the NATOMAS BASIN conservancy

Natomas Basin Conservancy
Board of Directors
Agenda
Wednesday, May 07, 2014, 4:00 pm - 7:00 pm
2150 River Plaza Drive

Item

A. Call to Order of the Regular Meeting of the Board of Directors

ADMIN: The Board President will call the meeting to order if a quorum is present. Announcements by the Board President or Executive Director may be made at this time.

B. Approval of the minutes

ACTION: The Board President will request approval of the minutes and consent items of the Board of Directors meeting of March 5, 2014.

The minutes of the Conservancy's Annual Meeting on March 5, 2014 are included for Board review.

C. Accept the Conservancy's 2013 audited financial statement

ACTION: The Audit Committee reports on the audited financial statements for the year ended December 31, 2013. The Committee has reviewed the audit report with the auditor, Gilbert & Associates. The auditor has issued a clean opinion on the Conservancy's 2013 financial statement. The Committee recommends the Board accept the audit, along with the auditor's report contained in the financial statements for the year ended December 31, 2013.

D. Cancellation of September 3 Board meeting

ACTION: The September Board meeting falls on Wednesday, September 3 with Labor Day on Monday, September 1. In the past, it is occasionally difficult to get a quorum when Board meetings follow national holidays so closely. Staff will request Board members' preference on the matter.

E. Participation in conjunctive use program with the Natomas Central Mutual Water Company (NCMWC)

ACTION: The NCMWC is participating in a conjunctive use water sale this year. The customers are primarily the individual entities that make up the San Luis Delta-Mendota Water Authority (SLDMWA).

This item requests that the Board engage with the NCMWC for the purpose of using groundwater from Conservancy wells to participate in the sale. The NCMWC is actively hoping to sell water so that it can help defray what are expected to be significant increases in costs owed the Bureau of Reclamation.

The amount of water is not certain, but NCMWC indicates that it would be looking to the Conservancy to sell a minimum of 500 acre feet and a maximum of 1,000 acre feet. (The NCMWC has agreed to sell 5,000 acre feet to the SLDMWA and may sell up to 10,000 acre feet.) Proceeds from the sale are to be split 50/50 between the NCMWC and participating entities such as the Conservancy.

--At $500 per acre foot, this could mean proceeds to the Conservancy of $125,000 if 500 acre feet are sold ($250 x 500), and

--$250,000 if 1,000 acre feet are sold ($250 x 1,000), and

--at $600 per acre foot, this would mean proceeds to the Conservancy of $150,000 if 500 acre feet are sold ($300 x 500), and

--$300,000 if 1,000 acre feet are sold ($300 x 1,000).

At year's end, in its 2015 draft budget, staff will recommend that the proceeds from any sale be used to construct another well on the Conservancy's Fisherman's Lake Reserve Area. Any revenue remaining would be used for general well upgrade, inspection and documentation.

A report from MBK Engineering indicates that 10,000 acre feet could be drawn from the Natomas Basin's groundwater supply without any long-term depletion or mining impact, according to the NCMWC.

There are numerous conditions that could restrict the Conservancy's ability to participate in the sale. Meters that meet DWR standards must be placed on each participating well, complete well logs for each well, and diesel-powered wells must have ARB certificates. These may be a challenge for the Conservancy to meet in the amount of time provided. It is possible the Conservancy cannot meet these and other requirements in time to be a valid participant in this sale.

Conservancy staff requests Board approval to execute and deliver the necessary documents to participate in the NCMWC conjunctive use initiative for the sale of up to 1,000 acre feet of water from Conservancy wells. While Conservancy staff expects that its water needs will be satisfied with surface water from the NCMWC this year, this authorization will only be used if all Conservancy water needs are met first.

F. City of Sacramento report

NO ACTION: Report from the City of Sacramento regarding HCP-related activity and other topics.

G. Financial statement review

NO ACTION: A financial statement will be provided for the period ended March 31, 2014 (unaudited). Additional financial information will be provided.

H. Form 990 presentation to the Board for review

NO ACTION: As a "best practice," and to respond affirmatively to the Conservancy tax reporting with the IRS and CFTB, this item presents the Conservancy's draft 2013 Form 990 for Board review.

I. Property report; Huffman West boundary matters and Sills South conservation easement

NO ACTION: Staff will update the Board on property matters including boundary changes on the Huffman West tract.

J. Update on BKS North Course channel clearing and maintenance project

NO ACTION: Staff will update the Board on the Conservancy's BKS North Course channel clearing and maintenance project.

K. Drought impact on Conservancy property and steps to address it

NO ACTION: Staff will share with the Board the situation with regard to the extended drought facing California and its impact on the Conservancy. Special attention will be given to the impact the drought is having on the Conservancy's overall costs. These costs will be discussed with respect to the approved 2014 budget and the probability that budget adjustments will be agenda'd for the Board's action at the next Board meeting.

Among the items for discussion under this section are:

--delivery of surface water for 2014 by the U.S. Bureau of Reclamation,

--notice of substantially increased costs on shareholders and water users by the Natomas Mutual Water Company,

--the concept of adding additional groundwater well capacity in the Conservancy's Fisherman's Lake Reserve Area (if approved, the installation would take place in 2015).

L. Update: property tax research

NO ACTION: Staff will update the Board on the progress made in obtaining property tax relief.

M. Conservancy biological monitoring report

NO ACTION: The Conservancy's annual biological monitoring report will be presented by the

Conservancy's biological monitoring contractor, ICF International. Doug Leslie will deliver the report and entertain any questions from Board members. Full hard copy reports will be available to the Board at the next regular meeting of the Board.

N. Public Comments

NO ACTION:Opportunity for members of the public to address the Conservancy's Board of Directors.

O. Executive Session

No Executive Session is scheduled.

P. Executive Director's Report

NO ACTION: Various matters for Board members' general information will be presented by the Conservancy's Executive Director.

Q. Adjournment

ADMIN: Official adjournment of the meeting.

Minutes of a Regular Meeting[1]
of
The Natomas Basin Conservancy

March 5, 2014
Offices of the Natomas Basin Conservancy
2150 River Plaza Drive, Suite 460
Sacramento, CA
4:00 p.m.

BOARD MEMBERS PRESENT: ☑ = attended ☐ = did not attend	☑ Kay Backer ☐ Mike Bradbury ☑ George Carpenter ☑ David Christophel ☑ William Edgar ☑ Kevin McRae ☑ Dan Silva ☑ Danelle Stylos ☑ Steven Willey
STAFF/LEGAL COUNSEL PRESENT:	Sherry Arkfeld, Kim Burns, Valerie Huezo, Jeremy Lor, John Roberts
GUESTS:	Nick Avdis, Attorney; Scott Mende, City of Sacramento; Mark Young; Westervelt Ecological Services
TAC:	None

CALL TO ORDER

Christophel called the Regular Meeting of the Board of Directors to order, noting a quorum was present.

ANNOUNCEMENTS

None

ACTION-REGULAR SESSION

Addition to Consent Items. Emergency service for the Conservancy's Bennett North groundwater well.

> (Res. 14.03.01) On a motion by Carpenter and a second by Edgar, the Board unanimously approved the addition of the emergency item to the consent items agenda.

[1] Notice of meeting posted on TNBC website and front office marquee.

Board members		*Vote symbols*
☑ Kay Backer	☑ Kevin McRae	☑ = "aye" vote
☐ Mike Bradbury	☑ Dan Silva	■ = "no" vote
☑ George Carpenter	☑ Danelle Stylos	☐ = not present
☑ David Christophel	☑ Steven Willey	◆ = abstain or recuse
☑ William Edgar		

Approval of minutes and consent items. The Board President requested approval of the minutes of the Board of Directors meeting of February 5, 2014 and the consent items (see below).

Carpenter requested the February 5, 2014 Minutes to be amended to reflect that Carpenter, Stylos and Silva left before the adjournment of the Board Meeting.

B	TNBC ACTION BY CONSENT	Approval of the Minutes	ⓘ	⊕ The Board President will request approval of the minutes of the Board of Directors meeting of February 5, 2014.
C	TNBC ACTION BY CONSENT	Authorization to amend signature cards and related financial institution authorizations	ⓘ	⊕ Documents necessary for the Conservancy to conduct business with its financial institutions need to be updated from time-to-time, especially when officers are elected. As has been done in prior years, this action authorizes the Conservancy's President, Vice President, Chief Financial Officer, Secretary and Assistant Secretary to sign bank signature cards and related authorizing documents for the Conservancy's Wells Fargo Bank, Wells Fargo Investments, Wells Fargo Advisors, City of Sacramento Treasurer's Office, U.S. Bank, American Century Investments, and T. Rowe Price accounts. (Some accounts are effectively closed, but there is often post-close activity that may require officer signature authority.)

Added consent item:
Emergency service for the Conservancy's Bennett North groundwater well. This issue pertains to the groundwater well on the Conservancy's Bennett North tract. At last month's Board meeting, staff explained why this groundwater well was no longer functional. Also explained was that staff had authorized that the groundwater well be pulled and repaired. The estimate for the repairs was $9,132.72, and since the Executive Director's spending limit is $10,000.00, staff authorized proceeding with the work.

After looking at the well logs for that well, the contractor engaged to make the repairs stated that it had given us a good estimate of cost (that is, the $9,132.72), but that given groundwater pressure due to surface water reductions, groundwater mining, farmers using groundwater as a replacement for surface water not delivered, etc., we should go deeper with the well in order to keep it productive. Otherwise, we'd almost certainly be back later this year or next year with another request for additional work. The costs for going deeper would increase the estimated amount of the project from the above-stated $9,132.72 to $13,745.12, which exceeds the Executive Director's spending limit and thus requires Board approval.

Importantly, at present and for the past five months, there has been no surface water delivery to

the Conservancy's marsh complexes. The Conservancy's total reliance on groundwater wells for marsh watering is the backup, and now the Conservancy's back-up is severely compromised by this well outage.

Staff recommends the Board authorize this expenditure of $13,745.12 necessary to get the Bennett North well back up and running.

(Res. 14.03.02) On a motion by Silva and a second by Carpenter, the Board unanimously approved the minutes of the February 5, 2014 Board meeting and the consent items presented.

Board members		*Vote symbols*
☑ Kay Backer	☑ Kevin McRae	☑ = "aye" vote
☐ Mike Bradbury	☑ Dan Silva	■ = "no" vote
☑ George Carpenter	☑ Danelle Stylos	☐ = not present
☑ David Christophel	☑ Steven Willey	◆ = abstain or recuse
☑ William Edgar		

Amending the Employment Agreement between the Conservancy and its Executive Director.
The Conservancy Board is asked to authorize the Board President to execute and deliver an amendment to the existing employment agreement between the Conservancy and its Executive Director. The Executive Director requests that his right to a cost of living increase and merit increase be waived so that no compensation adjustment is anticipated. The amendment would extend the agreement for a three-year period beginning March 15, 2014.

The Board is required to determine that changes to a chief executive officer's compensation, including the term of an employment agreement, are "just and reasonable." See excerpt from California Government Code, Section 12586(g):

> *The board of directors of a charitable corporation or unincorporated association, or an authorized committee of the board, and the trustee or trustees of a charitable trust shall review and approve the compensation, including benefits, of the president or chief executive officer and the treasurer or chief financial officer to assure that it is just and reasonable. This review and approval shall occur initially upon the hiring of the officer, whenever the term of employment, if any, of the officer is renewed or extended, and whenever the officer's compensation is modified. Separate review and approval shall not be required if a modification of compensation extends to substantially all employees.*

This item requests the Board of Directors authorize the Board President to execute and deliver an amendment to the Employment Agreement between the Conservancy and its Executive Director, John Roberts.

This item was moved to later in the agenda so that action was taken after the Executive Session was conducted.

Willey left at 6:00 p.m

(Res. 14.03.03) On a motion by Carpenter and a second by Stylos, the Board unanimously approved the amending the employment between the Conservancy and its Executive Director.

Board members		*Vote symbols*
☑ Kay Backer	☑ Kevin McRae	☑ = "aye" vote
☐ Mike Bradbury	☑ Dan Silva	■ = "no" vote
☑ George Carpenter	☑ Danelle Stylos	☐ = not present
☑ David Christophel	☐ Steven Willey	◆ = abstain or recuse
☑ William Edgar		

Receipt of bids for Ph. 4 portion of the BKS No. Course Project. Selection of contractor. The Conservancy continues its program of systematically maintaining managed marsh complexes on Conservancy preserves in order to keep them fully functional, as is required by the NBHCP and MAPHCP. The present schedule of managed marsh maintenance projects is as follows:

Betts, Kismat and Silva tracts (BKS)
North Course Channel Maintenance Schedule*

- **Phase One** (completed in 2011)
  Ponds D, H, L, O and P
- **Phase Two** (completed in 2012)
  Ponds M and N
- **Phase Three** (completed for 2013)
  Pond Q
- **Phase Four** (proposed for 2014)
  Pond R

*The BKS South Course channel maintenance was completed in 2009.

In considering the contracting arrangements to conduct the Phase 4 work, staff recommended the project be let for bid after determining that the Board's conditions for the 2011 selected contractor (CalSierra Construction, Inc.) being eligible for annual contract renewals could no longer be met.

Accordingly, at the February 5, 2014 Board of Directors meeting, the Board authorized Conservancy staff, working with its construction management consultant, Westervelt Ecological Services, LLC, to seek bids from preferred contractors so that staff could bring back to the Board bids to move forward with conducting the Pond R work. Staff and Westervelt presented the results of the bidding as well as a recommendation for the Board to consider for bid award.

This item requests that the Board of Directors consider the bids for the Pond R work, consider the recommended contractor resulting from those bids, select a contractor, and authorize its Executive Director to execute and deliver an agreement to engage the selected contractor to conduct the Pond R work.

(Res. 14.03.04) On a motion by Carpenter and a second by Backer, the Board selected a contractor, CG Construction and authorized the Executive Director to execute and deliver an agreement to engage the selected contractor to conduct the Pond R work.

Board members		*Vote symbols*
☑ Kay Backer	■ Kevin McRae	☑ = "aye" vote
☐ Mike Bradbury	☑ Dan Silva	■ = "no" vote
☑ George Carpenter	☑ Danelle Stylos	☐ = not present
☑ David Christophel	☑ Steven Willey	◆ = abstain or recuse
☑ William Edgar		

DISCUSSION

City of Sacramento report. Mende gave a report regarding the HCP related activities and other topics.

Financial statement review. Burns provided a financial statement update for the period ended January 31, 2014 (unaudited).

Update: Board request for a quantitative illustration showing Natomas Basin acreage allocations. At its December 4, 2013 Board meeting, the Board requested that staff prepare an exhibit which articulates how the Natomas Basin's 53,537 acres are allocated in the NBHCP. Specifically, the Board wished to see how many acres were allocated for Permitted Development, how many were allocated for NBHCP and MAPHCP mitigation, how much was grandfathered, and how much was to remain in agriculture as committed by the Land Use Agencies, among other allocations. Conservancy staff has worked with consulting economists at Economic and Planning Systems (EPS) to present the requested information. The exhibits and illustrations provided to the Board at its February 5, 2014 Board meeting are a work in progress, and not final. However, the major land use and acreage allocations shown in the information are definite. The information provided the Board at the February meeting were based on the best available to date.

At the February 5, 2014 Board meeting, Board members requested that the matter be continued for lack of time for fuller consideration. This item returns the matter to the Board for continued consideration and discussion. No action was taken.

Drought impact on Conservancy property. Staff shared with the Board the situation with regard to the extended drought facing California and its impact on the Conservancy. Staff also discussed the impact the drought is having on the Conservancy's groundwater wells and the costs of maintaining, servicing and operating them. These costs will be discussed with respect to the approved 2014 budget and whether budget adjustments should be agenda'd for the Board's action at the next Board meeting.

Update: property tax research. Staff updated the Board on the progress made in obtaining property tax relief.

Federal Farm Bill: initial discussion on its possible implications for the Conservancy. Staff briefed the Board of Directors about the passage and signing into law the new federal farm legislation, which ends direct payments to growers and replaces it with an insurance-based program.

PUBLIC COMMENTS

There were no public comments heard.

EXECUTIVE SESSION

Executive Session was scheduled to initiate discussion on performance review and evaluation of the Executive Director. Executive Session for the performance review is pursuant to Government Code Section 54957, Employee performance evaluation.

EXECUTIVE DIRECTOR'S REPORT

Various matters for Board members' general information was presented by the Conservancy's Executive Director.

ADJOURNMENT

(Res.14.03.05) On a motion by Edgar and a second by Carpenter, the Board voted unanimously to adjourn the meeting at 6:21 p.m.

Board members		*Vote symbols*
☑ Kay Backer	☑ Kevin McRae	☑ = "aye" vote
☐ Mike Bradbury	☑ Dan Silva	■ = "no" vote
☑ George Carpenter	☑ Danelle Stylos	☐ = not present
☑ David Christophel	☐ Steven Willey	◆ = abstain or recuse
☑ William Edgar		

ATTEST:

_____ _____

David Christophel, Secretary *date*

Minutes of an Annual Meeting[1]
of
The Natomas Basin Conservancy
March 5, 2014
Offices of the Natomas Basin Conservancy
2150 River Plaza Drive, Suite 460
Sacramento, CA
4:00 p.m.

BOARD MEMBERS PRESENT: ☑ = attended ☐ = did not attend	☑ Kay Backer ☐ Mike Bradbury ☑ George Carpenter ☑ David Christophel ☑ William Edgar ☑Kevin McRae ☑ Dan Silva ☑ Danelle Stylos ☑ Steven Willey
STAFF/LEGAL COUNSEL PRESENT:	Sherry Arkfeld, Kim Burns, Valerie Huezo, Jeremy Lor, John Roberts
GUESTS:	Nick Avdis, Attorney; Scott Mende, City of Sacramento; Mark Young; Westervelt Ecological Services
TAC:	None

CALL TO ORDER

Christophel called the Annual Meeting of the Board of Directors to order, noting a quorum was present.

ANNOUNCEMENTS

None

ACTION

Approval of minutes. The Board President requested approval of the minutes of the Annual Meeting of the Corporation on March 6, 2013.

> (Res. 14.03.01) On a motion by Willey and a second by Carpenter, the Board unanimously approved the minutes of the Annual Meeting of the Corporation of March 6, 2013.

[1] Notice of meeting posted on TNBC website and front office marquee.

DRAFT

Board members		*Vote symbols*
◆ Kay Backer	☑ Kevin McRae	☑ = "aye" vote
☐ Mike Bradbury	☑ Dan Silva	■ = "no" vote
☑ George Carpenter	☑ Danelle Stylos	☐ = not present
☑ David Christophel	☑ Steven Willey	◆ = abstain or recuse
☑ William Edgar		

Election of Officers

The Board President requested nominations from the members of the Board to fill the Board's officer positions. Stylos expressed an interest in serving as Board President and Silva nominated her. Edgar nominated Christophel. No others expressed an interest in any of the officer's positions. Christophel and Stylos volunteered to leave the room to allow the Board an opportunity to discuss the matter.

Roberts led the meeting in his Assistant Secretary role, since no other officers were present or otherwise conflicted. The Board briefly discussed the nominees for Board President and then recalled the two to the Boardroom for a vote.

(Res. AM14.03.02) On a motion by Silva and a second by Carpenter the Board unanimously voted for Stylos to be the new president of the Board of Directors.

Board members		*Vote symbols*
☑ Kay Backer	☑ Kevin McRae	☑ = "aye" vote
☐ Mike Bradbury	☑ Dan Silva	■ = "no" vote
☑ George Carpenter	◆ Danelle Stylos	☐ = not present
☑ David Christophel	☑ Steven Willey	◆ = abstain or recuse
☑ William Edgar		

(Res. AM14.03.03) On a motion by Willey and a second by Carpenter the Board unanimously voted for Bradbury to be the vice president of the Board of Directors.

Board members		*Vote symbols*
☑ Kay Backer	☑ Kevin McRae	☑ = "aye" vote
☐ Mike Bradbury	☑ Dan Silva	■ = "no" vote
☑ George Carpenter	☑ Danelle Stylos	☐ = not present
☑ David Christophel	☑ Steven Willey	◆ = abstain or recuse
☑ William Edgar		

(Res. AM14.03.04) On a motion by Carpenter and a second by Stylos the Board unanimously voted for Edgar to be the treasurer of the Board of Directors.

DRAFT

Board members		*Vote symbols*
☑ Kay Backer	☑ Kevin McRae	☑ = "aye" vote
☐ Mike Bradbury	☑ Dan Silva	■ = "no" vote
☑ George Carpenter	☑ Danelle Stylos	☐ = not present
☑ David Christophel	☑ Steven Willey	◆ = abstain or recuse
◆ William Edgar		

(Res. AM14.03.05) On a motion by Willey and a second by Silva the Board unanimously voted for Christophel to be the secretary and Roberts to be Assistant Secretary.

Board members		*Vote symbols*
☑ Kay Backer	☑ Kevin McRae	☑ = "aye" vote
☐ Mike Bradbury	☑ Dan Silva	■ = "no" vote
☑ George Carpenter	☑ Danelle Stylos	☐ = not present
◆ David Christophel	☑ Steven Willey	◆ = abstain or recuse
☑ William Edgar		

The new slate of officers for 2014 is as follows:

President: Danelle Stylos
Vice President: Mike Bradbury
Secretary: David Christophel
Chief Financial Officer: William Edgar
Assistant Secretary: John Roberts

Stylos asked Christophel to Chair the rest of the meetings for March 5, 2014 (Annual Meeting, Regular Meeting and Executive Session) and the Board agreed by acclamation that she would assume her position as Board President at the next Board meeting. Christophel agreed to that.

Christophel discussed with Board members their thoughts regarding committee assignments for the year. After a short discussion, committee assignments were agreed upon with the exception of one vacancy on the Compensation and Governance Committee that would be filled by Carpenter until Sutter County appoints its fifth Conservancy Board member.

1 Audit	**Compensation 2 & Governance**	**3 Finance**
Bradbury	Backer	Carpenter
McRae	Carpenter	Edgar
Willey	Christophel	Silva

The Board asked that a note be made to these minutes that at such time as real estate acquisition re-starts, the Conservancy's practice is to have the then-current President, Vice President and Secretary serve as a real estate committee.

--The Technical Advisory Committee liaison is open to any Board member who wishes to serve, except that the total number cannot constitute a Board quorum. The Technical Advisory Committee is not a committee of the Board.

DRAFT

--The Board President serves as ex-officio on all committees of the Board.

Establish time, date and location of regular Board meetings

(Res. AM14.03.06) On a motion by Carpenter and a second by Stylos, the Board voted unanimously to approve the regular meeting time and place for the coming year's meetings, unless otherwise noted.

Location

Offices of the Conservancy
2150 River Plaza Dr., Suite 160
Large, downstairs Conference Room
Sacramento, CA 95833

Date and time

First Wednesday of each month
4:00 p.m.

Board members		*Vote symbols*
☑ Kay Backer	☑ Kevin McRae	☑ = "aye" vote
☐ Mike Bradbury	☑ Dan Silva	■ = "no" vote
☑ George Carpenter	☑ Danelle Stylos	☐ = not present
☑ David Christophel	☑ Steven Willey	◆ = abstain or recuse
☑ William Edgar		

Public Comment

Christophel called for public comments. None were heard.

Adjournment

There being no further business, the meeting was adjourned by unanimous consent.

(Res. AM14.03.07) On a motion by Carpenter and a second by Willey, the Board adjourned the Annual Meeting of the Corporation at 4:30 PM.

Board members		*Vote symbols*
☑ Kay Backer	☑ Kevin McRae	☑ = "aye" vote
☐ Mike Bradbury	☑ Dan Silva	■ = "no" vote
☑ George Carpenter	☑ Danelle Stylos	☐ = not present
☑ David Christophel	☑ Steven Willey	◆ = abstain or recuse
☑ William Edgar		

DRAFT

ATTEST:

David Christophel, Secretary *Date*

DRAFT

THE NATOMAS BASIN CONSERVANCY

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT

YEAR ENDED DECEMBER 31, 2013

THE NATOMAS BASIN CONSERVANCY

TABLE OF CONTENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

	PAGE
FINANCIAL SECTION	
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS:	
Statement of Net Position and Governmental Funds Balance Sheet	9
Statements of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances	11
Notes to Financial Statements	13
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – Administration Fund	24
Budgetary Comparison Schedule – Restoration and Enhancement Special Revenue Fund	25
Budgetary Comparison Schedule – SAFCA NLIP Special Revenue Fund	26
ADDITIONAL INFORMATION	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* - Independent Auditor's Report	27
Schedule of Mitigation Fees Collected	29

FINANCIAL SECTION

Gilbert Associates, Inc.
CPAs and Advisors
Relax. We got this.℠

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Natomas Basin Conservancy
Sacramento, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Natomas Basin Conservancy (the Conservancy), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Conservancy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Conservancy, as of December 31, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 8 and the budgetary comparison information on pages 24 through 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Conservancy's basic financial statements. The Schedule of Mitigation Fees Collected is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Mitigation Fees Collected is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Mitigation Fees Collected is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2014, on our consideration of the Conservancy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Conservancy's internal control over financial reporting and compliance.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

March 27, 2014

THE NATOMAS BASIN CONSERVANCY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013

As management of The Natomas Basin Conservancy (the Conservancy), we offer readers of the Conservancy's financial statements this narrative overview and analysis of the financial activities of the Conservancy for the year ended December 31, 2013. We encourage readers to consider the information presented here in conjunction with the Conservancy's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- The net position of the Conservancy at the close of the most recent fiscal year is $64,572,999, an increase of $495,714 from December 31, 2012.
- Of the Conservancy's $64,572,999 in net position, $34,180,274 is invested in capital assets, $15,524,636 is invested in the Conservancy's Endowment fund and the balance of $14,868,089 is invested in the Conservancy's non-Endowment funds.
- Unrestricted net position for 2013 totaled $13,903,391.
- Total cash and investments at December 31, 2013, were $30,271,953, representing an increase of $848,655 from December 31, 2012.
- Mitigation fee collections in 2013 totaled $516,370.
- Investment income from all funds in the current year was $2,748,027, an increase of $989,224 from 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Conservancy's basic financial statements which have the following components, in addition to management's discussion and analysis: 1) Conservancy-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, and 4) required supplementary schedules. The Conservancy-wide and fund financial statements are presented in a combined format on pages 9 through 12.

As the Conservancy's Board of Directors is appointed by governmental agencies, the Conservancy follows Governmental Accounting Standards Board (GASB). The Conservancy has only governmental-type funds and all are major.

CONSERVANCY-WIDE FINANCIAL STATEMENTS

The Conservancy-wide financial statements are designed to provide readers with a broad overview of the Conservancy's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Conservancy's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Conservancy is improving or deteriorating.

The *statement of activities* presents information showing how the Conservancy's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Conservancy uses fund accounting. The Conservancy has six funds, all of which are governmental-type funds.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the Conservancy-wide and fund financial statements. The notes to the financial statements can be found on pages 13 through 23 of this report.

THE NATOMAS BASIN CONSERVANCY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013

CONSERVANCY-WIDE FINANCIAL ANALYSIS

The Natomas Basin Conservancy
Summary of Net Position
Conservancy-wide Activities
As of December 31, 2013 and 2012

	December 31, 2013	December 31, 2012	Increase/Decrease
Current and other assets	$ 30,954,866	$ 30,127,498	$ 827,368
Capital assets	34,180,274	34,478,049	(296,775)
Total assets	65,135,140	64,605,547	529,593
Current liabilities	508,060	487,180	20,880
Non-Current liabilities	54,081	41,082	12,999
Total liabilities	562,141	528,262	33,879
Net position:			
Net investment in capital assets	34,180,274	34,478,049	(297,775)
Restricted for giant garter snakes	204,808	204,808	-
Restricted for SAFCA NLIP	759,890	758,479	1,411
Restricted for endowment – permanent	9,481,280	9,440,047	41,233
Restricted for endowment – temporary	6,043,356	3,834,019	2,209,337
Unrestricted	13,903,391	15,361,883	(1,458,492)
Total net position	$ 64,572,999	$ 64,077,285	$ 495,714

The Natomas Basin Conservancy
Changes in Net Position
Conservancy-wide Activities
As of December 31, 2013 and 2012

	December 31, 2013	December 31, 2012	Increase/Decrease
Revenues			
Program revenues:			
Mitigation fees	$ 156,952	$ 4,187,149	$ (4,030,197)
Rent revenue	638,591	607,269	31,322
Land Management	240,705	232,610	8,095
Investment income (loss)	2,266,258	1,324,005	942,253
General revenues:			
Mitigation fees contributed to Endowment Fund	41,233	1,113,409	(1,072,176)
Investment income	481,769	434,798	46,971
Other	88,864	252,192	(163,328)
Total revenues	3,914,372	8,151,432	(4,237,060)
Expenses			
Conservancy operations	3,418,658	3,084,111	334,547
Increase (Decrease) in net position	495,714	5,067,321	(4,571,607)
Net Position, beginning of period	64,077,285	59,009,964	5,067,321
Net Position, end of period	$ 64,572,999	$ 64,077,285	$ 495,714

During 2013, the Conservancy received $516,370 in mitigation fees on 73.64 acres of development. Of that, $318,185 was owing from a prior period and $198,185 was for the current period.

The Natomas Basin Habitat Conservation Plan (NBHCP) mitigation fee per acre decreased in 2013 to $27,419 per disturbed acre ($18,669 with land dedication) from $32,861 per disturbed acre ($21,611 with land dedication) in 2012.

Investment income increased $989,224, from $1,758,803 in 2012 to $2,748,027 in 2013 due to market gains. Rent revenues increased $31,322, from $607,269 in 2012 to $638,591 in 2013 due to strong agricultural markets and higher crop yields. The Conservancy was also reimbursed for certain water costs from tenant farmers.

Conservancy expenses, after adjusting for depreciation, increased $339,014 from $2,780,466 in 2012 to $3,119,480 in 2013 due to higher water costs, BKS North Course Phase 3 channel clearing costs, hiring additional staff, additional legal expenses and purchasing new furniture and equipment for new staff.

Acreage owned by the Conservancy is 4,131 acres. All land purchases and land dedications are recorded at their purchase price. Land assets currently booked are $32,488,554. However, if the Conservancy's total land assets were booked at the value estimated in the NBHCP Finance Model, they would be booked at $72,292,500. The NBHCP Finance Model is an economic analysis of the Conservancy's operations and a projection of revenue and expense through the 50-year life of the NBHCP.

CONSERVANCY BUDGET ANALYSIS

The Conservancy presented a draft annual 2013 budget to its Board of Directors in October 2012 and a final proposed budget in December 2012, which was approved by the Board. The budget-to-actual schedules for the year are shown on pages 24, 25, and 26.

FINANCIAL ANALYSIS OF THE CONSERVANCY'S FUNDS

As of December 31, 2013, the Conservancy's net position totaled $64,572,999, which is an increase of $495,714 compared to net position of $64,077,285 at December 31, 2012. The increase is due to investment income. The Conservancy's major source of revenue is typically from mitigation fees but in 2013, the major sources were investment income and rent revenue. The Conservancy's typical major expenditures are for the acquisition and management of habitat land, including but not limited to property taxes, water and biological monitoring.

CAPITAL ASSETS

As of December 31, 2013, the Conservancy's investment in capital assets was $34,180,274. Capital assets are stated at cost, net of accumulated depreciation. This investment in capital assets includes land and land improvements. Additional information on the Conservancy's capital assets can be found in note 6 on page 21 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The combined impact of the soft real estate economy and a building moratorium due to federal government flood risk determinations have had significant impacts on the Conservancy's budget. Without at least 100-year flood protection designation by the federal government, urban development in the Natomas Basin has stopped, with only minor exception. With this moratorium, the need to mitigate for NBCHP-covered species impacts has slowed to a virtual halt.

The Sacramento Area Flood Control Agency (SAFCA) has embarked on a construction project, known as the Natomas Levee Improvement Project (NLIP), intended to ultimately provide 200-year flood protection in the Natomas Basin. Mitigation for impacts on species covered in the NBHCP is required for this work. The Conservancy has entered into agreements with SAFCA for this mitigation and related work. These efforts are expected to generate modest revenue for the Conservancy.

The Conservancy's Board of Directors approved a budget for 2014, which projects no mitigation revenue for the year. The 2014 budget also projects expenses for customary channel clearing.

At present, based on reports from flood control authorities and its representatives in Congress, the Conservancy is projecting that NBHCP and Metro Air Park Habitat Conservation Plan (MAPHCP) mitigation fee activity could resume in 2015 or 2016. However, this projection largely depends on the achievement of at least a 100-year flood protection designation for the Natomas Basin by the federal government.

CONTACTING THE CONSERVANCY'S MANAGEMENT

This financial report is designed to provide a general overview of the Conservancy's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, The Natomas Basin Conservancy, 2150 River Plaza Drive, Suite 460, Sacramento, CA 95833 or call (916) 649-3331.

THE NATOMAS BASIN CONSERVANCY

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2013

	Administration	Restoration & Enhancement	SAFCA NLIP	Supplemental Land and Contingency	Land Acquisition
ASSETS:					
Current Assets:					
Cash and investments held by City of Sacramento	$ 2,528,201	$ 782,282			$ 1,566,580
Cash and investments held by fiscal agent	4,849,783	837,358	$ 829,465	$ 2,527,671	950,684
Receivables:					
Account	327,299	71,431	16,575	31,665	
Interest	47,264	10,727	6,544		16,317
Prepaid items	15,175				
Due from other funds	9,509				
Non-Current Assets:					
Restricted cash and investments held by fiscal agent					
Land					
Capital assets, net					
Total Assets	$ 7,777,231	$ 1,701,798	$ 852,584	$ 2,559,336	$ 2,533,581
LIABILITIES:					
Current Liabilities:					
Accounts payable	$ 406,170		$ 3,723	$ 2,496	
Unearned revenue			79,462		
Deposits payable	1,000				
Due to other funds			9,509		
Non-Current Liabilities:					
Compensated absences					
Total Liabilities	407,170		92,694	2,496	
FUND BALANCE/NET POSITION:					
Fund Balances/Net Position					
Net investment in capital assets					
Nonspendable:					
Prepaid expenses	15,175				
Endowment					
Restricted:					
Giant garter snakes	204,808				
Brookfield property			759,890		
Endowment					
Committed:					
Restoration & enhancement		$ 1,701,798			
Supplemental land acquisition				2,556,840	
Land acquisition					$ 2,533,581
Unassigned/Unrestricted	7,150,078				
Total Fund Balances/Net Position	7,370,061	1,701,798	759,890	2,556,840	2,533,581
Total Liabilities, Fund Balances and Net Position	$ 7,777,231	$ 1,701,798	$ 852,584	$ 2,559,336	$ 2,533,581

The accompanying notes are an integral part of these financial statements.

THE NATOMAS BASIN CONSERVANCY

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET (CONTINUED)
DECEMBER 31, 2013

Endowment	Total Fund Balance	Adjustments (Notes 4 & 10)	Statement of Net Position	
				ASSETS:
				Current Assets:
	$ 4,877,063		$ 4,877,063	Cash and investments held by City of Sacramento
	9,994,961		9,994,961	Cash and investments held by fiscal agent
				Receivables:
$ 139,916	586,886		586,886	Account
	80,852		80,852	Interest
	15,175		15,175	Prepaid items
	9,509	$ (9,509)		Due from other funds
				Non-Current Assets:
15,399,929	15,399,929		15,399,929	Restricted cash and investments held by fiscal agent
		32,488,554	32,488,554	Land
		1,691,720	1,691,720	Capital assets, net
$ 15,539,845	$ 30,964,375	$ 34,170,765	$ 65,135,140	Total Assets
				LIABILITIES:
				Current Liabilities:
$ 15,209	$ 427,598		$ 427,598	Accounts payable
	79,462		79,462	Unearned revenue
	1,000		1,000	Deposits payable
	9,509	$ (9,509)		Due to other funds
				Non-Current Liabilities:
		54,081	54,081	Compensated absences
15,209	517,569	44,572	562,141	Total Liabilities
				FUND BALANCE/NET POSITION:
				Fund Balances/Net Position
		34,180,274	34,180,274	Net investment in capital assets
				Nonspendable:
	15,175	(15,175)		Prepaid expenses
9,481,280	9,481,280	(9,481,280)		Endowment
				Restricted:
	204,808		204,808	Giant garter snakes
	759,890		759,890	Brookfield property
6,043,356	6,043,356	9,481,280	15,524,636	Endowment
				Committed:
	1,701,798	(1,701,798)		Restoration & enhancement
	2,556,840	(2,556,840)		Supplemental land acquisition
	2,533,581	(2,533,581)		Land acquisition
	7,150,078	6,753,313	13,903,391	Unassigned/Unrestricted
15,524,636	30,446,806	34,126,193	64,572,999	Total Fund Balances/Net Position
$ 15,539,845	$ 30,964,375	$ 34,170,765	$ 65,135,140	Total Liabilities, Fund Balances and Net Position

The accompanying notes are an integral part of these financial statements.

THE NATOMAS BASIN CONSERVANCY

STATEMENTS OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED DECEMBER 31, 2013

	Administration	Restoration & Enhancement	SAFCA NLIP	Supplemental Land and Contingency	Land Acquisition
REVENUES:					
Program revenues:					
Charges for services:					
Mitigation fees	$ 272,578	$ 71,482		$ 31,686	$ 436
Rent revenue	636,801		$ 1,790		
Land management			240,705		
Operating grants and contributions:					
Investment income					
Total program revenues	909,379	71,482	242,495	31,686	436
General revenues:					
Endowment contributions - mitigation fees					
Investment income	63,280	14,715	4,245	374,347	25,182
Loss on fixed assets					
Other income	90,568				
Total general revenues	153,848	14,715	4,245	374,347	25,182
Total Revenues	1,063,227	86,197	246,740	406,033	25,618
EXPENDITURES:					
Land mitigation:					
Personnel services	440,911		9,750		
Materials and services	2,353,981		235,579	9,339	
Depreciation					
Capital outlay	3,107				
Total Expenditures	2,797,999		245,329	9,339	
Excess (Deficiency) of revenues over (under) expenditures	(1,734,772)	86,197	1,411	396,694	25,618
OTHER FINANCING SOURCES (USES):					
Transfers in	5,640				
Transfers out					(5,640)
Changes in Fund Balances/Net Position	(1,729,132)	86,197	1,411	396,694	19,978
Fund Balances/Net Position, beginning of period	9,099,193	1,615,601	758,479	2,160,146	2,513,603
Fund Balances/Net Position, end of period	$ 7,370,061	$ 1,701,798	$ 759,890	$ 2,556,840	$ 2,533,581

The accompanying notes are an integral part of these financial statements.

THE NATOMAS BASIN CONSERVANCY

STATEMENTS OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2013

Endowment	Total Fund Balance	Adjustments (Notes 5 & 10)	Statement of Activities	
				REVENUES:
				Program revenues:
				Charges for services:
	$ 376,182	$ (219,230)	$ 156,952	Mitigation fees
	638,591		638,591	Rent revenue
	240,705		240,705	Land management
				Operating grants and contributions:
$ 2,266,258	2,266,258		2,266,258	Investment income
2,266,258	3,521,736	(219,230)	3,302,506	Total program revenues
				General revenues:
140,188	140,188	(98,955)	41,233	Endowment contributions - mitigation fees
	481,769		481,769	Investment income
		(1,354)	(1,354)	Loss on fixed assets
	90,568	(350)	90,218	Other income
140,188	712,525	(100,659)	611,866	Total general revenues
2,406,446	4,234,261	(319,889)	3,914,372	Total Revenues
				EXPENDITURES:
				Land mitigation:
	450,661	12,999	463,660	Personnel services
56,921	2,655,820		2,655,820	Materials and services
		299,178	299,178	Depreciation
	3,107	(3,107)		Capital outlay
56,921	3,109,588	309,070	3,418,658	Total Expenditures
2,349,525	1,124,673	(628,959)	495,714	Excess (Deficiency) of revenues over (under) expenditures
				OTHER FINANCING SOURCES (USES):
	5,640	(5,640)		Transfers in
	(5,640)	5,640		Transfers out
2,349,525	1,124,673	(628,959)	495,714	Changes in Fund Balances/Net Position
13,175,111	29,322,133	34,755,152	64,077,285	Fund Balances/Net Position, beginning of period
$ 15,524,636	$ 30,446,806	$ 34,126,193	$ 64,572,999	Fund Balances/Net Position, end of period

The accompanying notes are an integral part of these financial statements.

1. ORGANIZATION

The Natomas Basin Conservancy (the Conservancy) is a California non-profit 501(c)(3) public benefit corporation formed in 1994. The Conservancy is responsible for collecting and managing mitigation fees required by the Natomas Basin Habitat Conservation Plan (NBHCP) and the Metro Air Park Habitat Conservation Plan (MAPHCP), together referred to as HCPs, using the fees to establish mitigation lands, and managing the mitigation lands for the benefit of the protected plant and animal species in the Natomas Basin.

The HCPs apply to the 53,341-acre interior of the Natomas Basin, located in the northern portion of Sacramento County and the southern portion of Sutter County. The Natomas Basin contains incorporated and unincorporated areas within the jurisdictions of the City of Sacramento, County of Sacramento and County of Sutter. The HCPs are designed to promote biological conservation while allowing urban development to proceed according to local land-use plans. The United States Fish and Wildlife Service and the California Department of Fish and Wildlife provide oversight and ensure compliance with the terms of the HCPs.

The Conservancy's Board of Directors is comprised of representatives of each of the two land-use agencies which have obtained incidental take permits under the NBHCP, the City of Sacramento and County of Sutter. Each participating local government appoints five members to the Conservancy's Board of Directors.

Funding

The Conservancy is primarily funded from mitigation fees established by the Conservancy and approved by local government ordinance. The mitigation fees include components for land acquisition, restoration and enhancement, endowment, supplemental endowment, and administration. The fees are to be adjusted each year as necessary to implement the HCPs. As the Conservancy acquires land, other funding sources include agricultural leasing and other sources of revenue.

The supplemental endowment component does not meet the definition of a permanent fund type under generally accepted accounting principles. Therefore it is reported as the Supplemental Land and Contingency Fund in the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Conservancy have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental agencies. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Conservancy are described below.

Conservancy-wide and fund financial statements

The Conservancy-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary fund types of the Conservancy.

The accounts of the Conservancy are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Each fund was established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions, or limitations. Major individual funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The Conservancy-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. It is the Conservancy's policy to eliminate all internal activity in the Conservancy-wide statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Conservancy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized on governmental fund financial statements. Interfund payables and receivables are eliminated at the Conservancy-wide level.

The Conservancy reports the following major governmental funds:

General Fund – This fund is established to account for resources devoted to the administration of the activities of the Conservancy and excludes those resources required to be accounted for in another fund. The Conservancy presents this fund as the Administration Fund.

Special Revenue Funds – These funds are established to account for resources devoted to the restoration and enhancement of mitigation land owned by the Conservancy and Sacramento Area Flood Control Agency (SAFCA). The Conservancy presents these funds as the Restoration and Enhancement Fund, and the SAFCA NLIP Fund.

Capital Projects Funds – These funds are established to account for major capital expenditures of the Conservancy, primarily the acquisition of mitigation land. The Conservancy presents these funds as the Supplemental Land and Contingency Fund and the Land Acquisition Fund.

The Permanent Fund – This fund accounts for resources that are legally restricted, to the extent that only earnings, and not principal, may be used for purposes that support the Conservancy's programs. The Conservancy presents this fund as the Endowment Fund.

Amounts reported as program revenues include; 1) mitigation fees and farm rent, 2) contributions, 3) land management and 4) interest income in the endowment fund. Internally dedicated resources are reported as general revenues rather than as program revenue. The HCP's address the timing related to the use of restricted and then other less restricted classifications – committed, assigned and then unassigned fund balances.

Permanent Fund

In accordance with the Implementation Agreement for the HCP's, the Conservancy is required to segregate all endowment fees. The Endowment Fund is accounted for in a permanent fund. Interest earnings will be used to meet long-term operations and maintenance needs of the Conservancy at such time as mitigation fee income and farm rent income are no longer adequate.

Capital Assets

The Conservancy capitalizes all land, land improvements, furniture and fixtures, and equipment purchases with costs in excess of $2,500 and a useful life of one year or more.

Capital asset acquisitions are recorded at cost. Contributions are recorded at the estimated fair value on the date of contribution. Non-monetary land trades are valued at the historical cost of the land relinquished.

Capital assets are depreciated using the straight-line method, half-year convention, over the following estimated useful lives:

Land improvements	15 years
Furniture and equipment	5 years

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the Conservancy on the Conservancy-wide financial statements. The Conservancy had a total of $54,081 in accrued compensated absences as of December 31, 2013.

Fund Equity

The Conservancy-wide financial statements utilize a net position presentation. Net positions are categorized as net investment in capital assets, restricted, and unrestricted.

Net Investment in Capital Assets – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt, if any, that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This category represents net position of the Conservancy not restricted for any project or other purpose.

The Conservancy's governmental fund statements utilize a fund balance presentation. Fund balances are categorized as nonspendable, restricted, committed, assigned, and unassigned.

Nonspendable Fund Balance – This category presents the portion of fund balance that cannot be spent because it is either not in a spendable form or it is legally or contractually required to be maintained intact. The Conservancy has prepaid expenses that meet the definition of nonspendable because the asset is not in a spendable form. The Conservancy also has the corpus of the Endowment fund that is legally required to remain intact and therefore meets the definition of nonspendable.

Restricted Fund Balance – This category presents the portion of the fund balance that is for specific purposes stipulated by constitution, external resource providers, laws and regulations, or enabling legislation.

Committed Fund Balance – This category presents the portion of the fund balance that is used for specific purposes determined by a formal action (Resolution) of the Conservancy's highest level of decision making authority and remains committed unless removed in the same manner. For the Conservancy, this level of authority lies with the Board of Directors.

Assigned Fund Balance – This category presents the portion of the fund balance that is intended to be used by the Conservancy for specific purposes but does not meet the criteria to be classified as restricted or committed. For the Conservancy, balances can be assigned by management or through the budget process.

Unassigned Fund Balance – This category presents the portion of the fund balance that does not fall into nonspendable, restricted, committed, or assigned categories and is spendable.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

3. CASH AND INVESTMENTS

Cash and investments as of December 31, 2013, are classified in the accompanying financial statements as follows:

Cash and investments held by City of Sacramento	$ 4,877,063
Cash and investments held by fiscal agent	9,994,961
Restricted cash and investments held by fiscal agent	15,399,929
Total cash and investments	$ 30,271,953

Investments Authorized by the Conservancy's Investment Policies

The Conservancy investment policy for the investments held by fiscal agent in the Endowment and Supplemental Land and Contingency Funds contains the following provisions relating to credit risk, interest rate risk, concentration of credit risk, and foreign currency risk:

> No more than 5% shall be invested in any one common stock or debt instrument, and 30% in any diversified mutual fund and 25% in any broad-based index mutual fund. No more than 15% shall be invested in a hedge fund or hedge-like fund. Obligations of the U.S. government agencies are exempted from this allocation. Hedge funds or hedge-like funds may be used to minimize market risk and create a more stable stream of investment returns. Equity holdings shall be readily marketable securities traded on the major stock exchanges. International equity investments of similar quality and marketability will be permitted. Fixed income investments shall be readily marketable securities, including debt instruments of the U.S. Government and its agencies, corporations, and foreign denominated securities, so that the target average portfolio quality is investment grade. High-yield bond mutual funds may also be used when deemed appropriate provided the average portfolio quality remains investment grade or higher.

The Conservancy investment policy for the investments held by fiscal agent in the Administration, Restoration and Enhancement, Land Acquisition, and the SAFCA NLIP Funds contains the following provisions relating to credit risk, interest rate risk, concentration of credit risk, and foreign currency risk:

> Allowable securities from approved issuers include money market mutual funds, commercial paper, master notes, funding agreements, certificates of deposit, repurchase agreements, bankers acceptances, obligations issued or guaranteed by United States Government agencies, U.S. treasury obligations, exchange traded funds, federal agency securities, corporate notes and bonds, and mortgage-backed securities.
>
> An acceptable outstanding debt obligation from an approved issuer is one rated at least A-, A3, or A- or better by Standard & Poors, Moody's, or Fitch, respectively, or short term securities rated A-1, P-1 or F-1 or better by Standard & Poors, Moody's, or Fitch, respectively, at the time of purchase.
>
> No more than 20% of the total investments made by the Conservancy should be invested in securities of any one approved issuer. No limit will be applied to securities issued or guaranteed by the United States Government or any of its agencies.

Investment Manager is permitted to invest in any of the allowable securities listed above. In addition to those securities, the Investment Manager may invest in a money market mutual fund that invests solely in the allowable securities listed above.

Average maturity of investments may range from one (1) day to twenty-four (24) months, depending on the individual portfolio by each manager. No portion of Conservancy funds will be invested in instruments issued outside of the United States, except in the case of international bonds in U.S. dollar denominations at a credit rating within the guidelines described above.

The Conservancy has adopted the City of Sacramento's investment policy for all fund investments held by the City of Sacramento. The required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the City of Sacramento's comprehensive annual financial report and may be obtained by contacting the City of Sacramento Department of Finance, Accounting Division, 915 I Street, Sacramento, CA 95814.

Cash in City of Sacramento Pool

The Conservancy records investments at fair value, which is based on quoted market prices. The Conservancy participates in the City of Sacramento investment pool over which the City Treasurer has oversight. The City Treasurer pools cash with other City funds and investments to maximize income consistent with safe and prudent investment practices within the guidelines of the City's investment pool and reviews its investment policy on a quarterly basis. The fair value of the Conservancy's position in the pool is the same as the value of the pool shares.

Derivative Investments

The Conservancy did not directly enter into any derivative investments. The City of Sacramento Investment Pool A had no derivatives at December 31, 2013.

Investment Summary

At December 31, 2013, the Conservancy's investments consist of the following:

Equity mutual funds	$ 17,927,307
External investment pool	4,877,063
Fixed income securities:	
Government obligations	352,907
Corporate bonds	5,343,968
Fixed income mutual funds	1,000,024
Total	$ 29,501,269

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair values to changes in market interest rates. One of the ways to manage exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the Conservancy's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Conservancy's investments by maturity:

	Maturity					
	Under 1 Year	**5-10 Years**	**10-15 Years**	**15-20 Years**	**Over 20 Years**	**Total**
Equity mutual funds	$ 17,927,307					$ 17,927,307
External investment pool	4,877,063					4,877,063
Government obligations	352,907					352,907
Corporate bonds	2,669,174	$ 2,674,794				5,343,968
Fixed income mutual funds	1,000,024					1,000,024
Total investments	$ 26,826,475	$ 2,674,794	$	$	$	$ 29,501,269

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual Standard & Poor's rating as of year end for each investment type.

	Rating as of End of Year	
City of Sacramento investment pool	Not rated	$ 4,877,063
Equity mutual funds	Not rated	17,927,307
Fixed income mutual funds	Not rated	1,000,024
Government obligations	AA+	352,907
Corporate bonds	AA+	255,660
Corporate bonds	AA	311,781
Corporate bonds	AA-	410,223
Corporate bonds	A+	1,110,345
Corporate bonds	A	2,196,731
Corporate bonds	A-	1,059,228
Total		$ 29,501,269

Concentration of Credit Risk

There were no investments in any one issuer (equity mutual funds and external investment pools) that represent 5% or more of the total Conservancy investments at December 31, 2013.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, an organization will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, an organization will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Conservancy's investment policies do not contain requirements that limit exposure to custodial credit risk for deposits or investments.

The Conservancy's investments of $4,877,063 in the City of Sacramento investment pool are supported by the value of the pool's underlying investments. The Conservancy's equity mutual funds of $17,927,307 are registered in the Conservancy's name, and $7,177,458 of cash equivalents and investments held by fiscal agents are uninsured and not registered in the name of the Conservancy. Cash balances held in banks are fully insured up to $250,000 by the Federal Depository Insurance Corporation. The amount of excess deposits was $42,314 as of December 31, 2013.

4. EXPLANATION OF DIFFERENCES BETWEEN THE BALANCE SHEET AND THE STATEMENT OF NET POSITION

Fund balances		$ 30,446,806
Capital assets used in Conservancy activities are not financial resources and therefore are not reported in the governmental funds.		
Capital assets	$ 36,987,537	
Less: accumulated depreciation	(2,807,263)	
		34,180,274
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Accrued compensated absences		(54,081)
Net position		$ 64,572,999

5. EXPLANATION OF DIFFERENCES BETWEEN THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES AND THE STATEMENT OF ACTIVITIES

Net change in fund balances	$ 1,124,673
Some revenues reported in the governmental funds relate to amounts that were earned but unavailable in a prior period, and became available in the current period. These amounts are not reported in the current period in the statement of activities because they were recognized as revenue in prior periods.	(318,185)
Governmental funds report capital outlays as expenditures. In the statement of activities however, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlay	3,107
Depreciation expense	(299,178)
The net effect of equipment disposals is a decrease in net position.	(1,704)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Compensated absences	(12,999)
Change in net position	$ 495,714

6. CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2013, is as follows:

	1/1/13	Additions	Deletions	12/31/13
Capital assets not being depreciated:				
Land	$ 32,488,554			$ 32,488,554
Capital assets being depreciated:				
Land improvements	4,408,404			4,408,404
Office and other equipment	91,448	$ 3,107	$ (3,976)	90,579
	4,499,852	3,107	(3,976)	4,498,983
Accumulated depreciation:				
Accum. depreciation, land improvements	(2,440,460)	(290,274)		(2,730,734)
Accum. depreciation, office equipment	(69,897)	(8,904)	2,272	(76,529)
	(2,510,357)	(299,178)	2,272	(2,807,263)
Total capital assets, net	$ 34,478,049	$ (296,071)	$ (1,704)	$ 34,180,274

7. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2013, the Conservancy paid $13,005 to the City of Sacramento for investment services.

8. OPERATING LEASE

The Conservancy leases office space in Sacramento under a lease expiring November 30, 2015. Total future minimum operating lease payments are presented as follows:

Year Ending December 31,	
2014	$ 72,613
2015	67,978
	$ 140,591

Rent expense for the year ended December 31, 2013, was $58,496.

9. LINE OF CREDIT

The Conservancy has a revolving non-interest-bearing line of credit with the City of Sacramento. The maximum amount the Conservancy is permitted to borrow is $4,000,000. There was no outstanding principal balance at December 31, 2013.

10. INTERFUND ACTIVITY

Interfund balances as of December 31, 2013, consisted of the following:

Receivable Fund	Payable Fund	Amount
Administration	SAFCA NLIP	$ 9,509

Transfers in and out of other funds consisted of the following during the year ending December 31, 2013:

Transfer Out	Transfer In	Amount
Land Acquisition Fund	Administration	$ 5,640

11. RISK MANAGEMENT

The Conservancy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Conservancy purchases insurance coverage for commercial property, commercial general liability, boiler and machinery, fiduciary liability, directors' and officers' liability, employment practices liability, umbrella coverage, workers' compensation, and employee dishonesty. There have been no significant reductions in insurance coverage from the prior year by major categories of risk and there have been no claims or settlements for each of the past three years.

12. RETIREMENT PLAN

The Conservancy offers retirement benefits in the form of a Simplified Employee Pension-Individual Retirement Account defined contribution plan (the Plan) under Internal Revenue Code Section 408(k). The Plan covers all eligible employees who have completed at least one year of service and are at least 21 years of age. Employer contributions to the Plan are discretionary. Plan provisions are established and may be amended by the Internal Revenue Service. Retirement expense incurred for the year ended December 31, 2013, was $35,324.

13. NATOMAS CENTRAL MUTUAL WATER COMPANY STOCK

The Conservancy holds 3,366 shares of Natomas Central Mutual Water Company (NCMWC) stock or approximately 11% of NCMWC's outstanding shares (31,706). The shares are attached to each land parcel owned by the Conservancy within the NCMWC's territory. When land is traded or sold, the stock associated with that land is automatically transferred. Ownership of this stock has costs associated with rights for delivery of water service for which the Conservancy pays NCMWC upon receipt of invoice. In the event the Conservancy wishes to cancel its shares and thereby cancel obligation for future assessments, water tolls, and services, the Conservancy must apply for cancellation, obtain NCMWC's board approval, and pay a cancellation fee of $3,500 per share. At December 31, 2012, the most recent information available, the par value of the NCMWC stock held was $10.00 per share or $33,660. However, NCMWC's share price is not published, shares are not merchantable in and of themselves, since the shares are appurtenant to the land owned and NCMWC remains a non-profit organization. The estimated value and potential liability have not been recorded in these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

THE NATOMAS BASIN CONSERVANCY

BUDGETARY COMPARISON SCHEDULE - ADMINISTRATION FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budget Amounts			Variance with Final
	Original	Final	Actual	Budget
REVENUES				
Mitigation fees	$ 50,000	$ 50,000	$ 272,578	$ 222,578
Rent revenue	447,679	447,679	636,801	189,122
Investment income	40,000	40,000	63,280	23,280
Other income	50,000	50,000	90,568	40,568
Total Revenues	587,679	587,679	1,063,227	475,548
EXPENDITURES				
Conservancy operations:				
Personnel services	459,031	497,729	440,911	56,818
Materials and services	2,425,774	2,461,740	2,353,981	107,759
Capital outlay			3,107	(3,107)
Total Expenditures	2,884,805	2,959,469	2,797,999	161,470
OTHER SOURCES				
Transfers in			5,640	5,640
Total Other Sources			5,640	5,640
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ (2,297,126)	$ (2,371,790)	$ (1,729,132)	$ 642,658

THE NATOMAS BASIN CONSERVANCY

BUDGETARY COMPARISON SCHEDULE - RESTORATION AND ENHANCEMENT SPECIAL REVENUE FUND FOR THE YEAR ENDED DECEMBER 31, 2013

	Budget Amounts			Variance with Final
	Original	Final	Actual	Budget
REVENUES				
Mitigation fees			$ 71,482	$ 71,482
Investment income	$ 10,000	$ 10,000	14,715	4,715
Total Revenues	10,000	10,000	86,197	76,197
EXPENDITURES				
Total Expenditures				
Excess of Revenues Over Expenditures	$ 10,000	$ 10,000	$ 86,197	$ 76,197

THE NATOMAS BASIN CONSERVANCY

BUDGETARY COMPARISON SCHEDULE - SAFCA NLIP SPECIAL REVENUE FUND FOR THE YEAR ENDED DECEMBER 31, 2013

	Budget Amounts			Variance with Final
	Original	Final	Actual	Budget
REVENUES				
Land management	$ 250,000	$ 250,000	$ 240,705	$ (9,295)
Investment income	20,000	20,000	4,245	(15,755)
Rent revenue and other income	50,000	50,000	1,790	(48,210)
Total Revenues	320,000	320,000	246,740	(73,260)
EXPENDITURES				
Land mitigation:				
Personnel services			9,750	(9,750)
Materials and services	300,000	300,000	235,579	64,421
Total Expenditures	300,000	300,000	245,329	54,671
Excess of Revenues Over Expenditures	$ 20,000	$ 20,000	$ 1,411	$ (18,589)

ADDITIONAL INFORMATION

Gilbert Associates, Inc.
CPAs and Advisors
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditor's Report

To the Board of Directors
The Natomas Basin Conservancy
Sacramento, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Natomas Basin Conservancy (the Conservancy), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Conservancy's basic financial statements, and have issued our report thereon dated March 27, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Conservancy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Conservancy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Conservancy's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

2880 GATEWAY OAKS DRIVE, SUITE 100, SACRAMENTO | 101 PARKSHORE DRIVE, SUITE 100, FOLSOM | GILBERTCPA.COM | 916.646.6464

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Conservancy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

March 27, 2014

THE NATOMAS BASIN CONSERVANCY

SCHEDULE OF MITIGATION FEES COLLECTED
FOR THE YEAR ENDED DECEMBER 31, 2013

	General Fund	Special Revenue	Capital Project		Permanent	
Type of Mitigation Fee	**Administration**	**Restoration & Enhancement**	**Supplemental Land and Contingency**	**Land Acquisition**	**Endowment**	**Total**
Habitat Acquisition Fee				$ 436		$ 436
Endowment Fee			$ 31,686		$ 140,188	171,874
Habitat Management Fee	$ 232,934	$ 71,482				304,416
Administrative Fee	39,644					39,644
Total Fees Collected	$ 272,578	$ 71,482	$ 31,686	$ 436	$ 140,188	$ 516,370

March 2014
Unaudited Financial Statements

The Natomas Basin Conservancy 2150 River Plaza Dr., Suite 460 Sacramento, CA 95833 T 916.649.3331 F 916.649.3322

March 2014 Financial Dashboard

Total Assets

Asset Category	Asset Value
Current Assets	$30,570,886
Receivables	$279,139
Fixed Assets	$34,180,291
Total assets	**$65,030,316**

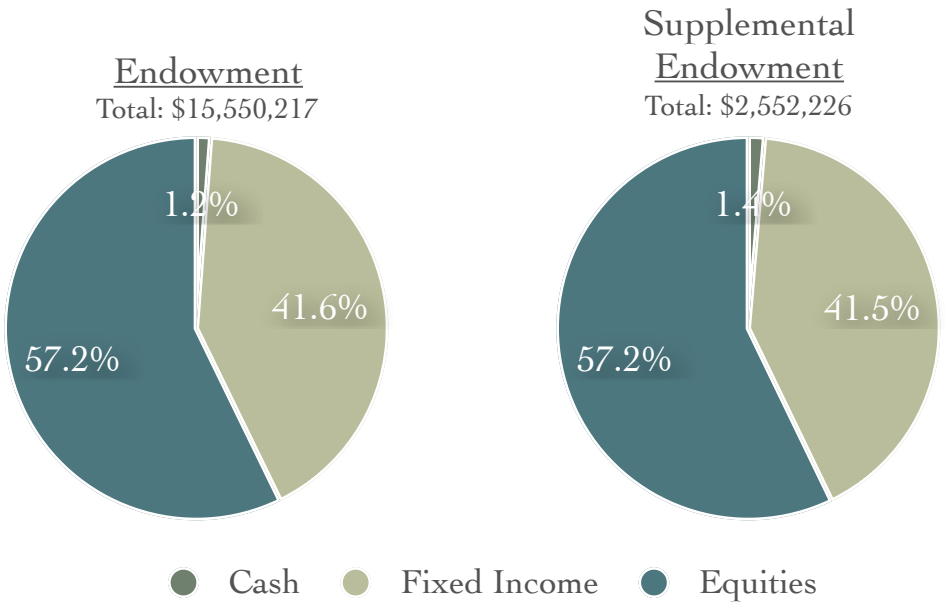
Total Liabilities & Fund Balances

Category	Value
Liabilities	$354,998
Fund Balances	$64,675,318
Total liabilities and fund balances	**$65,030,316**

Total Revenue & Expenses

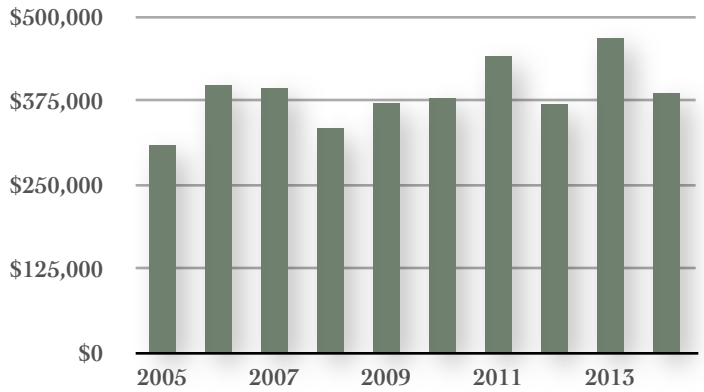
Category	Mar	YTD	2014B	2013A
Total Revenue	-$121,223	$592,521	$1,858,252	$4,308,088
Total Expenses	$317,355	$556,741	$3,517,808	$3,422,505
Change in fund balance	**-$438,578**	**$35,780**	**-$1,659,556**	**$885,583**

1Q14 Endowment Funds Asset Allocation



The strategic asset allocations for the endowment accounts are: 2% Cash, 38% Fixed Income, and 60% Equities or Growth.

Water Costs



* 2014 Budgeted water expenses.

The Natomas Basin Conservancy
Statement of Net Assets
Unaudited as of March 31, 2014

	NBHCP Funds					Non-HCP Funds	
	Administration	Restoration & Enhancement	Land Acquisition	Endowment	Supplemental Endowment	SAFCA NLIP	Total
ASSETS							
Current Assets:							
Checking - Wells Fargo Bank	5,363	-	-	-	-	54,051	59,414
PayPal Account	604	-	-	-	-	-	604
Investments - City of Sacramento	551,386	787,856	1,577,775	-	-	-	2,917,017
Investments - Wells Fargo Investments	3,579,086	906,701	948,500	139,866	31,614	886,205	6,491,972
Investments - American Century Investments	1,000,048	-	-	-	-	-	1,000,048
Investments - U.S. Bank	1,999,387	-	-	-	-	-	1,999,387
Investments - T. Rowe Price	-	-	-	15,550,217	2,552,227	-	18,102,444
Subtotal Cash	**7,135,874**	**1,694,557**	**2,526,275**	**15,690,083**	**2,583,841**	**940,256**	**30,570,886**
Receivables:							
Accounts Receivable [1]	96,514	11,676	13,937	1,523	344	109,018	233,012
Due from Other Funds	29,800	-	-	-	-	9,402	39,202
Prepaid Items	6,925	-	-	-	-	-	6,925
Subtotal Receivables	**133,239**	**11,676**	**13,937**	**1,523**	**344**	**118,420**	**279,139**
Fixed Assets:							
Land	-	-	32,488,567	-	-	-	32,488,567
Land Improvements - Habitat & Bldgs, Net	129,005	-	1,548,665	-	-	-	1,677,670
Office Equipment & Machinery, Net	14,054	-	-	-	-	-	14,054
Subtotal Fixed Assets	**143,059**	**-**	**34,037,232**	**-**	**-**	**-**	**34,180,291**
Total Cash and Assets	**7,412,172**	**1,706,233**	**36,577,444**	**15,691,606**	**2,584,185**	**1,058,676**	**65,030,316**
LIABILITIES & FUND BALANCES							
Liabilities [2]							
Accounts Payable	260,715	-	-	-	-	-	260,715
Accrued Vacation	54,081	-	-	-	-	-	54,081
Due to Other Funds / Conditional Deposits	10,402	-	-	-	-	29,800	40,202
Subtotal Liabilities	**325,198**	**-**	**-**	**-**	**-**	**29,800**	**354,998**
Equity:							
Investment in General Fixed Assets	143,059	-	34,037,232	-	-	-	34,180,291
Fund Balances:	-	-	-	-	-	-	-
Reserved for Endowment - Permanent	-	-	-	9,341,092	-	-	9,341,092
Reserved for Endowment - Temporary	-	-	-	6,350,514	-	-	6,350,514
Designated [3]	1,218,382	-	2,308,080	-	-	-	3,526,462
Undesignated	5,725,533	1,706,233	232,132	-	2,584,185	1,028,876	11,276,959
Subtotal Fund Balances	**7,086,974**	**1,706,233**	**36,577,444**	**15,691,606**	**2,584,185**	**1,028,876**	**64,675,318**
Total Liabilities & Fund Balances	**7,412,172**	**1,706,233**	**36,577,444**	**15,691,606**	**2,584,185**	**1,058,676**	**65,030,316**

The Natomas Basin Conservancy
Statement of Activities
Unaudited as of March 31, 2014

	NBHCP Funds					Non-HCP Funds			
	Administration	Restoration & Enhancement	Land Acquisition	Endowment	Supplemental Endowment	SAFCA NLIP	Total	Budget	Variance
REVENUES									
Mitigation Fees									
City of Sacramento	-	-	-	-	-	-	-	233,878	233,878
County of Sutter	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	50,000	50,000
Rent Revenue	10,700	-	-	-	-	-	10,700	450,000	439,300
Investment Income - Realized	34,993	10,903	13,397	80,270	13,822	6,015	159,401	750,814	591,413
Investment Income - Unrealized	(26,345)	(6,468)	(6,766)	86,701	13,523	(4,651)	55,994	-	-55,994
Other / Reimbursement	151,576	-	-	-	-	214,850	366,426	373,560	7,134
Total Revenue	**170,924**	**4,435**	**6,631**	**166,971**	**27,345**	**216,214**	**592,521**	**1,858,252**	**1,265,731**
EXPENDITURES - PROGRAM									
Property Tax	-	-	-	-	-	-	-	208,051	208,051
Water District & Drainage	146,051	-	-	-	-	-	146,051	386,931	240,880
Property Maintenance	31,685	-	-	-	-	-	31,685	718,000	686,315
Electricity	9,794	-	-	-	-	-	9,794	50,000	40,206
Biological Monitoring	48,019	-	-	-	-	-	48,019	298,196	250,177
Contract Work	89,772	-	-	-	-	-	89,772	844,066	754,294
Subtotal Program	**325,321**	**-**	**-**	**-**	**-**	**-**	**325,321**	**2,505,244**	**2,179,923**
EXPENDITURES - ADMINISTRATION									
Staff & Staff Expenses	128,467	-	-	-	-	-	128,467	525,751	397,284
Board Expense	1,600	-	-	-	-	-	1,600	10,000	8,400
Office Lease	18,118	-	-	-	-	-	18,118	72,613	54,495
Telecommunications	13,684	-	-	-	-	-	13,684	35,000	21,316
Office Supplies	5,566	-	-	-	-	61	5,627	38,000	32,373
Office Equipment	4,938	-	-	-	-	-	4,938	25,000	20,062
Vehicle Expense	5,340	-	-	-	-	-	5,340	25,200	19,860
Insurance	12,425	-	-	-	-	-	12,425	45,000	32,575
Professional Services	33,660	-	-	-	-	2,170	35,830	131,000	95,170
Fees and Taxes	4,760	-	-	-	-	632	5,392	105,000	99,608
Subtotal Program	**228,558**	**-**	**-**	**-**	**-**	**2,862**	**231,421**	**1,012,564**	**781,143**
Total Expenditures	**553,879**	**-**	**-**	**-**	**-**	**2,862**	**556,741**	**3,517,808**	**2,961,067**
Excess (deficiency) of revenues over (under) expenditures	**(382,955)**	**4,435**	**6,631**	**166,971**	**27,345**	**213,352**	**35,779**	**(1,659,556)**	**(1,695,335)**
Fund Balances, beginning of period	**7,469,928**	**1,701,798**	**36,570,813**	**15,524,636**	**2,556,840**	**815,525**	**64,639,540**		
Fund Balances, end of period	**7,086,973**	**1,706,233**	**36,577,444**	**15,691,607**	**2,584,185**	**1,028,877**	**64,675,319**		

Footnotes to March 31, 2014 Unaudited Financial Statements:

1 – **Accounts Receivable** – The funds listed in Accounts Receivable are comprised of:

Accounts Receivable	
Accounts Receivable	155,919
City of Sacramento - Pool A	7,735
Wells Fargo - Investment Management Account	61,060
Wells Fargo - SAFCA NLIP	8,298
Total	**233,012**

2 – **Liabilities** – As the managed marsh construction component follows and lags acquisition, approximately 4.8% of the 25% managed marsh target remains in process and is not yet completed. Accordingly, the Conservancy will need to construct managed marsh on approximately 176 acres. At an average cost of $8,750 per acre of managed marsh construction costs, this results in an on-going managed marsh R&E obligation of approximately $1,542,473.

UPDATE: 110.372 acres of Frazer South are planned for managed marsh construction in 2016 and 80 acres of Bianchi West are planned for managed marsh construction in 2017.

3 – **Designated - NBHCP Funds** – The funds in this category may be derived from HCP fees. Board designation is required for use of HCP Designated funds. Source of funding is as follows:

Designated - NBHCP Funds	
GGS	204,808
Supplemental-HCP Donations	11,130
Supplemental-HCP Elderberry Mitigation	69,506
Tree/Shrub Mitigation	53,195
Fixed Assets Reserve	879,743
Total	**1,218,382**

Designated - Non-HCP Funds – The funds in this category are not derived from HCP fees or NBHCP/MAPHCP related sources. Board designation is required for use of non-HCP funds. Source of funding is as follows:

Designated - Non-HCP Funds	
SAFCA NLIP	1,028,876
Supplemental Mitigation (Land Acquisition)	
SAFCA Settlement - Huffman West	810,110
SAFCA Settlement - Atkinson	229,810
SAFCA Settlement - Natomas Farms	1,268,160
Total	**3,336,956**

The Natomas Basin Conservancy
Cash Flow Projections [1]

OPERATING INCOME	Actual Jan	Actual Feb	Actual Mar	Projected Apr	Projected May	Projected Jun	Projected Jul	Projected Aug	Projected Sep	Projected Oct	Projected Nov	Projected Dec	Projected Total	*Budget Total*
Admin - Mitigation fees	-	-	-	-	-	-	-	-	114,687	-	-	-	114,687	114,687
Admin - Rent revenue	9,100	800	800	-	-	-	-	440,900	-	-	-	-	451,600	450,000
Admin - Investment income	11,023	12,478	11,491	11,076	11,076	11,076	11,076	11,076	11,076	11,076	11,076	11,076	134,673	132,906
Admin - Marketable securities	(7,172)	(8,380)	(10,793)	-	-	-	-	-	-	-	-	-	-26,345	-
Admin - Other & misc.	137,796	13,780	-	-	-	-	-	-	-	-	-	-	151,576	50,000
R&E and Land Acq - Mitigation fees	-	-	-	-	-	-	-	-	109,618	-	-	-	109,618	109,618
R&E and Land Acq - Inv. income	3,509	4,180	3,377	6,036	6,036	6,036	6,036	6,036	6,036	6,036	6,036	6,036	65,392	72,435
Total	154,256	22,858	4,875	17,112	17,112	17,112	17,112	458,012	241,417	17,112	17,112	17,112	1,001,201	929,646
USES OF CASH														
Administration	68,635	68,298	93,562	82,297	82,297	82,297	82,297	82,297	82,297	82,297	82,297	82,297	971,168	987,564
Program	69,011	35,403	223,552	158,890	158,890	158,890	158,890	158,890	158,890	158,890	158,890	158,890	1,757,979	1,906,684
BKS North Course channel clearing	-	-	-	-	-	100,000	100,000	100,000	-	-	-	-	300,000	300,000
Total	137,645	103,701	317,115	241,187	241,187	341,187	341,187	341,187	241,187	241,187	241,187	241,187	3,029,147	3,194,248
Excess (deficiency) of revenue over expense	16,611	-80,842	-312,239	-224,076	-224,076	-324,076	-324,076	116,824	229	-224,076	-224,076	-224,076	(2,027,946)	(2,264,602)
2014 Actual Cash Balance														
Beginning cash balance (Operating)	11,834,970	11,851,581	11,770,738	11,458,499	11,234,424	11,010,348	10,686,272	10,362,197	10,479,021	10,479,251	10,255,175	10,031,100		
Ending cash balance (Operating)	11,851,581	11,770,738	11,458,499	11,234,424	11,010,348	10,686,272	10,362,197	10,479,021	10,479,251	10,255,175	10,031,100	9,807,024		
2014 Budget Cash Balance														
Beginning cash balance (Operating)	11,834,970	11,610,895	11,386,820	11,162,745	10,938,670	10,714,595	10,390,520	10,066,445	10,183,270	10,183,500	9,959,425	9,735,350		
Ending cash balance (Operating)	11,610,895	11,386,820	11,162,745	10,938,670	10,714,595	10,390,520	10,066,445	10,183,270	10,183,500	9,959,425	9,735,350	9,511,275		

RESTRICTED INCOME [2]	Actual Jan	Actual Feb	Actual Mar	Projected Apr	Projected May	Projected Jun	Projected Jul	Projected Aug	Projected Sep	Projected Oct	Projected Nov	Projected Dec	Projected Total	*Budget Total*
Endowment - Mitigation fees	-	-	-	-	-	-	-	-	59,574	-	-	-	59,574	59,574
Endowment - Investment income	19,060	17,951	57,081	43,643	43,643	43,643	43,643	43,643	43,643	43,643	43,643	43,643	486,875	523,710
Endowment - Marketable securities	(242,566)	525,917	(183,127)	-	-	-	-	-	-	-	-	-	100,224	-
Restricted gifts, grants & related	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-223,506	543,868	-126,046	43,643	43,643	43,643	43,643	43,643	103,217	43,643	43,643	43,643	646,673	583,284
2014 Actual Cash Balance														
Beginning cash balance (Restricted)	18,081,476	17,857,970	18,401,839	18,275,792	18,319,435	18,363,077	18,406,720	18,450,362	18,494,005	18,597,221	18,640,864	18,684,506		
Ending cash balance (Restricted)	17,857,970	18,401,839	18,275,792	18,319,435	18,363,077	18,406,720	18,450,362	18,494,005	18,597,221	18,640,864	18,684,506	18,728,149		
2014 Budget Cash Balance														
Beginning cash balance (Operating)	18,081,476	18,125,119	18,168,762	18,212,405	18,256,048	18,299,691	18,343,334	18,386,977	18,430,620	18,533,837	18,577,480	18,621,123		
Ending cash balance (Operating)	18,125,119	18,168,762	18,212,405	18,256,048	18,299,691	18,343,334	18,386,977	18,430,620	18,533,837	18,577,480	18,621,123	18,664,766		

Restoration & Enhancement	Acres	Total
Est. funds necessary to balance		
25/25/50 - at $8,750/acre		
Acres planned but not yet constructed	190 $	1,662,500

Summer 2014 possible mitigation				
Acres	Full Fee	Non-Acq Fee	Partial Fee	Total ($)
7	233,878	-	-	233,878
-	-	-	-	-
-	-	-	-	-
7	**233,878**	**-**	**-**	**233,878**

Big events & issues-revenue
1. NBHCP fees received between May-Sep
2. Farm rent is received in July

Big events & issues-expense
1 - BKS, North Course, Phase IV

Surprise potential
1. Legal expens

[1] These Cash Flow Projections include only NBHCP funds (excludes SAFCA NLIP project funds).
[2] Restricted income includes the Endowment Fund and the Supplemental Endowment Fund.

Register: 1001 · TNBC Checking
From 03/01/2014 through 03/31/2014
Sorted by: Date, Type, Number/Ref

Date	Number	Payee	Account	Memo	Payment	C	Deposit	Balance
03/01/2014			1003 · Cash & Inv - WFI	Funds Transfer		X	100,000.00	136,942.43
03/04/2014			4150 · Rent - Real Pro...	Deposit		X	800.00	137,742.43
03/04/2014	8244	Arkfeld, Sherry	6402 · Cellular Phones	Mar 14 - Reim...	48.18	X		137,694.25
03/10/2014		Paychex	6306 · Payroll Fees	Payroll fees for...	172.16	X		137,522.09
03/12/2014	8245	Lor, Jeremy	6422 · Mileage Expense	Mar 14 - Milea...	439.04	X		137,083.05
03/12/2014	8246	Alpine Demolition Co.	2100.1 · A/P - Admin	Inv # 2121	6,522.00	X		130,561.05
03/12/2014	8247	cSpot Interworks, Inc.	2100.1 · A/P - Admin	Inv # 33803	692.45	X		129,868.60
03/12/2014	8248	Feather River Air Qu...	2100.1 · A/P - Admin	Inv # R4023-2...	92.00	X		129,776.60
03/12/2014	8249	Fidelity Investments	2100.1 · A/P - Admin	Acct # 484-679...	839.80	X		128,936.80
03/12/2014	8250	Fong Enterprises	2100.1 · A/P - Admin	Inv # 20140034	120.00	X		128,816.80
03/12/2014	8251	Lake WebWorks	2100.1 · A/P - Admin	Inv # 2014020	4,620.00	X		124,196.80
03/12/2014	8252	Macclicks Consultin...	2100.1 · A/P - Admin	Inv # FB-696	406.25	X		123,790.55
03/12/2014	8253	Moss Adams LLP	2100.1 · A/P - Admin	Inv # 2532133	310.00	X		123,480.55
03/12/2014	8254	New Economics & A...	2100.1 · A/P - Admin	Inv # 2013.01.12	562.50	X		122,918.05
03/12/2014	8255	Odell's Pump & Mot...	2100.1 · A/P - Admin		2,876.83	X		120,041.22
03/12/2014	8256	Real Pest Management	2100.1 · A/P - Admin		320.00	X		119,721.22
03/12/2014	8257	Sacramento County ...	2100.1 · A/P - Admin	Acct # 500005...	162.52	X		119,558.70
03/12/2014	8258	Sills Ag Consulting, ...	2100.1 · A/P - Admin	Inv # 471	5,400.00	X		114,158.70
03/12/2014	8259	Sopwith Farms	2100.1 · A/P - Admin		34,094.50	X		80,064.20
03/12/2014	8260	Sprint	2100.1 · A/P - Admin	Inv # 125840049	121.10	X		79,943.10

Register: 1001 · TNBC Checking
From 03/01/2014 through 03/31/2014
Sorted by: Date, Type, Number/Ref

Date	Number	Payee	Account	Memo	Payment	C	Deposit	Balance
03/12/2014	8261	Sutherland Construct...	2100.1 · A/P - Admin		6,419.00	X		73,524.10
03/12/2014	8262	T. Rowe Price	2100.1 · A/P - Admin	Acct # 124104...	1,835.19	X		71,688.91
03/12/2014	8263	Wells Fargo Bank, N...	2100.1 · A/P - Admin	Inv # 8843876	30.00	X		71,658.91
03/12/2014	8264	Wells Fargo HBS	2100.1 · A/P - Admin	HSA Contribut...	1,575.00	X		70,083.91
03/12/2014	8265	Xerox Corp.	2100.1 · A/P - Admin	Inv # 072895176	697.67	X		69,386.24
03/15/2014	Payroll		6301 · Salaries [split]	03/15/14 Payroll	11,178.30	X		58,207.94
03/15/2014	Payroll		6301 · Salaries [split]	03/15/14 Payroll	5,639.07	X		52,568.87
03/25/2014	8266	Baker Williams Engi...	2100.1 · A/P - Admin		1,536.50	X		51,032.37
03/25/2014	8267	Blue Shield	2100.1 · A/P - Admin	Cust # 4325412	3,515.00	X		47,517.37
03/25/2014	8268	Fong Enterprises	2100.1 · A/P - Admin	Inv # 20140041	120.00			47,397.37
03/25/2014	8269	Hines VAF II Sacra...	2100.1 · A/P - Admin	Inv # 14000406	25.00	X		47,372.37
03/25/2014	8270	ICF Jones & Stokes ...	2100.1 · A/P - Admin	Inv # 0095550	4,268.76	X		43,103.61
03/25/2014	8271	Marketing by Design	2100.1 · A/P - Admin		855.11			42,248.50
03/25/2014	8272	PG&E	2100.1 · A/P - Admin		2,432.27	X		39,816.23
03/25/2014	8273	Sacramento Tree Fou...	2100.1 · A/P - Admin	Inv # 201-038	15,000.00			24,816.23
03/25/2014	8274	SMUD	2100.1 · A/P - Admin		1,331.97	X		23,484.26
03/25/2014	8275	Consolidated Comm...	2100.1 · A/P - Admin	Acct ID: 71258...	287.91	X		23,196.35
03/25/2014	8276	Unum	2100.1 · A/P - Admin	Bill # 0144773...	353.56	X		22,842.79
03/25/2014	8277	Huezo, Valentina V	6422 · Mileage Expense	Mar 14 - Expen...	19.04	X		22,823.75
03/31/2014			6321 · Service Charges	Service Charge	25.00	X		22,798.75

Register: 1001 · TNBC Checking
From 03/01/2014 through 03/31/2014
Sorted by: Date, Type, Number/Ref

Date	Number	Payee	Account	Memo	Payment	C	Deposit	Balance
03/31/2014	8278	Lor, Jeremy	6422 · Mileage Expense	Mileage Expense	488.32			22,310.43
03/31/2014	8286	Burns, Kimberli S.	-split-	Mar 14 - Reim...	247.16			22,063.27
			Software Purchases	Software	-25.00			
			Health Insurance	Dental services...	-140.80			
			Cellular Phones	Cell phone	-75.20			
			Mileage Expense	Mileage	-6.16			
03/31/2014	Payroll		6301 · Salaries [split]	03/31/14 Payroll	11,113.57	X		10,949.70
03/31/2014	Payroll		6301 · Salaries [split]	03/31/14 Payroll	5,586.90	X		5,362.80

THE NATOMAS BASIN CONSERVANCY

MONTHLY REVIEW - MARCH 2014

STRATEGY

The TNBC funds are invested in the City of Sacramento's Pool A investment fund. The Fund seeks to maximize the level of current income consistent with the preservation of principal while meeting the liquidity needs of the City and the pooled investors. The Fund is invested pursuant to the prudent person standards and the California Code Section 53601 (GC 53601).

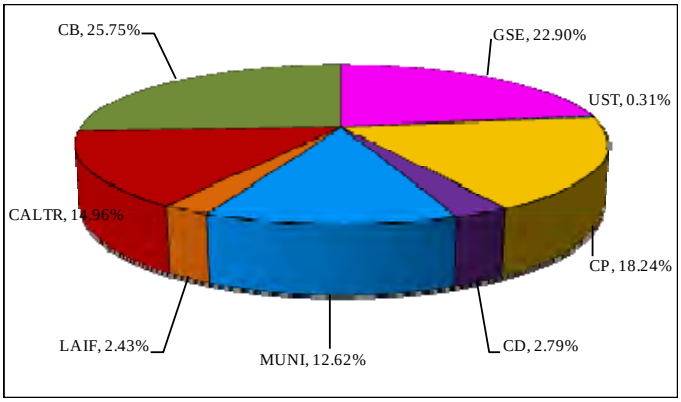
PORTFOLIO STATISTICS

Portfolio's Beginning Balance	3,921,094
Contributions	0
Withdrawals	(1,000,000)
Interest Earned	3,658
Month-End Market Value	2,924,752

PERFORMANCE

Earned Interest Yield for the Month	1.36
Laif Rate of Return (book value)	0.24
ML Ready Asset	-
90 Day T-Bill	0.04
Federal Funds	0.07

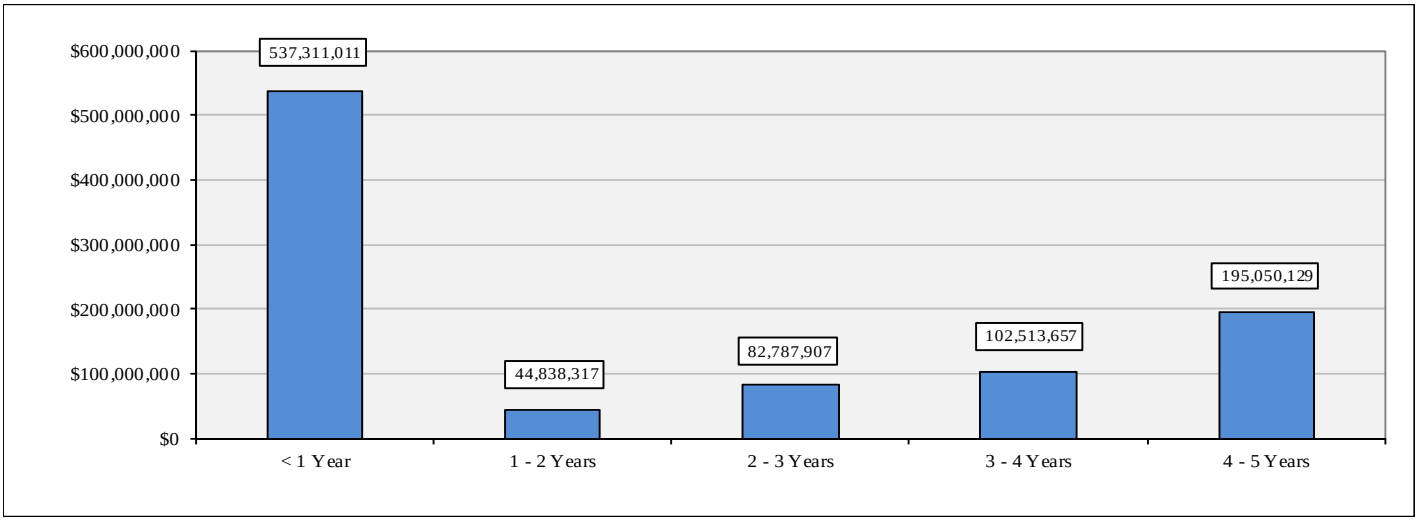
POOL A BY ASSET CLASS



Investment Description	Portfolio at Cost	Yield at Month End
US Agency Notes (GSE)	22.90%	1.21%
Treasuries	0.31%	0.79%
Commercial Paper (CP)	18.24%	0.21%
Certificates of Deposit (CD)	2.79%	0.49%
Municipals	12.62%	1.74%
LAIF	2.43%	0.24%
CalTrust	14.96%	0.53%
Corporate Bonds (CB)	25.75%	1.62%

POOL A MATURITY SCHEDULE

Maturity	Market Value	%
< 1 Year	537,311,011	55.83%
1 - 2 Years	44,838,317	4.66%
2 - 3 Years	82,787,907	8.60%
3 - 4 Years	102,513,657	10.65%
4 - 5 Years	195,050,129	20.26%
Total	962,501,021	100.00%



Natomas Basin Conservancy
PayPal Account : kburns@natomasbasin.org
2150 River Plaza Dr #460, Sacramento, 95833 CA

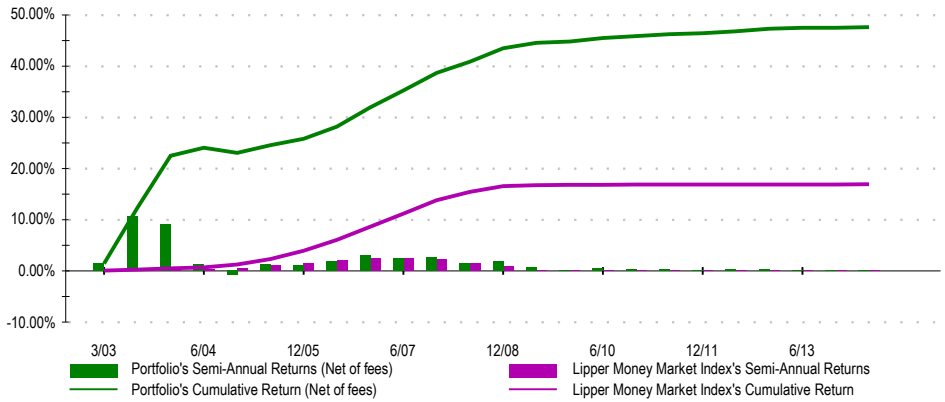
Financial Statement for the month of March 2014		
		Amounts in USD
	Beginning	Ending
Total balance	603.94	603.94
Available balance	603.94	603.94
Payables balance	0.00	0.00

Note: This is not an actual bill.

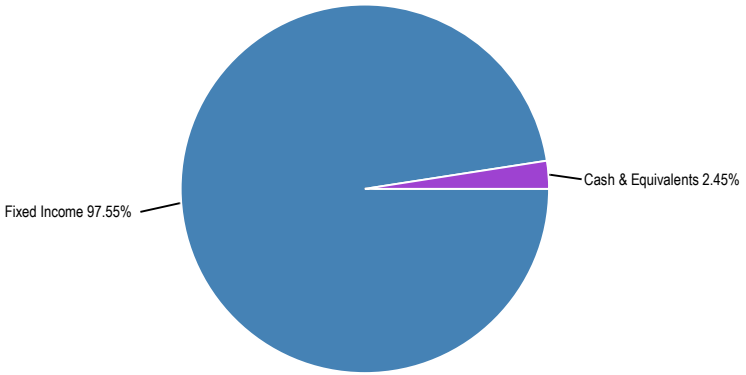
PORTFOLIO ALLOCATION & PERFORMANCE SUMMARY - REPORT PERIOD: 3/1/03 TO 3/31/14

NATOMAS BASIN CONSERVANCY- IMA

PORTFOLIO RETURNS



ALLOCATION (BY CLASS)



PORTFOLIO SUMMARY	YEAR TO DATE	LAST 12 MONTHS	LAST 3 YEARS	LAST 5 YEARS	SINCE INCEPTION
Beginning Value[1]	5,446,666	5,835,260	5,670,501	7,428,027	1,893,898
Net Contributions & Withdrawals[2]	215,111	-169,889	-63,488	-1,916,386	2,152,709
Investment Gain or Loss[1]	5,051	1,456	59,814	155,186	1,620,221
Ending Value[1]	5,666,828	5,666,828	5,666,828	5,666,828	5,666,828

PERFORMANCE SUMMARY

	ENDING MARKET VALUE[1]	CURRENT PORTFOLIO ALLOCATION	YEAR TO DATE	LAST 12 MONTHS	LAST 3 YEARS[3]	LAST 5 YEARS[3]	SINCE INCEPTION[3]
TOTAL PORTFOLIO (Net of fees)[2]	**5,666,828**	**100.00%**	**0.08%**	**0.02%**	**0.35%**	**0.49%**	**3.58%**
Lipper Money Market Index			*0.00%*	*0.01%*	*0.01%*	*0.04%*	*1.42%*
FIXED INCOME	**5,528,142**	**97.55%**	**0.16%**	**0.34%**	**0.69%**	**0.81%**	**-**
Lipper Money Market Index			*0.00%*	*0.01%*	*0.01%*	*0.04%*	*-*
EQUITIES	**-**	**-**	**-**	**-**	**-**	**-**	**-**
COMPLEMENTARY STRATEGIES	**-**	**-**	**-**	**-**	**-**	**-**	**-**
OTHER	**-**	**-**	**-**	**-**	**-**	**-**	**-**

[1] Values include Accrued Income.
[2] Starting March 2003, management fees have been incorporated into performance calculations.
[3] Annualized Return

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American Century Investments®

Quarterly Statement

January 1, 2014 - March 31, 2014

APR - 8 2014

AB 01 123331 35235 H 304 A
The Natomas Basin Conservancy
2150 River Plaza Dr Ste 460
Sacramento CA 95833-4141

americancentury.com

1-800-345-3533

P.O. Box 419385
Kansas City, Missouri 64141-6385

Total Assets	$1,000,048.49

Activity Overview

	Year-To-Date
Beginning Value	$1,000,024.31
+ Investments	0.00
– Withdrawals	0.00
+/– Market Change/Adjustments	+24.18
Ending Value	**$1,000,048.49**

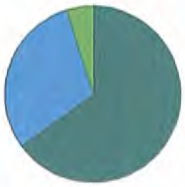
7-day Current Yield as of 03-31-2014

Visit our website and search ***yields*** to compare them for all of our money market

Capital Preservation	0.01%

Asset Mix

Current Allocation
- 0% Stock Funds
- 0% Bond Funds
- 100% Money Market Funds



Moderate Example
- 65% Stock Funds
- 30% Bond Funds
- 5% Money Market Funds

These charts reflect your current asset allocation based on the date and fund holdings shown on this statement compared to a moderate hypothetical example.
Want a customized target allocation? Log in to your account online, select the Asset Mix & Guidance tab and then choose Set Target Allocation.

Why Does Having a Diversified Portfolio Matter?

Allocating your investments across a mix of disciplines based upon your goals, risk tolerance and time frame may be the most important contributor to your portfolio's long-term success. Our asset allocation portfolios are engineered to spread assets across different investment types automatically. Search ***asset allocation*** at **americancentury.com**.

Your Business. Your Employees. Our Expertise.

Did you know American Century Investments offers retirement plan options for small businesses, including SEP and SIMPLE-IRAs? We can help determine the one that's right for you whether you have two employees or 200. We've been providing this critical benefit to businesses for more than 25 years. For more information on business retirement plans, call 1-800-345-3533.

Access Your Information More Intuitively

Early this summer, look for changes to your My Account page. The new, dynamic design provides easier access to the information most important to you.

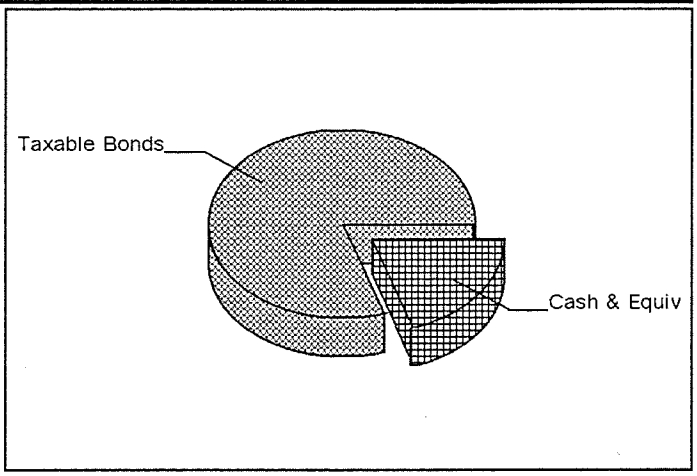
123331 1/1

ACCOUNT NUMBER: [redacted]
THE NOTOMAS BASIN CONSERVANCY MANAGED AGENCY

This statement is for the period from March 1, 2014 to March 31, 2014

ASSET SUMMARY AS OF 03/31/14

Assets	Current Period Market Value	% of Total	Est Annual Income
Cash & Equivalents	400,011.64	20.00	.00
Taxable Bonds	1,599,375.53	80.00	12,007.17
Total Market Value	**$1,999,387.17**	**100.00**	**$12,007.17**



YOUR INVESTMENT OBJECTIVE IS ALL FIXED/NON TAXABLE

MARKET VALUE SUMMARY

	Current Period 03/01/14 to 03/31/14	Year-to-Date 01/01/14 to 03/31/14
Beginning Market Value	**$999,791.67**	**$.00**
Fees and Expenses	- 208.29	- 416.62
Cash Receipts	1,000,000.00	2,000,000.00
Change in Investment Value	- 196.21	- 196.21
Ending Market Value	**$1,999,387.17**	**$1,999,387.17**

PORTFOLIO OVERVIEW

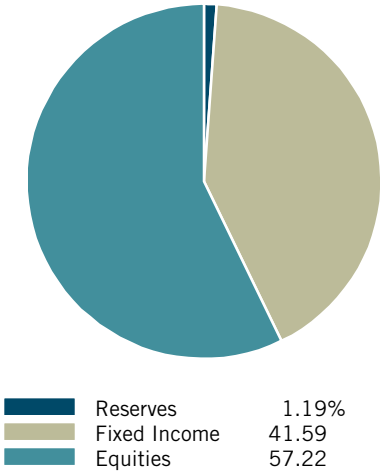
NATOMAS BASIN CONSERVANCY ENDOWMENT | MARCH 31, 2014

T.RowePrice INVEST WITH CONFIDENCE

PORTFOLIO ASSET ALLOCATION

CURRENT HOLDINGS	COST*	ESTIMATED ANNUAL INCOME	ESTIMATED YIELD AT MARKET**	MARKET VALUE***	PERCENT
Reserves	$185,665.86	$185.67	0.10%	$185,665.86	1.19%
Fixed Income	6,550,380.72	180,765.79	2.80	6,467,233.17	41.59
Equities	7,074,875.00	72,798.56	0.82	8,897,318.21	57.22
Total Account	**$13,810,921.58**	**$253,750.01**	**1.63%**	**$15,550,217.24**	**100.00%**

ASSET ALLOCATION CHART



INVESTMENT GUIDELINES

	MINIMUM	MAXIMUM
Reserves	0%	20%
Fixed Income	30	60
Equities	35	60

YEAR-TO-DATE INFORMATION

REALIZED GAIN/(LOSS)	AMOUNT
Short-Term	N/A
Long-Term	N/A
Net Realized Gain/(Loss)	**N/A**

EARNED INCOME	AMOUNT
Past Three Months	$62,368.27
Year-to-Date	$62,368.27

*Amortized cost will be reflected where applicable.
**Estimated Yield at Market is calculated by multiplying the number of shares/units held by the income rate and dividing by the Market Value. Data is supplied by T. Rowe Price Associates, Inc. to existing clients as an update on their current holdings and portfolio.
***Market values include accrued income where applicable.
Note: T. Rowe Price strongly encourages you to reconcile this statement to the statements you receive directly from your custodian, broker, or the Price Funds, as applicable, to ensure consistency. If you have any questions with respect to this statement, please contact your T. Rowe Price Portfolio Manager.

PORTFOLIO OVERVIEW

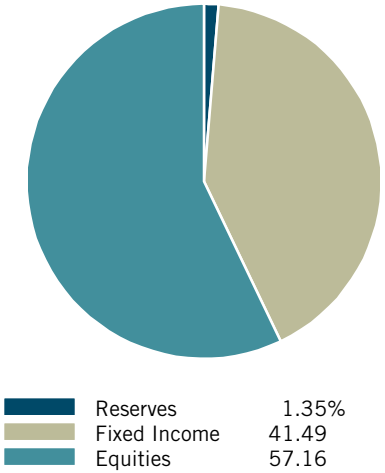
NATOMAS BASIN CONSERVANCY SUPPLEMENTAL ENDOWMENT | MARCH 31, 2014

T.RowePrice INVEST WITH CONFIDENCE

PORTFOLIO ASSET ALLOCATION

CURRENT HOLDINGS	COST*	ESTIMATED ANNUAL INCOME	ESTIMATED YIELD AT MARKET**	MARKET VALUE***	PERCENT
Reserves	$34,468.38	$34.47	0.10%	$34,468.38	1.35%
Fixed Income	1,070,709.37	29,409.16	2.78	1,058,821.94	41.49
Equities	1,159,157.19	11,867.50	0.81	1,458,936.44	57.16
Total Account	**$2,264,334.94**	**$41,311.14**	**1.62%**	**$2,552,226.76**	**100.00%**

ASSET ALLOCATION CHART



INVESTMENT GUIDELINES

	MINIMUM	MAXIMUM
Reserves	0%	20%
Fixed Income	30	60
Equities	35	60

YEAR-TO-DATE INFORMATION

REALIZED GAIN/(LOSS)	AMOUNT
Short-Term	N/A
Long-Term	N/A
Net Realized Gain/(Loss)	**N/A**

EARNED INCOME	AMOUNT
Past Three Months	$10,184.50
Year-to-Date	$10,184.50

*Amortized cost will be reflected where applicable.
**Estimated Yield at Market is calculated by multiplying the number of shares/units held by the income rate and dividing by the Market Value. Data is supplied by T. Rowe Price Associates, Inc. to existing clients as an update on their current holdings and portfolio.
***Market values include accrued income where applicable.
Note: T. Rowe Price strongly encourages you to reconcile this statement to the statements you receive directly from your custodian, broker, or the Price Funds, as applicable, to ensure consistency. If you have any questions with respect to this statement, please contact your T. Rowe Price Portfolio Manager.

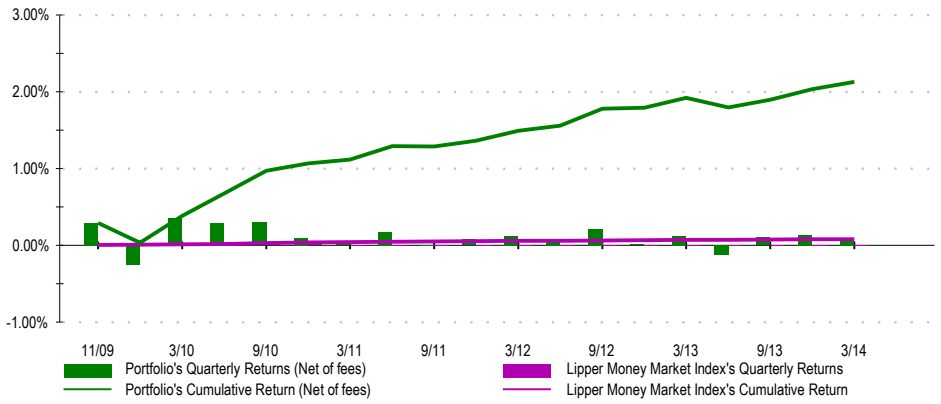
Register: 1020 · SAFCA NLIP - Checking
From 03/01/2014 through 03/31/2014
Sorted by: Date, Type, Number/Ref

Date	Number	Payee	Account	Memo	Payment	C	Deposit	Balance
03/31/2014	2057	Federal Express	2120 · Accounts Payab...	Inv # 2-596-69...	20.30			54,051.42

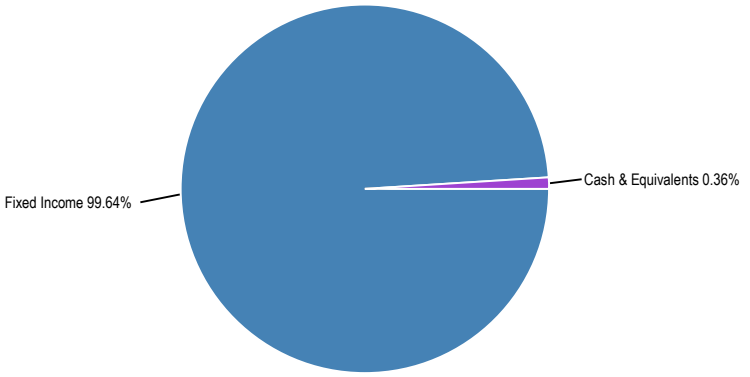
PORTFOLIO ALLOCATION & PERFORMANCE SUMMARY - REPORT PERIOD: 11/1/09 TO 3/31/14

NATOMAS BASIN CONSERVANCY NLIP - IMA

PORTFOLIO RETURNS



ALLOCATION (BY CLASS)



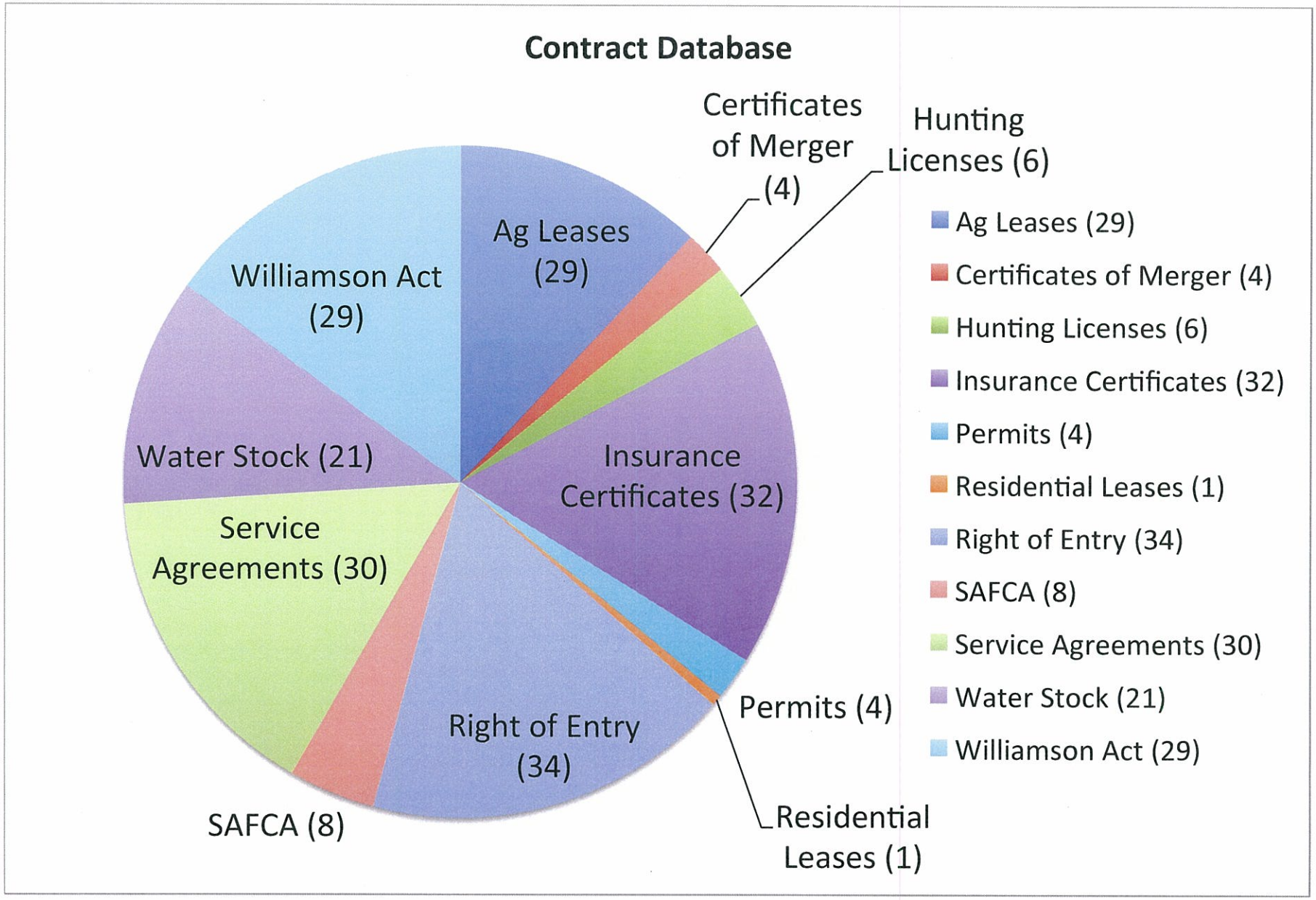
PORTFOLIO SUMMARY	YEAR TO DATE	LAST 12 MONTHS	LAST 3 YEARS	SINCE INCEPTION
Beginning Value[1]	776,004	758,417	752,712	744,385
Net Contributions & Withdrawals[2]	117,766	134,489	133,879	133,879
Investment Gain or Loss[1]	732	1,597	7,912	16,239
Ending Value[1]	894,503	894,503	894,503	894,503

PERFORMANCE SUMMARY

	ENDING MARKET VALUE[1]	CURRENT PORTFOLIO ALLOCATION	YEAR TO DATE	LAST 12 MONTHS	LAST 3 YEARS[3]	SINCE INCEPTION[3]
TOTAL PORTFOLIO (Net of fees)[2]	**894,503**	**100.00%**	**0.09%**	**0.21%**	**0.33%**	**0.48%**
Lipper Money Market Index			*0.00%*	*0.01%*	*0.01%*	*0.02%*
FIXED INCOME	**891,251**	**99.64%**	**0.17%**	**0.58%**	**0.69%**	**0.83%**
Lipper Money Market Index			*0.00%*	*0.01%*	*0.01%*	*0.02%*
CASH & EQUIVALENTS	**3,252**	**0.36%**	**0.00%**	**0.01%**	**0.01%**	**0.05%**
Lipper Money Market Index			*0.00%*	*0.01%*	*0.01%*	*0.02%*

[1] Values include Accrued Income.
[2] Starting November 2009, management fees have been incorporated into performance calculations.
[3] Annualized Return

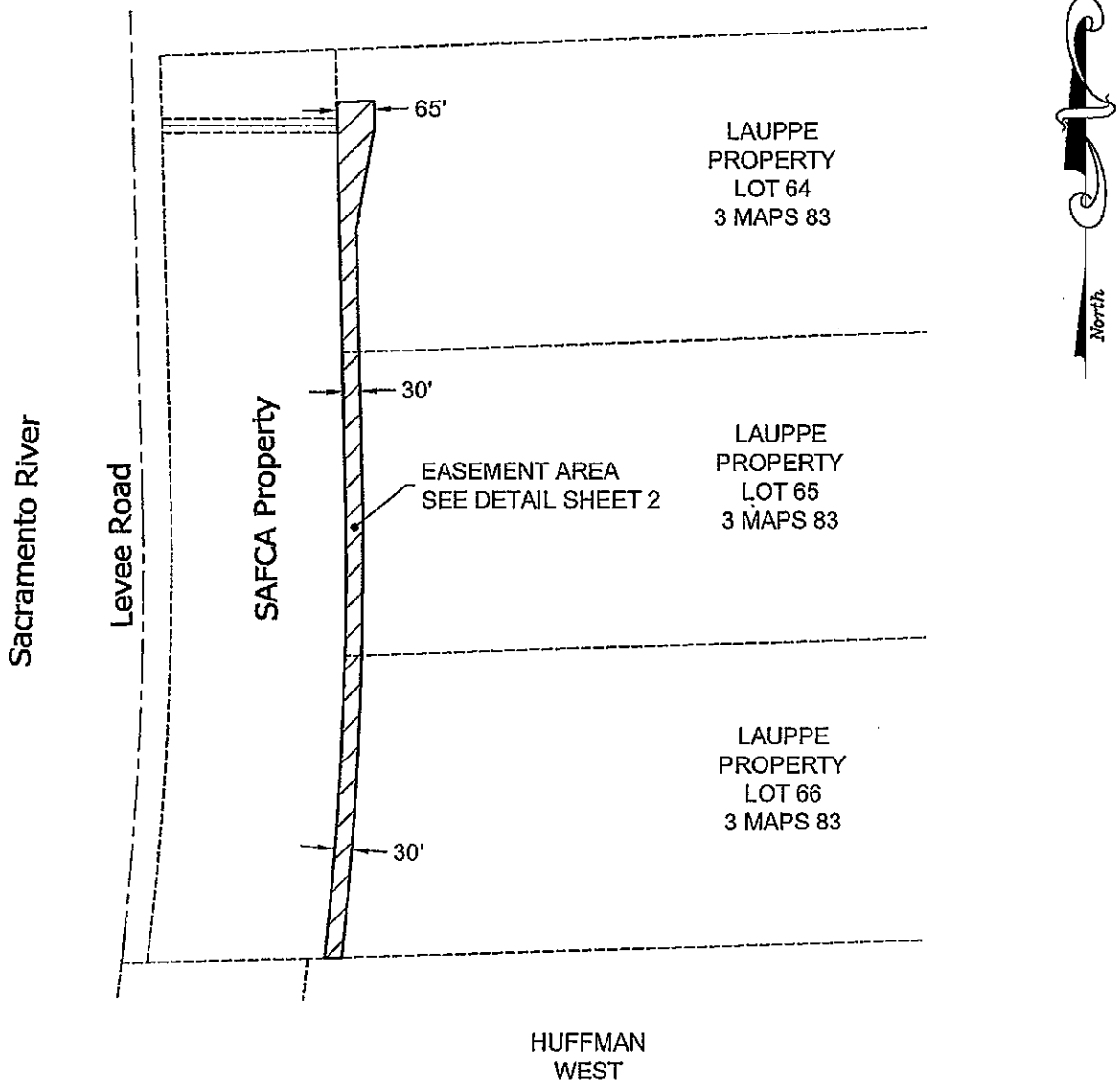
Copyright 2014, Investment Scorecard 2286-6860-43-20140401, Apr 8, 2014 12:47 PM ET


Contract Database
Certificates of Merger (4)
Hunting Licenses (6)
Ag Leases (29)
Williamson Act (29)
Water Stock (21)
Insurance Certificates (32)
Service Agreements (30)
Permits (4)
Right of Entry (34)
SAFCA (8)
Residential Leases (1)
Ag Leases (29)
Certificates of Merger (4)
Hunting Licenses (6)
Insurance Certificates (32)
Permits (4)
Residential Leases (1)
Right of Entry (34)
SAFCA (8)
Service Agreements (30)
Water Stock (21)
Williamson Act (29)

PRELIMINARY

EXHIBIT 'B'

SHEET 1 OF 3



BAKER-WILLIAMS ENGINEERING GROUP

Engineering / Surveying / Land Planning / Entitlement Processing / GPS Services

6020 Rutland Drive, Suite 19 ~ Carmichael, CA. 95608

(916) 331-4336 ~ fax (916) 331-4430 ~ office@bwengineers.com

SCALE: 1"=300'

JOB #: 03-10-116

DATE: Oct. 2013

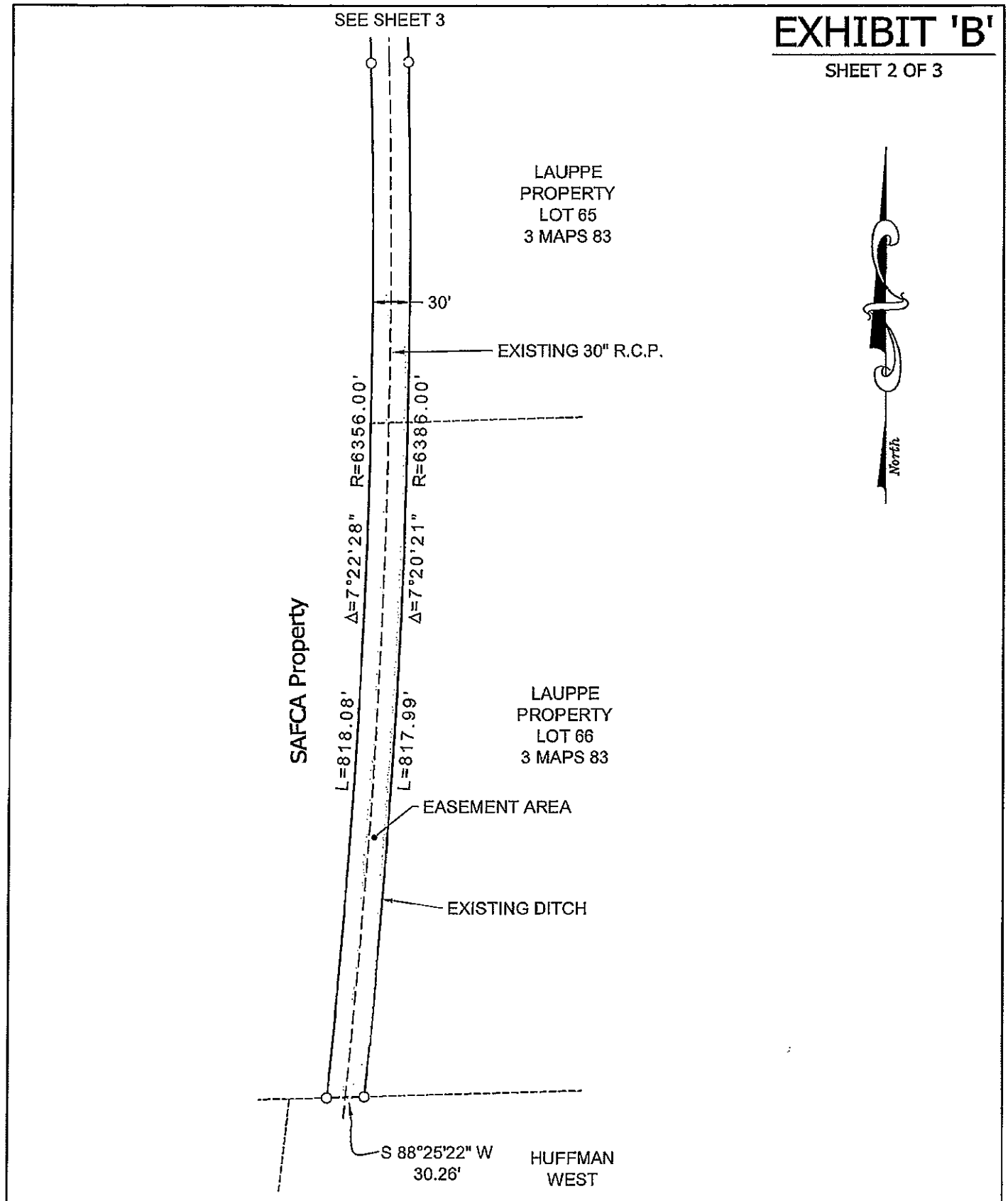
WATER EASEMENT

HUFFMAN RANCH

SUTTER COUNTY , CALIFORNIA

EXHIBIT 'B'

SHEET 2 OF 3



BAKER-WILLIAMS ENGINEERING GROUP
Engineering / Surveying / Land Planning / Entitlement Processing / GPS Services
6020 Rutland Drive, Suite 19 ~ Carmichael, CA. 95608
(916) 331-4336 – fax (916) 331-4430 – office@bwengineers.com

SCALE: 1"=100'

JOB #: 03-10-116

DATE: Oct. 2013

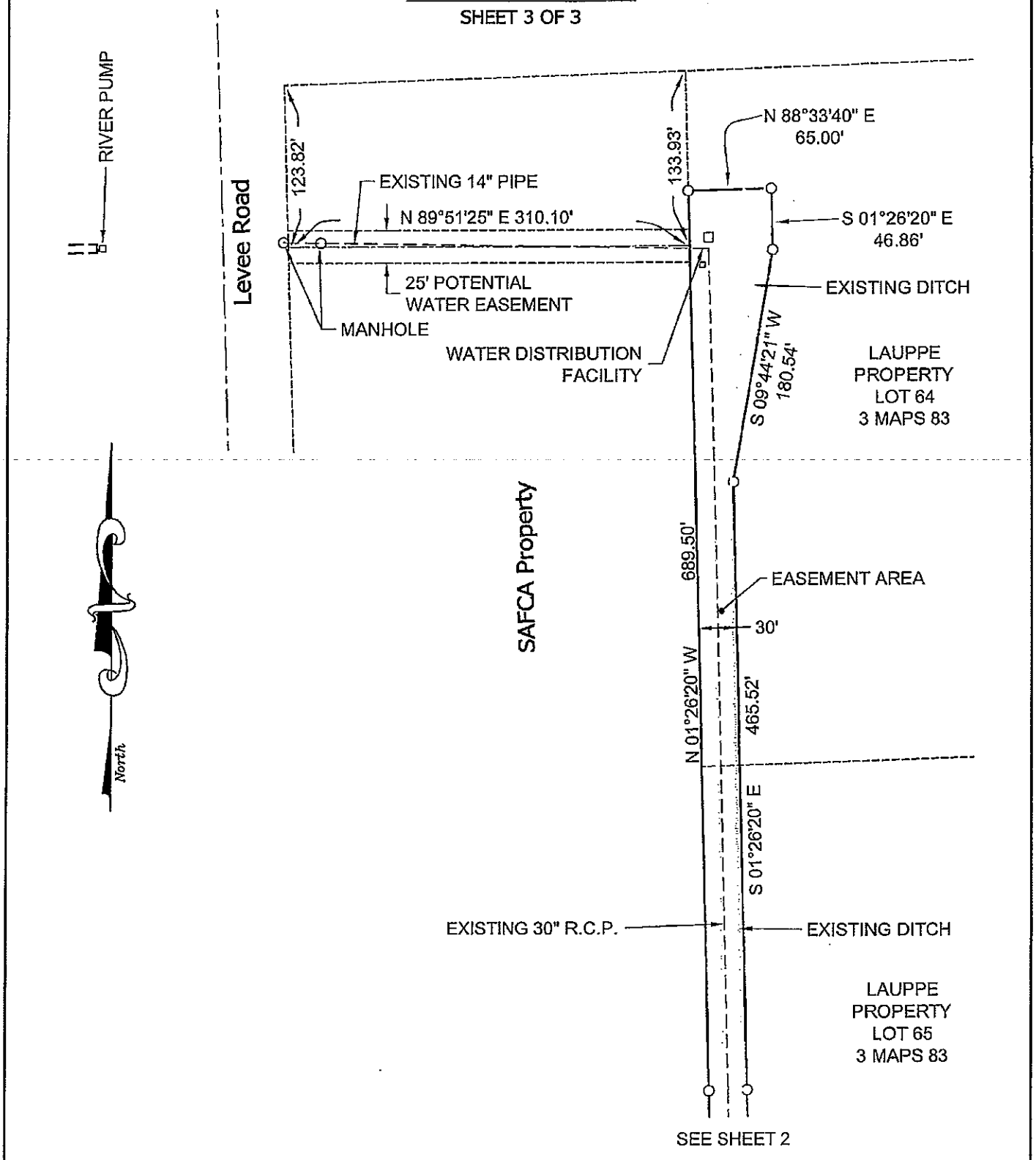
WATER EASEMENT

HUFFMAN RANCH

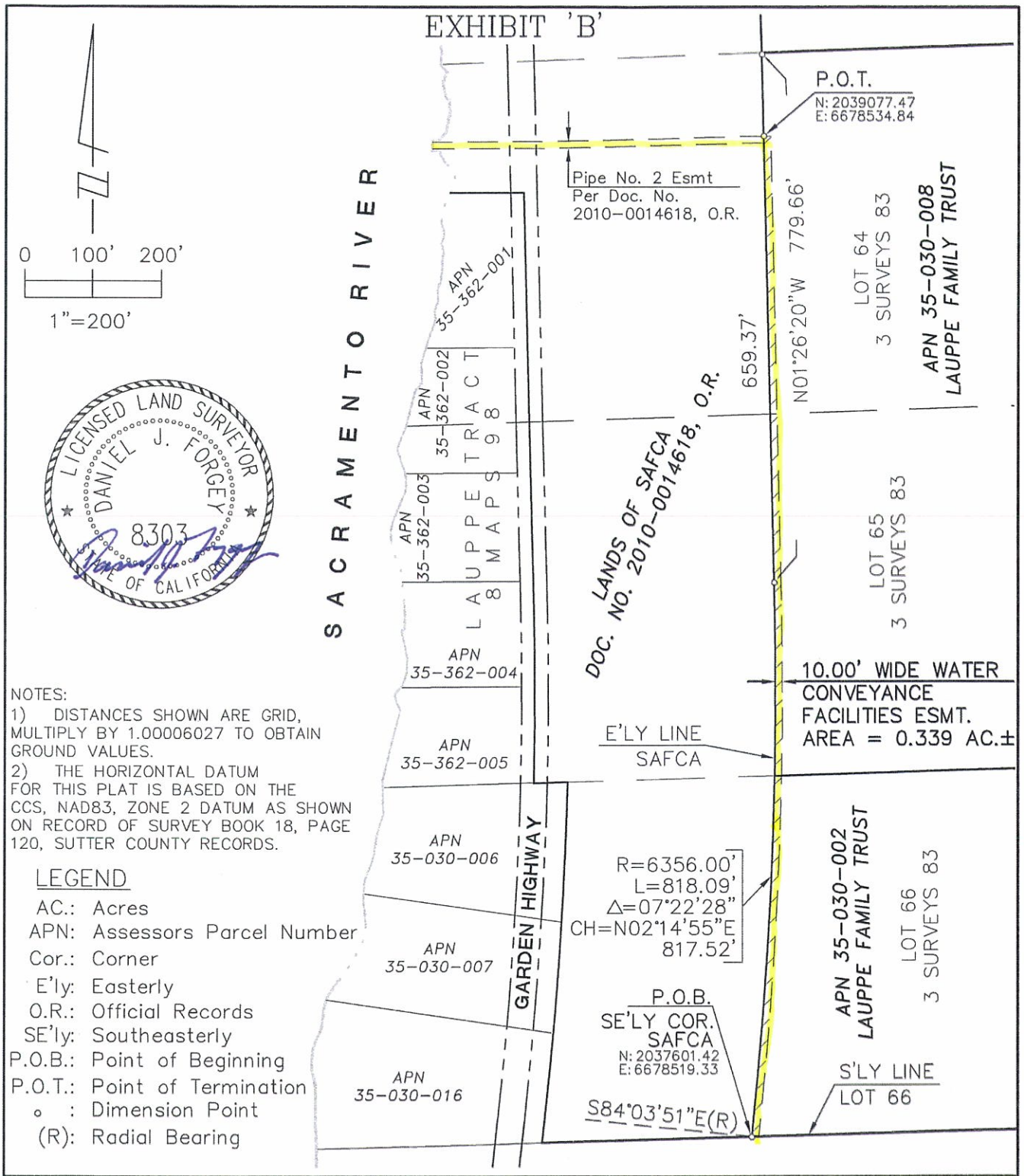
SUTTER COUNTY , CALIFORNIA

EXHIBIT 'B'

SHEET 3 OF 3



BAKER-WILLIAMS ENGINEERING GROUP Engineering / Surveying / Land Planning / Entitlement Processing / GPS Services 5020 Rutland Drive, Suite 19 – Carmichael, CA. 95608 (916) 331-4338 – fax (916) 331-4430 – office@bwengineers.com	SCALE: 1"=100' JOB #: 03-10-116 DATE: Oct. 2013	WATER EASEMENT HUFFMAN RANCH SUTTER COUNTY, CALIFORNIA



NOTES:
1) DISTANCES SHOWN ARE GRID, MULTIPLY BY 1.00006027 TO OBTAIN GROUND VALUES.
2) THE HORIZONTAL DATUM FOR THIS PLAT IS BASED ON THE CCS, NAD83, ZONE 2 DATUM AS SHOWN ON RECORD OF SURVEY BOOK 18, PAGE 120, SUTTER COUNTY RECORDS.

LEGEND

AC.:	Acres
APN:	Assessors Parcel Number
Cor.:	Corner
E'ly:	Easterly
O.R.:	Official Records
SE'ly:	Southeasterly
P.O.B.:	Point of Beginning
P.O.T.:	Point of Termination
∘ :	Dimension Point
(R):	Radial Bearing

APN: 35-030-008 & -002 LAUPPE FAMILY TRUST
WATER CONVEYANCE FACILITIES EASEMENT

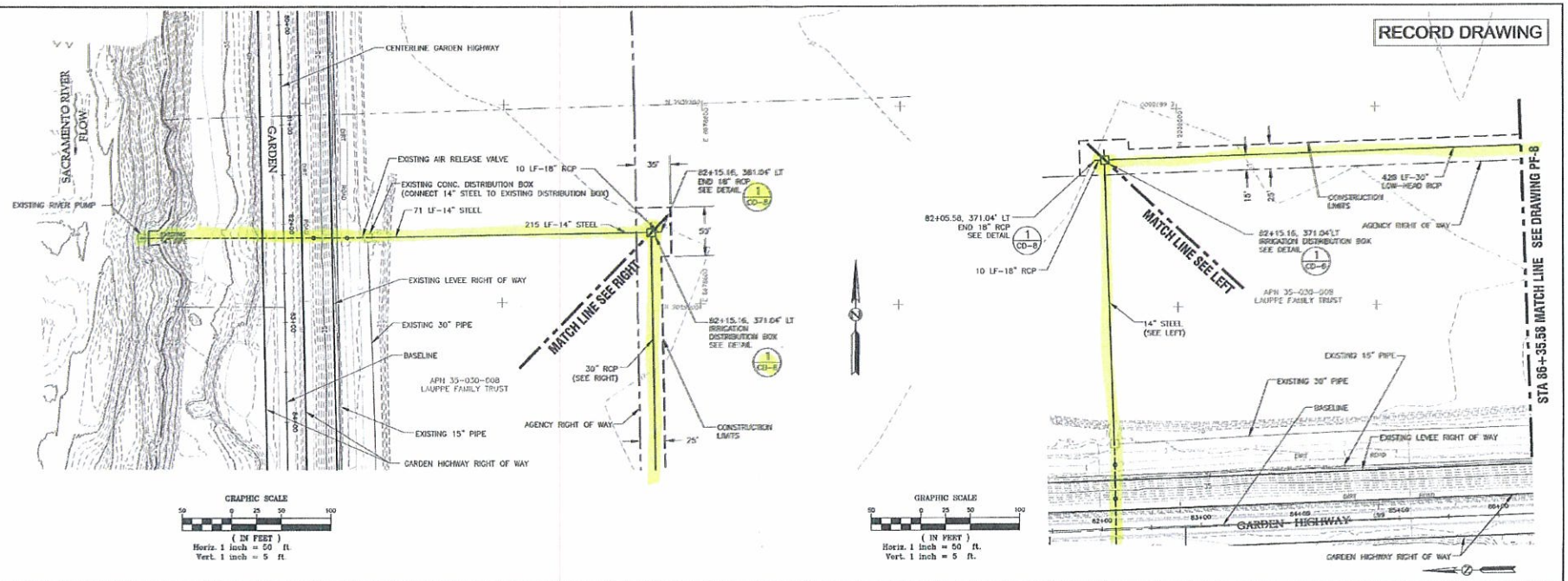
COUNTY OF SUTTER — STATE OF CALIFORNIA

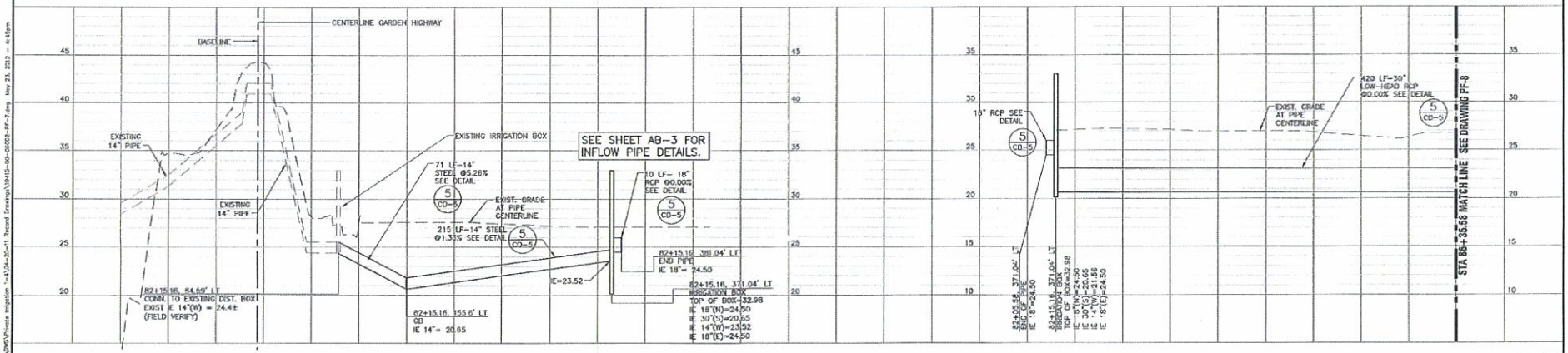
DATE: 3/20/13	SCALE: 1" = 200'
DRWN. BY: JAL CHK. BY: DJF	SHEET 1 OF 1

Plotted: Mar/20/2013 2:30 PM | By: Dforgey
DWG: P:\SAFCA\2006.NLIP\survey\legals\Sac-River-2008\Plats\Lauppe\Lauppe-South-River-Pump-Esmt.dwg

PSOMAS
1075 Creekside Ridge Drive, Suite 200
Roseville, Ca. 95678
(916) 788-8122 (916) 788-0600 (FAX)

RECORD DRAWING





REV.	DATE	BY	CHK.	APPR.	DESCRIPTION
0	4/22/11	GJK	LGK	SRS	RECORD DRAWING

DESIGNED BY: GJK
DRAWN BY: RSS
CHECKED BY: LGK
IN CHARGE: SRS
DATE: 02-18-08

REGISTERED PROFESSIONAL ENGINEER — STEVEREN R. SOLTEN — 50581 — CIVIL — STATE OF CALIFORNIA — JUN. 2009

MEAD & HUNT
Mead & Hunt, Inc.
180 Promenade Circle, Suite 240
Sacramento, CA 95834
916.971.3961
fax: 916.971.0578
www.meadhunt.com

SUBMITTED | APPROVED

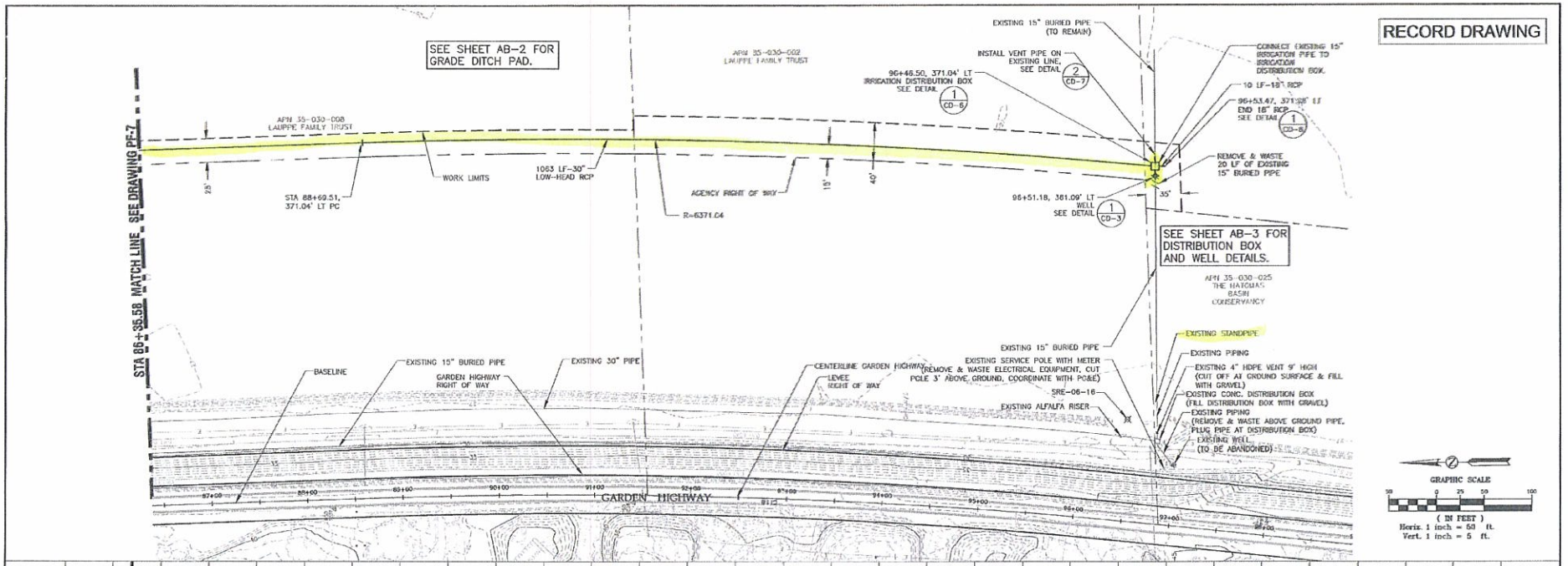
SAFCA

PRIVATE IRRIGATION FACILITY RELOCATION PROJECT
SACRAMENTO RIVER EAST LEVEE REACHES 1-4A
PLAN AND PROFILE, STA 81+50 TO STA 86+36

VERIFY SCALES
BAR IS ONE INCH ON ORIGINAL DRAWING. ADJUST SCALES FOR REDUCED PLOTS
0 1"

DRAWING NO. PF-7 | SHEET 13

S:\19415-00\CBDD\TECH\CADD\DWG\Private Irrigation 1-4\34-20-11 Record Drawings\19415-00-00052-PF-7.dwg May 23, 2012 - 4:49pm



REV.	DATE	BY	CHK.	APPR.	DESCRIPTION
0	4/22/11	GJK	LGK	SRS	RECORD DRAWING

DESIGNED BY: GJK
DRAWN BY: RSS
CHECKED BY: LGK
IN CHARGE: SRS
DATE: 02-18-08

REGISTERED PROFESSIONAL ENGINEER — STEPHEN R. SULLIVAN — No. 50581 — Exp. JUNE 2009 — CIVIL — STATE OF CALIFORNIA

MEAD HUNT
Mead & Hunt, Inc.
180 Promenade Circle, Suite 240
Sacramento, CA 95834
916.971.3961
fax: 916.971.0578
www.meadhunt.com

TIM BUSCH — SUBMITTED
STEPHEN SULLIVAN — APPROVED

SAFCA

PRIVATE IRRIGATION FACILITY RELOCATION PROJECT
SACRAMENTO RIVER EAST LEVEE REACHES 1-4A
PLAN AND PROFILE, STA 86+36 TO STA 98+00

VERIFY SCALES
BAR IS ONE INCH ON ORIGINAL DRAWING. ADJUST SCALES FOR REDUCED PLOTS
0 1"

DRAWING NO. PF-8
SHEET 14

S:\11415-01\800\11\PDN\Private Irrigation 1-4\10a-20-11 Record Drawings\11413-00-08002-PF-8.dwg May 23, 2013 - 4:33pm

EXHIBIT "A"
WATER CONVEYANCE FACILITIES EASEMENT
LEGAL DESCRIPTION

A strip of land 10.00 feet wide in the County of Sutter, State of California, in Section 36, Township 11 North, Range 3 East, Mount Diablo Meridian being a portion of Lots 64, 65 and 66 as said lots are shown on that certain Map of Natomas Bennett Subdivision filed in Book 3 of Surveys, at Page 83, of Sutter County Records, the westerly line of said strip being described as follows:

BEGINNING at a point on the southerly line of said Lot 66, said point being the southeasterly corner of the lands of SAFCA as said lands are described in that certain Final Order of Condemnation recorded as Document No. 2010-0014618 of Official Records of said County, said point also being the beginning of a non-tangent curve concave westerly having a radius of 6,356.00 feet, to which point a radial line bears South 84°03'51" East, thence along the easterly line of said lands of SAFCA, the following two (2) courses: 1) along said curve through a central angle of 07°22'28" an arc distance of 818.09 feet (said curve being subtended by a chord which bears North 02°14'55" East 817.52 feet) and 2) North 01°26'20" West 659.37 feet to a point thereon, said point being the intersection of said easterly line with the northerly line of "Pipe No. 2 Easement" as described in said Final Order of Condemnation, said point being the **POINT OF TERMINATION**.

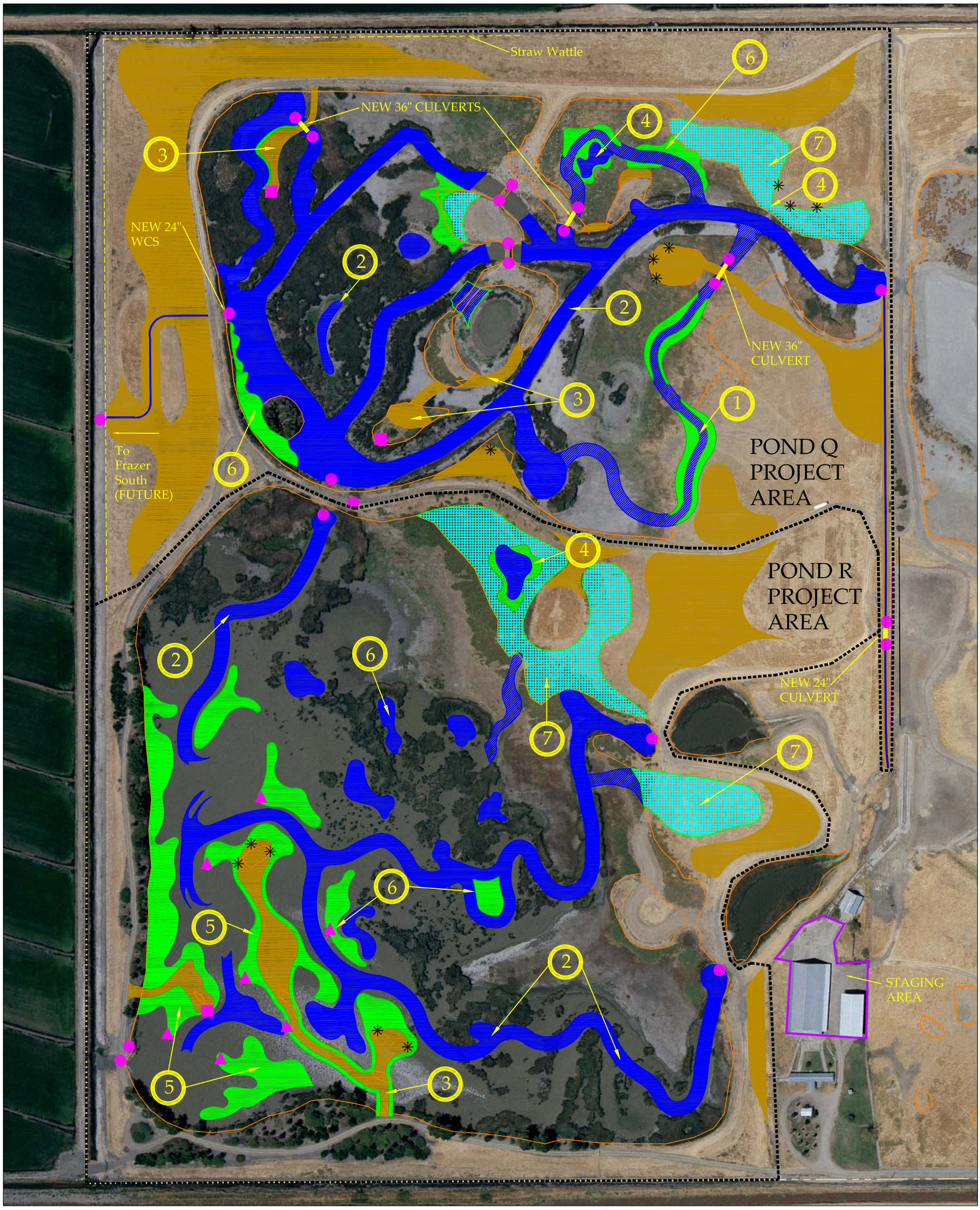
Containing 0.339 acres, more or less.

The basis of bearings for this description is NAD 83, California State Coordinate System, Zone 2 (1991.35 epoch date) as shown on Record of Survey filed in Book 18, Page 120, Sutter County. All distances cited herein are grid, to obtain ground values multiply by 1.00006027.

The above-described real property is identified as "10.00' Wide Water Conveyance Facilities Easement" on the plat labeled "Exhibit B" attached hereto and made a part hereof.

End of Description

P:\SAFCA\2006.NLIP\survey\legals\Sac-River-2008\Legals\Lauppe South River Pump-WaterEsmt.doc



LEGEND

- Uplands 'Spoils Area'
- New Tule Bench
- Open Water Bottom Maintenance Excavation
- New Wetland
- New Open Water - Shallow Swale
- Delineated Wetland - prior to pond maintenance
- Rock Placement - Structures
- Rock Placement - Habitat Rock Mounds
- Rock Placement - Fetch/Erosion Prevention
- Tree Placement

DESIGN FEATURE ADJUSTMENTS

1) Increase connectivity for GGS dispersal.

2) Maintain habitat functionality with water flow along perennial edge.

3) Increase access for both monitoring staff and maintenance.

4) Expand Perennial Wetland and Seasonal Wetland edge for young-of-the-year GGS dispersal.

5) Rebuild and protect Perennial Wetland edge to provide GGS core marsh habitat.

6) Increase interspersion of Open Water and Perennial Wetland habitats to maximize foraging opportunities.

7) Increase Seasonal Wetland areas for juvenile GGS and prey species development.

Natomas
Mutual Water Company

2601 W. Elkhorn Blvd.
Rio Linda, CA 95673
Office 916 419 5936
Fax 916- 419 8691

RECEIVED
APR 2 8 2014

IMPORTANT WATER SUPPLY UPDATE #5

DATE: April 24, 2014

TO: Natomas Mutual Water Company Shareholders and Water Users

SUBJECT: Bureau of Reclamation Water Official 2014 Allocation Announcement

April 2014 Water Supply Update

We have received the official communication from the USBR announcing that they have increased our water allocation from the original forecast of 40% to 75%. At this level of allocation, Natomas will be able to provide its shareholders adequate water for the historically irrigated fields within the Company. Water conservation will be important, and everyone should do their best to utilize conservation practices.

As a result of the increased water costs from the USBR, the Water Tolls for this season will see an increase from $8.10 per acre foot to $10.50 per acre foot. We are currently working to implement alternate means to generate revenue to help mitigate these charges and provide some relief to our Shareholders and Growers.

If you have any questions, please contact us at 916-419-5936 or awolken@natomaswater.com

Natomas
Mutual Water Company

2601 W. Elkhorn Blvd.
Rio Linda, CA 95673
Office 916 419 5936
Fax 916- 419 8691

RECEIVED
APR 2 1 2014

IMPORTANT WATER SUPPLY UPDATE NOTICE #4

DATE: April 15, 2014

TO: Natomas Mutual Water Company Shareholders and Water Users

SUBJECT: Bureau of Reclamation Reduction of 2014 Water Supply

April 2014 Water Supply Update

The 2014 Irrigation Season continues to be a trying water season. Currently we have not received an updated water allocation from the USBR since mailing our February Allocation Letter. Although we do not expect an updated letter until the week of April 21st, during the most recent discussions with USBR we were being told that our allocation for the 2014 Water Season will be 75%. If we secure the 75% allocation we will have adequate water to serve historically irrigated lands within the Company. When we receive an update on the allocation we will notify you immediately.

We are expecting increased water costs from the USBR due to the decrease in supply. This will potentially increase the water costs for the 2014 Water Season. To offset these increased water costs we will be working on our conjunctive use program to allow for water transfers. The revenue from the water transfers will be used to cover the increased water costs. Over the next month we will work with well owners on these agreements.

We will keep you informed of any changes as they occur. If you have any questions or concerns, please contact us at 916-419-5936.

Natomas
Mutual Water Company

RECEIVED
MAR 19 2014

2601 W. Elkhorn Blvd.
Rio Linda, CA 95673
Office 916 419 5936
Fax 916- 419 8691

IMPORTANT WATER SUPPLY UPDATE NOTICE #3

DATE: March 17, 2014

TO: Natomas Mutual Water Company Shareholders and Water Users

SUBJECT: Bureau of Reclamation Reduction of 2014 Water Supply

March 2014 Water Supply Update

The 2014 Irrigation Season is looking to be a difficult one due to the current drought. **Based on current discussions we do not expect an increase in our allocation above 50% and the potential still exists for a reduced allocation below the current 40% level.** An update of the estimated water allocations is expected about March 21st. At a 40% allocation we are not planning to supply water to non-shareholder lands. If a 75% allocation is reached the supply to non-shareholder lands will be reevaluated.

We are working hard to understand the decisions being made on water allocations and to ensure our water contracts remain intact. NMWC, together with other Sacramento River Settlement Contractors, are working with the United States Bureau of Reclamation, California State Water Resources Control Board, and elected officials to ensure our interests are represented in the water discussions.

We are still in our winter water contract until April 1st. Any irrigation or pre-irrigation that can occur before April 1st is not affected by the decrease in allocation and will not reduce your 2014 Irrigation Season allocation. **We encourage all irrigation or pre-irrigation that can occur before April 1st.**

Please submit your water applications if you have not done so. We will keep you informed of any changes as they occur. If you have any questions or concerns, please contact us at 916-419-5936.

United States Department of the Interior

BUREAU OF RECLAMATION
Mid-Pacific Regional Office
2800 Cottage Way
Sacramento, CA 95825-1898

IN REPLY REFER TO:

MP-400
WTR-4.03

APR 18 2014

Mr. John Roberts
2150 River Plaza, Suite 460
Sacramento, California 95833-4135

Subject: Update to 2014 Notice of Water Supply Conditions and Availability, Critical Year Water Supply, Central Valley Project (CVP), California, Water Year (WY) 2014

Dear Mr. John Roberts,

This letter is a follow up to our February 15, 2014 letter, wherein the Bureau of Reclamation forecasted that it could only make available 40% of your Contract total due to drought and extreme hydrology in WY 2014. In that letter, we committed to provide status reports of the hydrology and updates on our operations.

The Central Valley has experienced improved hydrology since the February 15 letter, but the drought and poor hydrologic conditions continue. Based upon Reclamation's analysis of the most recent runoff forecasts, Reclamation has determined that the full natural inflow into Lake Shasta for the current water year remains well below 3.2 million acre-feet (MAF). Generally, when the natural inflow is below 3.2 MAF, your Contract total is reduced by 25% for WY 2014 water year.

However, the continued drought and unique hydrology has made meeting that diversion difficult and has forced Reclamation and the Sacramento River Settlement (SRS) contractors to explore creative solutions. In this regard, Reclamation's latest modeling, based on more recent run-off forecasts, supports provision of a 75% Contract supply, but only if the SRS contractors defer diversions of Base Supply in April and May 2014, to later in the water year.

If you immediately cease and defer a significant portion of diversions under your Contract in April and May 2014, for this water year and this year only, Reclamation will allow rescheduling of that amount of Base Supply not diverted in April and May, 2014 into the critical months defined in the contract. Reclamation will also, for this year and this year only, waive any charges for rescheduling Base Supply from April and May, 2014, into the critical months. Furthermore, for this year and this year only, Reclamation will waive the requirements of Article 8(a)(1) of your Contract, and you will only be charged for the quantity of Project Water that you actually divert this water year.

In support of this rescheduling plan please submit a diversion schedule to Reclamation, that is consistent with your Contract and the terms of this letter. Please be aware that any rescheduling must be consistent with Reclamation's modeling and forecasts that support the rescheduled diversions. We will promptly review your schedule and advise you of any need to adjust it. Absent this rescheduling of your Base Supply, due to the continued drought and hydrologic conditions this water year, Reclamation cannot guarantee that conditions will allow for the diversion of 75% of your Contract total.

Please continue to implement all required contingency plans and water conservation measures within your water service areas. We look forward to working with you over the next few weeks to finalize modified scheduling for the 2014 Water Year, and ask that you work through Mr. Rich Robertson at 530-934-1383 or rrobertson@usbr.gov.

Sincerely,

David G. Murillo
Regional Director

the NATOMAS BASIN conservancy

EXECUTIVE DIRECTOR'S REPORT

Sherry Arkfeld
1214 McIntosh Way
Roseville, CA 95678
(916) 223-2626

April 11, 2014

John Roberts
The Natomas Basin Conservancy
2150 River Plaza Drive, Suite 460
Sacramento, CA 95833

Dear John,

Please accept this letter as formal notification that I will be leaving my position with the Conservancy on April 30, 2014.

Thank you for the opportunities you have provided me during my time with the Conservancy. I will do all I can to be of assistance during the transition.

Very truly yours,

Sherry Arkfeld

SUTTER COUNTY
DEVELOPMENT SERVICES DEPARTMENT

Building Inspection
Code Enforcement
Planning

Environmental Health
Emergency Management
Fire Services

Engineering
Road Maintenance
Water Resources

RECEIVED
MAR 25 2014

March 20, 2014

The Natomas Basin Conservancy
Attn: John Roberts, Executive Director
2150 River Plaza Drive, Suite 460
Sacramento, CA 95833

Re: Request for a Revision to the Natomas Basin Habitat Conservation Plan (NBHCP)

Dear Mr. Roberts,

This letter is follow-up to recent correspondence between Sutter County and the U.S. Fish and Wildlife Service and California Department of Fish and Wildlife that the Conservancy has been previously provided.

On January 29, 2014, Sutter County received a letter (see attachment) from the above wildlife agencies requesting additional information and clarification about Sutter County's proposed development area within its portion of the Natomas Basin. In this letter, the wildlife agencies suggested that Sutter County should pursue a revision to the NBHCP pursuant to NBHCP definitions and pages VI-47 to VI-49 of the plan to clearly define its Permit Area.

On February 7, 2014, Sutter County responded to the wildlife agencies (see attachment) agreeing that Exhibit C of the Implementing Agreement and Figure 2 of the NBHCP require updating and committed to pursue submission of the revision of these two maps within 60 days (April 7, 2014).

This letter constitutes Sutter County's request for a revision to the NBHCP pursuant to NBHCP definitions and pages VI-47 to VI-49 of the Plan.

As background, Sutter County established a 10,500-acre Industrial/Commercial (I/C) Reserve as part of its 1996 General Plan. This reserve was reduced by approximately 1,000 acres in 2003 by Sutter County Planning Project GPA#03-11 pursuant to Section 3.1.2(b) of the Implementation Agreement for the NBHCP.

In 2009, Sutter County approved the Sutter Pointe Specific Plan establishing the boundaries for Sutter County's "Permit Area" within the Natomas Basin and eliminating the remnants of the Industrial/Commercial Reserve designation lying outside Sutter Pointe's boundaries.

Based upon the approval of Sutter Pointe and review of the NBHCP and Implementation Agreement, it appears that Figures 2 and 16 of the NBHCP and Exhibit C of the Implementation Agreement require updating. Those exhibits currently depict the County's larger Industrial/Commercial Reserve area that no longer exists and does not reflect approval of the Sutter Pointe Specific Plan.

Attached, please find a map depicting Sutter County's "Permit Area", which is also the boundary of the Sutter Pointe Specific Plan together with affected Assessor's parcels. Information on this map can be used by the Conservancy to update Figures 2 and 16 of the NBHCP and Exhibit C of the Implementation Agreement as needed. When comparing the new and existing maps, one can see that Sutter County's "Permit Area" covers significantly less acreage than the previous 10,500± acre I/C Reserve.

It is our understanding that Sutter County committed to the wildlife agencies during the 2003 NBHCP development and approval process that once its "Permit Area" was established, the County would more accurately detail it in revised maps. With the approval of the Sutter Pointe Specific Plan, it is now possible to delineate the County's Permit Area and the County believes a Plan Revision is appropriate and the enclosed map accomplishes that goal.

The proposed Plan Revision will not result in operations under the NBHCP that are different since the area in question is not larger than the originally approved acreage nor does it extend outside any portion of the originally-approved acreage. Moreover, it will not result in adverse impacts on the environment or the NBHCP's covered species that are new or significantly different from those analyzed in connection with the NBHCP as approved. The Sutter Pointe Specific Plan is within the boundaries of the County's former I/C Reserve and this area was previously identified and analyzed as the County's future development area.

Please contact me with any questions you may have.

Sincerely,

Danelle Stylos
Director of Development Services

Attachments: January 28, 2014 letter received from Wildlife Agencies
February 7, 2014 letter of response provided by Sutter County
Map of Sutter County's Permit Area

P:\Planning\Projects - Misc\NBHCP\Letter Requesting revision to NBHCP to account for Sutter Pointe.docx

US Fish & Wildlife Service
Sacramento Fish and Wildlife Office
2800 Cottage Way, Room W-2605
Sacramento, CA 95825-1846
(916) 414-6600
FAX (916) 414-6712

Department of Fish & Wildlife
North Central Region
1701 Nimbus Road, Suite A
Rancho Cordova, CA 95670
(916) 358-2900
FAX (916) 358-2912

JAN 2 8 2014

Danelle Stylos
County of Sutter
1130 Civic Center Boulevard
Yuba City, California 95993

Subject: Sutter County Permit Area for the Natomas Basin Habitat Conservation Plan/Incidental Take Permit (ITP# 2081-2003-018-02)

Dear Ms. Stylos:

The California Department of Fish and Wildlife (Department) and the U.S. Fish and Wildlife Service (Service) have reviewed the *2030 General Plan* for Sutter County and the Sutter Pointe Specific Plan (Specific Plan). The purpose of our letter is to request additional information on these plans and to provide Service and Department policy relative to our permits.

Please be aware the Specific Plan identifies for development a larger area (7,500 acres) than what is permitted under the NBHCP (7,467 acres). Therefore, the Department and Service requests information on Sutter County's permitted area within the 10,500 Industrial Commercial Reserve as mapped in the Natomas Basin Habitat Conservation Plan (NBHCP). At the time the NBHCP was adopted and the associated Incidental Take Permits (ITP) issued, Sutter County had not finalized their General Plan or zoning map. The Sutter County permit area includes 7,467 acres permitted under the plan within a larger 10,500-acre Industrial Commercial Reserve (see page III-16 of the NBHCP and the enclosed map). It is our understanding that once the map was finalized the NBHCP and associated ITP's would be updated to provide clarity of the permitted acres and identify conservation goals and objectives. This update should be provided as a "revision" (NBHCP, definitions and pages VI-47 to VI-49), which does not "...result in operations under the NBHCP that are significantly different from those analyzed in connection with the NBHCP as approved, result in adverse impacts on the environment that are new or significantly different from those analyzed in connection with the NBHCP as approved".

The Department and the Service request that the 33-acre difference be addressed by the County. We request that the County of Sutter provide a formal letter requesting a revision to the Sutter County Permit Area shown in Exhibit C of the Implementing Agreement and Figure 2 of the NBHCP to reflect the location of the 7,467 permitted acres. The map would be formally included in the administrative record of the NBHCP. Finally, the AutoCAD, ArcGIS or other geo-referenced format of the area should be provided for planning purposes.

If you have questions, please contact Angela Calderaro, Senior Environmental Scientist at (916) 358-2920 or Angela.Calderaro@wildlife.ca.gov or Kellie Berry, Chief of the Sacramento Valley Division at (916) 414-6600 or kellie_berry@fws.gov.

Sincerely,

Jennifer M. Norris
Field Supervisor
USFWS

Tina Bartlett
Regional Manager
Region 2, CDFW

Enclosure

cc:
Jeff Drongesen, CDFW, jeff.drongesen@wildlife.ca.gov
Jennifer Navicky, CDFW, jennifer.navicky@wildlife.ca.gov
Angela Calderaro, CDFW, angela.calderaro@wildlife.ca.gov
Kellie Berry, USFWS, kellie_berry@fws.gov
Ken Sanchez, USFWS, kenneth_sanchez@fws.gov
Scot Mende, City of Sacramento, SMende@cityofsacramento.org
John Roberts, Natomas Basin Conservancy, jroberts@natomasbasin.org

SUTTER COUNTY
DEVELOPMENT SERVICES DEPARTMENT

Building Inspection
Code Enforcement
Planning

Environmental Health
Emergency Management
Fire Services

Engineering
Road Maintenance
Water Resources

February 7, 2014

Jennifer M. Norris
Field Supervisor
US Fish & Wildlife Service
Sacramento Office
2800 Cottage Way, Room W-2605
Sacramento, CA 95825-1846

Tina Bartlett
Region 2 Manager
Department of Fish and Wildlife
North Central Region
1701 Nimbus Road, Suite A
Rancho Cordova, CA 95670

Re: **Sutter County Permit Area for the Natomas Basin Habitat Conservation Plan (NBHCP)/Incidental Take Permit (ITP#2081-2003-018-02)**

Dear Ms. Norris and Ms. Bartlett,

Sutter County thanks you for your January 28, 2014, correspondence requesting clarification about Sutter County's development within the Natomas Basin.

As background, Sutter County established a 10,500 acre Industrial/Commercial Reserve as part of its 1996 General Plan. This Reserve was reduced by approximately 1,000 acres in 2003 (Sutter County Planning Project GPA#03-11) pursuant to Section 3.1.2(b) of the Implementation Agreement for the Natomas Basin Habitat Conservation Plan.

In 2009, Sutter County approved the 7,500± acre Sutter Pointe Specific Plan establishing the boundaries for Sutter County's development area within the Natomas Basin and eliminating the remnants of the Industrial/Commercial Reserve lying outside the boundaries of Sutter Pointe.

Your correspondence identifies a discrepancy between the 7,500± acre Sutter Pointe plan and Sutter County's authorized development area of 7,467 acres. The difference in this acreage exists because there are 57± acres of existing roadways within the boundaries of Sutter Pointe comprising Sankey, Riego, and Natomas Roads and Pacific Avenue within Sutter Pointe. If one deducts this acreage from the 7,500± acres Sutter Pointe total, this establishes 7,443± acres within Sutter Pointe to be developed, and this is within Sutter's County's development threshold.

Sutter County agrees that Exhibit C of the Implementing Agreement and Figure 2 of the NBHCP require updating and Sutter County will pursue submission of a revision of these two maps with the Conservancy within the next 60-days. As part of this revision process, Sutter County will provide a GIS layer of this area for planning purposes.

Please call me if you wish to discuss this matter further.

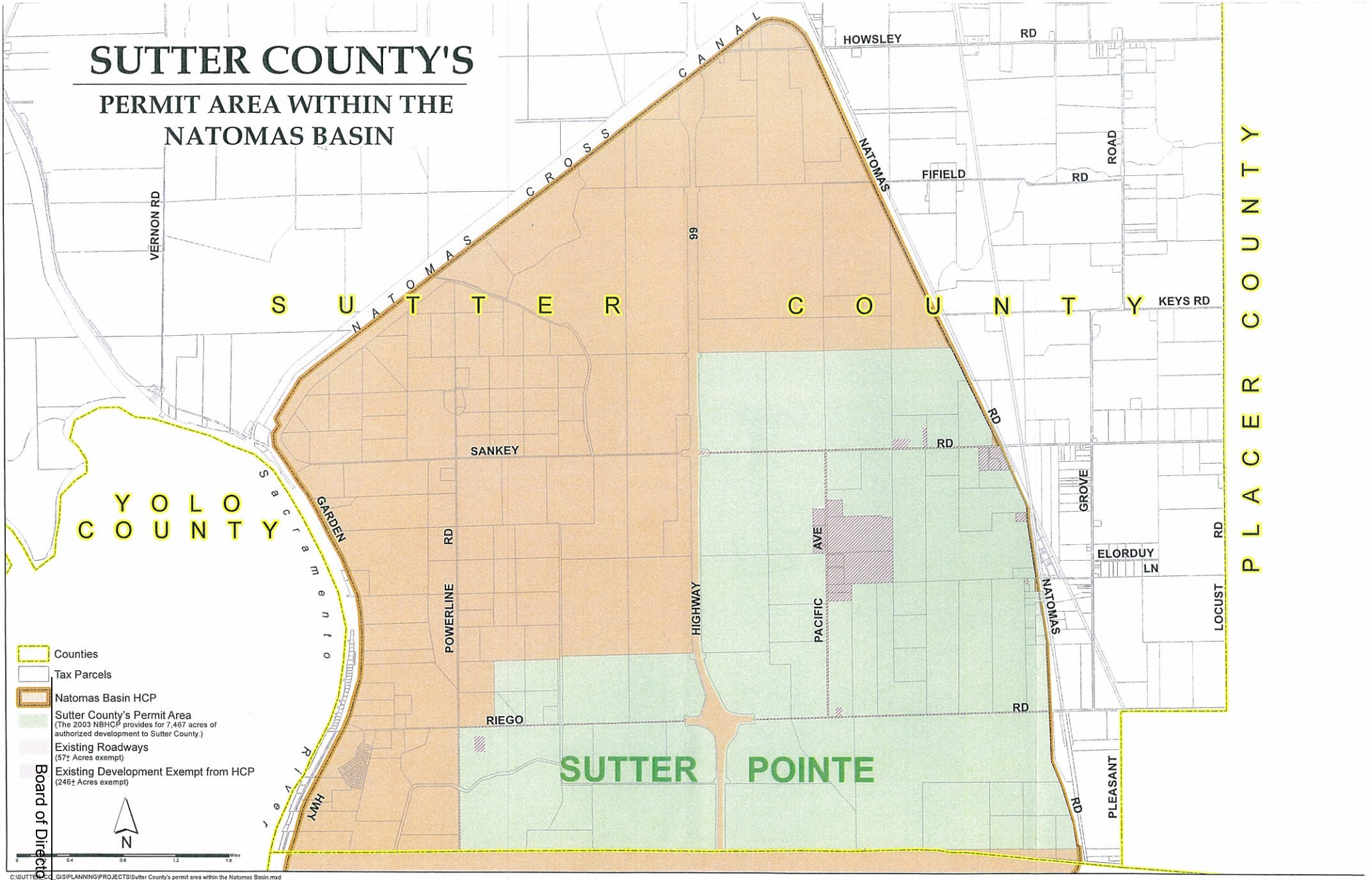
Sincerely,

Danelle Stylos
Director of Development Services

cc: Jeff Drongesen, CDFW, jeff.drongesen@wildlife.ca.gov
Jennifer Navicky, CDFW, Jennifer.navicky@wildlife.ca.gov
Angela Calderaro, CDFW, angela.calderaro@wildlife.ca.gov
Kellie Berry, USFWS, kellie_berry@fws.gov
Ken Sanchez, USFWS, Kenneth_sanchez@fws.gov
Scot Mende, City of Sacramento, SMende@cityofsacramento.org
John Roberts, Natomas Basin Conservancy, jroberts@natomasbasin.org
George Carpenter, georgemcarpenter@comcast.net

SUTTER COUNTY'S

PERMIT AREA WITHIN THE NATOMAS BASIN



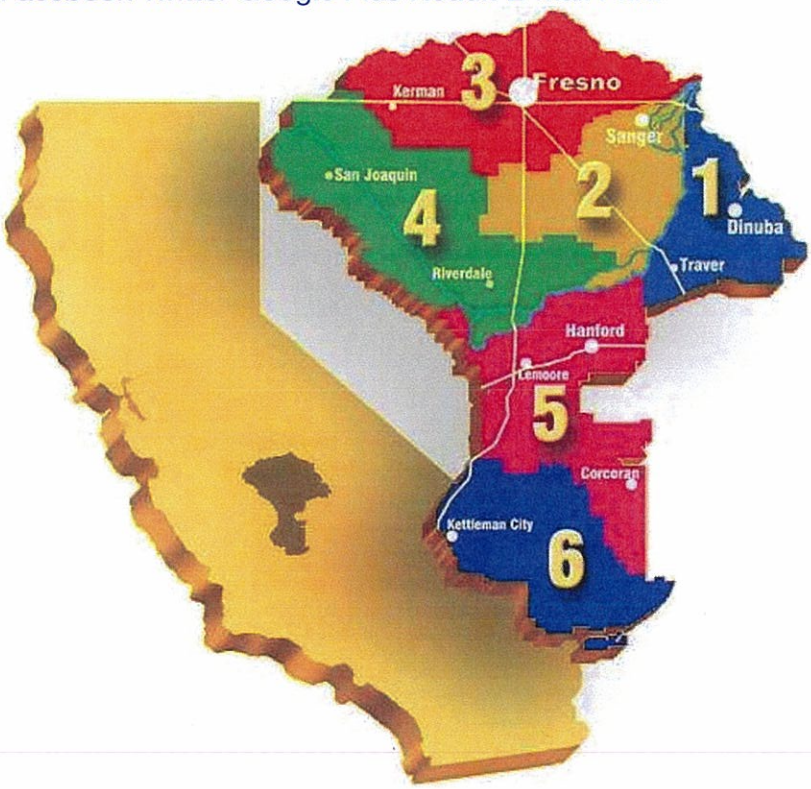
FresnoBee.com

EARTH LOG MARK GROSSI

Valley farmers face deadline, possible fine on groundwater

Posted by Mark Grossi on April 28, 2014 Updated 23 hours ago

Facebook Twitter Google Plus Reddit E-mail Print



Farmers in a vast swath of the San Joaquin Valley must sign up for the groundwater protection program by May 19.

KINGS RIVER CONSERVATION DISTRICT — KRCD

State water quality enforcers are telling farmers it's time to join a groundwater protection program that has been in the making for many years -- sign up by May 19 or face fines.

The deadline is for farmers in Fresno, Kings and parts of Tulare counties. The land is within the Kings River Conservation District, which is leading a coalition of growers to comply with the order.

Many farmers already are in the program, but for those who miss the deadline, the state may remind them with a notice of violation. Those who continue to delay could eventually be fined up to $1,000 a day.

The idea is to monitor underground water and control discharges of contaminants, such as fertilizers and pesticides.

Water activists consider the decade-long campaign to regulate irrigation discharges an important step in dealing with contamination of wells in rural San Joaquin Valley towns.

The Valley's most widespread drinking-water problem is nitrates, according to a study from the University of California at Davis. The 2012 study says 96% of the problem comes from agriculture, and it threatens the drinking water of 250,000 Valley residents.

Nitrates are chemicals from farm fertilizers, septic systems, animal waste and decaying plants. They can cause a potentially fatal infant blood disease, called blue-baby syndrome. Nitrates also have been connected to several cancers.

Farm leaders say the nitrate problems are from past decades, and that modern, efficient farming does not include the overuse of fertilizers.

For the groundwater protection program, state water officials have mailed thousands of signup reminders to farmers.

They can either join the coalition of farmers in the Kings River Conservation District, called the Kings River Water Quality Coalition, or they can sign up directly with the state and possibly have to hire a consultant, adding to their costs.

To sign up with the coalition, call (559) 365-7958 or go to the website. To sign up with the regional board, (559) 488-4396 or go to the website.

"They have an obligation to sign up, one way or the other," said Clay Rodgers of the Central Valley Regional Water Quality Control Board in Fresno.

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Join The Conversation

The Fresno Bee is pleased to provide this opportunity to share information, experiences and observations about what's in the news. Some of the comments may be reprinted elsewhere in the site or in the newspaper. We encourage lively, open debate on the issues of the day, and ask that you refrain from profanity, hate speech, personal comments and remarks that are off point. Thank you for taking the time to offer your thoughts.

Commenting FAQs | Terms of Service

From: do_not_reply@waterboards.ca.gov
Subject: Storm Water Documents(Annual Report) submitted to State Water Board
Date: April 4, 2014 at 2:51 PM
To: jroberts@natomasbasin.org
Cc: r5s_stormwater@waterboards.ca.gov

Owner/Operator:
The Natomas Basin Conservancy A California Nonprofit Public Benefit Corporation
2150 River Plaza Drive
Sacramento CA 95833

Facility/Site:
Phase 3 Betts Kismat Silva North Course Habitat Preserve
8701 East Levee Road
Elverta CA 95626

WDID: 5S34C366159
Application Id: 790248
Permit Type: Construction
Status: Submitted
Submission Date: 04/04/2014

Your ANNUAL REPORT with the above details was submitted to the Water Boards

Water Boards will be reviewing the submitted documents. To view the status of this application,
please login to your account at: https://smarts.waterboards.ca.gov/

The hash value of the copy of record is as follows:7d2a5a94f6885f56e4542c89e29768832d2b32ad480332cc76c25fe8143b4

In order to download Copy of Record, login into SMARTS at https://smarts.waterboards.ca.gov/ and click on the certification tab of the Annual Report.
Below the acknowledgement, click on the Download Copy of Record Button

If you have any questions, please contact the SMARTS Help Center at stormwater@waterboards.ca.gov or 1-866-563-3107.
You can also contact the Regional Water Board at r5s_stormwater@waterboards.ca.gov.

Thank you,
Storm Water Section

From: do_not_reply@waterboards.ca.gov
Subject: Your submitted Notice of Termination Review - Status update
Date: April 7, 2014 at 8:36 AM
To: jroberts@natomasbasin.org
Cc: r5s_stormwater@waterboards.ca.gov

Owner/Operator:
The Natomas Basin Conservancy A California Nonprofit Public Benefit Corporation
2150 River Plaza Drive
Sacramento CA 95833

Facility/Site:
Phase 3 Betts Kismat Silva North Course Habitat Preserve
8701 East Levee Road
Elverta CA 95626

WDID: 5S34C366159
ApplicationId: 522858
Permit Type: Construction
Status: Approved
Submission Date: 04/04/2014

Your NOTICE OF TERMINATION is Approved.

Login to your account at: https://smarts.waterboards.ca.gov/

If you have any questions, please contact the SMARTS Help Center at stormwater@waterboards.ca.gov or 1-866-563-3107.

You can also contact the Regional Water Board at r5s_stormwater@waterboards.ca.gov.

Thank you,
Storm Water Section

March 5, 2014

Felicia Marcus, Chair
State Water Resources Control Board
1001 I Street, Sacramento, CA 95814

RE: Comments on Drought Actions and Potential Impacts to Refuges and Central Valley Wetlands

Dear Chair Marcus and Members of State Water Resources Control Board:

Our groups are writing to provide the Board and related agencies information about the continuing stress and adverse consequences that the drought is causing to critical ecosystem values that are at stake along the Pacific Flyway. Recognizing the complex interests the Board must balance and weigh in this critical—and now compounded—third dry year, we recommend priorities and actions to protect basic habitat for waterfowl and migratory birds, especially in the Central Valley refuge areas.

In sum, our concerns are that the ongoing drought this year will compound impacts to wetland wildlife, already stressed by declining water supplies to our state and federal refuges and other managed wetland habitats over the last 2 dry years. This year, Central Valley refuges anticipate receiving little more than one-quarter of their legally-mandated water supplies. Furthermore, post-harvest flooding of wildlife-friendly farmland—a collaborative success story for agriculture and the environment that has provided a vital component of or the flyway habitat mosaic necessary to support birds by supplementing public and private managed wetland habitat—could decline severely this year because of potential water supply curtailments.

The loss of flooded agricultural habitat places overwhelming pressure on our public and private refuges, and cuts to refuge water deliveries make refuges less able to provide food

resources and nesting habitat for millions of birds and other species. Collectively, available habitat may be reduced to levels not seen since the early 1980s. We must consider these collective and compounding effects on birds and other wetland-dependent wildlife and safeguard against so much habitat loss in the Central Valley.

We appreciate and recognize the challenge confronting the Board to balance all interests in response to the drought and increasingly scarce water resources. We understand through the proposed revisions to the Board's Emergency Order (February 28, 2014) that the Board staff continues to seek an overall water management strategy that addresses multiple public interests, including contractual obligations for both urban and agricultural water users, water quality considerations, and conservation of fish and wildlife. We also recognize the important objective of maintaining salinity control in the Delta throughout 2014. We continue to support the Board's efforts to anticipate and plan for continued drought conditions, and to ensure enough water is stored for the health and safety of all Californians, while also recognizing north-of-Delta, in-Delta, and south-of-Delta environmental protections. However, we discourage the Board from being too hasty. Take action only after directly engaging with agencies and organizations, considering all information provided by the state and federal water projects and creative solutions proposed by water users.

Protecting Central Valley wetlands is critically important – especially during drought.

California's public refuges, private wetlands, and some agricultural land provide indispensable habitat along the Pacific Flyway—together piecing together less than one-tenth of the four million wetland acres that once supported migrating birds and other wildlife before human development over a century ago. Millions of birds depend on these wetlands to rest and feed between long flights of hundreds or even thousands of miles. Their over-winter survival and breeding success from one season to the next is critically linked to the quality, abundance, and distribution of wetlands in the Central Valley. These relatively few remaining wetland areas are not incidental; their existence depends on dedicated water supplies and active management.

During the last severe California drought in the late 1970s, curtailments to refuge water deliveries resulted in significant impacts to wetland habitat and waterbird populations, especially wintering waterfowl. Further declines in the 1980s ultimately led to federal legislation and international agreements to mitigate for and reverse the damage.

Since the 1980s, thousands of acres of wetland habitat have been restored, and thousands more have been supplemented through compatible agricultural practices such as post-harvest flooding of rice and corn. Central Valley rice fields and wetlands collectively have been designated one of the largest internationally significant shorebird ecological sites in North America. Populations of many once-listed or declining species, such as the Aleutian Canada goose and White-faced ibis, have improved significantly. Recreation opportunities such as hunting and birdwatching have benefitted local communities and economies.

This drought—now entering a third consecutive dry year—threatens to dramatically impact the value of these long-term public investments. In particular, the cumulative impacts of habitat lost on both refuges and agricultural land presents an unprecedented challenge to birds and other wetland-dependent wildlife, and it may take many years for populations to recover. Unquestionably, our farms and communities are suffering during this drought. So, too, are migratory birds, resident waterfowl, and other wetland wildlife. These species have no insurance policy to recover from the significant loss of habitat they could suffer this year if no action is taken. To protect our public investments and international commitments, we must provide a backstop to so much habitat loss in the Central Valley by prioritizing and augmenting water supplies to the remaining 5 percent of California wetlands.

It is our hope that the Board's actions will help provide a backstop to severe cutbacks in agricultural wetland habitat by prioritizing water supplies to public and private wetlands, especially in dry years.

In consideration of substantial public investments in Pacific Flyway habitat over many years as well as international commitments to recover migratory bird species in the Central Valley, the Board's considerations and actions should:

- Recognize that the remaining wetlands are a fraction of historical wetlands in the Central Valley, and thus require adequate water to be optimally managed to support the millions of migratory birds that depend on them in wet and dry years. With dwindling agricultural habitat, these wetlands face overwhelming pressure to provide for birds.
- Maintain water deliveries to managed wetlands. Legal commitments to refuge water contracts should not be compromised, especially in drought years. This is exactly the moment when larger ecological values in the flyway are most at risk.
- Provide funding for refuge infrastructure improvements and operations, such as groundwater wells for critical-year supplies, wherever feasible and appropriate.
- Allow refuges to manage forecasted water supplies optimally and efficiently by providing assurances that conserved water will be kept available for delivery in fall, when needed most by refuges to flood up wintering habitat for millions of arriving birds.
- Duly consider our obligations under international commitments as a signatory to the North American Waterfowl Management Plan, an international treaty recognizing the importance of recovering and maintaining waterfowl and other wetland wildlife through wetland restoration throughout North America, by providing water to wetlands in all years.

To minimize wetland habitat losses this year and protect flyway habitat values, we recommend that the Board consider measures to help ensure some wildlife benefits from water transfers, improve infrastructure, and fund emergency water supply operations.

Such measures should include:

- Maximize opportunities to build environmental benefits into these activities that enhance habitat for resident and migratory waterbirds. Water transfers that take water away from habitat-providing rice and other seasonal crops will likely impact birds and other listed terrestrial species.
- Enhance fallowed farmland resulting from water transfers through landowner incentives to provide habitat for resident nesting birds and other wildlife. For example, cover crops can provide critically important waterfowl nesting habitat with minimal precipitation and little to no supplemental irrigation.
- Seek out collaborative measures between state and federal efforts to make additional funding available to refuges so that existing water supply wells and pumps can operate as necessary to support habitat units, without funding restrictions.
- Where appropriate, rehabilitate existing wells and construct new wells at refuges and easement lands to provide supplemental or alternative water supplies in critical years to safeguard the longevity of established managed wetlands.
- Install new and rehabilitate existing infrastructure to improve water use efficiency of public and private wetland units. For example, functional lift pumps and pipelines can provide wetland managers the ability to reuse water flowing through the wetland units to provide spring irrigations to augment food resources to support migratory waterbirds. Grading ponds can also allow more efficient flooding targeted to foraging waterfowl and shorebirds.

We urge you to begin monitoring conditions on the ground to adaptively build and manage a better systemic response to emergency drought circumstances, now and in the future.

- Investments are needed immediately to gauge stress and impacts during this drought year so wetland managers can best optimize conditions for birds across the valley and provide habitat more precisely when and where it is in greatest demand. Disease outbreaks can signal overcrowding on too little available habitat. Supplemental funding is needed for disease detection, diagnosis, and control so that federal and state refuge managers can manage changing conditions and coordinate water and habitat management across the Valley to minimize disease outbreaks.
- Additionally, long-term monitoring programs should be established or existing programs given renewed support to assess habitat conditions for waterfowl and shorebird populations. Impacts of the drought are complex and long-lasting, and current bird population surveys may not adequately reflect drought impacts.

We, the undersigned parties and organizations, recognize the complex balancing of interests that the Board must weigh in this critical—and now compounded—third drought year. We very much appreciate your consideration of these measures, and we urge the Board to fully consider the cumulative effects that comprehensive "dewatering" of the Flyway may cause. It is within the Board's authority to prioritize multi-benefit actions that can help sustain habitat values in the Central Valley for the benefit of migratory birds and wildlife.

We appreciate your attention to these matters, and look forward to continued dialogue to address the myriad challenges of this drought for the benefit of people, farms, cities, and wildlife.

Sincerely,

Jay Ziegler
Director of External Affairs and Policy
The Nature Conservancy

Erik Vink
Central Valley Program
The Trust for Public Land

Meghan Hertel
Working Lands Program Director
Audubon California

Kim Delfino
California Program Director
Defenders of Wildlife

Mark Hennelly
V.P. Legislative Affairs & Public Policy
California Waterfowl Association

Mark Biddlecomb
Director of Operations, Western Region
Ducks Unlimited, Inc.

CC: State Water Quality Control Board:
Member Francis Spivy-Weber, Vice Chair
Member Tam Doduc
Member Steven Moore
Member Dorene D'Adamo
Karen Ross, Secretary, Department of Food and Agriculture
John Laird, Secretary, California Natural Resources Agency
Matt Rodriquez, Secretary, California Environmental Protection Agency
Chuck Bonham, Director, Department of Fish and Wildlife
Mark Cowin, Director, Department of Water Resources
Nancy McFadden, Executive Secretary, Office of the Governor
Thomas Howard, Executive Director, State Water Resources Control Board
Caren Trgovcich, Chief Deputy Director, State Water Resources Control Board
Sandra Schubert, Undersecretary, Department of Food and Agriculture
Martha Guzman-Aceves, Deputy Legislative Director, Office of the Governor
Debbie Davis, Community & Rule Affairs Advisor, Governor's Office of Planning and Research
Cliff Rechtschaffen, Senior Advisor, Office of the Governor

From: **John Roberts** jroberts@natomasbasin.org
Subject:
Date: April 21, 2014 at 4:59 PM
To: John Roberts jroberts@natomasbasin.org
Bcc: Jim Sopwith Sopwith@myfam.com, Vonita Murray vonitam1@gmail.com, Brian Halstead bhalstead@usgs.gov, Doug Leslie dleslie@icfi.com, Mark Young myoung@westervelt.com, Danelle Stylos dstylos@co.sutter.ca.us, Bradbury, Mike@DWR Mike.Bradbury@water.ca.gov, Jeremy Lor jlor@natomasbasin.org, Kim Burns kburns@natomasbasin.org, Valerie Huezo vhuezo@natomasbasin.org

Please see the photo attached.

A mature giant garter snake was found dead on the gravel road near the Silva residence this morning. It had been run over by a vehicle.

As far as we could tell, the only traffic on the road during the time the snake was likely killed was from the biological monitoring crew (GGS experts), land management staff and residents at 9055 East Levee Road (Silva residence).

Please make all those associated with these operations aware that this is a hugely awful event, and tragic. There are few GGS on this part of the preserves, and losing a mature adult is particularly bad situation.

If you have any further information you could add to this matter, please let me know as soon as possible.

John Roberts
Natomas Conservancy

Forbes

Ashoka
WE WRITE ABOUT CHANGE IN THE MAKING.

ENTREPRENEURS | 4/25/2014 @ 12:00AM | 324 views

How Private Capital Is Restoring U.S. Wetlands

Logan Yonavjak, Contributor

Wetlands are vibrant ecosystems that provide critical wildlife habitat, storm protection and water filtration. Between the mid-1950s and the mid-1970s, natural processes and human activities resulted in the net loss of more than 450,000 acres of wetlands annually.

But by 2008, fewer than 18,000 acres per year were being lost, a 96 percent annual decrease. What happened?

In a phrase, increased compliance with the national "no net loss of wetlands" principle that grew out the 1972 Clean Water Act.

This landmark bill, and subsequent legislation, spurred the creation of "mitigation banks," overseen by the Army Corp of Engineers, to finance wetlands restoration. By restoring wetlands, these banks create credits that developers, private and public, can buy to offset damage to wetlands caused by their projects. Because the system speeds the approval process — and time is money — developers are willing, if not happy, to buy mitigation credits. The developer payments in turn repay the private investors who front the money for banks' restoration work.

photo courtesy of Old Florida Mitigation

In the decades since the first commercial mitigation bank application in 1991, more than 1,900 mitigation banks have been established. By 2008, between $1.1 and $1.8 billion was being spent to restore functioning wetlands annually, protecting approximately 24,000 acres per year.

Despite these gains, this approach is not a panacea; the loss of wetlands is still occurring at a significant rate. These losses are due to a number of different factors, including large-scale erosion and rising sea levels, particularly along coastal areas.

However, the success of this model in wetlands restoration is a prime example of the role government policy can play in catalyzing private capital markets to meet environmental and social challenges. With government funding becoming more constrained, and limited philanthropic capital available, private capital is key to large-scale environmental protection and restoration.

Beyond wetlands, mitigation banks exist to protect other natural resources, like species habitat, known as "conservation banking." In all, 105 banks have been created, resulting in the protection of over 90,000 acres of habitat. Over the years, rules have been refined to better ensure ecological results.

"If you're going to allow people to buy mitigation credits to offset their impact, you better be sure that the credit they're buying is actually making up for the impact," says Adam Davis, a partner at Ecosystem Investment Partners, a private equity firm based in Baltimore that has raised more than $200 million is financing restoration of more than 43,000 acres of wetlands. "However, if it is actually making up for the impact, then it's a great solution, because it allows predictability for developers and it also creates incentives for restoration and conservation professionals."

Changing Perceptions

In 2012, EIP closed its second fund, raising $181 million from pension funds, endowments, and high-net-worth family offices. Significantly, few were "impact" investors; instead, they were attracted to the consistent demand for mitigation credits from energy, infrastructure and other development projects, including government agencies that are required to offset impacts from projects. EIP combines conservation with market rate returns.

Investors are overcoming their preconceptions about both conservation projects and deals that depend on government policy. "We need more success stories in the ecosystem markets space," says Howard Kaplan, who advises institutional investors on real assets opportunities as president of Farmvest Inc. "EIP is a prime case of how a fund can raise $181 million, demonstrate how it can be deployed, and also show how the types of risks and returns private investors are looking for are possible."

The increasing flow of capital means more, and increasingly large-scale projects. EIP's first four projects are restoring approximately 8,000 acres of wetlands. Its most recent four projects, in Minnesota, West Virginia, Louisiana and Kentucky, will restore over 35,000 acres and 100 miles of streams, including some of the largest private restoration projects in the country to date.

Wetlands and stream mitigation banking represents perhaps the most mature of the new ecosystem markets and holds lessons for how policy can be a tool to enlist private capital to drive broader conservation and restoration results. "Consistent application of government policies can help," Davis says, "but this will require more effort to help regulators realize private capital can really flow to solve major environmental problems."

In essence, policy has created a way to internalize what previously were considered economic "externalities." Wetlands provide society with a wide range of critical ecosystem services, like water filtration; however, before the passage of the CWA, they were being degraded because there was no standard way to price them into the cost of development.

Beyond Wetlands

The lessons from wetland mitigation banking can be applied to other ecosystem markets; however, clear ecological success criteria, long-term outcomes, and appropriate financial backing are important requirements that may be tougher to meet in other contexts, such as habitat protection or nutrient trading. For instance, it is difficult to assess a farm's reduction in "units" of nitrogen or phosphorous, which can cause algal blooms and other problems.

Even wetlands restoration, the most mature of the ecosystem markets, isn't ready for Wall Street. Despite some initial large investments, the overall size of the industry is still too small for most institutional investors, such as large pension funds or university endowments, who often invest in the tens to

hundreds of millions.

Here's why. Understanding the monetary value of a particular wetland mitigation project can be difficult for both entrepreneurs and their investors as they seek to perform assessments on individual projects. This means it becomes expensive to understand every single deal, making scalability an issue.

In addition, wetland credits can only be bought and sold in specific local watersheds. These watersheds vary by size and often have different regulators acting under different rules. Therefore, credit prices cannot really be compared across these regions.

However, these markets have gotten considerably more transaction friendly in their 20-year existence. Going forward, there is an opportunity to pilot more sophisticated methods of understanding, managing, and valuing risks.

If outsourced compliance can be shown to be as effective in other areas, more private investors can be attracted to nascent ecosystem markets.

"Policy makers must be engaged to internalize externalities," Davis says, "and to allow a level playing field for investors that actually delivers the kinds of ecosystem conservation and restoration results society desires."

This article is available online at:
http://www.forbes.com/sites/ashoka/2014/04/25/how-private-capital-is-restoring-u-s-wetlands/

Restrictions on Conservancy mitigation land
Sutter County property tax question
Valuations on managed marsh complexes
The Natomas Basin Conservancy
March 6, 2014

General facts:

Conservancy incorporated, federal: *October 21, 1994*
Conservancy incorporated, state: *October 25, 1994*
Federal tax ID number: *68-0344388*
Tax exemption, federal: 501 (c) (3); *March 30, 1995*
Tax exemption, state: 23701d; *April 11, 1995*
First staff employed: *March 15, 1999*
Federal incidental take permit: #TE073667-0; *June 27, 2003*
State incidental take permit (Section 2081 of CESA): *#2081-2003-019-02*
Business address: *2150 River Plaza Drive, Suite 460, Sacramento, CA*

Relevant documents:

--Natomas Basin Habitat Conservation Plan, 2003
--Implementation Agreement (between land use agencies and federal and state governments)
--Metro Air Park Habitat Conservation Plan, 2003
--Implementation Agreement (between land use agencies and federal and state governments)
--Biological Opinion (both HCPs)
--*National Wildlife Federation v. Norton*, September 7, 2005
--Development Agreement by and Between The County of Sutter and The Natomas Basin Conservancy, August 2, 2002

Introduction. The Natomas Basin Conservancy is the "Plan Operator" for the Natomas Basin Habitat Conservation Plan (NBHCP) and the Metro Air Park Habitat Conservation Plan (MAPHCP). (Collectively referred to as the "HCPs" for the purposes of this paper.) It is exempt from taxation at the federal and state level.

The Conservancy's Board members serve without pay[1] and are appointed by the City of Sacramento (five members) and the County of Sutter (five members). All of the

[1] Board members receive a small Board fee to offset expenses for Board service.

Conservancy's revenue is derived from its "exempt" purposes, and there is no "unrelated business income" ("UBI").

Land acquisition. The Conservancy acquires land to facilitate mitigation activities associated with its implementation of the HCPs. Land is acquired at the established mitigation ratio of one-half an acre for each acre of habitat destroyed.

The Conservancy limits its work to a geographic area that is identical to the boundaries of the HCPs and the Incidental Take Permits ("ITPs") issued by the State of California and the U.S. government. The area is commonly referred to at the Natomas Basin. Inside the 53,500-acre Natomas Basin, ITPs have been issued by the state and federal government for 17,500 acres of development. At the 0.5:1 ratio, that means that the Conservancy will end up owning 8,750 acres of mitigation land inside the Natomas Basin.

The Conservancy is required under the terms of the HCPs and ITPs to convert or establish its accumulated mitigation land into three land uses as follows:

50 percent	Rice
25 percent	Upland (e.g., row crops and native grass pastures)
25 percent	Managed marsh

The rice lands and the managed marsh are primarily used for the purpose of providing sanctuary and refuge for one of the HCP's two primary "Covered Species," the Giant Garter Snake (*Thamnophis gigas*), an aquatic snake. The Upland land use acreage and a portion of the Managed marsh acreage is utilized for the purpose of providing sanctuary and refuge for the second of the HCP's two primary Covered Species, the Swainson's Hawk (*Buteo Swainsoni*). There are a total of 22 "Covered Species" that the Conservancy manages mitigation land for.

Restrictions. There are numerous restrictions on Conservancy-owned mitigation land. Some are practical and some are bound in agreements. Those addressed in this paper are as follows:

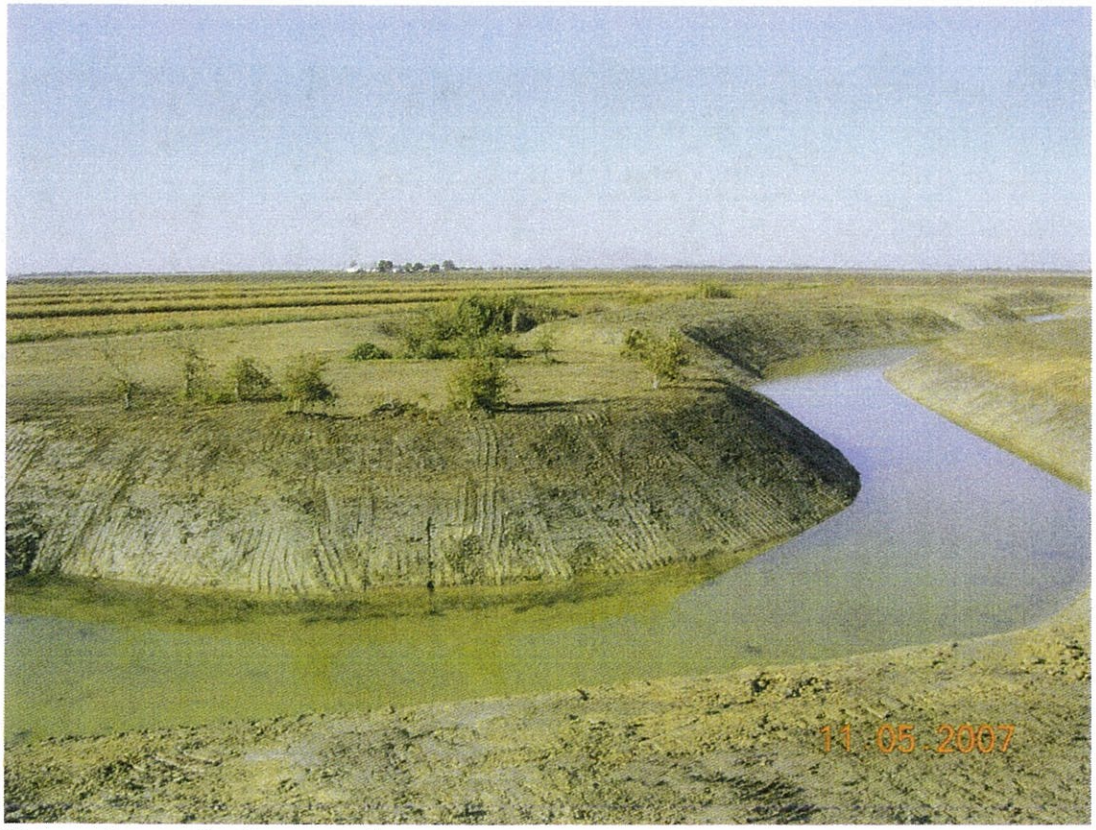
1. Practical land use issues.
2. Implementation Agreements between the State of California and the land use participants in the HCPs.
3. Restrictions on deeds.
4. Inurement.

Practical land use. The Conservancy's most serious question before the County of Sutter tax authorities is the manner in which it assesses and taxes land allocated to the Conservancy's fee-simple owned land used as managed marsh. These acreages are highly modified to serve their purpose as mitigation land for Special Status Species such the aforementioned Giant Garter Snake and another HCP Covered Species, the Western Pond Turtle (*Emys marmorata marmorata*).

The modifications that the Conservancy makes to its managed marsh complexes are substantial. The projects cost as much as $1.3 million to complete (e.g., Lucich North and Frazer North in Sutter County).

To say that Conservancy managed marsh land use projects could be converted back to rice is inconceivable and practically impossible. First, they are in each and every case populated by species of wildlife protected under the State of California's Endangered Species Act as well as the federal government's Endangered Species Act.

Physically, all managed marsh complexes are constructed with a main channel backbone. This main channel is constructed dimensionally to a depth of 5.5 feet below grade. Since all Conservancy marsh complex construction project adhere to a neutral cut-and-fill balance, the "cut" portion of the projects are deposited bankside. As in the photo below, from bottom-of-the-channel to the top of the adjacent berm, the elevation from bottom-of-channel to top-of-berm can be 10 feet or more. Tules are typically planted alongside these banks, creating a "colonnade" effect. While the heights can be impressive can end up being impressive, these are perfect conditions for the Giant Garter Snake, one of the two primary species the Conservancy is responsible for in the Natomas Basin.



Note volume of soil removed.

Above, typical mature managed marsh complex in Sutter County.

A key point demonstrated by these photos is to visualize the dramatic and very substantive land use changes involved in the creation of a NBHCP-compliant managed marsh structure. These are extensive—and very expensive—undertakings. To suggest that they could be changed to produce rice and thus generate income is defective in three regards:

1.) It would mean the Conservancy would walk away from very substantial sums of money to create the marsh complexes in the first place (in the subject case, Lucich North, well in excess of $1.2 million has been spent to create and revise it).

2.) It would necessitate additional large sums of money to fill in extensive channelization and to level above-grade berms. Moreover, it would mean eliminating vast quantities of tule vegetation, a daunting prospect by any means, and likely impossible to be 100 percent effective. And yet further sums of money would need to be spent precision leveling in order to prepare an appropriate rice field. Experts advise the Conservancy that settling of soil and variability in tilth and percolation would take years of expensive work, and may never get resolved in a farmer's lifetime.

3.) Converting a managed marsh complex to rice would require obtaining approval from the NBHCP's Technical Advisory Committee (the "NBHCP TAC"), and because this would result in extirpation of the protected species in the marsh, we cannot imagine that the NBHCP TAC would authorize such a land use change.

It is important to note that prior to converting the land use of all managed marsh complexes in Sutter County, Sutter County required of the Conservancy a Development Agreement, which agreement spells out clearly exactly the land use the Conservancy's managed marsh complexes in Sutter County would be committed to. The County Counsel of Sutter recently re-affirmed to the Conservancy's legal counsel that the subject Development Agreement is legally binding on the County as well as the Conservancy.

The marsh complexes are characterized by deep channels (dug to 5.5 feet below grade) with a neutral cut-and-fill balance. The fill is typically placed along the channel cut so that there exists the steep-sided slopes that are favored by the Giant Garter Snake. When viewed from the bottom of a newly-constructed channel, the embankments, berms and tule colonnades afford something of a "canyon" look and feel.

Implementation Agreements between the State of California and the land use participants in the HCPs. The Implementation Agreements ("IA") signed between the County of Sutter and the federal and state governments (the City of Sacramento, Metro Air Park and the Conservancy have executed similar agreements) bind Sutter County to assuring that the NBHCP is implemented according to agreement. These are binding contracts.

Restrictions on deeds. The Conservancy owns the properties it holds in fee simple. This is largely because of two conditions in the HCPs. First, there are "adaptive management" provisions that must be followed. That is, if some preserve is not performing adequately to meet biological effectiveness provisions of the HCPs, the Conservancy, acting as Plan Operator, must adapt how it manages the property. This could mean substantive changes on the property that could change its land use entirely. SO, for example, if a property were in one of the three allowed land uses under the HCPs, managed marsh, and because of soil types the marsh complex could not retain water, then the Conservancy would adapt the land use to, say upland, another of its three land uses. Under conservation easements, it would difficult or impossible to change a land use from, say, rice production to managed marsh, as the underlying fee simple owner may be relying on rice production as his or her livelihood.

The second condition is related to a key provision of the HCPs, and that is the Giant Garter Snake Recovery Plan ("Recovery Plan"). Once the Recovery Plan is released, the HCPs note that the 25 percent land allocation to managed marsh as is not provided for in the HCPs could be changed to up to 75 percent. In such a case, this considerable change in allocation of the three land uses could only be effectuated by fee simple ownership of the properties.

Of the small amount of conservation easements held by the Conservancy, it is a requirement of the HCPs that the U.S. Fish and Wildlife Service is named as a third-party beneficiary. The Service required this provision in the 2003 NBHCP because it wanted to make sure that any and all conservation easements could not be disposed of without its opportunity to intervene, as well as to inspect and enforce the terms of the conservations easements.

Inurement. The HCPs are clear that in the event of non-performance or failure of the Plan Operator to fully and appropriately implement the HCPs, title to all the Conservancy's land holdings revert to the State of California via the California Department of Fish and Wildlife.

Conclusion. The Conservancy is bound by the provisions of the relevant documents discussed in this paper. By reasons of practicality, by reason of economics, by reason of restrictions contained in the referenced documents, it is impossible for the HCP's Plan Operator, the Natomas basin Conservancy, to envision a conversion of an established manage marsh complex to an income-producing agricultural land use. Moreover, doing so would further detract from conforming to the Conservancy's land use allocations as required in the HCPs and IAs.

As it stands, the Conservancy is short on managed marsh, and is not quite up to its 25 percent of all mitigation land being in a managed marsh land use. Given the extraordinary expense to convert, given the extraordinary investment in the existing managed marsh complexes, given the near impossibility of getting permission from the NBHCP TAC, and given the fact that although inconceivable, if a managed marsh were to be converted to productive, income-producing agriculture, alternative managed marsh acreage would be required to be built in the Natomas Basin. Which means that the Conservancy would end up with the same amount of acreage in the managed marsh land use, and would have still further huge costs in constructing a replacement marsh.

Stated simply, the HCPs, the IAs and the related governing documents add to the economic and practical issues noted above to make a conversion impossible.