

<p><b>TNBC</b></p> <p>The Natomas Basin Conservancy</p> <p>Web site: <a href="http://www.natomasbasin.org">www.natomasbasin.org</a></p>	<p><b>Regular Meeting of the Board of Directors</b></p> <p>4:00 p.m. 2150 River Plaza Drive, #460 Sacramento, CA (meeting in Suite 400)</p>	<p><b>Upcoming Regular Meetings</b></p> <ul style="list-style-type: none"> <li>• November 7</li> <li>• December 5</li> <li>• February 6</li> </ul>	 <p><b>October 3, 2007</b></p>
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#	Section	Item	Type	Pg.	Discussion
1	Call to Order	Call to Order of the Regular Meeting of the Board of Directors	Admin.	Ø	○ 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	Consent	2.1	⊕ The Board President will request approval of the minutes of the Board meeting of September 5, 2007.
3	Action	Agreement for update of the NBHCP Finance Model	Consent	2.14	⊕ The NBHCP requires that the NBHCP Finance Model be recalculated each year by February. Given lead times needed for the City's adoption of fee adjustments, the Conservancy needs to initiate work on the Finance Model recalculation early. This year as last, the Conservancy will integrate the 2008 budget with the Finance Model recalculation. Staff recommends the Executive Director be authorized to execute and deliver an agreement between the Conservancy and Economic and Planning Systems for the completion of this work. The proposed amount is \$18,000.00.
4	Action	Amend employment agreement with Executive Director	Consent	2.17	⊕ 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 the Conservancy Executive Director. The amendment would extend the agreement for a three-year period beginning March 15, 2007 among other terms and conditions.
5	Action	Adoption of policy regarding disposition of non-HCP revenue	Action	2.18	⊕ The Conservancy Board requested that staff return with a proposed policy regarding the disposition of non-HCP revenue. As the Conservancy fulfills its role as "plan operator" of the NBHCP, it occasionally finds itself the recipient of financial assets not directly sourced or occurring from NBHCP implementation. The Board has asked staff for analysis and recommendations regarding disposition options for the receipt of such financial assets.  Staff recommends that the Board affirm past practices regarding the disposition of non-HCP derived assets, consistent with its past practices. The Conservancy was established as a private, non-profit organization, and in its founding, the City Council of the City of Sacramento desired

					<p>that it be separate from City government and also, that the Conservancy be free to conduct a real estate acquisition program that permitted flexibility to strategically acquire and manage assets. At present, the Conservancy believes that funds received by the Conservancy that are not HCP fees or otherwise a direct result of HCP activity (e.g., farm rent from mitigation lands), are surplus funds, or funds that may be used at the Conservancy's discretion in accordance with its Articles of Incorporation and Bylaws.</p> <p>In the past, the Board of Directors has felt it had a wide range of options available to it in allocating where such assets would end up. In one case in the early years of the Conservancy where its long-term viability as an organization was on the front of the minds of Board members, the Board determined that a large, unexpected infusion of cash be allocated to the Endowment Fund (and to none of the other funds that make up the NBHCP fee). In this case, it reasoned that the nature and source of the funds was linked with an intention of complying with the spirit of the NBHCP even though it was not an NBHCP-covered activity. Conversely, the Conservancy's Board of Directors has determined that another significant infusion of cash from Sutter County was not required by the NBHCP and that there was no linkage to it. Therefore, these funds were deposited into a fund titled, "Designated, Non-HCP." It is important to note that the Board made such designations in the exercise of its own discretion, and not on the assumption or determination that it was bound by the terms of the NBHCP or by other legal constraints.</p> <p>This item requests Board approval of a policy memorializing the Conservancy's practice of handling and allocating non-HCP revenue (including land and money).</p>
6	Action	Referendum for shareholders of Natomas Central Mutual Water Company regarding surplus water sales	Action	∅	<p>⊕ The Natomas Central Mutual Water Company has announced it intends to conduct a referendum of shareholders to advise the Water Company Board regarding a proposed sale of surplus water. In the opinion of Conservancy staff, the Water Company is in need of an infusion of capital to remain on sound financial footing. The referendum would be advisory only. It is probable the referendum will be conducted prior to the next Conservancy Board meeting.</p> <p>This item requests the Board of Directors authorize the Conservancy's Executive Director to cast votes in favor of a Water Company sale of surplus water. The authority to cast the Conservancy's vote would be contingent upon advising the Board President of the details of the wording of the referendum (the details of which are not available in time for the Conservancy's October 3 Board meeting), and obtaining the Board President's final okay. If the Board</p>

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					President is unavailable, the Board Vice President would have the same authority to provide the Conservancy Executive Director with an okay on voting the Conservancy's shares in this referendum.
7	Action	Agreement with the Natomas Central Mutual Water Company for groundwater and surface water exchange	Action	2.19	<p>⊕ The Natomas Central Mutual Water Company has proposed a groundwater and surface water exchange agreement. Staff shared with the Board at previous Board meetings a proposal from the 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 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 approval.</p>
8	Discussion	City of Sacramento report	No action	∅	○ Report from the City of Sacramento regarding HCP-related activity and other topics.
9	Discussion	Financial statement review	No action	2.30	○ A financial statement update will be provided for the period ended August 31, 2007 (unaudited).
10	Discussion	Update on Lucich North/Frazer North channel restoration project	No action	∅	○ The Lucich North and Fraser North managed marsh complex channel clearing project is completed. Staff will provide a recap of this summer's channel clearing efforts, and a fresh aerial photo of the project site will be shared.
11	Discussion	Bennett North managed marsh construction project	No action	∅	○ The Bennett North managed marsh complex construction project is nearly completed. Staff will provide an update on the project.

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		progress report			
12	Discussion	City of Folsom and proposed water sale by the Natomas Central Mutual Water Company	No action	∅	○ Representatives of the City of Folsom and other groups will brief the Board on a proposed sale of water by the Natomas Central Mutual Water Company to the City of Folsom.
13	Discussion	Background discussion for the 2008 budget presentation	No action	∅	○ Staff will review with the Board the foundation and assumptions it will use in preparing a budget for consideration by the Board in upcoming months.
14	Public Comments	Public Comments	No action	∅	○ Opportunity for members of the public to address the Conservancy's Board of Directors.
15	Executive Session	Executive Session – Real Estate	Action	∅	○ No executive session is planned.
16	Executive Director's Report	Executive Director's Report	No action	①	○ Various matters for Board members' general information.
17	Adjournment	Adjournment	Admin.	∅	○ Official adjournment of the meeting.

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