

Minutes of a Regular Meeting¹
of
The Natomas Basin Conservancy

February 1, 2017
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
- Jill Leal
- Kevin McRae (arrived at 4:25 pm)
- Davin Norene
- Jeff Norton
- Steven Willey

STAFF/LEGAL COUNSEL
PRESENT:

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

GUESTS:

Nick Avdis, Attorney; Phil Burger, T. Rowe Price; Rick Rhody, Farmers' Rice Cooperative; Matt Conant, Sutter County Board of Supervisors.

TAC:

None

CALL TO ORDER

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

ANNOUNCEMENTS

Norene informed the Board that Thurman is no longer on the Board of Directors. Roberts announced a reminder for Board members to fill out the Statement of Economic Interest Form 700 for 2017 and that we had a guest speaker, Phil Burger with T. Rowe Price and Rick Rhody, CEO with Farmers' Rice Cooperative.

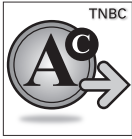



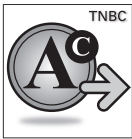
PUBLIC COMMENTS

There were no public comments.

ACTION-REGULAR SESSION

Norene requested approval for the December 7, 2016 Board of Directors meeting minutes and consent items.

¹ Notice of meeting posted on TNBC website.

<p>9</p>	 <p>TNBC ACTION BY CONSENT</p>	<p>Approval of the minutes</p> <p><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>	<p>Consent</p>	<p>⊕ The Board Chair will request approval of the minutes and consent items of the Board of Directors meeting of December 7, 2016.</p>
<p>10</p>	 <p>TNBC ACTION BY CONSENT</p>	<p>Authorization to amend signature cards and related financial institution authorizations</p>	<p>Consent</p>	<p>⊕ Documents necessary for the Conservancy to conduct business with its financial institutions need to be updated from time-to-time, especially when officers are elected.</p> <p>As has been done in prior years, this action authorizes the Conservancy's Chair, Vice Chair, Treasurer, Secretary and Assistant Secretary to sign bank signature cards and related authorizing documents for the Conservancy's Wells Fargo Bank, Wells Fargo Investments, Wells Fargo Advisors, City of Sacramento Treasurer's Office, U.S. Bank, and T. Rowe Price accounts.</p>
<p>11</p>	 <p>TNBC ACTION BY CONSENT</p>	<p>Natomas Central Mutual Water Company Annual Meeting of Shareholders</p>	<p>Consent</p>	<p>⊕ The Natomas Central Mutual Water Company's Annual Meeting of Shareholders will be held Tuesday, February 14, 2017, at the Four Points by Sheraton, 4900 Duckhorn Dr., Sacramento, CA 95834. Authorization for the Conservancy's Executive Director to vote the Conservancy's shares in the Board Election is requested. The Conservancy has generally voted its shares with farmers with whom it works.</p>
<p>12</p>	 <p>TNBC ACTION BY CONSENT</p>	<p>Silva big barn repairs</p>		<p>This item requests the Board ratify the expenditure of \$15,930 to repair the Silva big barn food due to severe wind damage. A recent wind storm ripped off a 60-foot section of the roof and pulled loose another 104-foot section. The Conservancy, its contractors, and its tenant farmers all store items of value in this barn which necessitated this emergency repair. The two estimates attached total more than \$10,000 which exceeds the Executive Directors' signing authority. Staff anticipate repairs to be completed before the next rains.</p>
<p>13</p>	 <p>TNBC ACTION BY CONSENT</p>	<p>Authorization for Farm Air to utilize landing strip on TNBC's Bianchi West tract</p>	<p>Consent</p>	<p>⊕ The only remaining agricultural aircraft operator in the Natomas Basin is Farm Air Flying Service, Inc. TNBC and its tenants use Farm Air, and without the firm operating in the Basin, costs would likely rise, and delays in planting crops could also result. (Rice is frequently seeded by air.) Farm Air has requested permission to use TNBC's Bianchi West tract landing strip for use in serving its customers, including TNBC and its tenants.</p>

			<p>Before acquiring the Bianchi West tract, TNBC completed Phase One and Phase Two environmental testing on the airstrip. This was done in order to ascertain the level, if any, of toxicants in the soil at the landing strip site. (The studies revealed acceptable levels, so TNBC moved forward with its acquisition of the tract.) With this baseline data, TNBC can keep track of the status of soils on and around the runway.</p> <p>Staff requests authorization to enter into an agreement with Farm Air Flying Service, Inc. to allow it to utilize TNBC's Bianchi West landing strip. The authorization would include the following restrictions, among others:</p> <ol style="list-style-type: none"> 1.) the authorization terminates December 31, 2017, 2.) only seed and fertilizer are permitted to be used on the landing strip, 3.) no pesticides may be used on the strip without the written authorization of TNBC's Executive Director, 4.) only in-Basin sites may be served by Farm Air from the landing strip, and 5.) a properly executed agreement must be in TNBC's office prior to Farm Air's use of the landing strip, and that the agreement contain TNBC's standard indemnification, hold harmless protections, and that TNBC be named as an additional insured on the relevant Farm Air insurance policy or policies. <p>The Executive Director expects no authorization request for pesticide use on the landing strip. However, there could be special occasions that might warrant such authorization, but only for the use by TNBC or its contractors and tenants.</p>
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(Res.17.02.01) On a motion by Willey and a second by Christophel, the Board unanimously approved the December 7, 2016 minutes and consent items.

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

Vote symbols

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

ACTION ITEMS

There were no action items.

DISCUSSION

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

Conservancy endowment funds investment manager. The Conservancy's endowment funds are managed by T. Rowe Price. Representative Phil Burger of T. Rowe Price presented an update of 2016 annual report on the Conservancy's endowment funds accounts.

Long Range Cash Flow Projection. Many years ago, the Board of Directors requested that the Conservancy staff periodically share with it the internal exercise staff conducted on long-range cash flow analysis, and that one of the runs on the cash flow analysis include a "worst case scenario." Burns presented that scenario planning exercise to the Board, as the Board recently requested.

Rice Price Analysis update. Willey updated the Board on the status of Board inquiry into rice leasing prices.

Guest speaker on rice industry economics. Rick Rhody, CEO Farmers' Rice Cooperative, was invited to address the subject of rice industry economics. Given historically low commodity prices, including for rice, price pressures on California rice growers has become especially challenging. The guest speaker addressed this topic and entertain any Board member questions.

SMUD's proposed Colusa-Sutter transmission line project. The Sacramento Municipal Utility District (SMUD) has proposed a new 500-kilovolt electric overhead transmission line for the Natomas Basin. More specifically, the proposed line would run from west to east roughly through the central part of the Natomas Basin. The proposed path, mapped by SMUD in its recent announcement on the project, shows the path includes possible land owned by the Conservancy. Roberts planned to submit comments on the project, pointing out likely impacts on Conservancy property, to the NBHCP and MAPHCP's "Covered Species," and to farming operations. Guidance and counsel was sought from the Board on the matter. There is a 60-day scoping period which began January 6, 2017 and closes March 7, 2017.

Draft Addendum to EIR, Greenbriar. The City of Sacramento has posted a "Notice of Availability, Draft Addendum to EIR, Environmental Checklist, and Effects Analysis and Conservation Strategy for the Greenbriar Project." The post notes, "The Effects Analysis...demonstrates that the Greenbriar Development Project would not compromise the effectiveness of the NBHCP operation conservation program." The original Greenbriar Project was approved by the Sacramento City Council on January 29, 2008. On that date the City Council certified the environmental impact report for the project and approved planning level entitlements. Roberts will prepare a letter in response to the new Draft Addendum which does nothing more than remind the City of various obligations placed on the Plan Operator (the Conservancy) by the NBHCP and MAPHCP, and make sure the City has taken care to consider these obligations. Guidance and counsel was sought from the Board on the matter. Comments are due to the City of Sacramento by February 13, 2017

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.17.02.02) On a motion by Willey and a second by Chilmakuri the Board unanimously voted to adjourn the meeting at 6:25 p.m.

Board members

- | | |
|--|---|
| <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"/> Jill Leal | <input checked="" type="checkbox"/> Steven Willey |
| <input checked="" type="checkbox"/> Kevin McRae | |

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ATTEST:

Chandra Chilmakuri, Secretary

date