

Hood Canal Coordinating Council

In-Lieu Fee Mitigation Program

2015 Annual Program Account Reporting

March 4, 2016

Executive Summary

In 2015 three mitigation project properties were pursued. The Myrvang wetland property was acquired in November 2015. Funds from the Program Administration and Mitigation Projects accounts were used to complete due diligence (environmental site assessment and wetland characterization survey); for legal counsel support for the preparation of acquisition documents and the preparation of site protection instruments; and for closing and acquiring of the property. The Myrvang Wetland project will also include the acquisition of a conservation easement on a portion of an adjoining parcel. This conservation easement will cover 4 to 5 acres of wetland and stream habitat and will be pursued in 2016. A second property, the Port Gamble southern mill site conservation easement was investigated and 30% design for marine shoreline restoration was completed. However a conservation easement was not acquired due to acquisition valuation, site liability and indemnification issues. Funds were spent out of the Program Administration and Mitigation Projects accounts for staff and legal counsel support, and appraisal in pursuing this property; and for the completion of the 30% design. One additional marine property was pursued for acquisition, the Highway 104 property; however the offer on the property was rejected by the seller. Numerous other marine mitigation opportunities were investigated in 2015 but none were implemented. Potential viable opportunities for marine mitigation will continued to be pursued in 2016. Two spending agreements were executed in 2015; one for the Irene Pond wetland buffer restoration project and one for the Myrvang wetland project.

The Irene Pond Mitigation Plan was completed in December 2015 after IRT review. The plan was submitted to the Corps and Ecology for the Public Review and comment process. The document will be finalized post-public review in March 2016.

No credit sales were completed in 2015.

The Hood Canal Coordinating Council selected a new banking institution in 2015 and all ILF Program funds were transferred from US Bank to Kitsap Bank. This change in banking institution facilitated the placement of a large portion of ILF Program funds into interest earning accounts. Some portion of Program funds are non-interest bearing in-lieu of service fees that are typically charged on commercial banking accounts. Earned interest is reflected in the account reporting.

**Annual Program Account Reporting- HCCC ILF Program Account
Reporting Period October 2012 to December 2015**

1. All income
 - a. Income Received and Disbursements

HCCC ILF Program Mitigation Accounts Balance Summary				
Report Date				2/11/2016
Total Deposits		\$7,162,704.67		
Accounts	Fee Deposits	Interest Deposits	Expenditures	Balance to date
Land Fee	\$452,889.46		\$2,874.72	\$450,014.74
Marine	\$440,815.54		\$0.00	\$440,815.54
WRIA 15	\$12,073.92		\$2,874.72	\$9,199.20
WRIA 16	\$0.00		\$0.00	\$0.00
WRIA 17	\$0.00		\$0.00	\$0.00
Contingency	\$983,351.01		\$0.00	\$983,351.01
Marine	\$907,253.90	\$50.08	\$0.00	\$907,303.98
WRIA 15	\$76,097.11		\$0.00	\$76,097.11
WRIA 16	\$0.00		\$0.00	\$0.00
WRIA 17	\$0.00		\$0.00	\$0.00
Administration*	\$720,396.26		\$432,990.00	\$287,406.26
Marine	\$662,802.81		\$412,017.75	\$250,785.06
WRIA 15	\$57,593.45		\$20,972.25	\$36,621.20
WRIA 16	\$0.00		\$0.00	\$0.00
WRIA 17	\$0.00		\$0.00	\$0.00
Long-term Management	\$536,617.20		\$0.00	\$536,617.20
Marine	\$495,090.80	\$50.07	\$0.00	\$495,140.87
WRIA 15	\$41,526.40		\$0.00	\$41,526.40
WRIA 16	\$0.00		\$0.00	\$0.00
WRIA 17	\$0.00		\$0.00	\$0.00
Mitigation Projects	\$4,469,350.59		\$356,840.58	\$4,112,510.01
Marine	\$4,123,487.55			
WRIA 15	\$345,863.04			
Irene Pond Mitigation Project			\$126,231.43	
Port Gamble Mitigation Project			\$111,165.39	
Myrvang Mitigation Project			\$119,443.76	
TOTAL	\$7,162,604.52	\$100.15	\$792,705.30	\$6,369,999.37
* expenditures incl. Capital Expenditures and Added Depreciation				

- b. Interest earned –interest earned on the program accounts is deposited between the Marine Long-Term Management and Marine Contingency accounts (as per co-chairs direction; e-mail November 4, 2015).

HCCC ILF Program Mitigation Accounts Interest Earnings

Report Date 2/11/2016

Total Deposits \$100.15

Accounts	Deposits	Balance to date
Contingency - Marine		
Q3 2015	\$22.27	\$22.27
Q4 2015	\$27.81	\$50.08
SUBTOTAL		\$50.08
Long-term Management - Marine		
Q3 2015	\$22.26	\$22.26
Q4 2015	\$27.81	\$50.07
SUBTOTAL		\$50.07
TOTAL	\$100.15	

2. A list of all permits for which HCCC ILF Program funds were accepted.

- a. Corps permit number/ State permit number/ Service Area in which the authorized impacts are located/ Amount of authorized impacts/ Amount of required compensatory mitigation.

Marine Credit Ledger							Current As of 2/04/2016		
Hood Canal Marine Service Area									
Credit Balance Sheet:									
	Subtidal Non-Vegetated	Subtidal Vegetated	Intertidal Wetland	Intertidal Non-Wetland Vegetated	Intertidal Non-Wetland Non-Veg	Riparian	Notes	Credit Fulfillment Site	
Advanced Credits	50 Total for All Credit Categories								
Debited Credits (sold or obligated to impacts)	2.7	2.42	0	0	1.98	2.44	Sold on October 22, 2012 to US Navy for Corps permit#NWS-2009-572 and Ecology WQC#9157 under terms of contract N44255-12-C-5002. Intertidal Non-wetland Vegetated credits included in Subtidal Vegetated credit.		
Debited Credits (sold or obligated to impacts)	0	0	0	0	0.044	0	Sold on November 24, 2014 to Mr. Jon Koloski for Administrative Consent Order EPA Docket No. CWA-10-2014-0078.		
Credits Pending (planned, proposed)	0	0	0	0	0	0			
Credits Earned (released)	0	0	0	0	0	0			
"No Net Loss Balance"	-2.7	-2.42	0	0	-2.024	-2.44	Equals Credits Earned Minus Debited Credits		
Credits Available to Sell	40.416							Equals Advanced Minus Debited Plus Released	

Wetland Credit Ledger
 WRIA 15 Freshwater Service Area

Current As of: 2/04/2016

Credit Balance Sheet:

	Water Quality Credits	Hydrology Credits	Habitat Credits	Notes	Credit Fulfillment Site
Advanced Credits	20	20	20		
Debited Credits (sold or obligated to impacts)	2.4	2.4	3.6	Sold on October 22, 2012 to US Navy for Corps permit#NWS-2009-572 and Ecology WQC#9157 under terms of contract N44255-12-C-5002	Myrvang Wetland; acquired October 29, 2015
Debited Credits (sold or obligated to impacts)	2.07	1.52	1.67	Sold on May 27, 2014 to Washington State Department of Transportation permit #NWS-2013-489-DOT under terms of contract GCB 1070	Irene Pond; acquired September 5, 2014
Credits Pending (planned, proposed)	10.24	9.1	9.96	Irene Pond mitigation site	
Credits Earned (released)	0	0	0		
"No Net Loss Balance"	-4.47	-3.92	-5.27	Equals Credits Earned Minus Debited Credits	
Credits Available to Sell	15.53	16.08	14.73	Equals Advanced Minus Debited Plus Released	

b. Amount paid to the HCCC ILF Program

HCCC ILF Program Mitigation Fees Ledger				
Current Program Mitigation Fees Account balance: \$7,162,604.52				
MITIGATION FEES				2/11/2016
Marine Service Area Fee Ledger				
Project Name	Total Mitigation Fee Income	Credit Fees	Land Fees	Impact Permit #
EHW2	\$6,568,950.60	\$6,130,148.76	\$438,801.84	NWS-2009-572 WQC#9157
Koloski	\$60,500.00	\$58,486.30	\$2,013.70	CWA-10-2014-0078
	\$6,629,450.60	\$6,188,635.06	\$440,815.54	
WRIA 15 Service Area Fee Ledger				
Project Name	Total Mitigation Fee Income	Credit Fees	Land Fees	Impact Permit #
EHW2	\$328,399.20	\$319,200.00	\$9,199.20	NWS-2009-572 WQC#9157
SR3BAWSI	\$204,754.72	\$201,880.00	\$2,874.72	NWS-2013-489-DOT
	\$533,153.92	\$521,080.00	\$12,073.92	

c. Date the funds were received from the permittee –

The Statement of Sale between the US Navy and the Hood Canal Coordinating Council (HCCC) was executed on October 22, 2012.

The Statement of Sale between the Washington State Department of Transportation and HCCC was executed on May 27, 2014.

The Statement of Sale between Mr. Jon Koloski and HCCC was executed on November 24, 2014.

3. A description of HCCC ILF Program expenditures from the account:

a. Land acquisition – no expenditures from the Land Fee accounts were completed in 2015. However, one parcel was acquired to fulfill credit obligations in WRIA 15. The Myrvang Wetland, a 22.97 acre property in Poulsbo, WA at Iverson and Stottlemeyer roads was acquired on November 18, 2015 for use as a mitigation receiving site for the Navy EHW2 WRIA 15 credit sale. This acquisition was funded through the Mitigation Project Account. An additional 4 to 5 acre conservation easement on an adjoining parcel is anticipated to be completed in 2016 and funds from the WRIA 15 land fee account will be used to complete the acquisition of this proposed conservation easement.

HCCC ILF Program Land Fees and Expenditures Ledger					
Current Program Land Fee Account balance:		\$450,014.74			
LAND FEES AND EXPENDITURES					2/11/2016
Marine Service Area Fee Ledger					
Land Fee Balance		\$440,815.54			
Land Fee Deposits	Impact Permit #	Land Fee Expenditures	Acquisition Project Name	Date	Location
\$438,801.84	NWS-2009-572 WQC#9157				
\$2,013.70	CWA-10-2014-0078				
\$440,815.54		\$0.00			
WRIA 15 Service Area Fee Ledger					
Land Fee Balance		\$9,199.20			
Land Fee Deposits	Impact Permit #	Land Fee Expenditures	Acquisition Project Name	Date	Location
\$9,199.20	NWS-2009-572 WQC#9157				
\$2,874.72	NWS-2013-489-DOT	\$2,874.72	Irene Pond	9/5/2014	Belfair, WA
\$12,073.92		\$2,874.72			

b. Planning – WRIA 15 Mitigation Project Account and Program Administration funds were spent to develop the Irene Pond Mitigation Plan which was completed on December 15, 2015 after IRT review. The document was sent to the Corps and Ecology for Public Notice and comment, which will be completed in March 2016.

In support of the Port Gamble southern mill site roster site funds were spent out of the Mitigation Projects Account for completion of the 30% design for marine shoreline restoration. Marine Program Administration account funds were spent for the appraisal work for acquiring a conservation easement on seven acres of the southern mill site and for legal support in the pursuit of the purchase and sale agreement for the conservation easement on the property. This property easement was not acquired due to valuation, site liability and indemnification issues, and other transactional issues.

In support of the Myrvang Wetland project, funds were spent out of the WRIA 15 Program Administration account for a wetland characterization analysis. Funds from the WRIA 15 Mitigation Project Account were used to complete the environmental site assessment and

hazardous materials survey, appraisal, and legal counsel support for the preparation of acquisition documents and the preparation of site protection instruments to acquire the property.

An additional marine roster site was pursued for acquisition, the Highway 104 property, which was not acquired due to the offer being rejected by the seller (bank owner property and no ability to negotiate an offer). Legal counsel support and staff time was funded through the Program Administration account.

c. Construction – In 2015 the Irene Pond wetland buffer enhancement actions were initiated. Funds from the WRIA 15 Mitigation Project Account were utilized to complete the following actions: permitting (staff time and permit fees), wetland/site characterization, environmental site assessment and hazardous materials survey, legal boundary land survey, removal and disposal of asbestos building materials, demolition, removal and disposal of residence and outbuilding structures, site grading, buffer enhancement planting, weed control and staff time for project and construction management.

d. Monitoring – The Great Peninsula Conservancy completed an annual site encroachment survey at the Irene Pond property. This activity was funded through the WRIA 15 Mitigation Project Account.

e. Maintenance – Site maintenance at the Irene Pond property was conducted in 2015 by HCCC staff. Maintenance actions included garbage removal, weed control, plant maintenance and installation of replacement plants. These activities were funded through the WRIA 15 Mitigation Project Account.

Irene Pond Mitigation Project		
Expenditures Task	Description of Expenditures - WRIA 15	Amount
Administration	permitting and coordination; recording fees	\$788.34
Land acquisition	land purchase in excess of land fee	\$66,161.02
Design	wetland/site characterization baseline	\$4,105.98
Permitting	Mason County permit fees	\$947.00
Construction	demolition, grading, survey, abatement, planting	\$46,133.70
Maintenance	supplies, gas, staff time, replacement plants	\$7,095.39
Monitoring	encroachment boundary survey	\$1,000.00
Total To Date		\$126,231.43

f. Contingencies – none to date

g. Adaptive management – none to date

h. Administration – Program administration cost are inclusive of: salaries and wages, employee benefits, payroll taxes, pension plan contributions, advertising expenses, legal fees, computer services, postage and shipping, printing and copying, professional fees, supplies, rent, utilities, telephone and telecommunications, vehicle acquisition, travel and computer equipment. Additionally, administrative funds are used to conduct due diligence on roster sites; which in 2015 included appraisal work at Port Gamble southern mill site and wetland characterization at Myrvang Wetland.

HCCC ILF Program Administration Ledger

Current Program Administration Account balance: \$287,406.26

PROGRAM ADMINISTRATION ACCOUNT

2/11/2016

Marine Service Area Fee Ledger

As of : 2/11/2016
 Program Admin % is: 4.1%

Program Admin Balance \$250,785.06

Deposits	Impact Permit #
\$656,538.93	NWS-2009-572 WQC#9157
\$6,263.88	CWA-10-2014-0078
\$662,802.81	

Program Administration Expenditures	Description of Expenditures	Additional Detail
\$43,598.28	Program start-up and admin	to date thru Q1 2013
\$37,048.44	Administration of Program	Q2 2013
\$35,356.40	Administration of Program	Q3 2013
\$36,438.88	Administration of Program	Q4 2013
\$9,840.65	Administration of Program	Q1 2014
\$19,646.34	Administration of Program	Q2 2014
\$27,083.36	Administration of Program	Q3 2014
\$22,584.10	Administration of Program	Q4 2014
\$30,989.11	Administration of Program	Q1 2015
\$29,039.99	Administration of Program	Q2 2015
\$48,759.79	Administration of Program	Q3 2015 (legal fees May - Sept)
\$47,087.55	Administration of Program	Q4 2015
\$387,472.89		
\$25,498.37	Capital Expenditures	
\$953.51	Added Depreciation	Q4 2015
\$412,017.75		

WRIA 15 Service Area Fee Ledger

As of : 2/11/2016
 Program Admin % is: 7.0%

Program Admin Balance \$36,621.20

Deposits	Impact Permit #
\$34,186.30	NWS-2009-572 WQC#9157
\$23,407.15	NWS-2013-489-DOT
\$57,593.45	

Program Administration Expenditures	Description of Expenditures	Additional Detail
\$6,604.11	Administration of Program	Q2 2014
\$12,058.14	Administration of Program	Q3 2014
\$0.00	Administration of Program	Q4 2014
\$2,953.84	Administration of Program	Q1 2015
\$4,953.48	Administration of Program	Q2 2015
(\$5,597.32)	accounting adjustment	Q3 2015
\$0.00	Administration of Program	Q4 2015
\$20,972.25		

4. A map of all debit and credit sites at the appropriate AMU/sub-basin/watershed/service area scales.



5. The balance of advance credits and released credits at the end of the report period for each service area.

Service Area		Credit Balance		
Marine Advanced	40.416			
Marine Released	0			
		Water Quality	Hydrology	Habitat
WRIA 15 Advance		15.53	16.08	14.73
WRIA 15 Released		0	0	0
WRIA 16/14b Advance		20	20	20
WRIA 16/14b Released		0	0	0
WRIA 17 Advance		15	15	15
WRIA 17 Released		0	0	0

6. Any other information required by the District Engineer.