

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

### **FINANCIAL ACCOUNTS**

#### **ILF Program Account**

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. Funds deposited into the overarching ILF Program Account will subsequently flow into the following three types of sub-accounts, as applicable and as more fully described in Sections IV.B. and V.E. of the Instrument: (1) Service Area-Specific Sub-Accounts; (2) the Unallocated Program Area Sub-Account; and (3) the Program Contingency Sub-Account. The Sponsor will establish, maintain, and monitor the ILF Program Account and various Sub-Accounts using the following systems and tools:

***Deltek-Costpoint:*** The ILF Program Sponsor utilizes the term “funding sources” to describe all 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 Credit type within 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.

#### **Service Area-Specific Sub-Accounts and the 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. These Sub-Accounts shall be tracked separately from all other Sub-Accounts within the Program Account. The Service Area-specific Sub-Accounts and the Unallocated Program Area Sub-Account shall be funded with a portion of the price of each Credit Transfer as set forth in Tables 1 and 2 below. Funds from the

Transfer of Aquatic Resource Credits or Vernal Pool Credits within a particular Service Area will be deposited into the applicable Service-Area-specific Sub-Account for such Service Area. Funds from the Transfer of Unallocated Program Area Advance Credits will be deposited into the Unallocated Program Area Sub-Account. With respect to both Service Area-specific Sub-Accounts and the Unallocated Program Area Sub-Account, the funds on deposit will be used to pay for ILF Project development and implementation activities including, 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.

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

Contingencies that may arise from time to time in implementing the ILF Program will be addressed using funds deposited into the Program Contingency Sub-Account. The Program Contingency Sub-Account shall serve as a reserve fund and financial security for the Program. Contingencies that may be addressed through funding from the Program Contingency Sub-Account may include, without limitation, such circumstances as funding unanticipated costs associated with ILF Project implementation, funding to accelerate ILF Project implementation to address temporal concerns, and other unforeseen funding needs. 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 from all other Sub-Accounts within the Program Account.

The Program Contingency Sub-Account shall be generated with a portion of the price of each Credit Transfer as set forth in Tables 1 and 2 below, and from interest as it accrues on the Program Contingency Sub-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 (\$3,000,000) target may be used to fund or contribute to an ILF Project. 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 Credits within the ILF Program; should no Credit shortfalls exist, the authorized Credits would become unallocated Released Credits within the Service Area of the ILF Project.

## **Financial Investment**

Funds in the Program Account and all Sub-Accounts 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. As between the objective to maintain purchasing power and the objective to preserve the principal of all Program Account funds, the latter (i.e., preservation of principal) shall take precedence in order to best ensure the financial security of the ILF Program.

## **FEE SCHEDULES**

As stated in the 2008 Rule, "The cost of compensatory mitigation credits provided by a mitigation bank or in-lieu fee program is determined by the sponsor." (See 33 CFR Part 332.8(o)(5) and 40 CFR Part 230.98(o)(5).) The Program Sponsor has determined that the prices for Advance Credits under the ILF Program are as set forth in the fee schedules provided in Tables 1 and 2 below.

The fee schedules are premised on the fundamental principle that 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. Therefore, the Advance Credit prices are intended to cover the full cost of Program expenses in accordance with the 2008 Rule. An additional critical factor is that the pricing of Advance Credits within an in-lieu fee program is, by necessity, based on modeling and estimates. (This reflects the very nature of in-lieu fee programs, in which funds are generated through Advance Credit sales *prior to* the identification and implementation of actual projects with actual budgets.) In an attempt to best ensure the financial viability of the ILF Program, the ILF Sponsor has established prices for Advance Credits that rest on conservative assumptions regarding the anticipated project costs, administrative costs, and contingency costs that will arise through the Program's operation.

The Advance Credit fee schedules include three components that will comprise the total price of an Advance Credit Transfer to be deposited into the ILF Program Account: (1) Base Price for ILF Project development, implementation, and long-term management and monitoring, which shall be deposited into the applicable Service Area-Specific Sub-Account or the Unallocated Program Area Sub-Account; (2) Contingency Amount for contingencies, which shall be deposited into the Program Contingency Sub-Account; and (3) Administrative Fee Amount, for general administration of the Program as described in this Exhibit F, which shall be assessed and

collected by the Program Sponsor. The collection of the Administrative Fee will be reflected as a debit from the ILF Program Account.

### **Base Price**

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 relatively 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. Therefore, the Base Price component of Advance Credit Transfers is established conservatively to allow for implementation of highly complex restoration with low economy of scale. This will help prevent a shortfall in funding for implementation.

The Base Price for Advance Credits is set forth in the applicable Tables 1 and 2 below. The smallest fraction of a Credit available for Transfer is one-hundredth (0.01) of a Credit. The formula and tables below reflect a price structure for Advance Credits that starts with the Base Price figure and then allows for a potential adjustment of that figure to account for the number of Advance Credits purchased in an individual Transfer. The implementation cost for large scale, non-vernal pool wetlands restoration may be as low as one hundred thousand dollars (\$100,000) per acre for projects greater than 10 acres – as such, this is treated as the lowest potential Base Price for a Transfer of greater than 10 Aquatic Resource Advance Credits. The implementation cost for vernal pool restoration may be as low as one hundred seventy-five thousand dollars (\$175,000) per acre for projects greater than 5 acres – as such, this is treated as the lowest potential Base Price for a Transfer of greater than 5 Vernal Pool Advance Credits.

### **Contingency Amount**

A portion of the price of each Advance Credit Transfer, as set forth in Tables 1 and 2 below, will be deposited into the Program Contingency Sub-Account to address contingencies in the Program and individual ILF Project development and implementation. The Contingency Amount ranges from 10% to 30% of the Base Price as defined more specifically in the Tables.

### **Administrative Fee Amount**

A portion of the price of each Advance Credit Transfer, as set forth in Tables 1 and 2 below, 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. The Administrative Fee Amount ranges from 15% - 20% of the Base Price, subject to a minimum floor of ten thousand dollars (\$10,000), as defined more specifically in the Tables. Administrative tasks funded with the Administrative Fee Amount may be performed by the Program Sponsor or by third parties under professional services contracts.

The 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. Therefore, the Administrative Fee must fully cover all costs each fiscal year, including certain fixed administrative costs that are associated with each Credit Transfer regardless of size, as well as other fixed and variable costs of administration and management of implementing the Program. The Administrative Fee Amount was sized by the Program Sponsor in a manner that attempts to account for all of these costs.

## Advance Credit Pricing Tables

**Table 1. Aquatic Resource Credits**

A	B	C	D	E	F
No. of Credits Purchased	Unit Price Per Credit	Base Price (\$) (# Credits x B)	Contingency Amount (\$)	Administrative Fee Amount (\$)	Total Price (\$) (C + D + E)
0.01 – 0.50	\$150,000		(0.30 x C)	\$10,000	
0.51 – 1.00	\$150,000		(0.25 x C)	(0.15 x C)	
1.01 – 5.00	\$150,000		(0.20 x C)	(0.15 x C)	
5.01 – 10.00	\$125,000*		(0.15 x C)	(0.17 x C)	
10.01 +	\$100,000*		(0.10 x C)	(0.20 x C)	

\*Bulk-price discount to be applied *if applicable* for a particular Advance Credit Transfer

**Table 2. Vernal Pool Credits**

<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>
No. of Credits Purchased	Unit Price Per Credit	Base Price (\$) (# Credits x B)	Contingency Amount (\$)	Administrative Fee Amount (\$)	Total Price (\$) (C + D + E)
0.01 – 0.25	\$265,000		(0.30 x C)	\$10,000	
0.26 – 0.50	\$265,000		(0.30 x C)	(0.15 x C)	
0.51 – 1.00	\$265,000		(0.30 x C)	(0.15 x C)	
1.01 – 3.00	\$265,000		(0.20 x C)	(0.15 x C)	
3.01 – 5.00	\$220,000*		(0.15 x C)	(0.16 x C)	
5.01 +	\$175,000*		(0.10 x C)	(0.20 x C)	

\*Bulk-price discount to be applied if applicable for a particular Advance Credit Transfer

The price schedules set forth in Tables 1 and 2 above were developed through financial modeling, based on research and experience, and represent the anticipated Advance Credit prices necessary to fully cover ILF Program administration and implementation. The price schedules set forth the price range within which the Program Sponsor may offer Advance Credits. The Program Sponsor may on a case-by-case basis determine whether a particular transaction is eligible to receive the benefits of a bulk price discount set forth in Tables 1 and 2 above. If the Program Sponsor determines that a particular transaction is not eligible to receive the benefits of a bulk-price discount, the Program Sponsor may offer the Advance Credits at another (non- or less-discounted) price set forth in Tables 1 and 2 above, by providing at least five (5) working days' notice to the applicable IRT Agencies of such determination and price. Advance Credit price schedules 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. Program data and information will be collected and used to inform this process. Adjustments in the fee schedules shall be submitted by the Program Sponsor for written approval by the IRT. Changes in the Advance Credit price schedules shall constitute a modification, but not a formal Amendment, as per Section VII.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 was modeled to be sufficient to fund the necessary ILF Project(s) and any required financial assurances. An 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.