



NFWF

**Sacramento District
California In-Lieu Fee Program**

Prospectus

October 23, 2012

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1. EXECUTIVE SUMMARY

The jurisdiction of the U.S. Army Corps of Engineers (“Corps”) Sacramento District (“Sacramento District”) covers a large area within California that is diverse in its landscape, ecology, species, wetland types and functions. As such, the type and magnitude of required aquatic resource compensation under permits issued by the Corps varies across the Sacramento District. Where the demand is high for particular wetland types, such as in urban areas like Sacramento and Redding, mitigation banks have become established to meet these needs. In other areas, such as more expansive rural locales, however, compensation needs are much lower, and mitigation options are more limited. The National Fish and Wildlife Foundation (“NFWF”) proposes to establish an in-lieu fee program serving the Sacramento District within California to supplement currently available options to meet these needs.

NFWF has operated two in-lieu fee financial accounts for the Corps in California; one for the Corps South Pacific Division (“SPD”), and another established specifically for the Sacramento District with funds transferred from the SPD account that were generated from permits issued by the Sacramento District. The current proposal is to replace the Sacramento District account with a NFWF-sponsored Sacramento District California In-Lieu Fee Program (“SAC CA ILF Program” or “Program”) under the 2008 Final Rule on Compensatory Mitigation for Losses of Aquatic Resources (33 CFR Parts 325 and 332; 40 CFR Part 230) (the “2008 Rule”).

This Prospectus is the subject of a public notice. NFWF invites all potential partners and other interested parties to provide input. NFWF will consider such input and continue outreach to refine the SAC CA ILF Program, including its goals, objectives, and implementation strategies, throughout the life of the Program.

2. OBJECTIVES

The objectives of the proposed SAC CA ILF Program are to:

- Provide ecologically meaningful and viable, cost-effective compensatory wetlands mitigation for impacts to aquatic resources authorized under Sacramento District permits in areas of California;
- Where appropriate, align compensatory wetland mitigation with NFWF conservation priorities, such as Sierra Nevada wet meadow restoration and Pacific salmon conservation; and
- Provide an in-lieu fee option to assist in the implementation of mitigation associated with large-scale or regional planning and/or permitting (e.g., Habitat Conservation Plans) and large-scale and linear infrastructure projects (e.g., levees, roads, pipelines, and transmission lines).

The SAC CA ILF Program is structured to:

1. Provide a mitigation alternative to permittee responsible mitigation based on advanced planning and use of the watershed approach, in areas underserved by mitigation banks or where the Sacramento District determines that the available mitigation bank credits are not applicable to the impacts to be mitigated;
2. Consolidate mitigation funds to (a) provide economies of scale and eliminate the cost-prohibitive nature of isolated, small, unconsolidated mitigation sites; and (b) allow for the funding and implementation of larger, more ecologically significant mitigation projects;
3. Offer the Interagency Review Team ("IRT") mitigation projects selected by an experienced team, acting in close collaboration with various partners (e.g., non-profit conservation organizations, private entities, governmental entities, and others) with knowledge of aquatic resource needs within the SAC CA ILF Program area; and
4. Utilize experienced partners (e.g., non-profit conservation organizations, private entities, governmental entities, and others) with knowledge of specific service areas within the SAC CA ILF Program area to develop and implement site-specific mitigation Projects.

3. ESTABLISHMENT

NFWF proposes to establish the SAC CA ILF Program to provide a mitigation option to compensate for or replace functions and values of aquatic resources degraded or destroyed as a result of activities permitted by the Corps or in violation of Section 404 of the Clean Water Act and/or Section 10 of the Rivers and Harbors Act within the Sacramento District within California (the "ILF Program Area") (See Figure 1). This ILF Program Area spans 37 counties and approximately 65,000 square miles. To effectively and efficiently plan for this large of an area, the proposed SAC CA ILF Program establishes a framework that sets forth an implementation process for mitigation project identification, prioritization, development, selection, and ultimate execution. This process incorporates a high degree of accountability and regulatory oversight, as well as flexibility and fluidity to accommodate diverse mitigation needs across numerous watersheds and ecosystems in the Sacramento District within California. This flexibility and fluidity is essential to achieving the dual objectives of (1) an ecologically meaningful and logistically successful in-lieu fee mitigation option for the Sacramento District and (2) an in-lieu fee program that is technically, operationally, and financially feasible for the sponsor. To these ends, the program entails:

- Consolidated credit types to provide the broadest applicability for Nationwide, Individual, and after-the-fact permit requirements and maximum flexibility to serve the greatest aquatic resource needs of the affected watersheds, with sufficient detailed tracking of wetland types impacted and restored to assess program effectiveness;
- River system-based planning areas (watershed planning units delineated by the contiguous Hydrologic Unit Codes of California's major river systems and drainages), and vernal pool regions, that are large enough in size to capture sufficient funds for meaningful project implementation, but with discrete areas, goals, and objectives to target

restoration, enhancement, creation, or in appropriate circumstances preservation actions to meet critical or priority river system or vernal pool needs; and

- Processes for selection and IRT approval of site-specific mitigation projects with detailed objectives, plans, milestones, and performance standards.

4. BACKGROUND, NEED, AND TECHNICAL FEASIBILITY

Background

In 2000, NFWF entered into an Agreement with the SPD establishing the South Pacific Wetlands Conservation Account ("SPD Account"). The SPD Account was a dedicated "in-lieu fee" financial account maintained by NFWF to accept funds to compensate for or replace functions and values of aquatic resources degraded or destroyed as a result of activities within the SPD authorized under permits issued by the Corps or in violation of Section 404 of the Clean Water Act and/or Section 10 of the Rivers and Harbors Act. In 2007, funds in the SPD Account generated from permits issued by the Sacramento District were transferred to a new account established through an Agreement between NFWF and the Sacramento District. This new account was entitled the Sacramento District Wetlands Conservation Fund ("Existing ILF Fund").

Like the SPD Account, the Existing ILF Fund was established to aggregate funds to be used for projects selected by the Sacramento District to compensate for or replace functions and values of aquatic resources degraded or destroyed as a result of activities permitted by the Sacramento District under Nationwide permits or in violation of Section 404 of the Clean Water Act and/or Section 10 of the Rivers and Harbors Act. The terms and conditions of the Existing ILF Fund predate the 2008 Rule and are different from those required by the 2008 Rule.

In recognition of this fact, along with the historically robust usage by permittees in the Sacramento District of the SPD Account and Existing ILF Fund, NFWF notified the Sacramento District of its intention to develop a new in-lieu fee program under the 2008 Rule to replace the Existing ILF Fund. NFWF applied to the Sacramento District for a three-year extension of the Existing ILF Fund in order to provide for a transition period during development of the proposed SAC CA ILF Program. By letter dated June 1, 2010, the Sacramento District granted NFWF an extension to operate the Existing ILF Fund until June 1, 2013, at which time the Existing ILF Fund will cease to accept in-lieu fees.

Need

Through its administration of the SPD Account and Existing ILF Fund, NFWF has observed the need for an in-lieu fee option within the Sacramento District to restore, create, enhance, or in some instances preserve valuable wetlands and other aquatic resources and their associated habitats, in areas underserved by mitigation banks. Since its inception in 2007, the Existing ILF Program has received in-lieu fees for over 400 projects and collected \$7.78 million dollars associated with 61.12 acres of impacts. This is a small subset of the impacts, and corresponding need for mitigation, required by the Sacramento District during this period (See Figure 2:

Wetland Impacts), as the Existing ILF Fund was limited to receiving in-lieu fees from projects permitted under Nationwide Permits. The historically observed need for an in-lieu fee option to address impacts to aquatic resources within the jurisdiction of the Sacramento District, as well as the expectation that this need will continue into the future, largely forms the basis for NFWF's proposed SAC CA ILF Program. If approved, the proposed SAC CA ILF Program will replace the Existing ILF Fund and operate as a 2008 Rule-compliant in-lieu fee program providing a third-party mitigation option for activities permitted by the Corps or in violation of Section 404 of the Clean Water Act and/or Section 10 of the Rivers and Harbors Act within the Sacramento District within California.

The 2008 Rule establishes three forms of permissible mitigation: mitigation banks, in-lieu fee programs, and permittee responsible mitigation. Mitigation banks and in-lieu fee programs are preferred forms of mitigation under the 2008 Rule as they typically involve larger, more ecologically valuable parcels, more rigorous and scientific and technical analysis, and devote significant resources to identifying and addressing high-priority resources on a watershed scale. Historically, many portions of the state proposed to be covered by the SAC CA ILF Program have had limited opportunities for successful third-party mitigation. Currently there are no approved 2008 Rule-compliant in-lieu fee programs in the Sacramento District, and a review of the RIBITs database (May 14, 2012 – Website) documented 11 existing wetlands banks in the Sacramento District, with an additional 11 in the pending category. A majority of these approved and proposed banks (17) are located in the greater Sacramento area (Solano, Yolo, Placer, and Sacramento Counties) or clustered in the northeast Sacramento Valley vernal pool region in either Butte or Yuba counties. (See Figure 3: Existing Banks.) Two-thirds of the overall banks offer only vernal pool and depressional seasonal wetlands credits. The data indicates a very limited portion of the Sacramento District has pre-planned, third-party mitigation available to compensate for project impacts, making *ad hoc* permittee responsible mitigation the only alternative.

Permittee responsible mitigation often faces significant challenges to its effectiveness and efficiency. For example, small-scale wetland impacts, which can be permitted under a Nationwide Permit or occur as a component of an Individual Permit, pose difficult challenges for permittees to meet their compensatory mitigation obligations. Mitigation on-site is often constrained by the compromised physical, hydrologic, and biotic conditions of the site and surroundings; off-site locations for small-scale mitigation efforts are frequently difficult to find and costs can be prohibitive for acquisition and implementation. In addition, some wetland types such as riparian wetlands, which are incrementally impacted across the state each year, are expensive and technically challenging to restore. Opportunities for restoration are also difficult to identify and secure at this scale.

In addition to small-scale impacts, another category of projects for which permittee responsible mitigation can be challenging is large infrastructure projects. These projects tend to have restrictive funding requirements which make it challenging to spend mitigation funds in advance of the project. Further, many such projects are "linear" in nature which means they may impact only relatively small sections of wetlands in any one watershed but very large acreages of wetlands across multiple watersheds when considered in their entirety. If mitigation for these types of linear projects is limited to permittee responsible mitigation approaches that cannot be

consolidated or addressed through a watershed approach, opportunities to advance important *regional* restoration efforts may be lost.

The mitigation bank option addresses many of these challenges to permittee responsible mitigation. However, as evidenced by the limited number of mitigation bank applications noted above, it is unlikely that appropriate mitigation bank options will always exist for permittees to use to meet their compensatory mitigation obligations. As such, in the absence of a robust in-lieu fee option, the frequency and amount of permittee responsible mitigation can be expected to increase over time. This would lead to significantly greater workload on Sacramento District Project Managers to review individual project mitigation proposals, greater costs and time delays for permit applicants, and the increased potential for mitigation not being required or not meeting the full standards of the 2008 Rule due to excessive costs and lack of pre-planning. Increased instances of permittee responsible mitigation would also deprive the Sacramento District and its partner resource agencies of the ability to consolidate funds through an in-lieu fee structure so that larger and more ecologically meaningful mitigation projects could be completed.

Technical Feasibility

Three key factors are essential to the overall technical feasibility of the SAC CA ILF Program: the technical feasibility of the Program and the individual mitigation Projects; the financial feasibility of those Projects as well as the Program as a whole; and the operational capacity of the sponsor to execute a successful Program. These are discussed in further detail below.

Technical Feasibility

As detailed in Sections 5 (Operation) and 8 (Compensation Planning Framework), the SAC CA ILF Program incorporates a rigorous process for Project selection. A critical component of this process is an evaluation of the technical features and ultimate feasibility of any proposed Project.

Specifically, proposed Projects will be evaluated on such technical factors as landscape setting (landscape position and ecoregion); biotic structure (habitat restoration and enhancement potential; biodiversity); physical structure (topographic and spatial complexity); and buffer and connectivity characteristics. Only those proposed Projects that best satisfy these technical criteria will be prioritized for funding through the SAC CA ILF Program. This process for advanced screening of proposed mitigation Projects based on these criteria will help ensure the technical feasibility of the overall Program.

Financial Feasibility

Another key to the technical feasibility of the SAC CA ILF Program is the assurance of adequate funding for individual mitigation Projects as well as administrative operation of the Program. As outlined in Sections 5 and 6, the SAC CA ILF Program will be developed based on (1) comprehensive full-cost accounting structures for the Program and individual Projects therein; (2) the provision of a number of Advance Credits sufficient to allow for the collection of adequate funds; and (3) pricing of Advance Credits at levels that are modeled to generate sufficient funding to complete Projects and otherwise implement the SAC CA ILF Program

without funding shortfalls. In addition, the mitigation development processes set forth in Section 5 include several contingency scenarios that allow funding to be consolidated or reallocated as appropriate to satisfy mitigation obligations within the timeframe required by the 2008 Rule. Finally, the procedures for identification and prioritization of proposed Projects as set forth in Sections 5 and 9 incorporate a thorough analysis of the full range of estimated Project costs to ensure that individual Projects and the Program as a whole are based on substantiated, conservative cost models. These safeguards will strongly support the financial feasibility and, therefore, the overall technical feasibility of the SAC CA ILF Program.

Sponsor Capacity

As outlined in Section 10, NFWF brings an array of technical capacities to bear as sponsor of the SAC CA ILF Program. Many of these capacities are a function of NFWF's Congressional charter, codified at 16 U.S.C. §3701, *et seq.* For example, NFWF's charter mandates that the Director of the U.S. Fish and Wildlife Service and the Undersecretary of Commerce for Oceans and Atmosphere be members of NFWF's Board of Directors. At the staff level, NFWF employs various technical experts having regional expertise in wetlands, water resources, fisheries, habitat restoration and natural resources planning. Finally, in addition to its scientific technical capacity, NFWF has decades of experience with grant-making, contracts management, financial management, accounting, project reporting, and other executive and administrative aspects of natural resource project management.

Additionally, for the purposes of developing and initiating the SAC CA ILF Program, NFWF has retained Westervelt Ecological Services (WES) as NFWF's technical consultant. WES has nationwide experience with developing banks and mitigation projects in compliance with the 2008 Rule, and is highly qualified in landscape evaluation, mitigation site acquisition, habitat restoration, and land management in California. Upon approval of the SAC CA ILF Program, WES may assist NFWF with Project development, or may be requested to provide technical oversight of Projects proposed by entities with limited experience developing projects compliant with the 2008 Rule. NFWF may also retain or use other technical consultants, as appropriate, to help ensure the ongoing technical soundness and feasibility of the program going forward.

5. OPERATION

SAC CA ILF Program Components

The proposed SAC CA ILF Program has two distinct wetland-type components: (1) a Vernal Pool component, providing vernal pool credits ("Vernal Pool Credits") for 12 Vernal Pool Service Areas based on the U.S. Fish and Wildlife Service Recovery Plan for Vernal Pool Ecosystems of California and Southern Oregon (USFWS 2005) ("USFWS Vernal Pool Recovery Plan") (see Figure 4: Vernal Pool Service Areas); and (2) a general Wetland component, providing non-vernal pool wetlands credits ("Wetland Credits") for 17 Service Areas based on River System watershed planning units (see Figure 5).

Credit Types

The proposed SAC CA ILF Program establishes two credit types: (1) Vernal Pool Credits; and (2) Wetland Credits. A credit is generally defined as one acre of wetland establishment or re-establishment, or is calculated as a percent functional improvement to existing degraded wetlands through wetland enhancement activities.

Vernal Pool Credits

Vernal Pool Credits will be made available for impacts to vernal pools (Palustrine non-persistent emergent wetlands). Funds generated from the sale of Vernal Pool Credits will be applied to address critical vernal pool needs within Vernal Pool Service Areas identified in the final compensation planning framework for the SAC CA ILF Program. Vernal pools are addressed as a distinct component of the SAC CA ILF Program because of the unprecedented historic loss of vernal pools in the overall Service Area, the ongoing high threat level, and the significant ecological correlation between vernal pools and a high number of state and federally listed threatened and endangered species. Vernal Pool Credits address the uniquely critical need for this wetland type, and will be applied to restore vernal pools consistent with the goals and objectives of the USFWS Vernal Pool Recovery Plan.

Wetland Credits

The Sacramento District uses a combination of the Cowardian system and hydrogeomorphic designations to designate the wetlands features within its boundaries. These systems have several primary hierarchical levels with extensive modifying descriptors which allow for hundreds of distinct habitat categorizations. This form of classification is valuable for evaluating and tracking impacts and compensation at a permitting scale; it is less useful, however, for regional planning, trend analysis, and funds consolidation for Project development and implementation. As such, Wetland Credits will be made available for impacts to all non-vernal pool wetlands in the Service Area. Wetland impacts offset by Wetland Credit purchases, and mitigation Project acreages within each Service Area, will be tracked utilizing Corps wetland habitat designations. Funds generated from the sale of Wetlands Credits will be applied to address critical wetland needs and functions (other than those associated with vernal pools) identified within each River System Service Area in the final Compensation Planning Framework for the SAC CA ILF Program.

The Compensation Planning Framework will utilize River System Service Areas as the scale for evaluation of wetland losses, pressures, and restoration objectives because this approach allows for a comprehensive watershed perspective that incorporates aspects of habitat functions, species utilization, water quantity and quality, and connectivity within a contiguous integrated unit. As such, the use of River System Service Areas promotes an ecologically coherent assessment of stresses and restoration potentials across a spectrum of wetlands functions, services, and landscape position. Wetland Credits will be applied to restore, enhance, create, or in certain cases preserve any form of palustrine, lacustrine, and riverine wetlands, and other waters, other than vernal pools, within individual River System Service Areas.

Credit Amounts

The SAC CA ILF Program proposes to establish 12 Vernal Pool Service Areas and 17 River System Service Areas, each of which will be allocated a baseline number of Advance Credits. The number of Advance Credits is based upon: (1) an informal evaluation of permitting and mitigation trends using Corps permitting data from the ORM Database, existing ILF tracking data, and Bank Credit sales; and (2) minimum financial thresholds from Advance Credit sales to ensure sufficient funds are collected to develop and implement ecologically meaningful and logistically feasible Projects. The SAC CA ILF Program Instrument will identify the number of Advance Credits to be available for each credit type within each Service Area. It is estimated that the number of Advance Credits will be somewhere between 25 and 50 credits per Service Area.

Credit Pricing

Adequate funding is essential to the SAC CA ILF Program's ability to function and to develop, implement, and provide for long-term protection of Projects, and contingencies.

As such, credit costs will be established for each Service Area based on a full cost accounting of expenses in accordance with the 2008 Rule; credit prices may vary between Service Areas based upon factors such as the cost and availability of mitigation landscapes and opportunities. The SAC CA ILF Program is intended to be fully funded by Advanced Credit sales, and to the extent NFWF has invested its own resources in the development of the SAC CA ILF Program, such investments will be recovered through a portion of the proceeds from credit sales if and when the Program is approved.

Credit prices will be re-evaluated periodically and, if necessary, adjusted to ensure credit prices are adequate and appropriate given the objectives of the SAC CA ILF Program.

Advance Credits and Released Credits

Each Service Area will be allocated Program-based credits in advance of the development and implementation of a Project ("Advance Credits"). The sponsor's sale of these Advance Credits will generate funds necessary to pay for the actual development and implementation of Projects. (In accordance with the 2008 Rule, Advanced Credits are lower on the mitigation preference hierarchy than mitigation bank credits.) Upon successful development and implementation of a Project within a Service Area, released credits ("Released Credits") will be generated which will retire the mitigation obligations associated with the Advance Credits to which the Released Credits correspond. (For example, upon the IRT's certification that a Program-funded Project has successfully created 5 Wetland Credits, which will then be deemed "Released Credits," NFWF and the IRT will "retire" 5 Advance Wetlands Credits that had been previously allocated to the Program. Any Released Credits generated by a Project in excess of the amount necessary for fulfillment of the Advance Credit obligations associated with that Project may be sold by the sponsor to Permittees, and the proceeds from such sale need not be deposited into the Program Account since the Advance Credits associated with the relevant Project will have been retired.

Credit Releases

The SAC CA ILF Program would be issued the full amount of Advance Credits for each Service Area upon execution of the SAC CA ILF Program Instrument. The number of available Advance Credits within each Service Area will decrease as they are sold until the mitigation obligations associated with sold Advance Credits are retired through development and creation of Released Credits. As Released Credits are created within a Service Area, they will be applied against the number of Advance Credits previously sold to “retire” those Advance Credits, and a corresponding number of new, additional Advance Credits will become available to the sponsor for sale.

Released Credits will be generated through a process of Project development and implementation that meets the requirements of the 2008 Rule. The mitigation banking templates approved by the Sacramento District for mitigation project implementation and evaluation will be used for each SAC CA ILF Program Project to ensure consistency and compliance with the 2008 Rule. (In other words, actual Projects developed under the SAC CA ILF Program will be guided by the same templates already developed in the Sacramento District for purposes of guiding mitigation bank projects.)

Credit Tracking

Detailed tracking mechanisms will be established for the SAC CA ILF Program.

Specifically, a credit ledger will be kept for each Service Area, and sales of Advanced Credits will be tracked with a corresponding date, permit number, mitigation requirement, habitat classification of the impacted habitat acreage, latitude and longitude, funds collected, and all other information required by the 2008 Rule. As Projects are approved within a Service Area, the ledger will track Released Credits independent from Advanced Credits, the allocating and assignment of Released Credits, and credit availability. Should funding be allocated between Service Areas to implement a Project, the corresponding funding and credit obligations will be reflected on the appropriate credit ledgers.

A Geographic Information System (GIS) Database will be developed incorporating relevant information from the credit ledger to geographically depict patterns associated with impacts by location, size, or type, and compensatory mitigation provided by Projects. If technically and financially feasible this GIS Database will be developed to link or interact with pre-existing regulatory wetland and mitigation databases such as Wetlands Tracker, RIBITs, and ORM. This information will be incorporated into Compensation Planning Framework evaluation and reporting.

Processes for Mitigation Project Development

Timing of Project Development

The 2008 Rule generally requires Projects to be approved and implemented to a specified level within three years of the first sale of Advance Credits within a Service Area. The mechanisms to

meet general requirement include collection of sufficient funds to allow for the implementation of appropriate Projects, and a framework for Project selection based upon the level of funds collected. The goal of providing mitigation within the Service Area within the three-year timeframe is highly correlated to the availability of sufficient funds to complete the entire Project. If the sales rate of Advance Credits does not provide for the generation of sufficient funds to develop and implement a Project in the Service Area within the designated timeframe, alternative mitigation implementation approaches will be proposed to the IRT based upon the framework established for Mitigation Project selection. However, NFWF recognizes the importance of providing mitigation that is temporally proximate to the corresponding impacts and intends to operate the Program with the express objective of achieving Project implementation within three years of its receipt of corresponding funds from Advance Credit sales. In addition, NFWF recognizes that the 2008 Rule expressly states that “The terms of the program account must specify that the district engineer has the authority to direct those funds to alternative compensatory mitigation projects in cases where the sponsor does not provide compensatory mitigation in accordance with the time frame specified.”.

Substance of Project Development

The Compensation Planning Framework (Section 8) sets forth a basic analysis of threats to wetland resources, historic wetland resource loss, and current wetland resource conditions, with corresponding goals and objectives, for each Service Area. The Compensation Planning Framework builds on this analysis to establish a prioritization strategy for selecting and implementing restoration, enhancement, creation, and in certain cases preservation Projects based on landscape position, historic and current threats, hydrology, and wetlands functions and services. As funding becomes available within a Service Area to implement a Project, areas and/or functions of greatest mitigation need will be determined based on additional and more specific evaluation of the Service Area at that time based on then-current technical data. Once priority areas and/or functions have been identified, mitigation opportunities to address those needs will be identified and evaluated using the prioritization strategy set forth in the Compensation Planning Framework. The process described below (and depicted in Figures 6), which applies to both Wetland mitigation and Vernal Pool mitigation, is intended to address likely scenarios for each Service Area and is iterative:

Process for Project Selection

1. Bi-annually review the funding collected for each Service Area
2. If sufficient funds are available to implement a Project, identify a suitable site or solicit restoration proposals following the criteria defined in the Compensation Planning Framework. The site-specific project plan will be submitted to the IRT for approval.
3. If insufficient funds are available to implement a Project, pursue IRT approval for the following alternatives listed in order of preference:
 - a. Alternative 1 – Hold funds for an additional 6 months to allow more funds to accrue (not to exceed 18 months total after first funds collected in a Service Area to achieve goal of implementation of mitigation within three year timeframe).
 - b. Alternative 2 – Evaluate combining funds with an adjacent Service Area for Project implementation in either of the Service Areas.

- c. Alternative 3 – If a mitigation bank exists within the Service Area, consider purchase of bank credits to fulfill compensatory mitigation requirements.

Initial Project Prospectus

After a Project site has been selected, a Initial Project Prospectus will be prepared and submitted to the IRT. This Initial Project Prospectus will provide (at a minimum) the following information:

- Property location and ownership;
- Restoration proposal;
- Consistency with the Compensation Planning Framework and mitigation site evaluation criteria;
- Project partners (if applicable);
- Number of proposed Released Credits to be generated by the Project;
- Budget; and
- Title review.

NFWF intends to collaborate with experienced partners, experienced and technically capable in establishing wetlands compensation projects (e.g., non-profit conservation organizations, private entities, governmental entities, and others), with knowledge of the applicable Service Area to develop and implement Projects. These Projects may be fully developed through funds from credit sales, or Projects may be a component of larger restoration efforts. In all cases, NFWF will be responsible for ensuring the Projects are developed and implemented in compliance with all requirements of the SAC CA ILF Program and the 2008 Rule. NFWF may engage partners in various ways, e.g., direct selection of existing restoration efforts; requests for assistance with Project development and/or implementation; formal requests for proposals (RFPs); etc.

Upon IRT approval of the Initial Project Prospectus, a full Project Development Plan (“PDP”) will be developed in accordance with the requirements of the 2008 Rule. The PDP will utilize the Sacramento District’s mitigation banking templates, as applicable, to address all site specific planning, implementation, monitoring, and protection aspects of the Project. The ILF Instrument will establish timelines for document delivery and IRT review to facilitate timely review with the objective of enabling Projects to be implemented within the three-year window specified in the 2008 Rule.

6. SERVICE AREAS

The proposed SAC CA ILF Program Area covers the jurisdiction of the Sacramento District within California. The overall ILF Program Area is divided into Vernal Pool Service Areas and River System Services Areas.

Vernal Pool Service Areas

The SAC CA ILF Program establishes 12 Vernal Pool Service Areas based on the Vernal Pool

Regions identified in the USFWS Vernal Pool Recovery Plan that occur within the Sacramento District. They are listed below and depicted in Figure 4:

1. Carrizo (partially within the ILF Program Area)
2. Central Coast (partially within the ILF Program Area)
3. Lake-Napa (partially within the ILF Program Area)
4. Livermore (partially within the ILF Program Area)
5. Modoc (partially within the ILF Program Area)
6. Northeastern Sacramento Valley
7. Northwestern Sacramento Valley
8. San Joaquin Valley
9. Solano-Colusa (partially within the ILF Program Area)
10. Southeastern Sacramento Valley
11. Southern Sierra Foothills
12. All Other Vernal Pool Areas (Vernal Pool landscapes not within a vernal pool region)

Some of the Vernal Pool Service Areas that are partially within the ILF Program Area are small; the Carrizo and Central Coast service area are examples. These small service areas are likely to have very few permitted impacts requiring compensatory mitigation. Therefore, funding thresholds for mitigation development may not be met. The process for addressing this issue is outlined in Section 5 and depicted in Figure 6.

The All Other Areas Service Area addresses the fact that there are vernal pool resources located outside of the Vernal Pool Regions identified in the USFWS Vernal Pool Recovery Plan. Compensatory mitigation for impacts occurring in this All Other Vernal Pool Areas Service Area should occur within the Vernal Pool Region closest to the location of the impact.

River System Service Areas

The SAC CA ILF Program establishes 17 River System Service Areas (Figure 5) based on river systems defined within this SAC CAL ILF Program (Appendix A).

River System Service Areas are established at this scale to promote the comprehensive watershed approach to evaluation of wetland losses, pressures, and restoration objectives endorsed by the 2008 Rule. This approach incorporates aspects of habitat functions, species utilization, water quantity and quality, and connectivity within a contiguous integrated unit. As such, it promotes the ecologically coherent assessment of stresses and restoration potentials across a spectrum of wetlands functions, services, and landscape position. In addition, because the SAC CA ILF Program will provide compensation in locations underserved by mitigation banks often due to lower levels of permit activity, the River System Service Areas will allow small amounts of in-lieu fees to be generated across larger areas and aggregated to amounts sufficient to develop meaningful Projects to address critical or priority needs.

A typical planning level watershed in the Sacramento District is defined by the eight-digit hydrologic unit codes (HUCs). Nationwide Permit tracking and the funds deposited into the Existing ILF Fund were based on the 6-digit HUC system, and only three of the nine HUCs had over two acres of impact for which fees were paid in the 5 years of the Existing ILF Fund's

existence. In addition, the Corps' ORM data from 2007 through 2012 reflects concentrated wetland impacts around Redding and the Greater Sacramento region, with a significantly diminished or non-existent impact trend throughout much of the remainder of the Sacramento District. As such, an 8-digit watershed area is not large enough to consolidate sufficient funds for adequate programmatic planning across all landscapes of the SAC CA ILF Program. Therefore, the next larger logical geographical units are based on major river systems. As an example, the Feather River Service Area consists of the Feather River and tributaries, including the North Fork, Middle Fork, South Fork, and contributing streams; this area encompasses four eight-digit (HUCs). The River System Service Areas are listed in Table 1, along with the 8-digit HUCs they encompass.

Some river drainages that are relatively narrow have been combined with ecologically similar adjacent river basins in order to increase the potential that adequate funds could accrue for viable compensation projects (e.g., the Chowchilla River has been included in San Joaquin Service Area). Even with the use of larger river systems to define service areas, some of the River System Service Areas are likely to have very few impacts requiring compensation and funding thresholds for compensation project viability may not be met. The process for addressing this scenario is outlined in Section 5.

Table 1: River System Service Areas

River System-based Watershed	HUC 8
American	18020111 18020128 18020129 18020161
Bear/Yuba	18020125 18020126 18020159
Cache/Putah	18020104 18020116 18020162 18020163
Calaveras/Stanislaus	18040003 18040010 18040011 18040051
Carson/Walker Basin	16050201 16050301 16050302
Cosumnes/Mokelumne	18020163 18040012 18040013

Feather	18020121 18020122 18020123 18020159
Kaweah/Tule	18030006 18030007 18030012
Kern	18030001 18030002 18030003 18030004 18030005
King	18030009 18030010 18030012
Merced/Tuolumne	18040002 18040008 18040009
Modoc	16040203 16040204 18080001 18080002 18080003
Pit River Basin	18010204 18020001 18020002 18020003 18020004 18020005
Red Bluff	18020115 18020156 18020157 18020158
Redding	18020151 18020152 18020153 18020154 18020155

San Joaquin	18040001 18040006 18040007 18040014
Tahoe	16050101 16050102

7. OWNERSHIP ARRANGEMENTS AND LONG-TERM MANAGEMENT STRATEGY

NFWF, as sponsor of the SAC CA ILF Program, will not be owning land or holding conservation easements on land on which mitigation Projects will be implemented. In addition, NFWF will not be performing any necessary long-term management of the lands on which Projects have been implemented. Instead, NFWF intends to utilize experienced partners, such as non-profit organizations, private entities, governmental entities, and others with knowledge of specific service areas, to own mitigation lands, hold easements on those lands, and perform necessary long-term management.

The specific details of land ownership and responsibility for long-term management will vary Project-by-Project. However, the following three arrangements are examples of how this strategy could be implemented:

1. NFWF will partner or contract with a public or private entity that will acquire, receive, or retain the fee title interest in the Project property. That entity will grant a conservation easement or agree to accept title to the property subject to a conservation easement to be held by a non-profit organization or the State of California. The obligation of long-term land management would be transferred to and become the responsibility of the fee title holder or conservation easement holder. Long-term biological monitoring would be the responsibility of NFWF, unless the same entity or conservation easement holder has the appropriate qualifications, in which case that entity or conservation easement holder could assume the monitoring obligations.
2. NFWF could contract with the fee title property owner to acquire the right to develop a mitigation Project on the property; the land owner retains fee title to the property, but grants NFWF the right to develop the Project and record a conservation easement on the property, which would be held by a non-profit organization or the State of California. The obligation of long-term land management would be transferred to and become the responsibility of the fee title holder. Long-term biological monitoring would be the responsibility of NFWF unless the conservation easement holder had the appropriate qualifications, in which case the conservation easement holder could assume the monitoring obligations.
3. The land will be conveyed in fee title to the State of California or another state or federal entity and long-term stewardship or “endowment” funds would be held in trust by a

qualified holder for the specific purpose of funding long-term land management activities on the land. The obligation of long-term land management would be transferred to and become the responsibility of the State of California or other governmental entity.

8. COMPENSATION PLANNING FRAMEWORK

This Compensation Planning Framework addresses the following ten elements required by the 2008 Rule (Section 332.8(c)):

1. *The geographic service area(s), including a watershed based rationale for the delineation of each service area.*
2. *A description of the threats to aquatic resources in the service area(s), including how the in-lieu fee program will help offset impacts resulting from those threats.*
3. *An analysis of historic aquatic resource loss in the service area(s).*
4. *An analysis of current aquatic resource conditions in the service area(s), supported by field documentation.*
5. *A statement of aquatic resource goals and objectives for each service area, including a description of the general amounts, types and locations of aquatic resources the program will seek to provide.*
6. *A prioritization strategy for selecting and implementing compensatory mitigation activities.*
7. *An explanation of how any preservation objectives identified above satisfy the criteria for use of preservation.*
8. *A description of any public and private stakeholder involvement in plan development and implementation, including coordination with federal, state, tribal and local aquatic resource management and regulatory authorities.*
9. *A description of the long-term protection and management strategies for activities conducted by the in-lieu fee program sponsor.*
10. *A strategy for periodic evaluation and reporting on the progress of the program in achieving the goals and objectives above, including a process for revising the planning framework as necessary.*

Geographic Service Areas

The rationale for the delineation of service areas within the SAC CA ILF Program Area is described in Section 6. A key element of the Program is that it is “ecological performance-based” rather than strictly geography-based. Thus service areas covered by the Program are defined by ecological need and resource contours as much as by strict geography. As an example, while vernal pool regions, as defined in the USFWS Vernal Pool Recovery Plan, are the basic units for the Program’s Vernal Pool Service Areas, additional ecological factors such as “core areas” within the vernal pool regions factor greatly into the process for siting actual Projects. Similarly, major river systems, each consisting of multiple eight-digit HUC watersheds (Appendix A), serve as the basic units for the Program’s River System Service Areas; however, siting of wetlands Projects is based on resource-specific factors such as watershed proximity, landscape position, and wetland functions.

Threats to Aquatic Resources

Threats to aquatic resources vary substantially by river system and by vernal pool region. Tables 2-4 contain a summary of the major threats to aquatic resources in the overall Service Area. Threats to vernal pool resources are documented in the USFWS Vernal Pool Recovery Plan, which will be incorporated into the SAC CA ILF Program Instrument by reference. Additional detail regarding threats to non-vernal pool resources will be provided for each River System Service Area in the Compensation Planning Framework in the SAC CA ILF Program Instrument.

Historic Aquatic Resource Loss

Historic losses of aquatic resources vary substantially by river system and by vernal pool region. Tables 2-4 contain a summary of the major historic losses of aquatic resources in the overall Service Area. Historic losses of vernal pool resources are documented in the USFWS Vernal Pool Recovery Plan, which will be incorporated into the SAC CA ILF Program Instrument by reference. Any additional available data for vernal pools, plus details regarding historic losses of non-vernal pool resources in each River System Service Area, will be provided in the Compensation Planning Framework in the SAC CA ILF Program Instrument.

Current Aquatic Resource Condition

The condition of aquatic resources varies substantially by river system and by vernal pool region. Tables 2-4 contain a summary of the current conditions of aquatic resources within the overall Service Area. An assessment of the current condition of vernal pool resources is documented in the USFWS Vernal Pool Recovery Plan, which will be incorporated into the SAC CA ILF Program Instrument by reference. Additional detail regarding the current condition of non-vernal pool aquatic resources will be provided for each River System Service Area in the Compensation Planning Framework in the SAC CA ILF Program Instrument.

Aquatic Resource Goals and Objectives

Draft aquatic resource goals and objectives are set forth in Tables 2-4. These goals and objectives are derived from established conservation planning documents and resource assessments, where available. The resource goals and objectives are performance-oriented rather than strictly prescriptive – the intent is to guide future projects rather than to rigidly proscribe project locations and types at the outset. The goals and objectives will be refined in the SAC CA ILF Program Instrument, and throughout the life of the SAC CA ILF Program. They are intentionally designed to be adjusted as new information and new input becomes available for each Service Area.

Prioritization Strategy

Experienced partners (e.g., non-profit conservation organizations, private entities, governmental entities, and others) and/or the sponsor itself will propose Projects to be considered for funding under the SAC CA ILF Program. The Compensation Planning

Framework will establish criteria for each Service Area which can be evaluated with GIS modeling to aid in Project selection. In addition, Projects or landscape proposals will be considered which meet or exceed the landscape and site criteria for each Service Area. Proposed Projects will be considered and prioritized based on an evaluation of 1) how well the proposed Project meets the priority aquatic resource needs of the Service Area; 2) the scientific, technological, and financial feasibility of the proposed Project; and 3) whether the proposed Project includes all of the elements required by the 2008 Rule. In this context, the following technical factors listed in items (a) through (c) below will be among those considered. The results of the prioritization process will be documented and presented to the IRT for each proposed Project.

- a. ***Landscape Setting.*** Mitigation Project site selection will be evaluated from the perspective of the wetland needs in the Service Area, particularly as it relates to the viability of the proposed restoration in the watershed setting, and the ability for the Project to offset current and historic impacts. The following factors will be considered in determining the suitability of the landscape setting for any proposed Project sites:
 - i. Landscape Position. The extent to which the site has a landscape position that is physically suitable for the type of Project proposed (e.g., first order stream restoration in a headwaters setting) (Figure 7).
 - ii. Geographic Proximity. The extent to which the site maximizes, to the extent feasible, the proximity and watershed nexus to the past and projected aquatic resource impacts in the applicable Service Area.
 - iii. Ecoregional Relevance. The extent to which the site is ecologically relevant, on an “ecoregion basis,” to past and projected aquatic resource impacts in and related to the applicable Service Area.

- b. ***Aquatic Resource Structure and Function.*** Mitigation Projects will be evaluated based on the technical criteria of the site, particularly as it relates to the structure and function of the potential aquatic resources to be restored (This has been adapted from the South Pacific Division’s *Standard Operating Procedure for Determination of Mitigation Ratios* [http://www.spn.usace.army.mil/regulatory/PN/2012/Mitigation_Ratios.pdf]):
 - i. Buffer and Connectivity.
 1. Aquatic area connectivity.
 2. Percent of aquatic area with buffer.
 3. Average buffer width.
 4. Buffer condition.
 - ii. Hydrology.
 1. Water source.
 2. Hydroperiod.
 3. Hydrologic connectivity.
 - iii. Physical Structure.
 1. Structural patch richness.
 2. Aquatic resource spatial characteristics compared to reference

- 3. Topographic complexity.
 - iv. Biotic Structure.
 - 1. Number of co-dominant species.
 - 2. Percent non-native.
 - 3. Endemic species richness.
 - 4. Horizontal interspersion and zonation.
- c. **2008 Mitigation Rule Requirements.** The 2008 Rule requires a project's mitigation plan to include the following twelve elements; only proposals which have the ability to address all criteria from the 2008 Rule will be considered for implementation:
- i. Objectives
 - ii. Site Selection
 - iii. Site protection instrument
 - iv. Baseline information
 - v. Determination of credits
 - vi. Mitigation work plan
 - vii. Maintenance plan
 - viii. Performance standards
 - ix. Monitoring requirements
 - x. Long-term management plan
 - xi. Adaptive management plan
 - xii. Financial assurances

Use of Preservation

Preservation may be one element of compensatory mitigation under the SAC CA ILF Program. Preservation will be permissible as long it is consistent with the 2008 Rule. Preservation may often be credited if it is part of a broader complex of restoration and/or enhancement activities. Additionally, resource specialists have posited that locations with sensitive ecological features and intact natural processes should be protected; one example of a particular geography in which preservation may be appropriate is mountain environments such as the Sierra Nevada range (Moyle, et al, 1996).

Public and Private Stakeholder Involvement

The SAC CA ILF Program is designed to involve partners such as governmental entities, private entities, and non-profit conservation organizations for its implementation. Such involvement will be key to its success. The regulatory agencies represented by the IRT are engaged in the development, review, and approval process of the SAC CA ILF Program and also have jurisdiction over and significant knowledge of the geography, ecology, and aquatic resources addressed by the Program. If approved, the Program will require the ongoing, active involvement of the IRT. In addition, NFWF invites other governmental entities not represented by the IRT, such as the U.S. Fish and Wildlife Service, the National Marine Fisheries Service, the California State Water Resources

Control Board, and the California Department of Fish and Game, to review and offer input in the development of the SAC CA ILF Program, and to consider participating in its implementation.

NFWF also invites collaboration, cooperation, and coordination, as appropriate, with private entities and non-profit conservation organizations to share data and other information about resource conditions and mitigation opportunities within Service Areas, to develop and implement high quality mitigation Projects to be funded through the Program, and to engage in site protection (e.g., acceptance of conservation easements) and long-term land stewardship. NFWF will consider such input and continue outreach to refine the Program, including its goals, objectives, and implementation strategies, throughout the life of the Program.

Long-Term Protection and Management Strategies

Long-term site protection and management strategies are outlined in Section 6. Typically, long-term protection will be accomplished via conservation easements, based on interagency templates, and approved by the IRT. Long-term management will be specifically addressed in management plans for each Project site; interagency templates for these management plans will be used in most instances. Long-term management will be funded through long-term stewardship funds, also known as “endowments,” unless an alternative long-term funding mechanism that complies with the 2008 Rule and is accepted by the IRT is approved.

Evaluation and Reporting

NFWF proposes to meet with the IRT bi-annually to report on progress toward achieving the Program’s goals and objectives. A formal Program monitoring report will be generated and submitted to the IRT annually. The Compensation Planning Framework is intended to be a living document that is evaluated periodically, and updated and refined as necessary to incorporate new information and stakeholder participation. Potential updates to the Compensation Planning Framework will be presented to the IRT at the bi-annual meetings.

NFWF will also establish a website for the ILF Program, which will provide public access to the ILF Instrument and associated technical documents, annual reports, Project Development Plans, credit ledgers, and other relevant materials.

9. PROGRAM ACCOUNT

NFWF will establish a dedicated SAC CA ILF Program Account upon establishment of the SAC CA ILF Program for management of funds collected from the sale of Advance Credits. Amounts deposited into the Program Account from the sale of Advance Credits will be dedicated solely to the SAC CA ILF Program under the terms and conditions specified in the Instrument. The terms of the Program Account and the annual reporting thereon will meet all of the requirements of the 2008 Rule.

Financial Management and Accounting

Although funds from Advance Credit sales may be deposited into a single financial account constituting the “ILF Program Account,” the funds generated by each Credit sale will be tracked separately by NFWF’s accounting system and allocated to the appropriate Credit type (i.e., Vernal Pool or Wetlands) and Service Area. All funds in the ILF Program Account will be tracked to their ultimate expenditure, whether for Project costs, Program administrative costs, or other costs as provided by the 2008 Rule. This will be accomplished through the following NFWF systems and tools:

Deltek-Costpoint: NFWF uses the term “funding sources” to describe the various uniquely-identifiable financial accounts under its management. These funding sources are established within NFWF’s accounting system (Deltek-Costpoint) as Funding Source Projects (FSPs). Under the ILF Program Account, each Credit type within a particular Service Area will be a designated FSP and receive a unique identifying code. This enables a multi-dimensional relation of the *inflow* of funds (e.g., permit, permittee, wetlands impacted, etc.) to the *outflow* of funds (e.g., for recipient Projects and the associated Project costs, Program Administrative costs, or other costs provided by the 2008 Rule).***Customer Relationship Management (CRM):*** This system provides a database to comprehensively capture FSP attributes, and is established with the same unique identifying code established in Deltek-Costpoint as indicated above.

EasyGrants: This system is NFWF’s project management database for all recipient Projects, each of which is assigned a unique identifying code distinct and different from an FSP code. Third parties performing work on Projects as part of the SAC CA ILF Program will have their progress tracked and their disbursements processed through the EasyGrants system.

One result of the operation of these systems is that all funding sources – for example, individual Credit sales associated with a Credit type and Service Area – are at all times tracked separately and comprehensively within NFWF’s accounting systems. NFWF at all times can ascertain, among other metrics, (a) the balance of any sub-account; (b) deposits to the sub-account during any period; (c) disbursements from the sub-account during any period; and (d) investment earnings accrued to the sub-account.

In addition, NFWF applies generally accepted accounting principles (“GAAP”) to all of its financial accounts including the ILF Program Account.

Financial Reporting

NFWF will report annually to the Sacramento District and the IRT on the ILF Program Account. The annual report will include: 1) all income received, disbursements, and interest earned; 2) a list of all permits (including the Corps permit number, the Service Area in which the authorized impacts are located, the amount of authorized impacts, the amount of required compensatory mitigation, the amount paid into the ILF Program Account, and the date the funds were received from the permittee); 3) a description of the SAC CA ILF Program expenditures from the account, such as the costs of land acquisition, planning, construction, monitoring, maintenance,

contingencies, adaptive management, and administration; 4) the balance of Advance Credits and Released Credits at the end of the report period for each Service Area; and 5) any other information required by the Sacramento District engineer.

Financial Investment

Funds in the ILF Program Account will be invested at an institution that is a member of the Federal Deposit Insurance Corporation in accordance with NFWF's then-prevailing investment policy statement on cash management, the current version of which is attached hereto as Appendix B. NFWF believes this is the appropriate investment strategy for ILF Program Account funds since the funds will generally be expected to be disbursed or obligated within three years of receipt. Accordingly, NFWF's cash management investment account will generally seek to achieve investment returns at least equal to the rate of inflation such that the "purchasing power" of the funds will be maintained. At the same time, the cash management investment portfolio will reflect a relatively conservative asset allocation profile so as to minimize risk while seeking the relevant return.

10. SPONSOR QUALIFICATIONS

NFWF Governance, Organizational Scale, and Capacity

NFWF is a nonprofit corporation that is a tax-exempt public charity under Internal Revenue Code Section 501(c)(3). NFWF was established by the U.S. Congress in 1984 to, among other things, undertake and conduct activities to further the conservation and management of the fish, wildlife, and plant resources of the United States, and its territories and possessions, for present and future generations of Americans. NFWF has a 30 member board of directors, appointed by the Secretary of Interior, which includes by law the Director of the United States Fish and Wildlife Service and the Under Secretary of Commerce for Oceans and Atmosphere. NFWF is one of the largest non-profit organizations contributing to conservation in the United States. Since 1984, NFWF has administered over \$2 billion to fund thousands of conservation projects nationwide. These funds have been disbursed to hundreds of different recipients -- including non-profit conservation organizations, federal, state, and local governmental entities, private contractors, and others -- for on the ground fish, wildlife, and habitat conservation.

In addition to making grants of congressionally appropriated funds, discretionary federal funds, and philanthropic funds, NFWF also manages and administers funds that originate from judicial and regulatory proceedings. These funds include various types of "mitigation" funds designated for specific purposes, such as the Existing ILF Fund. NFWF's Impact-Directed Environmental Accounts ("IDEA") department manages over 150 distinct accounts containing these types of funds, which currently have an aggregate value exceeding \$125 million. The SAC CA ILF Program will be administered by NFWF's IDEA department primarily from its branch office in San Francisco, CA. NFWF's IDEA Department is led by two attorneys with decades of experience in natural resource law and environmental finance, and consists of six full-time employees dedicated exclusively to receiving, managing, disbursing, and otherwise administering IDEA funds. The IDEA staff will be supported by NFWF's various technical experts having regional expertise in wetlands, water resources, fisheries, habitat restoration and

natural resources planning.

NFWF's IDEA Department is also supported by NFWF's Finance and Accounting department. This department consists of 12 full-time employees dedicated to functions such as accounting; account establishment, tracking, and administration; allocation of investment earnings across accounts; coordination with outside investment managers; and processing of disbursements. Additional support to NFWF's IDEA and Finance and Accounting Departments is provided through NFWF's Grants Administration Department. This department consists of 14 full-time employees responsible for administering grant agreements, processing invoices and other disbursement requests, interfacing with recipients of funds, and reporting to agencies and other stakeholders on the financial and programmatic status of the accounts under their management. NFWF as a whole currently has approximately 95 full-time employees nationwide. These employees are housed in four locations: Washington, DC; San Francisco, CA; Portland, OR; and Minneapolis, MN.

With respect to its financial investments, NFWF's Board includes a five-member Investment Committee responsible for overseeing NFWF's investment of its own assets. With respect to judicial and regulatory funds held by NFWF, NFWF's Board includes a five-member Impact-Directed Environmental Accounts Investment Committee responsible for overseeing the implementation of investment strategies appropriate for different classes of funds as well as the general operation of the IDEA Department. NFWF files annually a Form 990 Return of Organization Exempt from Income Tax to the Internal Revenue Service. NFWF is also subject to annual external audit by independent auditors in compliance with OMB Circular A-133, and is required by statute to provide annually to the House Committee on Natural Resources and the Senate Committee on Environment and Public Works a "full and complete statement of its receipts, expenditures, and investments."

11. REFERENCES

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