



Business Plan and Strategy 2007–2009



McArthur Swamp - Pit-McCloud Watershed

**Adopted
November 29, 2006**



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INTRODUCTION

The Pacific Forest and Watershed Lands Stewardship Council (Stewardship Council) is a private, non-profit foundation established in 2004 as part of the 2003 Settlement Agreement¹ with Pacific Gas and Electric Company (PG&E). The Settlement Agreement, which remains a guiding document for the work of the Stewardship Council, was developed based on input from a diverse range of environmental, public interest, regulatory, and corporate interests to guide the land conservation and youth investment work of the foundation.

The Stewardship Council is unique in many ways. The scale of our land conservation and youth investment efforts, our substantial funding, and the diversity of interests united on our board (which must make all decisions by consensus) provides us with a unique opportunity to not only complete the work envisioned in the Settlement Agreement, but to also offer environmental and youth development leadership for California and the nation.

This plan has been prepared to guide the work of the staff and the board over the next three years, from 2007 through 2009. It is intended as both a strategic plan and a business plan — a document that considers long-term visionary strategy in concert with specific business goals and financial plans. It is our intention that this plan describes clear goals and objectives for both our land and youth programs, as well as provides guidance to ensure we have the staff, financial, and partnership resources required to see it through. As we enter our second full year of operation, it is our intention that this plan will guide our growth through this important next stage in our organizational development and provide the foundation for our future growth and contributions.

ORGANIZATIONAL BACKGROUND AND HISTORY

In December 2003, the California Public Utilities Commission (CPUC) and Pacific Gas and Electric Company (PG&E) reached a historic decision settling a range of issues related to the PG&E bankruptcy. One of the most unique aspects of this agreement was the requirement for PG&E to establish the “PG&E Environmental Enhancement Corporation (now the Stewardship Council), a California non-profit corporation, to oversee the Land Conservation Commitment...”. At the urging of the Greenlining Institute, the work of the Stewardship Council was subsequently expanded to include a youth investment program, which was envisioned as an opportunity to provide environmental opportunities for youth, “especially disadvantaged urban youth”, and to fund parks in urban areas, “particularly [to] serve the needs of urban low-income youth”. In total, the agreement required PG&E to fund the Stewardship Council with \$10 million per year for a period of 10 years. Of this amount, 70 percent is dedicated to the Land Conservation Program; 30 percent is dedicated to the Youth Investment Program.

The Stewardship Council Board of Directors was formed in early 2004 and began the work of establishing the corporation and staff organization. Key organizational milestones achieved during the formative first 18 months include:

¹ Modified Settlement Agreement, decision (D).03-12-035.

- April 29, 2004: Incorporated as a California Public Benefit Corporation
- June 2004: Corporate Officers elected
- December 2004: Hired first Executive Director
- April 2005: Opened staff office in Foster City, California
- September 2005: Obtained state and federal determination as 501(c)3, Private Foundation

Throughout 2005 the Stewardship Council focused on start-up operations, including hiring and training a staff; developing contract agreements for legal, financial, and other technical services; establishing a solid set of organization policies and procedures; undertaking baseline technical work; and conducting research and planning for the Land Conservation Program and to initiate the first year of youth grantmaking.

Mission and Core Values

In July 2005 the Board of Directors came together in adopting its mission and core values for the Stewardship Council.

Mission

The Stewardship Council protects and enhances watershed lands and uses and invests in efforts to improve the lives of young Californians through connections with the outdoors.

Core Values

- **Collaboration:** We value diversity and believe that greater outcomes are achieved by working together towards cooperative solutions. We strive for and nurture productive relationships with a diversity of communities and stakeholders, and will build alliances and encourage partnerships with people and organizations across the California landscape. We value the input of the public as part of our collaborative effort and will encourage community dialogue as part of our work.
- **Stewardship:** We exist to protect and enhance the beneficial values and uses of the watershed lands and to improve the lives of young Californians through connections to the outdoors. We are bound individually and collectively by the obligation to be good stewards for both land conservation and youth investments, and we will ensure that every action we take and commitment we make clearly serves this purpose.
- **Discovery:** We will encourage and welcome an atmosphere of learning, discovery, and innovation. We will be flexible and demand a culture that focuses on how something can be accomplished, rather than focusing on why it cannot. We will seek collaborative and innovative solutions to conventional challenges, and we will not shy away from untested approaches we believe offer promising solutions.
- **Sustainability:** We will make sustainable contributions to California, and provide a legacy of land conservation and youth enrichment that will live beyond the Stewardship Council. Our actions and decision-making will include a clear recognition of long-term stewardship to ensure the benefits of our work are shared by Californians for generations to come.

- **Leadership:** We will strive to be leaders in the California and national environmental and philanthropic communities, and contribute to the further development and education of ourselves and others. We personally commit to and will hold one another accountable to conduct our work in a thoughtful, creative, and comprehensive manner. We will be sincere, honest, non-discriminatory, and forthcoming in all of our actions, and practice the highest standards of professional integrity in all our work.

Current Activities

In 2006 the Stewardship Council has continued to grow and mature. We have focused on organizational development and core competencies this past year, and placed considerable focus on coordinating with the board and developing a climate of trust and shared responsibility among board members and staff. Perhaps most significantly, we launched our first year of grantmaking and awarded a total of \$2.25 million to 57 youth-serving organizations serving over 37,000 California youth. We have also made great strides in our land conservation technical work and are setting the stage to adopt our Land Conservation Plan (LCP) as scheduled in the spring of 2007.

Organizational and Financial Resources

Board of Directors

The Stewardship Council Board of Directors was originally designed as mandated in the Settlement Agreement, and has since been modestly expanded as provided for under the organizational bylaws. Currently, as depicted in Figure 1, the board includes 19 members (one seat shared by two federal non-voting liaisons) with 14 alternate members, all of which are considered Directors of the organization. The Directors bring a vast range of expertise and experience to the organization, and include a unique combination of public, private, environmental, regulatory, and community expertise and interests. The board members generally include senior-level public officials and professionals, which provide the Stewardship Council with a board membership highly attuned to focusing on high-level policy and strategic issues. Current officers² reflect the diversity and stature of the organization and include:

- President, Mike Chrisman, Secretary for Resources, State of California
- Secretary, Randy Livingston, Pacific Gas & Electric Company
- Treasurer, Art Baggett, California State Water Resources Control Board
- Vice-President, Dave Sutton, The Trust for Public Land
- Vice-President, Luis Arteaga, Latino Issues Forum
- Vice-President, Karen Mills, California Farm Bureau Federation

² In addition, Executive Director is a non-board member officer position.

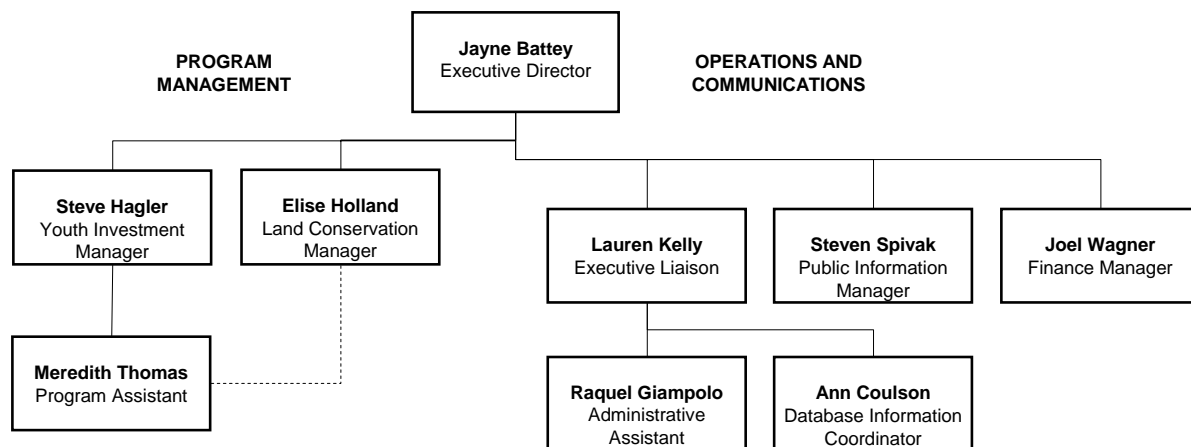
FIGURE 1 –BOARD OF DIRECTORS

Organization	Board Member	Alternate Board Member(s)
Association of California Water Agencies	Steve Hall	Dave Bolland
California Department of Fish and Game	Robert W. Floerke	Nancee Murray
California Farm Bureau Federation	Karen Mills	Noelle Cremers
California Forestry Association	Michele Dias, Esq.	David A. Bischel
California Hydropower Reform Coalition	Richard Roos-Collins	Chuck Bonham
California Public Utilities Commission	Steve Larson	Nancy Ryan
California Public Utilities Commission - Appointee	Hannah-Beth Jackson	N/A
California Public Utilities Commission – Appointee TBD	David Glover	N/A
California Public Utilities Commission - Latino Issues Forum	Luis M. Arteaga	N/A
California Resources Agency	Mike Chrisman	Jay Chamberlin
California Tribal Interests	Larry Myers	Darcie Houck
Central Valley Regional Water Quality Control Board	Robert Schneider	James C. Pedri
Office of Ratepayer Advocates	Robert Kinosian	Truman Burns
Pacific Gas & Electric Company	Randy Livingston	Mike Schonherr
Regional Council of Rural Counties	Robert A. Meacher	Sue Horne
State Water Resources Control Board	Art Baggett, Jr.	Charlie Hoppin
The Trust for Public Land	David Sutton	Rachel Dinno
U.S. Forest Service / Bureau of Land Management	Chris Nota Duane Marti	N/A

Staff

As shown in the organization chart provided in Figure 2, the staff organization includes nine employees. Jayne Battey, Executive Director, was the first staff position hired. She has overseen start-up and operations of the organization since January 2005. Key program management positions include Elise Holland, Land Conservation Manager, and Steve Hagler, Youth Investment Manager. Overall, the strategy of the board and the Executive Director has been to maintain a lean core staff and to augment staff resources with external consultants to provide specific and timely expertise as needed. Currently, we have major contracts in place for the following professional services: legal, financial, public relations, land conservation planning, and grant program planning and management.

FIGURE 2 – STAFF ORGANIZATION



Financial Resources and Operating Budget

The Stewardship Council is funded annually by a \$10 million contribution from PG&E, for a period of ten years (2004-2013). Currently, the Stewardship Council has approximately \$25 million in an investment fund managed by Wells Capital Management. Operating expenses are managed through a commercial account with Wells Fargo Bank. Funds are allocated from the investment account to the commercial account on an as-needed basis and under a strict set of protocols established by the Stewardship Council Policies and Procedures. The investment account is managed on very conservative basis, in accordance with the Stewardship Council Investment Policy Guidelines, and currently earns an annual return of between four and five percent.

For 2005 and 2006 the Stewardship Council operating budget was approximately \$3 million. The budget, approved annually by the board, covers all operating and staff expenses including, but not limited to, payroll, benefits, office lease, public relations, legal, and insurance. This budget also includes significant expenses related to development of the Land Conservation Plan (for

consultants, field work, and outreach). In 2006, the approved budget included an additional \$2.6 million for youth program grants and investments. Of this amount, \$2.25 million was awarded in grants; another \$350,000 was earmarked for staff initiatives focused on addressing access and cultural relevancy issues related to youth development.

As the goals in this strategic plan suggest, financial planning is a critical task for the Stewardship Council. In addition to seeking out strategic funding partners for our work (both private and public), we will look closely at how we can responsibly invest to ensure the highest return on our funds in alignment with our mission and core values.

PROGRAM AREAS

As discussed above, the Stewardship Council has two primary program areas: Land Conservation and Youth Investment. Each of these efforts has very distinct goals and performance objectives as described in our founding documents (Settlement Agreement and Stipulation). In many ways, however, the requirements laid out in these documents provide only a starting point, and it will be up to the board (supported by staff) to identify the unique opportunities for the Stewardship Council to have an impact and provide state-wide leadership within our area of focus and expertise.

It should also be noted at the outset that while these two program areas are somewhat distinct from one another, we are acutely aware of the opportunities for synergy between the two programs. We believe both our land conservation and youth development investments can benefit from one another, and are committed to making the most of this unique opportunity to offer land resources to youth programs and youth resources to land conservation.

Land Conservation

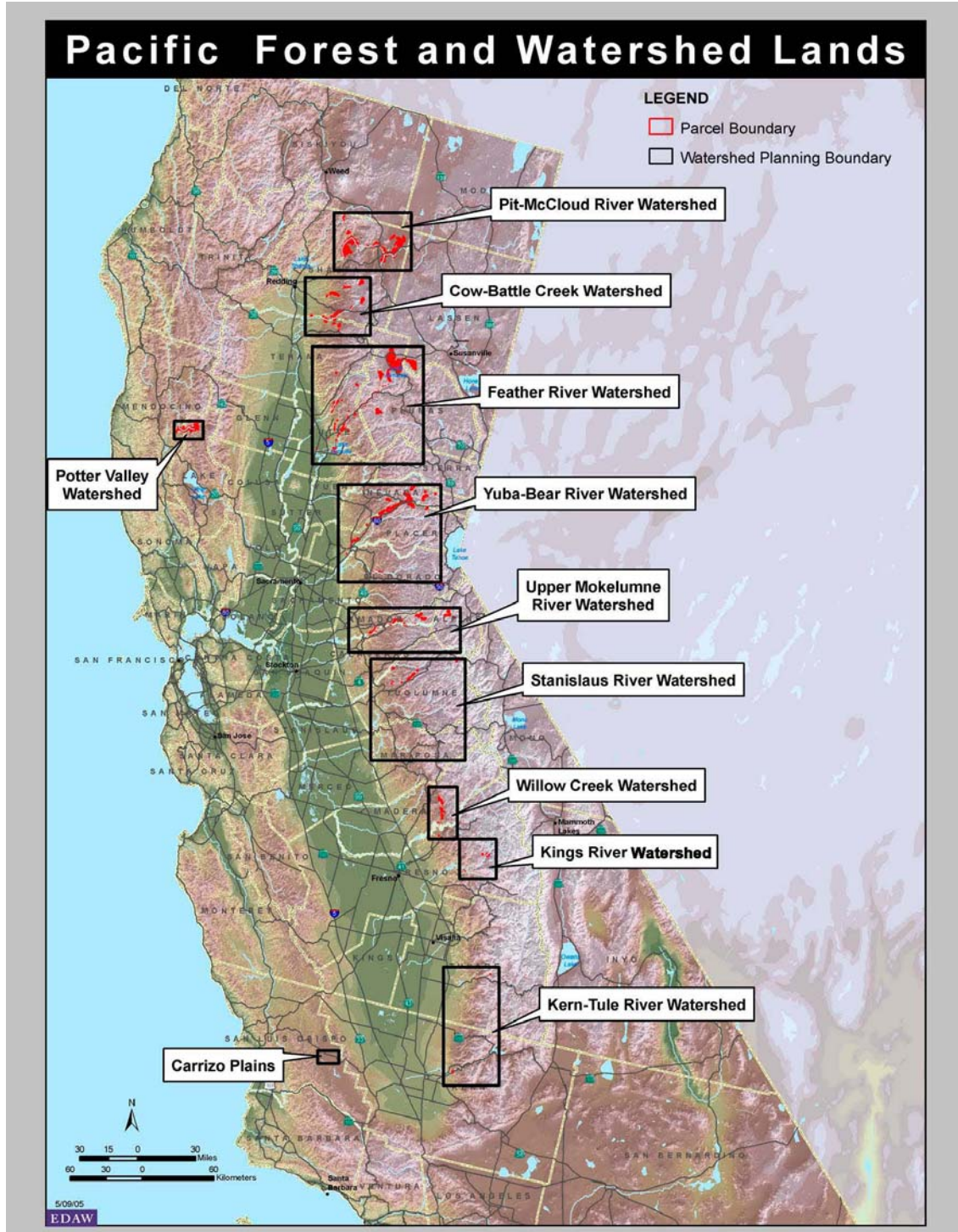
The Land Conservation Program is focused on developing and implementing a Land Conservation Plan (LCP) to ensure over 140,000 acres of PG&E's watershed lands spread across 22 counties in the Sierra Nevada and Carrizo Plains are preserved and enhanced for a broad range of beneficial public values (see Map in Figure 3). These public benefits include provisions for outdoor recreation, sustainable forestry, agriculture uses, habitat protection, open space preservation, and the protection of historic and cultural values.

The Land Conservation Plan is scheduled to be adopted by the Stewardship Council Board of Directors in the spring of 2007. The LCP will then be included in PG&E's application to the California Public Utilities Commission (CPUC) to initiate approval of the land transactions under Section 851³ of the Public Utilities Code that same year. The 2007 Plan will be a high level conceptual plan (e.g. a master plan) that will guide future disposition planning work over the next 5-10 years. All of the lands under consideration will be conserved in perpetuity (pursuant to conservation easements or other equivalent agreements); approximately half of the total acreage will be available for potential donation to qualified non-profits or public agencies⁴.

³ Under Section 851 of the Public Utilities Code, the CPUC must approve all utility land transactions and/or encumbrances to ensure they are in the best interest of rate payers.

⁴ PG&E will retain ownership on all lands required for continued utility operations, as required in the Settlement Agreement and Stipulation.

FIGURE 3 – OVERVIEW MAP OF CONSERVATION LANDS



Youth Investment

The Stewardship Council youth investment program is focused on investing in efforts to get California youth outdoors, connected with the natural world, and building stewardship, confidence, and leadership skills. As described in the Settlement Agreement, we are supporting youth outdoor programs and park facilities through grants and other direct investments. By supporting the efforts of community parks and youth development programs, as well as fostering new efforts in communities most in need, the Stewardship Council aims to make a difference in the lives of young Californians.

The Stewardship Council is quickly (with just one year of grantmaking) becoming a leader in this field of philanthropic funding. In 2006 we implemented a pilot grantmaking and funding effort that has made substantial initial investments in the state. We expect this work to continue in years to come, with a focus on increasing participation from underserved youth, improving the cultural relevance of outdoor and park programs, supporting youth health and wellness efforts, and improving urban park infrastructure to make them more accessible and safe.

ORGANIZATIONAL CONTEXT

The Stewardship Council came together under a unique set of circumstances and is unique in its mission and structure. In terms of the foundation world, the Council is a large foundation and has substantial resources at its disposal. Already, we have made substantial impacts in youth funding within the state and have become recognized as a major contributor to this field of funding and program development. In addition to financial resources, the land resources (over 140,000 acres) we are charged with overseeing provide access to real estate resources that are very unique.

The Stewardship Council is also special in terms of its organization and structure. No other organization we are aware of brings together the diversity of the Stewardship Council in terms of public agency and private entity organizations, as well as various aspects of the environmental community. The structure and bylaws of the Stewardship Council, which require decision-making by consensus, is also very unique. While this structure clearly poses some potential challenges, it also requires a level of collaboration and a commitment to finding common ground that may set a model for future conservation efforts.

Partnerships

Over the past 18 months, as the Stewardship Council has connected to organizations across California, one clear theme has emerged for both our land and youth investment efforts — it will take partnerships to make our work successful. The partnerships will be both public and private; they will be local, state, and national; they will include large funding partners as well as local expertise and grass-roots organizations. The partnerships will also begin in our own organization as we integrate our land and youth work and bring together the substantial and diverse resources of our board.

Land Conservation

In terms of land conservation, the diversity of partners and collaborators is significant. Throughout the state, hundreds of local land trusts and land conservancies hold title and/or

easements for the purposes of land conservation and enhancement. While the vast majority of these are small and with limited funding and staff, they may offer our best opportunity for local engagement and long-term management of the properties. Through our land disposition work we have the opportunity to engage with local land trusts and, in addition to finding local stewards for the land, help build the organizational capacity of smaller land conservancies that are developing in the state.

Potential land conservation partners from the public sector include a broad range of entities, such as local county (or city) governments, Resource Conservation Districts (RCDs), the University of California and other educational institutions, and state and federal land management agencies. The establishment of the Sierra Nevada Conservancy has added another potentially significant regional partner for both conservation planning and resource management. While many of these public entities may bring technical expertise and staff, agencies are typically unable to take on significant new additional responsibilities without accompanying financial support. Funding resources ebb and flow with federal and state budgets, and with the periodic influx of bond dollars through state or local initiatives. This episodic funding flow presents challenges and opportunities that the Stewardship Council can help address through working to strategically leverage the resources available among potential partners.

Other potential partners in the private sector include the philanthropic community. A number of major foundations are active in California land conservation, including the Packard, Irvine, and Haas foundations, as well as many smaller family foundations. As the Stewardship Council becomes more connected to this community through both its land and youth work, we hope to also see new partners emerge from this major source of funding.

Youth Investment

The Stewardship Council's unique charge to get California youth connected to the outdoors is a rare focus in both public funding and private philanthropy. Public funding for youth outdoor education, particularly for the teen years, has all but disappeared in the past decade. Throughout California, counties and school districts struggle to provide parks and outdoor spaces, with little to no resources for programs or more adventurous outdoor experiences. Few private foundations are focused on this area or provide substantial amounts of grant money to youth outdoor programs or parks. In 2006, the Stewardship Council, with an infusion of \$2.25 million in grants, became one of the leading private funders of youth outdoor programs and park infrastructure in the state.

While direct funding to get youth outdoors may be limited, there is a growing interest and focus on youth health and development. Youth obesity is on the rise, along with diabetes and asthma. An increasing percentage of California youth are unable to pass routine physical fitness exams. The Stewardship Council's own survey recently conducted with parents of California teens reveals that over 90 percent of teens choose sitting in front of entertainment media over outdoor activities, and less than one-third of California youth participated in any type of outdoor program in the summer of 2006. These statistics, and the impact they have on our state and our youth now and in the future, are troubling, and they are starting to get attention from a broad coalition of interests from both the private and public sector.

While the Stewardship Council may be a leading private funder in this field, there is no question our resources pale in comparison to the need. Partners in the effort of youth development will be essential, and they will come from all levels of public agencies, from the amazing work being done on the ground by thousands of youth focused non-profits throughout the state, and from the broader philanthropic community. It is clear that any solution will require a broad-based coalition of funders and program managers focused on youth health and development overall — with outdoor experiences just one part of addressing a very complex need.

GOALS AND IMPLEMENTATION PLAN

Over the past year, Stewardship Council board members and staff have contributed to a number of discussions focused on how we proceed to achieve our mission and make a strong and sustainable contribution to California. The goals and implementation items outlined below are based on board member input, staff development and refinement, and support from our consultant team. As stated at the opening of this Plan, our focus for implementation is on the next three years, 2007-2009, although we intend that the platform established here will see us well beyond that time period and provide for the next stage of our organizational development.

The goals described below include overall organizational goals, as well as specific goals by program. The approach is clearly centered on maintaining one integrated organization, with the land and youth programs supporting each other in a variety of ways. We intend to take full advantage of the unique opportunity we have to construct an organizational model that both stewards the land and builds the future stewards of our state.

Organizational Goals

Over the next three years, the Stewardship Council will move forward into a period of significant growth. We will grow as an organization of board and staff working together; we will grow in financial resources and investments; we will grow in terms of our contribution and presence in the land, youth, and philanthropic communities. It is a critical time period for building organizational capacity and establishing credibility. Our strategic organizational goals for this time period will be aligned to this reality, and focus on smart financial planning, connecting with the California community, and making certain we continue to build a strong and vital organization.

- Goal 1.** As a top priority for 2007, explore and select the best possible financial model(s) to support the long-term sustainability of our work and investments. Work closely with top investment advisors and financial planners to consider a wide-range of alternatives and adopt financial management plans to support our mission. From this effort, develop organizational plans to ensure our structure and governance is appropriate to meet the Stewardship Council's long term vision.
- Goal 2.** Develop and implement a comprehensive public communications and media outreach program to ensure public engagement, encourage partnerships, and draw attention to timely land conservation, land use, and youth development issues. Provide state-wide leadership by using our knowledge, experience, and presence in the land conservation,

youth development, and philanthropic communities to serve as a resource within our areas of expertise.

- Goal 3.** Ensure continued strong board governance practices and maintain a vital and engaged board membership. Implement a comprehensive board and staff development program to support effective, informed, and efficient decision-making.

Youth Investment Program

The Stewardship Council Youth Investment Program has completed one year of grant funding and has already had a powerful impact on the ability of local organizations to get California youth outdoors. We have also learned a tremendous amount this past year, most notably that we are now part of a much larger community of public and private organizations committed to the health, well-being, and future of California youth. As we move forward with our youth work over the next three years, our efforts will be focused on getting financial resources to youth-serving organizations as efficiently and effectively as possible (see 2007 Grantmaking Plan), connecting with and helping to convene the broader youth development and health field, and bringing increased state-wide understanding and awareness to the value and needs of youth investment.

- Goal 1.** Become a leading voice in youth development and the far-reaching value of outdoor experiences for youth — from health and fitness, to growth and leadership, to environmental stewardship.
- a) Implement a comprehensive and highly respected evaluation program for our grant program and all grant recipients. Share results openly, offer lessons-learned across the youth serving community, and continue to improve and focus our own efforts based on evaluation results.
 - b) Facilitate seminars and training, act as a resource for information, and coordinate a series of regular convening programs across California to raise awareness, build expertise, and develop organizational capacity.
 - c) Build program and funding partnerships with the most progressive partners in California youth development, including health, education, food, juvenile justice, and child advocacy leaders. Pursue relationships with non-traditional youth-serving partners, including electronic game and media providers, in an effort to build alliances and bring new resources and perspectives to youth development efforts.
- Goal 2.** Lower barriers for underserved or at-risk youth to access the outdoors.
- a) Implement a highly-respected and targeted grant program to invest in community-based efforts to reduce physical, financial, and social barriers to youth participation in outdoor experiences. Invest in grass-roots efforts where appropriate to support new community efforts aimed at reducing barriers for youth engagement.
 - b) Make direct investments in the primary barriers we currently understand, including: transportation, gear and supplies, and the lack of culturally relevant program leadership.

- Goal 3.** Promote and support best practices and model programs that succeed in providing meaningful outdoor experiences for youth, particularly disadvantaged youth.
- a) Target certain grants to support innovative and/or pioneering park and/or youth program efforts. Conduct in-depth evaluation on these efforts and use results, as appropriate, to communicate best-practices and models.
 - b) Bring recognition and credibility to the field, and the professionals dedicated to this work, by developing and implementing an award or other recognition program.
 - c) Build a network and legacy of expertise, mentoring resources, and partners across California through long-term, on-going connections with our grantees and funding partners. Leverage this network to bring expertise and support to communities most in need.

Land Conservation Program

In 2007 the Stewardship Council intends to reach a key milestone — adoption of the Land Conservation Plan. This will be a significant achievement, and will signal a fundamental transition to the work of preserving and enhancing the land for the public benefit. This work is a top priority for the Stewardship Council over the next three years, and our goals reflect this clear focus. In addition, however, we intend to integrate two important efforts into this work to align our efforts with the Stewardship Council core values of discovery, collaboration, and leadership. The first will be to lead by example, by applying best practices and looking for (and supporting) innovative approaches to land conservation and management. The second will be to be mindful of the opportunities to bring significant value to both our land and youth work by integrating these efforts where possible.

- Goal 1.** Deliver on the promise – ensure that the 140,000 acres of lands are conserved and/or enhanced in perpetuity for the people of California.
- a) Complete the Land Conservation Plan and move forward with disposition and the associated regulatory process in 2007. Identify donees, initiate transactions, and/or secure fee title transfer and/or conservation easements on at least 50 percent of the acreage by the end of 2009.
 - b) Partner with organizations committed to common goals and a cooperative/integrated approach. Wherever possible, develop related funding partnerships to help support the long-term financial sustainability of the land conservation effort.
 - c) Implement an effective and inclusive community outreach program. Focus communications on participation, access and use of the land, and the local and global value of the land conservation and stewardship efforts.
- Goal 2.** Become a recognized model of responsible land stewardship, exemplifying and promoting best practices in environmentally and economically sustainable land management and collaborative land transactions.

- a) Understand and apply best practices in all our work, and act as a resource for others in sharing information and lessons learned. Actively participate in California and national efforts to convene and learn with others in this field.
- b) Support California's state-wide efforts in developing and implementing innovative environmental preservation and enhancement efforts. Where appropriate, consider the potential for land resources to provide demonstration areas or other pilot study opportunities in support of leading environmental stewardship practices.

Goal 3. Take advantage of opportunities for synergy between the Land and Youth Programs, creating opportunities that will benefit the lands as well as promote the youth development goals of the Youth Investment Program.

- a) Identify opportunities to engage youth organizations on restoration/preservation projects on the lands. Understand youth resources available to us, and work with organizations, both state-wide and local, to identify appropriate service-learning projects.
- b) Identify opportunities to undertake youth recreation, exploration, and other activities on the lands. Explore the potential, in partnership with others, to build/restore facilities that can serve as a training/demonstration center for youth outdoor developmental education.