

Minutes of the Board of Directors Meeting

May 19, 2010

The Board of Directors held a public board meeting at the Gaia Hotel in Anderson, CA beginning at 1:30pm.

The following Directors and/or Alternates were present:

Art Baggett
Truman Burns
David Bischel
Dave Bolland (for Mark Rentz)
Paul Clanon
Noelle Cremers (for Karen Mills)
Todd Ferrara (for Lester Snow)
Kevin Hunting
Randy Livingston
Duane Marti
Robert Meacher
Soapy Mulholland
Larry Myers
Richard Roos-Collins

The following Directors were absent:

Luis Arteaga
Rich Gordon
Steve Larson
Karen Mills
Mark Rentz
Lester Snow
Dave Sutton

The following secondary representatives and non-voting liaisons were also present: Lee Adams, Nancee Murray, Chris Nota, Dan Odenweller, and Mike Schonherr.

The following staff were also present: Allene Zanger, Executive Director; David Moyce, General Counsel; Ric Notini, Director of Land Conservation; Steve Hagler, Director of Youth Investment; Joel Wagner, Director of Finance; Elizabeth Wroblicka, Deputy Director of Land Conservation; Toby Perry, Land Conservation Project Manager; Heidi Krolick, Chantz Joyce, and Vanessa Parker-Geisman, Regional Land Conservation Managers; Mary Adelzadeh, Community Outreach Specialist; Bronwyn Hogan, Communications Manager; Robin Flynn, Program Coordinator; and Allison Henderson, Land Program Assistant. Members of the public were also present.

SUMMARY OF ACTIONS AND RESOLUTIONS

1. **Adopt Minutes of the March 25, 2010 Board Meeting Minutes (*Action*):** The board adopted the March 25, 2010 Board Meeting Minutes.
2. **McArthur Swamp Recommendation (*Action*):** The board adopted the McArthur Swamp recommendation as recommended and presented by the Watershed Planning Committee.

MEETING SUMMARY

Stewardship Council President Art Baggett welcomed the board and public and reminded everyone that advance copies of the meeting agenda and staff reports were posted to the Council's website prior to

the meeting to help facilitate public participation. Mr. Baggett then called the meeting to order and asked each director and staff members to introduce themselves, noting that a quorum was present.

Mr. Baggett noted two action items on the agenda and asked members of the board if they had any conflicts of interest to disclose at this time. Hearing no conflicts, the meeting proceeded.

Mr. Baggett gave a brief overview of the meeting and, noting that the board meeting included a period for public comment, invited the public to submit public comment cards indicating their intent to comment later in the meeting.

Mr. Baggett requested adoption of the March 25, 2010 board meeting minutes. The board agreed and adopted the minutes.

Mr. Baggett asked Allene Zanger to provide the Executive Director's Report. Ms. Zanger began her report by introducing and welcoming board member David Bischel to the meeting, noting that Michele Dias, who had served as the primary representative for the California Forestry Association, had recently left the board due her change in employment. Ms. Zanger then thanked the organizations who submitted Land Stewardship Proposals for the McArthur Swamp Planning Unit.

Ms. Zanger noted that the board would be holding its annual retreat the following day to discuss ways to build momentum in the Land Conservation Program as well as to discuss strategies regarding conservation of PG&E's forested lands. She went on to describe a recent board trip to Yosemite National Park and its success in fostering conversations about how to break down the barriers that prevent youth from visiting the park and connecting in other ways with nature. She also reported on the successful Native American best practices workshop at University of California, Davis that was recently sponsored by the Stewardship Council.

Ms. Zanger provided an update on the Foundation for Youth Investment (FYI), noting that the nonprofit has filed for exempt status with the Internal Revenue Service and that the FYI board members are currently engaged in strategic planning work. Ms. Zanger concluded by thanking the board for demonstrating a continued dedication to the Stewardship Council. She also spoke of staff's commitment and recognized Renee Villanueva for her effort in organizing the board meeting and retreat.

Mr. Baggett then asked Mike Schonherr, Co-Chair of the Youth Investment Committee, to provide this committee's report. Mr. Schonherr briefly reviewed the Council's youth investment mandate and then turned the report over to Steve Hagler, Director of Youth Investment, to provide a detailed staff report.

Mr. Hagler began his staff report by informing the board of the Catalyst Fund and Impact Fund Round I decisions to award over \$300,000 in grant funding, as follows:

2010 Catalyst Fund Round 1:

- CommunityGrows: \$10,000
- Downtown High School Get Out and Learn: \$10,000
- Native Alliance of the Sierra Nevada Foothills: \$12,000
- One Cool Earth: \$8,000
- Phat Beets Produce: \$10,000

- Valley of the Moon Teen Center: \$10,000
- WildPlaces: \$10,000

2010 Impact Fund Round 1:

- Adventure Risk Challenge \$30,000
- ACRJ \$22,000
- Aim High for High School \$25,000
- Boys & Girls Clubs of Fresno County \$25,000
- Environmental Traveling Companions \$30,000
- Seven Tepees Youth Program \$45,000
- Soil Born Farms Urban Agriculture Project \$30,000
- Youth Enrichment Strategies \$20,000

Mr. Hagler stated that the program is on track to provide \$2.1 million in grant funding in 2010. Mr. Hagler also described the recent Yosemite National Park board field trip and other initiatives. A number of board members expressed gratitude for the work of staff in putting together this trip and stressed the importance of connecting youth to the outdoors.

Mr. Baggett then asked Truman Burns, chair of the Fiduciary Committee, to provide his committee's report. Mr. Burns provided a brief overview of the committee's purpose and gave updates regarding the 2010 budget and the investment summary.

Mr. Baggett then asked Soapy Mulholland, chair of the Watershed Planning Committee, to provide her committee's report. Ms. Mulholland provided an overview of the committee's purpose and then asked Ric Notini, Director of Land Conservation, to provide a more detailed staff report.

McArthur Swamp Donee Recommendation: Mr. Notini asked Chantz Joyce, Regional Land Conservation Manager, to present the McArthur Swamp recommendation that was forwarded to the board by the Planning Committee. Mr. Joyce outlined the Planning Committee's recommendation, a copy of which was included in the meeting materials and posted on the Stewardship Council's website. The committee recommended that the Fall River Resource Conservation District receive fee title to the portion of the property available for donation, that the Shasta Land Trust hold conservation easements over both the retained and donated lands, and that the California Waterfowl Association, California State Parks, and the Pit River Tribe serve as conservation partners. The committee recommendation included 14 transaction terms which are expected to provide the basis for negotiations with the prospective donees leading to a comprehensive Land Conservation and Conveyance Plan (LCCP) to be considered for adoption at a later date, following public comment.

After Mr. Joyce's presentation, Ms. Cremers thanked staff for their efforts, highlighting specifically their commitment to working with the potential donees concerning ongoing grazing on the lands. There followed a series of questions from members of the board.

Mr. Livingston asked Mr. Notini for clarification on the nature of the recommendation. Mr. Notini responded that the recommendation is for the board to authorize staff to begin negotiations of specific terms, funding amounts, etc. with the organizations identified as potential fee title and conservation easement holders, with the intent that once agreements are reached they can be presented to the board for approval at a later date as part of a draft Land Conservation and Conveyance Plan. Mr. Baggett stated that the Planning Committee's recommendation is a request for board authorization to commit to entering into negotiations with the two entities listed in the recommendation. Mr. Burns added that he was interested in seeing the demonstration plan included in this recommendation. Mr. Roos-Collins asked when staff expected to come back to the board with the recommendations should the proposed Planning Committee recommendation today be approved. Mr. Notini answered that negotiations would commence immediately and that Letters of Intent with terms and funding amounts designated would hopefully be signed and presented to the Watershed Planning Committee within the next couple of months. Mr. Livingston asked a question about what will happen with existing grazing licenses on the property. Mr. Joyce answered that if the transfer occurs prior to the licenses expiring then the licenses would be transferred to the Fall River Resource Conservation District (RCD). In response to Mr. Baggett's question as to whether staff can return with a recommendation to the board by June 30, Mr. Notini indicated that a status report would be more likely.

Mr. Baggett then invited public comment on the recommendation, beginning with representatives of the donee organizations.

Mike Millington, a director of the Fall River Resource Conservation District, expressed to the board that this is a truly collaborative effort and that the RCD is looking forward to the next step of developing a Technical Advisory Committee to create the Land Management Plan for the McArthur Swamp lands.

Gregg Werner, Board Member of the Shasta Land Trust, expressed gratitude for the recommendation and noted the land trust's excitement for the opportunity to work with the Stewardship Council and the RCD on the McArthur Swamp Planning Unit.

Bill Quinn, with the California Waterfowl Association (CWA), addressed the board first by clarifying that the following was a personal view and not one necessarily shared by the CWA. He then cautioned the board against transferring the lands if funding sufficient to cover property taxes, etc. was not provided to the future land owners.

Larry Forero, University of California Cooperative Extension Livestock Farm Advisor in Shasta County, repeated Mr. Quinn's cautionary note. Mr. Forero stated that he believes that the RCD and Shasta Land Trust have the capacity to make this work, but the biggest challenge is ensuring they have the funding to succeed. He noted that the grazing revenues are not huge. In response to a question by board member Robert Meacher, Mr. Forero stated that of the amount he believes is necessary for land ownership (\$160,000-\$200,000 per year), grazing revenues represented at best only \$80,000. He said that in reality revenues have only reached \$80,000 once in the past 12 years. Mr. Quinn added that the CWA's previous analysis shows that the only way a new landowner could afford to manage the lands would be to include lands that are now currently included within the FERC boundary and for the new landowner to receive the headwater benefits (for maintenance of the levee's level) from PG&E or receive increased water for animals.

In response to the comments made by Mr. Quinn and Mr. Forero, Mr. Roos-Collins queried how the appropriate amount of Stewardship Council funding for the donation of lands at McArthur Swamp

should be determined within the context of funding requirements for the rest of the watershed lands. Mr. Quinn responded that his only request was that the Stewardship Council not transfer ownership for the sake of transferring ownership if it is not possible to adequately fund future management of the transferred lands.

Following public comment and board discussion, Ms. Mulholland requested board approval of the Planning Committee's recommendation on the prospective donees, conservation partners, transaction terms and funding for the McArthur Swamp planning unit. Hearing no opposition, the board took the following action:

Donee Recommendation:

The board endorses entering into negotiations toward an eventual land transaction with the following donees, with the understanding that certain key terms, including the amount of funding to be provided to the donees by the Stewardship Council, will be subject to further approval by the Board.

- **Shasta Land Trust (SLT)** to hold conservation easements over both the retained and donated lands.
- **Fall River Resource Conservation District (RCD)** to receive fee title ownership to the property available for donation.

Conservation Partner Recommendation:

The **California Waterfowl Association**, **California State Parks**, and the **Pit River Tribe** are recommended to serve as conservation partners to actively participate in future efforts to preserve and enhance the beneficial public values on the lands to be conveyed.

Ms. Mulholland then invited Mr. Notini to complete his staff report. There was a discussion around the processing of upcoming planning units.

Climate Action Reserve Carbon Offset Program: Ms. Mulholland then invited Mike Schonherr to make a presentation on behalf of PG&E updating the board regarding possible participation of PG&E forested watershed lands in the Climate Action Reserve (CAR) carbon offset program. After his PowerPoint presentation, board members asked a few questions regarding timber harvesting and future and retroactive credits under this protocol. Mr. Schonherr explained the protocol does not prohibit future timber harvests; rather, it establishes a baseline level of carbon that PG&E agrees to maintain on the lands to which trees can be grown and harvested down to that level. The way PG&E manages the timber today, at a portfolio-wide level, is very similar to version 3.1 of CAR's forest projects protocol, though in specific cases PG&E's management may be sometimes higher or lower. Mr. Schonherr also noted that, per the CAR protocol, PG&E would receive historic carbon credits through this process for the projects that ultimately get registered; the ultimate benefit being that PG&E could receive potential carbon value for historic practices and, for the retained lands, PG&E would also accrue benefits going forward.

In response to Mr. Meacher's and Mr. Roos-Collins' questions regarding who is involved in the process and what "verification" means, Mr. Schonherr replied that an independent verifier reviews the level of carbon on the lands and the forest management practices, but doesn't physically inventory the forested lands. "Improvements" in forest management are actions taken to ensure that the landowner is maintaining baseline (based on historic management and current carbon levels) carbon levels or higher

going forward. The Carbon Action Reserve is a nonprofit that was created out of the Climate Action Registry to implement this part of the process.

Following Mr. Schonherr's presentation, Mr. Baggett invited members of the public to speak for the final public comment period.

Mary Mitchell, District Manager of Western Shasta Resource Conservation District, told the board the RCD is very interested in the Cow Creek, Battle Creek, and the Flatlands areas, has been following the Stewardship Council's process very closely, and wanted to comment on the carbon action reserve discussion. In working with Winrock International on pilot projects to obtain carbon credits for forest management, the RCD discovered a myriad of complex issues, such as ongoing verification costs that can get very high for landowners and multiple carbon credit registries with varying reputations. Ms. Mitchell noted that the possibility of PG&E registering forest projects opens up a multitude of questions regarding how this would work on the timbered lands. In response to one of Ms. Mitchell's questions, Mr. Schonherr stated that concerning the look-back credits vs. going forward credits, future landowners would realize the carbon benefits on the land if it's transferred to them with projects PG&E registers with the Climate Action Reserve.

Mr. Bischel stated that listing forest projects for possible "look-back" credits was prudent in light of the April 30 cut-off date in order to have any of the forest projects considered for registration, but he warned that the situation with CAR is in flux; CAR's protocols are variable, the Air Resources Board just rescinded their endorsement of the protocols, and a bill has been introduced in Congress that would preempt all state laws in this area. He concluded by stating that the board needs to have a fairly significant discussion on how registration of PG&E's forest projects might affect future donations of fee title.

Mr. Roos-Collins asked about the potential monetary value for future owners of the Carbon Reserve Tons (CRTs) and if this potential revenue could be factored into decisions regarding the amount of funding provided by the Stewardship Council for transactions. Mr. Schonherr replied that the value of CRTs is variable according to the market. He said that PG&E grows approximately 1.5 tons per acre per year of carbon which means about 80,000 to 90,000 tons of new carbon to be stored potentially per year. Mr. Schonherr said that the current value for carbon is \$8.00 to \$9.00 per ton, gross.

Hearing no further public comments, Mr. Baggett then asked if any board or staff members had announcements to make. Mr. Livingston pointed out that a public comment speaker's name in the last meeting's minutes was incorrect and that as board Secretary he would have the minutes corrected.

Hearing no other announcements, the meeting adjourned.

Secretary, Randal S. Livingston