

**Minutes of Regular Meeting
of
The Natomas Basin Conservancy**

December 7, 2022

Offices of the Natomas Basin Conservancy
(Meeting held virtually)

5:00 p.m.

Notice of meeting posted on Conservancy website.

1. Call to Order. Shirey called the regular meeting to order at 5:12 p.m., noting a quorum was present.

Board Members Present: Melinda Bradbury, Chandra Chilmakuri, David Christophel, Steve Cohn, Michael Johnston, John Shirey and Gabrielle Stadem.

Board Members Absent: Chris Norem.

Staff Present: John Roberts, Kim Burns, Jennifer Skupic, Yvonne Melkonian, Barbara Barrows, and Spencer Rees, IT consultant.

Legal Counsel Present: Ethan Walsh.

2. Public Comments. Shirey called for public comments. None were heard.

3. CONSENT ITEM: Approval of Consent Items, including the Minutes. Shirey called for approval of the October 5, 2022, Board of Directors meeting minutes as well as Consent Items 4 through 13, as listed below. Bradbury requested to pull Consent Item 4, Authorization for Farm Air to Utilize Landing Strip on TNBC's Bianchi West Tract for discussion.

4. PULLED FROM CONSENT: Authorization for Farm Air to Utilize Landing Strip on TNBC's Bianchi West Tract. Bradbury requested that this item be pulled for discussion and action separate from the remaining Consent Items. Shirey directed that this item be moved to the end of Consent Items.

5. CONSENT ITEM: Reclamation District 1000 Security Contract with Brookman Protection Service, Inc. Conservancy Staff requests approval for expenditure for its share of security costs for 2023, not to exceed \$20,000 (this amount being included in the 2023 budget).

6. CONSENT ITEM: Reclamation District 1000 Board of Directors Election Ratification. The election was held on November 8, 2022. This item requests Board ratification of the Conservancy's votes.

7. CONSENT ITEM: Natomas Central Mutual Water Company Annual Meeting of Shareholders. The annual election of Directors of the Natomas Central Mutual Water Company takes place on February 14, 2023. This item requests that the Board authorize the Conservancy's Executive Director to vote the Conservancy's shares in the Conservancy's interest.

8. CONSENT ITEM: Compensation & Governance Committee Charter. This policy is presented for Board review and approval with minor changes and adjustments.

9. CONSENT ITEM: Document Retention and Destruction Policy. This policy is presented for Board review and approval with minor changes and adjustments.

10. CONSENT ITEM: Donation Policy. This policy is presented for Board review and approval with minor changes and adjustments.

11. CONSENT ITEM: Internal Financial Controls Policy. This policy is presented for Board review and approval with minor changes and adjustments.

12. CONSENT ITEM: Tree Watering. This item requests an amendment to the existing land maintenance contract with Triangle Properties Inc. (approved on October 1, 2020) in the amount of \$22,320.00 ending December 31, 2023, with an option for two one-year extensions at the discretion of the Conservancy. This item also requests that the Board authorize the Executive Director or Chief Financial Officer to execute and deliver a tree watering amendment to the Triangle Properties current land maintenance contract.

13. CONSENT ITEM: Audit of 2022 Financial Statements. This item requests Board approval to increase Gilbert CPAs contracted amount for the 2022 audit from \$26,500.00 to \$28,500.00.

Request: Approval of Consent Items 3-13 listed above, with the exception of Consent Item #4.

Action: Moved/Seconded: Bradbury/Christophel

Yes: Melinda Bradbury, Chandra Chilmakuri, David Christophel, Steve Cohn, Michael Johnston, John Shirey and Gabrielle Stadem

Passed: Resolution No. RS 22.12.01.

PULLED FROM CONSENT: Consent Item #4, Authorization for Farm Air to Utilize Landing Strip on TNBC's Bianchi West Tract. Bradbury had a question regarding the condition of use by the Conservancy in the Item that Farm Air not use pesticides on the strip without the written authorization of TNBC's Executive Director. Bradbury asked if Farm Air had ever asked to use pesticides on the strip. Roberts responded that Farm Air had not, without exception, in 20+ years.

Request: Authorization for Farm Air to Utilize Landing Strip on TNBC's Bianchi West Tract

Action: Moved/Seconded: Cohn/Johnston

Yes: Melinda Bradbury, Chandra Chilmakuri, David Christophel, Steve Cohn, Michael Johnston, John Shirey and Gabrielle Stadem.

Passed: Resolution No. RS 22.12.02.

14. Action Item, 2023 NBHCP Finance Model and 2023 Budget. The proposed 2023 Conservancy budget was presented to the Board for adoption. A draft of the budget was shared with the Board at the October 5, 2022 Board of Directors meetings for review and discussion. The staff proposed budget deferred marsh restoration to 2024 due to excessive cost issues.

The Conservancy's proposed 2023 budget was 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 future 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 HCP 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 2023. Harrington estimates the range for mitigation land acquisition in 2023 is \$32,500 to \$33,000 per acre. The NBHCP Finance Model presented assumes mitigation land acquisition at \$33,000 per acre.

Staff detailed for the Board a revision in the NBHCP's Finance Model whereby Endowment returns are "smoothed" (averaged) over a 10-year period. Also, EPS incorporated a modeling change to estimate the investment earnings for the near-term (2022-2024) based on the average annual returns for the Endowment Fund realized by the Conservancy since 2011. In consultation with the Conservancy's consulting economist, years where there was exceptionally high volatility, and tended to create highly variable NBHCP Finance Model fee recommendations. The City of Sacramento has long requested the Conservancy attempt to reduce volatility in HCP fee requests, preferring greater stability in such recommendations. With 2022 being an extraordinary year, in terms of revenue, this smoothing helped meet this request, enhance planning efforts and is more fair to public and private HCP fee payers. The Board discussed the changing methodology at length because using a rolling average reduced the potential one-year fee increase that would have occurred if the fees had not been averaged.

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 is based on a "looking forward" methodology.

The 2023 Conservancy Budget and NBHCP Finance Model was submitted for Board acceptance, as was a request to the City of Sacramento and County of Sutter to adopt the Finance Model's indicated fee as follows:

- The NBHCP mitigation fee for 2023 is recommended to increase from \$43,968 per developed acre to \$45,565 per developed acre.
- The NBHCP mitigation fee with land dedication for 2023 is recommended to increase from \$27,718 per developed acre in 2022 to \$29,815 per developed acre.

The Board was asked to:

1. approve the proposed 2023 Conservancy Budget,
2. accept the 2023 NBHCP Finance Model recalculation,
3. adoption of a resolution to be submitted to the City of Sacramento requesting the above noted changes to the mitigation fees, and

4. adoption of a resolution to be submitted to the County of Sutter requesting the above noted changes to the mitigation fees.

Request: Approval of the proposed 2023 Conservancy Budget, acceptance of the 2023 NBHCP Finance Model, and approval of a resolution to be submitted to the City of Sacramento and Sutter County requesting the NBHCP adjustments.

Bradbury called to question the smoothing method of utilizing a 10-year average. She followed this with a motion to remove the rolling average and add back in the marsh construction. Shirey called for a second to the motion. Hearing none, he indicated the motion died for lack of a second.

Action: Moved/Seconded: Chilmakuri/Stadem

Yes: Chandra Chilmakuri, David Christophel, Steve Cohn, Michael Johnston, John Shirey, Gabrielle Stadem

No: Melinda Bradbury

Passed: Resolution No. RS 22.12.03

15. City of Sacramento Report. Cheryle Hodge from City of Sacramento thanked the Conservancy staff for the presentation of 2023 Finance Model and Budget, and for keeping the mitigation fee manageable. She also shared that North and South Natomas are both nearing build-out, with most of the remaining acreage being in the City's Panhandle.

16. County of Sutter Report. No representative of Sutter County attended the meeting.

17. Financial Statement review. Burns presented the unaudited October 31, 2022 financial statements.

18. Executive Director's Report. Roberts reviewed the Executive Director's Report with the Board.

19. Adjournment. Shirey called for a motion to adjourn the regular meeting of the Board of Directors.

Request: Meeting adjournment at 7:13 p.m.

Action: Moved/Seconded: Johnston/Christophel

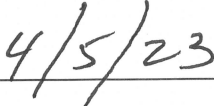
Yes: Melinda Bradbury, Chandra Chilmakuri, David Christophel, Steve Cohn, Michael Johnston, John Shirey, and Gabrielle Stadem.

Passed: Resolution No. RS 22.12.04.

Attest:



Steven Cohn, Secretary



Date