

## **Exhibit F – Program Account: *Financial Accounts, Fee Schedule, and Financial Reporting***

### **FINANCIAL ACCOUNTS**

Upon establishment of the ILF Program, the Program Sponsor will establish a dedicated ILF Program Account for the management and administration of funds received from the Transfer of Advance Credits, and will establish separate Sub-Accounts within the Program Account, as described in Sections IV.B. and V.E. of the Instrument. This will be accomplished through the following systems and tools:

***Deltek-Costpoint:*** The term “funding sources” is used to describe the various uniquely-identifiable financial accounts under its management. These funding sources are established within the Program Sponsor's accounting system (Deltek-Costpoint) as Funding Source Projects (FSPs). Each 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 ILF 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 the Program Sponsor's project management database for all recipient ILF Projects, each of which is assigned a unique identifying code distinct and different from an FSP code. Third parties performing work on ILF Projects as part of the ILF Program will have their progress tracked and their disbursements processed through the EasyGrants system.

### **Financial Investment**

Funds in the Program Account will be invested pending disbursement in accordance with the Program Sponsor's then-prevailing investment policy statement on cash management, which at all times will be available for review upon request by the IRT. The Program Sponsor believes this is the appropriate investment strategy for Program Account funds since the funds will generally be expected to be disbursed or obligated within three years of receipt. Accordingly, the 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.

### **Administrative and Program Management Fee**

A percentage of each Advance Credit Transfer will be assessed and collected by the Program Sponsor as an administrative fee for the general administration of the Program, which includes tasks associated with the planning and operation of the overall ILF Program, which may be performed by the Program Sponsor or by third parties under professional services contracts. These activities may focus on the overall ILF Program or may be associated with activities related to undifferentiated ILF Projects. They include, without limitation, the following:

- Fiduciary Functions
- Accounting Functions
- Investment Oversight
- Human Resources Management
- Office Management
- Internet Technology Management
- Contract Management and Oversight
- Internal and External Audits
- Agency Coordination
- Legal Support or Enforcement
- Stakeholder and Partner Coordination
- ILF Project Site Selection Process
- Reporting

As this is a programmatic ILF Program involving 29 Service Areas over 37 counties, the administration and management of implementing the Program will be significant. The Program Sponsor is a not-for-profit organization and cannot subsidize mitigation costs with staffing contributions or other funding sources. As such, the Administrative and Program Management Fee must fully cover all costs each fiscal year. As such, a 20 percent fee has been identified through financial modeling as the amount necessary to initiate and sustain the Program at the time of Authorization. It is anticipated that administrative costs may vary over time. An annual assessment of the per-credit Administrative Fee will be submitted to the IRT with the Annual Report.

### **Program Contingency Sub-Account**

Contingencies that may arise from time to time in implementing the Program, will be addressed using funds deposited into the Program Contingency Sub-Account. Contingency actions include, without limitation, the following: temporal adjustments in ILF Project implementation costs, serving as a financial security for ILF Project performance, and other actions associated with the ILF Program or individual ILF Projects. The use of these funds shall be subject to the approval of the IRT, based upon written proposals submitted by the Program Sponsor. The Program Contingency Sub-Account shall be tracked separately all other Sub-Accounts within the Program Account.

The Program Contingency Sub-Account shall be generated with a portion of each credit transfer fee and from interest as it accrues on the Reserve Fund account. A three million dollar (\$3,000,000) target, adjusted upward for inflation annually following establishment of the ILF Program, shall be placed on the Program Contingency Sub-Account. This target may be adjusted in writing if agreed to by all Parties. Funds in excess of the three million dollar limit may be used to fund or contribute to an ILF Project. Mitigation credits created with Program Contingency Sub-Account funds through the development and implementation of an ILF Project in a Service Area may be used to compensate for shortfalls in mitigation credits within the ILF

Program; should no mitigation credit shortfalls exist, the authorized credits would become unallocated Released Credits within the Service Area of the ILF Project.

### **Service Area-Specific Sub-Accounts and Unallocated Program Area Sub-Account**

ILF Projects will be developed and implemented with funds deposited into Service Area-specific Sub-Accounts and/or the Unallocated Program Area Sub-Account. ILF Project development and implementation activities include, without limitation, the following:

- Land Acquisition
- Project Planning and Design
- Technical Studies
- Construction
- Materials
- Labor
- Monitoring
- Long-term Management
- Securing a Conservation Easement
- Project Management, and
- Other costs necessary to complete ILF Projects.

### **FEE SCHEDULE**

Adequate funding is essential to the ILF Program's ability to function and to develop, implement, and provide for long-term protection of ILF Projects, and address contingencies. The ILF Program is intended to be fully funded by Advance Credit Transfers, and to the extent the Program Sponsor has invested its own resources in the development of the ILF Program, such investments will be recovered through a portion of the proceeds from Advance Credit Transfers. As such, Advance Credit prices will be based on a full cost accounting of expenses in accordance with the 2008 Rule.

There are numerous variables that affect ILF Project costs, including: the size and location of the ILF Project site, the land costs in that area, the acreage of habitat that may be restored, wetland type and complexity of restoration. Overall, large projects may have a high ILF Project price, but may result in a relatively low per-credit cost. However, the ILF Program is targeting restoration that has the greatest functional lift for each Service Area, and the type of ILF Projects may vary by location and by year. In addition, the variability in potential costs escalates as time between planning and implementation increases, based on the potential for lands costs, inflation, and market prices for labor and fuel to rise. As such, Advance Credit prices are conservatively priced to allow for implementation of highly complex restoration with low economy of scale. This will help prevent a shortfall in funding for implementation. In addition, an amount to address contingencies is included in the Advance Credit price to address unforeseen circumstances in ILF Project planning and implementation, and to buffer against unanticipated implementation costs over-runs.

The price structure for Advance Credits utilizes a baseline implementation cost figure, with adjustments in overall Credit costs based upon the Service Area and the number of Advance Credits purchased. The implementation cost for large scale wetlands restoration is one hundred thousand dollars (\$100,000) per acre for greater than 10 acres – as such, this is the baseline implementation cost. The implementation cost for vernal pool restoration is one hundred seventy five thousand dollars (\$175,000) per acre for greater than 5 acres – this is the baseline implementation cost for vernal pool restoration. The formula to generate the Advance Credit price and associated table of pricing is provided below:

$$\text{Baseline Cost}[BP] \times BP \text{ Multiplication Factor} \times \text{Administrative Fee} \times (\text{Baseline Contingency Amount [BCA] Allocation} \times BCF \text{ Multiplication Factor}) = \text{Advance Credit Price}$$

**Table 1. Aquatic Resource Credit Price Structure**

Total Credits Purchased	Baseline Cost	Baseline Cost Multiplication Factor	Administrative Fee	Baseline Contingency Amount	Baseline Contingency Amount Multiplication Factor*	High Volume Service Area Total Price	Low Volume Service Area Total Price
0-1	\$100,000	1.5x	20%	10%	2.5x -3x	\$195,000 -	\$200,000
1-5	\$100,000	1.5x	20%	10%	1.5x-2x	\$185,000 -	\$190,000
5-10	\$100,000	1.25x	20%	10%	1x	\$155,000 -	\$155,000
10+	\$100,000	1x	20%	10%	1x	\$130,000 -	\$130,000

\*Higher multiplier/price is attributed to "Low Volume Service Areas" where mitigation implementation is likely to be less frequent and involve greater contingency reserve.

**Table 2. Vernal Pool Credit Price Structure**

Total Credits Purchased	Baseline Price	Baseline Price Multiplication Factor	Administrative Fee	Baseline Reserve Fund Allocation	Baseline Reserve Fee Multiplication Factor	Total Price
0-1	\$175,000	1.5x	20%	10%	3x	350,000
1-3	\$175,000	1.5x	20%	10%	2x	332,500
3-5	\$175,000	1.25x	20%	10%	1.5x	280,000
5+	\$175,000	1x	20%	10%	1x	227,500

Credit prices will be re-evaluated bi-annually (every other year) with more frequent reviews/updates as necessary, and may be adjusted to ensure Advance Credit prices are adequate and appropriate given the objectives of the ILF Program. Adjustments in fee structure shall be submitted by the Program Sponsor for written approval by the IRT. Changes in Advance Credit pricing shall constitute a modification, but not a formal Amendment, as per Section VIII.B of the ILF Instrument

## **FINANCIAL ASSURANCES**

Financial assurances will be provided for ILF Projects and ILF Program operations. These include:

- ILF Project related financial assurances (e.g., contractor bonds, letters of credit, ); and/or
- ILF Program operational assurances (e.g., contingency funding Program-wide)

Advance Credit pricing shall be sufficient to fund the ILF Project and any required financial assurances. ILF Project generally will not begin to be implemented until all necessary funds for completion of the ILF Project have been collected, which minimizes the financial risk that an ILF Project will not be successfully completed. ILF Program operational assurances will be secured with funding from the Program Contingency Sub-Account.

## **ANNUAL REPORTING**

The Program Sponsor will submit Annual Program Reports to the IRT by December 31st. The annual reports will include the following information:

1. Full accounting of mitigation activities by date and by Sub-Account for each Service Area and Unallocated Program Area showing beginning and ending balances with the following information:
  - a. Advance Credits
  - b. Released Credits
  - c. Credit Transactions
  - d. Reserve Activity (including credit generation)
  - e. Permit and date information
2. Income from Advance Credit Transfers
3. All disbursements
4. Estimated fee adjustments
5. Summary of ILF Project status by Service Area
6. GIS mapping of Credit Transactions and ILF Project implementation
7. Adaptive management recommendations
8. Other information as deemed necessary by the IRT or the Program Sponsor

In addition, the Program Sponsor will submit ILF Project monitoring reports to the IRT annually for each project in the monitoring phase. ILF Project status will be provided in the annual report for all projects that have entered long-term monitoring phase.

All books, accounts, reports, files, and other records pertaining to the ILF Program shall be retained and made available at reasonable times for inspection by the IRT. The Program Sponsor shall conduct independent financial reviews of the ILF Program at a frequency consistent with the Program Sponsor's internal policies; the results of all independent reviews shall be provided in the appropriate annual report.