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IMPLEMENTATION ANNUAL REPORT

EXECUTIVE SUMMARY

CALENDAR YEAR 2013

APRIL 30, 2014

Pg. SECTION

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INTRODUCTION TO THE EXECUTIVE SUMMARY



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 TEO73667-0).

The 2013 Implementation Annual Report comes in three parts:

- 1.) **The Executive Summary.** The reader will get a reasonably comprehensive account of the 2013 reporting from this portion of the Implementation Annual Report (“1 of 3”).
- 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 2013 Implementation Annual Report.

Both the second and third parts (“2 of 3” and “3 of 3”) are several hundred pages long and are available separately from the Conservancy.

LAND ACQUISITION

Acreage acquired remained 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 recent years.

All Conservancy land holdings as of December 31, 2013 are shown in Figure 10, attached to this report (see “2013 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 2013. The Conservancy has acquired a total of 4,131.1170 acres as of December 31, 2013. 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. No acres were reported for the City in 2013. Through Metro Air Park’s participation, there have been HCP fees paid on 316.749 additional acres. Combined with non-HCP acres of 50.46 and Sutter County acres of 108.29, there have been fees paid on 7,325.0656 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 no fee income during 2013. For Metro Air Park, total fees paid equal \$6,213,114.97 (including HCP and other mitigation) to date and including the final payment for Tier One impacts of \$515,111.00 in 2013. Fees from Sutter County mitigation on 0.05 acres totaling \$1,2548.53, and from inception to date, \$2,112,133.17 has been paid. Combined with non-HCP mitigation fees, the total amount of fees and fee-related income paid from inception to date totals \$74,330,573.25.⁴

FIGURE 1
BUDGET AND NBHCP FEE CALCULATION WORK IN 2013 RESULTED IN A REDUCED HCP FEE RECOMMENDATION.

AS DETAILED BELOW, IN 2013 THE CONSERVANCY RECOMMENDED A HIGHER FEE FOR 2014.

2014 NBHCP Fee Increase by Fee Component

Total Fee = \$32,259 per Acre

Total Increase = \$4,840 per acre

Fee Collection Admin. | \$95 | 2%

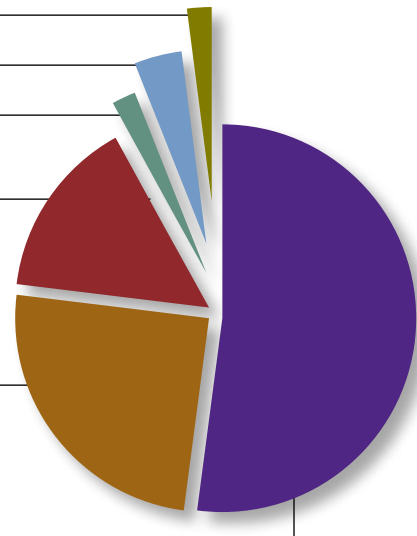
Restoration & Enhancement | \$170 | 4%

Supplemental Endowment | \$87 | 2%

Endowment | \$746 | 15%

Admin/O&M | \$1,242 | 26%

Land Acquisition | \$2,500 | 52%



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 17.40 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.

- **Acres 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. The County of Sutter has developed 108.29 acres. During 2013, 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 presented as owed for mitigation to date (additional monies were required for full pre-mitigation for the Tier One development) under the Metro Air Park HCP was discussed with Wildlife Agency officials in 2011, 2012 and 2013, and by December 31, 2013, the parties agreed to a final amount of \$515,111.00 which settled the amount-to-date the Conservancy believed was owed in mitigation fees plus additional mitigation for Metro Air Park’s full Tier One development phase.
- **Surplus land.** At December 31, 2013, the Conservancy held 280.1448 acres of surplus land.⁵

TABLE 1
HCP FEE-PAID AND SUPPLEMENTAL ACRES*

PERIOD	HCP AND NON-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
January 1 – December 31, 2013	.05
All Years Through December 31, 2013	7,325.0656

*Most mitigation land was dedicated in lieu of paying the Land Acquisition Fund portion of the NBHCP fee.

**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 prior 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.

FIGURE 2
Species not covered by the NBHCP are increasingly using Conservancy preserves. In this instance, a barn owl (*Tyto Alba*) uses fencing to forage for prey on the Conservancy's Silva tract, adjacent to the Pond Q marsh complex.

The barbed wire photographed at right is also frequently used by an NBHCP Covered Species, the Loggerhead shrike (*Lanius Ludovicianus*).
(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 2013.

FIGURE 3
Channel renovation project on BKS North Course, Phase #3. Conservancy efforts to keep marsh complexes fully functional continued in 2013. The top photo shows a “before” channel on Pond Q on the BKS North Course. Note how the channel had filled in from eutrophication, particulates settling out, fossorial animals’ work, etc. The photo below shows the same general area but after channel clearing had taken place. See how tule has been preserved so as to minimize disturbance and allow for Giant Garter Snake re-entry and re-colonization after re-flood.
(Conservancy staff photos.)



TABLE 2
 THE NATOMAS BASIN CONSERVANCY
 LAND ACQUISITION TALLY THROUGH 12.31.13
 (SEE FOOTNOTE INFORMATION; DOES NOT INCLUDE EASEMENTS⁶)

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 ⁷	7.2.01	40.000
Natomas Farms	7.9.01	55.284
Sills ⁸	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 ^{9, 10}	9.30.03	157.756
Huffman East	9.30.03	135.746
Tufts ¹¹	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 ¹²	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

⁶ Easements add an additional 27.0749 acres to the total.

⁷ 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.

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

⁹ 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.

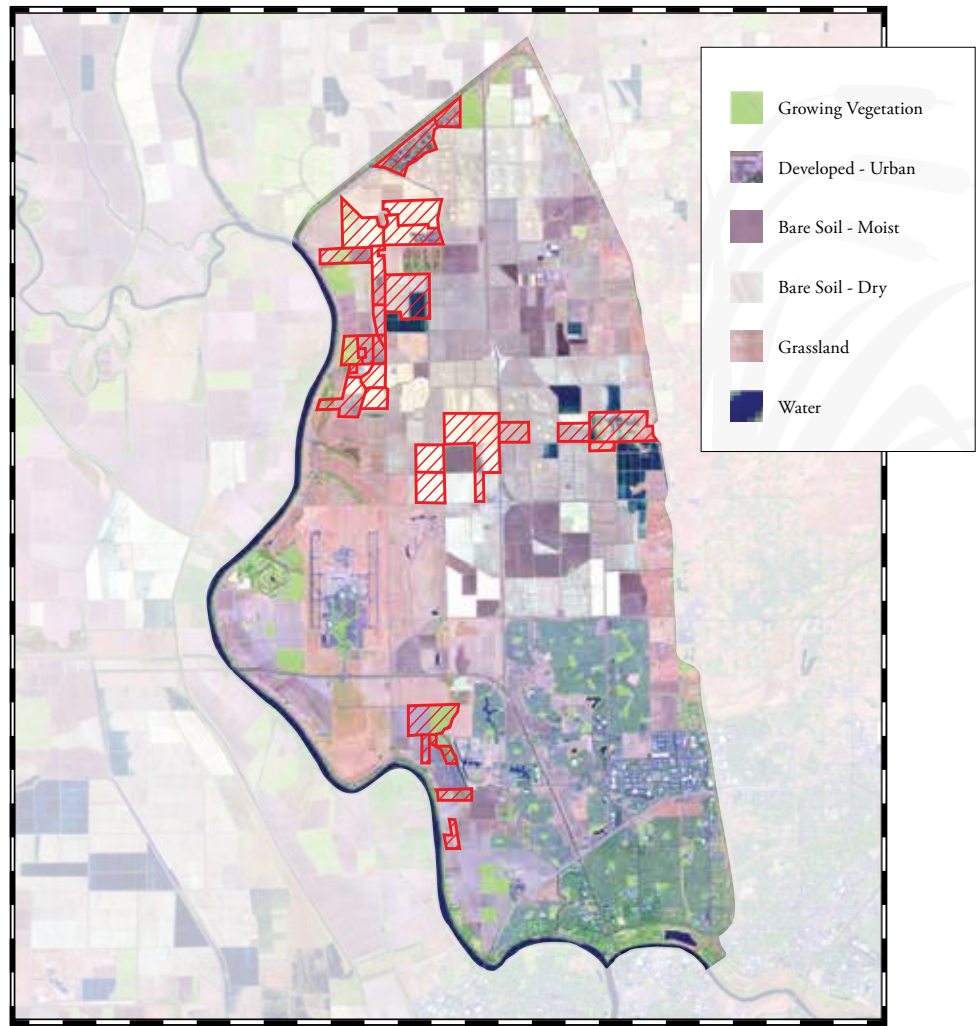
¹⁰ Huffman West tract and 19 acres of the Huffman East tract is for supplemental mitigation required of Metro Air Park.

¹¹ 63.116 acres for Opus West mitigation (Promenade) leaves a balance of 84.834 acres, 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.

¹² 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 2013 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 8 for greater delineation of Conservancy land holdings at December 31, 2013.)



LANDSAT 8 - NOVEMBER 10, 2013

BUDGET AND FINANCE

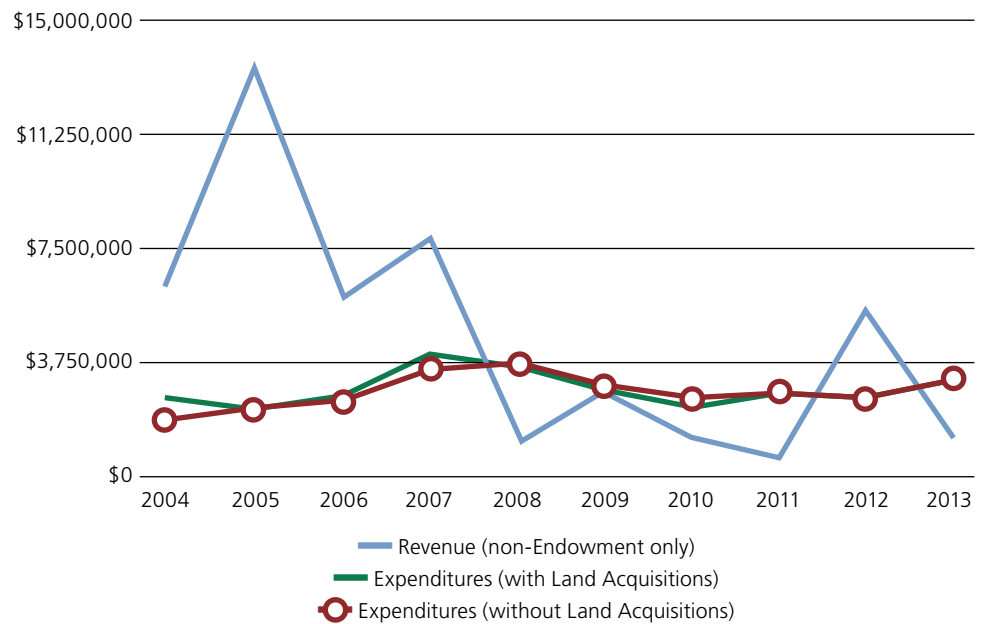
- **Finance Model update.** The HCP finance model was updated and a fee decrease for 2013 was requested, granted and implemented.¹³ See Figure 1 showing 2013's presentation for 2014's fee, which called for an increase in the HCP fee.
- **Endowment Fund recovery.** With continued recovery in financial markets, account balances in the Conservancy's endowments funds have recovered very nicely from low point in 2008. See the Conservancy's December 31, 2013 audited financial statement for details.

¹³ 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 HISTORY



These figures do not include SAFCA revenue or expenditures or Endowment Fund revenue, where indicated.

TABLE 3
 THE NATOMAS BASIN CONSERVANCY
 HCP FEE HISTORY

YEAR	ESTABLISHED FEE
1997	\$2,240
1998	\$2,656
1999	\$3,292
2000	\$3,941
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)
2013	\$27,419 (\$18,669 w/land)

*HCP “premium” was established as a result of an agreement to settle litigation, *FWS v. Babbitt*.

CONCLUSION

For 2013, the Conservancy was busy with its usual activities, but the prolonged drought has impacted many aspects of the Conservancy’s work, including its financials, biological activity and relationships with tenant farmers and their operations. The most significant accomplishments are highlighted below:

1. BKS tract North Course, Phase 3 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 (the Conservancy’s biological effectiveness monitoring team trapped a giant garter snake nearly immediately after the Pond Q work was completed and re-flooded, an excellent success indicator),
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. furthered efforts to resolve and collect the outstanding \$318,186.16 owed the Conservancy for back mitigation by Metro Air Park plus additional funds needed to bring the entity in compliance with its Tier 1 pre-pay obligations for a total of \$515,111.00,

5. handling the growing number of contracts and compliance obligations, the Conservancy employed a full-time manager for this activity, and by year's end, had approximately 200 operating contracts cataloged,
6. protected Conservancy real property rights via participation in Sacramento International Airport's Comprehensive Land Use Plan development process,
7. worked with local, state and national water authorities regarding serious drought conditions in the state, and strategized with tenant farmers as to plans for water shortages expected for 2014, and
8. the Conservancy's endowment funds investments continued their excellent performance, which helped raise the safety net for the Conservancy.

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 2014, the Conservancy will continue maintenance and updating activity. During the 2014 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 mined-properties as closely as is feasible with the NBHCP,
2. conduct the fourth and final 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 Sutter 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. 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 efforts on uplands enhancement continued as well. Shown above is work being done on the Betts tract pasture area. The work is intended to create diverse habitat for the benefit of Swainson's Hawk. In this photo, the land is being leveled so that crops can be grown on it, with the hopes that it will serve as a prey production site for Swainson's Hawk's favored prey.
(Conservancy staff photo.)

TABLE 4

THE NATOMAS BASIN CONSERVANCY
GENERAL RESERVE CHARACTERISTICS ILLUSTRATION, 2013*

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	
Characteristic																													
COUNTY																													
Sacramento	●	●	●						●	●	●	●	●					●	●	●						●	●	●	
Sutter	⊖	⊖		●	●	●	●	●						●	●	●	●				●	●	●	●	●				
PREDOMINANT LAND USE (2013)																													
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 8
BASE MAP OF CONSERVANCY PRESERVES AT DECEMBER 31, 2013

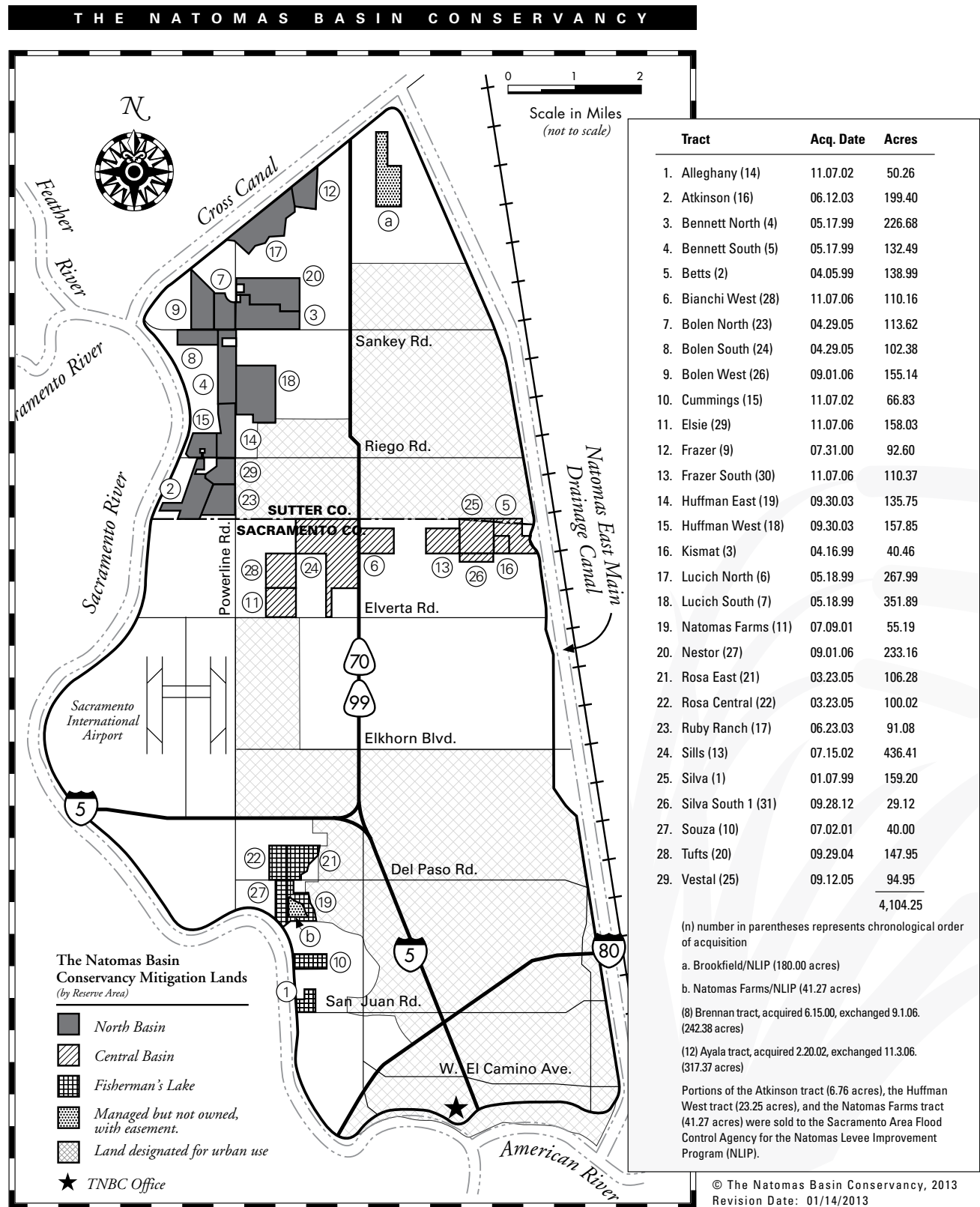
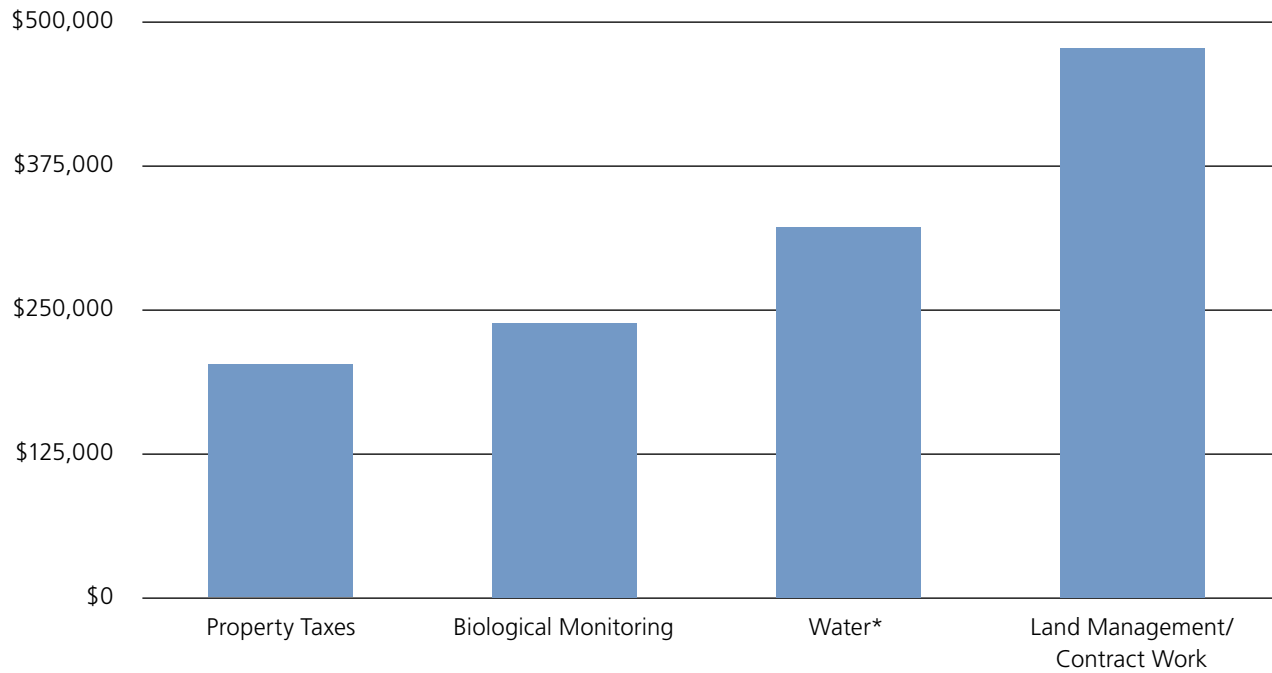
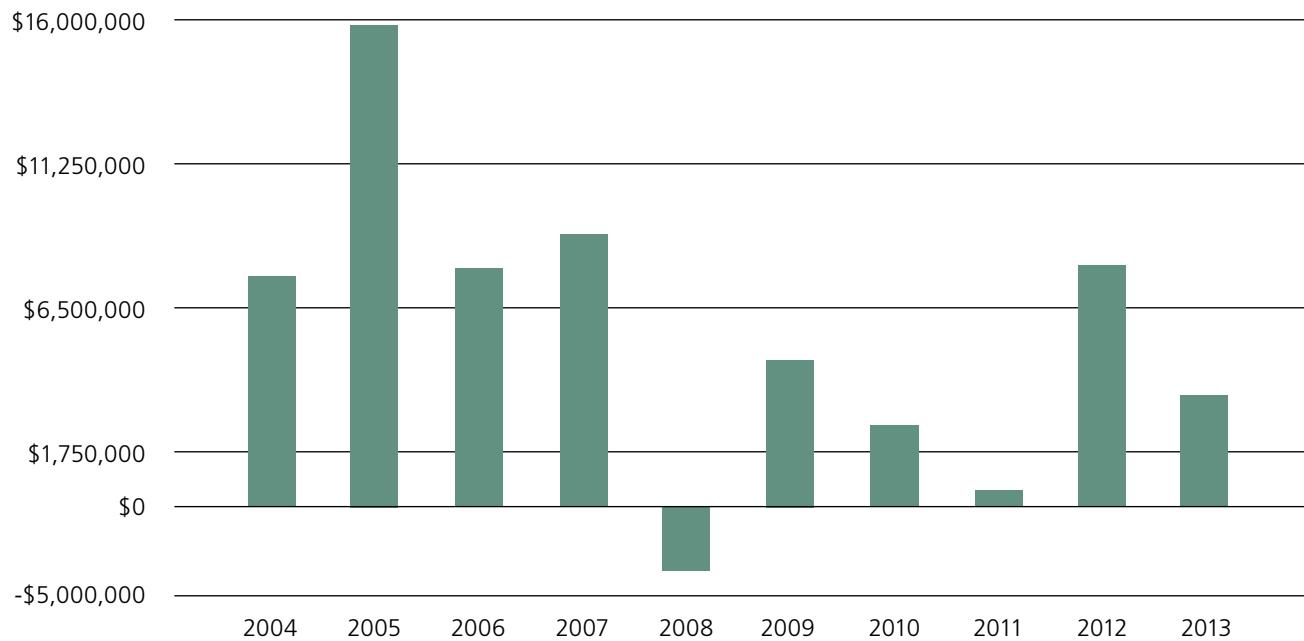


FIGURE 9
2013 PROGRAM EXPENSES BY MAJOR CATEGORY



*Water expense is net of tenant farmer reimbursements.

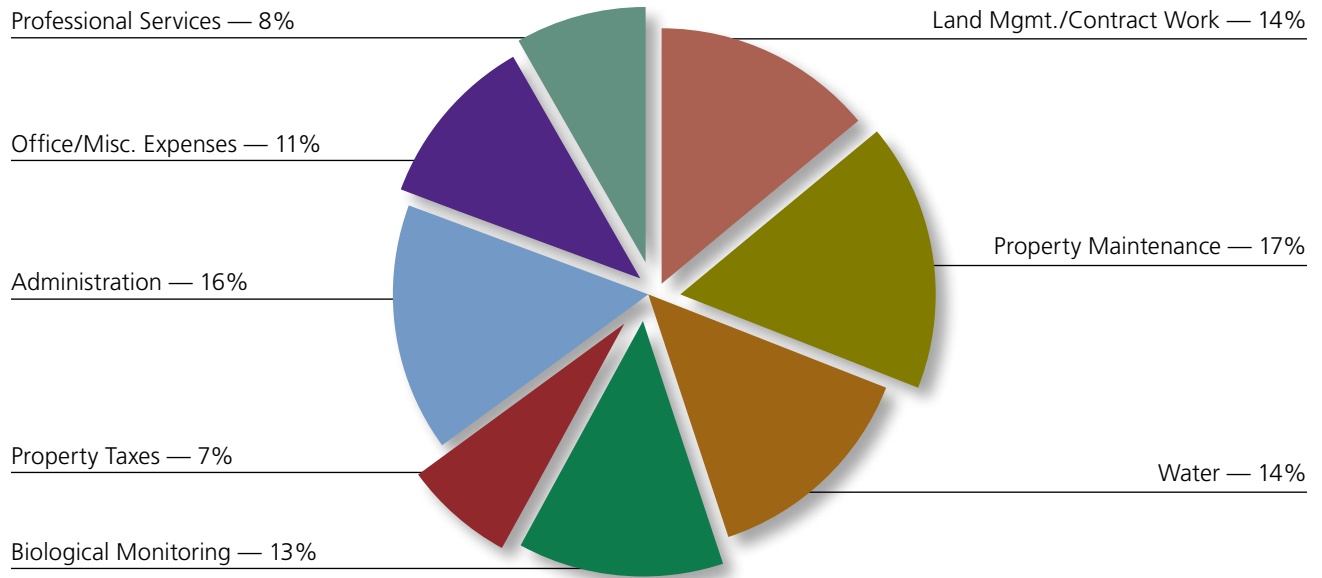
FIGURE 10
REVENUE HISTORY, INCLUDING ENDOWMENT FUNDS



These figures do not include SAFCA funds.

FIGURE 11
EXPENDITURES ANALYSIS, 2012 TO 2013

2012



2013

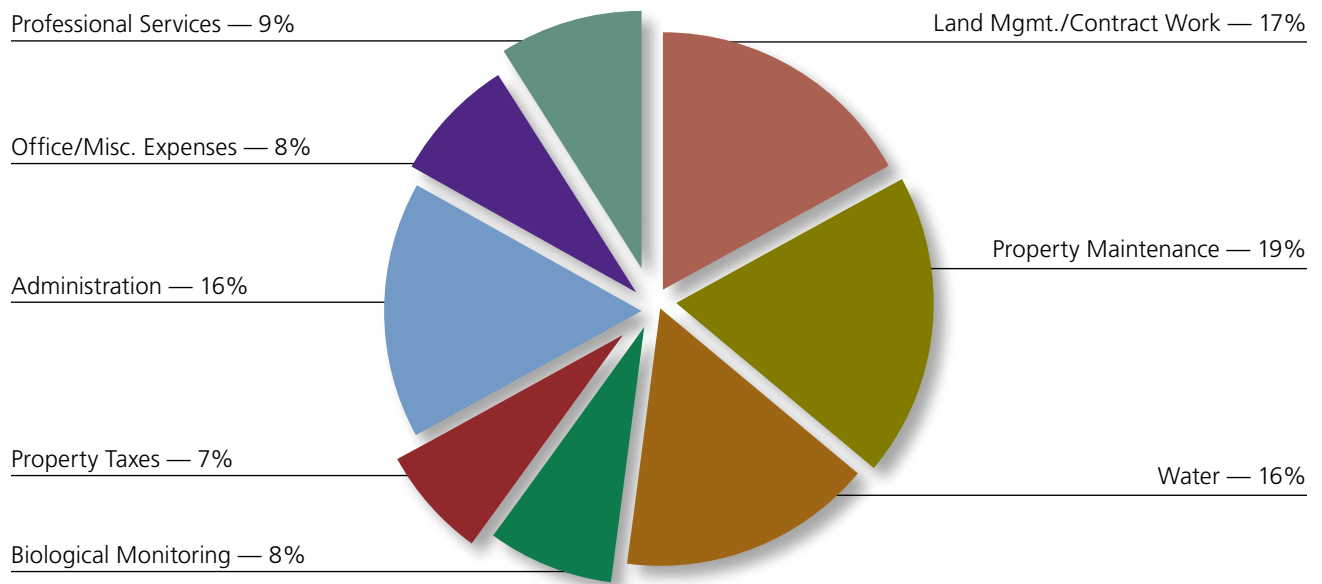


FIGURE 12
Conservancy experimentation.
The 2003 NBHCP requires that the Conservancy encourage experimentation. In the photo at right, experimental plots are shown on the Conservancy's Bennett South tract, where test plots are laid out. The experiments hope to make more certain the sustainability of rice production in the Natomas Basin and elsewhere in the Sacramento Valley.
(Conservancy staff photo.)



FIGURE 13
The Conservancy's BKS North Course Channel Clearing Project, Phase 3, included an important improvement. Shown at right is work being done on the Pond Q portion of the Silva tract marsh complex. Installation of a water delivery pipe from the Pond Q complex westerly towards the Conservancy's Frazer South tract will allow for substantial water conservation in future years. Once the Frazer South marsh complex is constructed (projected for the future), water from the BKS tract will be able to be sent directly into the new Frazer South marsh, reducing the need for new water. The project was completed with 2013's channel maintenance work so that when the time comes to build the Frazer South marsh complex, the high Giant Garter Snake populations in the Pond Q complex will not be disturbed.
(Conservancy staff photo.)



FIGURE 14
One of the biggest expenses for the Conservancy is controlling weeds. The NBHCP requires that non-native weeds be tightly controlled on mitigation properties. One of the most challenging has been the introduction of various aquatic weeds in Conservancy marsh complexes. The weeds, such as Eurasian watermilfoil (*Myriophyllum spicatum*) and Parrotfeather (*Myriophyllum aquaticum*) have been particularly difficult for the Conservancy to control. If left unattended, these aquatic weeds could substantially reduce or potentially eliminate the functions of the managed marsh complexes needed for Giant Garter Snake mitigation.
(Conservancy staff photo.)







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