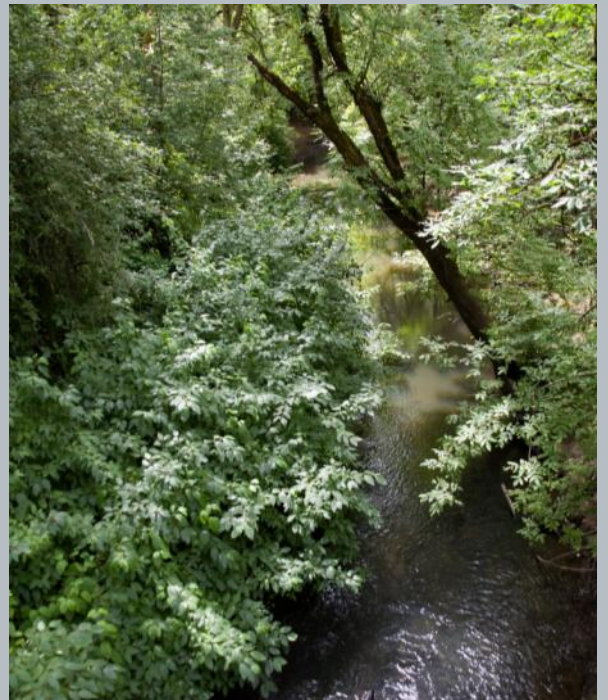




FY 2009 -2010 Annual Report

Increasing the pace, scope, and effectiveness of conservation

2550 SW Hillsboro Hwy., Hillsboro, OR 97123
(503) 681-5112 - www.willamettepartnership.org



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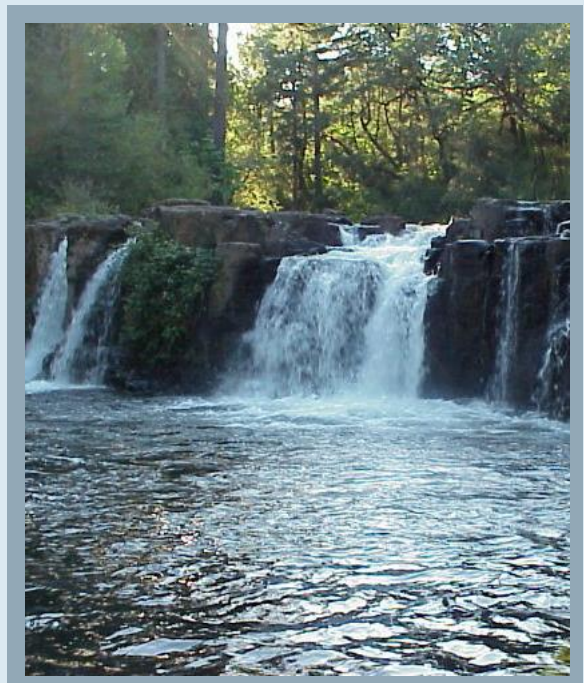
Executive Director of Willamette Riverkeeper

Duncan Wyse

President of the Oregon Business Council

The following Coordinating Team members help guide the Counting on the Environment process

City of Albany
Clean Water Services
Institute for Natural Resources
National Marine Fisheries Service
Natural Resources Conservation Service
Oregon Department of Environmental Quality
Oregon Department of Fish and Wildlife
Oregon Department of State Lands
Oregon Department of Transportation
The Freshwater Trust
The Nature Conservancy
U.S. Fish and Wildlife Service
U.S. Army Corps of Engineers
U.S. Environmental Protection Agency



Letters and Acknowledgements

Letter from the Executive Director

The Willamette Partnership achieved some big milestones in 2009. Agencies and other stakeholders agreed to a common set of ecosystem market protocols and standards, and pilot projects began hitting the ground. Looking through all we did last year makes me pretty excited for all we plan to accomplish next year. We wouldn't be where we are without enormous contributions from a lot of people over the years, so we wanted to save most of this space to say thank you!

— *Bobby Cochran*



Thank you David Primozych!

As many of you know, I joined The Freshwater Trust in May 2010 as their Director of Ecosystem Services. Market development in the Northwest had reached a stage where we really needed some focused attention on getting lots of quality restoration on the ground. Because a group of dedicated people put their heads together over the last several years, the Willamette Partnership is a nationally-recognized leader in designing the guts of what it takes markets to work. Now, I'll be looking to the Willamette Partnership to continue providing opportunities for groups like The Freshwater Trust to bring back healthy streams and other ecosystems as fast as possible.

— *David Primozych*

Acknowledgements

As the Partnership has grown, several organizations have made special contributions to increase the Partnership's capacity. The Mid-Willamette Valley Council of Governments served as the Partnership's fiscal agent from 2004-2010, and Clean Water Services now serves that role, providing a home for Willamette Partnership staff, financial books, and other key services. Thank You!

Perkins Coie has provided pro-bono legal services, helping the Partnership think through issues from verifying ecosystem credits to building a business plan around technology. Thank you!

Our funders are equally crucial. To USDA Natural Resources Conservation Service, U.S. EPA, USDA Forest Service, Brainerd Foundation, The Nature Conservancy, Bonneville Power Administration, Oregon Department of Transportation, and many others, Thank You!

Mid-Willamette Valley Council of Governments



Willamette Partnership Staff

Bobby Cochran stepped into the Executive Director role for the Willamette Partnership in May 2010, but has been working with the Partnership since 2005 in his roles at Defenders of Wildlife and Clean Water Services. Bobby loves playing at the intersection of ecology, economics, and organizing people to do good things. Whether that's wise or not, his PhD in urban studies with a focus on policy and conflict resolution keeps him out of trouble most days. If not, he can count on his two young daughters to bring smiles to his face.

Bartholomew "Mac" Martin is a Water Resource Analyst with half of his time over the last four years dedicated to the Willamette Partnership and other half with Clean Water Services. He is heavily involved with the development of technology needed to operate ecosystem service markets. He holds a BA from Hamilton College and an MPA (with a focus on Natural Resource Policy) from Portland State University. He enjoys cycling in the summer and, when the rain comes, heads to the mountains with his skis.

Devin Judge-Lord coordinates the extension of market tools developed in the Willamette throughout the Northwest, working with local leaders to build programs and with policy-makers to develop regionally consistent standards. He holds a BA in political science from Reed College and is fascinated by the governance of transboundary natural systems and the political foundations of markets. Devin enjoys snow, paddling in the north woods, bike-commuting and cooking hearty dinners with good company.

Joni Shaffer keeps the Willamette Partnership machine humming, whether it's putting together publications, keeping books, or organizing the hundreds of Partnership stakeholders. Joni also coordinates the Partnership's training programs. Joni is working toward her BS in Environmental Sciences from Portland State University, and is the Partnership's resident naturalist and native plant guide.



Partnership staff (from left to right): Bobby Cochran, Joni Shaffer, Devin Judge-Lord, and Mac Martin

Counting on the Environment: Key Accomplishments

Over the last two years, through the Counting on the Environment project, the Willamette Partnership helped build a marketplace for ecosystem services in Oregon's Willamette Basin. Benchmarks include:

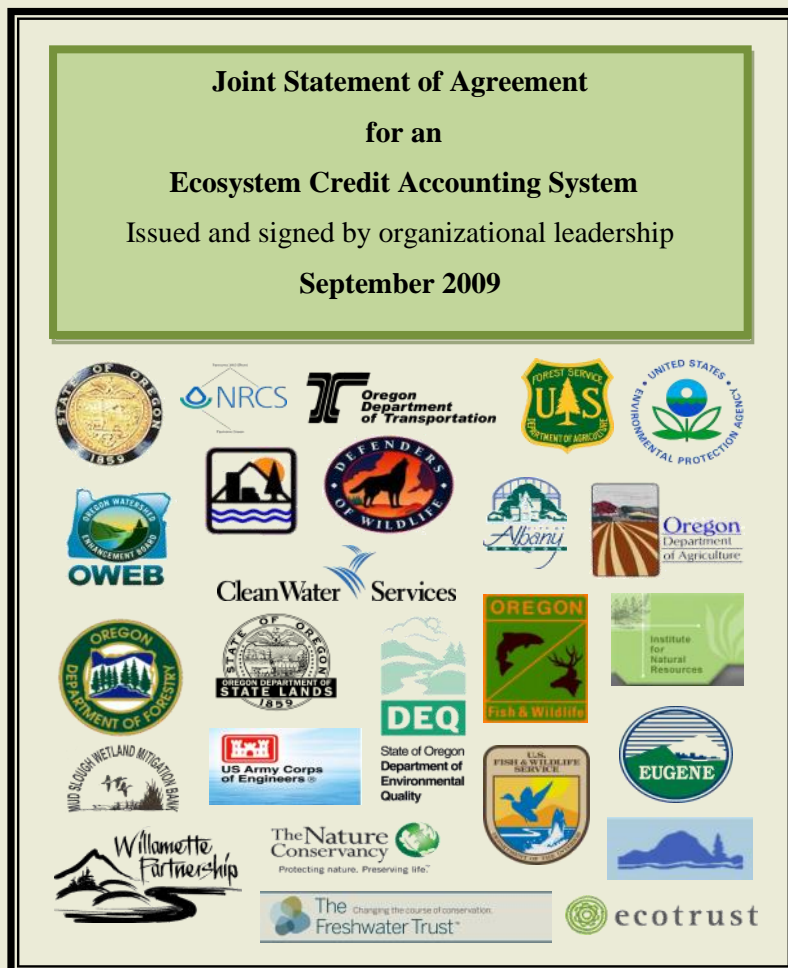
- On August 4, 2009, twenty-five stakeholders, including all necessary state and federal agencies, signed a consensus agreement approving an Ecosystem Credit Accounting System for a two-year pilot in the Willamette Basin. Directors signatures followed in a Joint Statement of Agreement. The Accounting System includes: 1) credit calculators for wetland, salmon, prairie, and water temperature credits and 2) a standard credit issuance process that includes eligibility criteria, minimum design standards, verification rules, and registration criteria.
- On March 19, 2010, multiple credit types from the first pilot project were listed for sale under the Counting on the Environment protocols on the Markit Environmental Registry.

"Counting on the Environment provides new opportunities to further our environmental protection and conservation goals within the state."

- Yvonne Vallette,
U.S. EPA

- On July 15, 2010 the first group of land managers completed training to assist landowners in Counting on the Environment credit calculation and accrediting them to verify projects for agency approval.

This functioning marketplace expands the range of viable land management options available to farmers and foresters through incentivizing conservation and restoration in places that matter. Municipalities, developers, industries, and transportation agencies can now pay farmers and foresters for conservation actions that mitigate their unavoidable impacts through a single, easily accessible Ecosystem Credit Accounting System. As the foundation of a restoration economy, the pilot Ecosystem Credit Accounting System now operating in the Willamette will enable land managers to diversify and increase revenue by making conservation investments profitable.



Extension

Markets like to be big, but ecosystems must be managed locally. With this tension in mind, the Willamette Partnership launched an effort to connect developing ecosystem markets across the Northwest with shared protocols, tools, and ideas—the guts of making a market work. As a result, cities in the Rogue and Klamath Basins are actively looking to invest in restoration to meet temperature and nutrient offset needs. Partners in the Willamette and South Puget Sound are exploring how to protect prairies for threatened butterflies, and we continue to get calls from as far as Alberta, Sacramento, and Bellingham about how local watersheds can use the Partnership’s approach to jump-start market activity in their areas.



“Thanks to the work of the Partnership, stream restoration is now the key strategy for Medford meeting their temperature management goals.”

- Walt Meyer, West Yost & Associates, consultant for City of Medford

New Protocols

One of the biggest challenges in building a market is defining the environmental benefits that come from restoration and the impacts caused by development. The Counting on the Environment protocols do this for wetlands, salmon, upland prairie, and water temperature, balancing scientific rigor with the practicality of affordable quantification for landowners. The Willamette Partnership also launched an effort to quantify nutrient credits from on-farm practices and restoration. Look for new protocols in the next year for additional habitat types.



“Improving how we quantify benefits is key to improving land use and conservation decisions.”

- Catherine Macdonald,
The Nature Conservancy

Market Operations

Technical Development

Calculating ecosystem credits and making them available for sale is an inherently complex process, but web-based tools developed by the Willamette Partnership simplify this process for both producers and consumers. These tools automate and streamline the way people participate in markets for ecosystem services, making them as accessible, transparent, and effective as possible. Two pieces of software technology are critical for supporting the Ecosystem Credit Accounting System: a Crediting Platform and a Registry. The first takes land managers through the credit creation process, translating actions on the ground into tradable credits that have been verified by accredited-third parties and certified by public agencies. The second transparently tracks the custody of these credits between parties and over time. The Willamette Partnership selected The Other Firm, a

Portland-based software company, to deliver the crediting platform and Markit Environmental to deliver a registry. The registry is fully operational now, with the crediting platform expected to be in January 2011. The Willamette Partnership's leadership position in developing technology for ecosystem service markets has attracted national interest from others interested in using the result of our labor.

"To accelerate the use of market-based approaches, it is important that we co-invest in tools and methodologies. Plus, it saves us money."

- Eric Sprague,
Program Director
Pinchot Institute for
Conservation

Training

As markets grow, so does the demand for standards that ensure markets achieve their environmental goals with efficiency and transparency. This year, along with professionals from East Multnomah, Clackamas and Yamhill Soil Water and Conservation Districts, Clean Water Services, Metro, Bonneville Environmental Foundation, North Santiam Watershed Council, and Adamus Resource Consulting, the Partnership developed a verification training program and accredited the first 11 third-party verifiers in the Willamette Valley. The seven-day program included an overview of markets, functional assessments of wetlands, salmon, water quality for temperature and prairie, and verification standards and responsibilities developed under the Counting on the Environment project. A second training is scheduled for February 2011.

"These markets give me another tool to engage landowners to do the right kinds of restoration in the right places."

- Michael Crabtree, Yamhill Soil and Water Conservation District



Pilot Project Highlights

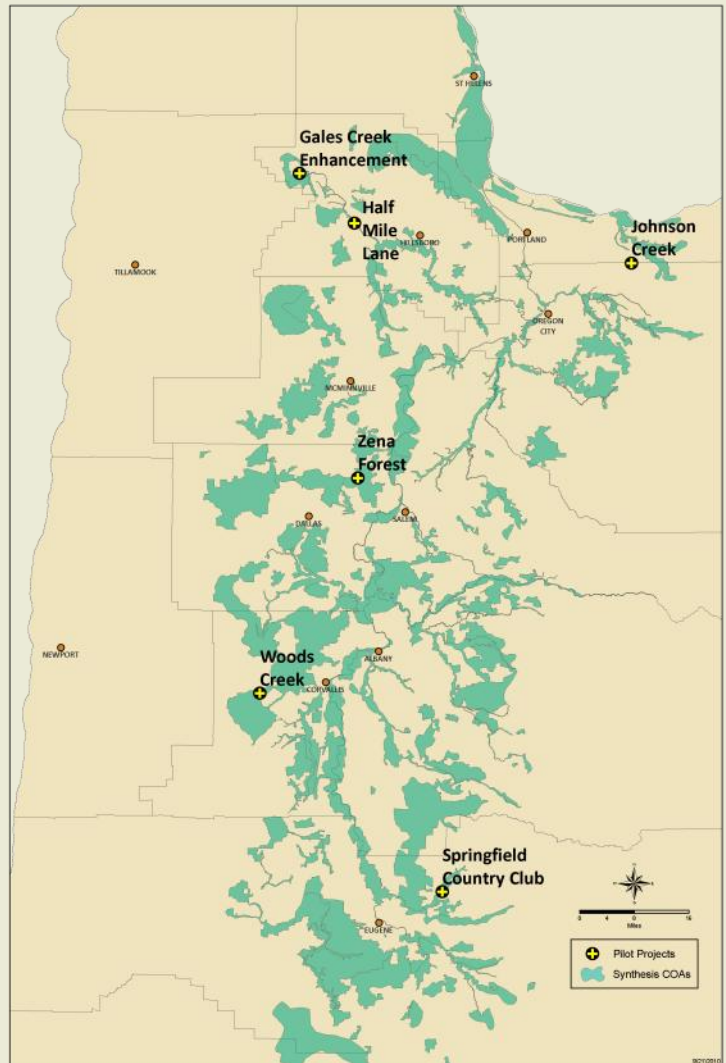
Six pilot projects are underway in the Willamette to test the Counting on the Environment protocols and to deliver ecosystem service credits. These projects include:

- Half Mile Lane- wetland and stream restoration on Gales Creek in Forest Grove;
- Springfield Golf Course- stream project on Mohawk Creek in Springfield;
- Johnson Creek Project- stream project in Portland metro area;
- Woods Creek Project- stream project near Philomath;
- Zena Forest- oak, prairie, stream, and wetlands project near Salem; and
- Gales Creek project- stream project on forest land outside Forest Grove.

The Half Mile, Springfield, and Gales Creek projects will be registered on the Market Environmental Registry. The Half Mile project is actively selling credits used to offset impacts to wetlands and streams in Washington County, Oregon. The Gales Creek and Springfield projects are publicly funded, so credit will be retired for the benefit of the environment and used to measure the environmental outcomes of that public investment.

These projects are teaching us a lot about how well the credit calculators work in real-world applications, the implications of the new protocols on financial returns for landowners and credit buyers, and improvements that can be made. Generally, we are finding that the Counting on the Environment protocols allow landowners to add multiple credit types to a project without increasing the approval times or much additional cost beyond selling a single credit type. In November 2010, we will complete a thorough evaluation of the sensitivity and repeatability of our newest credit types: Salmon and Upland Prairie.

Counting on the Environment Pilot Project





Half-mile Lane rests in a rural and agricultural setting in the midst of a Salmon-Safe Certified native plant nursery. The site is identified as a priority area for restoration by The Nature Conservancy and the Oregon Conservation Strategy for freshwater aquatic habitats, riparian habitats and wetlands. The restoration will include 25 acres of wetland and salmon streams and will consist of riparian plantings, stream bank stabilization, wetland restoration and culvert replacement.

The **Gales Creek Enhancement** project is located in a priority restoration area identified by The Nature Conservancy and includes two “Strategic Habitats” identified in the Oregon Department of Fish and Wildlife’s Oregon Conservation Strategy freshwater aquatic habitats and riparian habitats. The restoration will occur along 1000 feet of stream adding trees and root wads in up to 10 locations enhancing fish habitat in this salmon bearing stream.



The **Freshwater Trust pilot projects** are all in located areas identified as priorities for restoration by the Oregon Department of Environmental Quality for achieving TMDL Goals. Mohawk Creek and Woods Creek are also identified by The Nature Conservancy as priority areas to restore. The restoration will include removal of invasive species and planting of riparian areas. The benefits include lowering stream temperature, and for Mohawk Creek and Woods Creek, the improvement of salmon habitat. These sites add up to 28 acres of restoration.



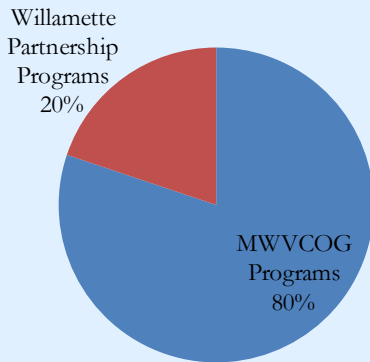
Zena Forest is a 305 acre site located in a mixed rural, agricultural and forest setting. It has been identified as a priority area for restoration by The Nature Conservancy and Oregon Department of Fish and Wildlife’s Conservation Strategy for freshwater aquatic habitat, grasslands, oak woodlands, riparian habitats and wetlands. Restoration will include 44 acres of oak savanna, 87 acres of oak woodlands, and 55 acres of riparian and wet prairie.



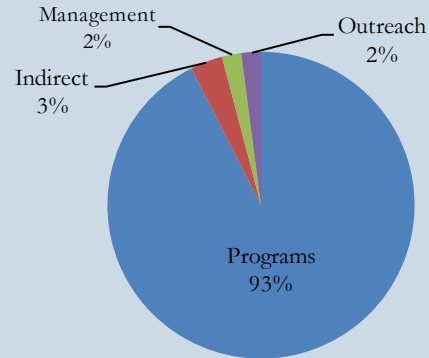
Financials

The Willamette Partnership's fiscal agent through June 30, 2010 was the Mid-Willamette Valley Council of Governments. As of July 1, the Partnership switched fiscal agents to Clean Water Services. Both of these organizations deserve many, many thanks for their critical support.

Mid Willamette Valley Council of Governments



Willamette Partnership



Balance Sheet

Assets

Cash and investments	\$1,329,871
Receivables	\$312,596
Prepaid expenses	\$4,158
Supplies inventory	\$2,444
Interest receivable	\$4,601

Total Assets **\$1,653,670**

Liabilities

Accounts payable	\$25,811
Accrued payroll	\$43,812
Accrued compensated absences	\$97,372
Unearned revenue	\$290,337

Total Liabilities **\$457,332**

Fund balance

Unreserved **\$1,196,338**

Condensed Statement of Activities

Federal Grants	\$289,699
Other Grants	\$48,692
In-Kind Donations	\$472,492
Other Revenue	\$18,272

Total Contributions and Revenue **\$829,155**

Expenses

Programs	\$712,969
Indirect	\$26,203
Management	\$15,629
Outreach	\$15,963

Total Expense **\$770,765**

Change in Net Assets **\$58,390**

The Mid-Willamette Valley Council of Governments, including the Willamette Partnership, received a clean audit report for fiscal year July 1, 2009 through June 30, 2010. For a full report please go to www.mwvcog.org or call (503) 681-5112.