

Minutes of a Regular Meeting¹
of
The Natomas Basin Conservancy

December 3, 2019

Offices of the Natomas Basin Conservancy
2150 River Plaza Drive
Sacramento, CA
4:00 p.m.

**BOARD MEMBERS
PRESENT:**

= attended
 = did not attend

Chandra Chilmakuri
 David Christophel
 Steve Cohn
 Michael Johnston
 Kevin McRae
 John Shirey

**STAFF/LEGAL
COUNSEL PRESENT:**

John Roberts, Kim Burns, Jennifer Skupic
Ed Quinn and Laura Fowler, Best Best & Krieger

GUESTS:

Nick Avdis, Kellie Berry, Sean Fisher, Jamie Gomes,
Cheryle Hodge, Emily Mecke, Leyne Milstein, Allison
Shaffer, and Dylan Wood

TAC:

None

CALL TO ORDER

Shirey called the Regular Meeting of the Board of Directors to order, noting a quorum was present. Shirey informed the Board that Director Johnston would not be attending the meeting.

PUBLIC COMMENTS

No public comments.

CONSENT AGENDA

Shirey requested a motion to approve the October 2, 2019 Board of Directors meeting minutes and consent items.

¹ Notice of meeting posted on TNBC website.

<p>3</p>		<p>Approval of the minutes</p>	<p>The Board Chair will request approval of the minutes of the Board of Directors meeting of October 2, 2019.</p>
<p>4</p>		<p>Authorization for Farm Air to utilize landing strip on TNBC's Bianchi West tract</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, 2020, 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>
<p>5</p>		<p>RD 1000 security contract with Brookman Protection Service, Inc.</p>	<p>Since 2006 Reclamation District 1000 has contracted with Brookman Protection Service, Inc. to provide Basin-wide security services. The Natomas Central Mutual Water Company and the Conservancy contribute to that effort. In the past the Conservancy has contributed up to \$20,000 per year as its share of security costs, payable to RD 1000. Staff requests approval for 2020 service not to exceed \$20,000.</p>
<p>6</p>		<p>Natomas Central Mutual Water Company Annual Meeting of Shareholders</p>	<p>The annual election of Directors of the Natomas Central Mutual Water Company (NCMWC) takes place on February 11, 2020. The Conservancy holds 3,396 shares of stock in the Company. 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 authorizes the Conservancy's Executive Director to vote the Conservancy's shares in the Conservancy's interest.</p>

Shirey requested a motion to approve the minutes of the October 2, 2019 meeting minutes as well as the remainder of Consent Agenda items. He noted a small correction to the minutes.

(Res.19.12.01) On a motion by Christophel and a second by Cohn, the Board unanimously approved the October 2, 2019 meeting minutes as well as the remainder of Consent Agenda items.

Board members

Chandra Chilmakuri
 David Christophel
 Steve Cohn

Michael Johnston
 Kevin McRae
 John Shirey

Vote symbols

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

Bylaws. This agenda item was postponed at the request of the Compensation and Governance Committee. More time is needed to review the matter.

Amending the threshold for "land dedication" from 50 acres to 20 acres. This agenda item proposed that the Conservancy recommend to the City of Sacramento that it amend its ordinance where small developers using 50 acres or less of the NBHCP not be required to provide acceptable land for its mitigation, but rather, make the threshold 20 acres. This idea was raised by Board members, increasingly aware of the difficulties in acquiring acceptable mitigation land caused by new development, new proposed development and costs, largely outside this 17,500 acre "Permitted Area" portion of the Natomas Basin.

(Res.19.12.02) On a motion by Cohn and a second by Christophel, the Board unanimously requested further information and discussed with the U.S. Fish and Wildlife Service, California Department of Fish and Wildlife, the City of Sacramento and the County of Sutter, and that the matter be brought back before the Board at a future date.

Board members

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2020 NBHCP Finance Model and 2020 budget. The proposed 2020 Conservancy budget was presented to the Board for adoption. A draft of the 2020 Conservancy budget was shared with the Board at the October 2019 Board of Directors meetings for review and discussion.

The Conservancy's proposed 2020 budget was integrated with the NBHCP Finance Model, so that the document submitted for action was 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 fee was substantially influenced by land prices. The recommended fee, as proposed by Conservancy staff, is supported by work done by Stephen Harrington, MAI, updated for 2020. Harrington estimates the range for mitigation land acquisition in 2020 is \$28,000 to \$32,000 per acre.

Burns reviewed with the Board the proposed 2020 budget and NBHCP Finance Model, noting the importance of the Finance Model to understanding the proposed budget. She also noted that consulting economists with Economics and Planning Systems, Inc. were on hand to help with any questions that the Board members may have. EPS prepared the recalculation of the NBHCP Finance Model.

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.

The 2020 Conservancy Budget and NBHCP Finance Model were submitted for Board acceptance, as was a request to the City of Sacramento to adopt the Finance Model's indicated fee as follows:

- Increase the NBHCP fee to \$40,032 per developed acre, from \$33,091 in 2019.
- Increase the NBHCP fee with land dedication to \$25,032, from \$21,841 in 2019.

The Board was asked to:

1. approve the proposed 2020 Conservancy Budget;
2. accept the 2020 NBHCP Finance Model recalculation; and
3. adopt a resolution to be submitted to the City of Sacramento requesting the above noted NBHCP fee adjustments (see attached resolution).

This item anticipated 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.

Shirey requested a motion to approve the proposed 2020 Conservancy Budget, accept the 2020 NBHCP Finance Model recalculation, and adopt a resolution to be submitted to the City of Sacramento requesting the above noted NBHCP fee adjustments (see attached resolution).

(Res.19.12.03) On a motion by Christophel and a second by Cohn, the Board unanimously approved the 2020 Conservancy Budget, accepted the 2020 NBHCP Finance Model recalculation, and adopted a resolution to be submitted to the City of Sacramento requesting the above noted NBHCP fee adjustments (see attached resolution).

Board members

Chandra Chilmakuri
 David Christophel
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SAFCA Implementation Agreement #3 Pappa Rosa – Amendment #1. This proposed amendment to the SAFCA Implementation Agreement #3 Pappa Rosa will change the following:

1. Funding – Previously, the operations and maintenance funding for this agreement ran through 2038. This amendment extends it to 2054. Previously, the endowment portion of the funding began in 2038. This amendment moves that date to 2054.
2. Sewer easement – An easement for the construction, operation and maintenance of a septic system within a portion of the property is included in this amendment.
3. Conservation easement – The original agreement considered a conservation easement. The amendment moves to record the conservation easement as soon as practicable.
4. Increase the farmable acreage – The original agreement provided for 35.77 farmable acres. The amendment increases that by 7.9 acres to 43.67 farmable acres.

SAFCA Implementation Agreement #3 Pappa Rosa – Amendment #1 has been approved by SAFCA's Board of Directors. Staff recommended Conservancy Board approval of the SAFCA Implementation Agreement #3 Pappa Rosa – Amendment #1 as presented.

(Res.19.12.04) On a motion by Cohn and a second by Christophel, the Board unanimously approved the SAFCA Implementation Agreement #3 Pappa Rosa – Amendment #1.

Board members

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DISCUSSION

City of Sacramento report. No report provided.

Financial statement review. Burns provided financial statements for the period ended October 31, 2019 (unaudited). Additional financial information was provided and discussed.

EXECUTIVE DIRECTOR'S REPORT

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

Recess of regular session of the meeting.

(Res. 19.12.05) On a motion by Cohn and a second by Christophel the Board unanimously voted to recess the regular session at 5:37 pm.

Board members

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EXECUTIVE SESSION

Executive Session for performance evaluation and for real estate was held.

ACTION

Employment Agreement. The Board agreed to a new employment agreement with the Conservancy's Executive Director to take effect January 1, 2020, extending for three years.

(Res. 19.12.06) On a motion by Chilmakuri and a second by Cohn the Board unanimously approved of the employment agreement with the Conservancy's Executive Director.

Board members

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ADJOURNMENT

Official adjournment of the meeting.

(Res. 19.12.07) On a motion by McRae and a second by Cohn the Board unanimously voted to adjourn the meeting at 7:02 pm.

Board members

- Chandra Chilmakuri
- David Christophel
- Steve Cohn

- Michael Johnston
- Kevin McRae
- John Shirey

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ATTEST:

Chandra Chilmakuri, Secretary

Date