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IMPLEMENTATION ANNUAL REPORT

EXECUTIVE SUMMARY

CALENDAR YEAR 2012

APRIL 30, 2013

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INTRODUCTION



This report responds to a requirement of the 2003 Natomas Basin Habitat Conservation Plan (NBHCP) and Implementation Agreement (IA) which calls for an implementation 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 2081-20032-019-02) and the U.S. Fish and Wildlife Service (issued June 27, 2003; permit number TE073667-0).

The 2012 Implementation Annual Report comes in three parts:

- 1.) **Executive Summary.** The reader will get a reasonably comprehensive account of the 2012 reporting from this portion of the Implementation Annual Report.
- 2.) **Task Reference and Description.** This matrix (“2 of 3”) provides detail on every task requirement in the 2003 NBHCP.
- 3.) **Appendices.** This section primarily consists of reports, attachments and exhibits. The Appendices (“3 of 3”) are an integral part of the 2012 Implementation Annual Report.

LAND ACQUISITION

Acreage acquired remained mostly unchanged. The Conservancy’s mitigation land acquisition efforts have come to a virtual close as a result of the federal government’s moratorium on new construction in the Natomas Basin due to flood concerns. The recession in the real estate economy has also played a role in the Conservancy’s general lack of activity in land acquisition. Public works projects that are not impacted by either the decline in the real estate market or the building moratorium have yielded some HCP fee payment activity in 2012.

All Conservancy’s land holdings as of December 31, 2012 are shown in Figure 10, attached to this report (see “2012 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 2012. The Conservancy has acquired a total of 4,131.1170 acres as of December 31, 2012. Easements represent 27.0749 acres of this total. There have been 1,746.0443 acres acquired in Sacramento County and 2,385.0727 acres in Sutter County.¹ Not all acres have been committed to HCP mitigation (see discussions on surplus land acquisitions).

¹ A very small remainder is supplemental mitigation.

MITIGATION LAND BALANCES



- **Acreage upon which fees have been paid.** Fees related to development in the City of Sacramento permit area have been paid on a total of 6,849.57 acres,² with 21.88 acres added in 2012. Through Metro Air Park’s participation, there have been HCP fees paid on 316.749 additional acres. Combined with non-HCP and Sutter County acres, there have been fees paid on 7,325.0197 acres of development.
- **Fees paid.**³ The amount of HCP fees paid by development in the City of Sacramento Permit Area total \$62,375,928.43 from inception to date, with \$630,546.90 in fee income during 2012. For Metro Air Park, total fees paid equal \$5,698,003.97 (including HCP and other mitigation) to date and zero in 2012. Fees from Sutter County mitigation on 58.24 acres totaling \$1,913,824.64, and from inception to date, \$2,110,874.64 has been paid. Combined with non-HCP mitigation fees, the total amount of fees and fee-related income paid from inception to date totals \$73,814,203.72.⁴

FIGURE 1

BUDGET AND NBHCP FEE CALCULATION WORK IN 2012 RESULTED IN A REDUCED HCP FEE RECOMMENDATION.

AS DETAILED BELOW, THE CONSERVANCY RECOMMENDED A LOWER FEE FOR 2013.

2013 NBHCP Fee Decrease by Fee Component

Total Fee = \$27,419 per Acre

Total Decrease = \$5,440 per acre

Fee Collection Admin. | \$110 | 2%

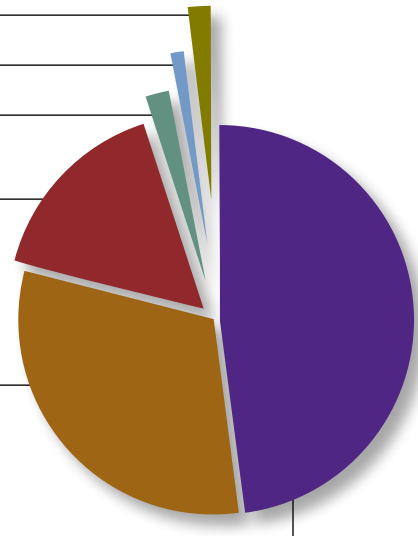
Restoration & Enhancement | \$50 | 1%

Supplemental Endowment | \$110 | 2%

Endowment | \$1000 | 18%

Admin/O&M | \$1,670 | 31%

Land Acquisition | \$2,500 | 46%



² The Conservancy is reporting City of Sacramento permitted acres as 6,849.57. The City of Sacramento reports 6,832.18 permitted acres. The Conservancy is at present working with the City to resolve the 17.39 acre difference.

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.

- **Acreage on which an urban development permit has been issued.** The City of Sacramento reports it has authorized grading on 6,832.18 acres since inception, and Metro Air Park has developed 140.14 acres of its development and the County of Sutter has developed 108.24. During 2012, the Conservancy worked to resolve Metro Air Park’s approximately 23-acre deficiency in fees that was reported in last year’s Implementation Annual Report. The \$318,186.16 the Conservancy presents as owed to it for mitigation to date (additional monies are required for full pre-mitigation for the Metro Air Park Tier 1 development) under the Metro Air Park HCP was discussed with Wildlife Agency officials in 2011 and 2012, and at December 31, 2012, the parties were working to find a successful solution to the matter. The Conservancy has placed a receivable on its balance sheet as a result of the work that has been done in this matter over the past couple of years.
- **Surplus land.** At December 31, 2012, the Conservancy held 280.1448 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
January 1 – December 31, 2011**	50.00
January 1 – December 31, 2012	122.12
All Years Through December 31, 2012	7,325.0197

*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 116.76 acres of its Initial Tier 1 development.

**While no development was reported for 2011, by instruction from U.S. Fish and Wildlife Service, a negotiated commitment from Sutter County to mitigate for a development several years ago was recorded in 2011 (SYSCO).

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 280.1448 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
Channel renovation project on BKS North Course, Phase #2. Conservancy efforts to keep marsh complexes fully functional to perform their duties under the NBHCP continued in 2012.

The top photo at right shows channel clearing on Pond M on the BKS North Course. Note large-sized rocking on the far bank. This added structure will help protect that bank against erosion, thus extending the life of the channel clearing work (and reduce disturbance activity).

The photo at bottom shows the same BKS North Course project. The dense tule area at right is expected to continue to be a prime location for Giant Garter Snake activity.
(Conservancy staff photos.)



- **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 2012.

FIGURE 3
The Conservancy leaves tree stumps in place for roosting. This long-dead tree on the Conservancy’s Kismat tract would be felled by most landowners. The Conservancy leaves these in place for use by wildlife where practical. In this case (see photo), it is nicely used for perching. (*Conservancy staff photo.*)



TABLE 2
THE NATOMAS BASIN CONSERVANCY
LAND ACQUISITION TALLY THROUGH 12.31.12
 (SEE FOOTNOTE INFORMATION; DOES NOT INCLUDE EASEMENTS⁷)



PROPERTY	DATE ACQUIRED	ACRES
Silva	1.7.99	159.200
Betts	4.5.99	138.992
Kismat	4.16.99	40.463
Bennett (C.L.)	5.17.99	226.675
Bennett (H&B)	5.17.99	132.486
Lucich North	5.18.99	267.986
Lucich South	5.18.99	351.889
Frazer	7.31.00	92.600
Souza ⁸	7.2.01	40.000
Natomas Farms	7.9.01	55.284
Sills ⁹	7.15.02	436.4059
Alleghany 50	11.7.02	50.2601
Cummings	11.7.02	66.8307
Atkinson	6.12.03	199.205
Ruby Ranch	6.23.03	91.078
Huffman West ^{10, 11}	9.30.03	157.756
Huffman East	9.30.03	135.746
Tufts ¹²	9.29.04	147.95
Rosa East	3.24.05	106.2827
Rosa Central	3.24.05	100.015
Bolen North	4.29.05	113.619
Bolen South	4.29.05	102.381
Vestal South	9.12.05	94.951
Bolen West	9.1.06	155.141
Nestor	9.1.06	233.16
Frazer South ¹³	11.7.06	110.372
Bianchi West	11.7.06	110.16
Elsie	11.7.06	158.031
Silva South	9.28.12	29.12
Total		4,104.0421

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.

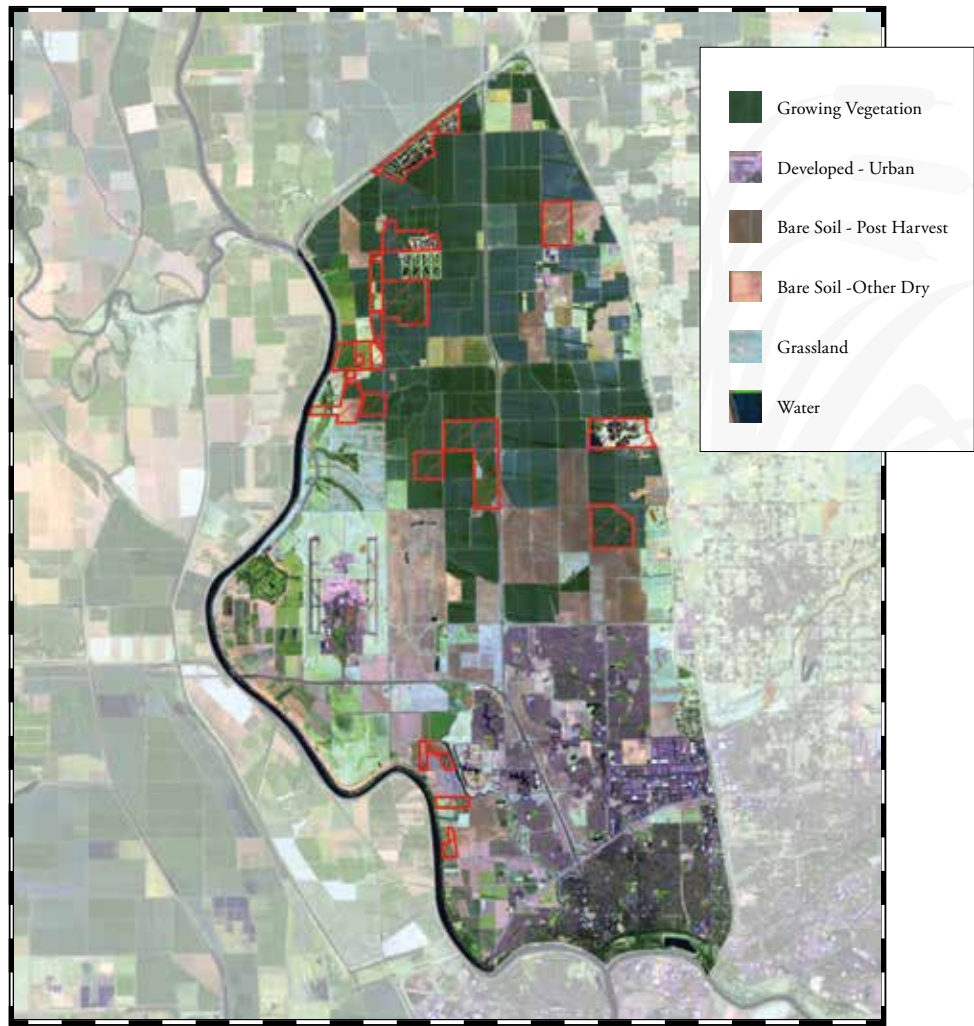
¹⁰ SAFCA purchased portions of Atkinson (6.566 acres) and Huffman West (23.146 acres) for the Natomas Levee Improvement Project. Mitigation of those portions was shifted to Bolen West.

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

¹² 63.116 acres for Opus West mitigation (Promenade) leaves balance of 84.834, then for Griffin Industries' mitigation of 42.005, leaving a balance of 10.7215 available for future mitigation. Brookfield acquired 32.1075 acres of mitigation credit on this property.

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 4
LANDSAT photograph of the Natomas Basin. The 2012 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. See also, "Base Map" in Figure 10 for greater delineation of Conservancy land holdings at December 31, 2012.)



LANDSAT 5 - SEPTEMBER 28, 2012

BUDGET AND FINANCE

- **Finance Model update.** The HCP finance model was updated and a fee decrease was requested, granted and implemented.¹⁴
- **Endowment Fund recovery.** With continued recovery in financial markets, account balances in the Conservancy's endowments funds have recovered. By year-end 2011, the account balances exceeded their low point in 2008.
- **Endowment Fund.** The Conservancy's endowment funds remains conservatively invested. The total account balance in the combined endowment funds at December 31, 2012 was \$15,465,885 versus \$12,903,498 for the December 31, 2011 balance. This includes realized and unrealized gains. For the Supplemental Endowment Fund, the total account balance at December 31, 2012 was \$2,178,605 versus \$1,880,063 for the December 31, 2011 balance.

¹⁴ Adopted by City of Sacramento City Council resolution.

FIGURE 5
A significant contributor to Conservancy financial operations. Rice farming is a major activity on Conservancy preserves, as the NBHCP requires that 50 percent of mitigation land be used for the production of rice. As seen at right, the Conservancy harvests rice off of land used for both rice production and Giant Garter Snake habitat, thus yielding both a financial and biological benefit. *(Conservancy staff photo.)*



FIGURE 6
REVENUE VS. EXPENDITURES ANALYSIS

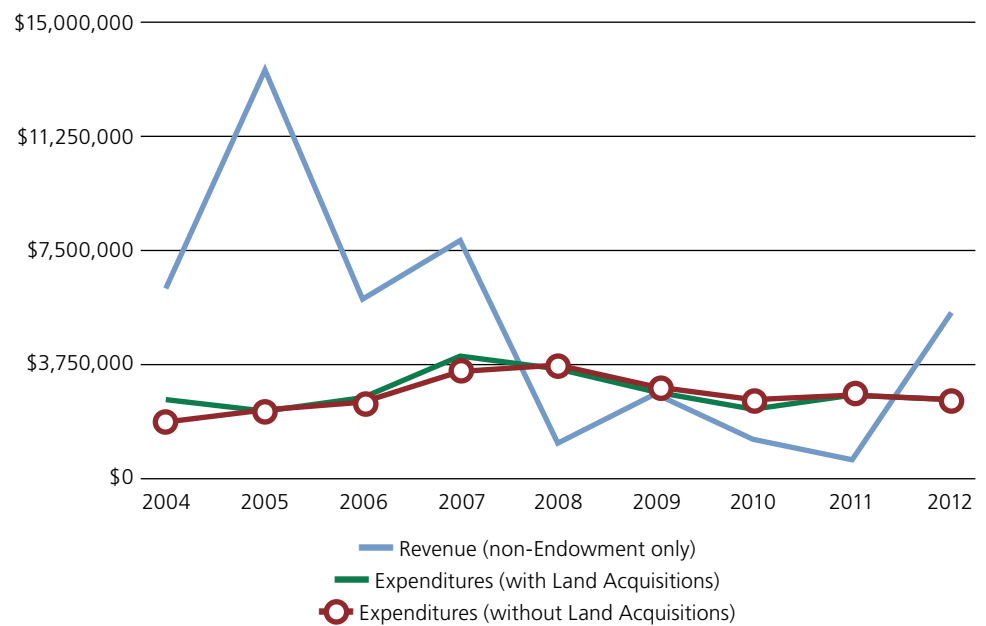


TABLE 3
 THE NATOMAS BASIN CONSERVANCY
 HCP FEE HISTORY

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 (\$7,770 w/land)
2004	\$16,124 (\$8,624 w/land)
2005	\$24,897 (\$12,397 w/land)
2006	\$41,182 (\$18,682 w/land)
2007	\$38,445 (\$18,445 w/land)
2008	\$38,133 (\$20,633 w/land)
2009	\$38,133 (\$20,633 w/land)
2010	\$44,050 (\$26,550 w/land)
2011	\$37,547 (\$22,547 w/land)
2012	\$32,861 (\$21,611 w/land)

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

CONCLUSION

For 2012, the most significant accomplishments are highlighted below:

1. BKS tract North Course, Phase 2 channel clearing and managed marsh maintenance project was permitted, contractors were secured, and the project was completed quickly in an effort to keep marsh complexes fully functional to serve their NBHCP purpose,
2. delivery of another comprehensive annual biological effectiveness monitoring report,
3. working with the Sacramento Area Flood Control Agency (SAFCA) on its extensive flood protection construction activities (the Natomas Levee Improvement Project, or NLIP); SAFCA engaged the Conservancy in additional mitigation and land management efforts, and also engaged the Conservancy in certain habitat land management tasks,
4. completed long-standing work to accept mitigation fees for the Elverta Road and U.S. Highway 99 interchange and the Riego Road and U.S. 99 interchange,

5. furthered efforts to resolve and collect the outstanding \$318,186.16 owed the Conservancy for back mitigation by Metro Air Park (additional funds would be needed to bring the entity in compliance with its pre-pay obligations), with the hope that the full amount of mitigation for the MAPPOA Tier 1 mitigation would be forthcoming, and
6. the Conservancy's Endowments Funds investment manager was changed and reporting has improved as has the performance of the financial markets, which has caused year-end balances to improve over previous years.

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 2013, the Conservancy will continue maintenance and updating activity. During the 2013 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 manage certain of SAFCA's mitigation and soil mining properties as closely as is feasible with the NBHCP,
2. conduct the third 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 the county 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. continue the process of generating funding and information to conduct a comprehensive review and updating of all of the Conservancy's SSMPs, and
5. collect fees from Metro Air Park in keeping with findings of fees owed, and
6. enhance efforts to inform the public about Conservancy activities in ways that are not intrusive or that would otherwise disturb the NBHCP's Covered Species, and do so in a manner that does not have any appreciable impact on the HCP fee.

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



FIGURE 7
The Conservancy's flagship marsh complex. Shown by aerial photography in 2012, the Conservancy's Betts, Kismat and Silva preserves (collectively known as BKS tracts) are a reliable refuge for giant garter snakes. Ponds M and N in the center-left portion of the photo can be seen completely de-watered as they await channel renovation.

TABLE 4
 THE NATOMAS BASIN CONSERVANCY
 GENERAL RESERVE CHARACTERISTICS ILLUSTRATION, 2012*

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-strikerthrough dot (⊖) represents minor, partial or planned inclusion on the referenced tract; a check mark (✓) represents completion of project.

FIGURE 8
BASE MAP OF CONSERVANCY PRESERVES AT JANUARY 1, 2013

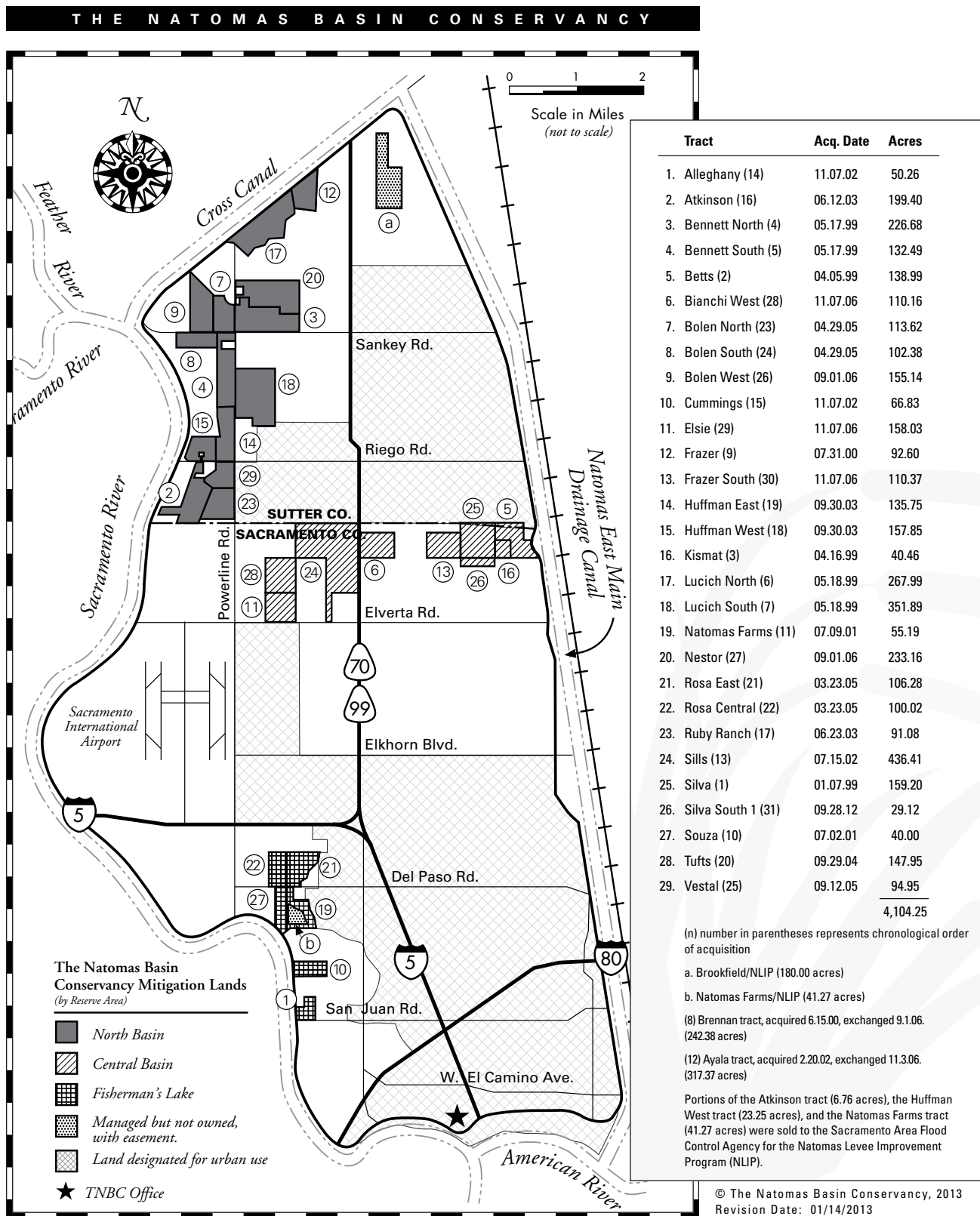


FIGURE 9
2012 PROGRAM EXPENSES BY MAJOR CATEGORY

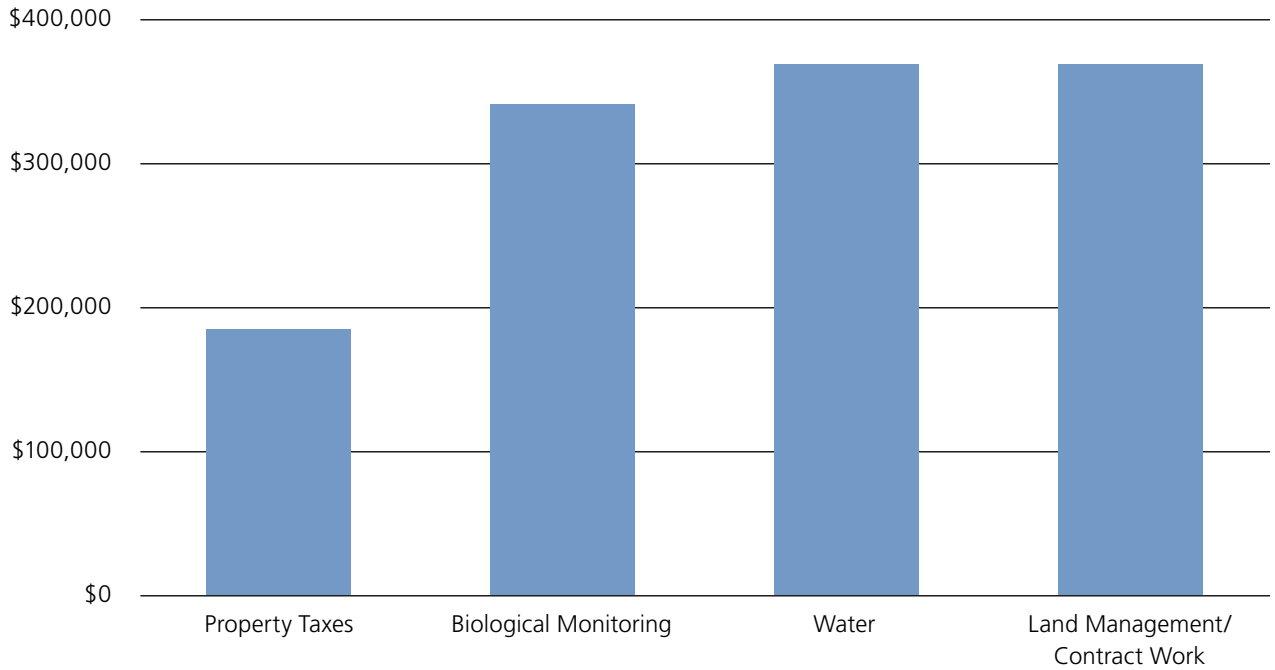


FIGURE 10
REVENUE HISTORY, EXCLUDING ENDOWMENT FUNDS

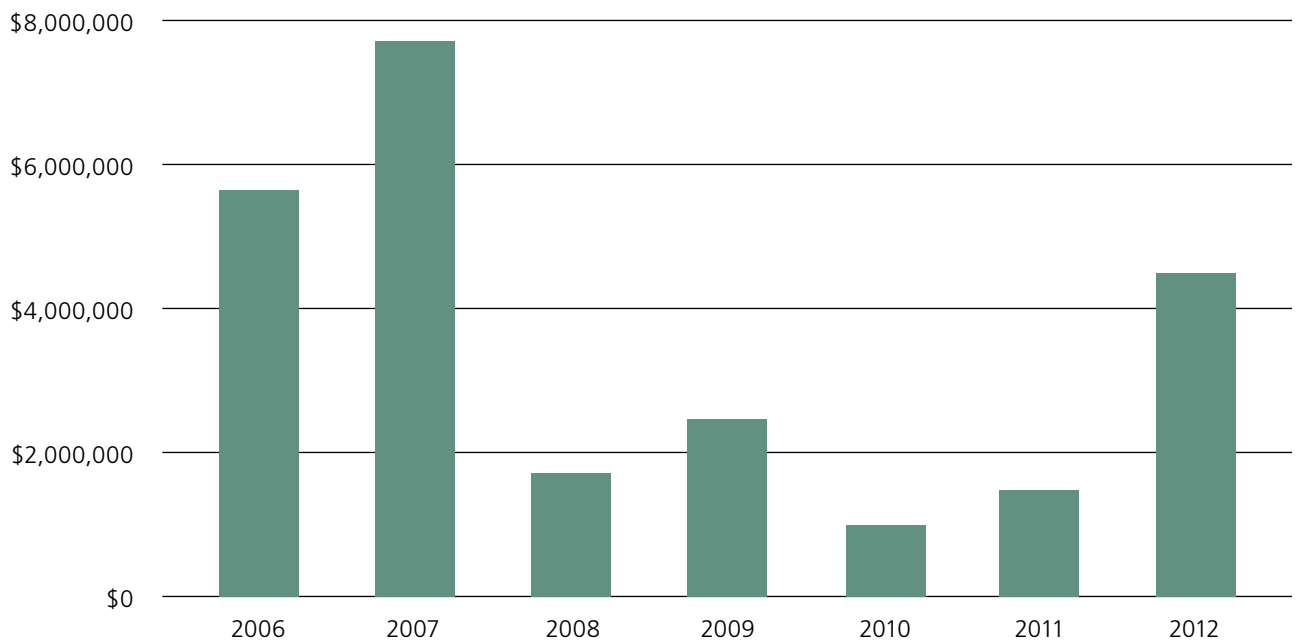
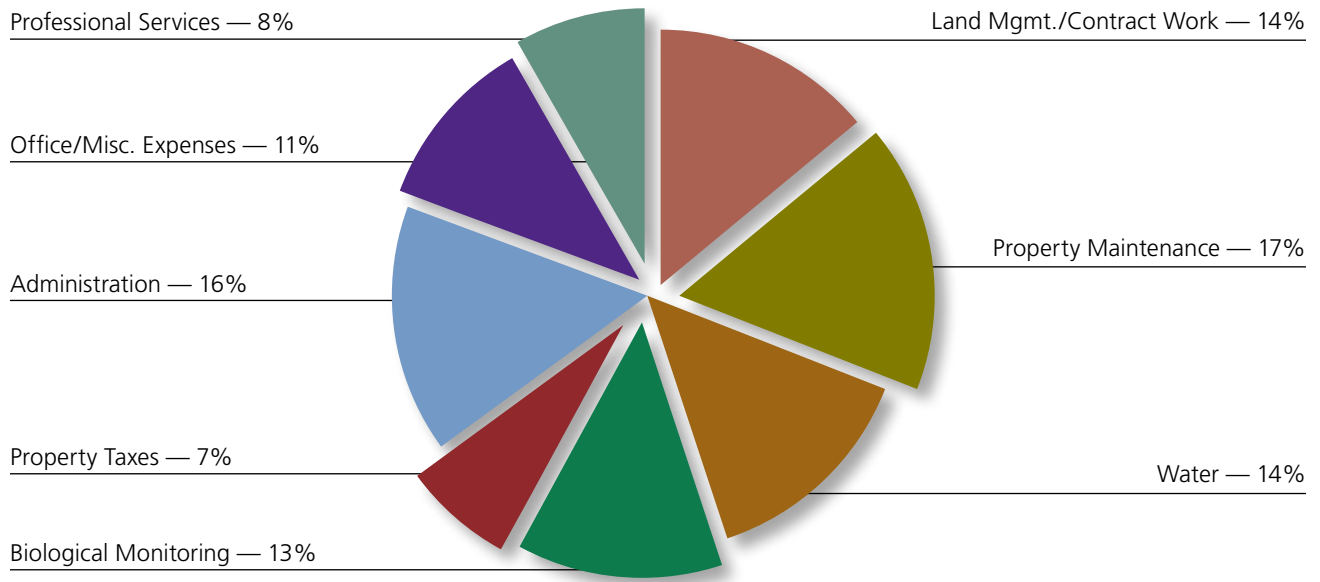


FIGURE 11
EXPENDITURES ANALYSIS, 2012





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