

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

December 6, 2023

Offices of the Natomas Basin Conservancy
(Meeting was held in person)

5:00 p.m.

Notice of meeting posted on Conservancy website.

Board Members Present: Melinda Bradbury, Chandra Chilmakuri, David Christophel, Michael Critchfield, Michael Johnston, Doug Libby, John Shirey, and Gabrielle Stadem.

Board Members Absent: Steven Cohn.

Staff Present: John Roberts, Kim Burns, Jennifer Skupic, Jeremy Lor, Yvonne Melkonian, Paulina Lu, Celeste Ingvaldsen, and Spencer Rees, IT consultant.

Legal Counsel Present: Ethan Walsh.

Regular Meeting of the Board of Directors

1. Executive Session: The Board of Directors Executive Session was held from 4:06 p.m. to 5:53 p.m.

2. Call to Order. Chilmakuri called the regular meeting to order at 5:58 p.m., noting a quorum was present. Chilmakuri congratulated the Conservancy on receiving the ECOS Award for Environmentalist of Regional Significance.

Adjustments were made to the agenda by Chilmakuri for Item 15, meeting with legal counsel on Board responsibilities and obligations, was moved up in the agenda after the Consent Calendar (Items 4 through 9) and Item 16, Background briefing; acquiring and managing mitigation land, which was postponed to the February 7, 2024 Board of Directors meeting.

Roberts announced the renovations taking place in the Conservancy's office suite and a planned open house event occurring in the spring once renovations are complete.

3. Public Comments. Chilmakuri called for public comments. None were heard.

Consent Calendar

All items listed under the Consent Calendar, including minutes, are considered and acted upon by one Motion. Any Board member may request an item be removed for separate consideration.

Request: Board Approval of Consent Items #4, Approval of the minutes, #5, Employee Benefits: Summary Plan Description, #6, Whistleblower Policy Update, Item #7, Authorization for Farm Air to utilize landing strip on the Conservancy's Bianchi West tract, Item #8, Natomas Central Mutual Water Company Annual Meeting of shareholders, and Item #9, Sacramento Tree Foundation.

Action: Moved/Seconded: Shirey/Johnston

Yes: Melinda Bradbury, Chandra Chilmakuri, David Christophel, Michael Critchfield, Michael Johnston, Doug Libby, John Shirey and Gabrielle Stadem.

4. Approval of the minutes. Action: Passed **Resolution No. RS 23.12.01.** Chilmakuri called for approval of the October 4, 2023 Board of Directors Regular Meeting minutes.

5. Employee Benefits: Summary Plan Description. Action: Passed **Resolution No. RS 23.12.02.** Annually the Conservancy staff takes on a “deep dive” into various areas of the organization to review and assess any changes needed. This is done in an effort to check and re-check practices and procedures to ensure full compliance with policies, regulations and legal requirements.

This year management reviewed employee benefits. After its own review, management engaged Best, Best and Krieger (BB&K) to review the benefits the Conservancy offers its employees. BB&K noted the only need was a Summary Plan Description (SPD). The SPD is a compilation of all employee benefits into one over-arching document. The SPD that resulted from BB&K’s recommendation was presented to the Compensation & Governance Committee to review. The Committee reviewed and recommended the Summary Plan Description to the Board at its November 15, 2023 Compensation & Governance Committee Meeting.

6. Whistleblower Policy Update. Action: Passed **Resolution No. RS 23.12.03.** The Conservancy’s Whistleblower Policy was last updated and approved by the Board of Directors on August 7, 2019. This policy was presented to the Compensation & Governance Committee for review and approval. No changes were suggested by legal counsel. At its November 15, 2023 Compensation & Governance Committee Meeting, the Committee reviewed the policy and determined it would submit it to the Board for its review and requested it be determined to be satisfactory as is with no changes.

7. Authorization for Farm Air to utilize landing strip on the Conservancy’s Bianchi West tract. Action: Passed **Resolution No. RS 23.12.04.** The only remaining agricultural aircraft operator in the Natomas Basin is Farm Air Flying Service, Inc. The Conservancy 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 most frequently seeded by air.) Farm Air has requested permission to use the Conservancy’s portion of the Bianchi West tract landing strip for use in serving its customers, including the Conservancy and its tenants. Before acquiring the Bianchi West tract, the Conservancy 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 the Conservancy moved forward with its acquisition of the tract.) With this baseline data, the Conservancy can keep track of the status of soils on and around the runway.

Request: Staff requested Board authorization to enter into an agreement with Farm Air Flying Service, Inc. to allow the firm to utilize the Conservancy’s portion of the Bianchi West landing strip. The authorization would include the following restrictions, among others:

1. The authorization terminates December 31, 2025,
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 the Conservancy’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 the Conservancy’s office prior to Farm Air’s use of the landing strip, and that the agreement contain the Conservancy’s standard indemnification,

hold harmless protections, and that the Conservancy be named as an additional insured on the relevant Farm Air insurance policy or policies.

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 the Conservancy or its contractors and tenants.

8. Natomas Central Mutual Water Company Annual Meeting of shareholders.

Action: Passed **Resolution No. RS 23.12.05.** The annual election of Directors of the Natomas Central Mutual Water Company (NCMWC) is scheduled to take place on February 13, 2024, at 10:00 am, location to be announced. The Conservancy holds 3,973 shares of stock in the Company (out of approximately 30,720). Conservancy staff recommends that votes be cast for candidates familiar with the NBHCP and sensitive to the Conservancy's view of land holding and water rights in perpetuity.

This action authorized the Conservancy's Executive Director to vote the Conservancy's shares in the Conservancy's interest.

9. Sacramento Tree Foundation. Action: Passed **Resolution No. RS 23.12.06.** The Sacramento Tree Foundation (STF) provides tree counting services as specified in the Conservancy's Implementation Annual Report. The estimated cost of services are \$21,000.00 per monitoring year. This contract is for two years bringing the total contract to \$42,000.00. The proposed contract with STF increased due to the newly acquired properties since the last contract.

Board approval of this agenda item authorized the Executive Director or Chief Financial Officer to execute and deliver a contract with STF for tree counting services covering fiscal years 2024-2025 at \$42,000.00.

Action Items

10. 2024 NBHCP Finance Model and 2024 budget. The proposed 2024 Conservancy budget is presented to the Board for adoption. A draft of the 2024 Conservancy budget was shared with the Board at the October 4, 2023 Board of Directors meeting for review and discussion.

The Conservancy's proposed 2024 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:

- The State of California's Williamson Act subventions to counties remains unfunded or largely unfunded in this and future State budgets.
- Counties with which the Conservancy has Williamson Act contracts (Sacramento and Sutter) make no additional change to existing contracts.
- Sutter County permits no newly-acquired properties to be enrolled in Williamson Act contracts and to enjoy the property tax benefits such participation affords.

- All new properties acquired in Sutter County 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.
- Sutter County's Williamson Act contracts are reduced by 10 percent.

The fee is substantially influenced by land prices. The recommended fee, as proposed by Conservancy staff, is supported by work done by Bender Rosenthal, Inc., updated for 2024. Bender Rosenthal estimates the range for mitigation land acquisition in 2024 is \$25,000.00 to \$30,000.00 per acre. The NBHCP Finance Model presented assumes mitigation land acquisition at \$27,500.00 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. So, the Conservancy's estimate for mitigation land acquisition costs is based on a "looking forward" methodology, while appraisal valuations are typically based on recent historical valuations.

The 2024 Conservancy Budget and NBHCP Finance Model were submitted for Board acceptance, as is a request to the City of Sacramento and the County of Sutter to adopt the NBHCP Finance Model.

Management provided the Board with alternatives for its consideration. An alternative to the proposal ("Plan A") would be to defer planned managed marsh construction from 2024 to 2025 ("Plan B"). This is expected to result in a reduction in the per acre cost of converting rice land to managed marsh from an estimated \$25,000.00 to \$18,000.00.

A third alternative ("Plan C") would defer planned managed marsh construction to 2026. It is hoped that this would allow for the per acre cost of converting rice land to managed marsh to a more normalized \$13,000.00 per acre.

One further consideration applicable to all three alternatives is that the Board may choose to reduce the assumed cost of acquiring an approvable acre of mitigation land from appraiser's recommended range of \$25,000.00 to \$30,000.00 per acre to the lower end of the recommended range rather than the middle of \$27,500.00 per acre.

Johnston stated he believed the best course was Plan C and asked if management would agree, which it so stated. Therefore, the Board was asked to accept the Plan C alternative for 2024 annual budget calculations.

Action: Moved/Seconded: Johnston/Shirey

Yes: Chandra Chilmakuri, David Christophel, Michael Critchfield, Michael Johnston, Doug Libby, John Shirey and Gabrielle Stadem.

No: Melinda Bradbury

Passed: Resolution No. RS 23.12.07.

Separately, Shirey shared with the Board the Compensation & Governance Committee recommendation to increase the dental and vision reimbursement limits in the Summary Plan Description for employee benefits. Shirey also mentioned the 2024 budget includes the expansion of Conservancy staff and a \$250,000.00 repayment on the City of Sacramento Line of Credit.

Request: The Board was asked to approve the proposed 2024 Conservancy Budget, adopt a resolution to be submitted to the City of Sacramento per the recalculated NBHCP Finance Model and budget using the “Plan C” alternative with a fee of \$46,009.00 per acre (full fee) and the land dedication fee of \$32,259.00 per acre; adopt a resolution to be submitted to the County of Sutter that is the same, and include the updated vision and dental plan employee benefit and planned loan repayment plan to the City of Sacramento in the amount of \$250,000 per year until fully paid.

Action: Moved/Seconded: Johnston/Shirey

Yes: Melinda Bradbury, Chandra Chilmakuri, David Christophel, Michael Critchfield, Michael Johnston, Doug Libby, John Shirey and Gabrielle Stadem.

Passed: Resolution No. RS 23.12.08.

Discussion Items

11. City of Sacramento Report. Cheryle Hodge congratulated the Conservancy on receiving the ECOS Award for Environmentalist of Regional Significance. Roberts noted a planned “deep dive” into the NBHCP Finance Model with Conservancy staff and Hodge, and perhaps others from the City and Sutter County.

12. Sutter County Report. No County of Sutter report was presented.

13. Financial Statement Review. Burns reviewed with the Board the unaudited financial statement for the period ending October 31, 2023.

14. Proposed managed marsh construction projects. On the planned next managed marsh construction projects, the Conservancy has long targeted the following tracts: Bennett North, Elverta, Frazer South and Nestor. However, the economies of scale are so small on the latter two projects, and the costs of construction so high, Conservancy management and its advisors concluded it makes no sense to include them at this time. Rather, the Bennett North tract marsh renovation will be reconfigured so that an approximate equivalent number of acres is added that is approximately comparable to the on-hold small Frazer South and Elverta proposed projects.

At this stage, design work is being done on the Nestor tract and Bennett North tract (conceptual designs have been worked and re-worked and were included in the agenda). Giant garter snake experts have been advised and the lead GGS expert consulted. Importantly, the Conservancy has been working with leadership and legal counsel in Sutter County to obtain a Development Agreement that will enable the Conservancy to convert land uses from agriculture to managed marsh with Sutter County Board of Supervisor approval. Also in the works are complex irrigation adjustments needed with the tenant farmer, adjacent farming operations, Reclamation District 1000 and the Natomas Central Mutual Water Company.

Conservancy management briefed the Board on the status of these efforts. No action was requested.

15. Meeting with legal counsel on Board responsibilities and obligations. For many years, the Board has periodically entertained briefings with respect to Board members’ responsibilities and obligations, including duty of care, duty of loyalty, and the business judgment rule among others. Adam Thomas with Best, Best & Krieger provided Board members a brief overview and responded to questions.

16. Background briefing; acquiring and managing mitigation land. The Conservancy has devised a process for acquiring and managing mitigation land that follows the implementation of the HCPs and their IAs. In future meetings, the Conservancy's Executive Director will present to the Board the first of several backgrounders on the topic.

Action: No action is requested.

This item was deferred until the February 7, 2024 Board of Directors meeting.

Executive Director's Report

17. Executive Director's Report. The Conservancy's Executive Director presented various matters for the Board members' general information.

Adjournment

18. Adjournment. Chilmakuri called for a motion to adjourn the Regular Meeting of the Board of Directors.

Request: Meeting adjournment at 7:34 p.m.

Action: Moved/Seconded: Shirey/Critchfield

Yes: Melinda Bradbury, Chandra Chilmakuri, David Christophel, Michael Critchfield, Michael Johnston, Doug Libby, John Shirey and Gabrielle Stadem.

Passed: Resolution No. RS 23.12.09.

Attest:

Chandra Chilmakuri, Chair

Date