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11.0 HCP FUNDING

This section addresses the current estimated costs (2009 dollars) and funding sources to implement the Solano HCP. Most regional habitat conservation plans are funded through a fee-based system, that is, a base per acre fee is charged for development and other Covered Activities. These fees are then pooled to cover the costs of administration, land or reserve acquisition and management, habitat restoration, long term monitoring, reporting, and other associated costs.

The Solano HCP has, for the most part, adopted a different approach that requires applicants to obtain mitigation for Covered Activities in accordance with the applicable conservation requirements identified in Section 6.0. Fees are still required; however, these fees address administrative costs associated with monitoring and reporting and implementation of broad, landscape-level conservation measures. The Plan Participants have adopted this approach for most Covered Species and Natural Communities because:

1. Many other regional conservation plans have had difficulty keeping the pace of conservation activities commensurate with development (e.g., development is occurring faster than fees can be spent or willing sellers for conservation can be found).
2. Land acquisition costs typically rise faster than fees, resulting in substantial shortfalls for funding land acquisition and the inability of Plan Participants to meet their conservation commitments through mitigation impact fees alone.
3. Fee collection systems and a centralized body to acquire and manage conservation lands require substantial increases in overhead costs and additional staff or new organizations to administer these fees and lands. Plan Participants wanted to minimize overhead costs and/or the creation of new entities to administer the program.
4. A number of commercial mitigation banks were/are in the process of being established within Solano County that would accommodate a substantial portion of the mitigation requirements associated with Covered Activities.

The Solano HCP is mandatory for all Plan Participants and third-party applicants.¹

The following sections describe the costs (and assumptions supporting the costs) for administering and implementing the conservation program, funding sources and assurances, and an analysis of funding adequacy.

¹ Eligible third parties include individuals and public and private institutions and companies who fall under the direct regulatory control of one of the Plan Participants for a Covered Activity.

11.1 COST ANALYSIS

Tables 11-1 and 11-2 summarize the costs for implementing, monitoring, and reporting the conservation measures as described in this HCP. Administrative costs will be paid through a combination of general fund operating budgets (primarily for administrative expenses related to currently staffed positions) and user-based fees. Avoidance and minimization requirement (Section 5.0), conservation measures, and adaptive management, monitoring and reporting will be funded by user funded/purchased habitat mitigation, user-based fees, and grant funds from state, federal, and other sources to the extent that such funds can be obtained. Approximately 13,042 acres of habitat for Covered Species are expected to be converted to urban uses as a result of Covered Activities over the next 30 years (the term of the Solano HCP), yielding an annualized loss of 435 acres per year. Actual conversion rates will likely be higher (e.g., build-out will occur faster than 30 years), resulting in an annual surplus that will need to be banked for future years. Funds available in any given year, however, will be dependent on the availability of funds derived from impact fees.

11.1.1 Program Administration

Section 10.2 describes the basic administrative requirements for each Plan Participant. SCWA is taking the lead role for administering and reporting the Solano HCP (see Section 10.2.1 for basic duties and responsibilities). SCWA has committed the equivalent of one full time position for the 30 year term of the HCP. That full time equivalent position will fund a lead SCWA scientist, support staff and supervision by the General Manager, and is valued at \$100,000 per year. Additional funding, to be obtained from users fees, will be required to maintain the comprehensive data base and reporting program. Table 11.1 projects the costs for annual report preparation and data base management through the initial set-up and trial, baseline monitoring, and long term monitoring periods.

While local municipal Plan Participants will have primary responsibility for determining mitigation requirements, assuring compliance, and granting third-party Incidental Take permits, these activities are already part of each city Plan Participant's responsibilities under CEQA for review and approval of projects. As stated previously, each Plan Participant city is expected to administer the HCP through their respective planning departments. Standardized reporting, collection and distribution of impact fees, where applicable, and general HCP coordination and management will result in increased administrative costs for each Plan Participant. The level of increased costs will vary between Plan Participants. Each Plan Participant is expected to add these costs to the current fees charged for project review.

For the initial user fee assessment, an additional \$150,000 per year is projected to be required by the Plan Participants for HCP administration and reporting. Additional administrative costs to implement the Good Neighbor Policy (see Section 10.5.6), operate the various Advisory and Regulatory Committees, employ periodic independent scientific review (if needed), provide general public education and outreach, and other miscellaneous implementation costs are also shown in Table 11-2. Total average annual costs to administer the HCP, conduct monitoring, and provide payments into the required endowments is estimated to be \$1,637,529 (Table 11-2).

11.1.2 Costs for Fee-Based Conservation

The Solano HCP include four, fee-based conservation measures: a contingency fee to address new disease and exotic species (Conservation Measure LAN 11), water quality/urban runoff and wastewater discharge fee (Conservation Measure CM 1); Swainson's hawk known nest protection fee (Conservation Measure SH 7), and burrowing owl known nest protection fee (Conservation Measure BO 4). These fees are to be used for a variety of conservation activities, including habitat acquisition, exotic species control, or other conservation actions as determined by the Solano HCP Advisory Committee and Resource Agencies. The amount of annual funding will vary, depending on the pace of development.

Conservation Measure LAN 11. Conservation Measure LAN 11 establishes a contingency fund to address the potential effects of new diseases and/or invasive species on Covered Species. The fund is budgeted at an average of \$25,000 per year (Table 11-2).

Conservation Measures CM 4. Funding for implementation of water quality/urban discharge measures is budgeted at \$50,000 per year. This amount will provide funding to treat an estimated 100 to 170 acres per year or 3,000 to 5,000 acres over the life of the HCP, assuming costs of \$300 to \$500 per acre for treatment (costs based on control of invasive *Spartina* [Entrix, Inc. 2004]). Fees will be collected by each Plan Participant and transferred to SCWA for funding and administering the invasive species control grant funding program.

Conservation Measure SH 7 and Conservation Measure BO 4 Known Nest Protection. Conservation Measures LAN 11 and CM 1 are broad-based fees required for all development. Conservation Measures SH 7 and BO 4 are directed to specific project impacts (e.g., projects affecting known nests will be required to fund the conservation program). These measures establish a fee to fund the protection of known nest sites for both species through short-term conservation easements.

11.1.3 Costs for Monitoring and Adaptive Management

Monitoring and adaptive management costs are summarized in Table 11-1. Costs/budgets are provided for the 1) initial implementation and trial period (HCP authorization, Year 0 through Year 4, or 5 years total); 2) the 10 year baseline inventory period (years 5 through 14); and the long term compliance monitoring period (years 15 through 30). In the initial five years, the total budgets for various monitoring studies/elements are shown. During this initial trial period, most studies will be conducted once to assess effectiveness and establish appropriate parameters/sample sizes to achieve desired confidence levels.

During the baseline study period, annual budgets for each element are provided. Long term budgets are also projected on an annual basis; however, most studies will be conducted once every five years, thus the costs for the 5-year rotation studies are five times the annual budget. Section 7.0 describes the monitoring requirements for these studies.

Adaptive management/directed research studies to address unknowns and data gaps will be funded through a grant program, similar to that currently operated by SCWA and the Bureau of Reclamation.

The initial budget for this program is estimated at \$50,000 per year for the first five years, \$75,000 per year for years 5 through 14, and \$85,000 per year for the remainder of the HCP.

In-perpetuity reserve monitoring and management will be funded through non-wasting endowments. As projected in Table 11-2, the total endowment (in 2009 dollars) is projected to be \$9,080,000, excluding interest, for in perpetuity monitoring and \$6,000,000 for management activities. These endowments would yield \$227,000 per year for long term monitoring (see Table 11-1 for projected costs) and \$150,000 per year for adaptive management, assuming an average return of 2.5 percent¹ (Note that this adaptive management budget provides a supplemental resource to the long term management endowments required for all reserves/mitigation site). These funds would not be utilized until the endowment is fully funded for one year (e.g., the end of the term for the HCP).

Table 11-2 summarizes the costs for baseline studies, long term effectiveness monitoring, and directed studies for adaptive management. Fees are also included to cover stipends and certain costs for the Advisory Committee and for periodic, independent scientific review and analysis.

In addition to the long term funding derived from development fees, SCWA has also committed to matching funds for the Section 6 grants, \$285,334 for Planning and \$265,367 for Recovery Land Acquisition in 2006, and an additional \$25,000 per year for continuation of ongoing Endangered Species Conservation studies through 2008.

11.1.4 Contingency

A 20 percent contingency fee has been included in the overall base fee program to address unexpected costs and to provide additional funds if remedial actions are required.

11.2 FUNDING SOURCES AND ASSURANCES

Primary funding for establishing reserves will result from the land acquired for mitigation and the fees paid to commercial and institutional mitigation banks. These actions include the purchase or protection of lands through conservation easements and management and monitoring in perpetuity. The Plan Participant or third-party applicant, seeking coverage under the Solano HCP/2081 Incidental Take permits, will be responsible for compliance on these reserve lands. Funding sources for administration of the HCP/2081 agreement and the comprehensive monitoring and adaptive management program under the HCP will be obtained through Plan Participant general fund and user-based fee commitments.

In addition to administrative/mitigation fees and general funds, the Plan Participants will also seek outside grant funding from the State and federal governments and private institutions and organizations. Grant funding would augment reserve acquisitions and fund directed studies to help resolve uncertainties in Covered Species and the natural community's ecology and management. The current base funding does not include any monies from outside sources.

¹ The average annual budget shown on Table 11-2 is the amount necessary to be deposited into the endowment accounts in order to reach the required endowment during the life of the HCP that will yield the required for the in perpetuity annual funding of \$227,000 for long term monitoring and \$150,000 for management.

11.2.1 Fee Collection

Fees for administrative cost reimbursements, adaptive management and monitoring, and contingencies and for fee-based conservation programs (see Section 10.9.1.2) will be collected by the individual Plan Participant serving as the lead agency for the proposed action. That lead agency will retain the applicable portion of the administrative fee due to that agency. The remainder of the funds will be forwarded to SCWA as the lead agency for implementation of the HCP.

The recommended application fee to address these various costs is about \$3,767 per acre (in 2009 dollars) (see Table 11-2 for breakdown). While this fee is substantially lower than other regional conservation programs, most of the costs for implementing and managing the conservation program, including land acquisition is being borne directly by the users (Covered Activity Applicants) through purchase of credits at established mitigation banks, direct acquisition of lands, and payment of fees for required management and monitoring programs on established reserves.

11.2.2 Fee Adjustments

Fees for administrative costs and conservation actions will be reviewed and adjusted once a year by SCWA or as necessary if unexpected changes in costs arise. Fees will be adjusted to account for inflation and changes in land values. Fee changes will be based on a review of various indices such as the Consumer Price Index (CPI) for the San Francisco Bay Area. Fees, particularly for reserve land acquisition, if needed, will be further reviewed and adjusted based on factors such as changes in median prices for home sales in Solano County. This index better reflects land prices that, at least in recent times, have risen faster than the CPI for this region.

11.3 FUNDING ADEQUACY

The Plan Participants will annually review ongoing costs for administration and management of the HCP. This annual review will include a review of the adequacy of fees and the status of reserve system development with respect to of the pace of urban development/habitat loss. The Plan Participants will also annually review the costs of ongoing reserve management with respect to the cost assumptions contained in the required management plans and endowment funds established for long term management. As stated above, mitigation bank sponsors or private entities proposing to dedicate mitigation lands will be primarily responsible for the cost for developing management plans and funding the endowments. If significant short-falls in funding are anticipated, alternative sources of funding, including increased base fees or reallocation of impact fees, may be required.

The amount of funding available each year depends on the amount and extent of development, as the primary source for HCP funding is a development/user fee. The budget assumes a constant, average 435 acres of development per year for all applicants. In reality, development rates will vary with more development occurring in some years and little to no development occurring in other years. Administration of the HCP anticipates such fluctuations in available funding. Many of the initial monitoring trials and local conservation programs that contribute to recovery objectives (e.g., invasive species control programs) anticipate two to five years for completion following adoption of the HCP. This timeframe allows sufficient impact fees to accumulate for funding required studies/plans. Similarly, baseline monitoring is scheduled to begin in year 5 in order to allow preliminary trials to be completed and funds to be accumulated to implement the full baseline

monitoring program. Any fees acquired in excess of annual costs will be banked in secure, interest bearing accounts.

All collected funds will be ear-marked for designated activities. All collected funds will be deposited in special, interest bearing accounts and an annual financial review of the funds will be prepared for the semi-annual review discussed above. If insufficient funds are available in any given year, it may be necessary to skip a monitoring or full funding cycle for directed studies. Any such schedule changes will be made in consultation with the Resource Agencies and Advisory Committee. In years when excess funds are collected, additional funds will be banked to offset years when funding falls below average projections. Although monitoring or directed study budgets may be periodically postponed or modified, all habitat conservation actions will be implemented prior to or concurrent with impacts (e.g., the “stay ahead” commitment [see Section 10.5] will remain in effect).

As described in Section 10.5.1, each established reserve (mitigation bank or private land dedication for mitigation) must have an approved management plan and funding mechanism for long term management and monitoring. The minimum standards for reserves require that long term funding be determined through use of a standardized procedure such as Property Analysis Record or PAR (Center for Natural Lands Management 2004). To ensure proper funding and consistency, Plan Participants will provide basic standards for PAR costs, including minimum labor rates, materials costs, monitoring costs, and interest rate return. Plan Participants will also periodically audit reserve management expenses to ensure actual costs are consistent with those included in the PAR. If discrepancies are identified, adjustments in the endowment will be required.

Table 11-1: Summary of Annual Monitoring Budgets by Implementation Phase

Table 11-1 cont.

**Table 11-2: Summary of Implementation Annual and Total Budget and Zone 1
Development Application Fee Calculation**