yield Curve



U.S. Treasury Returns - Q4 2021



U.S. Treasury Yields December 31, 2020 – February 2, 2022



Source: Bloomberg, as of February 2, 2022.

Portfolio Review

Combined Portfolio – Composition: By Fund

Fund	September 30, 2021	December 31, 2021
General Fund	\$143,128,727	\$138,609,875
State Water Contract Fund	\$397,223,608	\$410,408,189
Devils Canyon/Castaic Fund	\$4,790,874	\$4,593,945
Total	\$545,138,209	\$553,612,009

Combined Portfolio - Sector Allocations

Security Type	Market Value as of September 30, 2021	% of Portfolio	Market Value as of December 31, 2021	% of Portfolio	Change vs. 6/30/21	Sector Limits
U.S. Treasury	\$241,420,684	44.4%	\$228,610,977	41.3%	-3.0%	100%
Federal Agency	\$76,015,442	14.0%	\$68,898,648	12.5%	-1.5%	100%
Municipal	\$11,292,903	2.1%	\$11,219,689	2.0%	-	30%
Negotiable CDs	\$16,545,797	3.0%	\$6,445,207	1.2%	-1.9%	30%
Corporate Notes	\$71,441,630	13.1%	\$69,793,467	12.6%	-0.5%	30%
Securities Sub-Total	\$416,716,456	76.6%	\$384,967,988	69.6%	-6.9%	
Accrued Interest	\$845,130		\$695,585			
Securities Total	\$417,561,586		\$385,663,573			
LAIF	\$74,487,463	13.7%	\$74,532,820	13.5%	-0.2%	\$75 Million
Money Market Fund	\$252,952	0.0%	\$71,581	0.0%	0.0%	20.0%
CAMP	\$52,836,208	9.7%	\$93,344,035	16.9%	7.2%	50.0%
Total Liquidity	\$127,576,623	23.4%	\$167,948,436	30.4%	6.9%	
Total Investments	\$545,138,209	100.0%	\$553,612,008	100.0%		

Issuer Diversification

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
U.S. Treasury	59.4%	
UNITED STATES TREASURY	59.4%	AA / Aaa / AAA
Federal Agency	17.9%	
FANNIE MAE	4.3%	AA / Aaa / AAA
FREDDIE MAC	13.6%	AA / Aaa / AAA
Municipal	2.9%	
CALIFORNIA DEPARTMENT OF WATER RESOURCES	0.2%	AAA / Aa / NR
CALIFORNIA EARTHQUAKE AUTHORITY	0.2%	NR / NR / A
CALIFORNIA STATE UNIVERSITY	0.2%	AA / Aa / NR
FLORIDA STATE BOARD OF ADMIN FIN CORP	0.2%	AA / Aa / AA
LOS ANGELES COMMUNITY COLLEGE DISTRICT	0.2%	AA / Aaa / NR
NEW JERSEY TURNPIKE AUTHORITY	0.2%	A / A / A
NEW YORK ST URBAN DEVELOPMENT CORP	0.9%	AA / NR / AA
SAN JUAN UNIFIED SCHOOL DISTRICT	0.1%	NR / Aa / NR
STATE OF CONNECTICUT	0.1%	A / Aa / AA
STATE OF MARYLAND	0.5%	AAA / Aaa / AAA
STATE OF MISSISSIPPI	0.2%	AA / Aa / AA
Negotiable CD	1.7%	
CREDIT SUISSE GROUP RK	0.7%	A / A / A
DNB ASA	0.9%	AA / Aa / NR
Corporate	18.1%	
3M COMPANY	0.2%	A / A / NR
ADOBE INC	0.2%	A / A / NR
AMAZON.COM INC	1.2%	AA / A / AA
AMERICAN EXPRESS CO	0.7%	BBB / A / A
AMERICAN HONDA FINANCE	0.3%	A / A / A

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
Corporate	18.1%	
APPLE INC	0.4%	AA / Aaa / NR
ASTRAZENECA PLC	0.5%	A / A / NR
BANK OF AMERICA CO	1.1%	A / A / AA
BLACKROCK INC	0.4%	AA / Aa / NR
BMW FINANCIAL SERVICES NA LLC	0.2%	A / A / NR
BRISTOL-MYERS SQUIBB CO	0.4%	A / A / NR
CATERPILLAR INC	0.6%	A / A / A
CHARLES SCHWAB	0.3%	A / A / A
CHEVRON CORPORATION	0.2%	AA / Aa / NR
CITIGROUP INC	0.7%	BBB / A / A
COMCAST CORP	0.2%	A / A / A
DEERE & COMPANY	0.6%	A / A / A
GOLDMAN SACHS GROUP INC	0.6%	BBB / A / A
HOME DEPOT INC	0.1%	A / A / A
HONEYWELL INTERNATIONAL	0.1%	A / A / A
JP MORGAN CHASE & CO	1.4%	A / A / AA
MERCK & CO INC	0.5%	A / A / A
MORGAN STANLEY	0.7%	BBB / A / A
NATIONAL RURAL UTILITIES CO FINANCE CORP	0.5%	A / A / A
NESTLE SA	0.8%	AA / Aa / A
PACCAR FINANCIAL CORP	0.8%	A / A / NR
PEPSICO INC	0.2%	A / A / NR
PFIZER INC	0.1%	A / A / A
PNC FINANCIAL SERVICES GROUP	0.2%	A / A / A
THE BANK OF NEW YORK MELLON CORPORATION	0.8%	A / A / AA

Ratings shown are calculated by assigning a numeral value to each security rating, then calculating a weighted average rating for each security type / issuer category using all available security ratings, excluding Not-Rated (NR) ratings. For security type / issuer categories where a rating from the applicable NRSRO is not available, a rating of NR is assigned. Excludes balances invested in money market funds.

Issuer Diversification

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
Corporate	18.1%	
TOYOTA MOTOR CORP	1.3%	A / A / A
TRUIST FIN CORP	0.5%	A / A / A
UNILEVER PLC	0.4%	A / A / A
UNITEDHEALTH GROUP INC	0.3%	A / A / A
US BANCORP	0.2%	A / A / A
WAL-MART STORES INC	0.3%	AA / Aa / AA
Total	100.0%	

Ratings shown are calculated by assigning a numeral value to each security rating, then calculating a weighted average rating for each security type / issuer category using all available security ratings, excluding Not-Rated (NR) ratings. For security type / issuer categories where a rating from the applicable NRSRO is not available, a rating of NR is assigned. Excludes balances invested in money market funds.

Certificate of Compliance

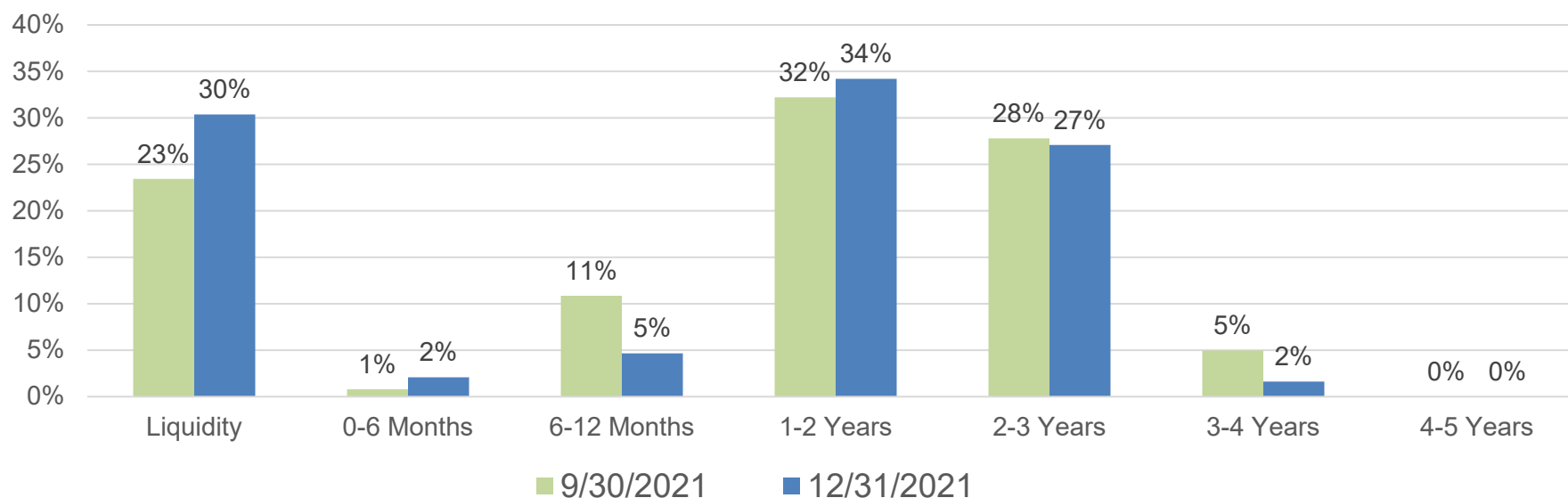
During the reporting period for the quarter ended December 31, 2021, the account(s) managed by PFM Asset Management ("PFMAM") were in compliance with the applicable investment policy and guidelines as furnished to PFMAM.

Acknowledged : *PFM Asset Management LLC*

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

Combined Portfolio - Maturity Distribution

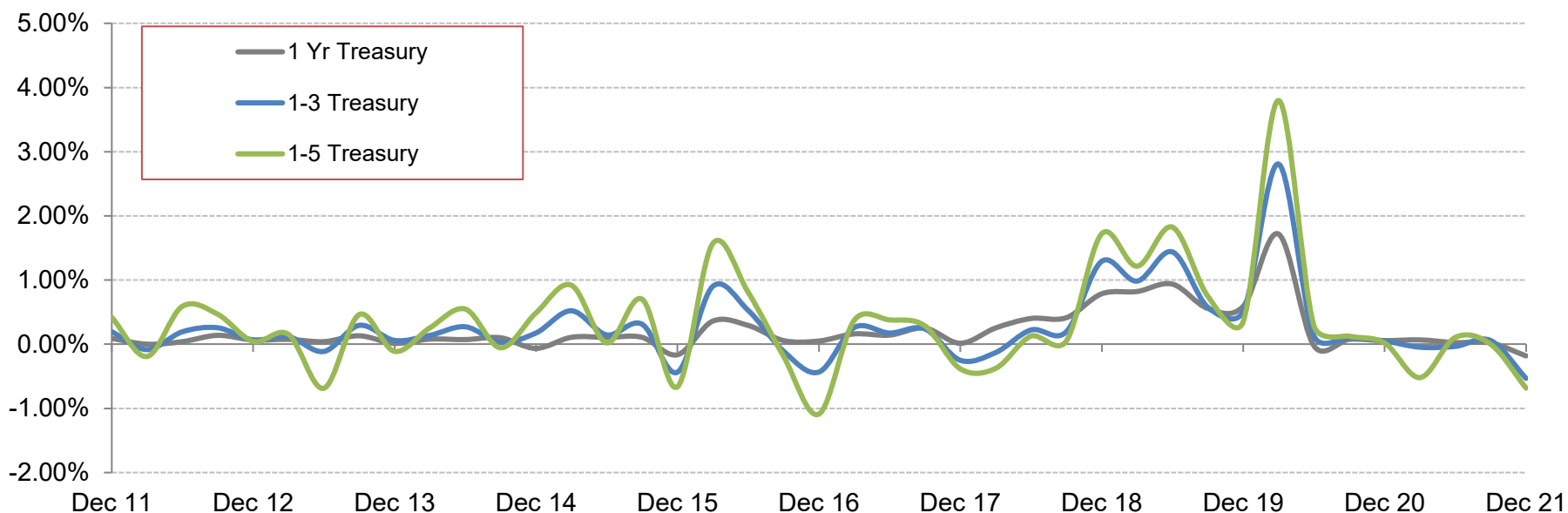
- ◆ The District maintains ample liquidity in the LAIF/CAMP.
- ◆ For the managed portfolio, we continue to emphasize maturities in the 1-3 year maturity range, consistent with the portfolio’s benchmark.



Weighted Average Maturity (Years)	September 30, 2021	December 31, 2021
Overall	1.5	1.3
Managed Portfolio	1.9	1.9

Strategy Considerations - Duration

- Over time, longer duration portfolio's have historically provided higher returns but with greater return volatility on a period-by-period basis.

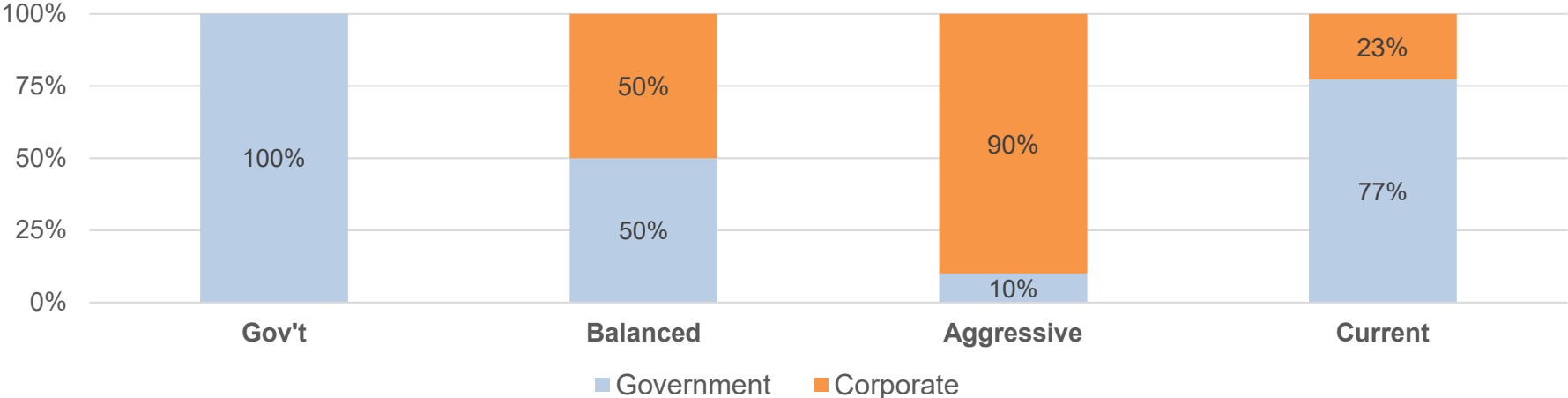


10 Years Ended December 31, 2021					
ICE BoAML Index	Duration (years)	Annualized Total Return	Cumulative Value of \$400 Million	Incremental Earnings	Quarters With Negative Return
1 Yr. Treasury	1.00	0.86%	\$435,976,127	-	5 out of 40
1-3 Treasury	1.88	1.09%	\$445,658,108	\$9,681,981	10 out of 40
1-5 Treasury	2.64	1.34%	\$457,038,769	\$21,062,642	12 out of 40

Source: ICE BoAML Indices: Bloomberg. Past performance is not indicative of future returns.

Strategy Consideration - Credit

- For any given duration, a portfolio's average return can be increased by adding corporate allocation but will increase the portfolio's exposure to credit risk.



10 Years Ended December 31, 2021				
1-3 Year Indices	Duration (years)	Annualized Total Return	Cumulative Value of \$400 million	Incremental Difference
100% Government	1.88	1.09%	\$445,658,108	-
50% Gov't/50% Corp	1.86	1.61%	\$469,985,838	\$24,327,730
10% Gov't/90% Corp.	1.84	2.03%	\$489,448,022	\$43,789,914

Source: ICE BoAML Indices: Bloomberg. Past performance is not indicative of future returns.

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.
- Interest rates for the quarter rose rapidly, as a result market values fell sharply resulting in negative total returns.

Periods Ending December 31, 2021					
			Annualized		
BofAML Indices	Duration (years)	Quarter	Past 12 Months	Past 3 Years	Since Inception
State Water Contract Fund	1.79	-0.49%	-0.39%	2.29%	1.45%
General Fund	1.80	-0.52%	-0.43%	2.26%	1.43%
ICE BofAML 1 Year UST Index (GC03)	0.91	-0.18%	-0.07%	1.55%	0.91%
ICE BofAML 1-3 Year UST Index (G1O2)	1.82	-0.53%	-0.55%	2.01%	1.13%
ICE BofAML 1-5 Year UST Index (GVQ0)	2.58	-0.68%	-1.10%	2.42%	1.37%

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

Combined Portfolio - Market Value and Accrual Basis Earnings

Market Value Earnings	3 Months	1 Year	3 Years	5 Years	Since Inception
Interest Earned ²	\$815,284	\$3,986,343	\$18,658,935	\$29,607,660	\$40,461,018
Change in Market Value	(\$2,894,669)	(\$5,729,852)	\$4,959,239	\$2,094,665	\$67,318
Total Dollar Return	(\$2,079,385)	(\$1,743,509)	\$23,618,174	\$31,702,325	\$40,528,336

Accrual Basis Earnings	3 Months	1 Year	3 Years	5 Years	Since Inception
Interest Earned ²	\$815,284	\$3,986,343	\$18,658,935	\$29,607,660	\$40,461,018
Change in Market Value	\$492,794	\$2,367,696	\$4,222,827	\$3,630,974	\$3,741,277
Realized Gains / (Losses) ³	(\$121,133)	(\$229,278)	\$35,869	(\$382,726)	(\$2,211,339)
Total Earnings	\$1,186,945	\$6,652,943	\$23,753,150	\$33,107,264	\$41,175,673

1. Performance inception date is June 30, 2012.

2. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest

3. Realized gains / (losses) are shown on an amortized cost basis

Important Disclosures

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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.

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- Market values that include accrued interest are derived from closing bid prices as of the last business day of the month as supplied by Refinitiv, Bloomberg, or Telerate. Where prices are not available from generally recognized sources, the securities are priced using a yield-based matrix system to arrive at an estimated market value.
- 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.
- Bank of America/Merrill Lynch 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.



DATE: February 10, 2022
TO: Board of Directors Workshop – Policy
FROM: Kristeen Farlow, Strategic Communications Manager
SUBJECT: Discuss State and Federal Legislative Update

Recommended Action

This item is receive and file.

Summary

Staff is providing the Board of Directors with an update on current significant legislation from the state and federal legislatures.

Background

Each month, staff provides the Board of Directors with a summary of State and Federal Legislative highlights. This information is provided by the District’s lobbying firms and supplemented by District Staff. The Gualco Group, Inc., is the District’s State lobbyist in Sacramento; Innovative Federal Strategies is the District’s Federal lobbyist in Washington D.C. This month, Innovative Federal Strategies will provide the Federal legislative update.

State Legislative Update

The State legislature has been quiet over the last month, with only a few bills of interest still being carried over from the first year of the two-year session. It is expected that things will get busier this week as legislators work to meet the bill introduction deadline of February 18, 2022.

SB 890 (Nielsen/Borgeas) was introduced last week. This bill would establish the Water Storage and Conveyance Fund in the State Treasury to be administered by the Department of Water Resources. Upon appropriation by the Legislature, funds would be used for subsidence repair and reservoir storage costs, including construction of Sites Reservoir and to restore the capacity of four specified water conveyance systems, including two grants to the Friant Water Authority and to the San Luis and Delta-Mendota Water Authority.

The California Water and Wastewater Arrearages Payment Program provides up to \$1 billion in financial relief to cover debt accrued during the pandemic by customers of drinking water and wastewater agencies. The Wastewater Arrearage Program is now open until April 1, 2022, and the drinking water application period has ended.

Governor Newsom released his proposed 2022-23 state budget on January 10. The proposed budget totals \$286.4 billion, 9% bigger than last year's record spending plan. Last year, the Governor included \$5.2 billion over three years to deal with the ongoing drought (of which \$3.3 billion will be allocated this year). There is an additional \$750 million for immediate drought response to aid residents, farmers, and wildlife. Additionally, the Governor has proposed \$1.2 billion over two years to continue investments in forest health and fire prevention, including a major new reforestation effort. The budget will undergo changes in May (the "May Revise") and the 2022-23 budget will be passed by the legislature and signed by the Governor in the summer (typically late June).

Senator Connie Leyva is running for the San Bernardino County Board of Supervisors, challenging incumbent Curt Hagman. Senator Leyva is not seeking another Senate term due to her District lines being drawn in with Senator Susan Rubio, a fellow Democrat.

Federal Legislative Update

Congress continues work on appropriations negotiations, attempting to come up with a government funding deal ahead of the February 18 deadline. There continue to be disagreements on topline appropriations and even if a decision is made in the next week, another continuing resolution will be needed to allow the appropriations bills to be compiled into an omnibus appropriations package.

It was expected that *Build Back Better*, the House-passed reconciliation bill, could be scaled back to meet the provisions of all legislators and potentially pass before the State of the Union

address on March 1. However, there have been setbacks that have caused this aggressive deadline to seem unreachable, including Senator Manchin's desire for future talks about a reconciliation package starting from the beginning and the Democrats losing a functioning Senate majority due to Senator Lujan's recent stroke.

The House Committee on Transportation and Infrastructure is exploring how the Army Corps of Engineers is implementing funding for water projects included in the Infrastructure Investments and Jobs Act. The bipartisan infrastructure bill – signed into law on November 15, 2021 – provided more than \$17 billion to the Army Corps of Engineers. This amount, and \$8.7 billion in fiscal 2022 spending in the House approved for the Army Corps, is a historic amount for the agency that is often underfunded yet responsible for critical water infrastructure and environmental projects across the country. This funding provides an opportunity to make significant investments in critical water resources infrastructure.

Fiscal Impact

There is no fiscal impact related to this update.

Attachments

None