



**Board of Trustees  
Clean Water Management Trust Fund  
Lake Lure Inn  
2771 Memorial Highway (US 64/74A)  
Lake Lure, North Carolina  
Monday, January 9, 2006**

**AGENDA**

*Executive Order Number One mandates that the Chair inquire as to whether any Trustee knows of any conflict or the appearance of conflict of interest with respect to matters on the agenda. If any Trustee knows of a conflict or the appearance of a conflict of interest, please so state at this time.*

**Robert D. Howard, Chairman, Presiding**

**8:30 am A. Call to Order – Chairman Howard**

- 1) Welcome to Rutherford County – John Condrey, Manager, Rutherford County
- 2) Welcome to Lake Lure – The Honorable Jim Proctor, Mayor
- 3) Roll Call – Gina Weaver
- 4) Executive Order Number One – Chairman Howard. Markham recuses himself from discussion and vote on Agenda Item K-2, 2000B-505 Chatham County. Rascoe recuses himself from discussion and vote on the two Cherry Point projects (Agenda Items M.5. [2005A-012] and M.6. [2005A-012]. Agenda item added as M-7 to discuss Johns River project. Action items added to schedule following Agenda Item F. Motion by Vaughan, 2<sup>nd</sup> by Mosley, to adopt agenda. Motion carries.
- 5) Revisions, additions and adoption of the Agenda – Chairman Howard **(Action Item)**
- 6) Please put cell phones on vibrate or off – Chairman Howard
- 7) Review and approval of the transcript of the November 14, 2005 meeting of the Board of Trustees in Wilmington – Chairman Howard **(Action Item)**
- 8) Appointment of Trustees to CWMTF Committees for 2006 – Chairman Howard
- 9) Appointment of temporary Contract Committee to review CWMTF contract templates and work with staff to improve contracting processes – Chairman Howard . Rascoe will chair this Committee.

- 10) Report of Awards Committee – Trustees Wright, McMillan & Weston
- 11) “One North Carolina Naturally” on CWMTF letterhead – Chairman Howard
- 12) November 14, 2005 RiverLink supplement in *Asheville Citizen Times* – Trustee Cragolin.
- 13) November 21, 2005 Valle Crucis Event (CWMTF #2003A-015) – Trustee Beane
- 14) November 30, 2005 Johns River Meeting with Crescent Resources – Trustee Beane
- 15) December 12, 2005 meeting with Chairs of Natural Heritage and Parks & Recreation Trust Funds – Chairman Howard
- 16) March 2-3, 2006 Strategic Visioning for Conservation in NC – Chairman Howard
- 17) Recognize CWMTF Advisory Committee Members – Chairman Howard

**8:45 am      B. Public Comments (Three Minutes Per Person) – Chairman Howard**

- 1) Chuck Place, Manager, Town of Lake Lure
- 2) Barbara Meliski, Chair, and Clint Calhoun, Watershed Coordinator, Upper Broad River Watershed Coalition
- 3) Susie Hamrick Jones, Executive Director, Foothills Conservancy of NC
- 4) Kieran Roe, Executive Director, Carolina Mountain Land Conservancy
- 5) Carl Silverstein, Executive Director, Southern Appalachian Highlands Conservancy
- 6) Judy Francis, Planning Director, Henderson County, on behalf of the Mills River Watershed Protection Project

**9:10 am      C. Personnel Committee Report – Chairman Smith**

- 1) The Personnel Committee conducted its annual performance review of the Executive Director on December 7, 2005.
- 2) 2005 Accomplishments of CWMTF
- 3) Potential Goals for CWMTF in 2006

**9:25 am      D. Executive Directors’ Report – Bill Holman (Information Items)**

- 1) Nov. & Dec. 2005 Cash Flow and FY 2005-2006 Projected Budget – Francine Durso
- 2) Status of Recently Approved Grants – Francine Durso
- 3) Communications Report – Lisa Schell
- 4) December 15, 2005 CREP Advisory Committee Meeting – Leland Heath
- 5) November 11, 2005 Trust for Public Land Summary of 2005 conservation bond referenda – Bill Holman

- 6) November 2005 Land Trust Alliance Summary of US Senate Tax Incentive Legislation – Bill Holman
- 7) November 2005 *Our State* magazine “Ready to Rumble” on Rumbling Bald – Bill Holman
- 8) November 2005 *Our State* magazine “Time-Tested Travel” on heritage tourism – Bill Holman
- 9) November 25, 2005 *Charlotte Observer* “Storm Over Rules” – Bill Holman
- 10) November 30, 2005 *Wall Street Journal* “Sierra Club Could Gain Allies...” – Bill Holman
- 11) November 30, 2005 Thank You Letter from Philip Francis, Superintendent of the Blue Ridge Parkway – Bill Holman
- 12) December 2005 *Business North Carolina* profile on Mark Singleton and American Whitewater’s new office in Cullowhee – Bill Holman
- 13) December 11, 2005 *Charlotte Observer* “2005 State of the Environment Report” – Bill Holman
- 14) Winter 2005 Catawba College Center for the Environment Study on the benefits of urban forests and land conservation to stormwater management – Bill Holman
- 15) Mountain Land Values – Tom Massie
- 16) December 7, 2005 *Wall Street Journal* “Hurricane Warning: On Topsail Island Storms Fuel Battle Over Right To Build” – Bill Holman
- 17) CWMTF Investments in Rutherford County – Tom Massie

**9:40 am E. 2005B Cycle Priority List – Bill Holman & Francine Durso (Action Item)**

The Board approved 75 grants and 5 donated and mini-grants at its November 14, 2005 meeting in Wilmington. The Board asked staff to consider time sensitivity when listing projects in the order that staff will draft contracts. CWMTF staff recommends that the Board adopt the 2005B Fall Cycle Priority List provided in the Board packet.

**Board Decision 1/9/06**

Motion by Mosley, 2<sup>nd</sup> by McMillan, to accept staff recommendation. Motion carries.

**9:50 am F. Attorney General’s Report – Frank Crawley**

**10:00 am G. Break**

**10:10 am H. Action on Retreat Issues – Chairman Howard (Potential Action Items) (See Sunday, January 8, 2006 Board of Trustees Retreat Agenda.)**

**11:00 am I. Restoration/Stormwater Committee Report – Chairman Beane (See Sunday, January 8, 2006 Restoration/Stormwater Committee Agenda) (Action Item)**

**11:15 am J. Stewardship Committee Report – Chairman Baddour (See Sunday, January 8, 2006 Stewardship Committee Agenda)**

**11:30 am K. Infrastructure/Wastewater Committee Issues – Chairman Mosley & CWMTF Staff (Action Items)**

**1) 2002B-603 – Town of Dover Collection System Construction – Leland Heath (Information Item)**

In July 2003, the Board approved a grant of up to \$333,000 to serve as matching funds for a NC Rural Center Grant of \$3,000,000 to eliminate wastewater discharges from 279 septic tanks and/or straight piping disposal systems by construction of a new sewage collection system and pumping the wastewater to the City of Kinston's WWTP. On October 12, 2005 the Town wrote the NC Rural Center to notify them of cost overruns and the need to potentially reduce the planned service area in order to eliminate some of the construction and to reduce project costs. On November 15, 2005, the NC Rural Center responded; a copy of this letter is provided in the packet. To date, Dover has not spent any CWMTF funds. The Town's engineering consultant is McDavid Associates.

**2) 2000B-505 – Chatham County 3M Wastewater Reuse Project – Nancy Guthrie (Action Item)**

In November 2001, the Board approved a grant of up to \$1,000,000 to Chatham County for a wastewater reuse project which includes upgrading the Town of Pittsboro's 0.75 MGD wastewater treatment plant to produce reuse-quality effluent and initially pumping approximately 0.25 MGD to a new 3M manufacturing facility in Chatham County. In 2003, the County requested an additional \$250,000 in order to reduce the cost/gallon charged to 3M for the reuse water, which the Board did not approve at its October 2003 meeting.

On Nov. 22, 2005 the County wrote CWMTF requesting an additional \$500,000 in grant funds due to cost overruns revealed when the project was bid, and requesting an extension of the contract until Aug. 31, 2007. The County, Town and 3M will provide an additional \$1,038,000 in matching funds. As a condition of the contract the County and the Town are to make every effort to secure contractual arrangements with customers to use up to 0.75 MGD of reclaimed wastewater, and the Town has adopted

an ordinance that requires new development to extend reuse lines for grey water use. The contractor has agreed to hold bids until after this Board meeting. CWMTF staff recommends that the Board approve the additional \$500,000 in funds with the stipulation that the funds may only be used toward the cost overrun related to the Town's WWTP upgrade and stipulating that the additional funds will not be encumbered until CWMTF receives its FY 2006-07 budget. Other matching funds include an EPA grant, CDBG grant, DWQ Construction Grants & Loans loan, and a USDA REDLG loan. The County's engineering consultant is Hobbs, Upchurch & Associates.

**Board Decision 1/9/06**

Motion by Mosley, 2<sup>nd</sup> by Johnson, to accept staff recommendation to approve the additional funding request of \$500,000. Substitute motion by Vaughan, 2<sup>nd</sup> by Hollan, to defer and consider the request during the 2006A cycle. Vaughan withdraws motion and Hollan withdraws 2<sup>nd</sup>. Motion by Hollan, 2<sup>nd</sup> by Baddour, to approve \$250,000 (out of this cycle's funds). If applicant needs additional funds beyond this, they may return to CWMTF requesting these funds. Substitute motion carries with 8 votes in favor and 6 opposed.

**3) 2005A-604 – Swain County Tuckasegee River Septic Tank Elimination Project – Tom Massie (Action Item)**

In August 2005, the Board approved a grant of up to \$50,000 to Swain County to hook up 30 failing septic tanks to the Bryson City WWTP, using CWMTF funds for the construction of sewerlines, manholes, and sewer service connections, and for construction administration/observation. Matching funds of \$203,550 were provided by a supplemental grant from the NC Rural Center; the County anticipated using some of the Rural Center funds for design. On Dec. 12, 2005, the County wrote CWMTF requesting that they be allowed to use grant funds for design because the Rural Center supplemental funds cannot be used for design. CWMTF staff recommends that the Board allow the County to use up to \$50,000 in grant funds for the design of the project.

**Board Decision 1/9/06**

Motion by Mosley, 2<sup>nd</sup> by McMillan to accept staff recommendation to approve request. Motion carries.

**12:00 pm L. Working Lunch**

**12:20 pm M. Acquisition Committee Issues – Chair Cragnolin & CWMTF Staff (Action Items)**

**1) 2005B-047 – Tar River Land Conservancy's Averett Farm Project – Leland Heath (Action Item)**

On December 8, 2005 the Tar River Land Conservancy wrote CWMTF to request withdrawal of its Averett Farm project on the Tar River in Granville County. CWMTF staff recommends that the Board accept TRLC's request.

**Board Decision 1/9/06**

Motion by Vaughan, 2<sup>nd</sup> by McLean, to accept withdrawal. Motion carries.

**2) 2005D-014 – Land Trust for Central NC's Kepley tract on Reedy Creek in Davidson County – Bern Schumak (Action Item)**

On November 30, 2005 the Land Trust for Central NC wrote CWMTF to request a donated easement grant of \$17,065 to fund some of the transaction costs associated with the donation of an 80-acre conservation easement with approximately 1300 linear feet of riparian land on Reedy Creek in the Yadkin/Pee Dee River Basin in Davidson County. Mr. Billy Joe Kepley owns the property. The property is valued at \$560,000. LTCNC will hold the easement. CWMTF staff has reviewed LTCNC's request, believes that it is consistent with the Board's policy, and recommends that the Board approve it up to \$17,065.

If the Board approves LTCNC's request, \$205,335 will remain available for donated easement grants in fiscal year 2005-2006. LTCNC has received no previous donated easement grants from CWMTF.

**Board Decision 1/9/06**

Motion by Vaughan, 2<sup>nd</sup> by Beane, to approve minigrant. Motion carries.

**3) 2005D-015 – Blue Ridge Rural Land Trust's Tate Farm Phase II on Ripshin Creek in Ashe County – Bern Schumak (Action Item)**

On December 4, 2005 Blue Ridge Rural Land Trust wrote CWMTF to request a donated easement grant of up to \$25,000 to fund the transaction and stewardship costs associated with the donation of a 200-acre conservation easement by Michael and Virginia Tate on Ripshin Creek in the New River Basin in Ashe County. The property is valued at \$540,000. BRRLT will hold the easement. CWMTF staff plans to visit the site soon and will make a recommendation to the Board at the January 9, 2006 meeting.

If the Board approves BRRLT's request (and LTCNC's 2005D-014), \$180,335 will remain available for donated easement grants in fiscal year 2005-2006. BRRLT has received 15 donated easement grants from CWMTF and has completed 9.

**Board Decision 1/9/06**

Motion by McMillan, 2<sup>nd</sup> by Weston, to approve minigrant. Motion carries.

**4) 2005M-009 – The Conservation Fund’s Henderson Wetlands Project – Leland Heath & Bill Holman (Action Item)**

On December 10, 2005 The Conservation Fund (TCF) in partnership with Gateway Community Development Corporation, NC Community Development Initiative, and the Black Family Land Trust wrote CWMTF to request a mini-grant of up to \$25,000 to fund the fee simple acquisition and stewardship of a wetland in the headwaters of Rock Spring and Sandy Creek in the Tar/Pamlico River Basin in the City of Henderson in Vance County. Gateway CDC owns 11 acres, including the wetland. The Black Family Land Trust will own and steward the wetland. TCF and its partners will implement environmental education programs at the site.

CWMTF’s Mini-Grant program provides funds for pre-acquisition costs. TCF and its partners have requested funds for acquisition of a one acre wetland.

\$23,400 remains for allocation under the mini-grant program in fiscal year 2005-2006. CWMTF staff recommends that the Board approve up to \$23,400 as a mini-grant to TCF and its partners to acquire and steward the wetland in Henderson. CWMTF could work with Gateway CDC and other community development corporations in the future to protect and restore riparian buffers, wetlands and floodplains and provide environmental educational and recreational opportunities.

If the Board approves TCF’s request, \$0 will remain available for mini-grants in fiscal year 2005-2006.

**Board Decision 1/9/06**

Howard sends project back to the Acquisitions Committee to check whether it is eligible for funding under the minigrant program.

**5) 2005A-012 – NC Coastal Land Trust’s Cherry Point/Piney Island Protection Project Issue One – Damon Tatem (Action Item)**

On October 4, 2005 NCCLT wrote CWMTF to request that a 42.28-acre property owned by Mr. William P. Boulia in the air installation compatible use zone (AICUZ) of Marine Corps Air Station Cherry Point be added to the tracts eligible for funding from \$3,000,000 grant approved by the Board in August 2005 (CWMTF Project #2005A-012). CWMTF staff recommended that the Board approve the use of CWMTF funds to help acquire the Boulia tract for a future stormwater project for the Town of Havelock with the condition that CWMTF would pay up to 50% of the fair market value of the property and transaction costs.

The property is valued at \$450,000. The Navy has offered to pay \$225,000 and some transaction costs. NCCLT has requested up to \$255,700 from CWMTF to pay half of the purchase price and the remainder of the transaction costs. The Town of Havelock will own the property in fee subject to a CWMTF conservation easement.

At its November 13-14, 2005 meeting the Board requested additional information about the wetlands on the property and tabled the request. NCCLT estimates that 19.53 acres or 46% of the tract are wetlands.

CWMTF staff continues to recommend use of CWMTF funds to acquire the tract because it will be used for stormwater treatment in the future and it will help protect Cherry Point from encroachment. The US Environmental Protection Agency will not permit the use of existing wetlands (waters of the United States) to treat stormwater pollution.

**Board Decision 1/9/06**

Motion by Weston, 2<sup>nd</sup> by Baddour, to approve staff recommendation to approve acquisition of the tract. Motion carries.

**6) 2005A-012 – NC Coastal Land Trust’s Cherry Point/Piney Island Protection Project Issue Two – Damon Tatem (Action Item)**

The Board approved up to \$3,000,000 in special indebtedness to the NC Coastal Land Trust (NCCLT) in August 2005 to acquire a number of tracts, including the 1978-acre Neuse River/Bay River Investments tract, to protect water quality and to protect Marine Corps Air Station Cherry Point and its Piney Island bombing range from encroachment by incompatible development. NCCLT has an option on the property that expires on March 31, 2006.

On December 15, 2005 NCCLT wrote CWMTF to advise CWMTF that the NC Wildlife Resources Commission decided not to accept the Neuse River/Bay River Investments tract into its Game Lands program and consequently decided not to provide a federal coastal wetlands protection grant as matching funds at its December 2005 meeting. NCCLT plans to ask the WRC to reconsider its decision.

NCCLT has requested that CWMTF amend the budget for 2005A-012 to remove the federal coastal wetlands grant and that CWMTF provide up to \$2,581,206 for acquisition of the Neuse River/Bay River Investments tract. CWMTF staff recommends that the Board approve NCCLT’s request.

**Board Decision 1/9/06**

Revised requested amount is \$2,746,956. Motion by Cragnolin to approve staff recommendation. Motion by Hollan, 2<sup>nd</sup> by Hester, to

approve up to \$2,250,000 from COPS and to approve up to an additional \$500,000 if these funds are not provided by WRC. Motion by Hollan, 2<sup>nd</sup> by Hester, to suspend rules and to allow NCCLT staff to answer questions about the project. Motion carries. Motion to fund up to \$2,250,000, with a potential additional \$500,000, carries without opposition.

**ADDED AGENDA ITEM M-7** WRC Johns Loop Road Tract, Burke County (2005B-033)

Staff recommends approval of WRC's request.

Motion by Weston, 2<sup>nd</sup> by McLean, to approve staff recommendation for phased funding as recommended by WRC. Phase One would close first on 600 acres (80% of the riparian areas) and Phase Two would follow on the upland areas (400 acres). Motion carries unanimously.

**1:20 pm N. Discussion**

Board's Work Session on 1/8/06

Motion from yesterday's Trustee work session read into the record by Hollan. Wright has been informed by Crawley that information from the meeting is confidential and only motion and 2nd needs to be read into the minutes from that meeting. At the Trustee work session, motion was made by Hollan, 2<sup>nd</sup> by McLean, to clarify that the circulating notes on personnel issues did not reflect the position of the Board. Motion carried in that meeting.

Internal Procedures Committee

Wright requests that Howard ask the Internal Procedures Committee to come up with a process to allow projects that don't meet criteria to be reviewed by the Board in an approved process. Howard stated that he would ask this Committee to do this work.

**1:30 pm O. Adjourn**

**CWMTF Announcements**

The Rutherford Soil & Water Conservation District will lead a tour of agricultural best management practices (CWMTF #2001A-409 & #2005B-409) on Friday, January 6, 2006 starting at 9:00 am at the District office at 121 Laurel Drive in Rutherfordton.

The Nature Conservancy, Carolina Mountain Lands Conservancy, and State Parks will lead a hike to Worlds Edge (CWMTF #2005B-005) on Saturday, January 7, 2006 starting at 1:00 pm at the Lake Lure Inn.

The Board of Trustees of the Clean Water Management Trust Fund will meet separately from CWMTF staff from 11:00 am - 1:00 pm on Sunday, January 8, 2006 at the Lake

Lure Inn. CWMTF staff will also meet from 11:00 am – 1:00 pm on Sunday, January 8 at the Lake Lure Inn. Lunch will be provided.

The Board of Trustees of CWMTF will hold its annual retreat starting on Sunday, January 8, 2006 at 1:30 pm at the Lake Lure Inn.

The Restoration/Stormwater Committee will meet on Sunday, January 8 at 5:20 pm at the Lake Lure Inn.

The Stewardship Committee will meet on Sunday, January 8 at 5:55 pm at the Lake Lure Inn.

The Personnel Committee will meet on Monday, January 9 at 7:45 am at the Lake Lure Inn.

CWMTF staff will meet on Wednesday, January 11, 2006 at 10:00 am in Raleigh.

CWMTF will make its annual report to the legislature's Environmental Review Commission on January 24, 2006.

The Board of Trustees of CWMTF will meet February 12-13, 2006 at Yogi Bear's Jellystone Park in Tabor City, March 12-13 in Davidson County, April 9-10 in Haywood County, and May 7-8 in Raleigh.

The next deadline for applications for grants from CWMTF is June 1, 2006 (2006B Fall Cycle).

Contact [www.cwmtf.net](http://www.cwmtf.net) for more information.

## Announcements

Contact [www.thehickorynutgorge.com](http://www.thehickorynutgorge.com) or 828-625-2725; [www.chimneyrockpark.com](http://www.chimneyrockpark.com) or 800-277-9611; [www.lakelureinn.com](http://www.lakelureinn.com) or 888-434-4970; [www.ci.lake-lure.nc.us](http://www.ci.lake-lure.nc.us); [www.rutherfordcountync.gov](http://www.rutherfordcountync.gov); rutherfordtourism.com or 800-849-5998 for more information about the Hickory Nut Gorge, Chimney Rock, Lake Lure, and the Rutherford County area.

National Committee for New River has named George Santucci, as its new Executive Director. Santucci had been 4H Program Associate at Ashe County Cooperative Extension. Former director Jeffrey Scott is creating a conservation real estate brokerage.

Dr. Richard P. Maas of UNC-Asheville died on December 12, 2005 of a blood disorder. Dr. Maas was founder and co-director of UNC-Asheville's Environmental Quality Institute and very active on clean water issues.

The NC Department of Environment & Natural Resources has hired Jimmy Johnson of Washington to coordinate implementation of the coastal habitat protection plan (CHPP) effective January 3, 2006. Johnson is former Chairman of the NC Marine Fisheries Commission.

The NC Association of Soil & Water Conservation Districts is meeting at the Sheraton Imperial in Research Triangle Park on January 8-10, 2006. Contact [www.ncaswcd.org](http://www.ncaswcd.org).

The NC Environmental Management Commission is holding public hearings on rules governing water conservation and water reuse during drought and water emergency situations: January 19 at 6:00 pm at Davidson County Farm Bureau in Lexington, January 24 at 5:00 pm at Wayne Community College in Goldsboro, and January 31 at 6 pm at Asheville Public Works Facility. Contact [www.ncwater.org/watersupplyplanning/water\\_conservation/hb1215/index.php](http://www.ncwater.org/watersupplyplanning/water_conservation/hb1215/index.php) or Linwood Peele at 919-715-5455.

The UNC Environmental Finance Center at the UNC School of Government at the University of North Carolina at Chapel Hill is presenting a 2-day seminar on Capital Finance Strategies for Water and Wastewater Utilities, on January 26 & 27, 2005. Contact <http://www.efc.unc.edu/waterleadership/index.htm> or 919-966-4157 for more information.

The next deadline for applications for local government grants from the Parks & Recreation Trust Fund is January 31, 2006. The Board of Trustees of the Parks & Recreation Authority will meet on March 17-18 at Hickory Nut Gorge State Park/Lake Lure and May 17 at Umstead State Park. The President and US Congress rescinded appropriations made earlier to the national Land and Water Conservation Fund (LWCF) for state and local governments. Therefore no LWCF funds are available for state or local government projects in 2006.

The NC Rural Economic Development Center will provide an update on its Water 2030 project on February 23, 2006 at Exploris in Raleigh. Contact [www.ncruralcenter.org](http://www.ncruralcenter.org) or Ashley Crane at 919-250-4314 ext 266 or [acrane@ncruralcenter.org](mailto:acrane@ncruralcenter.org).

The next deadline for applications for grants from the Natural Heritage Trust Fund is March 1, 2006. The Natural Heritage Trust Fund Board of Trustees will meet on April 19-20, 2006.

The American Council of Engineering Companies of North Carolina (ACEC/NC) and the Professional Engineers of North Carolina (PENC) 2006 Environmental Conference will be held at NC State University's McKimmon Center in Raleigh on March 1, 2006 beginning at 8 am. The subject is "Sustainability: From Concept to Action." The conference will kick off with a keynote address that presents a broad view of sustainability followed by case studies of "sustainability in action" here in North Carolina. The conference will close with several speakers' look into sustainability issues in the future in such areas as energy and economics. Registration forms will be available in early January 2006 on the ACEC/NC website and the PENC website. CWMTF is a partner in helping sponsor this event.

The 2006 Carolina Environmental Program Environmental Symposium: *Safe Drinking Water: Where Science Meets Policy* will be held March 16-17, 2006 at Friday Center in Chapel Hill. Contact [www.cep.unc.edu](http://www.cep.unc.edu).

University of North Carolina at Wilmington, National Oceanic & Atmospheric Administration (NOAA), CWMTF and others will sponsor at coastal policy conference on March 19-21, 2006 at the Holiday Inn Sunspree in Wrightsville Beach.

County Commissioners Lobby Day at the NC General Assembly is May 17, 2006, Town Hall Day is June 7, and Land and Water Conservation Lobby Day is June 14.

The Pamlico-Tar River Foundation celebrates its 25<sup>th</sup> anniversary in 2006.

**Board of Trustees  
Clean Water Management Trust Fund  
Annual Retreat  
Lake Lure Inn  
2771 Memorial Highway (US 64/74A)  
Sunday, January 8, 2006**

**AGENDA**

**Robert D. Howard, Chairman, Presiding  
Doc Klein, Facilitating**

**1:30 pm H-A. Call to Order – Chairman Howard**

- 1) Welcome – Chairman Howard
- 2) Executive Order Number One – Chairman Howard
- 3) Revisions and additions to the Agenda – Chairman Howard. Motion by Mosley, 2<sup>nd</sup> by Wright, to include discussion of CWMTF policies in the scheduled ethics discussion (as suggested by Hester, Agenda Item H-B) and to include the Stewardship Committee discussion as part of the retreat agenda (as suggested by Baddour). Motion carries.
- 4) Overview of Retreat – Doc Klein

**1:40 pm H-B. Review of Executive Order Number One and Ethics Rules – Frank Crawley (Information Item)  
Board Discussion 1/8/06**

- Crawley- If a Board member recuses himself, he doesn't necessarily need to leave the room during the discussion and vote. That action is allowable, but not necessary.
- Hester- Would like to see the Board adopt a policy that there shall be no undue influence by a Trustee upon a staff member to change their opinion about a project that is based upon an honest conviction. Encourage discussion, but it is unethical and irresponsible to try to coerce a staff's position once it is honestly taken. Consider a personnel policy that allows a staff member to report such an incidence to the Executive Director and then to the Chairman of the Board. Once a staff member has thoroughly analyzed a project with all the input he can get, then no Trustee should try to change that staff recommendation. Political ramifications of funding/not funding a project lie within the Board's discretion. Howard recommended that Hester work with the Internal Affairs Committee.
- Hollan asked if we need similar procedures, as Executive Order One, adopted by the Board so that we are consistent and not redundant.
- Baddour- asked if all appointees are technically covered by Executive Order One and maybe we should adopt it as a policy.

**1:50 pm H-C. CWMTF Trends – Bill Holman & Francine Durso (Information Item)**

The number of applications to CWMTF, the number of projects approved by CWMTF, the number of active CWMTF projects under contract, appropriations to CWMTF, and CWMTF's cash balance have all increased significantly in recent years.

**Board Discussion 1/8/06**

- No specific recommendations other than to keep these graphs in mind, especially the cash balance graph, as review projects this spring.

**2:00 pm H-D. 2006A Spring Cycle Overview – Tom Jones & Bill Holman (Discussion Item)**

Local governments, non-profit conservation organizations, and state agencies requested over \$212,000,000 for 134 projects on December 1, 2005. The Board deferred 16 projects requesting over \$31,680,000 in the fall of 2005.

It will be difficult for CWMTF staff and the Board to review all the applications at the February, March and April meetings. Does the Board want to continue to meet all day on Sundays? Does the Board want to provide time for committee work on Mondays and have longer Board meetings on Mondays? Does the Board want to use the May meeting for project review and delay final decisions until July? Does the Board want to receive full presentations on low scoring projects? Does the Board have other ideas to manage the review of projects? Note staff & the Board also have to review numerous requests for scope and budget changes for existing projects and mini-grant requests each month.

**Board Discussion 1/8/06**

- Baddour- do we need more staff to handle additional applications and contracts? Howard- a very relevant comment, but may be a different agenda item since this agenda item is more related to Board participation.

**2:20 pm H-E. CWMTF Project Review Criteria – Tom Jones**

The Board adopted its current criteria in February, 2003. The Board, via its Long-Range Planning Committee and its Criteria Committee, decided to target drinking water supply watersheds, shellfishing or trout waters, Albemarle/Pamlico watersheds, headwater streams, impaired urban streams on the US Environmental Protection Agency's 303(d) list,

elimination of ocean outfalls of stormwater, wastewater regionalization, and protection of military bases from encroachment by incompatible development in 2003.

The 2005 General Assembly enacted and Governor Easley signed SL 2005-454 (HB 1095), Clarify Clean Water Funding. GS 159G-23 establishes common criteria for infrastructure and stormwater projects for state funding agencies.

CWMTF's Criteria Committee will review SL 2005-454 and CWMTF's existing criteria and may recommend changes to the Board in the spring of 2006. The Criteria Committee welcomes discussion and comments from the Board on CWMTF's existing criteria and SL 2005-454's criteria. Does the Board want to further focus its targeting? For example should the large Albemarle/Pamlico watershed be replaced with the smaller Coastal Habitat Protection Plan watershed area? Should more emphasis be placed on implementing riparian corridor conservation plans? What efforts should local governments make to protect their drinking water supplies before CWMTF invests state funds?

#### **Board Discussion 1/8/06**

- Crawley suggested that we get additional information for the applications this cycle, rather than apply to the June 2006 cycle. We need to show that we are considering the common criteria as we review projects. In particular, we should look at the land use plan criteria since we normally do not require this information. Jones- but see a difficulty in developing a criteria system before he needs to review applications and write scopes. See timing problems. Howard suggested that staff and Crawley get back together and further discuss how the statute would be applied, especially to the current cycle.
- Crawley stated that projects that meet the statute's common criteria would take priority over those projects that only meet the Board's current criteria.
- Markham asked if it would be possible to push restoration, stormwater and wastewater projects back to later months so that some of these issues could be ironed out. Howard stated that staff will be looking at this option.

#### **2:50 pm H-F. Appraisal Policy – Robin Hammond (Potential Action Item)**

The Board adopted an appraisal policy in September 2001 and amended it in February and September 2003. The policy provided flexibility to the City of Raleigh and other local governments who were acquiring conservation easements and land for greenways along the Neuse River and other streams.

CWMTF staff recommends that the Board adopt a new appraisal policy that clarifies that CWMTF will not reimburse grantees for acquisition of conservation easements or land in fee when the price is in excess of the fair market value as determined by the State Property Office. CWMTF further recommends that the Board retain the use of ad valorem assessed valuation when the total price does not exceed \$100,000 in lieu of an independent appraisal.

Tommy Cline of the State Property Office will be available to discuss his concerns with the Board.

**Board Discussion 1/8/06**

- Rascoe asked Tommy Cline about potential problems with proposed policy. Cline stated that may need some consideration for a property owner that won't accept the appraised value.
- Hollan- we are a granting agency and had made these policies for de minimus instances, especially to facilitate acquisition of greenways.
- Howard- Refer to ad hoc Appraisal Committee.

**3:05 pm H-G. Break**

**3:15 pm H-H. Consistent Policy on Reimbursement of Administrative Costs for Managing CWMTF Projects – Francine Durso (Potential Action Item)**

Some applicants include administrative costs in their grant applications and some do not (these are often listed as overhead, indirect or facilitation costs). Of the applicants that include these costs, they are not calculated in any uniform way. The Board may wish to consider that the inclusion of administrative costs in grant agreements be consistent – either funded or not funded – and calculated in the same way if funded. CWMTF staff suggests that the Board consider the following options:

A. For land acquisition projects:

- Option 1: Follow the State Property Office guidelines which calculate allowable administrative costs based on the purchase price of the property as 3% of the first \$500,000 of the purchase price, 2% of the second \$500,000 of the purchase price, and 1% of the amount of the purchase price in excess of \$1,000,000, not to exceed \$30,000 (3-2-1 option). For example, if the purchase price of a tract is \$2 million, the land trust would be allowed only the cap of \$30,000 in administrative costs. CWMTF staff has concerns that this method may result in overly expensive administrative costs.

- Option 2: Use a standard percentage of the direct costs (project costs excluding the purchase price of the property, stewardship and interest expenses).
- For the 2006A cycle, CWMTF staff will prepare comparative information showing the amounts that might be approved under the 3-2-1 option and the standard percentage of direct costs option, for consideration by the Acquisition Committee during project reviews.
- Under either option, the administrative costs would not be paid until all final documentation, per the contract, has been received by CWMTF; this should help ensure timely close out of the acquisition projects after CWMTF funds have been disbursed.

B. For restoration/stormwater/wastewater/infrastructure projects:

Allow 5% of the project costs up to a cap of \$20,000 AND cap the total amount of administrative funds paid by CWMTF to the same recipient, across all grants held by the recipient, at \$50,000 per year.

**Board Discussion 1/8/06**

- Hollan- should be cautious in funding administrative costs if applicants don't ask for because this would limit how many projects CWMTF could fund.
- Baddour- if do fund administrative costs, then need some guidelines so that we are consistent. We should be supportive of the land trust community.
- Wright- As much as possible, we should be consistent in our policy. See inconsistencies in Board's actions in some cases when circumstances are not different.
- Cragolin- would like to discuss in the Acquisitions Committee. Consistency is important, but need to determine if adopting a policy would encourage applicants to request administrative funding that they normally would not request.
- Mosley- would like for Wastewater Committee to discuss as well.
- Beane- would like for Restoration Committee to discuss and then for three Committee Chairs to discuss together after they have gathered Committee input.
- Howard- has directed Holman to schedule Committee discussions and a Chair meeting as well.

**3:30 pm**

**H-I. Construction Cost Overruns, Managing Construction Projects and Costs – Francine Durso (Discussion Item)**

CWMTF currently reviews cost overruns associated with construction projects on a case by case basis. Does CWMTF need to adopt guidelines to ensure consistent review of requests to pay cost overruns? If so, what information would the Board like before it considers requests to pay cost overruns?

CWMTF does not currently manage restoration, stormwater, or infrastructure/wastewater projects as they are implemented by grantees. The grantees proceed at their own paces. CWMTF receives numerous requests for project scope and budget changes as the projects are planned, designed and bid. Should CWMTF be more involved in management of construction projects? How should CWMTF handle the increasing number of requests for project scope and budget changes?

**Board Discussion 1/8/06 (Cost Overruns)**

- Beane asked about number of requests for cost overruns that Board considers each year. Durso responded that last year Board reviewed 6 requests for approximately \$3.3 million.
- Cragolin- Suggested that phased funding might get at the cost overrun problems and could help the cash balance issue as well.
- Mosley- Doesn't agree with phased funding because commit funds from a future cycle.
- Wright- Applicants appear to perceive that they will receive additional funding when approved for phased funding.
- Howard- may need to develop a minigrant for wastewater projects to allow them to plan a project and get better cost estimates.
- Mosley- prefers to look at setting aside a certain allocation of funds for cost overruns. Wastewater projects take a long time and we should expect cost escalations. Similar to what Rural Center does on a case-by-case basis. Could still have cost overruns if you did a planning project because of material escalations over time.
- Crumpler- what do other states do for projects with cost overruns?

**Board Discussion 1/8/06 (Project Management)**

- McMillan- what about requiring a reporting requirement in the contracts. Durso responded that we already a contract condition for quarterly reports. Staff also submit a summary of the status of active projects and submit to each Committee as well as highlighting projects that are having difficulty.
- Mosley- think that could hire additional staff to follow up on projects and then pass information on to Francine. Would support additional management of these projects.
- Markham- also recommend that staff have expertise in construction and engineering.
- Hollan- shouldn't give grants to applicants that can't manage their own projects. Applicants need to hire people to manage their own construction. We do not need to manage the construction because we are a granting agency.
- Mosley- additional staff would not manage the construction, but manage the information associated with the projects.
- McLean- does contract require that applicant designate a project manager? Is the manager specified in the contract? Durso responded

that each contract does have a designated contact for the project. McLean- what about a construction manager? Durso- no, not explicitly. Applicants usually work with an engineering firm and then CWMTF staff often work directly with the engineer.

- Klein reminded group that need to look at the end result- what we'd like to see in projects. Markham responded that accountability on the part of the grantee is important.
- Klein- well managed projects responsible to their contracts. Need to think about what CWMTF needs to do versus what applicant needs to do.
- Mosley- would like to ask that staff specifically monitor the projects for each of the two Committees.
- Howard- suggested that staff come back to the Board with a specific recommendation.

3:50 pm

#### **H-J. Payment of Transaction Costs to State Agencies – Bill Holman (Discussion & Potential Action Item)**

CWMTF typically pays a substantial portion of the transaction costs, including appraisals, surveys, legal descriptions, phase 1 environmental site assessments, baseline documentation reports, title insurance, legal fees, and recording fees, associated with acquisition of conservation easements and land in fee for non-profit conservation organizations and local governments. Transaction costs range from \$12,000 to \$75,000 depending upon the size of the property.

CWMTF staff has recommended and the Board has approved requiring state agency applicants, including the Wildlife Resources Commission and State Parks, to pay their transaction costs with their own funds in order to increase their match and to increase the total amount of funds available to apply to clean water projects since 2004.

State agencies prefer that CWMTF pay their transaction costs. They note that CWMTF does not provide funds for perpetual stewardship or management of state owned conservation lands.

Should CWMTF pay transaction costs for state agency acquisition projects?

#### **Board Discussion 1/8/06**

- Wright- concern when land trusts apply for funding and receive transaction cost reimbursement and then transfer ownership to a state agency. State agencies have many acres and requirements for management and incur huge costs and are not reimbursed for transaction costs and stewardship. Not fair to have different policies for the two groups.
- Hollan- the state can take tax monies if needed and would be opposed to set aside stewardship funds for state agencies to manage

properties. Don't know if there are any projects that haven't gotten done because of current policies.

- Wright- clarify that we should not be giving stewardship to state agencies, but by not reimbursing state agencies for transaction costs, we are making it difficult for them to have available funds for stewardship.
- Hollan- currently do not pay transaction costs for state agencies.
- Howard-no motion to change the current policy, so it stays as is.

4:20 pm

#### **H-K. Land for Tomorrow Proposal (Information and Potential Action Item) – Chairman Howard**

Kate Dixon of the Land for Tomorrow Coalition made a presentation to the Board in March 2005 in Raleigh on "Saving the Goodliest Land: Investing in North Carolina's Land, Water, History, and Future."

Land for Tomorrow proposes that the State of North Carolina invest an additional \$200,000,000 per year for five years:

- 1) to protect rivers, wetlands, floodplains & coastal waters;
- 2) to protect working farmland;
- 3) to protect working forests;
- 4) to establish local parks and trails;
- 5) to protect and increase urban forests;
- 6) to expand state parks and trails;
- 7) to expand state game lands and state natural areas;
- 8) to protect and restore historic sites; and
- 9) to protect scenic highways

Of the \$200,000,000 of additional funding per year Land for Tomorrow specifically proposes that \$54,500,000 per year be allocated to CWMTF (CWMTF's appropriation would increase from \$100,000,000 to \$154,500,000 per year). Land for Tomorrow also proposes expanding CWMTF's mission to include funding some clean air projects such as protection and expansion of urban forests and trails.

The 2006 General Assembly and the Governor will decide actual allocations and purposes of funds.

Does the Board want to endorse Land for Tomorrow's proposal? Support it with changes? Oppose it?

#### **Board Discussion 1/8/06**

- Baddour- asked about status of proposal to raise \$200 million per year. Holman stated that there is a proposal from Land For Tomorrow on how to spend the funds, but are still working on strategy to raise the funds.

- McMillan- press conference at Legislature when this proposal was released.
- Wright- important for all involved to get factual information on what proposal would and would not do. Who is currently doing air quality portion of the proposal, and if not being done, what specifically would be asked of CWMTF? Holman responded about DAQ's vehicle reduction program, but no incentive program to fund urban forests and greenways as part of an air quality program.
- Wright- would this change our current semi-autonomous status within DENR? Holman responded that he didn't think the proposal spoke to that.
- Howard asked if Holman or staff had formulated a recommendation. Holman spoke to concerns about broadening responsibilities given constraints on current staff time, but would be willing to consider pros and cons.
- Howard- asked staff to bring a recommendation back to the Board.
- Baddour- also had concerns about broadening the Board's responsibilities. Hope that staff recommendation will have pros and cons related to expansion of the mission. What portion of \$54 million would be for the expanded mission?
- Hester- if proposal helps us in our current mission of water quality protection/restoration, why do we need to endorse it and be involved in it? Why get into the advocacy role?
- Wright- Wants to know potential impact on CWMTF.

**4:50 pm H-L. Other Retreat Issues**

CWMTF Trustees and/or staff requested that the following issues be discussed at the retreat. Time does not allow a thorough discussion of each issue. Some can be considered by CWMTF Committees in 2006.

- 1) What process should land trusts follow before borrowing funds to acquire property and then applying to CWMTF or other conservation trust funds for a grant to pay off the loan?
  - Crumpler- Applicant's action to borrow funds prior to approval should not have an impact on our funding decision.
  - Wright- property should be bought on value and potential use and not speculation, because state may not always approve these projects. The risk lies with the applicant.
  - Holman- does Board want to be more informed in advance of receiving an application?
  - Beane- does Board have any disclaimers? Holman- none other than only Board can make funding decisions and everyone must apply. Beane- maybe we do need a disclaimer that Board does

- not guarantee coverage of any funds borrowed in advance for a project.
  - Holman reminded Board that we have in past paid for interest on borrowed funds.
- 2) At its November 2005 meeting the Board voted to not fund a number of projects that had remained eligible for funding prior to the meeting. The applicants had to reapply to CWMTF on December 1, 2005 for consideration in the 2006A Spring Cycle. Trustee Beane questioned this decision. Chairman Howard stated that Board needs to clean the slate each cycle to allow time to hear presentations on all new applications. This topic should be discussed at the retreat.
- Coleman asked for discussion on this item.
  - Beane stated that his objection was different that what Board had done in earlier cycles and then moved some lower scoring projects up into the priority list.
  - Mosley- scoring is only one criteria and Committee as the opportunity to move a project up regardless of the score.
  - Howard- have we just carried forward projects to another cycle?
  - Cragolin- we had this discussion related to timing of legislative appropriations.
  - Wright- many times defer projects to gather additional information and generally a Committee decision.
  - Beane- we should tell applicants that if we run out of funding, their project will be denied.
  - Hollan- on occasion with acquisition projects have responded to time sensitive issues and have deferred them. Would support special circumstances. The Board does have the authority to defer certain projects, but if they don't pass muster the first time, then they shouldn't be carried forward to another cycle.
  - Coleman- have \$32 million in deferred projects before the Board.
- 3) Should CWMTF develop a riparian corridor conservation planning and implementation grant program for local governments for local greenway projects similar to the CWMTF/CTNC partnership with land trusts?
- 4) Should CWMTF not fund greenway projects when contiguous tracts can not be obtained from willing sellers?
- 5) Should CWMTF develop a wastewater planning grant program similar to the stormwater planning grant program?
- Discussed earlier- Asked staff to bring back a proposal at a later date.
- 6) What are the benefits to residual property from conservation land acquisition? How should they be considered?

- 7) What is the impact of state conservation trust funds on the real estate market in NC?
- 8) How should CWMTF and/or the State respond to major land sales by International Paper, Duke Energy/Crescent Resources, Alcoa, Progress Energy, and others?
  - Cragolin- stated concern heard from another trustee about not accepting incomplete applications and potential spillover to International Paper projects.
  - McMillan- potential bond funding for these type projects. Opportunities for IP will be there for a while, but not forever. Some have time limitations. Need to look at COPS and other funding options because unique opportunities.
- 9) Should CWMTF change its policy of paying 50% of the fair market value of watersheds owned by local governments and others?
  - Hollan- On occasion have paid more than 50%, but don't have a policy to apply to all cases. Many issues discussed today may lead to entitlement, rather than the Board's discretion on a case-by-case basis. Would help the field reps to have a set policy, but don't need to do this. Field reps can state what the Board has done on past projects as a reference point for the applicants. Need to bring the Board's best judgment and discretion to each project. Recommendation to be careful in the use of the word "policy" with applicants. Board has never paid more than 50%, but concerned with escalating land prices. Don't use the word "policy" unless the Board in fact has a policy in place. If Board uses a rule-of-thumb, don't state it as a "policy."
- 10) GS 113A-253(5) prohibits use of CWMTF funds "for the purpose of expanding the (wastewater collection & treatment) system to accommodate future anticipated growth of a community..." How much flexibility does the statute provide?
- 11) What issues should CWMTF advocate for in the 2006 General Assembly?
- 12) Should CWMTF increase its role in flood hazard mitigation acquisition?
- 13) How could coordination, communication, and cooperation between CWMTF and PARTF & NHTF be improved?
  - Holman stated that a meeting is being planned for mid-March between the trust funds.
  - Beane thinks is a great idea to get together every couple of years.
- 14) How could coordination, communication, and cooperation between CWMTF and EEP be improved?

- 15) How could coordination, communication, and cooperation between CWMTF and the Agricultural Development and Farmland Preservation Trust Fund be improved?
- 16) Should CWMTF establish cost/benefit thresholds for projects such as cost per acre for acquisition, cost per foot for restoration, cost per residence served or cost per gallon treated for wastewater? For example the Board reduced the budget of a wastewater project in the 2005B Fall Cycle so that the cost per residence would not exceed \$21,956.
- 17) How should income that land trusts generate from leasing land (cutting hay, cutting timber, leasing hunting rights, etc) that they purchased with CWMTF funds and that they own in fee be utilized and accounted for?
- Massie explained situation with a few of his projects related to this issue.
  - McLean- could this be spelled out in the initial conservation easement? Massie stated that staff highlights deviations from the standard easement when it is brought before the Board.
  - Holman stated that issue comes into play when land trust holds title and gains income from harvest of the hay. Do we want to direct income to a specific purpose, and then would have to track it. Holman stated that needs to be spelled out in the contract and budget.
  - McLean stated that if spelled out in the contract, what they do with the income is their business.
  - Rascoe stated that CE seems clear on hay cutting and other activities. CE is the binding document. Thinks is not an issue.
  - Markham- would like to see the applicant use the income for stewardship.
  - Cragolin- could be an additional burden on staff to keep up with the income.
  - Holman- manage now with reports from nonprofits.
  - Hollan- how they use the income is their business since we didn't buy that right with the CE. Deal with it upfront because have discounted the value by the future income stream.
- 18) CWMTF has provided funds to match federal farm and ranchland preservation program (FRPP) funds to acquire permanent conservation easements on farmland. CWMTF understands that FRPP requires that only one easement be placed on the entire farm. Some land trusts want to hold the farmland conservation easement instead of CWMTF/State of NC. Should the Board amend its policy of requiring a state conservation easement if CWMTF provides funds and allow land trusts to hold farmland easements?

Acknowledgements:

- Markham- commended staff on record- breaking year
- Cragnolin- commended hard working Committees
- McMillan- praised applicants for good projects.
- Weston- thanked Joy Wayman for a job well done.
- Crumpler- thanked Chairman for the good job that he does.

**5:10 pm H-M. Adjourn**

**Restoration/Stormwater Committee  
(Trustees Beane, Chairman; Brannon, Coleman, Hester, Markham, McMillan, & Weston)**

**Clean Water Management Trust Fund  
Lake Lure Inn  
Lake Lure, North Carolina  
Sunday, January 8, 2006**

**AGENDA**

**Ron Beane, Chairman, Presiding**

**5:20 pm I-A. Call to Order**

- 1) Welcome – Chairman Beane
- 2) Executive Order Number One – Chairman Beane
- 3) Revisions and additions to the Agenda – Chairman Beane. Motion by Weston, 2<sup>nd</sup> by Hester, to adopt agenda as proposed. Motion carries.

**5:25 pm I-B. Stormwater Planning Mini-Grants – Chairman Beane & Francine Durso (Potential Action Item)**

At its November 2005 meeting in Wilmington the Board set aside up to \$250,000 in fiscal year 2005-2006 to assist local governments with planning for stormwater capital improvements.

CWMTF staff recommends that the Board review and adopt the proposed scope of work for CWMTF stormwater mini-grants.

**Board Discussion 1/8/06**

- Beane- preference to present at one meeting and then to vote on it at the next meeting.
- Durso- Committee will be meeting in March and could consider the proposal then. Some applications for stormwater funding would meet the minigrant proposals.
- McMillan- criteria make sense but would be helpful to look at in the context of applications in house. A great start.
- Markham- commend staff. Motion by Markham, 2<sup>nd</sup> by McMillan, to adopt recommendation as presented by staff and to take to Board for

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approval. Change from a draft to a final proposed criteria. Motion carries unanimously.

- Hollan- new criteria related to HB 1095 may need to be considered as requirements for a minigrant (such as a land use plan). Should dovetail with HB 1095).
- Hester- not in the proper form to be presented to the Board given Hollan's suggestion on HB 1095. Change "possible requirements" to "requirements." How many possible requirements does one need to meet for funding? Markham modified motion to reflect this suggestion.

**Board Decision 1/9/06**

Board approves Committee recommendation to adopt the stormwater minigrant scope of work.

5:40 pm

**I-C. 2005A-401 – NCSU Cooperative Extension's Watauga and Elk River Restoration – Francine Durso (Action Item)**

In August 2005, the Board approved a grant of up to \$404,000 to NCSU Cooperative Extension to restore 2,700 feet of streambank on the Watauga and Elk Rivers. The standard contract language states "For a period of 10 years after Project completion, Grant Recipient agrees to maintain and manage, at maximum functional utility, the end product of the Project. The Grant Recipient shall inspect the Project on a routine basis, with additional inspections following major storm events and shall make all necessary repairs to return the infrastructure to its full function within 2 weeks or as soon as possible thereafter."

As part of contract negotiations, on Dec. 16, 2005, NCSU wrote CWMTF requesting that the last sentence be revised to read "...as soon as possible thereafter subject to the availability of funds."

CWMTF staff is concerned that this would set a precedent to allow grantees not to manage and maintain a project after CWMTF funds have been used for construction. CWMTF staff recommends that the Board not approve this request.

**Board Discussion 1/8/06**

Motion by Markham, 2<sup>nd</sup> by McMillan, to accept staff recommendation. Hester stated that isn't an either/or situation. Minor repairs should be responsibility of applicant. But damage from major storms, such as a hurricane, may be beyond their resources to repair. McMillan stated the applicant should always have to come back to us if they don't have the resources to repair. Markham- consultants are required to bond their work and that is what the insurance is for. State agency should have to do the same thing as the private sector. Motion carries unanimously.

**Board Decision 1/9/06**

Board approves Committee recommendation to deny the request.

**5:45 pm I-D. 2004B-040 Division of Soil & Water Conservation's CREP Program – Leland Heath (Information Item)**

In November 2005, the Division proposed that by January 1, 2006, it would submit a revised agreement to FSA for “new CREP” for: payment schedule, minimum enrollment criteria for State CREP, cost share of BMPs for hydrologic restoration, approval for enrolling lands adjacent to ditches/ephemeral streams, and approval of using a “waiting list” for enrollment once available funds are committed.

**Board Discussion 1/8/06**

Heath said that he had received an email from Tom Potter stating that DSWC had submitted proposed changes to FSA.

**5:50 pm I-E. Adjourn.**

**Stewardship Committee**  
**(Trustees Baddour, Chairman; Brannon, Coleman, Mosley, Lathrop, Vaughan & Wright)**  
**Clean Water Management Trust Fund**  
**Lake Lure Inn**  
**Lake Lure, North Carolina**  
**Sunday, January 8, 2006**

**AGENDA**

**Phil Baddour, Chairman, Presiding**

**5:55 pm J-A. Call to Order**

- 1) Welcome – Chairman Baddour
- 2) Executive Order Number One – Chairman Baddour
- 3) Revisions, additions and adoption of the Agenda – Chairman Baddour

**6:00 pm J-B. Update on Development and Adoption of a Stewardship Policy by the Department of Environment & Natural Resources – Chairman Baddour and Nancy Guthrie (Information Item)**

**6:05 pm J-C. Possible Options for CWMTF Stewardship Policy – Chairman Baddour and Nancy Guthrie (Discussion Item)**

CWMTF has provided funds to land trusts to monitor and steward approximately 140 conservation easements. The Board has expressed concerns about whether CWMTF stewardship funds are being managed professionally, whether CWMTF stewardship funds are restricted to stewardship activities and are properly audited and reported to CWMTF, and whether CWMTF easements are being monitored and reported on annually.

Options to address these concerns include the following (details of each option are provided in the packet):

- 1) Participate in DENR's Stewardship Program;
- 2) Create a CWMTF Stewardship Program;
- 3) Create a CWMTF Stewardship Program that includes a single contract with an outside entity that would enter into contracts with individual land trusts for stewardship;
- 4) Create a CWMTF Stewardship Program with funds managed by an endowment held by a third party;
- 5) Provide lump sum stewardship endowment funds to land trusts with additional investment, reporting, and accreditation standards; and

- 6) Provide lump sum stewardship endowment funds to land trusts with no additional requirements (2004 status quo).

At the direction of the Board, since 2004, contracts have included language stating that stewardship funds will not be paid to grantees until the Board adopts a final policy on stewardship. For any contract containing this language, stewardship lump sum endowment payments have not been paid. CWMTF has funded 76 projects (including November 2005 decisions) for which stewardship funds will be needed and that have not been paid. The Board is currently funding about 30 conservation easement projects per cycle that require stewardship.

**Board Discussion 1/8/06**

- McLean- would option B require special legislation. Baddour- thinks that legislation would be needed. McLean- Don't think that option F is a good option and option B looks like the best one. Should begin to push for special legislation.
- Hester- strongly disagrees and thinks that option F is the correct way to proceed. Only change to require them to send a letter once a year to advise us that they have visually checked on the property and everything is in order. Creating extra work that doesn't need to be done. Don't understand why we need to change a system that is working.
- Wright- concerned about the fiscal integrity of these funds and they are substantial in amount. What are the long-term implications of this responsibility in perpetuity when a land trust has problems? How would someone provide this service 50 years in the future? How do you decide what is the correct amount of funding to do this task over perpetuity. If the trusts are managing their funds well, they will be able to determine the most efficient way to handle their own funds to provide the services that they have committed to. Trusts are out their for a purpose and this is part of their purpose. Agree to Hester's proposal (Status Quo- Option F with an additional annual reporting requirement.)
- Crumpler- How will it look to the public if we don't have one staff from CWMTF looking at these reports? Seems to be worth considering.
- Baddour- would like for Stewardship Committee to look at it and provide a recommendation to the Board.

**Board Decision 1/9/06**

Baddour explained that Stewardship Committee would review the stewardship proposals in February.

6:45 pm

J-D. Adjourn.

**Personnel Committee**  
**(Trustees Smith, Chairman; Cragolin, Howard & McLean)**  
**Clean Water Management Trust Fund**  
**Lake Lure Inn**  
**Monday, January 9, 2006**

**AGENDA**

**Leroy Smith, Chairman, Presiding**

**7:45 am C-A. Call to Order – Chairman Smith**

- 1) Welcome – Chairman Smith
- 2) Executive Order Number One – Chairman Smith
- 3) Revisions and additions to the Agenda – Chairman Smith

**7:50 am C-B. Performance Pay Increases – Bill Holman & Francine Durso  
(Potential Action Item)**

**8:15 am C-C. Adjourn.**