

# TNBC

The Natomas Basin  
Conservancy

Web site:  
[www.natomasbasin.org](http://www.natomasbasin.org)

**Regular Meeting of  
the Board of  
Directors and  
Implementation  
Annual Meeting**

4:00 p.m.  
2150 River Plaza Drive, #460  
Sacramento, CA  
*(meeting in Suite 400)*

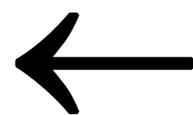
**Upcoming  
Regular  
Meetings**

- October 3
- November 7
- December 5

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**NATOMAS**  
**BASIN**  
*c o n s e r v a n c y*

**September 5, 2007**

# Agenda



## *Agenda format and readings tips.*

### Agenda packet sections.

Agenda packet #	Section name	What's included
①	Agenda	This is the main agenda. If the reader reads this, they will have a very good understanding of the meeting and its component.
②	Supplemental materials	On some agenda items, there are handouts that are more extensive that can be provided in the "Discussion" section of the main agenda. These materials are included in agenda packet #2.
③	Executive Director's packet	The Executive Director includes item of general interest to the Board of Directors in agenda packet #3. The items in this packet are for general information, not action.
④	Executive Session	Material in this packet is for Board members' information in closed, executive session. It is confidential and not made public.

This agenda is prepared in order to facilitate understanding of the Conservancy Board of Director's agenda packet. Each agenda item is numbered in the far left hand column. Then, as the reader moves from left to right, more information is provided. Ultimately, the far right-hand column presents a discussion of the agenda item.

1	Call to Order	Call to Order of the Regular Meeting of the Board of Directors	Admin.	∅	μ 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.
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### Exhibit symbols attendant with agenda item.

Agenda exhibit symbol in the "Pg." column	Definition
∅	There is no supplemental information that accompanies an agenda item.
①	There is more information in supplemental handouts.
2.21	Means that in agenda packet number 2, there will be support information on page 21.

Staff agenda item recommendations symbols. In the "Discussion" column, there are a series of symbols used, also in order to facilitate quick understanding. These indicate the status of staff recommendations.

Agenda exhibit symbol in the "Pg." column	Definition
μ	There is no staff recommendation on the matter
⊕	Staff recommends approval.
λ	Staff does not recommend approval

<h1>TNBC</h1> <p>The Natomas Basin Conservancy</p> <p>Web site: www.natomasbasin.org</p>	<b>Regular Meeting of the Board of Directors and Implementation Annual Meeting</b>	<b>Upcoming Regular Meetings</b>	
	4:00 p.m. 2150 River Plaza Drive, #460 Sacramento, CA <i>(meeting in Suite 400)</i>	<ul style="list-style-type: none"> <li>• October 3</li> <li>• November 7</li> <li>• December 5</li> </ul>	<b>September 5, 2007</b>

#	Section	Item	Type	Pg.	Discussion
1	Call to Order	Call to Order of the Regular Meeting of the Board of Directors	Admin.	∅	μ 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.
2	Action	Approval of the Minutes	Action	2.1	⊕ The Board President will request approval of the minutes of the Board meeting of August 1, 2007.
3	Action	Implementation Annual Meeting	Action	①	⊕ IMPLEMENTATION ANNUAL MEETING (Implementation Agreement §5.4)  A. Discussion of Annual Report. Concerns, comments, recommendations. B. City of Sacramento Issues. C. California Department of Fish and Game Issues. D. U.S. Fish and Wildlife Service issues. E. Adjourn Implementation Annual Meeting.
4	Action	Acquisition of photocopy machine/printer	Consent	∅	⊕ The Conservancy Board-approved 2007 budget included the purchase of a new copy machine, up to \$25,000.00. Conservancy staff researched several copiers and found Xerox Workcentre 7345 to be the best fit for the Conservancy at a reduced non-profit price of \$19,673.00. The Conservancy's previous copier was becoming too slow and was frequently breaking down. This photocopy machine copies in black and white and color, scans, emails, faxes, staples, hole punches, and makes booklets. The Xerox has been in the office for a trial period to the satisfaction of all staff. Staff is recommending the Board approve the purchase of the Xerox Workcentre 7345.
5	Action	Compensation and Governance	Consent	∅	⊕ The Compensation and Governance Committee of the Board has met and

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		Committee charter			<p>determined that a committee charter is appropriate and recommends the following for Board adoption:</p> <p><b>Compensation and Governance Committee Charter</b>  <b>The Natomas Basin Conservancy</b></p> <p><b>Purpose</b></p> <p>The Compensation and Governance Committee ("Committee") shall oversee, review and make periodic recommendations concerning the Company's corporate governance policies. It also includes reviewing and making recommendations to the full Board of Directors as to Executive Director compensation.</p> <p><b>Structure and operations</b></p> <p>The Committee shall be comprised of not less than two directors. Unless a Chair is elected by the full Board of Directors or appointed by the Board Chair, the members of the Committee shall designate a Chair by majority vote of the full Committee membership. The Chair will chair all regular sessions of the Committee and set the agendas for Committee meetings.</p> <p><b>Committee's duties and responsibilities</b></p> <ul style="list-style-type: none"> <li>--Review and recommend the organization's core philosophical tenets as contained in its mission, vision and goals and objectives.</li> <li>--Advise the Board of Directors on fidelity to mission and make recommendations as to major engagements in public policy and other external affairs activities.</li> <li>--Take the lead in directing the hiring, evaluating the performance of, and recommending compensation for the Executive Director. All hiring, evaluation and compensation will be done by the full Board of Directors.</li> <li>--Create and maintain policies for developing the Board of Directors, including leadership, composition, Board assessment and evaluation.</li> <li>--Make recommendations to the Board that positions the Conservancy as a highly effective, reputable, credible, a-political HCP plan operator and leader in performance and governance.</li> </ul>

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					<p><b>Meetings</b></p> <p>The Committee will meet periodically as necessary to act upon matters within its jurisdiction. A majority of the total number of members of the Committee shall constitute a quorum at all Committee meetings.</p>
6	Action	Bylaws revision	Consent	①	<p>⊕ The Compensation and Governance Committee has reviewed the bylaws and with legal counsel, has made several suggested changes to them. The proposed bylaws primarily address updates in the law, especially the California Non-Profit Integrity Act of 2004. The proposed revised bylaws are submitted to the Conservancy's Board of Directors for approval and adoption.</p>
7	Action	Board evaluation and succession planning - Compensation and Governance Committee recommendations	Consent	∅	<p>⊕ The Board's Compensation and Governance Committee embarked upon an evaluation of skills and capabilities of the Board as a whole. Since vacancies exist on the Board from time to time, the Committee believes it is in the best interest of good corporate governance for the Conservancy to communicate with the City of Sacramento and County of Sutter where deficiencies lie with respect to skill, capabilities and competencies that are held by current members of the Conservancy's Board of Directors.</p> <p>In making the assessment, the Committee determined that the Board would be strengthened by having the following skill sets represented:</p> <ol style="list-style-type: none"> <li>1. a practiced and skillful resources lawyer, including experience in various aspects of water law, and</li> <li>2. a civil engineer or someone having comparable skills and qualifications.</li> </ol> <p>The Committee recommends that the Board instruct staff to communicate this Board succession planning information with the appropriate leaders in the City of Sacramento and the County of Sutter so that when the time comes for each to appoint successor Board members to the Conservancy's Board of Directors, each will have the benefit of this evaluation.</p>
8	Action	Request for channel maintenance work on Lucich South marsh	Consent	2.9	<p>⊕ The Conservancy's biological consultant forwarded a letter to the Conservancy noting that the functionality of the Lucich South</p>

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		complex			<p>managed marsh is compromised. Staff had previously informed the Board that this managed marsh was scheduled for maintenance in 2008. However, given that the Conservancy's biological consultant has evaluated the marsh as a part of its on-going responsibilities and came to the conclusion that it had, staff recommends that the marsh be tended to immediately.</p> <p>Staff requests an authorization of \$80,000.00 to engage the services of an appropriate contractor to clear the marsh channels. The engagement of the contractor would be on a time-and-materials basis, and would not be let for bid. One of several experienced contractors already demonstrating knowledge and skillful handling of Conservancy marsh channel restorations will be selected after consideration by Conservancy staff. There are adequate funds in the recently-revised Conservancy budget to accommodate this funding request.</p> <p>This item requests that the Board authorize the Conservancy's Executive Director to engage the services of an excavator operator to clear the channels of the Lucich South managed marsh project, and do so on a time-and-materials basis, with costs not to exceed \$80,000.00.</p>
9	Action	Corporate Funds Investment Policy	Action	∅	<p>⊕ The Finance Committee of the Board has met and considered an amendment to the Conservancy's Investment Policy for Corporate Funds. The amendment in effect allows investments in international bonds, but places qualitative restrictions on them.</p> <p>The policy in its entirety is presented below, with proposed additions in <u>underline</u> and proposed deletions in <del>strikethrough</del> text:</p> <p><b>THE NATOMAS BASIN CONSERVANCY INVESTMENT POLICY FOR CORPORATE FUNDS</b></p> <p>This document constitutes the policy applicable to investment of surplus corporate funds generated by The Natomas Basin Conservancy (the "Conservancy") under the corporate cash management system. The policy specifies the scope and nature of the investment "portfolios" necessary to achieve the objectives as defined by the Conservancy's Board of Directors.</p>

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					<p>I. INVESTMENT OBJECTIVES</p> <p>Investments must be selected to achieve the following objectives in priority order:</p> <ul style="list-style-type: none"> <li>A. Safety of principal</li> <li>B. Diversification of risk</li> <li>C. Maintenance of liquidity at least adequate to meet projected cash needs</li> <li>D. Competitive returns</li> </ul> <p>II. INVESTMENT RESPONSIBILITY</p> <p>The Executive Director, in consultation with the elected Chief Financial Officer (or in his or her absence the President) has the responsibility for overseeing the management of the investment portfolio, including: (1) monitoring the existing portfolio for suitability; (2) proposing alterations to the investment policy; (3) maintaining a check and balance system to ensure compliance with this policy; and (4) executing the investment policy and designating individuals who may execute the investment policy on behalf of the Conservancy, including, but not limited to, the City of Sacramento Treasurer's Office.</p> <p>III. INVESTMENT POLICY</p> <p><b>A. Fixed Income Restriction</b></p> <p>All investments must be purchased from Approved Issuers or portfolios comprised of securities from Approved Issuers. An Approved Issuer is the United States Government or its agencies, an individual financial institution (e.g., a bank), or a corporation that meets the credit quality criteria outlined in Part (D) below.</p> <p><b>B. Allowable Securities from Approved Issuers</b></p> <ul style="list-style-type: none"> <li>1. Commercial Paper</li> <li>2. Master Notes</li> <li>3. Funding Agreements</li> <li>4. Certificates of Deposit</li> <li>5. Repurchase Agreements</li> <li>6. Bankers Acceptances</li> <li>7. Obligations issued or guaranteed by United States Government agencies</li> <li>8. U.S. Treasury Obligations</li> <li>9. Auction Rate securities</li> <li>10. Federal Agency Securities</li> <li>11. Corporate Notes and Bonds</li> </ul>

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					<p>12. Mortgage Backed Securities</p> <p>C. Diversification</p> <p>Investments are to be selected and managed so as to assure an appropriate balance of quality, maturity and yield consistent with the current money market and economic conditions.</p> <p>D. Restrictions on Approved Issuers</p> <p>An acceptable Approved Issuer is the United States Government or its agencies, a financial institution or corporation with outstanding debt obligations rated at least AA or Aa or better by either Standard &amp; Poors or Moody's, respectively, or short term securities rated A1 and P1 or better by either Standard &amp; Poors or Moody's, respectively, at the time of purchase.</p> <p>An investment with an Approved Issuer shall not exceed 2% of the total assets of the Approved Issuer measured at the most recent quarterly reporting period prior to making the investment.</p> <p>No more than 20% of the total investments made by the Conservancy should be invested in securities of any one Approved Issuer. An exception to the 20% limitation is permissible when the total amount invested in an Approved Issuer does not exceed \$1 million.</p> <p>No limit will be applied to securities issued or guaranteed by the United States Government or any of its agencies.</p> <p>No portion of Conservancy funds will be invested in or managed by any entity or manager that is considered a related party for reporting purposes as defined by GAAP.</p> <p>E. Restrictions on Managers and Management Groups</p> <p>No more than 30% of the Conservancy's total investments will be managed by one Independent Investment Manager. An Independent Investment Manager ("Manager") can be a bank, investment brokerage firm, mutual fund, or independent money manager. There are no such restrictions on Independent Investment Consultants.</p> <p>The addition or removal of a Manager requires the joint approval of the Chief Financial</p>

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					<p>Officer and the President.</p> <p>The total investments placed with one Manager may not exceed 5% of the total funds managed by that Manager as measured at the most recent quarterly reporting period prior to making the investment.</p> <p>F. Allowable Investments for Managers</p> <p>Managers are permitted to invest in any of the securities listed in Part (B) of the Policy: <i>Allowable Securities from Approved Issuers</i>. In addition to those securities, a Manager may invest in a Money Market Mutual Fund that invests solely in the securities listed in Part (B).</p> <p>G. Foreign Investments</p> <p>No portion of Conservancy funds will be invested in instruments issued outside of the United States-, <u>except in the case of international bonds denominated in US dollar having a credit rating of A or better by either Standard &amp; Poors or Moody's.</u></p> <p>H. Maturity of Investments</p> <p>Average maturity of investments may range from one (1) day to six (6) months, depending on the individual portfolio by each manager, with maturity not to exceed eighteen (18) months.</p> <p>For purposes of SFAS 115, securities are deemed "held to maturity" and not available for sale before final maturity.</p> <p>IV. PERFORMANCE BENCHMARK</p> <p>The portfolios will be monitored on a quarterly basis for performance against US Treasury Securities with comparable maturities.</p> <p>V. COMPLIANCE</p> <p>Compliance with the policy herein is based on the time of purchase of any security. If any security or instrument within the portfolios of the Conservancy is downgraded below the above standards, the outside manager will notify the Conservancy to discuss options.</p>
10	Discussion	Natomas Central	Action	2.11	⊕ Staff shared with the Board at the last two

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		Mutual Water Company water supply contingency plan and groundwater substitution			<p>Board meetings a proposal from the Natomas Central Mutual Water Company that would require the Conservancy to forego delivery of water from the Water Company, and instead irrigate with groundwater produced from the Conservancy's own wells under certain conditions. This is in support of the Water Company's opportunity to sell water to out-of-Basin sources and a concern about possible future Bureau of Reclamation declarations that water deliveries be reduced to 75 percent of contracted amount in a given year.</p> <p>The arrangement would provide compensation to the Conservancy from the Water Company. This would include full cost reimbursement for energy and power necessary to operate the groundwater wells, an allowance for wear and tear, and a new financial consideration that would cause the Water Company to pay the Conservancy an additional 10 percent (on top of the previously presented 10 percent for repair and service costs on the wells and well pumps). If for any reason the Conservancy's ground water well production fails to deliver adequate water to any preserve, the Water Company would be required to restore water delivery on the same terms and conditions as is published in the Water Company's tariffs.</p> <p>The Board authorized staff to execute and deliver a contract that would effectuate this action. However, in discussion at the last Board meeting, the Board expressed some concern about the agreement and requested staff return to the Board with a follow-up presentation. The resulting revised contract is proposed for the Board's consideration and possible approval.</p>
11	Discussion	City of Sacramento report	No action	∅	μ Report from the City of Sacramento regarding HCP-related activity and other topics.
12	Discussion	Financial statement review	No action	2.19	μ A financial statement update will be provided for the period ended July 31, 2007 (unaudited).
13	Discussion	Update on Lucich North/Frazer north channel restoration project	No action	∅	μ The Lucich North and Fraser North managed marsh complexes channel clearing projects are nearly completed. The channel clearing was intended to insure the full functionality of the marsh complexes. The Board approved funding to conduct channel clearing on the planned four-phased channel

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					<p>clearing effort. The projects details to date are as follows:</p> <p>Phase 1 cost: \$166,393.54 (vs. \$230,590 authorized),</p> <p>Phase 2 cost: \$134,294.00 (vs. \$250,000 authorized)</p> <p>Phase 3 cost: \$168,018.75 (vs. \$300,000 authorized).</p> <p>Phase 4 cost: \$200,000.00 (this is the budgeted and authorized amount; final cost is not yet known).</p> <p>It appears that the total costs for all four phases of the project will total approximately \$695,278.50.</p> <p>Phase One and Phase Two have been flooded up and are functioning well. Phase Three was recently flooded up and early indications are that it is doing well also. The biological monitoring team has already captured and assessed several giant garter snake well inside the restored marsh.</p>
14	Discussion	Endowment funds update	No action	①	μ Representative Travis Pruitt from Arnerich and Massena will update the Board on the 2 <sup>nd</sup> quarter performance of the Conservancy's endowment funds.
15	Discussion	Livestock report	No action	2.33	μ Staff will review with the Board the current situation regarding livestock based on the Board's request that it be provided updates periodically.
16	Discussion	Accounting treatment on non-HCP proceeds	No action	2.34	μ Staff follows up on a discussion at the last Board meeting to discuss treatment of assets derived from non-HCP functions.
17	Discussion	Long-range financial planning – cash flow projections	No action	2.38	μ A cash flow projection through December 2009 will be shared and discussed with the Board as staff gears up to conduct the 2008 NBHCP Finance Model and budget. Given decline in the general real estate market, HCP fee income has been substantially reduced. Cash flow planning will be critical over the course of the next few years or until the economy rebounds for real estate in the Natomas Basin's Permit Area.
18	Discussion	Mission, vision and goals statement review	No action	∅	μ The Compensation and Governance Committee conducted a periodic review of the Conservancy's mission, vision and goals statements. It found no reason to recommend any amendments to them and therefore wishes

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					<p>only to share with the Board that these governance matters were addressed.</p> <p><b>Mission</b> (<i>Why the Conservancy exists.</i>)</p> <p>The Conservancy acquires and manages land for the purpose of meeting the objectives of the Natomas Basin Habitat Conservation Plan.</p> <p><b>Vision</b> (<i>Presents an image of what success will look like.</i>)</p> <p>The Conservancy envisions implementing the NBHCP in a manner that successfully meets the Plan's biological goals, makes efficient use of fee payer funding, and facilitates permit holder activities covered under the Plan over the long term.</p> <p><b>Goals and objectives</b> (<i>How the Conservancy will achieve its mission and vision.</i>)</p> <p><i>Goal:</i> The Conservancy will maintain itself as an effective organization, and will at all times be capable of serving as the Natomas Basin Habitat Conservation Plan's plan operator.</p> <p><i>Objectives:</i></p> <ol style="list-style-type: none"> <li>1. Apply principles of sound science in the creation and management of habitat reserves.</li> <li>2. Review and focus on the NBHCP long-term finance model to insure the Conservancy is financially capable of fully performing its plan operator responsibilities.</li> <li>3. Seek opportunities to help insure the long-term persistence of species covered under the NBHCP.</li> </ol>
19	Public Comments	Public Comments	No action	∅	μ Opportunity for members of the public to address the Conservancy's Board of Directors.
20	Executive Session	Executive Session – Real Estate	Action	Ⓢ	μ Executive Session for real estate.
21	Executive Session	Executive Session – Personnel	Action	Ⓢ	μ Executive Session pursuant to Government Code Section 54957, Employee performance evaluation. Executive Director.
22	Executive Director's Report	Executive Director's Report	No action	Ⓢ	μ Various matters for Board members' general information.

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23	Adjournment	Adjournment	Admin.	∅	μ Official adjournment of the meeting.

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