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NOTICE REGARDING (COVID-19)

Before public comments are considered, the record will reflect that pursuant to the provisions of Executive Order N-29-20 issued by Governor Gavin Newsom on March 19, 2020, this meeting will be conducted by teleconference only.



Call to Order

Board of Directors Workshop - Policy
Thursday, May 13, 2021

Chairperson – Director Longville
Vice-Chair – Director Botello



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 (Pg. 3)

Board of Directors Workshop – Policy – April 8, 2021



Discussion Item 4.1 (Pg. 11)

Cindy Saks, CPA – Chief Financial Officer/Deputy General Manager

Quarterly Investment Portfolio Update from PFM Asset Management

Staff Recommendation

Receive and file the portfolio update report from PFM



San Bernardino Valley Municipal Water District

Portfolio Update

Quarter Ending March 31, 2021

Richard Babbe, CCM, Senior Managing Consultant

PFM Asset Management
LLC

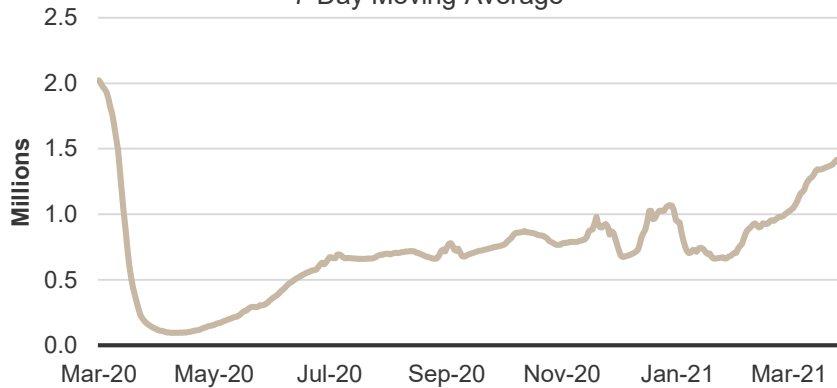
601 South Figueroa
Street, Suite 4500
Los Angeles, CA 90017

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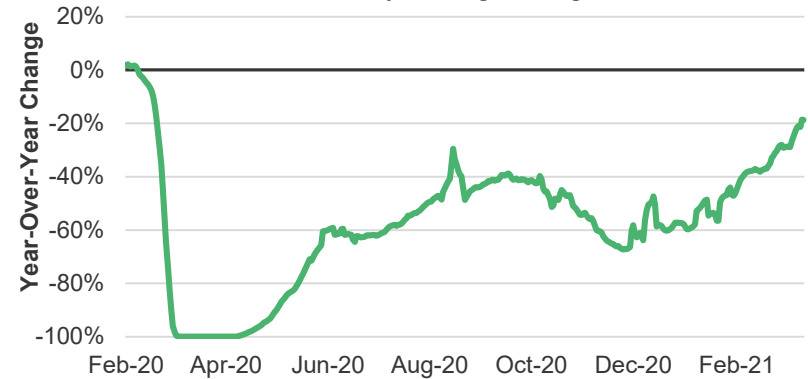


High Frequency Data Indicates the Economic Recovery Is Gaining Momentum

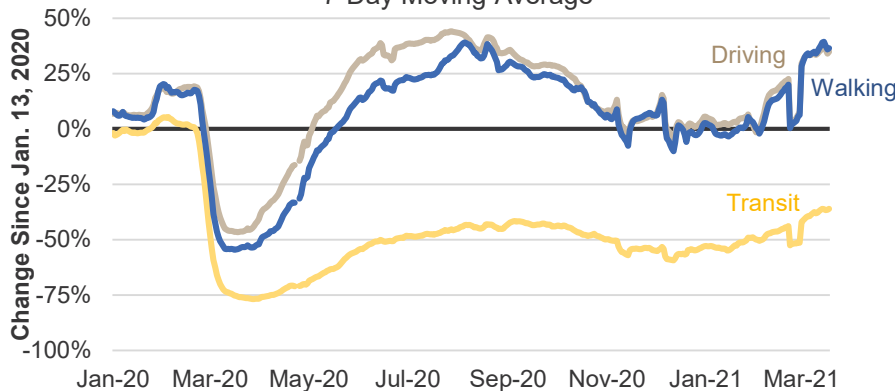
TSA Checkpoint Travel Numbers 7-Day Moving Average



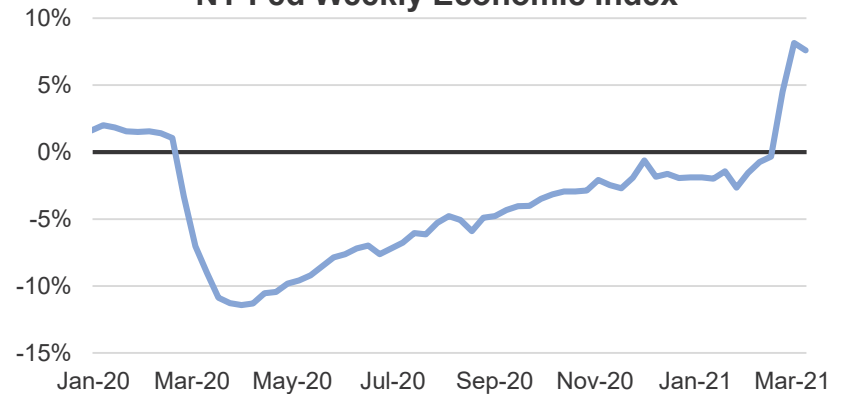
U.S. OpenTable Restaurant Reservations 7-Day Moving Average



Requests for Directions in Apple Maps 7-Day Moving Average



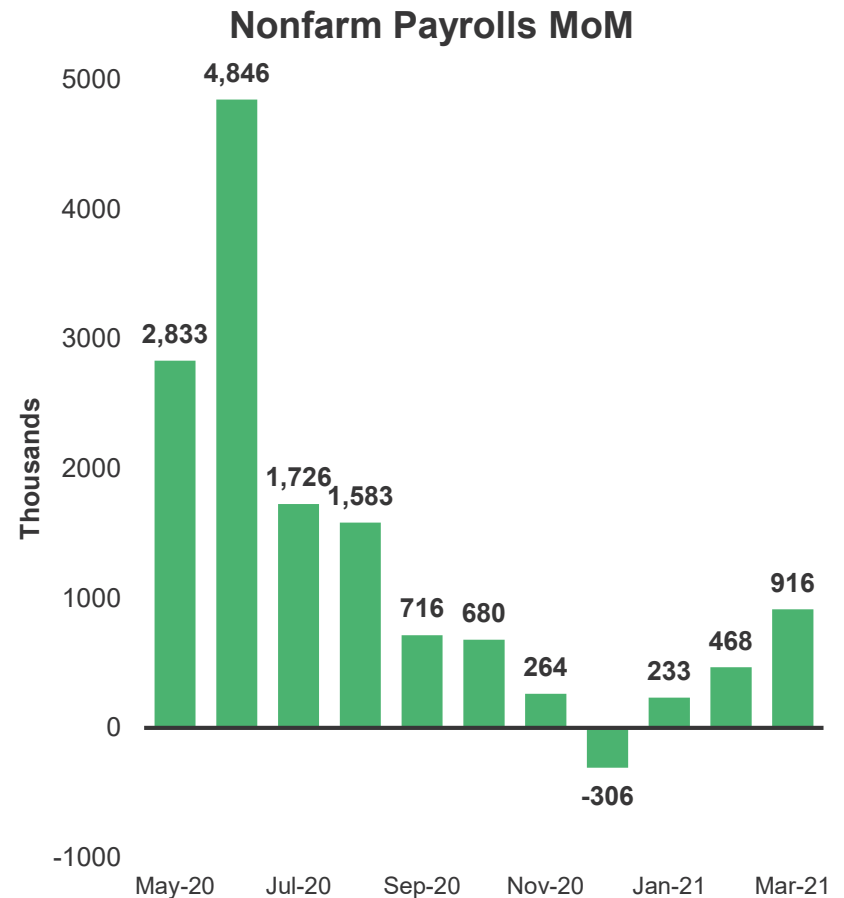
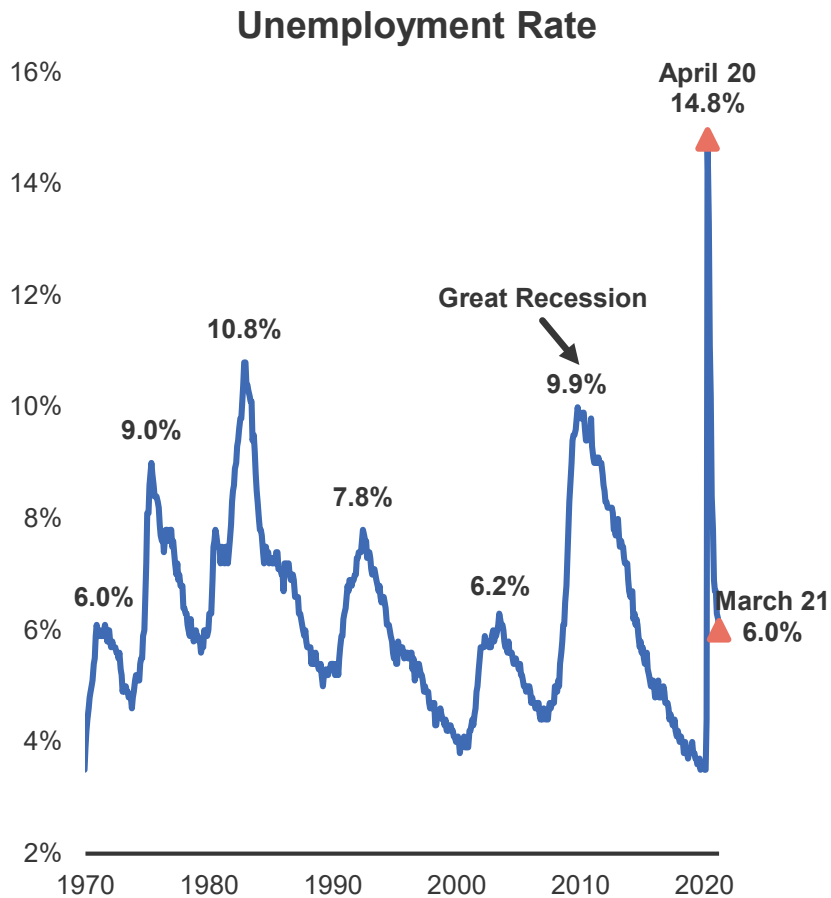
NY Fed Weekly Economic Index



Source: (top left) Transportation Security Administration, PFM calculations, as of April 6, 2021. (top right) Includes phone, online, and walk-in diners; OpenTable, PFM calculations, most recent data as of April 6, 2021. (bottom left); Apple, PFM calculations, most recent data as of April 6, 2021. (bottom right) Federal Reserve Bank of New York, most recent data as of April 6, 2021.



U.S. Labor Market Beginning to Rebound Strongly

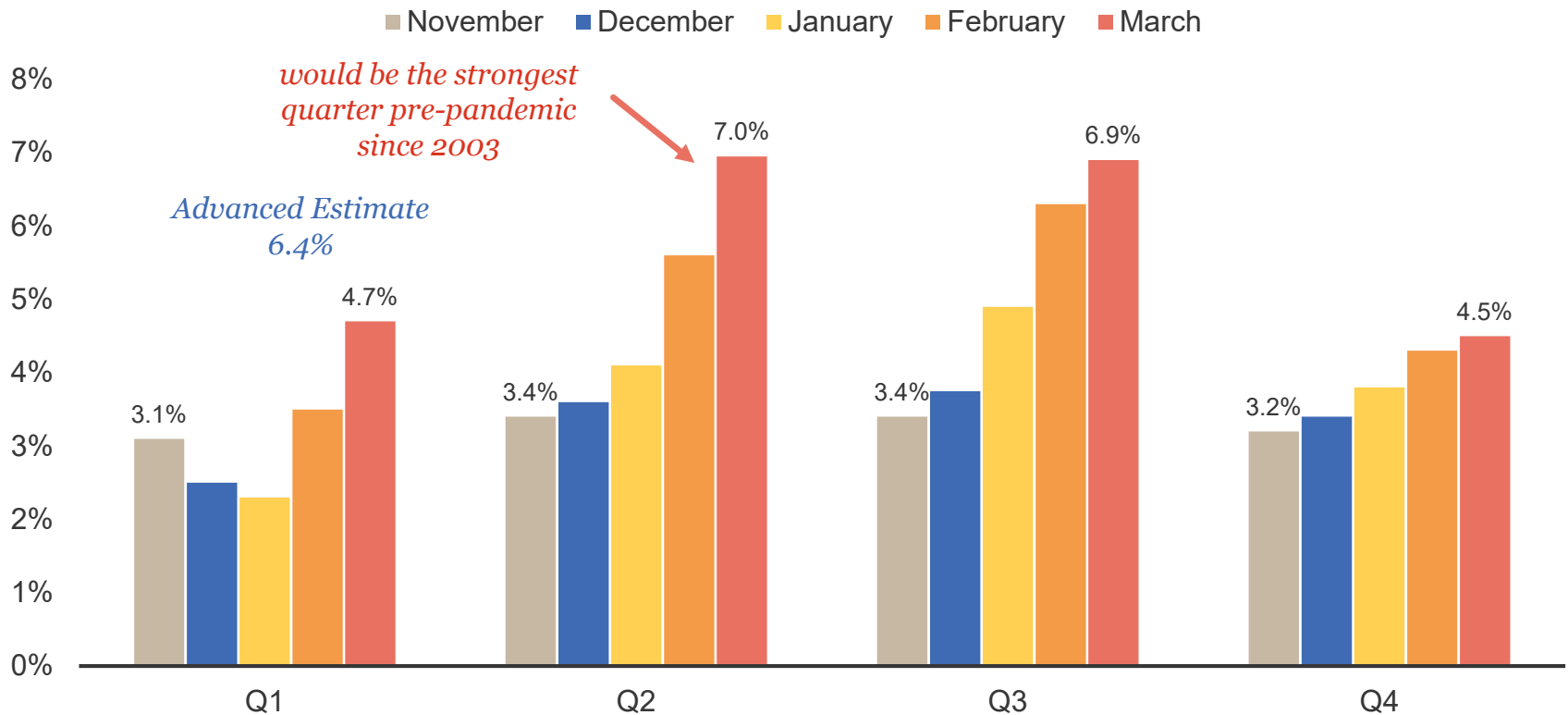


Source: Bloomberg, as of April 5, 2021. Data is seasonally adjusted.



GDP Estimates Improve Due to Passage of New Relief Bill

U.S. Quarterly GDP Forecasts for 2021

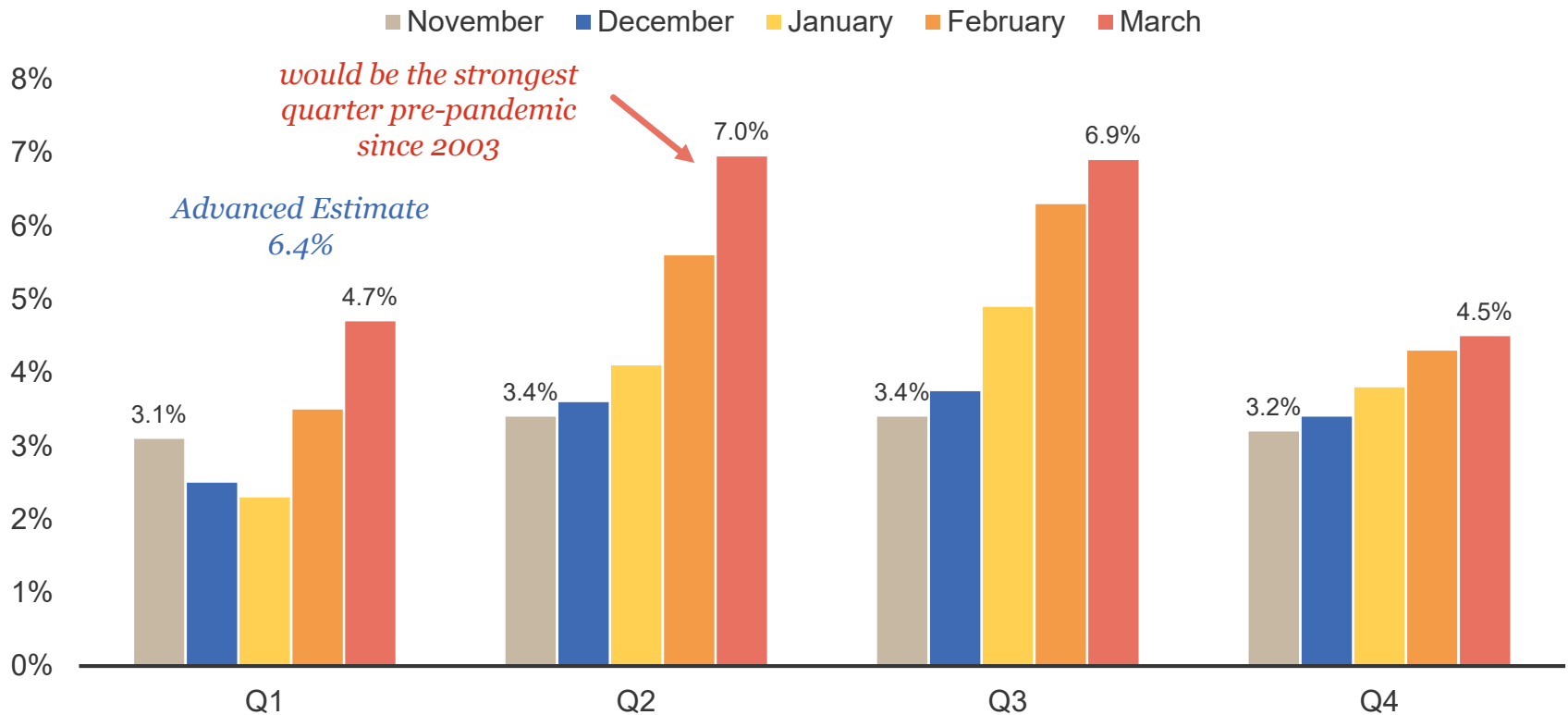


Source: Bloomberg, as of April 28, 2021



GDP Estimates Improve Due to Passage of New Relief Bill

U.S. Quarterly GDP Forecasts for 2021

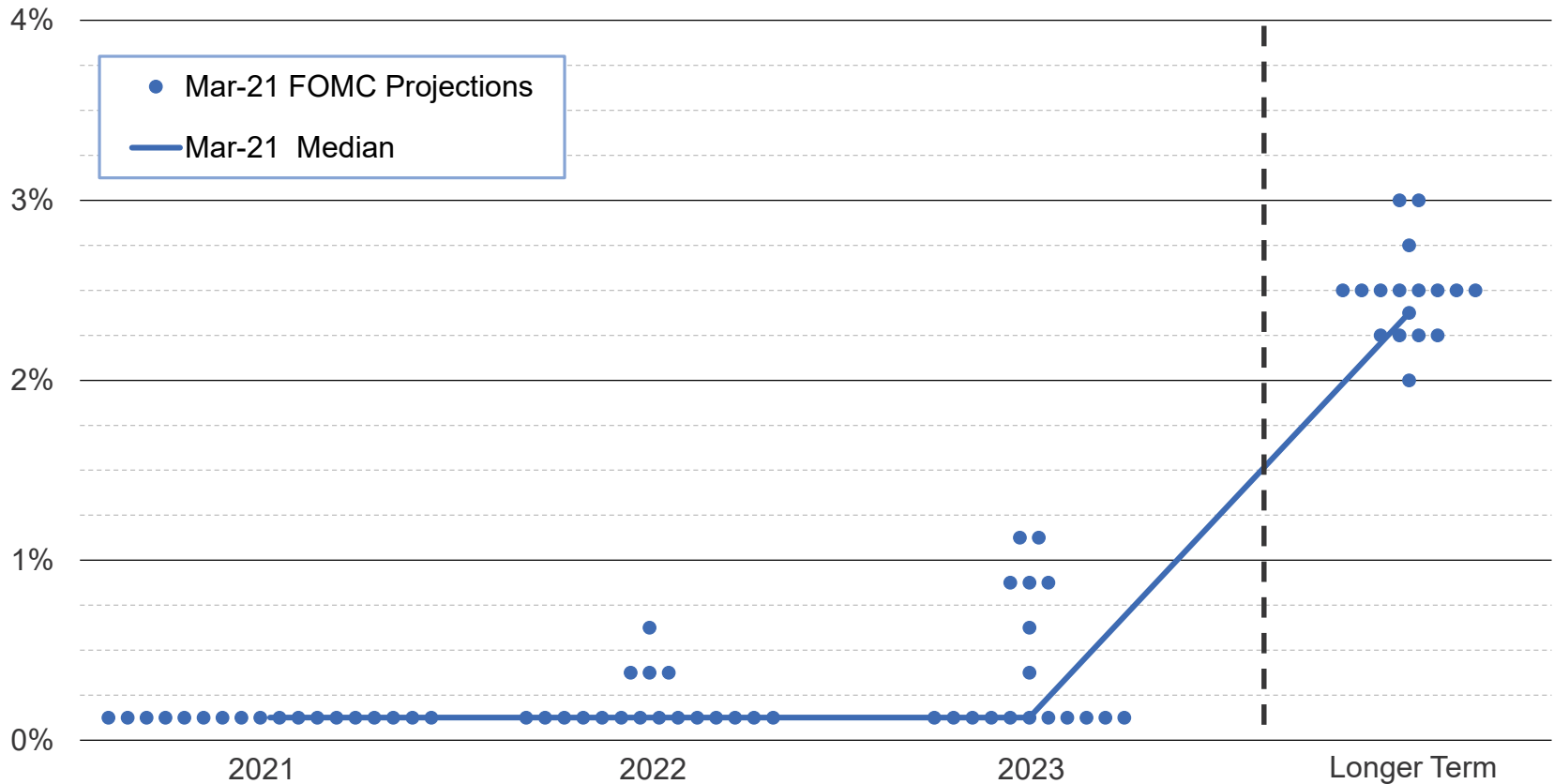


Source: Bloomberg, as of April 28, 2021



Federal Reserve Anticipates Near-Zero Rates Through 2023

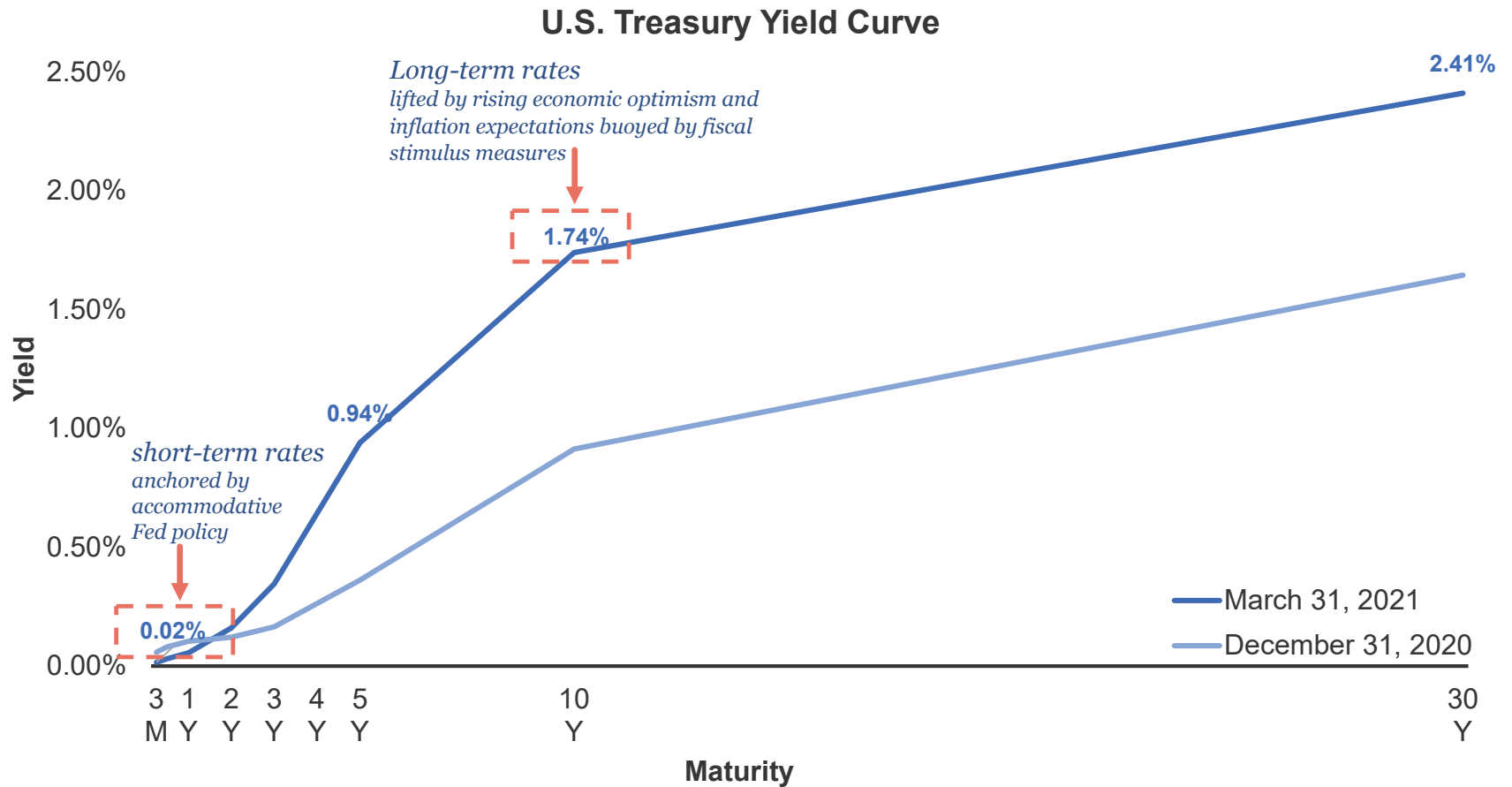
Fed Participants' Assessments of "Appropriate" Monetary Policy



Source: Federal Reserve and Bloomberg. Individual dots represent each Fed members' judgement of the midpoint of the appropriate target range for the federal funds rate at each year end. Fed funds futures as of March 18, 2021.



Treasury Yield Curve Steepened on Economic Optimism

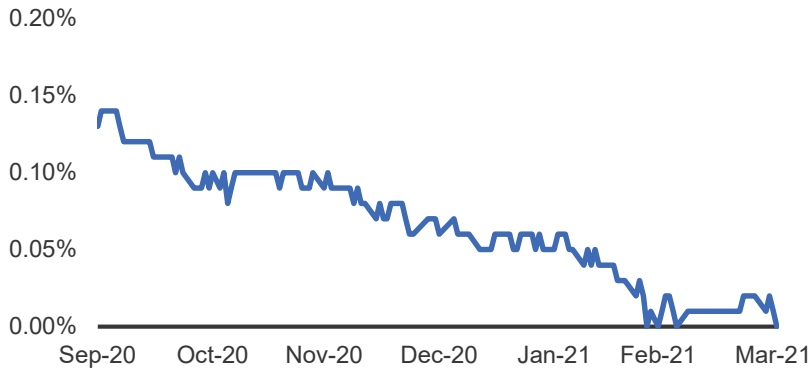


Source: Bloomberg, as of March 31, 2021.

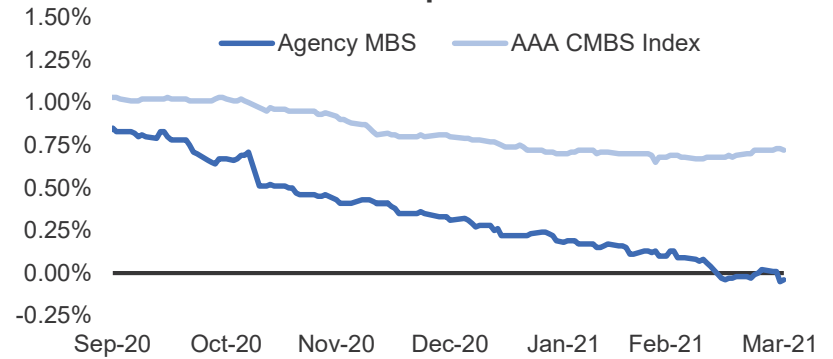


Agency and MBS Yield Spreads Tighten, but Corporates and ABS Widen

Federal Agency Yield Spreads



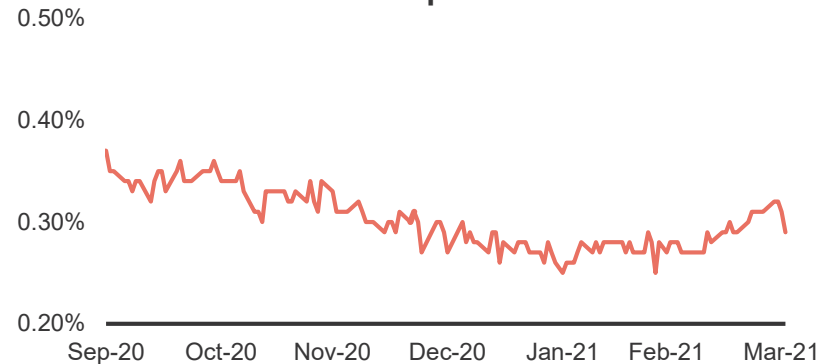
Mortgage-Backed Securities (MBS) Yield Spreads



Corporate Notes A-AAA Yield Spreads



Asset-Backed Securities (ABS) Yield Spreads



Source: ICE BofAML 1–5 year Indices via Bloomberg, MarketAxess and PFM as of March 31, 2021. Spreads on ABS and MBS are option-adjusted spreads of 0–5 year indices based on weighted average life; spreads on agencies are relative to comparable-maturity Treasuries. CMBS is Commercial Mortgage-Backed Securities.



Combined Portfolio Composition – By Fund

Fund	December 31, 2020	March 31, 2021
General Fund	\$129,703,265	\$143,364,447
State Water Contract Fund	\$352,921,060	\$383,457,882
Devil Canyon/Castaic Fund	\$3,986,166	\$4,392,517
Total	\$486,610,491	\$531,214,846

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.

Security Type	Market Value as of December 31, 2020	% of Portfolios	Market Value as of March 31, 2021	% of Portfolios	% Change vs. 12/31/20	Permitted by Policy	In Compliance
U.S. Treasury	\$171,797,920	35.4%	\$186,865,357	35.2%	-0.2%	100%	✓
Federal Agency	\$86,717,585	17.9%	\$86,599,074	16.3%	-1.5%	100%	✓
Municipal	\$12,610,747	2.6%	\$13,315,579	2.5%	-0.1%	30%	✓
Negotiable CDs	\$27,717,786	5.7%	\$23,867,030	4.5%	-1.2%	30%	✓
Corporate Notes	\$71,976,313	14.8%	\$65,266,696	12.3%	-2.5%	30%	✓
Securities Sub-Total	\$370,820,351	76.4%	\$375,913,736	70.9%			
Accrued Interest	\$1,456,415		\$1,012,828				
Securities Total	\$372,276,766		\$376,926,564				
LAIF	\$69,737,501	14.4%	\$74,347,765	14.0%	-0.4%	\$75 Million	✓
Money Market Fund	\$146,091	<0.1%	\$474,434	0.1%	0.1%	20%	✓
CAMP	\$44,450,133	9.2%	\$79,466,083	15.0%	5.8%	50%	✓
Total Liquidity	\$114,333,725	23.6%	\$154,288,282	29.1%			
Total Investments	\$486,610,491	100.0%	\$531,214,846	100.0%			

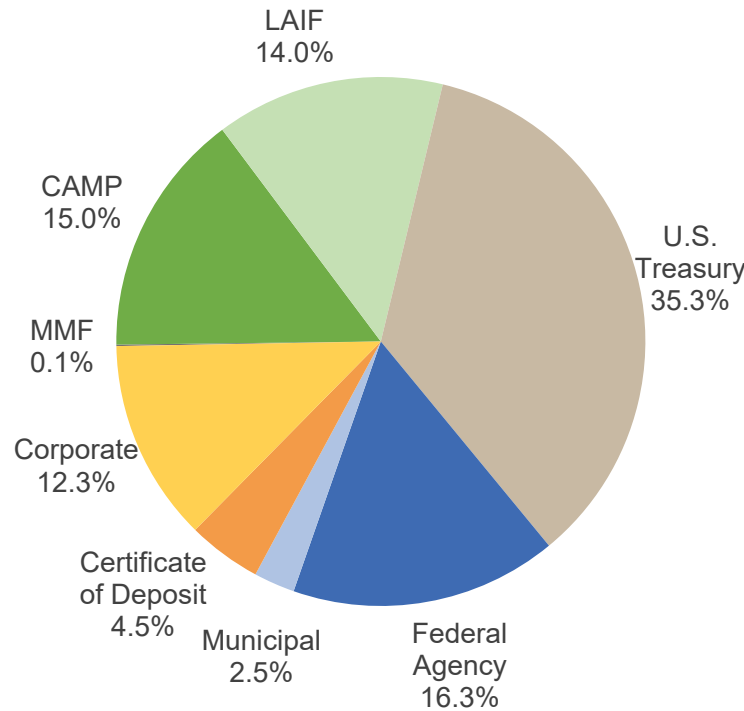
Numbers may not add to total due to rounding. Current investment policy as of August 2020.



The District's Portfolios are Well Diversified

Corporate Notes	12.3%
Toyota Motor Credit	0.9%
Citigroup	0.8%
Apple	0.7%
JP Morgan	0.6%
Bank of America	0.6%
Bank of NY Mellon	0.6%
Honda	0.6%
Caterpillar Financial	0.5%
Morgan Stanley	0.5%
Honeywell International	0.5%
Goldman Sachs	0.4%
John Deere	0.4%
Pcarr Financial	0.4%
Merck & Co	0.4%
Branch Banking & Trust	0.4%
Amazon	0.3%
National Rural Utilities	0.3%
Bristol Myers Squibb	0.3%
Blackrock	0.3%
American Express	0.3%
Oracle	0.3%
Pepsi	0.3%
Chevron	0.2%
Wal-Mart	0.2%
Charles Schwab	0.2%
3M Company	0.2%
Comcast	0.2%
Unilever	0.2%
Visa	0.2%

Issuer Allocations
March 31, 2021



Corporate Notes	
Us Bancorp	0.2%
Adobe	0.2%
PNC	0.1%
Home Depot	0.1%
Pfizer	0.1%

Negotiable CDs	4.5%
DNB Bank	0.7%
Credit Agricole CIB NY	0.7%
Nordea Bank NY	0.7%
Société Générale NY	0.7%
Skandinav Enskilda Bank	0.7%
Sumitomo Mitsui Bank NY	0.5%
Credit Suisse NY	0.5%

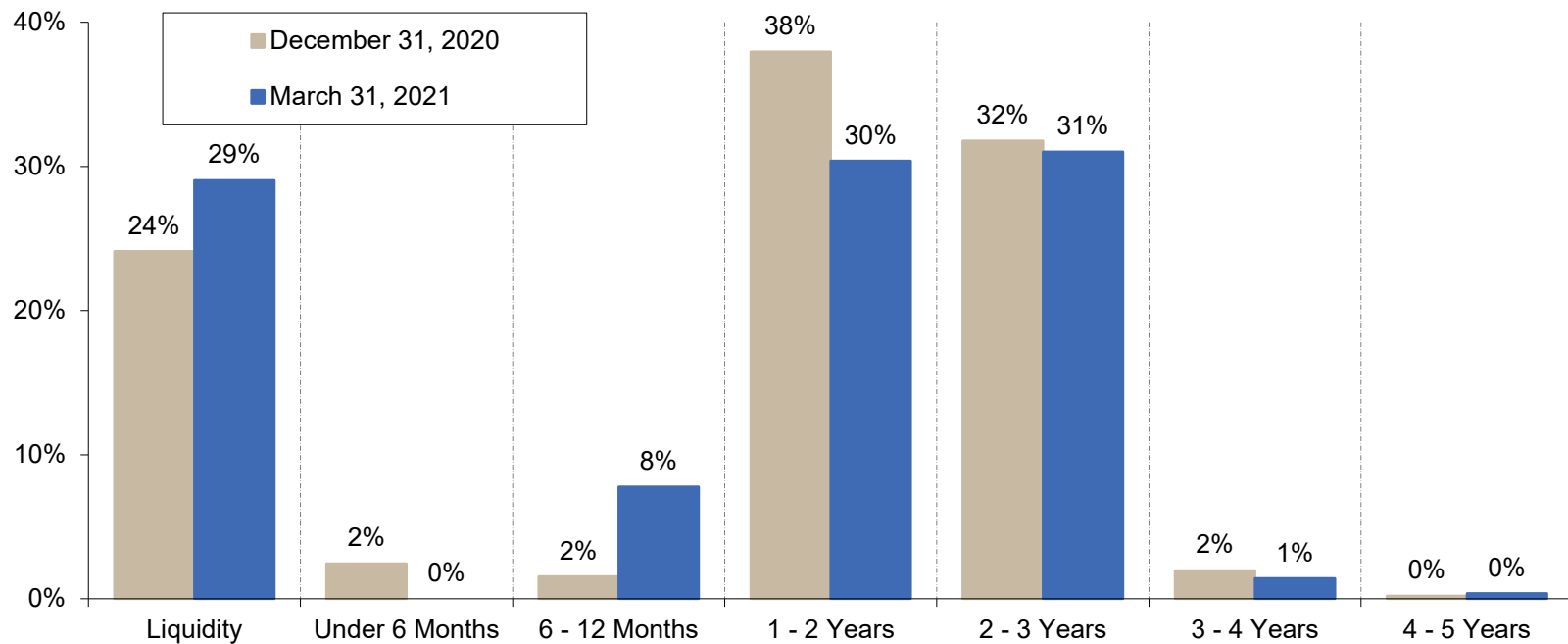
As of March 31, 2021. Numbers may not add to total due to rounding.



Combined Portfolio Maturity Distribution

- Changes to the portfolio maturity distribution can primarily be attributed to roll-down from the 1-2 Years bucket into the 6–12 Months bucket, and an increase in the liquidity portion by way of CAMP balances increasing.

Portfolio Maturity Distribution
December 31, 2020 vs. March 31, 2021

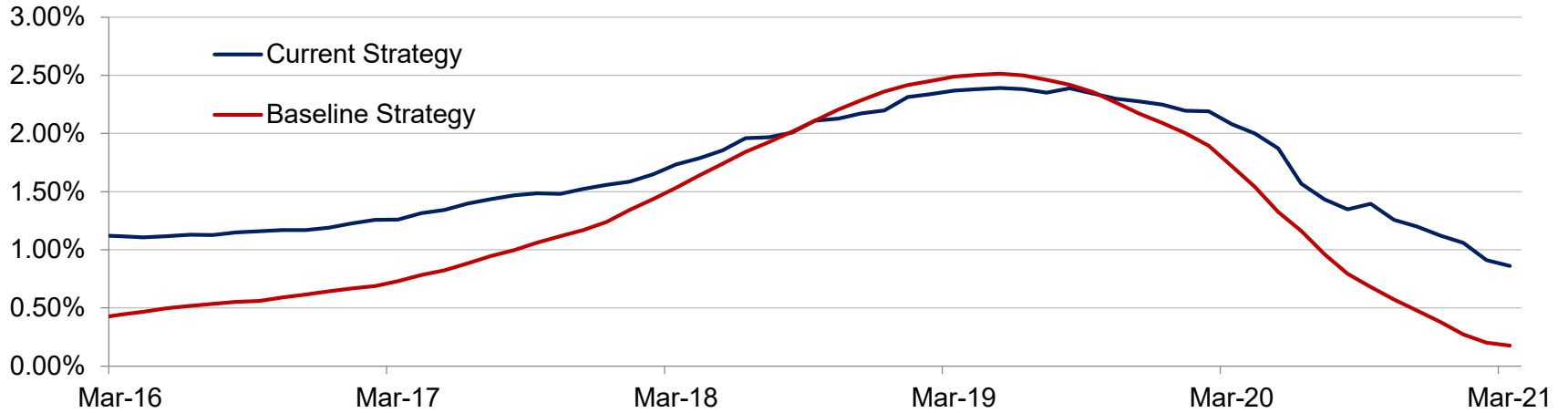


*Numbers may not add to total due to rounding.

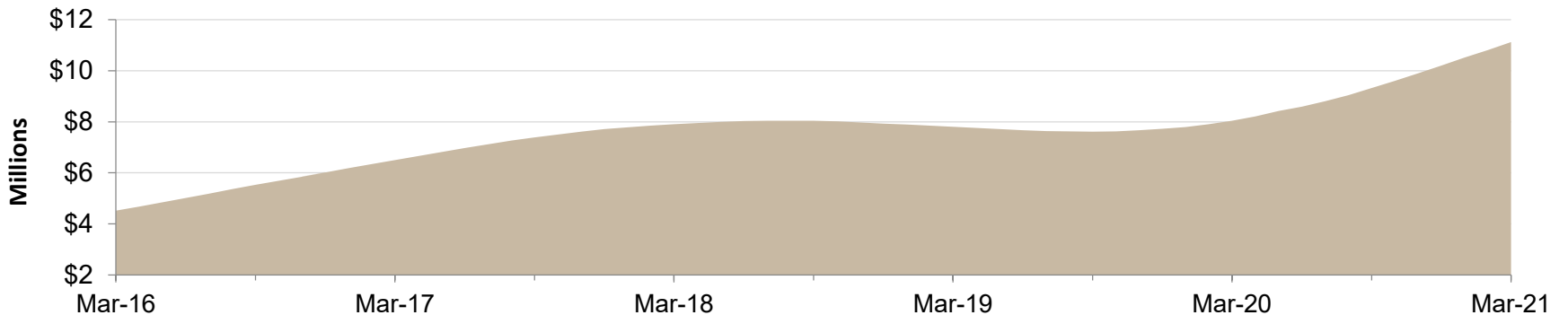


Combined Portfolio Yield and Earnings Comparison

Portfolio Month End Yields - Current Strategy vs. Baseline Strategy
March 2016 – March 2021



Estimated Cumulative Incremental Earnings - Current Strategy vs. Baseline Strategy
March 2016 – March 2021





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.

Periods Ending March 31, 2021					
			Annualized		
BofAML Indices	Duration (years)	Quarter	Past 12 Months	Past 3 Years	Since Inception
State Water Contract Fund	1.83	-0.02%	1.38%	3.05%	1.60%
General Fund	1.85	-0.02%	1.35%	3.07%	1.62%
ICE BofAML 1 Year UST Index (GC03)	1.00	0.07%	0.17%	2.51%	1.12%
ICE BofAML 1-3 Year UST Index (G1O2)	1.91	-0.05%	0.24%	2.95%	1.35%
ICE BofAML 1-5 Year UST Index (GVQ0)	2.65	-0.52%	-0.09%	3.26%	1.56%

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



Managed Portfolio Earnings

2-Year Treasury Yields
March 31, 2020 – March 31, 2021



Period	Q2 20	Q3 20	Q4 20	Q1 21	12-Mo. Totals
Change in 2-Yr Treasury	-0.10%	-0.02%	-0.01%	0.04%	-0.09%
Market Value Earnings					
Interest Earned	\$1,854,825	\$1,559,911	\$1,343,466	\$1,129,911	\$5,888,113
Change in Value	\$1,748,848	(\$762,844)	(\$735,960)	(\$1,202,575)	(\$952,532)
Portfolio Earnings	\$3,603,672	\$797,067	\$607,506	(\$72,664)	\$4,935,581
Accrual Earnings					
Interest Earned	\$1,854,825	\$1,559,911	\$1,343,466	\$1,129,911	\$5,888,113
Change in Value	\$1,224,606	\$755,572	\$792,350	\$495,593	\$3,268,121
Portfolio Earnings	\$3,079,431	\$2,315,484	\$2,135,816	\$1,625,504	\$9,156,234

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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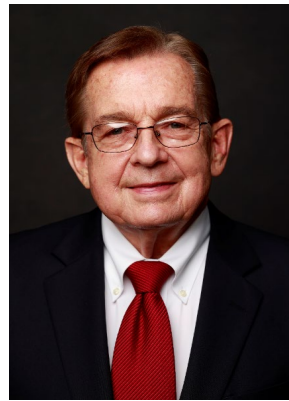
Director Comments and Discussion



**Paul
Kielhold**
President



June Hayes
Vice President



**T. Milford
Harrison**
Treasurer



**Gil J.
Botello**
Director



**Susan
Longville**
Director

Staff Recommendation

Receive and file the portfolio update report from PFM



Discussion Item 4.2 (Pg. 29)

Melissa Zoba, MBA, MPA – Chief Information Officer

Proposed Program of Work for the Business Information Services
Department FY 21/22

Staff Recommendation

Provide feedback to staff on the priorities and initiatives proposed for FY 21/22

Business Information Services

Business Information Services (BIS) is the integration of:





1) *people* 2) *technology tools* and 3) *business processes*, in order to achieve an organization's desired outcomes



BIS Team:

- Dan Borell – Geospatial Services Program Manager
- Anthony Flordelis – Business Systems Analyst

Key Department Objectives

BUSINESS INFORMATION SERVICES			
 <p>Support Business Processes and Staff Resources</p>	 <p>Invest in Technology</p>	 <p>Protect Critical Assets</p>	 <p>Develop Innovative Tools and Resources</p>
<p>Support the District's staff with reliable information technology and services to improve user productivity</p>	<p>Invest in the technology that will improve organizational effectiveness, increase efficiency and drive high organizational performance</p>	<p>Protect the District's critical assets through continuous monitoring, strategic incident response, centralized identity management, rapid recovery, and resilient systems</p>	<p>Develop the tools and resources to improve workflows, manage and share information more readily, and support more informed decision making</p>

Support Business Processes and Staff Resources



Ongoing

IT Help Desk

District Website

Software/Hardware Updates

Application Maintenance/Support
and Licensing

Equipment (Scanners, PC, Laptops, etc)

Document Archive/Library

FY 2021-22

Office 365 Upgrade

Increase bandwidth at
remote facilities

Invest in Technology



Ongoing

Remote Workforce

- Equipment
- Secure Access
- Mobile Wi-Fi access points

Update Critical Infrastructure

Server Virtualization

FY 2021-22

Enterprise Resource Planning (ERP) system

- As an integrated system, a single ERP application unifies and consolidates data storage and management coming from different business processes
- ERP Assessment & ERP Implementation

SCADA Assessment/Master Plan

Explore Emergency Backup Solutions

Protect Critical Assets



Ongoing

Firewall/GeoFiltering

Cloud Backup/Disaster
Recovery

Vulnerability Assessment

FY 2021-22

Firewall (Fortinet Suite)

Cloud-based Spam Filter

Incident Response Plan

Develop Innovative Tools and Resources



Ongoing

Electronic Positive Response (DigAlert)

ArcGIS Map Gallery

Geographical Mapping

FY 2021-22

Enterprise GIS Portal

- Water deliveries collection and distribution
- Regional tracking and water banking
- SCADA Integration

Establish Drone Mapping and Data Collection Program

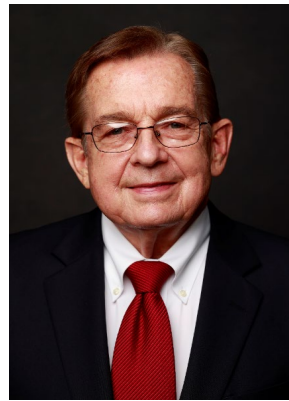
Director Comments and Discussion



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Harrison**
Treasurer



**Gil J.
Botello**
Director



**Susan
Longville**
Director

Staff Recommendation

Provide feedback to staff on the priorities and initiatives proposed for FY 21/22

Discussion Item 4.3

(Pg. 30)

Kristeen Farlow, MPA – External Affairs Manager

Proposed Program of Work for the External Affairs/Strategic
Communications Department FY 21/22

Staff Recommendation

Provide feedback to staff on the priorities and initiatives proposed for FY 21/22

What is External Affairs and what is Strategic Communications?

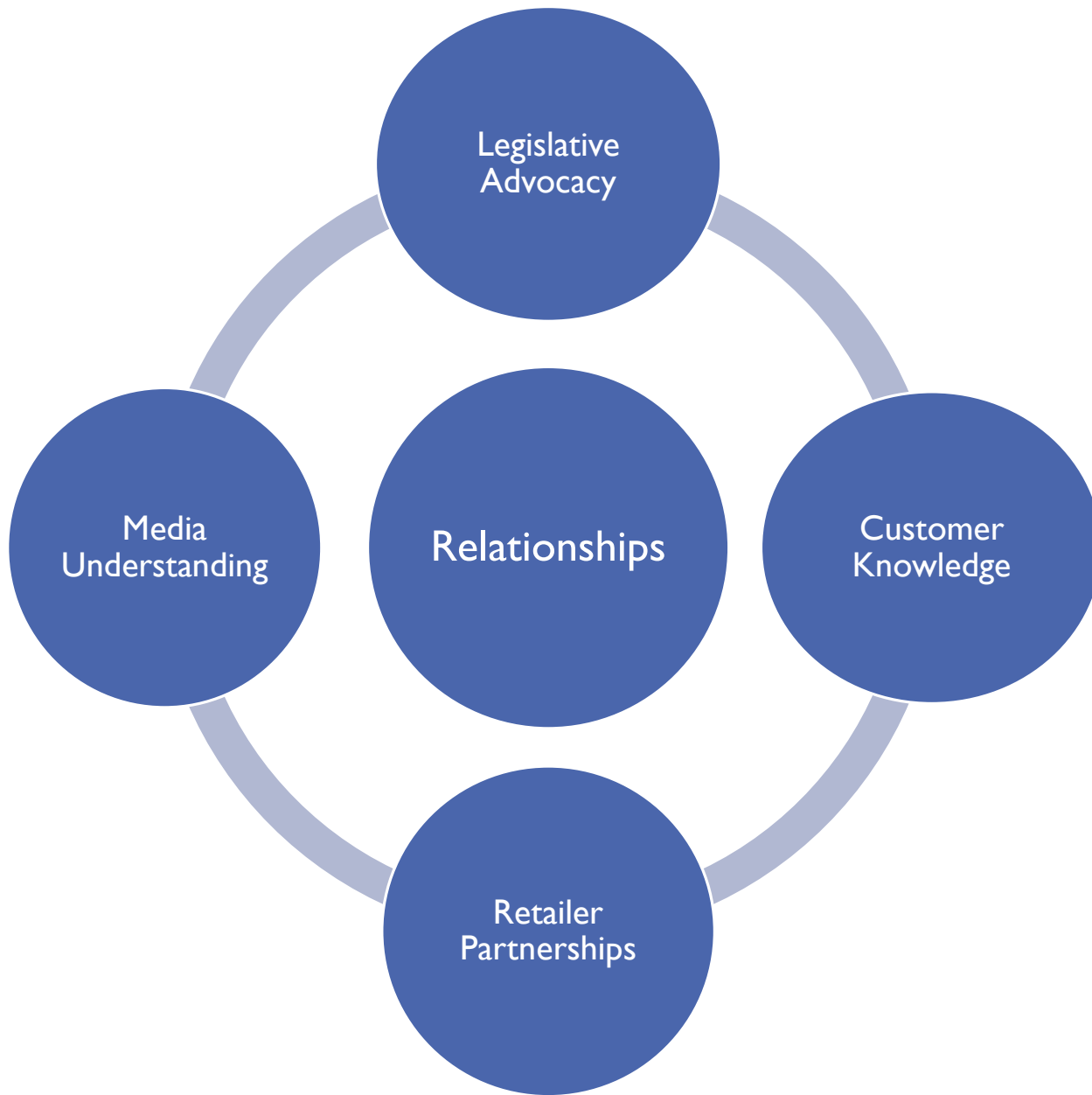
- **External Affairs** is responsible for building and maintaining relationships with influential people and organizations.
- Getting the message to the people and listening to what they have to say.
- Building awareness and understanding of the District.
- **Strategic Communications** is the purposeful use of communications to achieve specific outcomes.
- Getting the right message to the right audience at the right time through the right channel.
- The union of public relations, marketing, advertising, media relations, and more.

External Affairs/ Strategic Communications Department



- **Departmental Mission:**

To use the most relevant communications tactics to promote Valley District, connect with our community, and position ourselves as a leader.



External Affairs/Strategic Communications Department Program of Work Fiscal Year 21-22



Outreach & Engagement

- Community Partnerships
- District & SWP Tours
- Community Event and Workshops
- Sponsorships



Strategic Communications

- Strat. Comm. Plan
- Media Relations
- Annual Report
- Regional Collaboration
- Social Media
- Videos



Positioning

- Federal Advocacy
- State Advocacy
- State Water Contractor
- Regional Leadership
- Industry Leadership

Director Comments and Discussion



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President



June Hayes
Vice President



**T. Milford
Harrison**
Treasurer



**Gil J.
Botello**
Director



**Susan
Longville**
Director

Staff Recommendation

Provide feedback to staff on the priorities and initiatives proposed for FY 21/22

Discussion Item 4.4 (Pg. 31)

Kristeen Farlow, MPA – External Affairs Manager

Adekunle Ojo, MPA – Manager of Water Resources

Consider Proposal from Water Systems Consulting, Inc., for the Strategic Communications and Engagement Plan

Staff Recommendation

Direct Staff to bring a consulting services agreement with Water Systems Consulting, Inc., for the Strategic Communications and Engagement Plan to a future Board meeting for consideration.

Why Strategic Communications?



Statement of Work

GOAL(S)



Proposal Solicitation

April 2021: Issued Request for Proposal

Received eleven (11) proposals from firms of all sizes

May 5, 2021: Interviewed five (5) consultants

- Interview panel included the CEO/General Manager, Water Resources Manager, Water Conservation Program Manager, and External Affairs Manager

Recommend: Water Systems Consulting, Inc. (WSC)

Three-part proposal:

- Discover
- Define
- Lead

Proposal total \$105,115

- Optional Tasks total \$15,430

Timeline: 11 months for completion

Fiscal Impact

\$120,545

Budgeted over
two fiscal years

Funds available in FY 20/21 budget
account 6360 (Consultants)

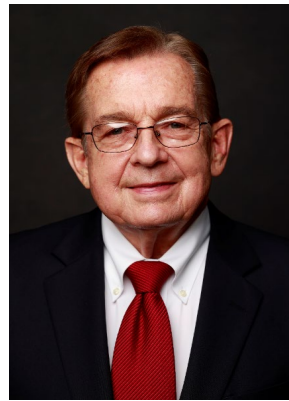
Director Comments and Discussion



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Treasurer



**Gil J.
Botello**
Director



**Susan
Longville**
Director

Staff Recommendation

Direct Staff to bring a consulting services agreement with Water Systems Consulting, Inc., for the Strategic Communications and Engagement Plan to a future Board meeting for consideration.

Discussion Item 4.5 (Pg. 65)

Cindy Saks, CPA – Chief Financial Officer/Deputy General Manager

Heather Dyer, MS, MBA – Chief Executive Officer/General Manager

Consider Agreement with Fieldman, Rolapp & Associates for Advisory and Financial Planning Services

Staff Recommendation

Direct Staff to bring a consultant agreement with Fieldman, Rolapp & Associates for Advisory and Financial Planning Services, once the agreement is agreed to form by District house council, to a future Board meeting for consideration.

- In 2011, during the issuance of the Revenue Certificates of Participation Bonds to fund the construction of the Baseline Feeder Wells, the District engaged Fieldman, Rolapp & Associates (Fieldman) for financial advisory services. Their services proved to be invaluable to the District with the successful issuance of a AAA financial rating from Standard and Poor.
- These services are different than the investment advisory services performed by PFM Asset Management (Richard Babbe). Richard Babbe and the PFM team provide advisory services on long term investment strategies for the cash held by the District.

- Staff is requesting the board consider an agreement with Fieldman to provide advisory and financial planning services on a variety of specific tasks assigned by staff.
- These services would be on a time and material basis where the District would only be invoiced for actual time spent on a project.
- A list of projects staff has currently identified include:
 - Review current financial policies, provide recommendations on updating the debt management and reserve policies.
 - Review the impacts to the District as a whole regarding future financial commitments for the Sites Reservoir project and Local Resources Investment Program.
 - Review the District's capital improvement program and discuss alternative funding options.

- Staff is recommending an agreement with a not to exceed cost of \$75,000 which will be used to cover time on specific tasks assigned to Fieldman.
- The agreement has been reviewed by house counsel Varner Brandt and Fieldman, Rolapp & Associates and approved to form.

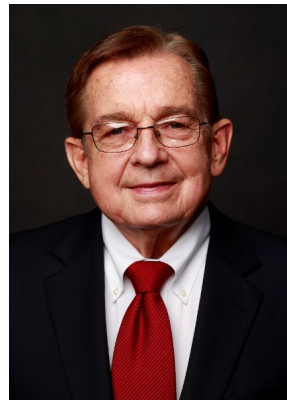
Director Comments and Discussion



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Director



**Susan
Longville**
Director

Staff Recommendation

Direct Staff to bring a consultant agreement with Fieldman, Rolapp & Associates for Advisory and Financial Planning Services to a future Board meeting for consideration.



Future Business



Adjournment
