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IMPLEMENTATION ANNUAL REPORT

- CALENDAR YEAR 2001

MARCH 1, 2002

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INTRODUCTION

This report responds to a requirement of the Natomas Basin Habitat Conservation Plan (Section IV.G.4) and the Implementation Agreement (Section 5.2) which calls for an implementation annual report. The report is due within 60 days after the close of each calendar year.

This is the third full-year annual report prepared by the Conservancy. As additional accomplishments of the Conservancy accumulate and responsibilities expand with the growth of mitigation acreage, more information will be available in future annual reports.

The goal of the presentation style of this report is to follow the reporting requirements of the Natomas Basin Habitat Conservation Plan and Implementation Agreement. Since reporting compliance is a key element in the operations of the Conservancy, this format should be helpful to the reader in assuring all reporting requirements are fulfilled.

The Conservancy is pleased to present this report and to share the many positive steps it has taken towards successful implementation of the Natomas Basin Habitat Conservation Plan.

Those wanting further information may contact the Conservancy at:

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SPECIAL NOTE

This version of the 2001 Implementation Annual Report contains only the main body of the report itself, and appendices are not provided. Copies of the 13 appendices (see "Table of Appendices" in this report) are available from the Conservancy for public viewing should they be needed. Also, although this version is nearly identical to the official "record" version, there may be slight variances. It is intended to provide a more "readable" and cost-effective presentation of the 2001 Implementation Annual Report. Those wishing copies of the appendices and official record version may obtain them for normal copying charges.



Swainson's hawk
(Buteo swainsoni)

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Giant garter snake
(Thamnophis gigas)

2001 HIGHLIGHTS THE NATOMAS BASIN CONSERVANCY

ACQUISITION

- The Conservancy acquired two (2) farms during year 2001, bringing the total number of farms acquired to date to eleven (11).
 - The total acres of mitigation land acquired has grown to 1,792.637
 - Phase One environmental reports, American Land Title Association (ALTA) land surveys and aerial photographs were completed on each of the Conservancy's mitigation land acquisitions.
-

PROGRAMMATIC

- The Conservancy's extensive site-specific land management plan for the mitigation acreage acquired through January 1, 2001 was completed and formally accepted.
 - The Conservancy worked to protect areas on its existing mitigation lands where NBHCP species are known to exist.
 - A Swainson's hawk monitoring report and giant garter snake monitoring report were conducted for the Conservancy again for the third straight year.
 - The Conservancy issued a timely implementation annual report, corporate annual report, financial audit and all other reporting documents during the year.
 - Staff worked with Sutter County interests and the Metro Air Park Property Owners' Association to facilitate entrance into NBHCP process.
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BUDGET AND FINANCE

- The long-term finance model was updated and a fee increase was requested, granted and implemented.
 - The Conservancy's endowment fund account continues to grow, and remains conservatively invested in order to insure its long-term viability.
 - The Conservancy ended the year in strong financial condition.
-

OTHER

- The Conservancy inaugurated its web site (www.natomasbasin.org), and has included copies of its species monitoring reports and other relevant information on the site. Each mitigation land acquisition is mapped, and this map is available on the web site. Also available on the site as is an aerial photograph of each of the Conservancy's mitigation land locations.

THE NATOMAS BASIN CONSERVANCY

ANNUAL REPORT 2001¹

I. IMPLEMENTATION AGREEMENT SECTION 5.2

1. The number of acres of land within the Permit Area approved for Urban Development during the previous calendar year for which fees were collected.

During 2000, the number of acres of land within the permit area for which urban development permits were issued was 2,745.7 (see "Implementation Annual Report, Calendar Year 2000, by The Natomas Basin Conservancy). During 2001, the amount was 1,061.7 acres, bringing the total to-date to 3,719.4. A full report on the number of acres permitted for urban development can be found in Appendix A. A report from the City of Sacramento's Accounting Department shows a schedule of acres for the covered period for which fees have been paid:

TABLE I
THE NATOMAS BASIN CONSERVANCY
HCP FEE-PAID ACRES

PERIOD	HCP FEE PAID ACRES
Through December 31, 1998	1,515.66
January 1–December 31, 1999	1,465.47
January 1–December 31, 2000	598.07
January 1–December 31, 2001	242.09*
All years through December 31, 2001	3,821.29

** Additionally, 141.14 acres were donated in lieu of fees.*

See Appendix A for a full report from the City of Sacramento regarding acres of land for which urban development permits have been issued and fees have been collected. The mitigation acreage is also mapped, and these maps can also be found in Appendix A.

2. An estimate of the amount of land within the Permit Area actually grubbed or graded for Urban Development during the previous calendar year.

This City of Sacramento-provided information can be found along with the maps and related material in Appendix A.

3. The aggregate number of acres of Conservancy Land acquired in fee simple or encumbered with Conservation Easements by the Conservancy during the previous calendar year. The listing shall show the acreage and the proportion of lands which are Managed Marsh.

An accounting of the aggregate number of acres of Conservancy Land acquired in fee simple follows in Table 2. All Conservancy land acquired to date has been by fee simple acquisition.

¹ Highlighted text (**bold** or *italics*) follows the Natomas Basin Habitat Conservation Plan (NBHCP) and Implementation Agreement (IA) reporting requirements or guidelines. One exception is that illustrations may have headers and titles in bold which are not designated in the NBHCP or IA.

At the end of 2001, the Conservancy had nearly completed its first managed marsh conversion project and was well on track to conduct additional such conversions during 2002. The Conservancy adopted a revised site-specific land management plan (see Appendix D) during 2001 that calls for implementation of the managed marsh component of mitigation lands. This plan was completed for the 1,630 acres of mitigation lands acquired. It was adopted by the Board of Directors of the Conservancy on June 1, 2001 (Conservancy Board of Directors resolution #06.01.04). The Board later adopted resolution #11.01.04 which engaged the services of a contractor to assist with updating the site-specific land management plan to cover the Conservancy's additional mitigation lands, at that point totaling 1,792.64 acres. The update is expected to be completed and approved in late-Spring 2002 and will provide still greater detail of the managed marsh coverage on mitigation land. Like the first site-specific land management planning effort, the latest effort calls for at least 25 percent of acquired mitigation lands being dedicated to managed marsh uses in compliance with the NBHCP.

The Board of Directors authorized the preparation of construction drawings for the 2002 managed marsh construction effort (Conservancy Board of Directors resolution #11.01.05).

TABLE 2
THE NATOMAS BASIN CONSERVANCY
LAND ACQUISITION TALLY THROUGH 12.31.01

PROPERTY	DATE ACQUIRED	ACRES
Silva	1.7.99	159.200
Betts	4.5.99	138.992
Kismat	4.16.99	40.293
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
Brennan	6.15.00	241.376
Frazer	7.31.00	92.600
Souza**	7.2.01	44.680
Natomas Farms	7.9.01	96.460
Total		1,792.637

* *Lucich may be reduced 20.68 acres pending negotiations between the seller (Lucich) and SAFCA. The "Lucich" tract is referred elsewhere in this report as South Sutter Venture Group tract.*

** *Agreement of Purchase and Sale provides that if seller can obtain partition authorization from County of Sacramento within a 24-month period from the date of sale, 3.68 acres can be purchased back from the Conservancy.*

**TABLE 3
THE NATOMAS BASIN CONSERVANCY
MANAGED MARSH TALLY**

AT YEAR-END	ACRES ACQUIRED	APPROVED PLAN ACRES**	APPROVED PLAN MANAGED MARSH	ACRES IN MANAGED MARSH***
1998*	0	0	0	0
1999	1,317.521	0	0	0
2000	1,651.497	1,296	324	0
2001	1,792.637	1,651	603	192.51
2002 (proj.)	2,110	1,793	n/a	238.5

* Conservancy Board of Directors was empanelled in December 1998, staffed in March 1999.

** "Plan" means site-specific land management plan. Current Plan calls for well in excess of 25% target

*** Means construction completed as of year end.

4. A description of any lands conveyed by the Conservancy to the USFWS, CDFG, any other governmental entity, and to any other person or entity during the previous year.

The Conservancy has not conveyed any land to the USFWS, CDFG or any other governmental entity.

5. A summary of the total aggregate number of acres of Conservancy Lands owned in fee simple or encumbered with Conservation Easements in favor of the Conservancy as of the end of the previous calendar year. The summary listing shall show the acreage and the proportion of lands which are Managed Marsh.

See discussion in number three (3) above.



Water Cutover on Betts-Kismat-Silva Restoration and Enhancement Project. The Conservancy began work to construct managed marsh on the 338-acre BKS preserve in North Sacramento County during 2001. Photo depicts the first water to flood up managed marsh on the site. Photo: The Natomas Basin Conservancy.

6. A description of the management activities which the Conservancy conducted during the previous year and the management activities proposed for the coming year.

Following the outline in the NBHCP page IV-40 (“Habitat management activities”), the following list is presented.

a. Control of water supply and availability.

The Conservancy continues to manage the water resources and situations as described in last year’s implementation annual report.

The Conservancy’s management is well aware that without adequate water supply, the 25 percent managed marsh requirement in the NBHCP would be jeopardized. Moreover, the ability to provide for rice operations would also be at risk, and income from rice operations provides a very large share of the revenue necessary for non-farmed land activities, including maintaining the managed marsh component. Accordingly, great care has been taken by the Conservancy with respect to acquiring and assuring full rights to water supplies as it acquires property for mitigation.



First Managed Marsh Flood-up on Betts-Kismat-Silva Restoration and Enhancement Project. The first flooded managed marsh (before vegetation planting) on the BKS preserve in North Sacramento County during 2001. Photo depicts the first water to flood up managed marsh on the site. Photo: The Natomas Basin Conservancy.

The Betts-Kismat-Silva tract, while not within the region’s water district, has access to drainage water coming from an adjacent fish farm. The Conservancy made certain the right to this water was spelled out in the acquisition of the property, and the result was that the right to this water was recorded with the property deed. The Conservancy has critically examined the quality of this water, since the water served as an essential part of implementing the site-specific land management plan (see Appendix D). The report confirms the quality of the water is excellent, and was extensively used in the restoration and enhancement activity on this tract during 2001 (see above photos).

Regarding other mitigation land, management has also worked to transfer to the Conservancy stock in the Natomas Central Mutual Water Company with all mitigation land acquisitions within the Water Company territory. The Water Company Board of Directors has approved the Conservancy’s requests for the transfer of ownership, and stock certificates have been received. The Conservancy staff attends the Water Company’s annual meetings and casts

shareholder votes in the Conservancy's interest. It also continues to explore with Water Company officials opportunities that exist for water provision to those tracts the Conservancy owns which do not hold water rights.²

b. Suitable agricultural practices (e.g., rice growing for giant garter snakes and production of other crops for Swainson's hawk foraging).

On all its mitigation land acquisitions, Conservancy management has adjusted the agricultural practices to be in line with the NBHCP. Past activity included reducing cattle populations in the case of the Betts-Kismat-Silva tract, as well as upgrading the quality of the cattle operation in general.

Elsewhere, the Conservancy has worked to maintain healthy and productive rice farming operations on significant portions of its acquired mitigation land. Conservancy staff regularly talk with rice farmers about farming in ways that are supportive of giant garter snake populations. Much of the specific effort is outlined in the site-specific land management plan (see Appendix D).

c. Grazing programs to eliminate weeds or control vegetation.

If left unchecked, grazing could be destructive to habitat. Properly managed, it can be helpful to at least two of the covered species in the NBHCP by controlling weeds and vegetation. The Conservancy utilizes a small herd of cattle to assist with vegetation management on the Betts-Kismat-Silva preserve. The cattle keep grass and weeds to an appropriate height so that Swainson's hawk foraging is facilitated. Other benefits include habitat improvement for the tri-colored blackbird. Controlling vegetation also assists in controlling plant mass, which can result in fire hazards.

The Conservancy's also completed fencing the Betts-Kismat-Silva tracts during 2001, consistent with the site-specific land management plan for the property. The fencing helps manage the cattle herd presently on the site. (One small unfenced area remains to facilitate access during restoration and enhancement construction refinement and testing.)

Since the Conservancy's other tracts are largely planted to rice, there is no need to conduct grazing activity on the tracts. The exception is the acquired Brennan tract. Its ability to provide grazing capabilities is under consideration.

d. Exotic species control.

The Conservancy has brought to various of its preserves representatives of the U.S. Fish and Wildlife Service, the California Department of Fish and Game, pest control advisors and farmers to inspect the tracts and discuss exotic weed control options. The most serious weed threat is an exotic species of weed, thistle. Bull thistle and western star thistle are the most prominent. Consistent with the site-specific land management plans, the Conservancy has moved to control exotic plant species. This will be particularly challenging during 2002 on

² In addition to the Conservancy's Betts, Kismat, Silva tracts, the Brennan tract does not enjoy participation in the Natomas Central Mutual Water Company. Water to the tract is provided from other sources, including groundwater pumped by two wells on the property.

the Betts-Kismat-Silva site. This site has been planted with numerous native grass, shrub and tree species. Keeping the weeds, particularly the exotics, under control will give the newly planted native vegetation a greater chance of survival.

The Conservancy has yet to identify non-plant exotics that present any significant threat to full successful implementation of the NBHCP.

e. Erosion control.

Since Conservancy lands are mostly rice fields, and since the rice fields have been precision-leveled, there are relatively few erosion control needs or opportunities on current Conservancy land holdings. On the portion of the Conservancy's land that is not in rice production, pasture is the most prevalent land use. Therefore it too, since being covered with ground cover throughout, and relatively well developed with agricultural drains, offers little opportunity or need for erosion control efforts.

f. Enhancement of native plant communities.

During 2001, for the first time, the Conservancy has planted a number of native plants on its preserves. This was focused on the Betts, Kismat and Silva tracts. Table 4 shows the native trees and shrubs the Conservancy planted at this project.

TABLE 4
THE NATOMAS BASIN CONSERVANCY
NATIVE TREES AND SHRUBS PLANTED
IN 2001 ON CONSERVANCY PRESERVES

COMMON NAME	SCIENTIFIC NAME
<i>Tree species</i>	
Blue oak	Quercus douglasi
Fremont Cottonwood	Populus fremontii
Goodings Black Willow	Salix goodongii
Oregon Ash	Fraxinus latifolia
Valley Oak	Quercus lobata
Western Sycamore	Platanus racemosa
<i>Shrubs</i>	
California Blackberry	Rubus vitifolius
California Wild Grape	Vitis californica
California Wild Rose	Rosa californica
Coyote Brush	Baccharis pilularis
Mule Fat	Baccharis viminea

The Conservancy's approved site-specific land management plan lists numerous native grass species. Among the many that were planted during 2001 on the Betts, Kismat and Silva properties were Blue Wild Rye, California Barley, Idaho Fescue, Native California Brome, Pine Bluegrass and Purple Needlegrass.

g. Habitat enhancement activities for the covered species (e.g., construction of artificial burrows for giant garter snake).

The Betts-Kismat-Silva preserve restoration and enhancement project focused on giant garter snake-friendly design (see photo below). The sinuous channels of the managed marsh attempt to mimic successful habitat found in the federal wildlife reserves in the Sacramento Valley. The basking islands and potholes also were designed to afford benefit to the giant garter snake.



BKS Restoration and Enhancement construction project, Summer 2001. Aerial photo of the Conservancy's BKS reserve in North Sacramento County showing construction underway. The project represented the Conservancy's first restoration and enhancement effort. Photo: CalAero for The Natomas Basin Conservancy.

Additional information on habitat enhancement activities can be found in the site-specific land management plan (see Appendix D), with specific reference to the BKS site section.

b. Predator control.

The Conservancy Board of Directors previously adopted a resolution³ which provides for pet restrictions on the Conservancy's rented property.⁴ Dogs and cats running loose on the property are seen as potentially harmful to some of the covered species and therefore the Conservancy has remained alert to possible predator and related problems. On numerous occasions, the Conservancy has also contacted Sacramento County Animal Control to remove stray dogs left on the Conservancy's land and which roam the area. These control efforts have all been successful.

This past year for the first time, the Conservancy has begun to notice domestic cats roaming the preserve. These will need to be managed in the same way as the aforementioned dog population has been.

Additionally, the Conservancy has paid very close attention to the proliferation of coyotes on the Betts, Kismat and Silva tracts. Several new dens cropped up this past year, and produced numerous offspring. Some of these dens are a matter of a few feet from burrowing owl nests.

³ Resolution #3.99.23 includes "pet restrictions."

⁴ The dog that lives on the Betts tract is owned by the previous land owner but cared for by the Conservancy's caretaker. Since the house lies near the entrance to the Conservancy's land, the dog is helpful in alerting the caretaker to trespassers. Additionally, the dog remains in a very large fenced area and is extremely well trained to never go beyond the fenced area.

The Conservancy has consulted with the TAC on numerous occasions regarding this situation. The TAC has counseled to observe the populations, and if they get excessive, then control measures will be warranted. Otherwise, the coyotes are seen as part of the natural habitat.

i. Control of pesticide uses on reserve lands.

The Conservancy states in all of its agricultural leases and right of entry agreements that the use of pesticides on Conservancy mitigation land is strictly controlled. In its land management activity, the Conservancy rarely allows pesticides to be used. Insecticides have not been permitted on Conservancy-owned mitigation land with the exception of use in active rice farming operations. However, rice production generally does not require significant insecticide applications.

Of all the pesticides, the only one permitted to date on Conservancy owned mitigation land (other than in rice production) are herbicides. These have infrequently been used for two purposes. First, to reduce plant mass around structures, particularly those subject to fire (numerous incidents of arson have been reported to authorities in and around the northern portion of the Natomas Basin). In these instances, the Conservancy has used herbicides not so much to kill vegetation growth around such structures, but rather, to stunt its growth. This has worked well. Second, herbicides have been used to control exotic vegetation. The Conservancy has worked hard to allow native vegetation a better chance, and especially with the extensive planting of native plants in 2001, herbicides have been and will be used on a limited basis for this purpose. In all cases, the use of herbicides in non-rice production areas has been allowed only after cattle grazing, mowing and other practices have proven impractical or impossible.

j. Enhanced ditch and drain management for the covered species on reserve lands.

The Conservancy conducted extensive ditch and drain management work on its BKS site in 2001 as a result of the restoration and enhancement project conducted there. Work continues on this project in an effort to refine and perfect management practices so that covered species are presented the best possible conditions.

The Conservancy staff continues to meet periodically with senior management of RD 1000 and the Natomas Central Mutual Water Company to point out areas in and around Conservancy mitigation land where giant garter snakes have been found. These discussions, as well as other familiarization activities, have built an excellent working relationship, and the covered species have or will ultimately benefit directly.

k. Coordination of any research conducted within reserves with outside species experts and other individuals and groups.

No research activities were conducted on Conservancy mitigation lands in 2001. However, it is envisioned that a great deal of work will be conducted in the near future. The Conservancy is exploring the possibility of developing a research center on the BKS tract and has explored funding for such an effort.

l. Management activities proposed for coming year.

As to activities for the coming year, the Conservancy has adopted a revised and updated site-specific land management plan. Carrying out these land management plans will heavily influence Conservancy activities for 2002. In addition, three additional farms have been acquired since the adoption of the revised land management plan. Accordingly, the Conservancy will be actively working to update and amend the plan.

The Conservancy has completed the earthwork, water control and vegetation planting work for the restoration and enhancement project on its 338-acre Betts-Kismat-Silva preserve in Sacramento County. Since this is the first of the major restoration and enhancement efforts by the Conservancy, the Conservancy will be carefully managing this preserve as it matures. Since it is intensively watered, the Conservancy will also be making sure to learn to manage the water in the appropriate manner. TAC members are frequently exposed to this project. The Conservancy periodically seeks advice and guidance from the TAC or its individual members on this and other projects it is involved with, and plans to continue to engage TAC members in Conservancy activities in 2002 and beyond.

Also a major part of the Conservancy's year 2002 program of work is the proposed restoration and enhancement effort on three of the Conservancy's preserves in Sutter County. Planning, permitting, coordination with the many interested parties, managing the bidding for contractors, contractor management and compliance monitoring with the NBHCP will be major activities in this effort. The summer 2002 restoration and enhancement project will be as challenging as was the 2001 effort. Since the Conservancy planned the 2001 project to be an early, learning effort, the Conservancy has been able to streamline the process used to complete this type of work. The Conservancy is confident it can use its successful 2001 restoration and enhancement construction experience to successfully complete this coming year's effort.

Since Metro Air Park has received an Incidental Take Permit, the Conservancy will also continue its commitment to serve as "plan operator" for this project, similar to its effort as plan operator for the City of Sacramento's NBHCP. Additionally, Sutter County is beginning to introduce projects into the Natomas Basin and participate in the development of a new NBHCP, and considerable Conservancy efforts in this regard are likely to occupy a good deal of the Conservancy's attention in 2002.

In both efforts, in addition to looking out after the Conservancy's ability to implement the NBHCP, it is anticipated the Conservancy will have a considerable role in adding new mitigation acreage to its fast-growing inventory.

For the year 2002, activity will center around:

1. remaining on an aggressive compliance track so that timely reports are submitted as required by the NBHCP and IA,
2. managing acquired mitigation lands for the recovery of the covered species,
3. purchasing or accepting additional mitigation land as required and needed,
4. continuing to complete species monitoring projects for the Swainson's hawk and giant garter snake, and
5. appropriately managing newly-created restoration and enhancement projects (specifically, the Betts-Kismat-Silva refuge 2001 project) and constructing a new such project, as will be experienced in 2002 on five additional Conservancy reserves.

7. A description of the habitat enhancement activities conducted in the previous year and those proposed for the coming year.

A discussion on enhancement activities conducted the previous year has been incorporated into several items above. Proposed habitat enhancement work can be found in item (6) above as well as the revised site-specific land management plan (see Appendix D). The Conservancy is experiencing an intensive amount of such work given the rapid acquisition of mitigation lands over the course of the past three years.

8. A report of any scientific research authorized or conducted in the previous calendar year on Conservancy Lands other than research conducted directly by USFWS or CDFG, and a description of any research proposed for the coming year.

See item section 6 (k) above.



Betts-Kismat-Silva Restoration and Enhancement construction project, December 2001. Aerial photo showing restoration and enhancement construction completed. Vegetation planting beginning. Note sinuous marsh areas and basking islands for the benefit of the giant garter snake. Photo: CalAero for The Natomas Basin Conservancy.

A minor research effort involved studying the volume of water that will be maintained in the water structures on the BKS restoration and enhancement project. That report can be found in Appendix C. Water quality research and monitoring conducted as part of the BKS restoration and enhancement project during 2001 can be found in Appendix K.

Research planned for 2002 falls primarily into monitoring efforts, including a.) monitoring for the giant garter snake, and 2.) monitoring for the Swainson's hawk.

9. An itemization, if known, of the number of individuals of the Covered Species taken by the Conservancy in the course of management, relocation, or scientific study, and the disposition of those individuals.

The Conservancy did not take any of the covered species and is unaware of any that were taken by others. However, the City of Sacramento's report on development (Appendix A) is helpful in determining location of habitat disturbed.

10. A yearly financial report prepared by a certified public accountant which provides: a tabulation of all Habitat Acquisition Fees and other Mitigation Fees collected by the Conservancy; all other sources of income to the Conservancy; all expenses incurred by the Conservancy during the previous year, including an itemization of all expenses incurred in land acquisition activities; the amount of funds held in reserve for future acquisitions; and the value of the endowment fund established from Endowment Fees.

In Appendix I, a financial statement for the Fiscal Year ended December 31, 2001 is presented. Audited financial statements are prepared each year and are generally available around April 1.

11. An assessment of the adequacy of funding projected for the coming year and a recommendation as to the amount that the Base Mitigation Fee should be increased or decreased as specified in Sections 4.5.7, 4.5.8, or 4.5.9 of this Agreement.

In Appendix J, the Conservancy presents a summary of the financial model update it requisitioned during the reporting period (completed May 29, 2001). The model indicated a need for an increase in HCP fees. Accordingly, the Conservancy adopted a resolution⁵ requesting that the City of Sacramento increase HCP fees from \$3,941.00 to \$5,993.00 with a “settlement premium” of \$4,028.00 for a total of \$10,021.00 per acre. The Sacramento City Council voted unanimously soon thereafter to accept this recommendation and implement it immediately.

The pattern and process for evaluating the need for fee adjustments, and then getting all the necessary authorizations to implement such adjustments, has become well established. A history of the HCP can be found in Table 5.

**TABLE 5
HCP FEE HISTORY**

YEAR	ESTABLISHED FEE
1997	\$2,240
1998	\$2,656
1999	\$3,292
2000	\$3,942
2001	\$5,993 + \$4,028 premium = \$10,021 *

**HCP “premium” was established as a result of the litigation settled during the reporting year. A premium was established due to the limited geographic nature of permitted mitigation land acquisition. The premium was expected to be dropped upon the conclusion of the settlement period, October 2002.*

12. Maps depicting items set forth under paragraphs (1), (2), (3), (4), and (5) above.

In Appendix A, the Conservancy provides maps of fees paid as presented by the City of Sacramento. In Appendix B, a map of Conservancy mitigation lands is provided. In addition, the Conservancy has completed land surveys of all acquired mitigation lands. The surveys conform to American Land Title Association (ALTA) requirements and are available in the Conservancy’s office.

⁵ Conservancy Board of Directors resolution #06.01.04 adopted by unanimous vote June 6, 2001.

Additionally, a map was prepared (see Appendix C) to show water connectivity between the Conservancy's mitigation land holdings. This was prompted by the numerous questions raised in the above-referenced litigation about the hydrologic connectivity of the Conservancy's preserves. As Conservancy preserves are added, the map will be updated to reflect these acquisitions. That way, an unfolding illustration will demonstrate clearly this important hydrologic connectivity.



Aerial Photos of All Conservancy Lands Have Been Taken. The Conservancy has had aerial photos taken of all of its mitigation land. The photo at right shows the Conservancy's Souza (left) and Natomas Farms (right) tracts in Sacramento County, both acquired in 2001. Note Fisherman's Lake on the easterly border of the property. July 2001. Photo: Cal Aero Photo for The Natomas Basin Conservancy.

13. Copies of all data collected and reports generated as a result of scientific research conducted on Conservancy Lands.

Reports covering such work conducted during 2001, including, a.) monitoring for the giant garter snake, 2.) monitoring for the Swainson's hawk, 3.) geophysical testing on the Conservancy's Betts-Kismat-Silva tracts and Lucich North and Frazer tracts, and 4.) phase one environmental reports for newly acquired mitigation land. Geophysical testing reports are found in Appendix E. The monitoring report for the giant garter snake can be found in Appendix F. Appendix G contains the Swainson's hawk monitoring report for 2001. Phase one environmental reports for the two properties acquired in 2001 can be found in Appendix H.

ALTA surveys of newly acquired mitigation land were also completed and are on file with the Conservancy at its office.

14. An accounting of the long-term endowment account.

An accounting of the Conservancy's Endowment Fund can be found in Appendix I along with the financial statement of the organization.

15. All other information described in Chapter IV, Section G.4 of the NBHCP.

See item number (6) above for a complete list of information listed in the HCP.

Other management activity included occasional meetings or communications with adjacent and neighboring land owners to update them with the Conservancy's program and to discuss any other issues related to the land management activities going on in an around the Conservancy's mitigation lands.

A large number of general property management activities were also engaged in during the year. The Conservancy continues to install locks on all access gates on Conservancy mitigation land. It also controlled trespassing and hunting on such lands as well. Property tax management has taken a considerable amount of the Conservancy's time, as has managing the participation by the Conservancy in federal farming programs, working regularly with the U.S.D.A.'s Farm Services Agency in Yuba City, California to preserve eligibility of Conservancy farming tracts in the relevant programs.

The Conservancy also moved to remove illegally dumped debris on and around Conservancy-owned properties. This activity seems to be taking greater time and effort as the amount of Conservancy mitigation land grows.

Additional efforts in managing rental housing, repairing electrical, plumbing and HVAC in the rental housing, and locating signage and gates around these areas took additional staff effort.

Last in this category, is the Conservancy effort to remove an old, unsound structure from its Silva tract. Concerned mostly about unauthorized human use of the structure and the possibility of inadvertent injury resulting from such use, the Conservancy entered into a contract to remove the structure from the tract. It was discovered that the structure contained asbestos, and the task of accounting for the extent of this asbestos, then coordinating its safe removal, consumed a considerable amount of Conservancy staff time. An asbestos abatement contractor hired to conduct the removal had completed its work, and the Conservancy engaged another contractor to certify the site was cleared.

**II. NATOMAS BASIN HABITAT CONSERVATION PLAN
SECTION IV.G.3**

Accounting for each jurisdiction (City of Sacramento, Sacramento County, and Sutter County):

-
- 1. Take: The annual incremental and cumulative area converted to urban development:**
- a. In the applicable permit area and entire NBHCP area.**
 - b. In the Swainson's hawk zone (the area within 1 mile of the Sacramento River).**
 - c. In vernal pools.**

The Conservancy provides information from the City in this regard in Appendix A which follows.

-
- 2. Mitigation: The annual incremental and cumulative area of mitigation lands acquired:**
- a. In-Basin:**
 - i. Lands managed as marsh.**
 - ii. Lands managed as rice, including associated fallow land.**
 - iii. Lands managed as upland reserves.**
 - b. Out-of-Basin in Area "B."**
 - c. Out-of-Basin in Area "C."**
 - d. Status of the initial 400 acres (when purchased and what habitat type).**
 - e. Mitigation for vernal pools, as appropriate.**

Please refer to Section I (3) above for a response to "a." See also Section III (2) and Table 4.

As to "b," no lands have been acquired in Area B.

As to "c," no lands have been acquired in Area C.

As to "d," the initial 400 acres were acquired on May 18, 1999 with the acquisition of the South Sutter Ventures Group properties. At present, the habitat type is a mix of upland reserve for the 338-acre Betts-Kismat-Silva tract with a large percentage of this tract converted (or restored) to managed marsh. The Souza tract is classified as upland reserve, at least until such time as a revised and updated site-specific land management plan can establish its use. All other mitigation lands are presently in rice production. For long term planned uses, refer to the site-specific land management plan for 2001 (see Appendix D).

As to "e," there are suspected vernal pools on the Silva tract, and these have been enhanced and further developed under the 2001 restoration and enhancement project on the site.

-
- 3. Financial status:**
- a. The amount and source of funds collected.**
 - b. Funds expended or committed for acquisition.**
 - c. Funds held in reserve.**
 - d. Summary of expenditures for and revenues from reserve land management.**
 - e. An accounting of the long-term endowment account.**

An entire accounting and response to this section can be found in Appendix I.

III. NATOMAS BASIN HABITAT CONSERVATION PLAN
SECTION IV.G.4

1. The amount and location of all lands approved for urban development by public agencies (e.g., public works projects) for which mitigation fees were paid to the NBC in the preceding year.

Please see the schedule of the amount of all lands for which mitigation fees were paid in Appendix A. A map showing the location of such land from the City of Sacramento is also included.

2. A description of the locations and condition of any mitigation lands acquired in fee simple or conservation easement in the preceding year.

A record of all lands acquired by the Conservancy by size and date of acquisition can be found in Table 2, page 2, titled, The Natomas Basin Conservancy, Land Acquisition Tally. A quick reference guide to all Conservancy preserves can be found in Table 4, Reserve Characteristics Illustration, below. General descriptions for the properties acquired during the preceding year follow. Descriptions describe the property at the time of acquisition:

Souza tract. This 44.68-acre parcel is immediately adjacent to the Conservancy's Natomas Farms tract (see below) which lies along Fisherman's Lake. The Souza tract is bounded on the north by Del Paso Road, and on the south by Garden Highway and the Sacramento River. At its southernmost tip, it is heavily populated with trees, and given its proximity to the Sacramento River, lies squarely in the "Swainson's hawk zone" established by the City of Sacramento and others. It is a long, north-south property, approximately 3,067 feet by 660 feet. Along Garden Highway, the property contains a single family residence and several farm buildings. As a term and condition of sale, the seller of the property reserved the right to obtain a separate parcel from the County of Sacramento for the southerly 3.68 acres and purchase it from the Conservancy. This option must be exercised within 24 months of close of escrow.

The Souza tract has Sacramento County tax assessor number 225-0090-005. It has historically been planted to row crops, most recently to tomatoes. It is provided water by the Natomas Central Mutual Water Company.

Natomas Farms tract. The Conservancy's Natomas Farms tract lies adjacent to Fisherman's Lake, and is also adjacent to the Conservancy's Souza tract (see above). It is 96.46 acres in size, and is irregular in shape. It lies approximately 4.5 miles northwest of downtown Sacramento and approximately 1.5 miles west of U.S. Highway 99/Interstate 5. It also lies approximately two miles southeast of the entrance to Sacramento International Airport. The property is bounded on the north by Del Paso Road and several residences. On the south, it is bounded by another farm, one that produces mostly rice each year.

The Natomas Farms tract has Sacramento County tax assessor number 225-0090-062. It was purchased by the Conservancy on July 9, 2001. Combined with the above-referenced Souza tract, there are 141.14 acres at this site.

To the east is Fisherman's Lake and documented Swainson's hawk nests, and nests also exist to the west of the property along the Sacramento River. Several trees line the southern boundary to the property. Giant garter snakes have also been well documented in and around Fisherman's Lake.

For many years the property has been in rice production, and that is its current land use. It is provided water service by the Natomas Central Mutual Water Company.

TABLE 6
THE NATOMAS BASIN CONSERVANCY
RESERVE CHARACTERISTICS ILLUSTRATION*

CHARACTERISTIC	MITIGATION LAND TRACTS IN ORDER OF ACQUIRED DATE										
	Silva	Betts	Kismat	Bennett North	Bennett South	Lucich North	Lucich South	Brennan	Frazer	Souza**	Natomas Farms**
COUNTY											
Sacramento	●	●	●							●	●
Sutter	○	○		●	●	●	●	●	●		
PLANNED LAND USE											
Rice				●	●		●				●
Upland	●	●	●		●	○		●	○	●	
Marsh	●	●	●	○	●	●	○	○	●		
WATER											
Natomas Water Co.				●	●	●	●		●	●	●
Ground Water	●	●						●			
Surface Water	●	●	●								
MANAGEMENT PLAN											
Covered by 2001 Plan	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Not yet covered										●	●
Marsh Construction–2001	✓	✓	✓								
Marsh Construction–2002				●	●		●				
EXISTING TREES											
0				●	●	●	●		●		
1 – 10			●								●
11 – 30								●		●	
31+	●	●									
OTHER											
Fenced	●	●	●								
Active Cattle Grazing	●	●	●								
Residential Structure(s)	●	●								●	
Agricultural Structure(s)	●	●								●	
Vernal pools	✓										

* Solid dot (●) represents inclusion of characteristic on that tract; hollowed-out dot (○) represents minor or partial inclusion on the referenced tract; a check mark (✓) represents completion of project.

** Since no site-specific land management plan yet exists for the Conservancy's Natomas Farms and Souza mitigation tracts, the "planned land use" designation in this illustration for these tracts are actually "anticipated" land uses and have not received required approvals.

An aerial photograph of the properties acquired during the 2001 reporting period can be found above between sections 12 and 13.

3. An accounting of the taking of any individual giant garter snakes, Swainson's hawks, or other covered species, if known, as a result of activities in the City's or Counties' permit areas in the preceding year, including any specimens taken for scientific purposes.

The Conservancy did not take any individual species during the reporting year, and is unaware of any species taken by others. However, take that resulted from development in the City of Sacramento is mapped in Appendix A.

4. Plans for the acquisition of reserve lands in fee simple or conservation easement in the forthcoming year.

The Conservancy plans to continue to acquire properties, either in fee simple form or by easement in the coming year. At the time this report was filed, the Conservancy had already acquired an additional 317 acres of land and may not require additional land in 2002 to meet mitigation criteria. However, should development occur with any intensity in 2002, additional properties will be needed, and the Conservancy is working to tie up additional mitigation land in anticipation of any such need. In all cases, the Conservancy is attempting to consolidate the larger mitigation land holdings into contiguous blocks. The Conservancy continues to believe that assembling the single 2,500-acre contiguous mitigation land block as well as the multiple 400-acre minimum contiguous blocks is achievable, and probably well ahead of schedule.

It is also possible the City of Sacramento may acquire an additional 114 acres or more around Fisherman's Lake as a part of its effort to comply with the terms of the litigation settlement agreement discussed earlier. These properties would be adjacent or nearby the Conservancy's Souza and Natomas Farms tracts that were acquired in 2001 and which lie adjacent to Fisherman's Lake.

The aim of the Conservancy's mitigation land acquisition program is to continue to attempt to assemble land necessary to meet the 2,500-acre contiguous land requirement, along with smaller parcels in 400-acre blocks.

5. An outline of habitat management, enhancement, and monitoring activities conducted in the preceding year and planned activities and goals for the forthcoming year.

Please see I.6 above for a full discussion of this subject.

6. Pertinent results of biological surveys and monitoring activities conducted in the preceding year.

Please refer to Appendices F and G for a complete reporting on this issue.

7. Pertinent information from RD1000 and NCMWC as described in Section C.1.e above (Reporting/Revisions).

Reports from RD 1000 and Natomas Mutual Water Company follow in Appendix L.

8. Any other pertinent information regarding implementation by the permittees of the terms of the NBHCP and its associated permits or circumstances within the reserve system specifically or the plan area generally.

The Conservancy continues to serve as a reference for those planning a revised NBHCP. Parties involved in this activity include the City of Sacramento, County of Sutter, Natomas Central Mutual Water Company and Reclamation District 1000.

Since Metro Air Park has received its Incidental Take Permit, the Conservancy will serve as plan operator for this plan as well. The Conservancy also has served as a reference for this project as well. In both cases, the Conservancy left policy issues to the applicants. The Conservancy's role was confined to providing information about the implementation and operation of the HCP.

As further indications of Conservancy activities during the reporting year, copies of extracts of the adopted minutes of all Conservancy Board of Directors meetings can be found in Appendix M.

IV. ANNUAL WORK PLAN
SECTION IV.D.1

The work plan for the Conservancy's year 2001 effort can be found in Section I.6.1, "Management activities for the coming year."



Cluster of Trees Planted.

Several native species trees were planted during 2001 in an area known as the "Tretheway Grove." The trees are cared for by Conservancy staff and lie at the south end of the former Silva dairy. Photo: The Natomas Basin Conservancy.

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GLOSSARY AND ABBREVIATIONS

Annual Report	The Implementation Annual Report. The Conservancy is required under Section 5.2 of the Implementation Agreement and Section IV.G.4 of the Natomas Basin Habitat Conservation Plan to produce and deliver an implementation annual report no later than 60 days after the close of the calendar year. Items to be included in the report are specifically prescribed.
CDFG	California Department of Fish and Game
Conservancy	The Natomas Basin Conservancy. A California non-profit public benefit corporation serving as “plan operator” of the Natomas Basin Habitat Conservation Plan.
Giant garter snake	<i>(Thamnophis gigas)</i> The giant garter snake is one of the largest garter snakes of the genus <i>Thamnophis</i> , with a total length up to 4.5 feet or greater. The garter snake in the Sacramento Valley and Delta regions has a dorsal ground color often dark brown to olive or nearly black, a complete dorsal strip varying in color from dull yellow to bright orange, and often orange on the ventral surfaces as well. Officially listed as a “threatened” species under federal and state authority, it is one of the two primary species protected under the NBHCP.
IA	The Natomas Basin Habitat Conservation Plan Implementation Agreement. (See NBHCP)
MAPPOA	Metro Air Park Property Owners Association.
NBHCP	Natomas Basin Habitat Conservation Plan. The NBHCP applies to the 53,341-acre interior of the Natomas Basin, located in the northern portion of Sacramento County and the southern portion of Sutter County. The Basin contains incorporated and unincorporated areas within the jurisdiction of the City of Sacramento, Sacramento County and Sutter County. The purpose of the NBHCP is to promote biological conservation along with economic development and the continuation of agriculture within the Natomas Basin. The NBHCP establishes a multi-species conservation program to mitigate the expected loss of habitat values and incidental take of protected species that would result from urban development, operation of irrigation and drainage systems, and rice farming. The goal of the NBHCP is to preserve, restore, and enhance habitat values found in the Natomas Basin while allowing urban development to proceed according to local land use plans. The NBHCP is a supporting document for federal Section 10(a)(1)(B) and State Section 2081 permit applications. Section 10(a)(1)(B) of the federal Endangered Species Act allows incidental take of endangered or threatened species subject to its permit requirements. Similarly, State Section 2081 of the California Fish and Game Code allows the California Department of Fish and Game to enter into management agreements that allows activities which may otherwise result in habitat loss or take of individuals of a state listed species.
Managed marsh	Seasonal or perennial wetland managed for habitat values for the giant garter snake, a federally protected species, and other covered species. Such land must meet minimum requirements as described in the NBHCP which include, but are not limited to, an assured water supply that will serve the marsh from April through September of each year. The marsh

will be a combination of open water, land with wetland vegetation, and other upland areas and may include a buffer area at the periphery. The Conservancy must develop detailed management plans pursuant to Chapter IV, Sections C.1 and D of the NBHCP for those Conservancy lands designated as managed marsh, in coordination with and subject to the approval of the CDFG and USFWS.

Permit	Or, incidental take permit. A permit issued by the USFWS under Section 10 (a)(1)(B) of the federal Endangered Species Act which authorizes the incidental take of a covered species which may occur as a result of urban development, rice farming and management activities with the permit area. Permit may also be used to collectively refer to Section 10 (a)(1)(B) permit, and the Section 2081, management authorization, of the State of California.
RD 1000	Reclamation District 1000.
Swainson's hawk	<i>(Buteo swainsoni)</i> The state-listed threatened Swainson's hawk is a medium sized buteo (25 to 35 ounces) and is distinguished from other buteos by long, narrow, pointed wings. Swainson's hawk plumage varies greatly. Light phase birds have buff white wing linings with darkly barred brown flight feathers; dark phase birds are dark brown with white undertail coverts, and intermediate reddish plumage occurs between phases.
TAC	Technical Advisory Committee. The TAC consists of six members, two each appointed from the City of Sacramento, the California Department of Fish and Game and the U.S. Fish and Wildlife Service.
USGS/BRD	United States Geological Service, Biological Resource Division. The Conservancy works with the Dixon, California office of USGS/BRD on giant garter snake matters.
USFWS	United States Fish and Wildlife Service.
Water Company	The Natomas Central Mutual Water Company is the purveyor of water to the Conservancy's Lucich North, Lucich South, Bennett North and Bennett South tracts. The Conservancy owns 620 shares (combined Lucich North and Lucich South) and 358 shares (combined Bennett North and Bennett South tracts) of stock (total 978 shares) in the Water Company. The shares were officially conveyed by the Board of Directors of the Water Company to the Conservancy on July 13, 1999.