

**Minutes of a Regular Meeting<sup>1</sup>**  
of  
**The Natomas Basin Conservancy**

August 5, 2015  
Offices of the Natomas Basin Conservancy  
2150 River Plaza Drive, Suite 460  
Sacramento, CA  
4:00 p.m.

**BOARD MEMBERS**

**PRESENT:**

= attended

= did not attend

- Kay Backer
- Mike Bradbury
- David Christophel
- William Edgar (left at 6:50 pm)
- Kevin McRae
- Davin Norene
- Dan Silva
- Danelle Stylos
- Charee Thurman
- Steven Willey

**STAFF/LEGAL COUNSEL**

**PRESENT:**

Kim Burns, Valerie Huezo, Jennifer Kelley, Jeremy Lor,  
John Roberts, Ed Quinn

**GUESTS:**

Nick Avdis, Attorney; Isabel Domeyko, New Economics  
& Advisory; Vince Minto, Tom Higgins, Wells Fargo  
Insurance Services

**TAC:**

None

**CALL TO ORDER**

Silva called the Regular Meeting of the Board of Directors to order, noting a quorum was present.

**ANNOUNCEMENTS**

Roberts announced: new agenda format, guest speakers that were present at the meeting, Vince Minto, regarding the Sutter County property tax issue and Tom Higgins, Wells Fargo Insurance Services.

**PUBLIC COMMENTS**

There were no public comments heard.

**ACTION-REGULAR SESSION**

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<sup>1</sup> Notice of meeting posted on TNBC website.

Approval of minutes.

The Board Chair requested approval of the June 3, 2015 Board of Directors meeting minutes and consent items.

3		Approval of the minutes	Consent	⊕ The Board Chair will request approval of the minutes and consent items of the Board of Directors meeting of June 3, 2015.
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(Res.15.08.01) On a motion by Thurman and a second by Willey, the Board unanimously approved the minutes of the June 3, 2015 Board of Directors meeting.

Board members

- Kay Backer
- Mike Bradbury
- David Christophel
- William Edgar
- Kevin McRae

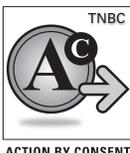
- Davin Norene
- Dan Silva
- Danelle Stylos
- Charee Thurman
- Steven Willey

Vote symbols

- = "aye" vote
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- ◆ = abstain or recuse

Approval of consent items.

The Board Chair requested approval of the consent items of the Board of Directors meeting of August 5, 2015.

4		Review of Corporate Funds policy	Consent	⊕ At its June 3, 2015 meeting, the Finance Committee accepted proposed updates to the Board's Corporate Funds Investment Policy. The Committee recommends that the Board approve and adopt these changes.
5		Review of Endowment Funds policy	Consent	⊕ At its June 3, 2015 meeting, the Finance Committee accepted proposed updates to the Board's Endowment Operations and Maintenance Fund and Supplemental Endowment Fund Investment Policy. The Committee recommends that the Board approve and adopt these changes.
6		Conservancy web site update	Consent	⊕ Consistent with the 2015 Budget discussions and inclusion of budgeted funds, \$15,000.00 is requested for updating of the Conservancy's web site. Board members will recall that earlier, the Conservancy's web site was on a DotNetNuke platform, but with Board approval, was moved to a WordPress platform in order to reduce costs and improve response times as well as to facilitate the anticipated Board agenda packet hosting. After a testing

				period, Conservancy staff is pleased with the new WordPress facility, and now will proceed with necessary updating as budgeted and planned, provided the Board authorizes the expenditure.
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(Res.15.08.02) On a motion by Edgar and a second by Stylos, the Board unanimously approved the consent items of the Conservancy’s Board of Directors agenda.

Board members

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| <input checked="" type="checkbox"/> Kay Backer        | <input checked="" type="checkbox"/> Davin Norene   |
| <input checked="" type="checkbox"/> Mike Bradbury     | <input checked="" type="checkbox"/> Dan Silva      |
| <input checked="" type="checkbox"/> David Christophel | <input checked="" type="checkbox"/> Danelle Stylos |
| <input checked="" type="checkbox"/> William Edgar     | <input checked="" type="checkbox"/> Charee Thurman |
| <input checked="" type="checkbox"/> Kevin McRae       | <input checked="" type="checkbox"/> Steven Willey  |

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**ACTION ITEMS**

Property tax matter. The Conservancy received a letter from the State of California’s Board of Equalization (BOE) which responded to a request for guidance on the matter of the Conservancy’s contention that certain of its landholdings were being improperly assessed by the Sutter County Assessor. The BOE letter confirmed that the Conservancy’s position was correct. Moreover, the BOE letter extended its position to other land uses the Conservancy puts its landholdings to.

The Conservancy expects the Sutter County Assessor to revise its methodology of property value assessment and assess the Conservancy’s properties at significantly lower values. With guidance from experts, the Conservancy believes it is entitled to back tax reimbursements going back eight (8) years.

Conservancy consultant Vince Minto, former Glenn County Assessor, returned to the Board to detail the matter and review with the Board the BOE letter.

This item requested that the Board authorize expenditure up to \$20,000.00 for consulting services to detail for the Sutter County Assessor the necessary information to adjust assessment procedures and file for back tax reimbursement. Contractors are the same the Board has heard from previously on the matter and which have previously presented before the Board, Vince Minto (see referenced above) and New Economics and Advisory, LLC, represented by Isabel Domeyko.

(Res.15.08.03) On a motion by Norene and a second by Willey, the Board unanimously approved the amount of \$20,000 for consulting services to finish out this matter.

Board members

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Audit RFP. At the request of the Conservancy’s Audit Committee, a Request for Proposals (RFP) has been developed for year-end financial audits. The RFP solicits proposals from qualified

auditors to conduct the annual audit of the Conservancy’s year-end financial statements for fiscal years 2015 through 2019. An annual audit is required each year in the 2003 NBHCP and under the California Non-profit Integrity Act of 2004.

**Planned Timetable\* Auditor**

<u>Event</u>	<u>Date (2015)</u>
TNBC Board approves RFP for release	August 5
Release and distribution	August 10 2015 of RFP
Responses due, 4:00 p.m.	September 10
TNBC Board reviews proposals; selects	October 7
Agreements signed by both parties (on or about)	December 1

\*Subject to change

(Res.15.08.04) On a motion by Thurman and a second by Christophel, the Board unanimously approved the Audit Committee recommendation to release the RFP for Audit Services. RFP responses are to be brought back to the Board for selection and acceptance.

Board members

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| <input checked="" type="checkbox"/> David Christophel | <input checked="" type="checkbox"/> Danelle Stylos |
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Lucich North tract groundwater well renovation. The Conservancy’s Board of Directors authorized staff to move forward with participation in the Groundwater Exchange Program (GWEP) through the Natomas Central Mutual Water Company (NCMWC) this year. Roberts noted in his presentation to the Board at the time that there were certain to be surprises in participating in the program, as the Conservancy’s wells had not been as substantially tested to the degree they were likely to be tested in this year’s GWEP. However, well maintenance and repair surprises have turned out to be far fewer than expected, even though a lot of staff time has been necessary to guide the program and keep up with maintenance, regulatory, and contract compliance demands.

Subject well. One well in the GWEP has been a challenge. That is the Lucich North well. Historically, this well has been used to irrigate the largest of the Conservancy managed marsh complexes, the Lucich North marsh. Lucich North is actively populated with Giant garter snakes (GGS).

Recent history. The Conservancy engaged Water Well Services, Inc. to conduct a wellbore video report as is required for participation in the GWEP. With NCMWC, Bureau of Reclamation and

Conservancy officials on site, it was found that the well did not meet DWR standards due to it not being screened from approximately 123 feet below grade to the required minimum of 150 feet below grade. (In order to qualify for participation in the GWEP, wells need to be solidly lined from the surface to at least 150 feet.) Because the estimate for the work necessary to cure this problem exceeded the Executive Director's spending limit, and because a check-in with Board officers determined that the Board's action authorizing participation in the GWEP likely did not include well renovations (as opposed to repair), the Conservancy instructed the contractor (Odell's Pump and Motor Service) to leave the pump removed until a determination could be made as to next steps.

Therefore, in order for the Lucich North well to be included in the GWEP, at a minimum, a liner needs to be placed from the 123-foot depth to the 150-foot depth. A "mild steel patch" is recommended (casing diameter and pump size largely necessitates a limited-gauge slip liner to seal off mesh portions of the well).

Inspection findings. Additionally, the video inspection revealed that the screens on the groundwater well were 90-percent blocked. Therefore, this has become not only a matter of whether the Conservancy could make the well eligible to participate in the GWEP, but also a matter of continued functionality for providing customary off-season water to the large Lucich North marsh complex.

Expert advisors. The Conservancy has called on a number of advisors to guide its assessment on the well. These include the following:

- Water Well Service (videotaping of well and recommendations for repair and compliance with DWR requirements)
- Odell's Pump Service (pulling of pump and preservation of equipment)
- Sopwith Farms (logistics)
- Natomas Central Mutual Water Company (coordination of inspections and guidance on meeting groundwater exchange program criteria)
- U.S. Bureau of Reclamation (on-site monitoring of video inspection and program participation matters)

Conservancy proposal for renovation. Conservancy staff has developed a plan to renovate the well in order to accomplish two objectives:

- 1.) qualify it for participation in the GWEP for future years, and
- 2.) repair the well such that it is more productive and energy efficient in order to reduce costs and increase reliability for off-season marsh watering.

The estimated cost of the work the Conservancy proposes is \$39,050.00.

Alternatives explored. Among the alternatives explored to repair and renovation include placing an alternative well at the site. In the process of this inquiry, staff was advised that an estimated cost of such a new well would be approximately \$89,000.00. This does not include the cost of extending electrical service to the new well location, welding required for the two valves that distribute water to the two marsh cells, permitting and other incidentals.

When asked about additional cost to have a State-licensed contractor conduct well destruction activities and file a well destruction permit (for the existing well), the Conservancy was advised not to close the Lucich North well. The reason given for this recommendation is that the existing Lucich North well is a screened, "gravel-packed" well, and is "far less likely to be a problem in the future."

Therefore, based on this information, the replacement alternative is not recommended.

Action requested. This item requests the Board of Directors authorize the Conservancy's Executive Director to execute and deliver an agreement with Odell's Pump Service and any other necessary contractors or subcontractors to renovate the Lucich North groundwater well so that it is eligible for participation in the groundwater exchange programs and also for necessary repairs for the well's service in providing a source of water during those times when surface water is not available. The amount of the item requested is \$39,050.

(Res.15.08.05) On a motion by Willey and a second by Backer, the Board unanimously approved for the Executive Director to execute and deliver an agreement with Odell's Pump Services and any other necessary contractors to renovate the Lucich North groundwater well.

Board members

<input checked="" type="checkbox"/> Kay Backer	<input checked="" type="checkbox"/> Davin Norene
<input checked="" type="checkbox"/> Mike Bradbury	<input checked="" type="checkbox"/> Dan Silva
<input checked="" type="checkbox"/> David Christophel	<input checked="" type="checkbox"/> Danelle Stylos
<input checked="" type="checkbox"/> William Edgar	<input checked="" type="checkbox"/> Charee Thurman
<input checked="" type="checkbox"/> Kevin McRae	<input checked="" type="checkbox"/> Steven Willey

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Mid-year budget revision. There have been a number of events that have caused the Conservancy to present and recommend a mid-year budget revision for the Board to consider.

A proposed mid-year budget revision is shared with the Board. It reflects staff's best current knowledge as to the most significant changes in financial condition through the end of 2015.

The key issues necessitating a budget revision include:

- 1.) additional revenue attributable to the 2015 groundwater exchange program, and
- 2.) an increase in revenue from HCP fees from the City of Sacramento, and
- 3.) a payment by PG&E for a pipeline easement, and
- 4.) expense associated with the 2015 groundwater exchange program, especially well maintenance and power costs, and
- 5.) property tax re-appraisal project costs, and
- 6.) legal expenses in excess of approved budget.

Staff advised that as per contract, the groundwater exchange program (see item #1 immediately above) could end abruptly should the counterparty (San Luis and Delta-Mendota Water Authority) determine it no longer needs additional water. Since the Natomas Central Mutual Water Company (NCMWC) holds the contract on behalf of all of its shareholders (including the Conservancy), the Conservancy is unable to make precise determinations about expected revenue and expenses necessary to support those expenses. The amount used in the budget revision recommendations is an estimate provided to the Conservancy by the NCMWC.

McRae requested details on the need for extra legal services, noting that as Audit Committee chair, it was essential for him to be alerted to such key issues. He also requested to know what these additional legal expenses had to do with an ad hoc committee. Quinn requested the matter to be deferred to the next meeting when it could be properly agenda'd.

Burns recommended that the 2015 budget revision be adopted by the Board of Directors.

(Res.15.08.06) On a motion by Backer and a second by Stylos, the Board unanimously approved the 2015 Budget revisions.

Board members

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## DISCUSSION

City of Sacramento report. There was no report presented.

Financial statement review. Burns provided a financial statement update for the period ended June 30, 2015 (unaudited). Additional financial information was provided.

Insurance review. Tom Higgins of Wells Fargo Insurance discussed with the Board of Directors the Conservancy's insurance policies for 2015-2016, including its directors and officers liability coverage, crime coverage, workers' compensation, employment practices liability, general liability and umbrella policies. A detail of coverage limits and premiums was provided and discussed.

NCMWC ground water transfer program. Roberts provided an overall update on the Conservancy's participation in the 2015 Groundwater Exchange Program.

Social Media initiative. Over the past several months, the Conservancy has beta-tested a social media initiative in keeping with previous Board recommendations to conduct limited public outreach. Roberts and Huezo introduced the effort to the Conservancy's Board for its review and counsel.

Board of Directors agenda packets: update. Burns briefed the Board on efforts to improve functionality and reduce costs with regard to Board of Directors agenda packets.

Proposal to change the salary level for "exempt" employees. Roberts updated the Board on the Obama Administration proposal to adopt regulations that substantially increase the compensation level at which white collar employees are determined to move from "non-exempt" to "exempt." Staff believes that by the time the new regulations take effect, the Conservancy will be in total compliance and there are unlikely to be any impacts on how the Conservancy conducts business in this regard.

Authorization granted the Natomas Central Mutual Water Company to install land subsidence monitoring equipment on Conservancy land. In order to protect Conservancy mitigation land, the Conservancy volunteered to have the Natomas Central Mutual Water Company's ground subsidence measurement monuments on Conservancy land. Roberts briefed the Board on this matter.

Natomas Farms Marsh Recapture Pipe Project. Roberts updated the Board on the SAFCA-directed project to install a below-grade 18-inch pipe on the Conservancy's Natomas Farms marsh in order to facilitate greater management options to optimize the new NLIP-built water features to benefit the Giant garter snake.

Installation of piezometers on the newly-granted easement in favor of PG&E. The Board previously authorized executing an easement with PG&E for its underground high-pressure gas pipeline project through the Natomas Basin. The legal instruments behind that transaction have been recently executed and payment has been made by PG&E to the Conservancy. Recently, PG&E has requested that piezometers be placed on Conservancy land associated with the pipeline construction project. Roberts updated the Board on this portion of the project.

Enterprise risk management exercise. In order to focus staff on risk to the Conservancy and the impact such risk events could bring, the Conservancy periodically updates its enterprise risk management graphic. The graphic was shared with the Board and comments about the graphic will be sought.

Edgar left the meeting.

### **PUBLIC COMMENTS**

There were no public comments heard.

### **EXECUTIVE SESSION**

Executive Session for real estate matters was scheduled.

### **EXECUTIVE DIRECTOR'S REPORT**

Various matters for Board members' general information were presented by the Conservancy's Executive Director.

### **ADJOURNMENT**

Official adjournment of the meeting.

(Res.15.06.07) On a motion by Norene and a second by Stylos, the Board unanimously voted to adjourn the meeting at 7:15 pm.

#### Board members

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| <input checked="" type="checkbox"/> Mike Bradbury     | <input checked="" type="checkbox"/> Dan Silva      |
| <input checked="" type="checkbox"/> David Christophel | <input checked="" type="checkbox"/> Danelle Stylos |
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| <input checked="" type="checkbox"/> Kevin McRae       | Steven Willey                                      |

#### Vote symbols

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### **ATTEST:**

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*David Christophel, Secretary*

\_\_\_\_\_  
*date*