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IMPLEMENTATION ANNUAL REPORT

EXECUTIVE SUMMARY

CALENDAR YEAR 2010

APRIL 30, 2011

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INTRODUCTION



This Executive Summary to the 2010 Implementation Annual Report responds to a requirement of the 2003 Natomas Basin Habitat Conservation Plan (NBHCP) and Implementation Agreement (IA) which calls for an annual report. The 2003 NBHCP is supported by permits issued to the Conservancy by the California Department of Fish and Game (issued July 10, 2003; permit number 2081-2003-019-02) and the U.S. Fish and Wildlife Service (issued June 27, 2003; permit number TE073667-0).

In addition to this Executive Summary, the 2010 Implementation Annual Report comes in two additional reports. All three parts are noted below:

- 1.) **The Executive Summary.** The reader will get a reasonably comprehensive account of the 2010 reporting from this portion of the Implementation Annual Report.
- 2.) **The Task Reference and Description.** This matrix (“2 of 3”) provides detail on every task requirement in the 2003 NBHCP.
- 3.) **The Appendices.** This section primarily consists of reports, attachments and exhibits. The Appendices (“3 of 3”) are an integral part of the 2010 Implementation Annual Report.

LAND ACQUISITION



Acres acquired remained unchanged. Since 2006, a very weak real estate market in the Sacramento area has effectively halted most construction in the Natomas Basin. Accordingly, the Conservancy's mitigation land acquisition efforts have come to a virtual close. In addition, the federal government has effectively placed a building moratorium on new construction in the Natomas Basin due to flood concerns. This has also caused any plans to build, and thus pay habitat mitigation fees, to be foreclosed. Nonetheless, there have been some public works projects during this period that have not been impacted by either the decline in the real estate market or the building moratorium. All mitigation land needed for these projects has been drawn from surplus land holdings in the Conservancy's inventory.

All Conservancy land holdings as of December 31, 2010 are shown in Figure 10, attached to this report (see "2010 Base Map"). This map is frequently updated and can always be found on the Conservancy's web site (www.natomasbasin.org).

Total land acquired through 2010. The Conservancy has acquired a total of 4,142.3773 acres as of December 31, 2010. Easements represent 27.0749 acres of this total. There have been 1,739.8012 acres acquired in Sacramento County and 2,375.5012 acres in Sutter County.¹ Not all acres have been committed to HCP mitigation (see discussions on surplus land acquisitions).

MITIGATION LAND BALANCES

- **Acres upon which fees have been paid.** Fees related to development in the City of Sacramento permit area have been paid on a total of 6,797.0533 acres,² including 0.32 acres added in 2010. Through Metro Air Park's participation, there have been HCP fees paid on 316.76 acres. Combined with non-HCP acres, there have been fees paid on 7,151.4255 acres of development.

Figure 1. Giant garter snakes benefit from potholes created on Conservancy preserves.

This photo shows an example of an area where the extent of water diminishes in size with percolation and evaporation, which concentrates prey for the giant garter snakes on site. It is subsequently refilled and the process begins again.



¹ A very small remainder is supplemental mitigation.

² The Conservancy is reporting City of Sacramento permitted acres as 6,797.0533. The City of Sacramento reports 6,787.66 permitted acres. The Conservancy is at present working with the City to resolve the 9.3933 acre difference.

- **Fees paid.**³ The amount of HCP fees paid for development in the City of Sacramento Permit Area total \$60,956,404.73 from inception to date, and \$12,202.56 during 2010. For Metro Air Park, total fees paid equal \$5,698,003.97 (including HCP and other mitigation) to date and zero in 2010. Combined with non-HCP fees, the total amount of fees and fee-related income paid from inception to date totals \$68,055,293.18.⁴
- **Acreage on which an urban development permit has been issued.** The City of Sacramento reports it has authorized grading on 6,797.0533 acres since inception, and Metro Air Park has developed 140.14 acres of its development. Metro Air Park and the Conservancy are presently working to resolve an approximately 23-acre difference.
- **Surplus land.** At December 31, 2010, the Conservancy held 378.2022 acres of surplus land.⁵

TABLE 1
THE NATOMAS BASIN CONSERVANCY
HCP FEE-PAID ACRES*

PERIOD	HCP FEE-PAID ACRES
Through December 31, 1998	1,515.66
January 1 – December 31, 1999	1,466.45
January 1 – December 31, 2000	598.07
January 1 – December 31, 2001	242.60
January 1 – December 31, 2002	777.81
January 1 – December 31, 2003	1,241.98
January 1 – December 31, 2004	347.74
January 1 – December 31, 2005	678.39
January 1 – December 31, 2006	132.28
January 1 – December 31, 2007	103.15
January 1 – December 31, 2008	19.11
January 1 – December 31, 2009	24.60
January 1 – December 31, 2010	5.07
All Years Through December 31, 2010	7,152.96

* Most mitigation land was dedicated in lieu of paying the Land Acquisition Fund portion of the NBHCP fee. Metro Air Park has paid fees on 233.52 acres of its Initial Tier 1 development.⁶

- **Annual 200-acre May 1 cushion has been met.** The Conservancy has more than enough acreage to meet the 200-acre “cushion” required in the HCP on May 1 of each year, and this includes the Conservancy’s land holdings position for 2010.

³ “Fees paid” represents actual HCP fees plus related payments such as Metro Air Park’s tree replacement and GGS mitigation, so the sum of City and MAP payments does not equal the total amount of fee and related income received to date. Records of all such payments are found in the schedule titled, “Schedule of Subject Acreage and Fees Paid.”

⁴ All figures include the land value of in-lieu land dedication.

⁵ There are numerous conditional adjustments to this surplus acreage number. When the unallocable or prior committed acres are considered (such as supplemental mitigation), that leaves 378.2022 acres of land in surplus.

⁶ At December 31, 2006, Metro Air Park had paid fees on 316.76 acres, but 200 acres were for supplemental mitigation (all of the Huffman West tract and 19 acres of the Huffman East tract), leaving 116.76 acres of fee-paid mitigation, or, at the 0.5:1 mitigation ratio, 233.52 acres of development.

Figure 2. Beaver damage and maintenance. Conservancy water control structures that keep managed marsh complexes functional are tended to daily by Conservancy crews. Clearing and cleaning beaver damage is a major part of the Conservancy's maintenance responsibilities. The pile of debris pictured at right is debris from unclogging action taken by crews on water control structure "R" on the Conservancy's Silva tract. (Conservancy staff photo.)



Figure 3. The Silva tract marsh complex is maturing nicely. This aerial photo shows the Pond Q structure on the Silva tract preserve. After nearly 10 years, the marsh complex has evolved into a productive marsh complex with substantial populations of giant garter snakes, white-faced ibis, tri-colored blackbirds and other covered species actively utilizing it.



Figure 4. The Lucich North and Frazer North tracts. The largest contiguous marsh complex in the Conservancy's preserve system combines the Lucich North and Frazer North tracts. The preserves are part of the Conservancy's North Basin Reserve Area, and are key components of the 2,500 acres of contiguous preserves required in the Natomas Basin Habitat Conservation Plan. The preserves have served as stalwarts in providing giant garter snake mitigation land year in and year out.



Figure 5. SAFCA's Fisherman's Lake Reserve Area Plans. The Sacramento Area Flood Control Agency (SAFCA) submitted plans to the Conservancy that would substantially alter the conservancy's Fisherman's Lake Area Reserve due to the Natomas Levee Improvement Project (NLIP).



TABLE 2
THE NATOMAS BASIN CONSERVANCY
LAND ACQUISITION TALLY THROUGH 12.31.10
 (SEE FOOTNOTE INFORMATION; DOES NOT INCLUDE EASEMENTS⁷)



PROPERTY	DATE ACQUIRED	ACRES
Silva	1.7.99	159.20
Betts	4.5.99	138.99
Kismat	4.16.99	40.29
Bennett (C.L.)	5.17.99	226.67
Bennett (H&B)	5.17.99	132.48
Lucich North	5.18.99	267.98
Lucich South	5.18.99	351.88
Frazer	7.31.00	92.60
Souza ⁸	7.2.01	40.00
Natomas Farms	7.9.01	96.46
Sills ⁹	7.15.02	436.40
Alleghany 50	11.7.02	50.26
Cummings	11.7.02	66.83
Atkinson ¹⁰	6.12.03	198.83
Ruby Ranch	6.23.03	91.07
Huffman West ^{10, 11}	9.30.03	157.85
Huffman East	9.30.03	135.74
Tufts ¹²	9.29.04	147.95
Rosa East	3.24.05	106.28
Rosa Central	3.24.05	100.01
Bolen North	4.29.05	113.61
Bolen South	4.29.05	102.38
Vestal South	9.12.05	94.95
Bolen West	9.1.06	155.14
Nestor	9.1.06	233.16
Frazer South ¹³	11.7.06	110.37
Bianchi West ¹³	11.7.06	110.16
Elsie	11.7.06	158.03
Total		4,115.30

⁷ Easements add an additional 27.0749 acres to the total.

⁸ The long standing litigation filed against the Conservancy was resolved in 2006 through court-ordered settlement. Accordingly, the 4.68 acres of additional land the Conservancy held title to on the Souza tract was deeded over to the plaintiff in the case upon payment of certain funds to the Conservancy.

⁹ 139.5 acres of the original 575.5559 acres of the Sills tract was exchanged for the two Rosa tracts on March 24, 2005.

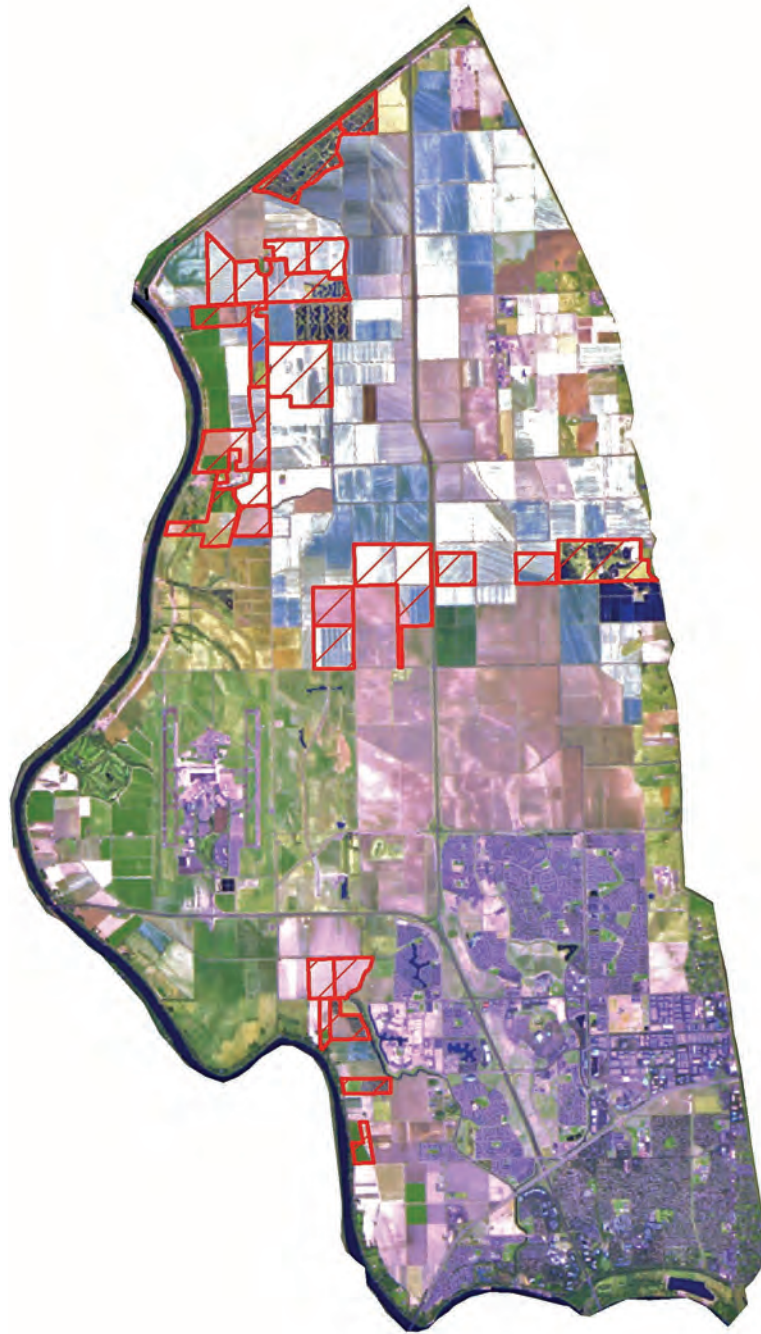
¹⁰ SAFCA purchased portions of Atkinson (6.566 acres) and Huffman West (23.146 acres) for the Natomas Levee Improvement Project. Mitigation of those portions was shifted to Bolen West.

¹¹ Huffman West tract and 19 acres of the Huffman East tract is for supplemental mitigation required of Metro Air Park.

¹² Opus West (Promenade) used 63.116 acres, Griffin Industries used 42.005 acres, Brookfield acquired 32.1075 acres for future mitigation, leaving a balance of 10.7215 available for future mitigation.

¹³ Approximately 40 additional acres may be deeded back to the Conservancy over time under a long-term agreement on this tract. The same is true with the Bianchi West tract.

Figure 6. LANDSAT photograph of the Natomas Basin. The 2010 LANDSAT photograph shows the status of the Natomas Basin's geography. These photos are acquired each year by the Conservancy in order to show changes over time. The purple and lavender colors represent urbanization, brown shows harvested or fallowed ground and green represents normal green growth. Blue represents watered areas. (See also, "Base Map" in Figure 10 for greater delineation of Conservancy land holdings at December 31, 2010.)



BUDGET AND FINANCE

- **Finance Model update.** The HCP Finance Model was updated and a fee increase was requested, granted and implemented.¹⁴
- **Endowment Fund recovery.** With recovery in financial markets, account balances in the Conservancy's endowment funds have recovered as well. At year-end 2010, the account balances had nearly completely recovered their losses from their low point in 2008.

¹⁴ Adopted by City of Sacramento City Council resolution (No. 2011-157).

TABLE 3
THE NATOMAS BASIN CONSERVANCY
HCP FEE HISTORY

YEAR	ESTABLISHED FEE
1997	\$2,240
1998	\$2,656
1999	\$3,292
2000	\$3,942
2001	\$5,993 + \$4,028 premium = \$10,021*
2002	\$7,934 + \$4,028 premium = \$11,962*
2003	\$12,270 ¹⁵
2004	\$16,124 ¹⁶
2005	\$24,897 ¹⁷
2006	\$41,182 ¹⁸
2007	\$38,445 ¹⁹
2008	\$38,133 ²⁰
2009	\$38,133 ²⁰
2010	\$44,050 ²¹

*HCP "premium" was established as a result of an agreement to settle litigation, *NWF v. Babbitt*.

- **Endowment Fund.** The Conservancy's endowment funds remain conservatively invested. The total account balance in the combined endowment funds at December 31, 2010 was \$12,787,774, up \$1,540,704 from the December 31, 2009 balance. This includes realized and unrealized gains. Breakdowns in the two primary endowment funds are as follows:

--The Endowment Fund balance was \$10,914,484 at December 31, 2010, up \$1,322,632 from \$9,591,852 the year prior.

--The Supplemental Endowment Fund balance was \$1,873,290 at December 31, 2010, up \$218,072 from \$1,655,218 at December 31, 2009.

The S&P 500 was up 12.8% for 2010. By comparison, the Conservancy's endowment funds were up approximately 12%. The losses in the endowment funds from 2008 were a setback for the Conservancy. The recovery in 2009 and 2010 was helpful in returning some of the market losses, but the endowment fund balances remain below their high.

¹⁵ Also established is a fee of \$7,770 per acre for fee obligations satisfied in part with land dedication.

¹⁶ Also established is a fee of \$8,624 per acre for fee obligations satisfied in part with land dedication.

¹⁷ Also established is a fee of \$12,397 per acre for fee obligations satisfied in part with land dedication.

¹⁸ Also established is a fee of \$18,682 per acre for fee obligations satisfied in part with land dedication.

¹⁹ Also established is a fee of \$18,445 per acre for fee obligations satisfied in part with land dedication.

²⁰ Also established is a fee of \$20,633 per acre for fee obligations satisfied in part with land dedication.

²¹ Also established is a fee of \$26,550 per acre for fee obligations satisfied in part with land dedication.

Figure 7. Non-covered species use the preserves as well. Here, a male pheasant in all its plumage makes an appearance on Conservancy property. (Conservancy staff photo.)



CONCLUSION

The Conservancy's 2010 was a year of extensive in-office work, but little new in terms of work in the field. There was no channel clearing work, no land acquisitions and no problems that caused expensive or aggressive action. The most significant accomplishments were:

1. delivery of another comprehensive annual biological effectiveness monitoring report,
2. working with the Sacramento Area Flood Control Agency on its extensive plans to conduct flood protection construction activities (the Natomas Levee Improvement Project, or NLIP), engage the Conservancy in NLP mitigation activity, and also engage the Conservancy in certain habitat and related land management tasks,
3. extended efforts to generate fees through the facilitation of public works projects such as the Riego Road and U.S. 99 interchange, the Elverta and U.S. 99 interchange and the I-5 and Metro Air Park highway interchange, and
4. especially careful management of Conservancy financial resources, with 2010 being the third year in which the Conservancy's Administration Fund expenses exceeded its revenue (owing to the building moratorium in the Natomas Basin, as well as a severe recession in the real estate market). However when endowments fund investment income is included, total income and expenses were nearly equal.

The Conservancy continues to conduct biological monitoring through contractor ICF International, and certain of the land management functions through Sopwith Farms, with Conservancy staff coordination and management. The specialties and resources of all groups is occasionally supplemented by other specialists to address most any question or needs the Conservancy might have. Calling on the additional resources that make up the NBHCP Technical Advisory Committee (TAC) round out the extensive resources available to the Conservancy.

FUTURE PLANS

During 2011, the Conservancy will continue maintenance and updating activity. During the 2011 work year, Conservancy management activity will be focused primarily in the following areas:

1. continue to coordinate with SAFCA on its Natomas Levee Improvement Program to both look for ways to minimize adverse impact to the Conservancy and the HCP mitigation lands, and also to look for opportunities to cooperate and coordinate with SAFCA and others in ways that could enhance the implementation of the HCPs,
2. conduct the first segment of channel maintenance activities for the BKS North Course, and plan it in such a way as to minimize impact on the Covered Species as well as minimize the frequency of disturbance associated with such activity in the future,
3. coordination with Sutter County officials as it maps and plans the Measure M development (“Sutter Pointe”), and do so in a manner that preserves or enhances the integrity of the system of reserves the Conservancy owns and manages,
4. test financial and economic practices and planning activities in a year when fee income is nearly non-existent, and do so in order to insure future economic health,
5. continue the process of conducting updates of all of the Conservancy’s SSMPs.

Further information can be obtained by logging on to the Conservancy’s web site (www.natomasbasin.org) or contacting the Conservancy directly.

Figure 8. Giant garter snake monitoring activity. On the Conservancy’s North Basin Reserve Area, at the Lucich North tract, Conservancy biological monitoring teams provide daily checks on GGS monitoring activity.



Figure 9. One of the Conservancy’s mature marsh complexes. This marsh is a regular producer of giant garter snake populations.

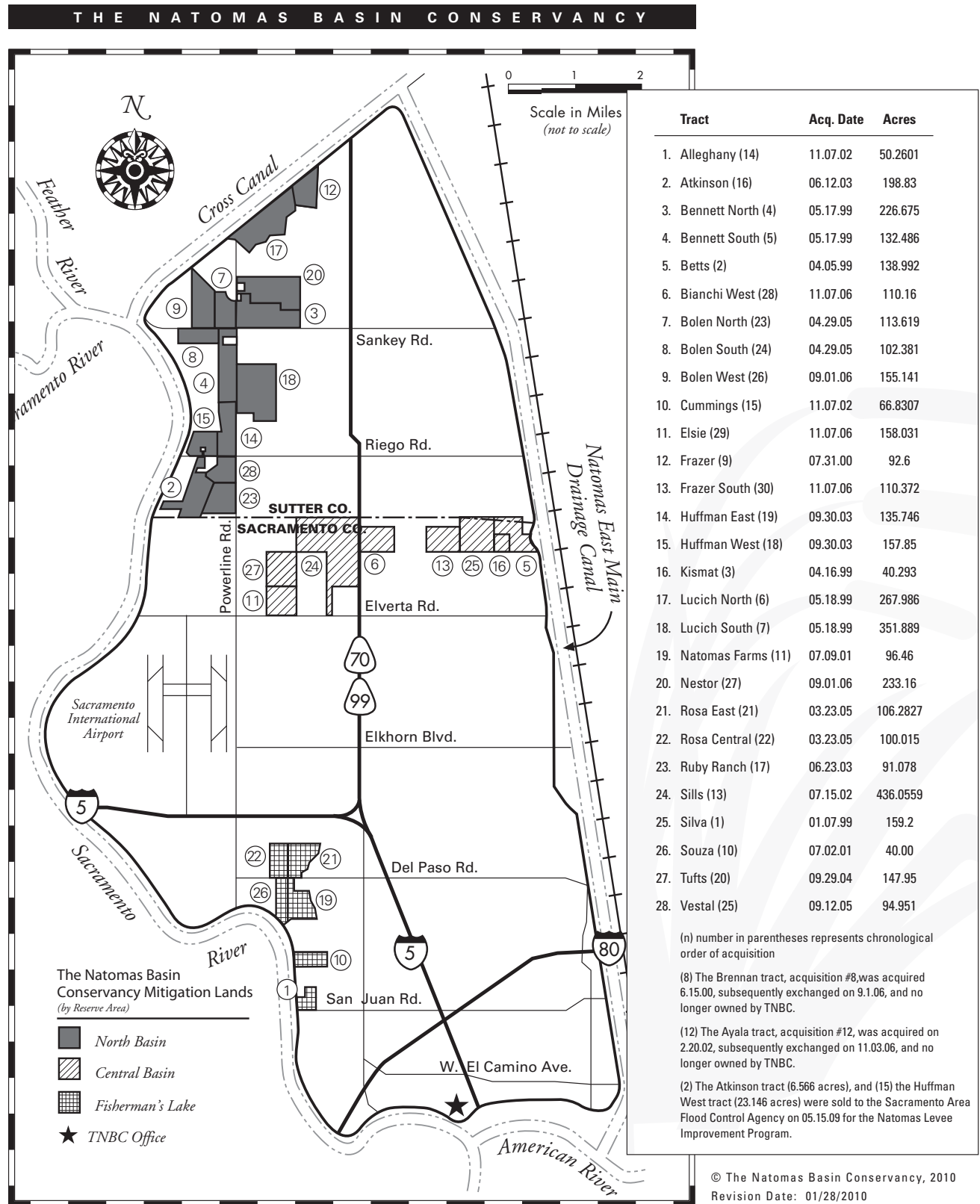


TABLE 4
 THE NATOMAS BASIN CONSERVANCY
 GENERAL RESERVE CHARACTERISTICS ILLUSTRATION, 2010*

Mitigation land tracts in order of acquired date ➡	Silva	Betts	Kismat	Bennett No.	Bennett So.	Lucich No.	Lucich So.	Frazer	Souza	Natomas Farms	Sills	Alleghany 50	Cummings	Ruby Ranch	Atkinson	Huffman West	Huffman East	Tufts	Rosa East	Rosa Central	Bolen North	Bolen South	Vestal South	Bolen West	Nestor	Frazer South	Bianchi West	Elsie
COUNTY																												
Sacramento	●	●	●						●	●	●	●	●					●	●	●						●	●	●
Sutter	⊖	⊖		●	●	●	●	●						●	●	●	●					●	●	●	●			
PREDOMINANT LAND USE (2007)																												
Rice					●		●				●				●		●	●			●			●	●	●	●	
Upland	●	●	●	●	●	⊖	⊖	⊖	●	●	●	●	●		⊖	●	●			●	●		●	●				●
Marsh	●	●	●	⊖	●	●	⊖	●		●			●		⊖													
WATER																												
NCMWC				●	●	●	●	●	●	●	●	●	●	●	⊖		●	●		●	●	●		●	●	●	●	●
Ground Water	●	●		●	●	●	●	●	●	●			●		⊖	●	●					●	●	●	●	●	●	
Surface Water	●	●	●												●	●												
MANAGEMENT PLAN																												
SSMP	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓										
Not yet covered																			●	●	●	●	●	●	●	●	●	●
Marsh built '01	✓	✓	✓																									
Marsh built '02				✓	✓		✓																					
Marsh built '03						✓		✓		✓																		
Marsh built '04													✓															
Marsh built '05														✓														
Marsh built '06																												
Marsh built '07				✓																								
EXISTING TREES																												
0				●	●	●	●	●			●			●			●	●		●	●	●		●		●	●	●
1 – 10			●							●						●										●		
11 – 30									●										●									
31+	●	●										●	●		●								●					
OTHER																												
Fenced	●	●	●		⊖				●	●			●						⊖	⊖								
Livestock	●	●			●		●	⊖	●																			
Residence	●	●																										
Farm bldgs.	●	●																										
Vernal pools	✓																											

*Solid dot (●) represents inclusion of characteristic on that tract; hollow-strikethrough dot (⊖) represents minor, partial or planned inclusion on the referenced tract; a check mark (✓) represents completion of project.

FIGURE 10
2010 BASE MAP





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BASIN
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