

Oak Ridges Moraine Land Trust (“ORMLT” or “the Trust”)

Final Report of Task Group on Stewardship Funding

February 5, 2014 (Approved February 19 2014)

Background and Purpose:

The Board requested the L&S Committee in July 2012 to set up a Task Group on Stewardship Funding (“Task Group”) to detail the annual stewardship obligations of the ORMLT and assess the funding requirements for the Land Forever Fund as a long-term funding mechanism for our basic perpetual stewardship care obligations. Our current campaign has raised approximately \$129,000 at the end of 2013 towards the originally set goal of \$350,000 and the Board asked for confirming research.

Task Group members (Board & Staff) have included Ann Rexe, Bill McMartin, Frank Shaw, David Finnie, Brent Elson and Susan Walmer, who completed this review over an 18 month period.

Development and Analysis:

Task #1 – Stewardship Cost Spreadsheet

A spreadsheet of annual stewardship costs (“Stewardship Costs Spreadsheet”) was designed with L&S program expertise to estimate the annual obligations for our current portfolio (40 properties up to December 31, 2013) on a property by property basis. The obligations were detailed by type of costs; however the estimates do not include *discretionary* stewardship costs.

The Stewardship Cost Spreadsheet is focused on basic stewardship obligations, such that it includes property taxes, property insurance, and property monitoring (planning/field work/record keeping). Discretionary stewardship activities, such as tree planting, invasive species removal and restoration projects etc., are not included in the spreadsheet but these are addressed separately for annual stewardship budgeting purposes and other restoration projects or actions.

The Spreadsheet is adaptable to paid or volunteer services and can be updated annually. Annual costs of \$14,109 to meet the Trust’s base monitoring obligations are part of the Spreadsheet.

The Stewardship Cost Spreadsheet has been useful to L&S Committee in planning both discretionary and obligatory stewardship and monitoring activities in L&S budgeting and annual work plan for 2014, and to Executive Director in describing costs and obligations with potential donors.

Task #2 – Land Forever Fund and the Stewardship Funding Model

The second key task was to use the Stewardship Costs Spreadsheet to create a net present value model (the “Stewardship Funding Model”) using inputs for real rates of return/discount rates (i.e. rates of investment return, net of expected inflation) and core annual income (i.e. level of recurring donations that can be relied upon to be received each year). As such, the Stewardship Funding Model determines a net present value of the forecasted stewardship obligation costs into perpetuity as at a specific date using the inputs provided. This net present value can be used as an indication of the level of funds needed in the Land Forever Fund to plan, organize, promote and implement fundraising initiatives and to support our known stewardship obligations into perpetuity.

Taking into account a number of possible scenarios tested by the Task Group, the net present value of the overall obligation for all 40 properties can range from nil (where a core annual income stream over \$13,800 is assumed at any real discount rate between 1% and 3%) to \$1.375 million (where no

core annual income is assumed and a discount rate of 1% is used). The average across the five scenarios tested by the Task Group (using the mid-point in the reasonable range of discount rates assumed used by the Task Group) provides an estimated core obligation of \$383,000.

For the Task Group, the above analysis has suggested that the current goal of \$350,000 for the Land Forever Fund is currently both reasonable and supportable given present conditions.

The Task Group notes however that the Stewardship Funding Model is simply an informational tool to be used in the Board's overall assessment of (1) how best to plan for the responsible funding of the Trust's ongoing stewardship obligations, and (2) the appropriate funding level for the Land Forever Fund. The Task Group believes the Stewardship Funding Model represents a set of reasonable and supportable judgements and assumptions used to estimate the net present value of the Trust's stewardship obligations across a number of scenarios. However, as a net present value calculation invariably requires the use of judgement, estimates and assumptions, actual future stewardship obligation costs, core annual income figures and rates of return will likely vary from these estimates. Revisions and updates to the model will be required on an ongoing basis. The model is adaptable to change (e.g. new properties can be added) and it can be easily refreshed annually.

Other Facts and Considerations:

1. Stewardship obligations will continue to grow as new properties are secured.
2. While the ORMLT must budget, control, and supervise its stewardship obligations, some of the monitoring work can be done (and is being done) by trained volunteers and contracted partners. Should this continue to grow, some of our costs may reduce in the future.
3. At the current estimate of annual stewardship costs (as adjusted for the funded Glassco obligation) and taking the amount in the Land Forever Fund at December 31, 2013, the Trust currently has sufficient funds to cover basic monitoring costs for the next 9.5 years.
4. Fundraising to reach the current goal of the Land Forever Fund can be continued by annual contributions from unallocated income of the Trust, as well any unallocated source funds received by way of major gifts or legacy bequests, subject to Board approval.

Final Recommendation and Board Motion:

Whereas the Task Group has completed its work and designed a funding model for core Trust stewardship obligations, it is recommended:

1. ***That the findings of the Task Group be accepted as reported with the Stewardship Cost Spreadsheet/Funding Model used to support annual stewardship budgeting and routine updating of long-term stewardship obligations.***
2. ***That the current funding goal of \$350,000 for the Land Forever Fund be continued to support our Stewardship Promise, with the Fund level to be reviewed again for future consideration when the funding goal of \$350,000 is reached.***

Respectfully submitted,
Task Group on Stewardship Funding

Approved by ORMLT Board of Directors – Feb 19 2014