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IMPLEMENTATION ANNUAL REPORT

EXECUTIVE SUMMARY

CALENDAR YEAR 2017

APRIL 30, 2018

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INTRODUCTION TO THE EXECUTIVE SUMMARY



This report responds to a requirement of the 2003 Natomas Basin Habitat Conservation Plan (NBHCP) and Implementation Agreement (IA) calling for an implementation annual report. The 2003 NBHCP is supported by permits issued to the Conservancy by the California Department of Fish and Wildlife (issued July 10, 2003; permit number 2081-20032-019-02) and the U.S. Fish and Wildlife Service (issued June 27, 2003; permit number TE073667-0).

The 2017 Implementation Annual Report comes in three parts:

- 1.) **The Executive Summary.** The reader will get a reasonably comprehensive account of the 2017 reporting from this portion of the Implementation Annual Report (“1 of 3”).
- 2.) **The Task Reference and Description.** This matrix (“2 of 3”) provides detail on every task requirement in the 2003 NBHCP.
- 3.) **The Appendices.** This section primarily consists of reports, attachments and exhibits. The Appendices (“3 of 3”) are an integral part of the 2017 Implementation Annual Report.

LAND ACQUISITION

Acreage acquired remained unchanged. The Conservancy’s mitigation land acquisition efforts remain at a standstill, a remnant of a multi-year moratorium on new construction in the Natomas Basin due to flood concerns and a soft real estate economy. All Conservancy land holdings as of December 31, 2017 are shown in Figure 8, attached to this report (see “2017 Base Map”). This map is frequently updated and can always be found on the Conservancy’s web site (natomasbasin.org).

Total land acquired through 2017. The Conservancy has acquired a total of 4,131.06 acres as of December 31, 2017. Easements represent 27.1333 acres of this total. There have been 1,746.0443 acres acquired in Sacramento County and 2,385.5457 acres in Sutter County. Not all acres have been committed to HCP mitigation (see discussions on surplus land acquisitions).

¹ A very small remainder is supplemental mitigation.

MITIGATION LAND BALANCES

- **Acreage upon which fees have been paid.** Fees related to development in the City of Sacramento Permit Area have been paid on a total of 6,855.47 acres. Through Metro Air Park’s participation, there have been HCP fees paid on 382.01 additional acres total. Combined with non-HCP acres of 116.80 and Sutter County acres of 108.29, there have been fees paid on 7,462.57 acres of development.
- **Fees paid.**³ The amount of HCP fees paid by development in the City of Sacramento Permit Area totals \$62,566,256.53 from inception to date. For Metro Air Park, total fees paid equal \$8,318,337.31 (including HCP and other mitigation) to date and including the final payment for Tier One impacts of \$515,111.00 in 2013. Fees from Sutter County from inception to date, \$2,112,133.17, have been paid. Combined with non-HCP mitigation fees, the total amount of fees and fee-related income paid from inception to date totals \$78,729,681.75. These totals go back nearly 20 years and are not adjusted for inflation.

FIGURE 1
NBHCP “Covered Species”
continues to use Conservancy
preserves. Even though no White-faced ibis nesting was documented in the Natomas Basin in 2017, Conservancy preserves were extensively used by the species for foraging. (Conservancy staff photo on Conservancy mitigation land in 2017.)



² The Conservancy is reporting City of Sacramento fee-paid acres as 6,855.47. The City of Sacramento reports 6,659.88 permitted acres. The Conservancy and the City agree on this difference which is due to prepaid acres that have not yet been graded. See City of Sacramento’s 2015 Annual Report of Urban Development for details.

³ “Fees paid” represents actual HCP fees plus related payments such as Metro Air Park’s tree replacement and GGS mitigation, so the sum of City and MAP payments does not equal the total amount of fee and related income received to date. Records of all such payments are found in the schedule titled, “Schedule of Subject Acreage and Fees Paid.”

⁴ All figures include the land value of in-lieu land dedication.

TABLE 1
HCP FEE-PAID AND SUPPLEMENTAL ACRES*

PERIOD	HCP AND NON-HCP FEE-PAID ACRES
Through December 31, 1998	1,515.66
January 1 – December 31, 1999	1,466.45
January 1 – December 31, 2000	598.07
January 1 – December 31, 2001	242.60
January 1 – December 31, 2002	777.81
January 1 – December 31, 2003	1,241.98
January 1 – December 31, 2004	347.74
January 1 – December 31, 2005	678.39
January 1 – December 31, 2006	132.28
January 1 – December 31, 2007	103.15
January 1 – December 31, 2008	19.11
January 1 – December 31, 2009	24.60
January 1 – December 31, 2010	5.07
January 1 – December 31, 2011**	50.00
January 1 – December 31, 2012	122.12
January 1 – December 31, 2013	.05
January 1 – December 31, 2014	0.00
January 1 – December 31, 2015	5.65
January 1 – December 31, 2016	75.85
January 1 – December 31, 2017	56.00
All Years Through December 31, 2017	7,462.57

*Most mitigation land was dedicated in lieu of paying the Land Acquisition Fund portion of the NBHCP fee.

**While no development was reported for 2011, by instruction from U.S. Fish and Wildlife Service, a negotiated commitment from Sutter County to mitigate for a development several years prior was recorded in 2011 (SYSCO).

FIGURE 2
Species covered by the NBHCP such as the Giant garter snake were abundant in 2017. In this instance (see photo), a Giant garter snake (*Thamnophis gigas*) uses a rocked spillway on a managed marsh complex. (Conservancy staff photos on Conservancy mitigation land in 2017.)



- **Acreage on which an urban development permit has been issued.** The City of Sacramento reports it authorized grading on 6,659.88 acres since inception, Metro Air Park, 206.09 acres and Sutter County, 108.29 acres.
- **Surplus land.** At December 31, 2017, the Conservancy held 44.1302 acres of surplus land.⁶
- **Annual 200-acre May 1 cushion has been met.** The Conservancy has more than enough acreage to meet the 200-acre “cushion” required in the HCP on May 1 of each year, and this includes the Conservancy’s land holdings position for 2017.

⁵ During 2013, the Conservancy worked to resolve Metro Air Park’s approximately 23-acre deficiency in fees. See 2013 Annual Report for details.

⁶ There are numerous conditional adjustments to this surplus acreage number. When the unallocable or prior committed acres are considered (such as supplemental mitigation), that leaves 44.1302 acres of land in surplus.

FIGURE 3
Conservancy marsh complexes continue to mature and remain fully functional. Marsh complexes such as the Conservancy's Lucich North preserve (see photo here) have matured to a condition where it is reliably productive as habitat for multiple NBHCP "Covered Species." (*Conservancy staff photo on Conservancy mitigation land in 2017.*)



TABLE 2
 THE NATOMAS BASIN CONSERVANCY
 LAND ACQUISITION TALLY THROUGH 12.31.17
 (SEE FOOTNOTE INFORMATION; DOES NOT INCLUDE EASEMENTS⁷)



PROPERTY	DATE ACQUIRED	ACRES
Silva	1.7.99	159.200
Betts	4.5.99	138.992
Kismat	4.16.99	40.463
Bennett (C.L.)	5.17.99	226.675
Bennett (H&B)	5.17.99	132.486
Lucich North	5.18.99	267.986
Lucich South	5.18.99	351.889
Frazer	7.31.00	92.600
Souza ⁸	7.2.01	40.000
Natomas Farms	7.9.01	55.284
Sills ⁹	7.15.02	436.4059
Alleghany 50	11.7.02	50.2601
Cummings	11.7.02	66.8307
Atkinson	6.12.03	199.205
Ruby Ranch	6.23.03	91.078
Huffman West ^{10, 11}	9.30.03	157.756
Huffman East	9.30.03	135.746
Tufts ¹¹	9.29.04	147.95
Rosa East	3.24.05	106.2827
Rosa Central	3.24.05	100.015
Bolen North	4.29.05	113.619
Bolen South	4.29.05	102.381
Vestal South	9.12.05	94.951
Bolen West	9.1.06	155.141
Nestor	9.1.06	233.16
Frazer South ¹²	11.7.06	110.372
Bianchi West	11.7.06	110.16
Elsie	11.7.06	158.031
Silva South	9.28.12	29.12
Total		4,104.0421

⁷ Easements add an additional 27.1333 acres to the total.

⁸ Long standing litigation filed against the Conservancy was resolved in 2006 through court-ordered settlement. Accordingly, the 4.68 acres of additional land the Conservancy held title to on the Souza tract was deeded over to the plaintiff in the case upon payment of certain funds to the Conservancy.

⁹ 139.5 acres of the original 575.5559 acres of the Sills tract were exchanged for the two Rosa tracts on March 24, 2005.

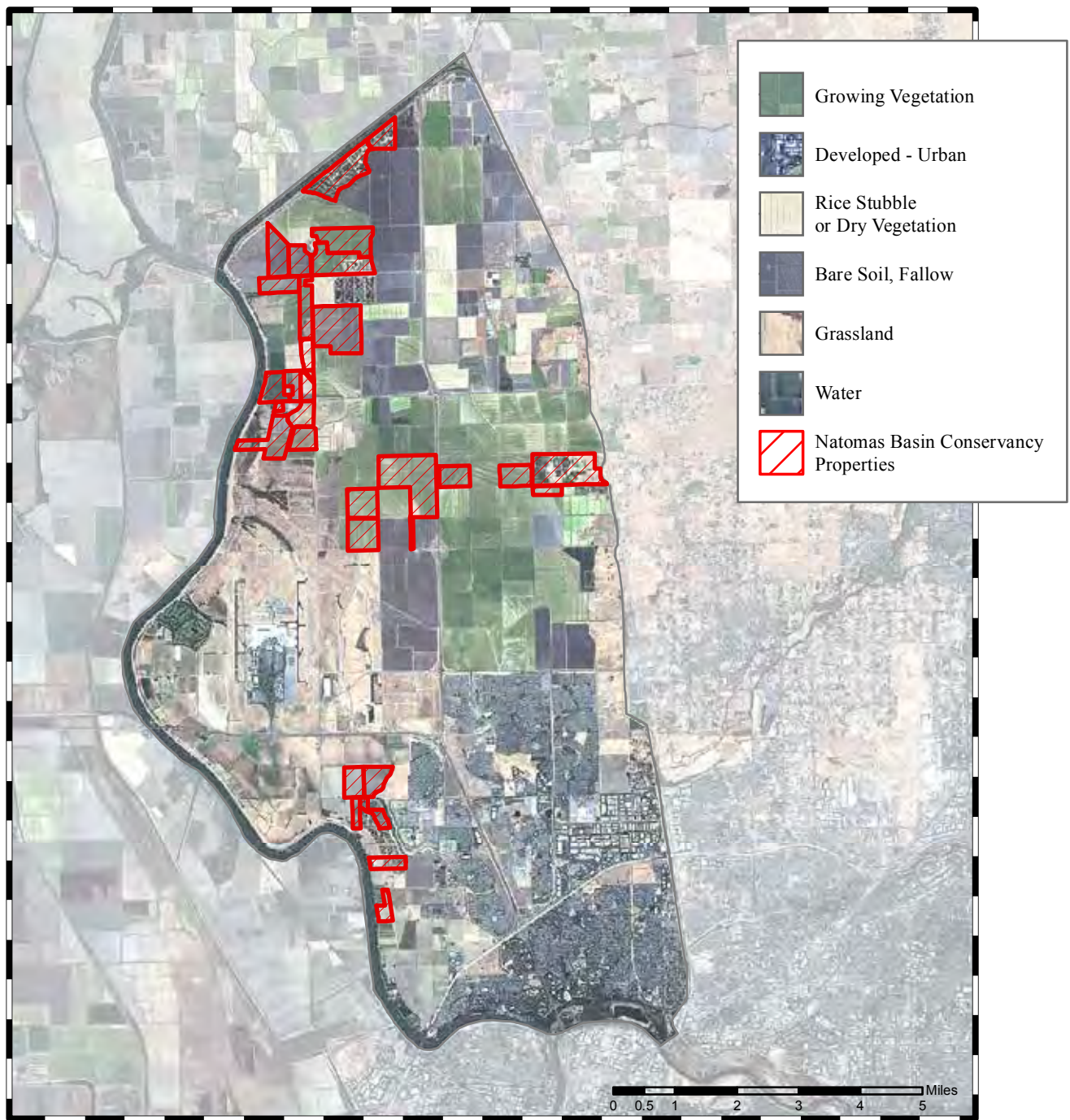
¹⁰ SAFCA purchased portions of Atkinson (6.566 acres) and Huffman West (23.146 acres) for the Natomas Levee Improvement Project. Mitigation of those portions was shifted to Bolen West.

¹¹ Huffman West tract and 19 acres of the Huffman East tract is for supplemental mitigation required of Metro Air Park.

¹² 63.116 acres for Opus West mitigation (Promenade) leaves a balance of 84.834 acres, then for Griffin Industries' mitigation of 42.005, leaving a balance of 10.7215 available for future mitigation. Brookfield acquired 32.1075 acres of mitigation credit on this property.

¹³ SAFCA purchased 0.111 acres of Bolen West for the Natomas Levee Improvement Project

¹⁴ Approximately 40 additional acres may be deeded back to the Conservancy over time under a long-term agreement on this tract. The same is true with the Bianchi West tract.



LANDSAT 8 - OCTOBER 4, 2017

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FIGURE 4
LANDSAT photograph of the Natomas Basin. The 2017 LANDSAT photograph shows the status of the Natomas Basin on October 31, 2017. Such photos are acquired each year by the Conservancy in order to show changes over time. See also, "Base Map" in Figure 8 for greater delineation of Conservancy land holdings at December 31, 2017.

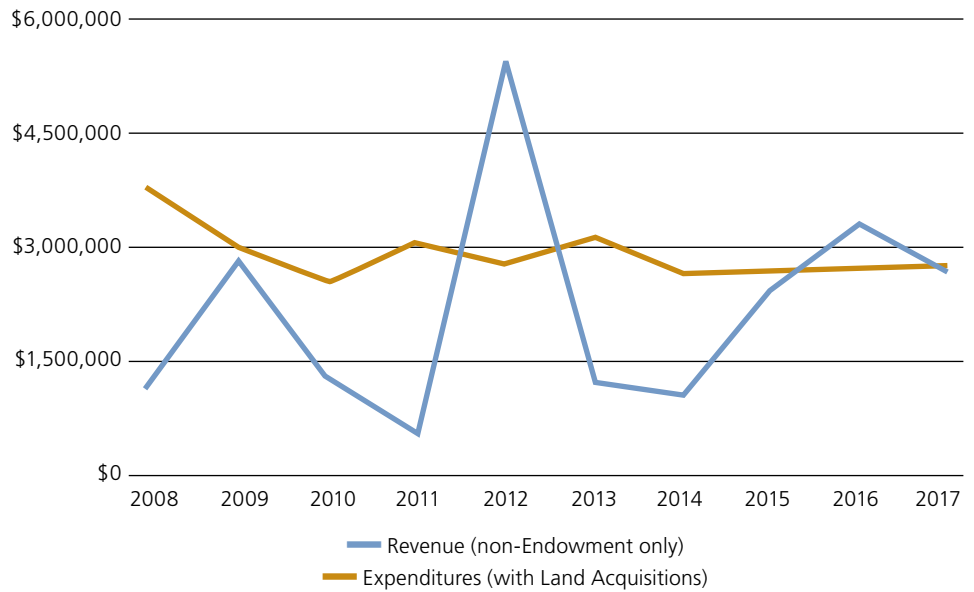
BUDGET AND FINANCE

- **Finance Model update.** The HCP Finance Model was updated and decrease was approved by the Conservancy's Board of Directors and the City of Sacramento Council. The 2017 HCP Mitigation Fee was \$31,600 (20,350 with land dedication) down from the 2016 HCP Mitigation Fee of \$32,259 (\$21,009 with land dedication).
- **Endowment Fund growth.** Account balances in the Conservancy's endowment funds have moved upwards very nicely from their low in 2008. See the Conservancy's December 31, 2017 audited financial statement for details.

FIGURE 5
Biological Monitoring.
The Natomas Basin HCP requires that the HCP's "Plan Operator," the Conservancy, conduct a Biological Effectiveness Monitoring Program each year. Wildlife biologists are shown here inspecting traps intended to monitor Giant garter snake (*Thamnophis gigas*) populations on Conservancy preserves. (Conservancy staff photo on Conservancy mitigation land in 2017)



FIGURE 6
REVENUE VS. EXPENDITURES ANALYSIS



These analysis does not include Endowment or SAFCA Funds.

- Endowment Fund.** The Conservancy’s endowment funds remain conservatively invested. The total account balance in the combined endowment funds at December 31, 2017 was \$24,609,160 versus \$21,055,609 for the December 31, 2016 balance. This includes realized and unrealized gains. For the Supplemental Endowment Fund, the total account balance at December 31, 2017 was \$3,404,238 versus \$2,936,018 for the December 31, 2016 balance.

TABLE 3
 THE NATOMAS BASIN CONSERVANCY
 HCP FEE HISTORY

YEAR	ESTABLISHED FEE
1997	\$2,240
1998	\$2,656
1999	\$3,292
2000	\$3,941
2001	\$5,993 + \$4,028 premium = \$10,021*
2002	\$7,934 + \$4,028 premium = \$11,962*
2003	\$12,270 (\$7,770 w/land)
2004	\$16,124 (\$8,624 w/land)
2005	\$24,897 (\$12,397 w/land)
2006	\$41,182 (\$18,682 w/land)
2007	\$38,445 (\$18,445 w/land)
2008	\$38,133 (\$20,633 w/land)
2009	\$38,133 (\$20,633 w/land)
2010	\$44,050 (\$26,550 w/land)
2011	\$37,547 (\$22,547 w/land)
2012	\$32,861 (\$21,611 w/land)
2013	\$27,419 (\$18,669 w/land)
2014	\$32,259 (\$21,009 w/land)
2015	\$32,259 (\$21,009 w/land)
2016	\$32,259 (\$21,009 w/land)
2017	\$31,600 (\$20,350 w/land)

*HCP “premium” was established as a result of an agreement to settle litigation, *FWS v. Babbitt*.

CONCLUSION

For 2017, Conservancy work was uneventful. The preserves continued to mature well. Replacement trees were added to the preserves at selected locations. Biological effectiveness monitoring progressed well, building an extraordinary database for the HCPs’ “Covered Species.” The only operational difficulty was related to late rains well into the spring and low rice prices at planting time. A decent crop was produced on Conservancy rice fields, however.

The most significant accomplishments are highlighted below:

1. delivery of another comprehensive annual biological effectiveness monitoring report,
2. worked with the Sacramento Area Flood Control Agency (SAFCA) on its extensive flood protection construction activities completed in Phase I and proposed in Phase II (the Natomas Levee Improvement Project, or NLIP); SAFCA engaged the Conservancy in additional mitigation and land management efforts, and also engaged the Conservancy in certain habitat land management tasks,
3. managed over 250 operating contracts as well as numerous compliance reporting obligations,

4. maintained endowment funds investments, which continued their positive performance, helping raise the financial safety net for the Conservancy,
5. continued with improvements to the Conservancy’s web site for ease of use for HCP fee payers, government interests and general public,
6. improved content on Conservancy social media outlets to satisfy the public’s desire for information about the Conservancy without adding a significant cost burden, and
7. completed a second-round draft of a comprehensive overhaul and update of the Conservancy’s Site-Specific Management Plans (SSMPs).

The Conservancy continues to conduct biological monitoring through contractor ICF International in cooperation with the U.S. Geological Service (USGS) and others, and certain of the land management functions through Sopwith Farms, with Conservancy staff coordination and management. The work is occasionally supplemented by other specialists engaged to address most any question or needs the Conservancy might have. Calling on the additional resources that make up the NBHCP Technical Advisory Committee (TAC) round out the extensive resources available to the Conservancy.

Northwestern Pond Turtle.
(*Emy marmorata*)



FUTURE PLANS

During 2018, the Conservancy will continue maintenance and updating activity. During the 2018 work year, Conservancy management activity will be focused primarily in the following areas:

1. continue to coordinate with SAFCA on its Natomas Levee Improvement Program (NLIP) to both manage certain of SAFCA's mitigation and soil-mined properties as closely as is feasible with the NBHCP and prepare for the next round of NLIP work,
2. coordinate with Sutter County officials as Sutter County maps and plans the Measure M development ("Sutter Pointe"), and do so in a manner that preserves or enhances the integrity of the system of reserves the Conservancy owns and manages,
3. continue the process of generating funding and information to complete a comprehensive review and updating of all of the Conservancy's SSMPs, and
4. enhance efforts to inform the public about Conservancy activities in ways that are not intrusive or that would otherwise disturb the NBHCP's Covered Species, and do so in a manner that does not have any appreciable impact on the HCP fee, and
5. prepare plans for the next conversion of rice fields to managed marsh so that if HCP fees come in as predicted, the Conservancy will be prepared to immediately begin construction of the next marsh complex.

Further information on Conservancy activities can be obtained by logging on to the Conservancy's web site (natomasbasin.org) or contacting the Conservancy directly.





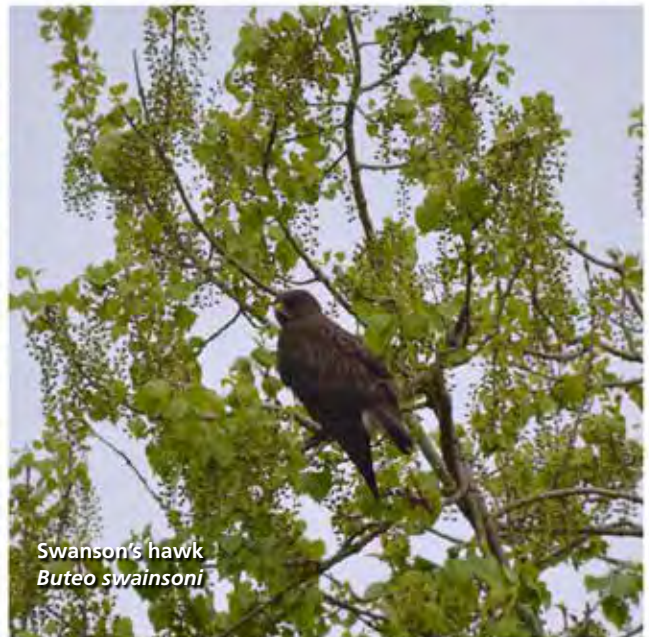
Burrowing owl
Athene cunicularia



Giant garter snake
Thamnophis gigas



White-faced ibis
Plegadis chihi



Swanson's hawk
Buteo swainsoni

FIGURE 7

An increasing number of NBHCP "Covered Species" are regularly seen on Conservancy mitigation land. With the maturity of Conservancy preserves, more and more NBHCP "Covered Species" are taking advantage of habitat opportunities on mitigation land owned and managed by the Conservancy.

(Conservancy staff photo of NBHCP "Covered Species" taken on Conservancy mitigation land in 2017.)

TABLE 4

THE NATOMAS BASIN CONSERVANCY
 GENERAL RESERVE CHARACTERISTICS ILLUSTRATION, 2017* QUICK REFERENCE

Mitigation land tracts in order of acquired date ➡	Silva	Betts	Kismat	Bennett North	Bennett South	Lucich North	Lucich South	Frazer	Souza	Natomas Farms	Sills	Alleghany 50	Cummings	Ruby Ranch	Atkinson	Huffman West	Huffman East	Tufts	Rosa East	Rosa Central	Bolen North	Bolen South	Vestal South	Bolen West	Nestor	Frazer South	Bianchi West	Elsie
COUNTY																												
Sacramento	●	●	●						●	●	●	●	●					●	●	●						●	●	●
Sutter	⊖	⊖		●	●	●	●	●						●	●	●	●				●	●	●	●	●			
PREDOMINANT LAND USE (2015)																												
Rice				●	●		●				●			●	●		●	●			●		●	●	●	●	●	●
Upland	●	●	●	●	●	●	⊖	●	●	●	⊖	●	●		●	●	●		●	●		●					⊖	
Marsh	●	●	●	●	⊖	●	⊖	●		●			●		⊖													
WATER																												
NCMWC				●	●	●	●	●	●	●	●	●	●	●	⊖		●	●	●	●	●	●		●	●	●	●	●
Ground Water	●	●		●	●	●	●	●	●	●			●		⊖	●	●				●	●	●	●	●	●	●	
Surface Water	●	●	●												●	●												
MANAGEMENT PLAN																												
SSMP	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓										
Not yet covered																			●	●	●	●	●	●	●	●	●	●
Marsh built '01	✓	✓	✓																									
Marsh built '02				✓	✓		✓																					
Marsh built '03						✓		✓		✓																		
Marsh built '04													✓															
Marsh built '05																												
Marsh built '06																												
Marsh built '07				✓																								
EXISTING TREES																												
0				●	●	●	●	●			●			●			●	●		●	●	●		●		●	●	●
1 – 10			●							●						●										●		
11 – 30									●										●									
31+	●	●										●	●		●					●				●				
OTHER																												
Fenced	●	●	●		⊖				●	●			●							⊖	⊖							
Livestock																												
Residence	●	●																										
Farm bldgs.	●	●																										
Vernal pools	✓																											

*Solid dot (●) represents inclusion of characteristic on that tract; hollow-strikethrough dot (⊖) represents minor, partial or planned inclusion on the referenced tract; a check mark (✓) represents completion of project.

FIGURE 8
BASE MAP OF CONSERVANCY PRESERVES AT DECEMBER 31, 2017

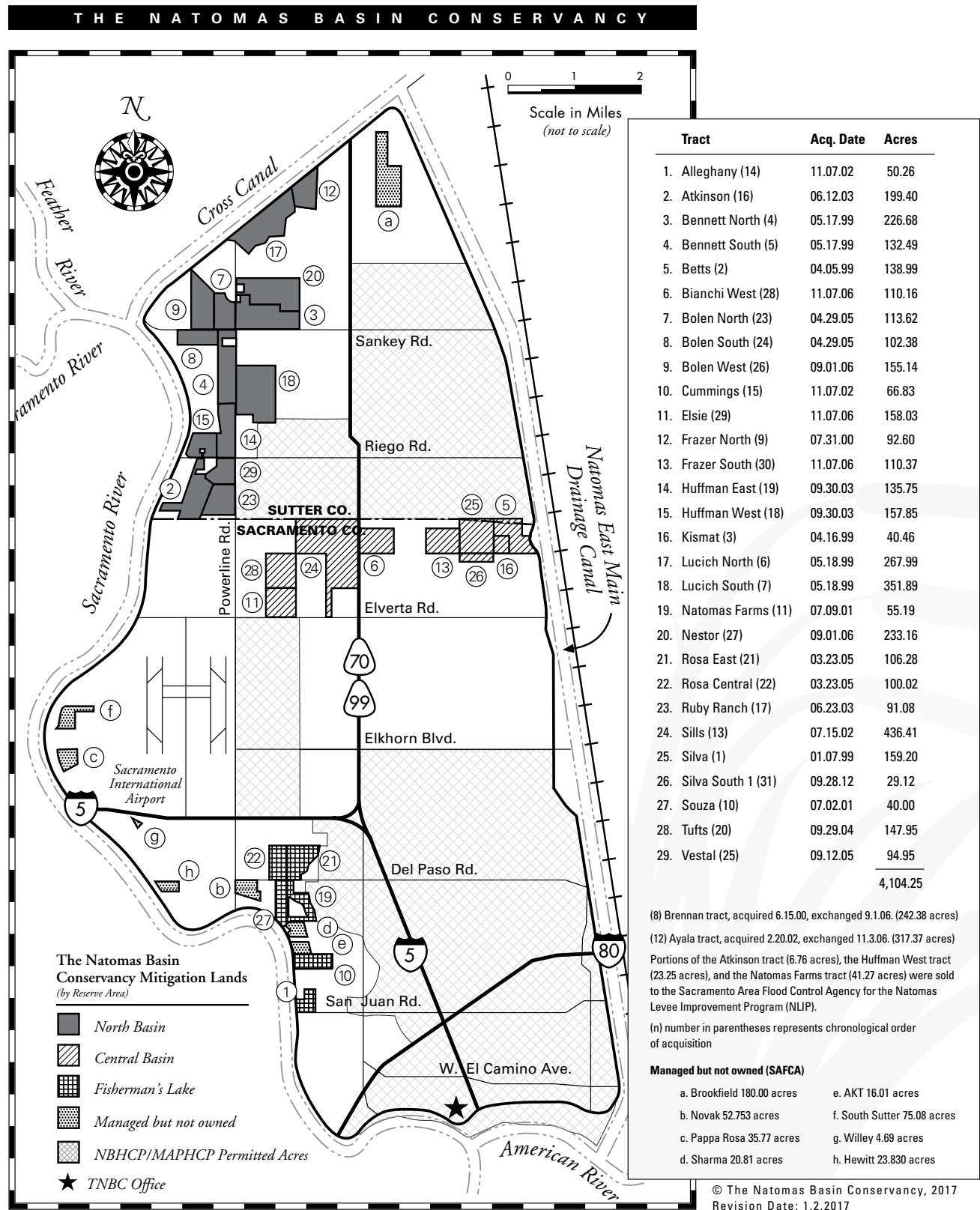
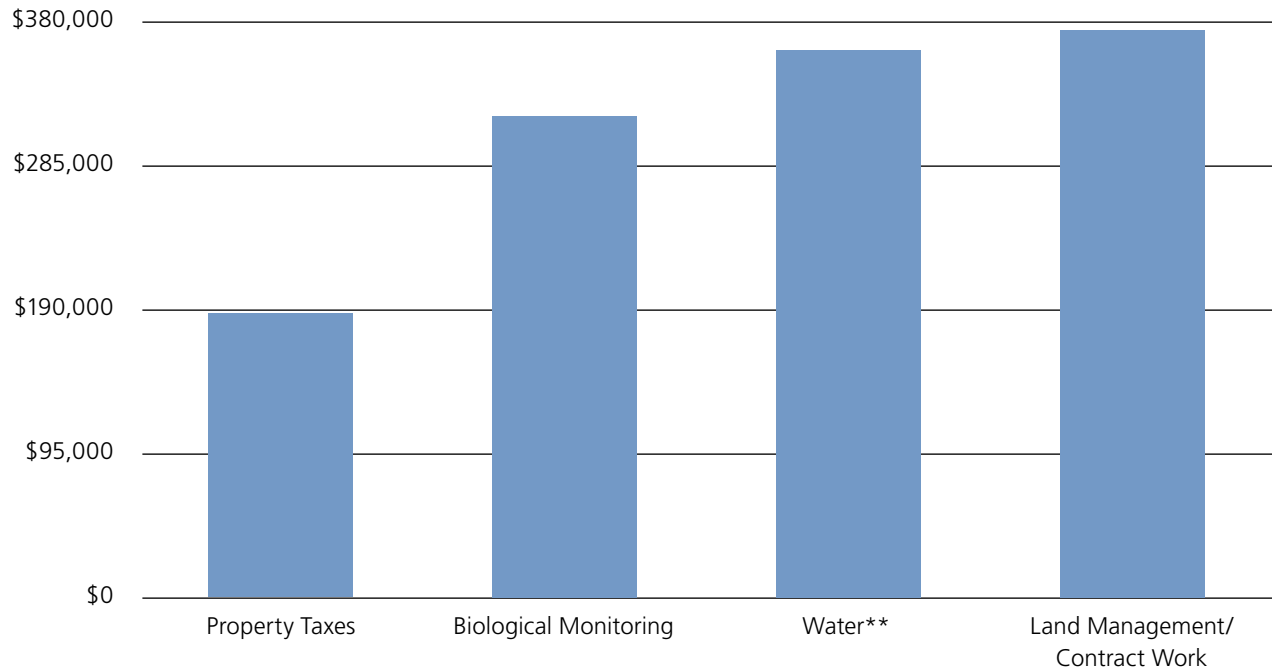


FIGURE 9

PROGRAM EXPENSES BY MAJOR CATEGORY, 2017 | PROGRAM EXPENSE MONITOR*



*SAFCA expenses are excluded.

** Water expense is net of tenant farmer reimbursements.

FIGURE 10

REVENUE HISTORY, INCLUDING ENDOWMENT FUNDS | 10-YEAR REVENUE HISTORY*

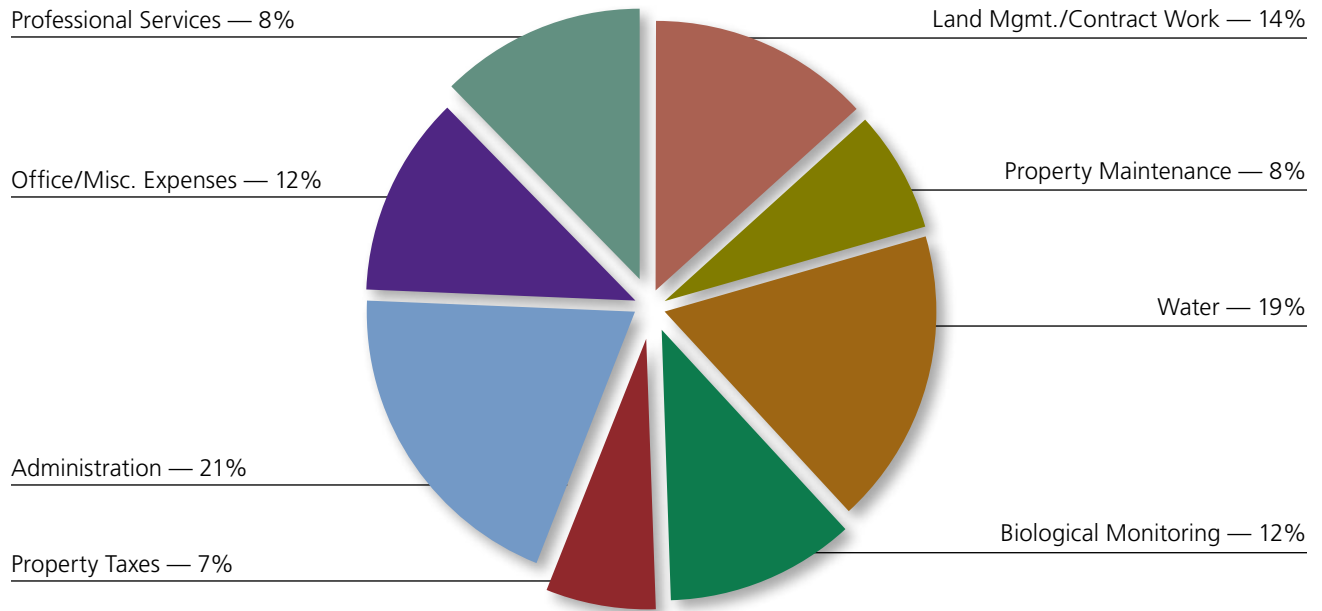


*SAFCA Funds are excluded.

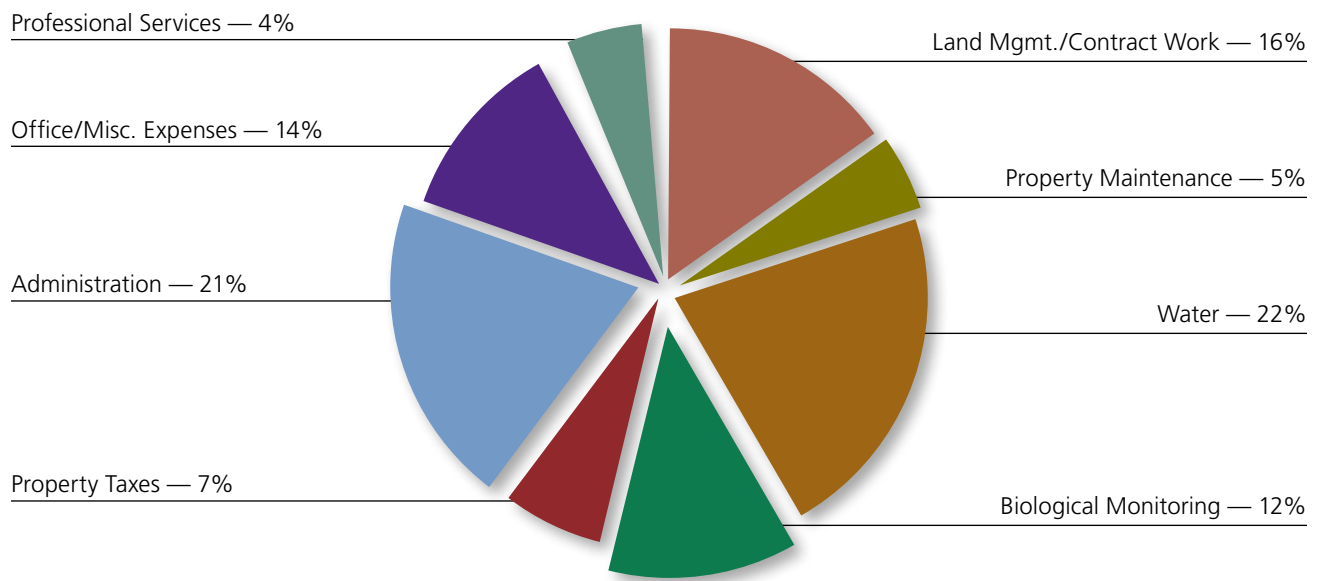
FIGURE 11

EXPENDITURES ANALYSIS, 2017 VS 2016 | EXPENDITURES COMPARISON BY CATEGORY

2017



2016







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