

Minutes of a Regular Meeting
of
The Natomas Basin Conservancy

December 7, 2016
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

- Chandra Chilmakuri
- David Christophel
- William Edgar
- Jill Leal
- Kevin McRae
- Davin Norene
- Jeff Norton
- Charee Thurman
- Steven Willey

**STAFF/LEGAL COUNSEL
PRESENT:**

John Roberts, Kim Burns, Jennifer Skupic, Valerie Huevo,
Ed Quinn

GUESTS:

Nick Avdis, Thomas Law Group; Allison Shaffer,
Economic & Planning Systems; Tom Ramos, Ramco
Enterprises, Inc

TAC:

None

CALL TO ORDER

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

ANNOUNCEMENTS

Norene announced the passing of board member Kay Backer. Norene announced the stepping down of Bill Edgar from the Board of Directors. Roberts reminded all Board of the holiday reception Dec 13, 2016. Roberts announced that item 15 was pulled from the agenda as a request of the Board Chair and be put on Feb 1, 2017 Board meeting. Roberts announced that Norene was reappointed as a board member.

PUBLIC COMMENTS

There were no public comments.

ACTION-REGULAR SESSION

¹ Notice of meeting posted on TNBC website.

Norene requested approval for the October 5, 2016 Board of Directors meeting minutes and consent items.

3		<p>Approval of the minutes <i>All items listed under the Consent Agenda, including minutes, are considered and acted upon by one motion. Any Board member may request an item be removed for separate consideration.</i></p>	Consent	<p>⊕ The Board Chair will request approval of the minutes of the Board of Directors meeting on October 5, 2016.</p>
4		<p>January 4, 2017 Board meeting cancellation</p>	Consent	<p>⊕ This item request cancellation of the scheduled January 4, 2017 Board of Directors meeting.</p>
5		<p>Charter and Policy review and update</p>	Consent	<p>⊕ The Compensation and Governance Committee has studied and reviewed the following charters and policy documents:</p> <ul style="list-style-type: none"> --Bylaws --Employee Handbook --Land Dedication Checklist --Audit Committee Charter --Internal Financial Controls <p>Minor updates and improvements have been made to the noted items and are submitted to the Board of Directors for approval.</p> <p>The Committee continues its work on other policy updates and will submit recommendations to the Board for those updates in the coming months. If the Bylaws are approved they will be submitted to the Wildlife Agencies for approval.</p>
6		<p>Close American Century Investment Account</p>	Consent	<p>⊕ Staff recommends and the Finance Committee concurs that the Conservancy's account(s) at American Century Funds be closed.</p>
7		<p>Diesel pump conversation to propane</p>	Consent	<p>⊕ Due to requirements put in place by the Feather River Air Quality Management District and California Air Resources Board, Conservancy staff requests that the Board authorize the purchase and installation of a propane well pump on the Conservancy's Bolen South tract for compliance with air quality standards. The cost of the propane pump will be \$16,528 plus 10% for estimated taxes and continguous.</p>

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(Res.16.12.01) On a motion by Christophel and a second by Chilmakuri, the Board unanimously approved the October 5, 2016 minutes and consent items with the correction of the minutes Christophel voting in the Adjournment section, and correction to the Employee Handbook in reference to Senior Management and adding \$750 to the approved amount for the propane well pump agenda item.

Board members

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| <input checked="" type="checkbox"/> Chandra Chilmakuri | <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"/> Charee Thurman |
| <input checked="" type="checkbox"/> Jill Leal | <input type="checkbox"/> Steven Willey |
| <input checked="" type="checkbox"/> Kevin McRae | |

Vote symbols

- = "aye" vote
- = "no" vote
- = not present
- = abstain or recuse

ACTION ITEMS

Rice farming lease analysis. Roberts briefed the Board on the rice leasing practices as they apply to the Conservancy mitigation land allocated to rice production. The Board was briefed about leasing /farming cost models. The Board authorized the Executive Director to engage the services of an independent analyst to compare and contrast Conservancy rice farm leases to the market. The Board Audit Committee was tasked with oversight on this research effort and report back to the Board when completed.

(Res.16.12.02) On a motion by Edgar and a second by Norene, the Board unanimously authorized the Audit Committee and Executive Director engage the services of an independent analyst to compare and contrast Conservancy rice farm leases to the market.

Board members

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| <input checked="" type="checkbox"/> Chandra Chilmakuri | <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"/> Charee Thurman |
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2017 NBHCP Finance Model update and 2017 budget. The proposed 2017 Conservancy budget was presented to the Board for adoption. A draft of the 2017 Conservancy budget was shared with the Board at the October 2016 Board of Directors meetings for review and discussion.

The Conservancy draft 2017 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.
4. 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 2017 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:

- Decreasing the NBHCP fee to \$31,600 per developed acre, down from \$32,259 in 2016.
- Decreasing the NBHCP fee with land dedication to \$20,350, down from \$21,009 in 2016.

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 2017. Harrington estimates the range for mitigation land acquisition in 2017 is \$17,500 to \$23,500 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 2017 Conservancy Budget,
- 2.) acceptance of the 2017 NBHCP Finance Model recalculation, and
- 3.) adoption of a resolution to be submitted to the City of Sacramento requesting the above noted NBHCP fee adjustments (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.16.12.03) On a motion by Norton and a second by Edgar, the Board unanimously voted to approve of the proposed 2017 Conservancy Budget, acceptance of the 2017 NBHCP Finance Model recalculation, decreasing the NBHCP fee to \$31,600 per developed acre, down from \$32,259 in 2016. Decreasing the NBHCP fee with land dedication to \$20,350, down from \$21,009 in 2016. Adoption of a resolution to be submitted to the City of Sacramento requesting the above noted NBHCP fee adjustments.

Board members

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| <input checked="" type="checkbox"/> Chandra Chilmakuri | <input checked="" type="checkbox"/> Davin Norene |
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DISCUSSION

Financial statement review. Burns provided financial statements for the period ended October 31, 2016 (unaudited). Additional financial information was provided.

SAFCA Contracts Update. Burns updated the Board regarding SAFCA contracts and their funding.

Resolutions of Sills Tract Easement (Survey). Skupic updated the Board on the final recordation of the Sills Easement and an explanation of the status of the Conservancy's real property interest there.

Atkinson Tract acreage. Skupic briefed the Board on the adjustments made to Conservancy Atkinson tract. After the completion of the SAFCA NLIP work on and near the Conservancy's Atkinson tract and the subsequent filing of the Record of Survey by SAFCA, the Conservancy worked with Baker Williams Engineering Group to verify the Conservancy's acreage of the Atkinson tract.

Revised and Updated HCP Handbook. Roberts briefed the Board on the updated and revised HCP Handbook, used by the U.S. Fish and Wildlife Service (USFWS) and the National Marine Fisheries Service (NMFS) to guide their respective staff on HCP creation and implementation. The new handbook signals the direction the USFWS and NMFS intends to go in their oversight of HCPs.

Guest speaker on rice industry economics. This item was postponed until the February 1, 2017 Board of Directors meeting.

EXECUTIVE DIRECTOR'S REPORT

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

EXECUTIVE SESSION

No Executive Session was scheduled.

ADJOURNMENT

Official adjournment of the meeting.

(Res.16.12.04) On a motion by Edgar and a second by Chilmakuri the Board unanimously voted to adjourn the meeting at 6:05 p.m.

Board members

- Chandra Chilmakuri
- David Christophel
- William Edgar
- Jill Leal
- Kevin McRae

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- Jeff Norton
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- Steven Willey

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ATTEST:

David Christophel, Secretary

date