



Because the environment is everyone's business

## Sustainable Conservation

Because the environment is everyone's business

# Building on Success

2x4 STUDS @  
16" O.C. FACE  
TO EXTERIOR.

DOUBLE 2x4 STUDS  
@ EACH END OF  
HEADER BEAM.

DOUBLE 2x4

TOP PLATE

FIN

4x12 HEADER BEAM

•0-8

ANNUAL REPORT 2003

INSIDE

*Partners in Restoration Expanding to 5 Million Acres  
Regulatory Expertise Leads to New Opportunities  
Dairies Project Goes National*

# DEAR FRIENDS,

Only with ingenuity and perseverance can we solve the environmental problems we face. 2003 was a tremendous year for Sustainable Conservation and its partners not only because of what we accomplished, but also because we have proven that our innovative approach to environmental problem solving – making business part of the solution – works. As we think about the future, we are excited about Sustainable Conservation's potential to transform how we go about solving today's most pressing environmental issues.

Sustainable Conservation was founded to bring a new approach to environmental problem solving – working collaboratively with business to create sustainable environmental practices. As you will see, our projects are delivering real gains for the environment. Sustainable Conservation is increasingly being recognized and sought after to put our effective strategies to work in wider and wider circles within environmental, business, and government communities.

For example, the strong partnerships we have created with industry and others led the California dairy industry to build more methane digesters in the last year than in the last twenty years combined. This success and others led Environmental Defense to ask us to lead a similar effort nationally.

In 1996, when we discovered that environmental regulations intended to protect the environment actually were preventing restoration work from happening on private lands, we proposed to fix the problem. In 1998, we successfully piloted an environmentally sound, one-stop permit shopping program for private landowners willing to voluntarily implement conservation practices on their lands. In 2003, we replicated that highly successful program in three other important coastal areas. Many took notice, and last year the California Coastal Conservancy, Santa Cruz Resource Conservation District, San Mateo County Farm Bureau, and Environmental Defense all asked us to apply what we had learned to new environmental problems.

We want to thank our partners and funders for their vision, commitment, and dedication. Working closely with our many collaborators and supporters, Sustainable Conservation has become a leader in brokering new solutions to our increasingly complex environmental problems. We hope that you are as proud as we are to be part of the solution to the environmental challenges facing us today.

Warmest regards,



Russell Siegelman  
Chairman



Ashley Boren  
Executive Director



*Martha Bucknell, State of California Auto Dismantlers Association*

**// The world needs more organizations like Sustainable Conservation. They took the time to understand the challenges we are facing, and the auto-dismantling industry and the environment are benefiting as a result. //**



## Partners In Restoration (PIR)

When farmers want to restore an eroded stream bank, they must apply to seven agencies for individual permits, spend more than \$1,500 in fees, and wait at least a year for approval. Our Partners in Restoration Program (PIR) changes all this by creating one-stop permit shopping. It makes it far easier for farmers to reduce soil erosion and associated pesticides, herbicides, and fertilizers from degrading our rivers and lakes.

PIR now covers 2.5 million acres along the California coast. Sixteen projects were implemented under the program in 2003, bringing the total of soil erosion reduced over the six years of the program to 65,000 tons, and the length of stream bank restored to over four miles. For the local communities, this means cleaner water, better wildlife habitat, and a functioning ecosystem.

An additional 2.5 million acres will benefit from PIR over the next two years as we bring the program to five additional regions – Santa Cruz County, the western watersheds of Marin County, Humboldt County, San Luis Rey Watershed in San Diego County, and the unincorporated portions of Alameda County.

Our success in multiple watersheds has attracted the interest and support of senior management at the state and federal regulatory agencies. Government recognizes that private landowners are critical to efforts to clean our nation's waterways and support the recovery of many sensitive plant and animal species.

*Because of Sustainable Conservation's success with PIR in 2003 several non-profit organizations and government agencies sought Sustainable Conservation's help with other projects where environmental regulations are preventing voluntary conservation work on private lands.*

## Integrated Watershed Restoration Program (IWRP)

Many watershed groups and other organizations have invested significant time and resources to develop seven comprehensive watershed plans for Santa Cruz County. The California State Coastal Conservancy (SCC) has committed to fund the development of designs and permit applications in those plans through the new Integrated Watershed Restoration Program (IWRP). IWRP works to coordinate resource, funding, and permitting agencies to reduce staff time and help ensure that critical projects are identified, funded, and approved for permits.

While many projects will fall under our Santa Cruz PIR program, the larger, more complex projects require review and scientific input beyond what PIR provides. At the request of SCC and the Santa Cruz Resource Conservation District, Sustainable Conservation will apply the tools and techniques of PIR to create a coordinated approach to large-scale restoration activities on a countywide basis in Santa Cruz.

Many regulatory agencies and legislators are following the progress of IWRP in the hopes that it will be a model for similar programs in other California counties. Success with this initiative will allow for more effective use of funds, staff time, and technical assistance, in addition to enabling more accountability, scientific oversight, and community input.

/// *The Coastal Conservancy selected Sustainable Conservation for the Ponds Project in recognition of its success and innovative strategies in resource protection and farmland conservation projects.* //

*Timothy Duff, California Coastal Conservancy*

## Ponds Project

In 2003, the San Mateo County Farm Bureau and the California Coastal Conservancy recruited Sustainable Conservation to create solutions for farmers and fish along the Santa Cruz and San Mateo coasts. They asked us to apply our experience with PIR and our expertise building partnerships among diverse interests to these regions.

As a result, we have launched the Ponds Project. If successful, it will allow landowners and farmers to divert water in winter, when water is more plentiful, and store it in off-stream ponds for crop irrigation during the summer. This will preserve and foster fish habitat while still keeping agricultural land in production on the coast.

Without this project, still more irrigated land could be lost, in addition to the several hundred acres of land that have already been taken out of production. With this project, we will strengthen both our fisheries and our farming.

## Landowner Assurances for Habitat Restoration

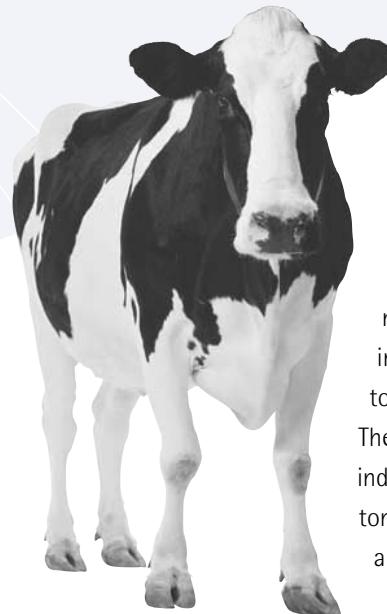
In close partnership with Environmental Defense's "Back from the Brink" campaign, Sustainable Conservation is leading an effort in California to increase habitat for two federally listed endangered species, the California red-legged frog and the Valley elderberry longhorn beetle. Our goal is to demonstrate that significant improvement in the well-being of imperiled species can be achieved in a relatively short time, and that private landowners, especially presented with the right incentives, can make a major contribution.

We are exploring new opportunities to engage private landowners in activities to restore habitat. Sustainable Conservation is working to help landowners receive funds from federal incentive programs and to secure "safe harbor" assurances so participating landowners can be certain that their voluntary actions benefiting rare species will not result in new or additional land use restrictions being imposed upon them. Through such assurances we can build a team of people and organizations that can bring these species back from the brink of extinction.



## Dairies Project

In 2003, Sustainable Conservation moved forward with several initiatives to promote environmentally and economically sound management practices on California dairies, including our work on methane digesters, composting, conservation tillage, and proper nutrient management.



Of particular note was our progress with methane digesters, an environmentally friendly technology that allows dairy farmers to capture the methane from manure and convert it to energy to power their farms. We have worked for three years to make digesters economically viable, capturing cost-share funding, implementing legislation, and compelling utilities to credit farmers for the electricity they produce. The short-term results: three municipal and six individual dairy digesters are diverting 400,000 tons of manure from tens of thousands of cows annually to produce methane. This generates several megawatts of power, enough energy to power 2,000 homes and offset approximately \$1.6 million in energy costs to dairy farmers. As other dairies see these successful digesters and make the decision to build their own, the long-term results will be even greater.

With more digesters built in the last year in California than in the previous twenty years combined, Sustainable Conservation has propelled California into a leadership position in the United States to establish methane digesters as a promising solution to manure-management issues on dairy farms.

*In 2003, due to our experience and success improving the dairy industry's environmental performance in California, Environmental Defense asked Sustainable Conservation to convene a new national body to work on reducing pollution from dairy farms.*

## National Dairy Environmental Stewardship Council

In collaboration with Environmental Defense, Sustainable Conservation is bringing together twelve of the nation's leading dairy waste management experts from across the country to share their experience with manure-management practices and technologies. Through this joint effort, we believe we can identify the most promising technologies that are advantageous both financially and environmentally.

Once selected, we will take the recommended technologies, practices, and strategies to key decision-makers in Washington to promote widespread adoption. Our goal is to leverage the Council's recommendations and to implement strategies nationally that will improve dairy management and protect the environment simultaneously.

**// Of all the environmental organizations we know, Sustainable Conservation has the most hands-on knowledge about the dairy industry, its environmental impacts, and promising solutions. //**

*Tim Searchinger, Environmental Defense*

Sustainable Conservation is a 501(c)(3) organization and contributions are tax-deductible.

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## More Progress

All of our projects made important strides forward in 2003, but as we grow there are too many to talk about in full detail. In brief...

- Our **Brake Pad Partnership** initiated long-awaited technical studies on the fate of copper from brake pad wear debris in the environment. Environmental groups, government agency representatives, and brake pad industry members have disagreements about the potential role of copper from brake pads in water quality. Sustainable Conservation is leading the Partnership's collaborative effort to develop agreed-on scientific information to answer the outstanding questions about copper from brake pads and provide other valuable knowledge about stormwater runoff.

- Our **Auto Recycling Project** is addressing the environmental impacts of the nearly 1.5 million vehicles that reach the end of their useful life in California each year. We published a white paper in December 2003, summarizing recommendations from over two years of Sustainable Conservation work on methods for minimizing environmental harm from these vehicles. This paper has become a key reference for industry, regulatory, and environmental groups.

- Our **Wastewater to Wetlands Project** is helping private industry to create vital wetlands in California's Central Valley. Constructed wetlands remove water pollutants; they also provide wildlife habitat, outdoor recreation opportunities, and appealing places to visit. In 2003, we analyzed the food production industry, identified novel sources of funding to help industry finance the creation of new wetlands, and compiled a list of potential participant sites.

- At the request of the **California Environmental Dialogue (CED)**, Sustainable Conservation is co-leading CED's Habitat and Prosperity Working Group. This group of business, environmental, and government leaders is addressing the question "How can landscape-scale habitat protection be made to work better for business, government, and the environment?" in the hope of developing a set of recommendations with which all can agree.

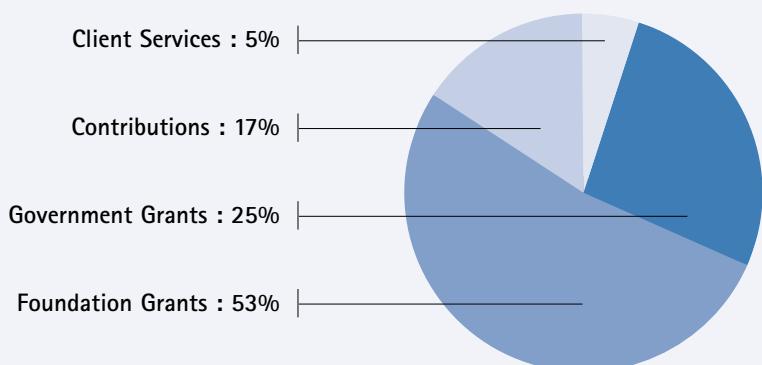
# 2003 PARTNERS LIST

AAA  
 Alameda Countywide Clean Water Program  
 American Farmland Trust  
 Association of Bay Area Governments  
 Automotive Recyclers Association  
 Bay Area Open Space Council  
 Bay Area Stormwater Management Agencies Association  
 Brake Manufacturers Council – Product Environmental Committee  
 California Air Resources Board  
 California Association of RCDs  
 California Climate Action Registry  
 California Coastal Commission  
 California Coastal Conservancy  
 California Dairy Campaign  
 California Department of Fish and Game  
 California Department of Food and Agriculture  
 California Energy Commission  
 California Environmental Dialogue  
 California Invasive Plant Council  
 California Resources Agency  
 California State University, Fresno  
 Californians Against Waste  
 CALSTART  
 Center for Energy Efficiency and Renewable Technology  
 Central Coast Regional Water Quality Control Board  
 City of Oceanside  
 CLEAN South Bay  
 Clemson University  
 Coastal San Luis RCD  
 Environmental Defense  
 Geomatrix  
 Great Valley Center  
 Hilmar Cheese  
 Humboldt County RCD  
 Inland Empire Utilities Agency  
 Los Angeles Regional Water Quality Control Board

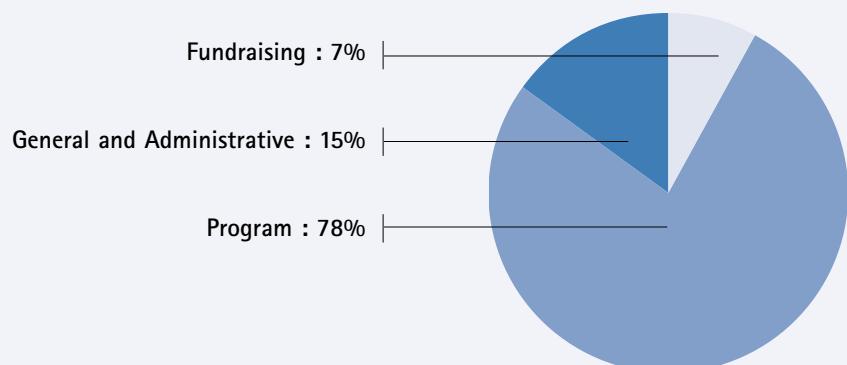
Marin County RCD  
 Mattole Restoration Council  
 Mendocino County RCD  
 Merced County Department of Public Works  
 Milk Producers Council  
 Mission RCD  
 Morro Bay National Estuary Program  
 National Oceanic and Atmospheric Administration – Fisheries  
 North Coast Regional Water Quality Control Board  
 Pacific Coast Fish, Wildlife and Wetlands Restoration Association  
 RCM Digesters  
 Redwood Community Action Agency  
 Sacramento Municipal Utilities District  
 San Diego County  
 San Diego Regional Water Quality Control Board  
 San Francisco Estuary Project  
 San Francisco Regional Water Quality Control Board  
 San Joaquin Valley Air Pollution Control District  
 San Luis Obispo County  
 San Mateo County Farm Bureau  
 San Mateo County RCD  
 Santa Cruz County RCD  
 Sierra Club  
 State of California Auto Dismantlers Association (SCADA)  
 State Water Resources Control Board  
 The Nature Conservancy  
 U. C. Cooperative Extension  
 U. C. Davis  
 U. S. Army Corps of Engineers  
 U. S. Environmental Protection Agency  
 U. S. Fish and Wildlife Service  
 U.S.D.A. Natural Resources Conservation Service  
 Western United Dairymen  
 Yurok Tribe

# 2003 FINANCIAL STATEMENT

## SUPPORT & REVENUE



## EXPENSES



## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Government Grants	360,176
Foundation Grants	745,697
Contributions	238,392
Client Services	66,838
Interest	1,447
<b>Total Support and Revenue</b>	<b>1,412,550</b>
Program	936,640
General and Administrative	177,296
Fundraising	80,712
<b>Total Expenses</b>	<b>1,194,648</b>
<b>Increase in Net Assets</b>	<b>217,902</b>
Net Assets at Beginning of Year	521,206
Net Assets at End of Year	739,108

For a complete financial report audited by Crosby and Kaneda, Certified Public Accountants, please contact Sustainable Conservation.