

Minutes of a Regular Meeting¹
of
The Natomas Basin Conservancy

December 2, 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
- David Christophel
- William Edgar
- Kevin McRae
- Davin Norene
- Jeff Norton
- Dan Silva
- Charee Thurman (via conference call)
- Steven Willey

STAFF/LEGAL COUNSEL

PRESENT:

John Roberts, Kim Burns, Valerie Huezo, Jeremy Lor, and Ed Quinn

GUESTS:

Angela C. McIntire, Thomas Law Group; Allison Shaffer, Economics & Planning Systems; and John Norman, Brookfield Land

TAC:

None

CALL TO ORDER

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

ANNOUNCEMENTS

Roberts announced that a new Board member was appointed from Sutter County, Jeff Norton, and welcomed him to the Board. Roberts also reminded the Board that the Conservancy's Holiday Appreciation Reception would be on December 10, 2015.

PUBLIC COMMENTS

There were no public comments heard.

ACTION-REGULAR SESSION

Approval of minutes and consent items. Norene requested approval of consent agenda items 3 through 10 and 12 (see below). Item 11 was pulled from the consent agenda for consideration elsewhere under the Action agenda.

¹ Notice of meeting posted on TNBC website.

3	 <p>TNBC ACTION BY CONSENT</p>	Approval of the minutes	Consent	⊕ The Board Chair will request approval of the minutes and consent items of the Board of Directors meeting of November 4, 2015.
4	 <p>TNBC ACTION BY CONSENT</p>	Cancellation of the January 6, 2016 Board meeting	Consent	⊕ The scheduled January 6, 2016 Board meeting (“first Wednesday”) is proposed for cancellation.
5	 <p>TNBC ACTION BY CONSENT</p>	Audit Committee Charter updates	Consent	⊕ The Audit Committee has reviewed and recommends the Board of Directors approve updates to the Audit Committee Charter. The last review / update of this charter was December 7, 2011.
6	 <p>TNBC ACTION BY CONSENT</p>	Internal Financial Control Policy	Consent	⊕ The Audit Committee has reviewed and recommends the Board of Directors approve updates to the Internal Financial Controls Policy. The last review / update of this charter was December 4, 2013.
7	 <p>TNBC ACTION BY CONSENT</p>	Compensation & Governance Committee Charter	Consent	⊕ The Compensation & Governance Committee has reviewed and recommends the Board of Directors approve updates to the Compensation & Governance Committee Charter. The last review / update of this charter was June 1, 2011.
8	 <p>TNBC ACTION BY CONSENT</p>	Executive Director performance evaluation practices	Consent	⊕ The Compensation & Governance Committee has reviewed and recommends the Board of Directors approve updates to the Executive Director’s Performance review procedure document.
9	 <p>TNBC ACTION BY CONSENT</p>	Donation Policy	Consent	⊕ The Compensation & Governance Committee has reviewed and recommends the Board of Directors approve updates to the Donation Policy. The last review / update of this policy was August 1, 2012.
10	 <p>TNBC ACTION BY CONSENT</p>	Finance Committee Charter	Consent	⊕ The Finance Committee has reviewed and recommends the Board of Directors approve updates to the Finance Committee Charter. The last review / update of this charter was June 3, 2015.

<p>12</p> 	<p>Endowment funds agreement expansion</p>	<p>Consent</p>	<p>⊕ The agreement between T. Rowe Price and the Conservancy engaging T. Rowe Price as endowment funds manager expires at the end of December 31, 2015.</p> <p>Staff seeks authorization from the Board for its Executive Director to execute and deliver an agreement with T. Rowe Price under the same general terms as the existing agreement, but that the agreement be “at will” and not include a defined and specific termination date. T. Rowe Price indicates that it has no other clients with “end date” agreements, and that all other clients have migrated to an “at will” arrangement.</p> <p>The Conservancy previously wanted to limit its term with T. Rowe Price pending T. Rowe Price having an opportunity to perform as the Conservancy’s endowment funds manager.</p> <p>Staff is pleased with T. Rowe Price’s performance, clarity and documentation. Judging from Conservancy Board member comments, as well as Finance Committee action, there is general satisfaction with T. Rowe Price as well.</p>
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(Res.15.12.01) On a motion by Christophel and a second by Edgar, the Board unanimously approved the consent items 3 through 10 and 12 (see above). Roll call vote was as follows:

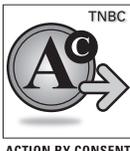
Board members

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|---|--|
| <input checked="" type="checkbox"/> Kay Backer | <input checked="" type="checkbox"/> Davin Norene |
| <input checked="" type="checkbox"/> David Christophel | <input checked="" type="checkbox"/> Jeff Norton |
| <input checked="" type="checkbox"/> William Edgar | <input type="checkbox"/> Dan Silva |
| <input checked="" type="checkbox"/> Kevin McRae | <input checked="" type="checkbox"/> Charee Thurman |
| | <input checked="" type="checkbox"/> Steven Willey |

Vote symbols

- = “aye” vote
- = “no” vote
- = not present
- ◆ = abstain or recuse

The Corporate Funds Policy agenda item was pulled from the consent agenda and died for lack of motion.

<p>11</p> 	<p>Corporate Funds Policy</p>	<p>Consent</p>	<p>⊕ The Finance Committee has reviewed and recommends the Board of Directors approve updates to the Corporate Funds Policy. The last review /update of this policy was August 5, 2015.</p>
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2016 agricultural leases. The Conservancy has farming leases with its farm tenants. In recent years, farm income has been a significant source of revenue for the Conservancy.

With the help of legal counsel, the leases were standardized last year, and with minor exception, the leases proposed for this year all conform. This round of farm leases is proposed for acceptance by the Board as to basic terms, conditions and form, and in most cases, for a three-year term.

There are two types of leases, rice and non-rice:

Rice leases. The rice lease proposed calls for a basic cash rent of at least \$190.00 per acre with a bonus rent payment based on meeting or exceeding certain price and yield thresholds. For example, the average amount paid per acre by Conservancy rice farming tenants in 2015 is \$330.00 (approx.), in 2014 was \$328.06, and in 2013 was \$288.48. The base rent and the bonus rent triggers and percentages are identical to those in the Conservancy's 2015 leases.

Non-rice leases. As to the non-rice leases, the terms and conditions are typically the same as the rice leases, except the payments are generally \$100.00 per acre cash rent for alfalfa and \$50.00 per acre for all other non-rice crops.

Certain exceptions are made to farming contracts. For example, inducements are often made to farmers for planting Swainson's hawk-friendly crops on soils that typically would not support them economically. Another example is offering only one-year leases for rice fields targeted for being next in line for conversion to managed marsh (one-year layout is required).

No changes are planned in farm tenants engaged for this round of leases. There are presently six (6) farm tenants in number, not including an occasional livestock tenant.

This item requested that the Board authorize the Executive Director to negotiate the final terms on farm leases for 2016, 2017 and 2018, then execute and deliver on farming contracts for the Conservancy farm tenants in a manner that is substantially consistent with the standardized leases presented with this issue and in the agenda.

(Res.15.12.02) On a motion by Willey and a second by Thurman, the Board unanimously voted to authorize Roberts to negotiate the final terms on farm leases including a term of up to three years for rice tenants, and to execute and deliver farming contracts to the Conservancy farm tenants for the 3-year term, 2016-2018. Roll call vote was as follows:

Board members

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

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2016 NBHCP Finance Model update and 2016 budget. The proposed 2016 Conservancy budget is presented to the Board for adoption. A draft of the 2016 Conservancy budget was shared with the Board at the October 2015 Board of Directors meetings for review and discussion.

The Conservancy draft 2016 budget is integrated with the NBHCP Finance Model, so that the document submitted for action is one document. The consolidation of the two documents was introduced in 2007 with the intention of reducing the chance of differing budget numbers and because of the consistency it afforded.

The matter of reserves for property taxes has been a substantial issue for the NBHCP Finance Model calculation over the last several years. This year, the Conservancy made no change in the following assumptions with respect to the Williamson Act's impact on Conservancy-held property:

1. The State of California's Williamson Act subventions to counties remains unfunded or largely unfunded in this and next years' State budgets.
2. Counties with which the Conservancy has Williamson Act contracts (Sacramento and Sutter) make no additional change to existing contracts.
3. Counties permit no newly-acquired properties to be enrolled in Williamson Act contracts and to enjoy the property tax benefits such participation affords.
3. All new properties acquired by the Conservancy for HCP mitigation purposes enjoy no Williamson Act property tax protection and are assessed at their full value at the time of acquisition.
5. Sutter County's Williamson Act contracts are reduced by 10 percent.

The 2016 Conservancy Budget and NBHCP Finance Model is now submitted for Board acceptance as is a request to the City of Sacramento to adopt the Finance Model's indicated fee as follows:

- The NBHCP fee for 2016 is recommended to remain the same as in 2015 at \$32,259 per developed acre.
- The NBHCP fee with land dedication for 2016 is recommended to remain unchanged at \$21,009.

The fee is substantially influenced by land prices. The recommended fee, as proposed by Conservancy staff, is supported by work done by Stephen Harrington, MAI, updated for 2016. Harrington estimates the range for mitigation land acquisition will be \$16,000 to \$23,000 per acre.

The price estimate for future-acquired mitigation land is based on an assumption contained in the NBHCP Finance Model. The NBHCP requires that the Conservancy purchase mitigation land within 12 months of demand. There are no exceptions or extensions provided for. So the Conservancy's estimate for mitigation land acquisition costs are based on a "looking forward" methodology, while appraisal valuations are typically based on recent historical valuations.

This item requested:

- 1.) approval of the proposed 2016 Conservancy Budget,
- 2.) acceptance of keeping the 2016 NBHCP mitigation fee the same as 2015, and
- 3.) adoption of a resolution to be submitted to the City of Sacramento requesting no change in the NBHCP fee (see attached resolution).

This item anticipates that should Sutter County express an interest in initiating its use of the NBHCP's Incidental Take Permit acres, an identical resolution is approved for it as well, changing out only the City of Sacramento references to County of Sutter references

(Res.15.12.03) On a motion by Willey and a second by Edgar, the Board unanimously voted to approve the proposed 2016 Conservancy Budget, acceptance keeping the 2016 NBHCP mitigation fee the same as 2015 and adoption of a resolution to be submitted to the City of Sacramento requesting no change in the NBHCP mitigation fee. Roll call vote was as follows:

Board members

- | | |
|---|--|
| <input checked="" type="checkbox"/> Kay Backer | <input checked="" type="checkbox"/> Davin Norene |
| <input checked="" type="checkbox"/> David Christophel | <input checked="" type="checkbox"/> Jeff Norton |
| <input checked="" type="checkbox"/> William Edgar | <input type="checkbox"/> Dan Silva |
| <input checked="" type="checkbox"/> Kevin McRae | <input checked="" type="checkbox"/> Charee Thurman |
| | <input checked="" type="checkbox"/> Steven Willey |

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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 October 31, 2015 (unaudited). Additional financial information was provided.

Contracts summary. Roberts and Burns provided an overall update on the Conservancy's contracts.

Website update. Roberts and Huezo provided an overall update on the Conservancy's progress of website refinement.

Proposed Natomas Vision Project Amendment. In a follow up to the workshop regarding Natomas Vision, the project includes land use entitlements related to an Urban Services Boundary (USB) and a detailed land plan for the area north of Elkhorn Blvd and east of Highway 99 (North Precinct). The County of Sacramento Planning Commission has recommended to the Board Supervisors that the Board find the project adequate to begin the environmental review process. Roberts discussed the matter with the Board.

PUBLIC COMMENTS

There were no public comments heard.

EXECUTIVE DIRECTOR'S REPORT

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

EXECUTIVE SESSION

Executive Session was scheduled for real estate.

ADJOURNMENT

Official adjournment of the meeting.

(Res.15.12.04) On a motion by Christophel and a second by Bradbury, the Board unanimously voted to adjourn the meeting at 6:15 pm. Roll call vote was as follows:

Board members

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

- Davin Norene
- Jeff Norton
- Dan Silva
- Charee Thurman
- Steven Willey

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ATTEST:

David Christophel, Secretary

date