



## STEWARDSHIP AND ENFORCMENT FUND PERFORMANCE RELATED TO ENVIRONMENT AND NATURAL RESOURCES TRUST FUND PROJECTS

April 12, 2012

### **1. Introduction**

Below is a report on the Minnesota Land Trust's financial management of funding from the State of Minnesota's Environment and Natural Resources Trust Fund (ENRTF) for conservation easement monitoring and enforcement through the end of the Land Trust's fiscal year 2011. This report is intended as a complement to other reports submitted by the Land Trust, including our annual stewardship report, the annual audit, and other information provided to the LCCMR when it completes a project with ENRTF funding. It also complements our routine work program updates which summarize capital expenditures, original stewardship fund contributions, personnel costs or transaction expenses associated with ENRTF projects.

### **2. Appropriations Covered By Report**

#### Metro Corridors

Minnesota Laws 2003, Chapter 128, Article 1, Section 9, Subdivision 5(b)  
Minnesota Laws 2005, First Special Session, Chapter 1, Article 2, Section 11, Subd.5b  
Minnesota Laws 2007, Chapter 30, Section 2, Subdivision 4(c)  
Minnesota Laws 2008, Chapter 367, Section 2, Subdivision 3(a)  
Minnesota Laws 2009, Chapter 143, Section 2, Subdivision 4(f)  
Minnesota Laws 2010, Chapter 362, Section 2, Subdivision 4(g)

#### Habitat Corridors

Minnesota Laws 2001, Chapter 2, Section 14, Subdivision 4(e)  
Minnesota Laws 2003, Chapter 128, Article 1, Section 9, Subdivision 5(a)  
Minnesota Laws 2005, First Special Session, Chapter 1, Section 11, Subd.5a  
Minnesota Laws 2007, Chapter 30, Section 2, Subdivision 4(b)  
Minnesota Laws 2008, Chapter 367, Section 2, Subdivision 3(c)  
Minnesota Laws 2009, Chapter 143, Section 2, Subdivision 4(e)  
Minnesota Laws 2010, Chapter 362, Section 2, Subdivision 4(f)

#### Avon Hills

Minnesota Laws 2008, Chapter 367, Section 2, Subdivision 3(d)

## Green Corridors

Minnesota Laws 1997, Chapter 216, Section 17, Subdivision 9(d)

## Conservation-Based Development Program

Minnesota Laws 1999, Chapter 231, Section 16, Subdivision 8(e)

### **3. Stewardship and Enforcement Fund Definition**

According to the Minnesota Land Trust's Financial Policies, the Stewardship and Enforcement Fund is defined as follows:

*The Minnesota Land Trust's stewardship and enforcement fund was established to meet two needs: to provide a long term, ongoing source of income to cover the annual costs associated with monitoring and managing our portfolio of conservation easements and to cover extraordinary expenses associated with managing, upholding or defending an easement should its terms or validity be at risk.*

*Contributions to the stewardship fund are pooled from a number of sources, and the fund is invested and managed as a whole to support all of the overall needs and obligations of the Minnesota Land Trust in managing its conservation easement portfolio.*

*Income and increase in value from the investment of assets in the fund will be treated as a part of the stewardship and enforcement fund.*

### **4. How the Stewardship and Enforcement Fund is Managed**

The Stewardship and Enforcement Fund is managed as a collective or pooled fund as guided by Board-approved policy. This policy is consistent with similar policies of land trusts nationwide, and is in accordance with both the Land Trust Alliance's *Standards and Practices* and the National Land Trust Accreditation Commission, through which the Minnesota Land Trust is accredited.

The Land Trust has a robust Finance Committee that guides the management of all its investments, including the Stewardship and Enforcement Fund. In addition, the Land Trust retains the services of a professional fund manager, Bob Shepard from Capital Management Associates, to advise the Board. Finally, all financial matters of the Land Trust are conducted within the parameters of Board-approved policies.

### **5. Stewardship Fund Performance**

The Stewardship and Enforcement Fund has been well managed for long-term growth and stability. Its portfolio has included a mix of cash, bonds and equities. From fiscal year 2003 (the first year with significant ENRTF funding) through the end of fiscal year 2011, the cumulative investment appreciation on the Fund as a whole is \$648,122. Fiscal year 2011 realized an

investment increase of \$348,020 or approximately 14.9%. The three-year rolling average of the Fund's investment growth is approximately 5.5%.

According to Land Trust policy, up to 5% of the value of the Stewardship and Enforcement Fund at the end of the prior fiscal year can be spent annually to meet ongoing conservation easement stewardship needs and obligations. With the approval of the Board of Directors, funds can be used to meet extraordinary expenses associated with managing, upholding or defending an easement or other interest in land held

## **6. Funds Contributed by ENRTF to the Stewardship and Enforcement Fund**

Throughout the 14 appropriations listed above, the Minnesota Land Trust secured 128 conservation easements in total (through June 30, 2011). Of these projects, 102 or roughly 80% were fully donated easements (therefore there was no state funding used to purchase the easement). The remainder was either partial or full-cost purchases. Please see the Stewardship Report for a full breakdown of easement purchases vs. donations.

In order to cover the long term monitoring and enforcement needs of these projects, \$1,039,500 have come from the ENRTF through the appropriations above (through June 30, 2011), which specifically covers 110 of the projects. Eighteen other projects received ENRTF funding for transaction costs or other needs, but no funding came from the ENRTF for stewardship (it was instead covered by landowner charitable contributions or other sources).

## **7. Utilization and Management of ENRTF-related Stewardship Funds**

Overall, the management of the ENRTF-related Stewardship and Enforcement Funds is as described with the overall Fund above. Since receiving its first ENRTF payment to the Fund, we estimate that approximately \$206,000 of ENRTF-related funds have been utilized for routine annual monitoring and easement management activity, based on the percentage of projects that are ENRTF related (roughly one-third) and our annual stewardship draw. During this time period, there have been only seven ENRTF-related projects requiring non-routine expenditures. These expenditures, however, were small enough that they were covered by our annual Operating Fund and not the Stewardship and Enforcement Fund.

## **8. Conclusion**

In conclusion, as of the end of fiscal year 2011, ENRTF-related funding accounted for approximately one-third of the Land Trust's overall Stewardship and Enforcement Fund of \$2,880,257 million, and ENRTF funded projects accounted for approximately one-third of its overall project total of 424 projects.

The Stewardship and Enforcement Fund is being managed with high integrity, with a goal of balance, growth and stability. Traditionally, the Fund has outperformed major market indices.

In addition to this dedicated Stewardship and Enforcement Fund, however, the Minnesota Land Trust continues to supplement its annual stewardship activity with its Operating Fund.

Approximately 50% of the Land Trust's annual stewardship-related activity is covered by the draw from the Stewardship Fund and approximately 50% is covered from the Operating Fund, in-kind services and other sources. This is true for ENRTF-related projects as well. Thus, as important as the Stewardship Fund is to the Land Trust, it is not the sole source of easement monitoring and enforcement funding for the organization, nor for ENRTF-related projects.