9. FUNDING

As described in this Tehachapi Uplands Multiple Species Habitat Conservation Plan (TU MSHCP), the primary conservation strategy for Covered Lands is the preservation of approximately 91% of Covered Lands in open space in a configuration that benefits Covered Species. Preservation and stewardship of those lands with management practices that have been in place for over 100 years as part of ongoing ranching activities, along with the conservation measures provided in *Sections 4* and *7*, will benefit Covered Species and represent the key contribution by the permittees to this TU MSHCP. To demonstrate conservation and protection of the open space lands, Tejon Ranchcorp (TRC) will develop a tracking system to record all additions to the open space preserve, including placement of conservation easements on open space lands. Open space assembly tracking will be included in the annual reporting on the TU MSHCP described in *Section 7.3.1* and will include both annual and cumulative tracking for open space assembly. Cost estimates for implementing the TU MSHCP are presented in *Tables 9-1* and *9-2*.

Funding Assurances

TRC commits to fully fund its obligations under the TU MSHCP. TRC further understands that any failure to implement all of its duties under this TU MSHCP for any reason, funding considerations or otherwise, could result in violation of the Incidental Take Permit (ITP); enforcement action, including penalties under Federal Endangered Species Act Section 9 and Section 11; and suspension or revocation of the ITP. Execution of the Implementing Agreement by TRC and acceptance of the ITP will be authorized by resolutions that acknowledge TRC's responsibility for and duty to expend all sums contemplated and necessary to implement TRC's obligations under this TU MSHCP. The resolutions will also provide for annual certifications by TRC's Chief Financial Officer (CFO), or equivalent officer, to the effect that such funds have been budgeted and approved by all necessary corporate action.

TRC follows a zero-based budgeting concept. Zero-based budgeting is a process in which all expenditures must be justified each new period. Each department or division justifies its funding each year. That is, funding begins at a base of zero, and the department or division shows why its funding need efficiently helps the company meet its long-term and short-term business objectives. The budgeting process lasts approximately 2 months. During the budget process, department and division operating budgets and capital investment budgets are reviewed and approved by senior management. After senior management has internally approved the new annual budget, a budget book and presentation is prepared for the Tejon Ranch Company's Board of Directors, the publicly traded parent company of TRC. The Board of Directors reviews the budget each December and approves the TRC budget at the December Board of Directors meeting. Approval of the budget by the Tejon Ranch Company's Board of Directors gives TRC management the authority to carry out the activities within the new budget. Each year, following

the adoption of TRC's corporate budget in December and prior to the start of TRC's new fiscal year, TRC's CFO, or equivalent officer, will deliver certification to the U.S. Fish and Wildlife Service (USFWS) that funds required of TRC to perform its duties under this TU MSHCP have been authorized and are available.

TRC will provide separate, segregated financial assurance adequate to fund all mitigation measures related to incidental take set forth in this TU MSHCP. Funding for care and translocation of habituated condors (see *Table 9-1*), should the need arise, will be paid for through a reimbursable agreement with USFWS, and assured through a rolling letter of credit from TRC, which must be renewed annually not less than 30 days prior to its expiration date, or other security approved by USFWS. Funding for operational costs (see *Tables 9-1* and *9-2*) will be assured through annual certification by TRC's CFO, or equivalent, to the effect that funds have been budgeted to provide the staffing necessary to carry out operational requirements. Each year, following adoption of TRC's corporate budget by the Tejon Ranch Company's Board of Directors in December and prior to the start of its new fiscal year on January 1, TRC's CFO or equivalent will deliver to USFWS a budget and scope of work outlining all components of the TU MSHCP to be implemented during the fiscal year, accompanied by a certification that the funds required of TRC to perform duties under the TU MSHCP have been authorized and are available, with a link to the company's 10-K report. Thus, there is no expectation under this TU MSHCP that TRC's current financial resources or budget would be unable to satisfy the costs of implementing the TU MSHCP.

TRC and the Tejon Ranch Company receive revenue from a variety of sources, including but not limited to land sales, oil and gas revenues, filming, hunting, and agriculture. As of March 31, 2011, total capitalization of the Tejon Ranch Company was $287,085,000, consisting of only $317,000 of debt and $286,768,000 of equity, which results in a debt-to-total-capitalization ratio of less than 1%. As of March 31, 2011, the Tejon Ranch Company had $86,840,000 in cash and securities and $30,000,000 available on credit lines to meet any short-term liquidity needs. The Tejon Ranch Company has a long-term revolving line of credit of $30,000,000 that, as of March 31, 2011, had no outstanding balance. The Tejon Ranch Company's current assets of $101,057,000 significantly exceed current liabilities of $9,142,000.

Based on these assets, the Tejon Ranch Company (and thereby TRC) has ample funds to implement its TU MSHCP responsibilities for the life of the ITP term.

Indeed, evidence of the sufficiency of the TRC funding source is provided in public reporting documents. Specifically, the Tejon Ranch Company prepares and issues an annual report in April of each year that includes financial results and an overview of the company's operations for the prior year (including for TRC, its wholly owned subsidiary). In addition, the Tejon Ranch Company is required to file an annual report on form 10-K and quarterly reports on form 10-P with the U.S. Securities and Exchange Commission (SEC). The report is posted on the Tejon Ranch Company's website concurrently with the SEC filing and covers TRC.

TRC recognizes that inflation will likely cause changes in the estimated costs of implementation of this TU MSHCP over the life of the permit. TRC commits to meeting all costs identified in this TU MSHCP, regardless of these changes.

Cost Assumptions

Cost assumptions for implementing the TU MSHCP, where appropriate, are included in *Tables 9-1* and *9-2*.

Table 9-1. Estimated Costs for Care and Translocation of California Condor Associated with Potential Take

Action	Species	Annual Cost per Bird[1, 2]
Care for California Condor		
Costs typical for care of each bird	Condor	$8,100
One-time cost for each bird	Condor	$403
USFWS assistance in capturing and transporting habituated condor	Condor	$1,375
Condor Translocation Cost	*Condor*	*$75,634*
Total California Condor Care and Translocation		$85,512

Note:
[1] In the event a take occurs and the USFWS revokes the ITP, TRC will fund the cost of the care and translocation of up to four condors in accordance with the terms of the Implementing Agreement.
[2] The ITP allows for non-lethal take of up to four condors.

Table 9-2. Estimated Operational Costs for Monitoring for Covered Species

Action	Species	Assumptions /Notes	One-Time Cost	Annual Cost
Full-Time Biologist[1]				
Tejon Staff Biologist	—	1 biologist	—	$136,000
Equipment and supplies for Tejon Staff Biologist	—	Equipment and supplies will generally include field and monitoring supplies as well as vehicle use and maintenance.	—	$94,000
Pre-activity surveys for Covered Activities not related to commercial and residential construction will be conducted.	Suitable Habitat	Western spadefoot and American peregrine falcon		$26,000
Environmental baseline surveys of open space	All	—	$52,000	—

Table 9-2. Estimated Operational Costs for Monitoring for Covered Species

Action	Species	Assumptions /Notes	One-Time Cost	Annual Cost
Changed Circumstances	—	—	—	$37,000
Adaptive Management	—	—	—	$37,000
Consulting Contingencies	—	—	—	$52,000
Subtotal Full-Time Biologist			*$52,000*	*$382,000*
Avoidance and Minimization				
Surveys will be conducted in suitable habitat prior to grading.	All	Species to be surveyed will depend upon habitat suitability.	—	—
Construction activities in modeled suitable habitat will be monitored.	All	—	—	—
Grazing management plan (implementation and monitoring)	All	—	—	—
Preferred diurnal perches and roosting areas will be mapped and avoided. Management standards and setbacks will be applied to preferred diurnal perches and high-quality roost trees.	Bald eagle	—	—	—
Signage adjacent to Castac Lake will be installed indicating that feeding bald eagles is prohibited and indicating that prohibitions will be enforceable against all residents and guests.	Bald eagle	—	—	—
Interpretive and educational signage will be installed at Castac Lake, informing the public about bald eagles, their habitat requirements, and their sensitivity to human disturbance during the wintering season for the species (late October through March).	Bald eagle	—	—	—
If nesting individuals are found during surveys conducted prior to grading, setbacks must be implemented. Submit results of surveys and relocation efforts to California Department of Fish and Wildlife.	Burrowing owl	—	—	—
If active golden eagle nest sites (primary or alternate) are observed on site during a survey, a nest-specific analysis will be prepared to identify the primary nest and establish its viewshed (the "Viewshed"). A complete viewshed analysis will be conducted for the primary nests determined to be in active use and design and development restrictions will be implemented to avoid/minimize disturbance to active primary nests.	Golden eagle	—	—	—
Surveys for breeding birds will be conducted for construction activities scheduled for the breeding season in or immediately adjacent to breeding habitat.	All avian Covered Species and native birds	—	—	—

Table 9-2. Estimated Operational Costs for Monitoring for Covered Species

Action	Species	Assumptions /Notes	One-Time Cost	Annual Cost
For occupied bird nests, the Tejon Staff Biologist will establish appropriate buffers for active nests detected during surveys conducted prior to grading, in compliance with the objectives in this Plan and applicable regulatory protocols. Active nests and designated buffers will be shown on appropriate planning maps. Construction within the buffers will be avoided until the nests are abandoned or until the young have fledged or have been reared.	All native avian species		—	—
European starling monitoring, removal, and management methods will be implemented if determined necessary by the Tejon Staff Biologist.	Purple martin	—	—	—
Prior to implementation of starling management measures, the Tejon Staff Biologist will develop a management plan.	Purple martin	—	—	—
At the discretion of the Tejon Staff Biologist, during surveys conducted prior to grading, relocation of observed individuals may be undertaken consistent with the appropriate scientific collection permits and relocation plan; all handling of amphibians shall be conducted in accordance with the fieldwork code of practice developed by the Declining Amphibian Populations Task Force (DAPTF 2009).	All amphibians and reptiles	—	—	—
At the discretion of the Tejon Staff Biologist, a live-trapping program will be conducted for Tehachapi pocket mouse in suitable habitat in the project disturbance zone and within 100 feet of disturbance zone no earlier than 7 days prior to commencement of activities resulting in permanent ground disturbance. In order to minimize direct impacts to individuals to the extent feasible, prior to grading a trapping program would be conducted for 5 nights in suitable habitat to trap and salvage as many individuals as possible from the disturbance zone and release them in suitable habitat away from the project disturbance zone, in accordance with a relocation plan.	Tehachapi pocket mouse	—	—	—
If construction for development activities is proposed within 325 feet of Tehachapi buckwheat occurrences, the Tejon Staff Biologist will perform weekly construction monitoring. The monitoring tasks will include reviewing and approving protective fencing, dust control measures, and erosion control devices before construction work begins; conducting a contractor education session at the preconstruction meeting; and reviewing the site weekly (minimum) during construction to ensure the fencing, dust control, and best management practice measures are in place and functioning correctly and that work is not directly or indirectly impacting the plants. Monitoring reports will include remedial recommendations and issue resolution discussions when necessary.	Tehachapi buckwheat	—	—	—

Table 9-2. Estimated Operational Costs for Monitoring for Covered Species

Action	Species	Assumptions /Notes	One-Time Cost	Annual Cost
Establishment of setbacks in design features of development and map them to protect species. Lighting adjacent or near open space will be directed away from open space.	All	—	—	—
Management and planning of non-grazing activities in open space shall incorporate the final baseline surveys required per Section 7.3.2.	All	—	—	—
Conduct surveys in suitable habitat areas for fully protected species and Tehachapi buckwheat prior to grading.	All fully protected Covered Species, and Tehachapi buckwheat	Species to be surveyed will depend upon habitat suitability. Any fully protected species and/or active bird nests will be avoided; other species may be trapped and relocated.	—	—
For fully protected species, the Tejon Staff Biologist will monitor construction activities to ensure avoidance of any harm to individuals and will have the authority to direct the cessation of field activities likely to cause any such harm.	All fully protected species	—	—	—
Implement contractor/construction personnel meetings with educational information about TU MSHCP requirements and Covered Species prior to grading.	All	—	—	—
Fence or flag disturbance/grading perimeters to identify extent of authorized disturbance areas and boundary of non-disturbance areas.	All	—	—	—
Implement best management practices to protect surface water quality (pollutants, erosion, dust control, sedimentation) during construction in compliance with Clean Water Act and Porter-Cologne requirements.	All	—	—	—
Covenants, conditions, and restrictions for each parcel will prohibit the feeding of the California condor, the bald eagle, and other wildlife species.	All	—	—	—
Homeowners' association(s), TRC guests, contractors and licensees, and public visitors will be provided with educational information regarding the Covered Species and acceptable recreational activities, pet restrictions, and wildlife restrictions in open space areas.	All	—	—	—
An integrated pest management plan will be developed and implemented (including measures to control and eradicate non-native, invasive species including bullfrogs	All	—	—	—

Table 9-2. Estimated Operational Costs for Monitoring for Covered Species

Action	Species	Assumptions /Notes	One-Time Cost	Annual Cost
and Argentine ant) in conjunction with development, ranchwide operations, and management of open space.				
The installation of infrastructure (and trails) or other permanent ground-disturbing activity within open space will include efforts to minimize the footprint and use best management practices for the design and installation of any such infrastructure, including surveys prior to grading, contractor education, staking, and temporary construction fencing.	All	—	—	—
Selection of any new public access trails shall be made in consultation with the Tejon Staff Biologist and the selection of appropriate locations for access, trails, and facilities will minimize impacts to the open space areas.	All	—	—	—
Subtotal Avoidance and Minimization			—	—
Mitigation and Recovery				
USFWS technical assistance reimbursement	Condor and Other Covered Species	—	—	$21,000
Establishment and enforcement of a perpetual ranchwide ban on lead ammunition	Condor and Other Covered Species	—	—	
Funding for additional GPS transmitters	Condor	—	$156,000	$26,000/year for ten years
Establishment of 93,522 acres of Established Open Space and 23,001 acres of TMV Planning Area Open Space as mitigation (in perpetuity)	All	—	—	—
Ranchwide Management Plan to help preserve, protect, and enhance the conservation values of the open space areas of Tejon Ranch, and to help facilitate public access and educational programs	All	—	—	—
Subtotal Mitigation			*$156,000*	*$47,000 (plus $26,000/year for nine additional years)*
Monitoring and Reporting				
Compliance monitoring: tracking take cumulatively for each species during the permit term	All	—	—	—
Compliance monitoring: tracking lands added to open space	All	—	—	—
Compliance monitoring: tracking of funds expended for habitat management and species conservation	All	—	—	—
TU MSHCP Annual Reports	—	—	—	—

Table 9-2. Estimated Operational Costs for Monitoring for Covered Species

Action	Species	Assumptions /Notes	One-Time Cost	Annual Cost
Subtotal Monitoring and Reporting			—	—
Changed Circumstances				
Response to Climate Change/Drought: *Damage caused by climate change will be assessed and the following actions initiated:* • Prepare a damage assessment report • Recommend actions to ameliorate the effects of the climatic change on Covered Species • Implement measures through adaptive management.	—	—	—	—
Response to Climate Change/Fire: • *Redesign, reconfigure, and/or review fuel breaks* • *Work with local fire agencies to improve fire suppression preparedness* • *Develop a public education program* • *Develop effective exotic plant control tools* • *Contact firefighting authorities to identify appropriate strategies to fight fires to minimize habitat damage* • *Develop and implement a monitoring program to monitor natural regrowth within the damage area for an appropriate period* • *If it is determined that natural regrowth is not occurring and that such absence of natural regrowth will adversely affect Covered Species, an action plan will be developed and implemented; the action plan will involve efforts to improve habitat conditions* • *Implement response measures through adaptive management.*	—	—	—	—
Response to a listing of a new species/designation of critical habitat not covered by the TU MSHCP	—	—	—	—
Subtotal Changed Circumstances			—	—[2]
Total TU MSHCP Implementation Operational Costs			$208,000	$429,000

Note:
[1] The Tejon Staff Biologist will be responsible for implementing the avoidance, minimization, mitigation, and monitoring measures described in *Table 9-2*.
[2] Costs for changed circumstances and adaptive management are included above under Tejon Staff Biologist Costs.