



AG + OPEN SPACE
SONOMA COUNTY

JOINT MEETING OF THE AG + OPEN SPACE ENDOWMENT SUBCOMMITTEES
OF THE FISCAL OVERSIGHT COMMISSION AND ADVISORY COMMITTEE

SPECIAL MEETING AGENDA

April 27, 2023 | 8:00 am

COMMITTEE MEMBERS PLEASE CALL IF UNABLE TO ATTEND

MEMBERS OF THE PUBLIC MAY PARTICIPATE VIA ZOOM OR IN PERSON

The April 27, 2023 Joint Meeting of the Sonoma County Ag + Open Space Endowment Subcommittees of the Fiscal Oversight Commission and Advisory Committee meeting will be held in person at Ag + Open Space's office located at 747 Mendocino Avenue, Santa Rosa, CA. The public may also participate virtually through Zoom.

Members of the public can watch or listen to the meeting using one of the two following methods:

1. **Zoom:** Join the Zoom meeting on your computer, tablet or smartphone by clicking:
<https://sonomacounty.zoom.us/j/98316944769?pwd=MURud1o3TDVRWStOSEF5Z2Z5MdeIzd09>

If you have the Zoom app or web client, join the meeting using the Password: 778144

Call in to meeting: Dial 1 669 900 9128. Enter meeting ID: 983 1694 4769

2. **In Person:** Members of the public may attend in person at Ag + Open Space's office at 747 Mendocino Avenue, Santa Rosa, CA in the large conference room.

PUBLIC COMMENT DURING THE MEETING: You may email public comment to Mariah.Robson@sonoma-county.org. All emailed public comments will be forwarded to all Committee Members and read aloud for the benefit of the public. Please include your name and the relevant agenda item number to which your comment refers. In addition, if you have joined as a member of the public through the Zoom link or by calling in, there will be specific points throughout the meeting during which live public comment may be made via Zoom and phone.

DISABLED ACCOMMODATION: If you have a disability which requires an accommodation or an alternative format to assist you in observing and commenting on this meeting, please contact Mariah Robson by email to Mariah.Robson@sonoma-county.org by 5:00pm Wednesday, April 26, 2023 to ensure arrangements for accommodation.

1. Call to Order

2. Agenda Items to be Held or Taken Out of Order; Off- Agenda Items

3. General Announcements Not Requiring Deliberation or Decision

4. Public Comment

The Brown Act requires that time be set aside for public comment on items not agendized.

5. Ag + Open Space Endowment Planning Attachment A

Sheri Emerson, Stewardship Manager

Julie Mefferd, Administrative and Fiscal Services Manager

6. Adjournment



MEMORANDUM

Date: April 13, 2023

To: Joint Ag + Open Space Endowment Subcommittee of the Fiscal Oversight Commission and the Advisory Committee

From: Sheri J. Emerson, Stewardship Manager and Julie Mefferd, Administrative and Fiscal Services Manager

CC: Misti Arias, General Manager

Subject: Staff Report for Joint Subcommittee Meeting of April 27, 2023

Purpose of the Joint Subcommittee

The purpose of this subcommittee is to review the current calculation for a long-term endowment to fund required annual easement and land stewardship, and related work, in perpetuity. The endowment fund balance calculation was recently revised by staff and the Center for Natural Lands Management. The subcommittee will also review and provide input into the funding and investment strategy necessary to achieve adequate annual earnings to support the required activities, prior to staff bringing the strategy to the Board of Directors this summer. This subcommittee will meet 2-3 times between April and May of 2023.

Background

The Sonoma County Agricultural Preservation and Open Space District (Ag + Open Space) was created and funded with a quarter-cent sales tax in 1990 by a vote of the Sonoma County electorate for a period of twenty years. The mission of Ag + Open Space is to permanently preserve the diverse landscapes of Sonoma County for future generations, including working farms and ranches, greenbelts and community separators between and around urban areas, natural areas and wildlife habitat, and land for public access and passive recreation. Four programs work together to implement the Vital Lands Initiative, Ag + Open Space's Board-adopted guiding policy document. Note that the four programs have been restructured slightly since adoption of the Vital Lands document, resulting in the formation of a new Community Resources Program and the Conservation Planning functions being allocated across all other programs. The Stewardship Policy further describes the organization's responsibilities associated with acquiring and stewarding both conservation easements and land.

April 13, 2023

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In November 2006, voters overwhelmingly approved Measure F, which reauthorized Ag + Open Space and extended the quarter-cent sales tax through 2031. Measure F began on April 1, 2011. Since its inception, Ag + Open Space has protected over 123,000 acres with an acquisition cost of \$438.9 million.

Establishment of an Endowment Fund to support ongoing land conservation responsibilities

The current Ag + Open Space sales tax funding measure, Measure F, is set to sunset on March 31, 2031, yet the ongoing stewardship responsibility (monitor and enforce conservation easements, address requested easement approvals and amendments, and manage fee-title owned properties) of Ag + Open Space will continue, in perpetuity. One mechanism to provide funding for this ongoing work is to establish an Ag + Open Space Endowment fund (Endowment), where annual interest earnings are used to support the ongoing required activities, but the principal balance remains untouched. This need for ongoing funding to support perpetual obligations is of critical importance for Ag + Open Space to fulfill its mission to “permanently protect the diverse agricultural, natural resource, and scenic open space lands of Sonoma County for future generations.”

Ag + Open Space staff recommends that an Ag + Open Space Endowment Fund be established, along with an Investment Policy that would allow for alternative types of investments with longer term maturities than what is currently allowed through the California Government Code. Staff would work with state representatives on appropriate legislative changes to allow for longer-term investments (and overall higher returns). Once established, the proposed Endowment Fund would be funded by Measure F sales tax revenues. Ag + Open Space would benefit from establishing the Endowment Fund as soon as is practically possible, through achievement of potential greater returns on investments.

Calculated Endowment Fund Balance Requirement

In 2013, the Center for Natural Land Management (CNLM), a non-profit tax-exempt organization that supports land conservation organizations and projects throughout the United States, including procedures needed to support their future, was contracted to calculate the amount of Endowment Fund principal needed to generate sufficient interest earnings to support the ongoing land protection activities of Ag + Open Space. The calculation that CNLM developed allows flexibility for real-time updates to consider any new easements and any fluctuations in administrative costs or other variables. In 2023, CNLM reviewed and revised this calculation to more accurately reflect anticipated changes to the protected lands portfolio by 2031, and related Ag + Open Space costs. The most recent revision of the calculation determined a need for \$41 million in contributions to the Endowment Fund if the average interest earnings achieved were at 6%, \$62 million in contributions to the Endowment Fund if the average interest earnings achieved were at 4%, and \$124 million in contributions if the average interest earnings were at 2%.

Enclosures

We have enclosed the following background materials for your review in preparation for the meeting on April 27.

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- Ppt slides from 4.5.23 meeting
- CNLM Report/Revision of AOS Endowment Fund Calculation



**AG +
OPEN
SPACE**
SONOMA COUNTY

LAND FOR LIFE

A wide-angle photograph of a coastal landscape. In the foreground, there is a field of dry, golden-brown grass. A person in a blue shirt and dark pants stands in the middle ground, looking out over a large body of water. The background shows a flat expanse of land with some distant structures and mountains under a blue sky with scattered white clouds.

Joint Meeting of the Ag + Open Space Endowment Subcommittees of the Fiscal Oversight Commission and Advisory Committee

April 5, 2023

MEETING AGENDA

- Purpose of the Subcommittee
- Background
- Subcommittee Workplan
- Introduction to the Endowment Fund Balance Calculation
- Next Meeting



ENDOWMENT SUBCOMMITTEE



- The purpose of this subcommittee is to review the current calculation for a long-term endowment to fund required annual easement and land stewardship, and related work, in perpetuity. The endowment fund balance calculation was recently revised by staff and the Center for Natural Lands Management.
- The subcommittee will also review and provide input into the funding and investment strategy necessary to achieve adequate annual earnings to support the required activities, prior to staff bringing the strategy to the Board of Directors this summer. This subcommittee will meet 2-3 times between April and May of 2023.

35,825

ACRES
OF LAND
SUITABLE
FOR
GRAZING

45

NEW PARKS
+
PRESERVES

17

MOUNTAINS
+
RIDGETOPS

77

PROPERTIES
PRODUCING LOCAL
CROPS, DAIRY
PRODUCTS, & WINE

14,332

ACRES
OF
REDWOOD
FOREST

OVER **122,000**
ACRES EQUIVALENT TO 12%
OF THE LAND IN
SONOMA COUNTY

99 MILES
OF STREAMS THAT
ARE HOME
TO ENDANGERED
SALMON & TROUT

5,911

ACRES OF
WETLANDS +
RIPARIAN HABITAT

OVER **95**

MILES OF
TRAILS OPEN
TO THE PUBLIC

57%

OF PROTECTED
PROPERTIES
WITHIN
COMMUNITIES
OR
SURROUNDING
GREENBELT
AREAS

64,898

ACRES OF
NATIVE
OAK WOODLAND
+ FOREST

38

COMMUNITY
OPEN SPACE
PROJECTS
IN CITIES +
UNINCORPORATED
COMMUNITIES

**64,823 ACRES IN THE
RUSSIAN RIVER WATERSHED,
A CRITICAL
DRINKING WATER SOURCE**

**6 LOCATIONS
PROVIDING
PUBLIC ACCESS
TO THE
RUSSIAN RIVER**

WE ARE COMMITTED



- Ag + Open Space will be pursuing reauthorization and anticipates a new sales tax measure will be approved by the voters of Sonoma County, prior to the sunset date for Measure F.
- To ensure that Ag + Open Space can keep its commitment to the voters - that acquired easements and land will be protected forever - we need to plan for a perpetual funding source for the stewardship of those real property interests.
- We propose establishing an endowment fund that earns enough interest to support the annual cost of Ag + Open Space's ongoing land conservation work.

BACKGROUND

- 1990 – Measures A and C
- 2001 – Nichols Berman calculation, Stewardship Reserve Fund established
- 2006 – Measure F
- 2007 – Measure F Sales Tax Revenue Bonds
- 2011 – Open Space Authority transitioned to the Fiscal Oversight Commission
- 2013 – Center for Natural Lands Management calculation
- 2015 – Bond debt restructured, Fiscal Oversight Commission Minute Order 13
- 2017 – 2020 fires and flooding, pandemic begins
- 2021 – Vital Lands Initiative
- 2023 – Center for Natural Lands Management revisions to calculation
- 2023 – Macias, Gini and O’Connell funding and investment strategy
- 2024 – Bond debt repayment period ends
- 2031 – Start of new sales tax measure

SUBCOMMITTEE WORKPLAN

Meeting 1 – April 5

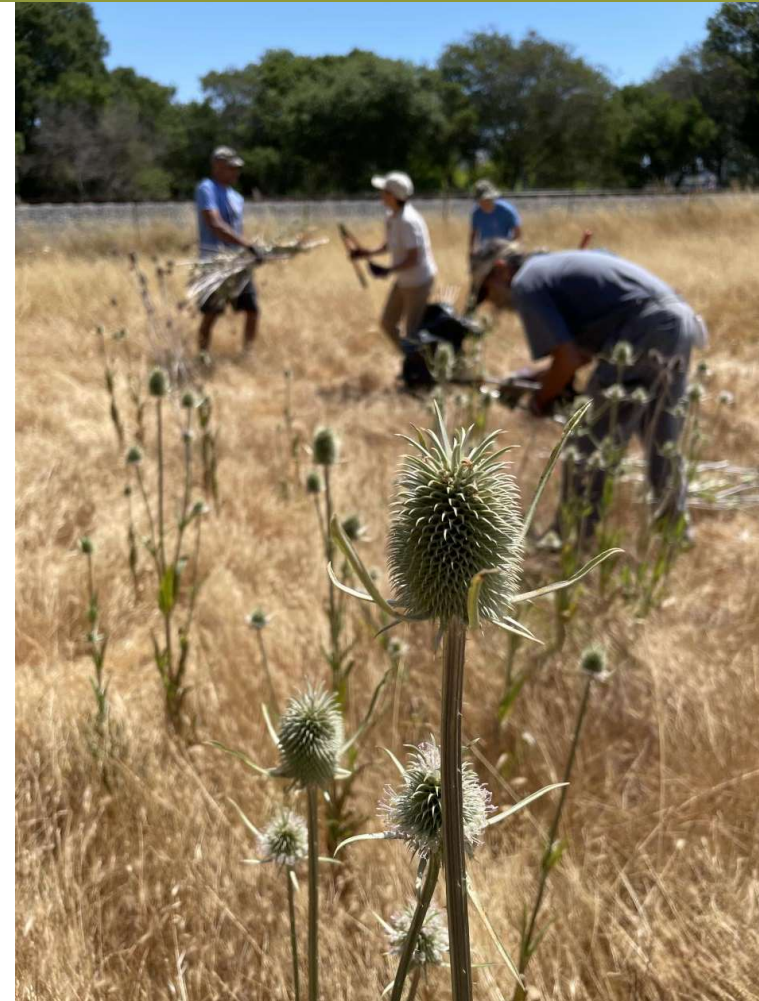
- Background information, Subcommittee Workplan
- Introduction to Calculation

Meeting 2 – late April

- Review details of Calculation
- Introduction to Funding and Investment Strategy

Meeting 3 – early May

- Discussion of Funding and Investment Strategy
- Recommendations



CALCULATION MODEL



- Stewardship Reserve Fund balance calculation was developed in 2013 by Center for Natural Lands Management, working closely with Ag + Open Space Stewardship and Administrative staff.
- In the years since, AOS has revised the model using experience-based actual costs, current portfolio of easement ownership units and fee title properties, and updated costs and staffing structure. CNLM has recently reviewed and revised the model.
- In addition, since the fund will support AOS operations in perpetuity, and will function as an endowment rather than a reserve, it was renamed the Ag + Open Space Endowment Fund.

MODEL COMPONENTS



- Estimated annual cost for **Easement Stewardship**
(using revised calculator)
- Actual annual cost for **Fee Land Management**
(average annual cost over past 3 fiscal years, includes staff time and contract services)
- Actual annual cost for **Legal Services**
(average annual cost over past 3 fiscal years for services provided via County Counsel)

**Entire fund balance remains available for legal defense costs (in case of litigation relating to an easement)

MODEL SCENARIOS

Two Scenarios

- Calculate estimated annual costs based on current **(2023)** protected lands portfolio
 - 330 easement ownerships
 - 1300 acres fee land (12 properties)
- Calculate estimated annual costs based on projected **2031** protected lands portfolio
 - 450 easement ownerships
 - No fee land properties



CALCULATION WORKSHEETS



NEXT STEPS

Before next meeting:

- Review calculation model

Next meeting (late April):

- Discuss calculation
(Center for Natural Lands Management staff will attend)
- Introduction to funding and investment strategy

Third meeting (May):

- Discuss funding and investment strategy in more detail
(Macias, Gini, and O'Connell staff will attend)



Questions and Discussion

DRAFT

**Review of Sonoma County Agricultural Preservation and Open Space District's
Endowment Fund Calculation and Model**



Prepared for: Sonoma County Agricultural Preservation and Open Space District

Prepared by: Center for Natural Lands Management

Deborah L. Rogers, PhD, Co-Executive Director & Director of Conservation Science
and Stewardship

Michelle Labbe, MS, Conservation Analyst

Draft: February 06, 2023

Revised: March 29, 2023

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Attachment A. Administrative Cost Inclusions

Attachment B. Ag + Open Space Endowment Fund Model – Current Scenario (2023)

Attachment C. Ag + Open Space Endowment Fund Model – Future Scenario (2031)

I. Introduction

Funding for Sonoma County Agricultural Preservation and Open Space District (“Ag + Open Space” or “AOS”) acquisition, stewardship of conservation easements, and management of fee title properties has been provided from diverse sources, but primary funding is from Measure F in which voters approved a ¼ cent sales tax to support AOS activities. Measure F will sunset in 2031 and, because there is no guarantee that the voters will reauthorize the sales tax beyond the sunset date, AOS has established a reserve fund to pay for costs associated with the perpetual stewardship of the easement ownership units and management of fee title properties in its real estate portfolio. In 2015, in preparation for the 2031 sunset of Measure F, AOS, with support under contract from the Center for Natural Lands Management (CNLM), undertook the calculation of perpetual funding (Stewardship Reserve Fund) required to meet its responsibilities on its current and anticipated 2031 portfolio. In the years since, AOS has revised the model using experience-based actual costs, their current portfolio of easement ownership units and fee title properties, and updated costs and staffing structure. In addition, since the fund will support AOS operations in perpetuity, and will function as an endowment rather than a reserve, it was renamed the Ag + Open Space Endowment Fund. To ensure that their model and calculator and data assumptions were appropriate and comprehensive, AOS engaged CNLM to conduct a review. A contract was initiated in November 2022 for this purpose.

A. Objectives

1. Review the current Ag + Open Space Endowment Fund Model (2022) provided by AOS and test assumptions and model elements for accuracy, appropriateness, and inclusiveness relative to AOS interests
2. Review the model for two scenarios: the current (2023) and future (2031) portfolios and conditions, with portfolios described as follows:
 - Current protected lands portfolio (330 easement ownerships and 12 fee land properties)
 - Future Portfolio (450 easement ownerships and 0 fee land properties)
3. Repopulate the two Ag + Open Space Endowment Fund models according to new assumptions, decisions, and revised data
4. Provide the two models (“fund calculator” spreadsheets), documentation of decisions discussed with AOS, and guidance for model updates and revisions

B. CNLM Qualifications

The Center for Natural Lands Management (CNLM) was founded in 1990 as a 501(c)(3) organization with the mission to protect sensitive biological resources through professional, science-based stewardship of mitigation and conservation lands in perpetuity. Specifically, CNLM’s founder saw a need at that time for a professional nonprofit organization that could responsibly manage mitigation-

related funds and valuable conservation lands that were the result of state and federal mitigation processes. Today, CNLM owns, manages, or protects with conservation easements over 100 preserves—most of which are the result of mitigation. In conjunction with those perpetual responsibilities, CNLM also manages a large portfolio of preserve-specific endowments with *Commonfund* as its investment manager. Commonfund is the same organization that works with the National Fish and Wildlife Foundation to assist with the management of endowments that have been entrusted to them. CNLM is currently accredited by the Land Trust Accreditation Commission (LTAC), having first been accredited in 2010.

Determining, developing, and setting aside appropriate and sufficient financial resources for perpetual stewardship is a hallmark of CNLM's objective to satisfy intergenerational equity concerns. As part of CNLM's standard project evaluation, due diligence, and determination of costs for perpetual management process, they conduct a Property Analysis Review (PAR) for each property. CNLM created the PAR process and program (now an 'app') and has employed it on more than 200 mitigation and conservation properties involving contract management, title in fee, and via conservation easements. Their Board (of Directors)-approved investment policy ("Investment Policy") guides the management of CNLM's portfolio of invested funds. Their Investment Policy and resultant practices are compliant with both *Uniform Prudent Management of Institutional Funds Act (UPMIFA)* and the LTA Standards and Practices. They emphasize principles of prudent investing and diversification which govern investment decisions.

The two CNLM staff directly involved in providing this service to AOS are Deborah L. Rogers and Michelle Labbe. Deborah is CNLM's Co-Executive Director and Conservation Science and Stewardship Director and has been a member of CNLM's senior staff since 2006. She oversees all CNLM property acquisitions, guiding them through their due diligence and cost analysis (PAR) process (www.cnlm.org/about-cnlm/senior-staff/). Michelle Labbe has served as Conservation Analyst for CNLM since 2013. Michelle has conducted CNLM conservation easement and biological monitoring and has completed and reviewed numerous PAR analyses as well as managed the transition of CNLM's PAR program to a cloud-based application (www.cnlm.org/about-cnlm/staff/). Both Deborah and Michelle were instrumental in the original 2015 AOS Stewardship Reserve Calculation.

II. Process

The approach taken to reviewing the 2022 Ag + Open Space Endowment Fund Model and data reflected four principles: appropriate due diligence, comprehensive assessment of all associated tasks and costs, allowance for uncertainty/change, and

use of appropriate financial parameters for the endowment calculation. We evaluated 1) the model structure and 2) the specific data used to populate the model.

The following is documentation of the process for this (2023) review:

A. Document and Data Review

Documents and information reviewed by CNLM included:

- Ag + Open Space Stewardship Reserve all in one revision for 2022
- Ag + Open Space FY22-23 Organizational Chart
- Ag + Open Space Fee Lands Strategy Update, February 2021
- Ag + Open Space Weighted Rates FY 22-23
- Ag + Open Space Overview of the Stewardship Reserve Calculation
- Ag + Open Space Stewardship Policy, February 2021
- Ag + Open Space Annual operating expenses
- Vehicle annual maintenance costs (J. Medford, pers. comm., Jan 18, 2022)
- Draft Report on Stewardship Reserve Requirement Revision (CNLM, 2015)
- Land Trust Alliance (LTA) Standards and Practices (2017)

B. Discussion of Key Assumptions

We met several times with AOS staff to discuss assumptions and specific data and costs of the 2022 Ag + Open Space Endowment Fund balance model and calculation and we documented all changes, decision points, and rationales. A result of these discussions was the determination that we would create two models to represent the (1) Current (2023) portfolio and (2) Future portfolio, which would allow for the endowment calculation to more accurately reflect the specific conditions and portfolio compositions associated with these different target dates. The future date of 2031 was chosen as it is the sunset date of Measure F—a pivotal point for AOS stewardship funding and a primary target for endowment planning. AOS advised that their projected portfolio in 2031 is anticipated to consist of 450 conservation easement ownerships and 0 fee title properties.

Other assumptions discussed that relate to the model components and their values are as follows:

- *Land Trust Alliance (LTA) Standards and Land Trust Accreditation Commission (LTAC) Accreditation Requirements.* AOS indicated that they intend to meet or exceed LTAC requirements for accreditation; therefore, we queried current Land Trust Alliance (LTA) standards and practices as an additional reference, as well as current accreditation requirements.
- *Administrative (or Overhead) Costs.* Components of administrative and organizational support are specific to an organization; there is no standard cost or rate for representing these costs. To support the discussion of what items to

include in the administrative costs group that would specifically support their organization, AOS provided a report of their operational costs (Attachment A). CNLM reviewed and discussed each component of this report with AOS staff. Items determined to be associated with support of stewardship activities and staff were retained in administrative cost group while items specific to stewardship costs were re-allocated as line items in the model(s). A further outcome from these discussions was the addition of funds to account for administrative staff support. Considering the array of staff positions that support stewardship staff (e.g., Human Resources, Accounting, Supervisors, etc.), portions of those support positions were assumed to combine for a total of 2.0 FTEs. As such, costs for two such staff positions were included in the Administrative Cost.

Items retained in the administrative cost group included:

- organization-level items (e.g., subscriptions);
- contracts (e.g., website host, specialists for use requests, etc.);
- County-required items/costs (e.g., insurance and accounting, risk management);
- union-required costs and fees (e.g., boots)

Items determined to be directly related to stewardship activities that were re-allocated as line items in the model(s) rather than bundled as part of administration costs:

- “transportation” (e.g., fuel, maintenance);
- signage (this was under consideration for admin cost group)

Based on the final administrative components and costs, AOS requested that an administrative rate be calculated using the Current (2023) Model data to allow for administrative costs to be represented as a rate in both the Current and Future models.

- *Transportation and Vehicle Costs.* The IRS mileage rate, which was used in the 2015 and 2022 models, was intended to include vehicle maintenance costs but does not account for the frequent maintenance schedule (every three months) required of County fleet vehicles. AOS expressed interest in calculating a bundled mileage rate that would account for actual maintenance costs and fuel. Data were not currently available to calculate this bundled mileage rate; therefore, we recommended adding the annual maintenance cost as a line item in the models. This assumption was applied to both the Current and Future Model.

Sonoma County has recently instituted an electric vehicle (EV) requirement and AOS will need to convert their fleet in the near future to be in accordance. Currently, the AOS fleet includes trucks, hybrids, and EVs. For the Future Model it was assumed that the AOS fleet would be 100% “Green” (plug-in or hybrid for trucks) and that the 2023 vehicle replacement cost will cover the transition.

Travel time and mileage associated with easement monitoring time, which had been accounted for in the 2022 “Adjustment” costs, were moved to the Portfolio costs and were modified to represent the proportion of easement units that would be monitored on-site each year. It was discussed that approximately 40% of sites would have on-site monitoring each year and that sites would be visited in rotation so that each site was visited in-person at least once every three years.

- *Legal Costs.* We discussed the three-year annual average (2019-2021) legal service fees as calculated by AOS (Account Code 51211). It was confirmed that legal service fees include (easement) use requests, enforcement, amendments, and other regular activities not associated with litigation. There was discussion around whether the average annual fees for that three-year period would be “representative” of such costs in the long term. It was decided that this was the best available estimate and would be updated over time as appropriate. It was confirmed that the “Legal Fund” (Account Code 51253) represents litigation-related costs (e.g., witness, experts) and was removed from the model(s) as it was determined by AOS that these costs should be managed separately and handled outside the model(s). This is because in the event of any extraordinary legal actions the Endowment could be used to satisfy the liability. To budget these costs beyond the existing funds would skew the model disproportionately against actual expected costs.
- *Portfolio Representation.* The size (i.e., categorized as small, medium, or large) and primary use (e.g., agriculture, open space) of a conservation easement has implications for easement monitoring time and other staff activities necessary to ensure easement compliance, all of which affect stewardship costs. In the 2015 model, we accounted for the additional on-site staff time needed for monitoring larger or more complex easements (i.e., time in addition to the “core” or “basic” easement unit) by categorizing all easement ownerships into size/type groups. However, the 2022 model revision was restructured to 1) include actual numbers of easements, rather than “core” easement unit that could be adjusted upon, and 2) incorporates remote monitoring so that only a portion of easements are monitored on-site each year (the 2015 model assumed 100% onsite monitoring each year). As such, it was determined that the “category adjustment” portion of the model could be removed, and that additional monitoring time required for larger sized units or those with certain uses could be accommodated in the Portfolio costs with a small increase in staff monitoring time per easement unit.
- *Proportional Representation of Stewardship Tasks (2031 Model).* It was assumed that the number of easement units designated for each stewardship task in the 2022 model (“Units per year”) would also apply to the Current and Future models. For the Current Model, the values remained the same, except for a correction in the number of units for easement monitoring; proportions were applied to the projected 2031 portfolio to populate Future Model data.

III. Results and Recommendations

A. Model Implementation and Changes to 2022 Model (for 2023 and 2031)

The decisions and assumptions described above were implemented to revise the 2022 Ag + Open Space Endowment Fund Calculation model structure to result in two models that represent the Current and Future target dates. The two target dates differ in portfolio and some specific costs. Those two models were then repopulated with data according to decisions made with AOS and data updates provided by AOS. Specific data and model structure revisions are detailed in this section.

- *Legal Costs.* An amount of \$250,000 replaced \$192,847 (2022 Model) to represent the three-year average annual Legal Service costs. The Legal Defense Fund was removed from the model.

Table 1. Legal services and litigation costs - Annual 3-yr average (AOS, April 2022)

Year	Account Type (Code)		Total Legal Costs
	51211 (Legal Service)	51253 (Litigation)	
2019	\$ 206,700	\$ 286,771	\$ 493,470
2020	\$ 294,906	\$ 366,035	\$ 660,941
2021	\$ 76,935	\$ 61,962	\$ 138,897
Total	\$ 578,541	\$ 714,767	\$ 1,293,308
Annual Average	\$ 192,847	\$ 238,256	\$ 431,103

- *Full-time Equivalent Hours (FTE).* Changed from 1880 to 1600 hrs.
- *Easement Monitoring.* The 2022 model included monitoring for 300 easement ownership units; 30 units were added to on-site annual easement monitoring tasks to account for the full 2023 portfolio of 330 easement ownership units.
- *Portfolio Category Adjustments and Easement Monitoring Time.* The size/type easement monitoring time adjustments were no longer relevant to the revised model structure and were removed as a model component. Additional time required for monitoring larger and/or certain use categories of easements was instead accounted for by including 1.5 additional hours of monitoring time per easement (both remote and on-site).
- *Transportation and Vehicles.* It was determined that three vehicles would be sufficient to meet stewardship responsibilities (changed from 3.85) and this assumption was applied to both the Current and Future model data. Data were not available to calculate a mileage rate that would also account for

maintenance; therefore, we included the five-year average annual maintenance cost (\$1,875 per vehicle/year) as a line item, in addition to the pre-existing vehicle maintenance cost represented by using the IRS mileage rate.

Travel time and mileage associated with easement monitoring (formerly in the 2022 “Adjustments” model component) were moved to the Portfolio costs and revised to reflect the proportion of easements that would be monitored on-site each year (~40%).

- *Labor Rates.* Model data (Current and Future) were updated to Fiscal Year 2022-2023 labor rates.
- *IRS Mileage Rate.* Model data (Current and Future) were updated to January 2023 IRS mileage rate (\$0.655/mile).
- *Administrative (or Overhead) Costs.*
 - Transportation (operational) costs: An item called “Transportation/operational costs” (see Appendix A) was removed from the administration determination and instead included in the “Portfolio” costs. This cost represents an actual, average annual (five-year average) per-vehicle maintenance cost (quarterly maintenance visits) as required for County fleet vehicles.
 - Administrative support: \$300,000 was added to account for the equivalent of two fully-burdened administrative staff.
 - Signage: This cost (\$4,000 per sign) was included in the original 2015 Model but had been removed in the 2022 revision and was considered an administrative cost. It was reintroduced to both the 2023 and 2031 models in the “Portfolio” costs using the 2015 assumption of replacement of 40 signs every 20 years.

Applying these changes, an administrative rate of 27.5% (rounded up to 28%) was calculated and used in place of itemized administrative costs.

Table 2. Determination of administrative rate based on Current Model (2023) data.

Annual administrative costs	Average annual costs	Administrative rate
\$617,032	\$2,242,748	28%

B. Current and Future Models

The revised Ag + Open Space Endowment Calculation models for the Current and Future Scenarios are provided as Attachments B and C, respectively. These models include all adjustments to the 2022 Model as discussed in Sections II and III and use the rates and data provided by AOS. The primary difference between the Future Model compared with the Current Model was the change to the AOS portfolio of easements and fee title properties.

Table 3 provides a summary and comparison of target endowments for the Current Model and Future Model. The endowments have been calculated for three different capitalization or “spend” rate rates (2%, 4%, and 6%). In principle, and as evident in Table 3, a higher capitalization rate reduces the endowment required to support annual AOS costs. AOS has indicated that their ability to able achieve these rates is dependent on a legislative change that will allow more flexibility in the investment and management of endowment funds.

Table 3. Comparison of endowment targets

Capitalization Rate	2023 Endowment – Current Portfolio	2031 Endowment – Future Portfolio¹
2%	\$143,038,887	\$124,379,211
4%	\$71,519,444	\$62,189,606
6%	\$47,679,629	\$41,459,737

¹2031 endowment target has not been adjusted for inflation

C. Caveats and Limitations

The largest single factor affecting the endowment amount needed to support ongoing AOS stewardship responsibilities is the “spend” or “capitalization” rate. This rate reflects not only (and primarily) assumptions about average long-term interest, but assumptions about effects of inflation and fund management costs. At present, the ability to assume a rate of 4% (or greater) is beyond AOS control and rests on the ability to acquire such authorization.

If the full endowment targets are not reached at such a time that their earnings are needed for stewardship operations, there should be some flexibility in expenditures that could help bridge the gap. These may be the result of additional efficiencies not yet incorporated into the cost calculations, reducing the scope of stewardship work plans, or postponing some tasks. However, such remedies may be limited by requirements (e.g., from County, State, or even LTAC—if compliance is desired). Examples of items that may be beyond AOS control include staff compensation, certain vehicle maintenance costs, and some equipment and staff work apparel.

D. Model Revisions and Data Updates

The impetus or “triggers” for revisiting and potentially revising the model and for updating the data include probable events (e.g., dates for significant events or decisions) or changes in the status or conditions of certain items, which have the potential to have significant impacts on costs. Some triggers may likely affect only the input data with no changes indicated for the model(s) itself (themselves), such as a change to reflect greater efficiency with a reduction in staff hours spent on a task. Others may be a trigger for revising the model—adding or removing certain elements or restructuring. Some, perhaps many, triggers may potentially affect both model structure and data. A list of some potential triggers or revision criteria has been included in Table 4 and elements are further explained below. Table 4 is not a comprehensive list, and if there is a need for more accuracy, a comprehensive review of structure and data should still be undertaken. However, Table 4 can be used as a guide to focus on certain costs or groups of costs, which have been identified as being subject to periodic change and could have particularly significant impacts on the costs analysis. In other words, Table 4 can be used as a “quick” check to determine whether an update or revision may be needed and to focus on items that are likely to have changed and are most impactful.

There is no particular recommendation for frequency of either revising the data or revisiting the model structure. The frequency may be inherent and specific to an item itself – for example, a change in AOS policy, Union agreements, or LTA or LTAC requirements. In some cases, it may be triggered by reaching a certain point in experience or management decision (e.g., sufficient experience with electric vehicles to revisit assumptions about costs). In some cases, a revision may be prompted by an important meeting for which the most recent endowment estimate is warranted. In any event, it is good practice to routinely (perhaps every other year) revisit the model and data even if not prompted by specific events or changes. This will help to reduce surprises and time needed for the revision when it is triggered. One such example is a review prior to the 2031 target date to allow time to respond if the endowment trajectory is not on track.

Table 4. Model revision and data update criteria

Criteria (changes to items)	Components	Action ¹
Inflation	<ul style="list-style-type: none"> • Effects on individual items or overall 	DU
Labor rate		DU
Staff restructure (activities conducted by different staff)		MU
Transportation modality (electric vehicles)	<ul style="list-style-type: none"> • Replacement • Maintenance 	DU
LTAC requirement changes	<ul style="list-style-type: none"> • Changes to principles and practices • Changes in Accreditation requirements 	BOTH
Administrative cost	<ul style="list-style-type: none"> • Composition • Item costs 	BOTH
Remote monitoring	<ul style="list-style-type: none"> • Continued or expanded use 	DU
Fee title transition to easement ownership or additional acquisitions	<ul style="list-style-type: none"> • Additions • Changes (e.g., fee to easement) 	DU
Union-mandated costs		DU
Legal cost structure/strategy		BOTH
Headquarters/staff work location and reporting structure (hybrid, remote, in-person)	<ul style="list-style-type: none"> • Administrative cost or structure • Transportation costs (point of origin for work) 	BOTH

¹ MR – Model revision; DU – Data update; BOTH – potentially both model revision and data update

After the target endowment is reached and stewardship activities are being funded by earnings on the endowment, inflationary effects would be assumed to be managed (at least to some extent) through the capitalization rate determination. However, the target itself is subject to inflationary effects. The amount shown (Table 3) for target endowments is represented in 2023 dollars. As such, all—or some, as appropriate—costs would need to be adjusted for inflation to provide a current endowment estimate in the future.

One approach to assessing an appropriate inflationary adjustment is to use the "CPI for All Urban Consumers (CPI-U)" data tables provided online by the US Bureau of Labor Statistics. Either the San Francisco (CUURS49BSA0) or the West Region (CUUR0400SA0) may be appropriate for Sonoma County. The inflation rate (inflationary adjustment) can be obtained by comparing the CPI number from the beginning of the period in question to the ending. For example, the inflationary adjustment from January 2020 through December 2022 would be:

January 2020 = 273.34

December 2022 = 314.599

$314.599 / 273.34 = 1.150944$ or a CPI adjustment (increase) of 15.1%

CPI for All Urban Consumers (CPI-U) <https://data.bls.gov/cgi-bin/surveymost?cu>

Legal costs are a significant component of the Current and Future Cost scenarios. Changes in the need for legal services (not including acquisition transactions) for easement defense, for example, could have large implications for costs.

Use of hybrid and electric vehicles is still a relatively new experience in stewardship practices. As experience grows, it would be prudent to review and recalculate annual maintenance, mileage, and replacement costs.

Land Trust Alliance (LTA) Standards and Practices have not been updated frequently. The first standards were developed in 1989 and were revised most recently in 2016-17 (<https://landtrustalliance.org/resources/learn/explore/2017-land-trust-standards-and-practices>). However, there are also accreditation requirements that are more specific and may be updated more frequently. Such changes may have implications for costs and possibly also model structure.

Changes in labor rates could have a large impact on endowment targets given the high proportion that labor costs represent of the total. There may be an inherent frequency of labor cost changes—resulting from routine increases in salary. Labor rates may also change due to changes in the staff positions that may fulfill various stewardship functions. As in the past, changes in technology may even cause paradigm shifts in how stewardship is conducted, leading to a need to revise model structure.

Remote monitoring is currently in a “pilot” phase. It may be appropriate to revisit the estimates of remote and on-site monitoring (units per year, staff time) once actual costs for the program and portfolio are better understood, if AOS changes parameters of the program, or if there is a change in LTA/LTAC guidance that AOS wishes to follow.

Given the substantial contribution of administrative costs to the AOS fund total, and the recent changes made to the bundle of costs and services represented by administrative costs, it is recommended that the components that comprise the administrative bundle be reviewed periodically to determine whether they are indeed comprehensive and if some costs should be removed and represented as individual line-item costs in the model(s).

Annual Operating Expenses

	AOS Annual	Stewardship Costs	Annual Cost Per FTE	Assumptions/ Descriptions
Building Costs	\$ 222,173		\$ 6,171	Relocate to smaller space
Insurance	37,169		1,032	
Accounting Audit Services (ACTTC)	60,230		1,673	Auditor controller direct charges
All consulting contracts		\$ 73,000		
Transportation	12,700		353	Only cost of operation of AOS vehicles
ISD Baseline	214,169		5,949	Information systems (IT) related charges
ISD DMP	6,810		1,000	Computer device replacement every 3-5 years
Telecomm	15,000		417	Phone system charges
Courier/mail	4,000		111	
Risk Mgt	8,909		247	Required county charges
Cost Plan Charges	77,702		2,158	Indirect costs of county services - based on total budget
ERP System Charges	91,616		2,545	Financial system charges
Memberships		500		
Boot Allowance			125	Replacement is based on MOU and classification
Minor Equipment/Small Tools	8,550		238	
Computer Software/Licensing	72,897		2,025	
Office Supplies	23,800		661	
			24,706	Assume 10 FTE
		73,500	247,060	
Administrative Staff (approx Equiv of 2.0 FTE)			300,000	
TOTAL ANNUAL COSTS (UNADJUSTED)			\$ 620,560	

Ag & Open Space 2023 Portfolio Model (Current Model-2023)

1. Projected Conservation and Open Space Easement Annual Costs	
PORTFOLIO LEVEL activities	
330 ownerships	\$ 1,243,042
2. Fee Lands (3-year average annual costs for currently owned properties)	
12 properties, 1351 acres	\$ 750,704
3. Legal Costs (based on 3-year average annual costs, 2019-2021)	
Legal Services	\$ 250,000
Total Stewardship Costs	\$ 2,243,746
ADMIN Rate (based on \$617,032)	28%
Total Admin	\$ 617,032
Total Average Annual Funding	\$ 2,860,778

Endowment Scenarios	
2% Capitalization Rate	\$ 143,038,887
4% Capitalization Rate	\$ 71,519,444
6% Capitalization Rate	\$ 47,679,629

PORTFOLIO-LEVEL ACTIVITIES (2023 Model)												
				Perpetual Costs								
Category	Task	Position	Unit	No. of Units	Cost/Unit	Units per Year	Annual Cost	Freq- uency	Cont%	Perpetual Total Cost		
Property Inquiries		Plnr/Spec	L.Hours	1	\$ 99.89	100	\$ 9,989	1	10%	\$ 10,988		
Property Inquiries		Tech	L.Hours	1	\$ 74.55	100	\$ 7,455	1	10%	\$ 8,201		
Easement Monitoring	Preparation	Sup	L.Hours	1	\$ 122.80	130	\$ 15,964	1	10%	\$ 17,560		
Easement Monitoring	Preparation	Tech	L.Hours	6	\$ 74.55	130	\$ 58,149	1	10%	\$ 63,964		
Easement Monitoring	Site Visit	Sup	L.Hours	1	\$ 122.80	130	\$ 15,964	1	10%	\$ 17,560		
Easement Monitoring	Site Visit	Plnr/Spec	L.Hours	2	\$ 99.89	130	\$ 25,971	1	10%	\$ 28,569		
Easement Monitoring	Site Visit	Tech	L.Hours	7.5	\$ 74.55	130	\$ 72,686	1	10%	\$ 79,955		
Easement Monitoring	Reports/follow-up	Mgr	L.Hours	0.5	\$ 133.87	130	\$ 8,702	1	10%	\$ 9,572		
Easement Monitoring	Reports/follow-up	Sup	L.Hours	2	\$ 122.80	130	\$ 31,928	1	10%	\$ 35,121		
Easement Monitoring	Reports/follow-up	Plnr/Spec	L.Hours	2	\$ 99.89	130	\$ 25,971	1	10%	\$ 28,569		
Easement Monitoring	Reports/follow-up	Tech	L.Hours	10	\$ 74.55	130	\$ 96,915	1	10%	\$ 106,607		
Remote Easement Monitoring	Preparation	Sup	L.Hours	0.5	\$ 122.80	200	\$ 12,280	1	10%	\$ 13,508		
Remote Easement Monitoring	Preparation	Tech	L.Hours	3	\$ 74.55	200	\$ 44,730	1	10%	\$ 49,203		
Remote Easement Monitoring	Site Visit	Tech	L.Hours	4.5	\$ 74.55	200	\$ 67,095	1	10%	\$ 73,805		
Remote Easement Monitoring	Reports/follow-up	Mgr	L.Hours	0.5	\$ 133.87	200	\$ 13,387	1	10%	\$ 14,726		
Remote Easement Monitoring	Reports/follow-up	Sup	L.Hours	2	\$ 122.80	200	\$ 49,120	1	10%	\$ 54,032		
Remote Easement Monitoring	Reports/follow-up	Plnr/Spec	L.Hours	1	\$ 99.89	200	\$ 19,978	1	10%	\$ 21,976		
Remote Easement Monitoring	Reports/follow-up	Tech	L.Hours	5	\$ 74.55	200	\$ 74,550	1	10%	\$ 82,005		
Permitted Use Requests	Discussion, review response	Mgr	L.Hours	1	\$ 133.87	50	\$ 6,694	1	10%	\$ 7,363		
Permitted Use Requests	Discussion, review response	Sup	L.Hours	3	\$ 122.80	50	\$ 18,420	1	10%	\$ 20,262		
Permitted Use Requests	Receive/review, research, discussion, response	Plnr/Spec	L.Hours	10	\$ 99.89	50	\$ 49,945	1	10%	\$ 54,940		
Permitted Use Requests	Receive/review, research, discussion, response	Tech	L.Hours	2	\$ 74.55	50	\$ 7,455	1	10%	\$ 8,201		
Amendment Requests	Discussion/input, develop recommendation, oversight body approval	Mgr	L.Hours	15	\$ 133.87	5	\$ 10,040	1	10%	\$ 11,044		
Amendment Requests	Receive and review requests, research, discussion/input, develop recommendation, oversight body approvals	Sup	L.Hours	20	\$ 122.80	5	\$ 12,280	1	10%	\$ 13,508		
Amendment Requests	Receive and review requests, research, discussion/input, develop recommendation, oversight body approvals	Plnr/Spec	L.Hours	60	\$ 99.89	5	\$ 29,967	1	10%	\$ 32,964		
Amendment Requests	Assist with research	Tech	L.Hours	5	\$ 74.55	5	\$ 1,864	1	10%	\$ 2,050		
Amendment Requests	Assist with or complete acquisition tasks	Acq Spec	L.Hours	20	\$ 101.10	5	\$ 10,110	1	10%	\$ 11,121		
Amendment Requests	technical expertise, incl surveying	Consultant	L.Hours	20	\$ 200.00	5	\$ 20,000	1	10%	\$ 22,000		
Easement Enforcement	Site Visit and Follow-up -Transportation - mileage (IRS)	-	Mileage	35	\$ 0.66	30	\$ 688	1	10%	\$ 757		
Easement Enforcement	Minor: follow-up with communication, discussion, technical memo	Mgr	L.Hours	10	\$ 133.87	30	\$ 40,161	1	10%	\$ 44,177		
Easement Enforcement	Minor: follow-up with communication, discussion, technical memo	Sup	L.Hours	15	\$ 122.80	30	\$ 55,260	1	10%	\$ 60,786		
Easement Enforcement	Minor: follow-up with communication, discussion, technical memo	Plnr/Spec	L.Hours	20	\$ 99.89	30	\$ 59,934	1	10%	\$ 65,927		
Easement Enforcement	Minor: memo	Tech	L.Hours	3	\$ 74.55	30	\$ 6,710	1	10%	\$ 7,380		
Easement Enforcement	Major Violation - Consultant	Consultant	C.Hours	5	\$ 200.00	10	\$ 10,000	1	10%	\$ 11,000		
Easement Enforcement	Major: site visit, discussion, follow-up with communication, progressive enforcement	Mgr	L.Hours	20	\$ 133.87	10	\$ 26,774	1	10%	\$ 29,451		
Easement Enforcement	Major: site visit, discussion, follow-up with communication, progressive enforcement	Sup	L.Hours	30	\$ 122.80	10	\$ 36,840	1	10%	\$ 40,524		
Easement Enforcement	Major: site visit, discussion, follow-up with communication, progressive enforcement	Plnr/Spec	L.Hours	40	\$ 99.89	10	\$ 39,956	1	10%	\$ 43,952		
Easement Enforcement	Major: involved in discussions	Tech	L.Hours	6	\$ 74.55	10	\$ 4,473	1	10%	\$ 4,920		
Equipment/ Vehicles	Vehicle maintenance from Julie		Vehicle	3	\$1,875	1	\$ 5,625	1	10%	\$ 6,188		
Equipment / Vehicles	Transportation - vehicles -replace every ten years	-	Vehicle	3	\$ 24,000.00	1	\$ 72,000	10	10%	\$ 7,920		
Equipment / Vehicles	Field equipment (set) - GPS, cell/service plan, tablet, dig camera, repl	-	Set	3	\$ 5,000.00	1	\$ 15,000	5	10%	\$ 3,300		
Equipment / Vehicles	Easement Monitoring Travel - R/T Mileage	--	Mileage	3044	\$ 0.655	1	\$ 1,993.82	1	10%	\$ 2,193.20		
Equipment / Vehicles	Easement Monitoring Travel - R/T Travel time	ST	L.Hours	78	\$ 74.55	1	\$ 5,814.90	1	10%	\$ 6,396.39		
Equipment / Vehicles	Signage - Fabrication, installation, maintenance	-	Unit	1	\$ 4,000.00	40	\$ 160,000.00	20	10%	\$ 8,800.00		
TOTAL										\$ 1,243,042		

Fee Property Summary data from analysis run by Donna April 2022. Notes:
calculate three year average for each property, and total these include
salaries/benefits as well as services/supplies. Legal costs have been subtracted
out by DA

no 52162 and no legal				
Property Name	3 yr av annual Staff	3 yr av ann serv_su	avg. ann. total	
Saddle	\$ 169,394	\$ 167,606	\$ 337,000	
Dogbane	\$ 13,830	\$ 10,677	\$ 24,507	
H North	\$ 15,502	\$ 19,257	\$ 34,760	
H South	\$ 17,313	\$ 12,417	\$ 29,730	
Ho	\$ 2,232	\$ -	\$ 2,232	
Keegan	\$ 9,202	\$ 8,377	\$ 17,579	
Oken	\$ 57,817	\$ 128,251	\$ 186,067	
Paulin	\$ 31,010	\$ 31,778	\$ 62,789	
Occidental	\$ 2,994	\$ 66	\$ 3,060	
Saddle 2	\$ 845	\$ 4,405	\$ 5,250	
SF Archdiocese	\$ 9,208	\$ 9,445	\$ 18,652	
Young Armos	\$ 10,676	\$ 15,253	\$ 25,929	
East Slope	\$ 1,631	\$ 1,517	\$ 3,148	
Auberge				
Total 3-yr avg. ann.	\$ 341,656	\$ 409,048	\$ 750,704	

legal services and litigation combined last 3 FY

From April 2022 data from Donna

Sum of Amount	Column Labels		
Row Labels	51211	51253	Grand Total
2019	\$ 206,700	\$ 286,771	\$ 493,470
2020	\$ 294,906	\$ 366,035	\$ 660,941
2021	\$ 76,935	\$ 61,962	\$ 138,897
Grand Total	\$ 578,541	\$ 714,767	\$ 1,293,308
	\$ 192,847	\$ 238,256	\$ 431,103
	legal services	litigation	annual average over 3 years

NOTES

Future years separate out by account code

51211 legal services

51253 litigation

Ag & Open Space 2031 Portfolio Model (Future Model-2031)

1. Projected Conservation and Open Space Easement Annual Costs	
PORTFOLIO LEVEL activities	
450 ownerships	\$ 1,693,425
3. Legal Costs (based on 3-year average annual costs, 2019-2021)	
Legal Services	\$ 250,000
Total Stewardship Costs	\$ 1,943,425
ADMIN Rate	28%
Total Admin	\$ 544,159
Total Average Annual Funding	\$ 2,487,584

Endowment Scenarios	
2% Capitalization Rate	\$ 124,379,211
4% Capitalization Rate	\$ 62,189,606
6% Capitalization Rate	\$ 41,459,737

Total/ 2023 portfolio	Stewardship Task Category	Proportion of 2023 portfolio	Projected 2031 Portfolio (450 easment units)
100/330	Property Inquiries	30%	136
130/330	Easment Monitoring	39%	177
200/330	Remote Easment Monitoring	61%	273
50/330	Permitted Use Requests	15%	68
5/330	Amendment Requests	2%	7
30/330	Easement Enforcement - Minor	9%	41
10/330	Easement Enforcement - Major	3%	14