

STEWARDSHIP PROGRAM REPORT

Fiscal Year 2008-09

Our mission is to ensure that the state-held conservation easements are managed to protect water quality, wildlife habitat, and provide open space.

Introduction

The two previous reports written on the Stewardship Program were for calendar years. This is the first of the reports that covers activities during a fiscal year.

The Stewardship Program has three main goals:

1. Minimize violations through effective landowner communications,
2. Avoid unintentional impacts by educating the public about easements, and
3. Protect wetland functions through effective monitoring of easements to the extent possible with available funds.

In 2006 the DENR Stewardship Program was implemented in the Department of Environment and Natural Resources (DENR). Through a renewable 3-year contractual Memorandum of Agreement, the Stewardship Program assumed responsibility for stewardship of 100 High Quality Preservation lands that have been acquired to date by Ecosystem Enhancement Program (EEP), and agreed to accept responsibility for closed-out restoration sites that were acquired for use as compensatory mitigation by EEP.

The pilot year for the DENR Stewardship Program ran from September 15, 2006 through September 14, 2007. An endowment was established by the Ecosystem Enhancement Program (EEP) to procure the use of environmental services from the land trust community and State agencies (Soil and Water Conservation Districts) to monitor conservation easements and for administrative and other support functions. Endowment funds of \$14,000 / site were transferred for 86 properties. Fourteen conservation easements were transferred in a second batch with \$20,000 per site as an endowment. The list of properties and their endowment transfers are attached in **Appendix A**.

In 2008-09, the program continued to manage 100 EEP properties totaling 12,740 acres. Conservation easements are currently on 92 properties and eight properties are owned in fee simple. The program partners closely with EEP, Clean Water Management Trust Fund, State Property Office, Division of Soil and Water Conservation, and the land trust community to monitor properties.

In 2014, DENR plans to expand these stewardship activities to include monitoring 5,596 acres on 154 permanent conservation easements for the Conservation Reserve Enhancement Program (CREP) in the Division of Soil and Water Conservation.

The Stewardship Program Director coordinates these monitoring activities, and is advancing several strategies that will increase the program's efficiency and effectiveness:

- Posting signs for property boundaries,
- Communicating no ATV use within easements to landowners and hunters with access to the properties,
- Partnering with state agencies such as Department of Agriculture & Consumer Services, Wildlife Resources Commission, Department of Cultural Resources, and Division of Water Quality for site monitoring,

- Creating a website interface to facilitate property monitoring and work with partners to track all conservation properties (<http://ibeamdev.enr.state.nc.us>),
- Minimizing future easement violations by strategic enforcement of violations, and
- Investigating other means to monitor the sites such as staggering the frequency of site visits depending on the likelihood of encroachments, aerial reconnaissance, batching projects for inspections and having work competitively bid.

Funding

The DENR Stewardship Program has a single employee that is funded by the Ecosystem Enhancement Program, and the Natural Heritage Trust Fund. Funds for operating come from separate accounts (75% EEP and 25% NHTF).

The Stewardship Endowment Account was established as Principal Fund 6704 and Interest Fund 6705 in Budget Code 6437 for monies solely dedicated to stewardship activities. These non-reverting funds are established for specific purposes through General Statutes which specify authorized uses of the monies (§113A 232). The State Treasurer administers this account. **Table 1** shows the balance and expenses for fund 6704 and 6705. The balance in interest fund 6705 increased by \$66,482.

Table 1: Stewardship Funds for 2008-09			
	6704 (Principal)	6705 (Interest)	2410 (Operations)
Beginning Balance (7/1/08)	\$1,442,675	\$76,006	\$44,402
Deposits (FY 08-09)	\$0	\$71,754	\$73,030
Expenses (FY 08-09)	\$0	\$5,272	\$94,500
Final Balance (6/30/09)	\$1,442,675	\$142,488	\$22,932

Progress and Cost Containment Measures

Property boundary signs were purchased and sent to most of the partners for installation during 2009-10. A list of properties that still need to be posted is being developed.

Full implementation of the monitoring IBEAM software was unveiled in 2009. This new system is used by the monitoring partners as an efficient and effective method to track each property.

Land trusts completed inspection of 77 sites between July 1, 2008 and June 30, 2009. The remaining properties should be monitored by December 31, 2009. Invoices totaled \$9,287.93 for the 77 properties paid by June 30, 2009. This value is low because not all of the invoices had been submitted. This will cause expenses next year to appear high. We hope to adjust billings in the future years to avoid crossing fiscal years.

Private mitigation banks have initiated discussions for the Stewardship Program to hold conservation easements for private mitigation banks. A policy to receive donation of easements was developed in 2009 and is included in **Appendix B**. This policy will remain “draft” until several transfers have occurred and unforeseen kinks have been worked out

Coordination with other agencies such as the Clean Water Management Trust Fund (CWMTF) to monitor adjacent properties during the same visit should occur in 2009-10. Coordinating schedules with the land trusts should result in additional cost containment and efficiencies.

Changes to Endowment: The largest issue affecting the Stewardship Program continues to be the lack of funds generated by the endowment. For most of the 2008-09 year, the interest rate was low and the inflation rate was high, as was the case in 2008. To combat the lack of funds, an expenditures policy and new endowment rates were developed to provide additional funds to cover actual monitoring costs. The endowment rates are shown in **Table 2**. The expenditure policy is not to spend more than we receive in interest on the endowment. The new endowment rates are based on calculations and background information shown in Appendix C.

Table 2: New Endowment Rates	
Streams (property perimeter length in mi)	Endowment
Up to 2.5 miles	\$25,000
2.5 miles to 6.5 miles	\$50,000
Over 6.5 miles	Case by case
Wetlands or Nutrient Properties (acres)	
Up to 25 acres	\$25,000
25 to 400 acres	\$50,000
Over 400 acres	Case by case

As of July 2009, properties and easements donated to the NC Department of Environment and Natural Resources require a fee of one thousand dollars (\$1,064) per acre at the time the land or easement is transferred to the Department. For properties that are less than one acre in size, the minimum payment shall be one thousand dollars (\$1,064). The fees change each July. This charge applies only to properties and easements donated to the Department for the sole purpose of property or easement monitoring and management.

Concerns

Although the Great Coharie site was one of the original properties transferred to the Stewardship Program, the 87% of the boundary was walked and posted for the first time this fiscal year and the remainder next fiscal year. The property was inspected from the roads in previous years because of time constraints. Several small easement violations such as row crop farming, grazing, storage of farming equipment, and cutting trees were observed. Resolution of the violations will require considerable effort and will likely involve several agencies.

The broader issue of long-term stewardship management for ecological values will need to be addressed in the coming year. Invasive species management for the Great Coharie property is a priority because approximately 5% (230 acres) of the property has Chinese Privet (*Ligustrum sinense*), bamboo, and Chinaberry (*Melia azedarach*). These invasive species will be an on-going management concern.

All-terrain vehicle (ATV) trespass has occurred primarily on properties along the Tar River. A policy to address the ATV trespass will be developed.

Plans for 2009-10

Year 2009-10 promises to bring challenges because interest income from the endowment fund from old properties is not enough to cover the monitoring expenses. Efforts to resolve encroachments will continue, as well as the completion of boundary posting. Enforcement may need to receive more attention if the properties are going to continue to fulfill their mitigation goals.

The following policies and guidelines need to be developed:

- Reducing ATV trespass
- Accepting mitigation bank easements into Program
- Creating a predictable and sustainable Program given current return on endowments,
- Coordinate with resource agencies to monitor the EEP properties transferred to them, and
- Establishment of fines and enforcement power for trespassing or other violations.
Confirmation of what actions to this regard are the public interest.

Appendix A: Project Information

Project Name	SPO Number	County	Acreage	Endowment	Date Monitored
A&P Timber Tract-Sandy Creek	35-009.015	Franklin	18	\$14,000	8/17/08
Allen Tract	35-009.010	Franklin	147	\$14,000	6/26/09
Alston Tract 2 - Isinglas Creek + Shocco Creek	35-009.018	Franklin	139	\$14,000	8/14/09
Alston Tract 1- Isinglas Creek near Shocco Creek	35-009.018	Franklin	31	\$14,000	8/14/09
Alston Tract 3- Shocco Creek	35-009.018	Franklin	93	\$14,000	8/14/09
Alston Tract 4- Shocco Creek	35-009.018	Franklin	97	\$14,000	8/13/09
Averett Tract-Tar River	39-029.008	Granville	11	\$14,000	8/19/08
Baker Tract - Pisgah Covered Bridge, Little River	76-018.004	Randolph	10	\$14,000	4/24/09
Beaver Dam-Drowning Creek II (Rankin Tract)	63-024.008	Moore	1,214	\$14,000	2/12/09
Beaver Dam-Drowning Creek Phase II	63-024.008	Moore	59	\$14,000	2/12/09
Bessemer Tract-Hyco Lake	17-015.001	Caswell	167	\$14,000	3/10/09
Betty Crews Tract-Tar River	39-029.009	Granville	32	\$14,000	4/16/09
Bingham Tract-Uwharrie River	62-021.012	Montgomery	562	\$14,000	12/1/08
Bishop Tract-Canal Branch	04-015.001	Anson	81	\$14,000	12/9/08
Boyer Tract-Green River	75-009.009	Polk	31	\$14,000	5/13/09
Bruchon Tract-Roan Massif	61-012.001	Mitchell	146	\$14,000	4/20/09
Camp Chestnut Ridge-Sevenmile Ck	68-041.031	Orange	60	\$14,000	12/29/09
Capps Farms Inc.-Fishing Creek	93-016.009	Warren	39	\$14,000	5/13/09
Capps Forestry Enterprises-Fishing Ck	93-016.008	Warren	23	\$14,000	4/15/09
Childers Tract North Pacolet	75-009.007	Polk	40	\$14,000	5/19/09
Cochran Tract-Little River	62-021.014	Montgomery	19	\$20,000	3/27/09
Cochran Tract-Uwharrie River	62-021.013	Montgomery	15	\$20,000	6/26/09
Crews Farm-Roy Crews Tract-Tar R.	39-029.010	Granville	10	\$14,000	4/16/09
Crowther North-South Yadkin River	80-019.019	Rowan	39	\$14,000	6/3/09
D. Davis Tract-Shocco Creek	93-016.005	Warren	12	\$14,000	6/15/09
Davis Tract-Yadkin River	30-010.001	Davie	81	\$14,000	11/24/08
Dutch Second Creek-Hill Tract	80-019.020	Rowan	17	\$14,000	11/16/08
Edwards Tract-Fishing Creek	64-014.003	Nash	87	\$14,000	4/23/09
Elk-Shoals-Methodist Camp	05-015.002	Ashe	96	\$14,000	4/27/09
Faulkner Tract-Sandy Creek	35-009.016	Franklin	20	\$14,000	6/4/08
Fisher River-Fisher Peak	86-014.007	Surry	151	\$20,000	12/12/08
Flat River-Horton Grove (Aslen Park LLC)	32-052.006	Durham	307	\$14,000	12/4/09
Gardner Tract-Big Pond Bay	26-045.002	Cumberland	31	\$14,000	6/2/09

Project Name	SPO Number	County	Acreage	Endowment	Date Monitored
Great Coharie-TNC	pending	Sampson	4,858	\$14,000	multiple
Green Tract-Fishing Creek	93-016.003	Warren	16	\$14,000	4/23/09
Grissom Tract-Barnes Creek	62-021.010	Montgomery	56	\$14,000	10/7/08
Guthrie Tract-Shelton Creek	39-029.002	Granville	111	\$14,000	6/9/09
Hall Tract-Fishing Creek	33-019.006	Edgecombe	231	\$14,000	6/26/09
Harper Tract-Swift Creek	35-009.013	Franklin	28	\$14,000	5/20/09
Harrell Tract-Chowan River	21-021.011	Chowan	111	\$14,000	11/12/08
Harris Tract-Tar River	39-029.005	Granville	39	\$14,000	5/15/09
Hodges Tract-Tar River	35-009.014	Franklin	42	\$14,000	4/13/09
IP/Alston Tract-Fishing Creek	93-016.006	Warren	179	\$14,000	WRC
Johnston Tract-Reedy Creek	93-016.010	Warren	65	\$14,000	4/15/09
Jordan Tract-Deep River (Paschal)	63-024.012	Moore	156	\$20,000	7/17/09
Jordan Tract-Deep River (Singleton)	63-024.013	Moore	12	\$20,000	7/10/09
Lambert Tract-Uwharrie River Bluff	62-021.008	Montgomery	18	\$14,000	3/31/09
Langley Site-Cypress Creek	35-009.007	Franklin	40	\$14,000	6/15/09
Len's Knob	86-014.001	Surry	459	\$14,000	4/28/09
Lester Capps Tract-Shocco Creek	93-016.001	Warren	19	\$14,000	8/13/09
Lewis Tract, Little River	76-018.003	Randolph	44	\$14,000	12/30/08
Luthi Tract-Skyuka Creek	75-009.011	Polk	20	\$20,000	5/7/09
Lynn Capps Tract-Fishing Creek	93-016.002	Warren	37	\$14,000	5/13/09
M. Paschal Tract-Deep River	63-024.009	Moore	75	\$20,000	6/29/09
M. Speed Tract-Little Shocco Creek	93-016.004	Warren	45	\$14,000	4/1/09
MacNair Tract (Turpentine, LLC)- Aycock Creek	39-029.006	Granville	211	\$14,000	8/19/09
McDonald Tract-Hitchcock Creek	77-028.006	Richmond	40	\$20,000	6/9/09
McKean Tract-Deep Creek-Sandy Ck	63-024.011	Moore	95	\$14,000	2/9/09
Mill Creek Steele	86-014.008	Surry	15	\$20,000	3/17/08
Morton Tracts-Shelton Creek	39-029.007	Granville	6	\$14,000	5/21/08
Mullen Tract-Sandy Creek	35-009.025	Franklin	29	\$20,000	6/8/09
New Hope Creek Penny	68-041.033	Orange	20	\$14,000	7/24/08
Newton Tract-White Pines	19-028.004	Chatham	16	\$14,000	10/8/08
Oakley Tract-Tar River	39-029.019	Granville	13	\$14,000	5/15/09
Old Cove Tract-Green River-Burdett Property	75-009.006	Polk	24	\$14,000	5/8/09
O'Neal Tract-Little Shocco Creek (on county boundary)	35-009.005	Warren + Franklin	26	\$14,000	6/8/09
Parker Tract - Pisgah Covered Bridge, Little River	76-018.006	Randolph	34	\$14,000	3/17/08
Parrish Tract-Sandy Creek	35-009.019	Franklin	33	\$14,000	5/18/09

Project Name	SPO Number	County	Acreage	Endowment	Date Monitored
Paschal Tract-Glendon Slate Creek	63-024.010	Moore	15	\$20,000	6/23/09
Perry Tract-Cedar Creek	36-020.016	Franklin	162	\$14,000	6/13/08
Peterson Tract-Shelton Creek	39-029.001	Granville	41	\$14,000	7/16/09
Pickler's Bluff	80-19.012	Rowan	11	\$14,000	4/15/08
Pitts Tracts-Tar River	39-029.012	Granville	27	\$14,000	6/3/09
Pories Tract-Tar River	74-039.008	Pitt	37	\$20,000	12/3/07
Rankin Tract	36-020.005	Gaston	506	\$14,000	12/3/09
Roanoke River-IP-Blue Sky Timber Tract 42-14	42-038.002	Halifax	329	\$14,000	5/12/09
Roanoke River-IP-Blue Sky Timber Tract 42-15	42-038.003	Halifax	264	\$14,000	5/12/09
Seagate Woods	16-165.010	Carteret	123	\$14,000	4/23/08
Shearin Tract-Fishing Creek	93-016.007	Warren	70	\$14,000	4/15/09
Sherman Tract 2-Tar River	39-029.013	Granville	28	\$14,000	6/17/09
Sherman Tract No. 1-Tar River	39-029.014	Granville	16	\$14,000	6/17/09
Shocco Creek LLC-Little Shocco Creek	35-009.008	Franklin	40	\$14,000	4/1/09
Slaughter Tract-Shelton Creek	39-029.017	Granville	35	\$14,000	5/15/08
Smitherman Tract-Tar River	39-029.004	Granville	20	\$14,000	8/19/08
Sturges Tract-Fishing Creek	35-009.017	Franklin	13	\$14,000	8/24/08
Tar River Dean	39-029.018	Granville	63	\$14,000	6/17/09
Thorp Tracts-Shelton Creek	39-029.011	Granville	52	\$14,000	5/21/08
Tomlinson Tract-Little Shocco Creek	35-009.020	Franklin	78	\$14,000	4/1/09
Trinity School-New Hope Creek	63-024.011	Orange	27	\$20,000	7/24/08
Tucker-Daniel 1 Tract-Shelton Creek	39-029.015	Granville	19	\$14,000	5/21/08
Tucker-Daniel 2 Tract-Shelton Creek	39-029.003	Granville	3	\$14,000	5/15/08
Walbourn Tract, Little River	76-018.005	Randolph	38	\$14,000	12/30/08
Walker Tract-Dutch Buffalo Creek	13-015.004	Cabarrus	34	\$14,000	11/23/08
Ward Tract-Green River	75-009.008	Polk	15	\$14,000	5/5/09
Whatley Tract-Uwharrie River	76-018.007	Randolph	25	\$14,000	10/1/08
Wheless Tract-Little Shocco Creek	35-009.012	Franklin	15	\$14,000	4/1/09
Wickliff Tract-Dutch Buffalo Creek	13-015.005	Cabarrus	3	\$14,000	11/23/08
William O'Neal Tract-Swift/Sandy Ck	35-009.006	Franklin	19	\$14,000	6/8/09
Wimberley Tract-Nat's Creek	63-024.005	Moore	34	\$14,000	5/27/09
Winslow Tract-North Fork Upper Tar River (only A)	39-029.016	Granville	37	\$14,000	6/9/09
Young Tract-Sandy Creek	35-009.022	Franklin	72	\$20,000	6/4/08

TOTAL \$1,498,000
 Initial start up costs for 2410 \$81,379
 Principal in fund 6704 \$1,416,621

Appendix B: DRAFT North Carolina Stewardship Program Instructions for Donation of Conservation Easements or Fee Simple Estates

Early communication about the possibility of a donation of an easement or the fee simple estate may increase the likelihood of a successful donation.

Please submit the information listed below to :

The North Carolina Stewardship Program Questions? Call: (919) 715-8696

Attn: Eric Galamb
1601 Mail Services Center
Raleigh, NC 27699-1601

I. General Information

1. Date
2. Project Name
3. Landowner (s) Name
4. Mailing Address
5. Telephone Number
6. Authorized Representative (if applicable)
7. Authorized Representative's Telephone Number
8. Authorized Representative's email address

II. For the initial site investigation, the following information must be submitted to and reviewed by the Stewardship Program:

1. General location of project site using a map showing location relative to entire state or region/county; Map 1. Someone unfamiliar with the area should be able to locate and visit the site based on the application.
2. Approximate boundaries of the project site on topographic map showing site relationship to other (adjacent or nearby) lands managed for public uses (Map 2). Pertinent information should be clearly labeled such as county boundaries, water features, major roads and towns, north arrow, scale, etc. Significant natural areas should be delineated on either Map 2 or created on Map 3. Properties less than 15 acres are not likely to be accepted.
3. Detailed tract map showing ownership of tracts/parcels (Map 3 or 4).
4. Project description including acreage, current land use, vegetative cover, and access.
5. Describe all liens (including **mortgages or deeds of trust**) and easements of record or other encumbrances (mineral leases, timber deeds, etc).
6. Identify the type of interest to be donated: fee simple, conservation easement, or other (explain).

III. After an initial site investigation, the Stewardship Program will discuss the project with the State Property Office. After this discussion, we provide a tentative decision whether the property will be accepted into the program, contingent upon receiving the appropriate management fees. Following the tentative agreement, please submit the following documents to the Stewardship Program at the address listed above.

1. One copy of the original deed for the parcel of property to be donated for conservation easement or fee simple. Boundaries of the easement shall have straight lines to the maximum extent practicable.
2. One copy of the original title opinion based on a 21-year search and an attorney's certificate of title for property
3. One copy of each exception to title
4. An electronic copy of the survey of the potential easement area in Adobe format and in a GIS shapefile¹.
5. One electronic copy of a completed draft of the easement or the fee simple deed (Template is available on Stewardship website at <http://www.onencnaturally.org/Stewardship.htm>. Please send the electronic copies to Eric.Galamb@ncdenr.gov
6. A Baseline Documentation report. See the Stewardship website for instructions to create a report.

IV. Upon receipt of the above listed documentation, the Stewardship Program will determine whether to recommend acceptance of the property interest to the State Property Office. If the determination is to proceed, the Stewardship Program will forward the completed package to the North Carolina State Property Office for review. The Stewardship Program will complete the required P01 form and send it to the State Property Office.

The State will complete items 1-5 below while it is the donor's responsibility to complete items 6 and 7.

1. No easements will be accepted for sites with outstanding mineral leases, timber deeds, or similar encumbrances.
2. The conservation easement must be filed by the applicant in the appropriate county.
3. The Council of State (COS) and Governor will need to approve the acquisition. The Joint Legislative Committee on Government Operations (Gov Ops), may also need to approve the project.
4. Once reviewed and approved by the Stewardship Program, the SPO and approved by the COS, a letter and an invoice will be mailed to the landowner acknowledging that the easement or fee simple estate and supporting documents are acceptable. The appropriate management fee as established by N.C Rule 15A NCAC 02R .0402 is due at that time. The fee as of July 2009 is based on the size of the property in question, and is subject to change. The 2009-10 fee rate is \$1,064/acre.
5. Upon receipt of the correct management fee, the executed easement and supporting documents, will be recorded, and, the Stewardship Program will send a letter of receipt to the donor, and to the appropriate Corps of Engineers/Division of Water Quality/Division of Coastal Management offices.
6. The applicant is responsible for marking of easement boundaries within 60 days from the date of the letter in condition 5. The Stewardship Program will supply 6x6 signs to be erected every 100 feet on trees and at property corners. These signs shall be installed per instructions on the Stewardship website. If trees are not present, then 6 ft. long, 4x4 treated posts shall be used to provide a medium to post the signs. Two feet of the 6-ft. long posts are to be below the surface of the ground.
7. All closing costs (including paying for the full year taxes) are the responsibility of the donor.

Please Note: Properties or easements cannot be accepted unless this process is followed.

¹ The final survey, in GIS format, must be geo-referenced and projected in State Plane Coordinates, North American Datum 1983 (meters are preferred units). Please note that the preliminary survey, in Adobe format, must accompany the draft easement document for review, and that the boundary edge of the easement area itself must be surveyed and marked as described above or with other durable boundary marking.

Appendix C: Background, Assumptions, and Endowment Recommendation

Background and Overview

DENR is administering the DENR stewardship program through two funds, which were established by legislation several decades ago. The Conservation Grant Fund (GS 113-A232(b)), and the Conservation Lands Stewardship Endowment Account (GS113A-232(d)3), house non-reverting endowment funds, in three budget centers. Center 6704 houses the endowment principal, center 6705 houses the interest gained, and center 2410 is used as the operating budget which funds the administration of the program and pays for monitoring and reporting through contractual agreements. No funds other than those associated with EEP projects have been deposited into these accounts to date. For EEP, the endowment is meant to ensure that funds are in place for the perpetual protection of EEP conservation easement areas and other properties acquired by the program for compensatory mitigation. The initial stewardship endowment needed for each EEP site was initially estimated by the Stewardship Endowment Task Force in 2004. At that time, the task force assumed that an average interest rate of return of 5% above inflation would be realized, and that the interest alone would be used for the stewardship of the sites. That rate return has not been realized.

The current Memorandum of Agreement between the DENR Division of Natural Resources Planning and Conservation (NRPC) and the Ecosystem Enhancement Program sets forth the intentions of the parties regarding stewardship of closed-out EEP sites, and references a document developed by DENR regarding stewardship. That document is based on some of the recommendations of the 2004 DENR Stewardship Task Force, and describes DENR's vision for stewardship, the endowment accounts and associated supporting legislation. At the time of the development of this document, it was assumed that interest rates would be much higher than they are today, and could be used to cover stewardship administration, monitoring, inflation, and possibly have some funds left over for site management. A portion of the interest gained by the endowment was to cover administration of the Stewardship Program (SP) within the NRPC. The administrator was to oversee the long-term stewardship of the compensatory mitigation sites and ensure resolution of minor problems. However, since the anticipated interest rate has not been realized, it is not possible to fund the administration, monitoring visits, summary reports, and to replenish the principal of the endowment to make up for losses due to inflation by using the interest alone. Since the fund inception, the interest rate and inflation rates were 3.94% and 2.13%, respectively. The net interest gained is 1.81%. Total interest gained since the inception of the fund is \$168,227. However, \$90,843 needs to be transferred from the interest fund to the principal fund to make up for inflation.

Based on the interest gained by the state's funds compared to inflation for the last 20 years, more than \$4.3 million would be needed in the Stewardship Endowment Account in order to fund both administration of the SP and the monitoring visits. Since it is more cost-effective to do so, EEP and NRPC have agreed to fund the administration of the SP through a separate service contract (DENR contract 2553) instead of increasing the endowment by more than \$2.9 million. If interest rates compared to inflation recover sufficiently and if additional endowments are moved into the principal account, the contract funding the administration of the SP will be dissolved, and all funding for the SP will come from interest on the endowment.

Current cost estimates

The cost of annual site monitoring visits is based on time needed to walk the boundary of a project at ½ mile/hour. At that rate, it takes 5 hours to walk a site with a boundary length of up to 2.5 miles. In addition, an estimated 3 hours is spent for reviewing documents, contacting landowners, and reporting the results of the monitoring visit. For a site with up to 6.5 miles in boundary length, an estimated 13 hours is needed to walk the boundary plus the 3 hours for document review, landowner contact and reporting. Current hourly rate and overhead for the monitoring is \$42 / hour. Based on the calculations above, and the miles of boundary on the high quality preservation sites, approximately \$430 is needed annually for each site for site visits. Summary of current fund use and availability is shown below.

	6704 (Principal)	6705 (Interest)	2410 (Operations)
Begin. Balance (07/01/08)	\$1,575,357	\$76,006	\$44,402
Deposits (FY08-09)	\$0	\$71,754	73,030
Expenses (FY08-09)	\$0	\$5,272	94,500
Final Balance (06/30/09)	\$1,575,357	\$142,488	22,932

Calculations for current endowment

Based on the calculations above, DENR Stewardship recommended an estimated stewardship endowment of \$25,000 or \$50,000 per project based on the time it takes for one person to walk the boundary of each stream site at 1/2 mile per hour. Assumptions are that each site will be walked annually if enough funds are available. Only the interest generated by the endowment principal will be used for monitoring and reporting. General statute 113A-232 requires that the principal of the endowment must remain untouched for the purpose of generating interest in perpetuity for the long-term monitoring of properties.

For 2009-10, the following funds are needed for monitoring:

Perimeter length = 308 miles

Field hours at 0.5mph = 616 hours

Pre- and post- inspection activities = 3 hour/property = 300 hours

Total hours = 916

Previous hourly rate was \$42/hr

2008-09 inflation rate = 1.43%

2009-10 hourly rate = $42 \times 1.43\% = \$42.60/\text{hr}$

Labor (916 hrs at \$42.60) = \$39,022

Mileage at 50 miles round trip = \$2,925

Grand Total = \$41,946/yr

The SP is entering into three-year contractual agreements with the monitoring contractors (all local land trusts) for \$129,818.

Assumptions and Summary

Minor violations can be cleared up by the Stewardship Program or contractors at no additional cost. Legal enforcement will occur through the Attorney General's Office. No funds are available within the endowment for either. Endowments are sufficient to do no more than monitor each site. One day is needed for preparation, monitoring, travel, and reporting for the small sites. Two days are needed for larger sites.

Stream sites where project boundary length is:

2.5 miles or less: \$25,000/ project;

less than 6.5 miles but greater than 2.5 miles: \$50,000/ project;

6.5 miles or more: endowment amount will be negotiated on a case-by-case basis;

or, for wetland and nutrient offset sites:

up to 25 acres: \$25,000 / project;

more than 25 acres, up to 400 acres: \$50,000 / project;

more than 400 acres: negotiated on a case-by-case basis.