

Agenda of September 18, 2008

**TO: Board of Directors
Sacramento Area Flood Control Agency**

**FROM: Stein M. Buer, Executive Director
(916) 874-7606**

SUBJECT: EXECUTIVE DIRECTOR'S REPORT FOR SEPTEMBER 2008

1. SAFCA Bond Issue Process

On August 26 and 27 SAFCA staff met with two rating agencies, Standard and Poor's and Moody's Investor's Services, as well as two bond insurance and surety companies to facilitate rating, insurance, and surety for SAFCA's proposed 2008 series bonds (SAFCA also solicited insurance and surety bids from a third insurance company).

Standard and Poor's has rated the issue AA-, while Moody's Investors Services rated the issue A1. These solid ratings reflect the overall financial investment risk assessment for SAFCA's bond issue, which take into account the sound revenue structure of SAFCA's Consolidated Capital Assessment District, SAFCA's stability and effectiveness, and the underlying risk of flooding in the Sacramento area. These are the same ratings as were assigned to the 2007 issue. SAFCA's financial team has not yet finalized the Preliminary Official Statement as it continues to negotiate for bond insurance and a surety as well as wait for other information necessary to complete the Statement. Our financing team is closely monitoring the major adjustments currently underway in the national and international financial markets to determine the best time to enter the market with our issue. As a result, we do not have a fixed schedule for issuance of the bonds at this time.

2. Elkhorn Basin Agricultural Land Preservation

The Sacramento Valley Conservancy and the Yolo Land Trust held a press conference on the Knaggs Ranch to announce the successful acquisition of the Knaggs Ranch. The press release and news article are attached for reference (Attachment 1).

3. Corps Section 408 Permission Process

The Rivers and Harbors Act of 1899, as amended, established 33 C.F.R. Section 408 (Section 408), which requires that any work by non-federal forces must be approved by the Secretary of the Army. Such approvals can be delegated to the Chief of Engineers. Historically Section 408 has not been of major significance in the execution of flood project improvements in the Central Valley, as typically the

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Corps executed the work with cost sharing support from the State and local sponsors. However, the State of California and various local flood control agencies such as SAFCA, are beginning to take on the lead role in project construction. In response to this nascent trend, on October 23, 2006 the Corps issued a new Policy and Procedural Guidance for the Approval of Modification and Alteration of Corps of Engineers Projects.

The Corps, working with State and local partners, is still working out just how the new policy with regard to Section 408 will be applied. It is very clear, however, that unlike SAFCA's construction of the North Area Local Project in the period 1993-1997, Section 408 permission will be required for each increment of construction on for the Natomas Levee Improvement Program. The key decision documents to support the Section 408 decision process include an Environmental Impact Statement for each construction unit, plus project design information at the appropriate level of detail.

In addition, the Corps has indicated that in order to process Section 408 requests for the Central Valley flood control system, it needs a broad overview of what projects State and local entities are likely to construct in the foreseeable future, and how these projects may separately and collectively affect the flood control system performance.

In an August 2, 2007 memorandum, Steven L. Stockton for Commander, South Pacific Division noted, *"Until the potential cumulative effects of numerous levee alterations and related actions in the region are described in a programmatic NEPA document, we will be hesitant to approve additional 408 requests for alterations for Federal flood damage reduction projects."*

This statement caused great concern in California as it implied that urgently needed flood protection improvements could be delayed for the 5 years or so that a programmatic NEPA document could be completed. Accordingly, State and local officials met with Steve Stockton and other Corps personnel in Sacramento during the Levee Vegetation Conference on August 27, 2007. During this meeting, State and local officials expressed their grave concerns about the impacts that delayed Section 408 approvals would have in obtaining critically needed flood improvements. It was decided that an Ad Hoc Task Force/working group would be formed composed of Corps, State, and local officials and their representatives to help develop a streamlined approval process, and to find a way to address cumulative impacts both in the environmental documents for each individual project, but also in some programmatic way. A Memorandum of Understanding would be developed and be based on a framework document. The State agreed to develop the first draft of the framework document.

The Task Force was established in the fall of 2007 and held its first meeting/conference call on December 4, 2007.

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On February 6, 2008 Governor Arnold Schwarzenegger wrote a letter to President George W. Bush noting that California is making improvements to its flood control systems and states that the federal government must be a full partner in this effort, in part, by streamlining the Corps' approval process for urgent levee repairs and improvements to be constructed by nonfederal sponsors under Section 408.

The Task Force has been meeting regularly since its inception and significant progress has been made. However the State and local agencies are concerned that California's efforts to expedite the flood improvements authorized under Proposition 1E could be delayed or derailed by the 408 process. In a May 9 letter to Steven L. Stockton, Deputy Director of Civil Works, the State and local sponsors, including SAFCA requested that the Corps cooperate in the development of a Memorandum of Understanding (MOU) which would establish the roles and expectations of the State and the Corps for processing Section 408 applications submitted in the interim period before the Central Valley Flood Protection Plan is completed. Negotiations over the MOU are now underway as well.

Meanwhile, it has become clear that the current Section 408 process, is a very rigorous and time-consuming process. The Corps is requiring that the NEPA documentation be held to a very high standard. While high quality and rigor are always desirable and commendable in any agency work product, there is a tradeoff in terms of effort and time which must be factored in as well. This tradeoff has been demonstrated in the case of the NLIP Phase 2 Environmental Impact Statement, which was initiated in October 2007 with the intent that it lead to Section 408 permission to raise and strengthen the Natomas Cross Canal and the northern four miles of the Sacramento River East Levee during the 2008 construction season. However, the final EIS is just now being completed, after undergoing rigorous scrutiny by the Corps Sacramento District Office, the South Pacific Division, and Headquarters. The long duration of this process is in part due to the step-wise review of the document by various levels of the Corps hierarchy, rather than concurrent review. SAFCA and the Corps are cooperating in the completion of the EIS, and will seek to expedite the subsequent Section 408 process.

Given the many other project execution challenges which SAFCA has had to deal with over the past year, including right-of-way acquisition, exploration, changing design criteria, delays in exploration, and other logistics, it is unlikely that SAFCA could have constructed the proposed work as scheduled for the 2008 season, so it would be unfair to blame the Corps as the sole impediment to construction this season. However, in looking forward to the 2009 construction season, we need to learn from this experience and make the necessary correction to assure more rapid execution of the Section 408 process for the future.

Accordingly, SAFCA staff is continuing to work with the Corps, the State, and other local partners to complete the negotiation of the interim MOU, as well as to explore ways to streamline the Corps administrative review process.

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FOR IMMEDIATE RELEASE
Embargoed until September 12, 2008

Contact: Jay Ziegler
916-341-0472

Sacramento Valley Conservancy and Yolo Land Trust Complete Purchase of Yolo County's Elkhorn Basin (Knagg's) Ranch

- Acquisition Boosts Regional Agriculture, Flood Control, & Water Resources Planning Objectives -

Sacramento, CA (September 12, 2008)— The Sacramento Valley Conservancy (SVC), in collaboration with Yolo Land Trust, today announced that it successfully completed its purchase of the 1,682 acre Elkhorn Basin (aka Knaggs) Ranch in Yolo County, located along the Sacramento River 10 minutes northeast of Woodland, just north of I-5, and twenty minutes from downtown Sacramento. The project offers an innovative model for regional collaboration. Funding partners include the Sacramento Area Flood Control Agency (SAFCA), the Department of Water Resources, the David and Lucile Packard Foundation, the Resources Legacy Fund, and the Wildlife Conservation Board (WCB-pending approval). Yolo County also established a partnership with SAFCA on issues of mutual interest.

The acquisition of the Elkhorn Basin Ranch permanently preserves land in the Elkhorn Basin for agricultural, wildlife habitat and open space use. The project boosts local farmland preservation - as the ranch will remain in productive agriculture including both orchards and row crops; provides riparian forest habitat; retains local water resources; and enhances regional flood protection. (See attached fact sheet.)

“This important acquisition serves as a model for regional collaboration that will strengthen regional flood protection, preserve our heritage, and help support continued local food production and our agricultural economic base,” said Assembly member Lois Wolk, who serves on the Legislative Advisory Committee of the Wildlife Conservation Board. “As our region grows and evolves, we must develop innovative partnerships that preserve Yolo County’s agricultural land use strategy while maintaining its scenic beauty.”

“I am pleased that the Sacramento Area Flood Control Agency played an active role in this effort to preserve this area as permanently protected agricultural land and complementary habitat,” said Senator Darrell Steinberg. “This creative partnership demonstrates that working together we can make both sides of the river safer, more secure, more beautiful, and, at the same time, maintain economic productivity.”

"I am pleased that AB 930 is demonstrating its value in fostering regional cooperation for the conservation of our valuable agricultural lands as well as fostering good floodplain management practices", said Assemblyman Dave Jones (D-Sacramento), the author of a 2007 measure to

encourage landowners to voluntarily enter into easement agreements as a part of the capital region's integrated flood control strategy.

MORE

“By acquiring and managing the Elkhorn Basin Ranch, SVC and Yolo Land Trust are fulfilling our mission to protect our communities’ heritage while investing in our future,” said Aimee Rutledge, executive director of SVC. “The innovative partnerships established during the Ranch acquisition enhance regional cooperation on flood issues, sustain local walnuts, wheat and other crops, and provide unique opportunities for Sacramento River habitat restoration to provide homes for endangered song birds, fish and other species.”

“We are excited to build this bridge across the river – linking two counties-- by partnering with SVC. We look forward to a close and on-going collaboration with SVC to help sustain the agricultural land uses and habitat values along the Sacramento River that are so important to the region,” said Debbie North, Conservation Director of the Yolo Land Trust.

Grants from the Resources Legacy Fund, California Department of Water Resources, SAFCA, and WCB (pending approval) assisted with the Elkhorn Basin Ranch project.

About the Sacramento Valley Conservancy:

The Sacramento Valley Conservancy is private, non-profit land trust founded in 1990 on two basic principles—that open lands are necessary for quality of life and that we must save land today so future generations may enjoy its benefits tomorrow. The Conservancy buys land only from willing sellers, and works cooperatively with private landowners and public and private funding sources to create win-win solutions. More information about SVC, including our docent-led hiking and Youth Education and Stewardship (YES) outings, the East Sacramento Blue Oak Hills Area project, including the 4,000-acre Deer Creek Hills Oak Woodland Preserve and Working Ranch, our Sacramento Prairie Vernal Pool Area, the Dry Creek Parkway, SMUD Nature Preserve and other projects can be found on the organization’s website at www.sacramentovalleyconservancy.org. Donations can be made to the Sacramento Valley Conservancy at P.O. Box 163351, Sacramento, CA 95816 or call 916/492-0908.

About the Yolo Land Trust:

Yolo Land Trust (YLT) is a non-profit, public benefit corporation that was formed in 1988 by farmers and community leaders to protect agricultural, open space and habitat lands in Yolo County. The majority of YLT’s Directors are farmers from throughout the County. With a long history of helping landowners preserve the landscape, YLT understands that the local networks of farmland, rangeland, stream corridors, wetlands and oak woodlands weave together to drive the economy, support wildlife and help make Yolo County a wonderful place to live and work. To date, YLT has helped landowners place conservation easements on over 8,600 acres of farmland, permanently protecting this land for future generations. More information on YLT can be found on the organization’s website at www.yololandtrust.org or be calling (530) 662-1110.

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Yolo's Knaggs Ranch purchased for ag, wildlife protection
Daily Democrat

By Democrat staff

Article Created: 09/12/2008 03:56:33 PM PDT

The Sacramento Valley Conservancy and Yolo Land Trust finalized the purchase of the 1,682-acre Knaggs Ranch in Yolo County on Friday.

The ranch, along the west bank of the Sacramento River north of I-5 and just northeast of Woodland, will be preserved for agriculture, wildlife habitat and flood protection.

It has been renamed Elkhorn Basin Ranch, according to officials with the Sacramento Valley Conservancy.

The property sold in two phases for a total of \$11.8 million.

Funding for the purchase came from the Sacramento Area Flood Control Agency, the state Department of Water Resources, the David and Lucile Packard Foundation and the Resources Legacy Fund. SAFCA contributed \$3 million, and the DWR grant was \$5 million.

The project offers an model for regional collaboration. Funding partners include the Sacramento Area Flood Control Agency, the Department of Water Resources, the David and Lucile Packard Foundation, the Resources Legacy Fund, and the Wildlife Conservation Board.

Yolo County also established a partnership with SAFCA on issues of mutual interest.

The acquisition of the Elkhorn Basin Ranch also permanently preserves land in the Elkhorn Basin for agricultural, wildlife habitat and open space use.

The project boosts local farmland preservation - as the ranch will remain in productive agriculture including both orchards and row crops; provides riparian forest habitat; retains local water resources; and enhances regional flood protection.

Saturday, September 13, 2008 9:03 AM
Subject: Sacramento Bee: Knagg's Ranch

Sacramento conservation group buys Yolo ranch land
By Mary Lynne Vellinga - mlvellinga@sacbee.com
Published 12:00 am PDT Saturday, September 13, 2008

A Sacramento land preservation group announced Friday that it has bought a 1,682-acre ranch in Yolo County just across the Sacramento River from Sacramento International Airport.

The purchase of the former Knaggs Ranch by the Sacramento Valley Conservancy, working with the Yolo Land Trust, ensures the property remains undeveloped. It also represents a potentially groundbreaking instance of cross-river cooperation between Yolo County and the Sacramento Area Flood Control Agency, which helped fund the deal.

"This important acquisition serves as a model for regional collaboration that will strengthen regional flood protection, preserve our heritage, and help support continued local food production and our agricultural economic base," said Assemblywoman Lois Wolk, who represents Yolo County.

Most of the land - renamed the Elkhorn Basin Ranch - will continue to be used for growing walnuts and other crops, said Aimee Rutledge, executive director of the Sacramento Valley Conservancy. But a portion of the acreage will be restored to the riparian forest that existed before it was chopped down in the 1970s.

"You can see the beautiful old valley oaks along the levee," said Debbie North, conservation director of the Yolo Land Trust, as she pointed toward a remnant of the old forest along the river's edge.

The purchase price was not revealed, but Yolo County tax records indicate it was about \$11.9 million. Sacramento Valley Conservancy is listed as the purchaser. The Yolo Land Trust holds conservation easements protecting the property from development, according to county records.

The state Department of Water Resources contributed \$5 million, and SAFCA gave \$3 million. Other funding sources included the David and Lucile Packard Foundation and the Resources Legacy Fund.

While the property won't be used for flooding, representatives of the flood control agencies said they view it as an important part of the local flood control system. If the land were ever developed, the sandy farm levees would require extensive upgrades and could increase the flood risk across the river in North Natomas.

Elkhorn Basin Ranch is bordered on one side by the levee containing the Yolo Bypass and on the other by the Sacramento River levee. Water often seeps through the levees in winter and floods low-lying areas.

As Rutledge stood under the shade of walnut trees, the sound of a tractor droning in the distance, development pressure seemed a long way off from this corner of Yolo County. But she pointed out the property's location just a few minutes from downtown Sacramento and Woodland.

The Department of Water Resources contribution came from money set aside in Proposition 84, a 2006 water and parks bond to fund projects that reduce flood risk through conservation and farmland preservation, said Earl Nelson, the program's manager.

"One of the purposes of this program is to acquire rights for development in areas that cannot be feasibly made safe from flooding," Nelson said.

Stein Buer, executive director of the Sacramento flood agency, said SAFCA doesn't want to see more urbanization across the river from Natomas. It is the first time SAFCA has invested in land outside its jurisdiction, Buer said. The agency obtained authority to buy easements on land outside its boundaries under AB 930, a 2007 bill by Assemblyman Dave Jones, D-Sacramento.

In return for Yolo County's cooperation, SAFCA has pledged to help Yolo improve its rural levees so they provide better protection for farms.

Elkhorn Ranch is the second largest purchase to date for the 18-year-old Sacramento Valley Conservancy, a small group that grabbed headlines in 2003 when it bought Deer Creek Hills, a 4,060-acre ranch in eastern Sacramento County where developer C.C. Myers once dreamed of building a retirement community.

In total, SVC has protected nearly 10,000 acres of land through ownership and conservation easements. Yolo Land Trust holds easements protecting 8,600 acres from development.