

**CALIFORNIA BAY-DELTA PUBLIC ADVISORY COMMITTEE
WATERSHED SUBCOMMITTEE
Meeting Summary**

Meeting Date/Location: Thursday, September 30, 2004
10:00 AM to 3:00 PM
California Bay-Delta Authority
650 Capitol Mall, 5th Floor, Delta Room
Sacramento, CA

Meeting Attendees: See Attachment A

Meeting Handouts: See Attachment B

WELCOME AND INTRODUCTIONS

Robert Meacher, the California Bay-Delta Public Advisory Committee (BDPAC) Watershed Subcommittee (Subcommittee) co-chair, welcomed everyone to the meeting and sent apologies from Martha Davis, fellow co-chair, for not being able to attend the meeting. Mr. Meacher began the meeting by asking for introductions from the attendees (Attachment A). Mr. Meacher also provided an update that Mary Lee Knecht had delivered a healthy baby boy at the end of August and that both mother and baby were doing well. Mr. Meacher then introduced Kate Hansel of the California Bay-Delta Authority (Authority) to discuss a very important topic, the Long Term Finance Plan.

LONG TERM FINANCE PLAN

Before beginning the discussion, Ms. Hansel noted that the wrong materials had been sent out to the Subcommittee via the List Serv in preparation for the meeting. She explained that the paper that was sent was actually the Issues Paper that had been presented at the August Subcommittee meeting. Ms. Hansel apologized and told the group that the Draft Watershed Program Ten-Year Finance Plan (Finance Plan) Straw Proposal (see Attachment B) was available at the back of the room for those who had not already picked one up.

To begin the discussion, Ms. Hansel provided some background noting that she and the finance group had been working with Steve Haze, a consultant for the Authority, for the past several months to develop the Finance Plan. She said that the Options Report had been completed in May 2004 and that BDPAC and the Authority had moved quickly to request information on a more specific timeframe of the next 10 years. Ms. Hansel reminded the Subcommittee that the CALFED Bay-Delta Program is currently in Year 5 of its 30-year program. Since May 2004, Ms. Hansel's group developed targets/issues regarding financing the Watershed Program, which in turn developed into the Issues Paper that was presented at the August Subcommittee meeting. Now that the Issues Paper has been developed, the group has been working on turning the Issues Paper into a straw proposal for the Ten-Year Finance Plan.

Ms. Hansel told the Subcommittee that her group is currently working under a tight schedule to finalize the straw proposal. Under the current schedule, the proposal would go to the Authority for review at the October 2004 meeting. She noted that Gary Hunt and others had expressed a strong desire to finalize the proposal on that day. However, it has also been suggested that an additional Authority meeting be scheduled for November 17, 2004 to approve the straw proposal finance plans from all the CALFED Program Elements to become the final Finance Plan for all the programs.

Ms. Hansel noted that her group had met September 24, 2004 with the Drinking Water Program, September 29, 2004 with Conveyance, Storage, and Water Use Efficiency and with Science on September 28, 2004. She will be meeting with the Ecosystem Restoration Program (ERP) later today and the Levees Program tomorrow. She said that some of these programs had invited their subcommittees to attend, but that the program managers for most of the programs were making decisions about what information went into their straw proposals.

Ms. Hansel told the Subcommittee that her objective for today's meeting was to receive comments that could be incorporated in the straw proposal that would eventually be sent to the Authority for the October 18, 2004 meeting along with the proposals from all the other program elements. She then asked the group if there were any questions at this point. A Subcommittee member asked if the first page of the straw proposal was the same as the Issues Paper with the remainder of the proposal containing new material. Ms. Hansel responded that the straw proposal attempted to resolve the concerns that had been raised in the Issues Paper. Another member mentioned that he was concerned about the federal allocation listed in the proposal and Laurel Ames reported that she took issue with the funding target. Ms. Hansel responded that this issue gets at whether the \$25 million amount is sufficient for program implementation and that this was the next topic for discussion.

Dennis Bowker asked the Subcommittee to hold their comments on the straw proposal because John Lowrie from the Watershed Program had a presentation to give before beginning that part of the discussion (see Attachment B for slides of the presentation).

Mr. Lowrie began his presentation with a status update of the Ten-Year Finance Plan Proposal. He noted that the process would move quickly and that it would be important for the Subcommittee to provide comments as soon as possible. He recapped the review schedule noting that there would be discussions within the Authority over the next two months with an action on the Finance Plan anticipated for November. He summarized that the Finance Plan currently proposes \$250 million over the next 10 years for the Watershed Program with an average of \$25 million available per year. He listed what funding sources might be available to help meet the this target: existing Proposition 50 and General Fund monies (\$45 million), balanced public share from state and federal sources at 40% each, and local sources (government and project partners) at 20% of the grant related costs. He noted that a water user fee is not proposed.

Mr. Lowrie summarized that the local share includes a portion from local governments and a portion from project specific partners and/or beneficiaries. He noted that this should not be viewed as "local matching funds." He also noted that the Interagency Watershed Advisory Team (IWAT) had recommended a \$40 million annual target for program implementation, which was

consistent with the levels indicated in the CALFED Bay-Delta Program Record of Decision (ROD), but that \$25 million had been identified in Subcommittee discussions. He reported that some stakeholders had said that any target would be too large if they have to pay for it. Mr. Lowrie then presented a list of unresolved issues regarding the public share. These issues include the following questions:

- Recognizing “broad public benefits,” what is the appropriate split between State and Federal sources? A default to “equal shares” has been used in the straw proposal. Is this appropriate?
- Given assumed benefits and the recent history of federal funding, should the State be assigned a larger portion of the public costs?
- Is the proposal local share(s) appropriate: 5% local government and 15% project specific partners?

Ms. Hansel noted that the group needs to think about how much money is needed for the Watershed Program now, not from bonds or the federal government, but in total. She has been challenging all the programs to think about this question in these terms. It follows, she said, that from the perspective of providing supporting documentation in the Finance Plan, to answer this question, the Subcommittee should be thinking about identifying who the beneficiaries are.

Mr. Meacher asked if anyone in the Subcommittee thought that the \$25 million amount was too high. Ms. Hansel said that she was interested in hearing from the group what the highs and the lows were and what the justification for the chosen funding amount is. She recognized that providing this information can be difficult for a grants program, but stated that the group needed to understand what the justification for the numbers is. She also pointed out that this decision affects every other CALFED program element because when one program is out of balance it causes all the elements to be out of balance.

Barbara Evoy raised the point that the amount available for implementing the Watershed Program was \$25 million in addition to funding from the other CALFED Programs because the overall program costs would be spread over the program elements. Mr. Meacher noted that this was an important point and that although BDPAC stated several years ago that all the program elements should be more integrated, this had still not taken place. One Subcommittee member noted that this process was being hindered by compartmentalization.

Ms. Hansel stated that every program needs to improve their budget and put into text that the idea that by Year X they want to have completed x , y , and z , for example. That way there is somewhat of a mechanism to address uncertainty. Ms. Ames stated a concern over this approach that even if a number is identified as preliminary, once printed, it can be very difficult to change that number. Ms. Hansel responded that it could be possible to add footnotes to the text to explain where the numbers came from and that it was possible that they could change. She would like to see the Finance Plan more as a living document than cast in stone. She noted that it could even be possible that the Finance Plan be updated in five years.

Mr. Meacher responded that he had heartburn over the footnote idea. Ms. Ames agreed that it is a barely adequate way to deal with this issue. She said that it was good for academics, but not policy makers who might not even read a footnote. Ms. Ames also raised the issue of the cost of

implementation versus the cost to date. She noted that 80% of applicants to date had been funded at the low end and that implementation has not even started yet; therefore, it is likely that the costs will be substantially higher. Ms. Ames recommending starting at \$40 million.

Ms. Hansel responded that she would continue to challenge whether \$40 million is enough. She said that until the integration between all the program elements is complete, credibility regarding any number would not be solid. Ms. Ames said that she disagreed on this and asked Mr. Meacher what the cost was for sediment removal in Plumas. Mr. Meacher responded that it was \$9 million/year for 20 years. Ms. Ames then commented that there are 24 major watersheds in the Sierras alone. Ms. Hansel said this information was very helpful and that the more specific the Subcommittee could be, the better.

Another Subcommittee member asked how many of those watersheds already had assessments or had been “dealt with.” He asked, for example, are we only at 2% of where we need to be? Ms. Ames noted that this was a good point. Mr. Lowrie reminded the Subcommittee that the Watershed Program was currently analyzing the status of watershed assessments in the CALFED Solution Area and that they had presented a draft map at the July Subcommittee meeting. He also reminded the Subcommittee that several pieces of the Sierra Nevada Ecosystem Project (SNEP) and previous assessments were also used to establish the initial number for estimated need. This was then further refined during the planning stage for the Watershed Program cost. The \$300 million funding target for the seven years was built from those analyses, which eventually led to the \$40 million/year target identified in the ROD.

One Subcommittee member commented that he thought the number was pulled out of a hat and that there was no logical basis for any of the amounts that had been identified. Rather, he stated that the \$25 million number was based on a historical average and that no one could say that this is too high or too low. Another Subcommittee member stated that just because it is difficult to come up with an exact number, it does not mean that the numbers were developed without logic. She noted that it is important to use trends and to justify these trends when discussing the funding amount. She went on to say that the \$25 million/year average would most likely be too low because that number had been based on expenditure at the beginning stages of the Watershed Program. Now that planning is over, implementation would be much more expensive.

John Brodie noted that there was an error in the report and that the correct number was \$25 million, not \$23 million.

Mr. Bowker asked if the Watershed Program was supposed to fund programs clearly in the purview of other program elements. He also commented that it would be difficult to draw clear boundaries between the program elements. As a follow up, Cindy Horney asked if this issue was addressed in the ERP proposal solicitation package (PSP) that just went out to the public. She noted that many watershed projects could not really apply for the ERP PSP and that this was an important issue. Ms. Hansel commented that there does need to be clarification about the Watershed Program objectives in relation to the other programs.

Fraser Sime said that he had struggled with the fact that the Watershed Program does not make an easily measurable product (widgets) and wondered how you could measure what it is that the

program does. Realistically, he noted that the Subcommittee would have a harder time selling \$40 million compared with \$25 million because the Watershed Program does not have beans to pile up and count.

Mr. Lowrie noted that we could count beans and were doing that. This issue is that the Watershed Program does not produce the kind of beans that the bean counters want. This is because the program is working towards goals that are difficult to define and are much less tangible, such as better management and capacity building. As a side note, Mr. Lowrie also noted that the Watershed Program gets the most press of all the other program elements combined. Mr. Meacher commented that where it is unpopular is within the CALFED family. Ms. Hansel responded that she hoped this was not the case.

Ms. Hansel pointed out that a good place to start building support for a specific funding target would be using sediment projects. This is because sediment projects are projects that none of the other programs is working on. She encouraged trying to quantify how much these projects would cost. Catlin Cornwall said it should be possible to use logic to justify these numbers, especially over the long run. She conceded that for now, it might be appropriate to use an approximate number and move up from there.

Ms. Hansel stated that as an example, the Surface Storage Program has many questions yet to answer to get to their funding target. It might be possible that they will have to reassess their target sooner and put out a new game plan in the next 12 months. It might be helpful to postpone a decision because a new water bond could be available in November of 2006.

Ms. Cornwall asked if it was possible for the straw proposal to identify a greater number as needed, but to only ask for a smaller amount given the realities. Perhaps it should be stated that \$40 million or more would be needed for implementation. Mr. Bowker responded that the proposal already does this to a certain extent.

A Subcommittee member said that it was unclear whether the analysis was constrained or unconstrained. Ms. Hansel responded that that analysis was not constrained because the question that her group was trying to answer is how much money will be needed to implement the Watershed Program period. Ms. Hansel said that she had asked each program to provide back up for the numbers that they came up with.

Fraser Schilling noted that the CALFED Program had started the ball rolling with the Watershed Program, which had resulted in huge funding requests as people become more educated about the needs and opportunities that existed. He said that the advantage of this program is that it serves an integrated function and that all the projects that have come out of the Watershed Program have raised capacity. Mr. Schilling noted that this was something that should be considered to represent a good hill of beans. He continued to say that there have been other places in the country where different groups have successfully quantified their financial need, such as in the Chesapeake Bay, the Everglades, and the Colombia watershed. These efforts have cost millions of dollars. Mr. Schilling noted that the Subcommittee needed to be more explicit about how much money the program would need even if the staff were not comfortable with a larger number. The Subcommittee should not be afraid of this discrepancy.

Mr. Bowker agreed that the best feature of the Watershed Program is its integrated function. He asked if the Subcommittee had the capacity to produce a formal response letter to present at the October Authority meeting regarding comments on the straw proposal.

Terri Murrison asked if it would be possible to have a gap disclosed in the proposal. Ms. Hansel stated that she was not afraid of a gap, but that this was not a good exercise from the Authority's perspective and that she would prefer not to take that approach. Ms. Hansel said that her group consider all the comments and integrate them to the best of their ability in the proposal. However, she noted that at this point, she did not see a reason to present a number other than \$25 million to the Authority.

Ms. Evoy asked where the 5% value came from referring to page 2 of the straw proposal. Ms. Hansel stated that this referred to ongoing operations and maintenance work. Mr. Lowrie added that this could also represent in-kind services or cash. Mr. Hatchett noted that they were not strongly wedded to 5%, rather that that was an overall target. Some applicants may have no match while others may have 25%. Mr. Bowker noted that the term local government was meant to include local watershed groups and special districts. Mr. Hatchett said that if the applicant had a special project, they might be required to have a greater match. He said that the more important target would be 15-20%.

Ms. Horney commented that this was not presented clearly in the proposal and that it would be a good idea to have a clause regarding the more rural agricultural communities. Otherwise, the notion that they are required to provide a match may scare some groups from participating. Mr. Lowrie commented that the Subcommittee was reading too much into this issue. He said the intent of the plan is to provide a way for local beneficiaries to pay for a portion of the benefits resulting from a project that are specific to the locale. The 5% number was based on past experience that many local groups were able to provide this amount. Ms. Hansel thanked Mr. Lowrie for clarifying this issue and also noted that she would flag this as an issue to consider. Ms. Horney added that in her experience working with planning departments, this issue had been challenging.

Mr. Bowker asked if the Subcommittee could work with Ms. Hansel's group to develop means for quantification in a scientific way. Mr. Lorenzato commented that the funding sources are too narrow and that there may not be a short-term resolution. However, he noted that the Authority needed to broach this subject in the long term. He offered that perhaps a bond would be the best way to address this. That way the costs would be spread broadly across the public. He also encouraged that there be another look at having water user fees because even if it is not politically acceptable to do today, he encouraged thinking about other options.

Ms. Hansel asked the group for input on what should be the public's share and what should be the state's share. She said it could be possible that the benefits were not such that it would be appropriate to use a bond and spread the cost over future generations. Perhaps there should be an annual appropriation. If the program is considered more of a public benefit, she noted that there were existing taxes that could be used. She also stated that a water user fee would not come from the public share.

Mr. Lorenzato said that there could be other options that have not yet been articulated that

should be considered. Ms. Hansel responded that she did not want to close off any options in the proposal and noted that in many ways, it was assumed that a bond would cover the costs. Individual water user charges were not included in the proposal. New taxes were also not proposed because they would be unnecessary.

Mr. Lowrie reminded the Subcommittee that Ms. Hansel would have to leave shortly and said that they should consider the state/federal split before she went. Ms. Ames said to the extent that we need \$40 million, what does any of this matter if there is not enough to run the program?

Ms. Hansel noted that the state/federal split was an unresolved issue in the report. It was set as 50/50 by default; however, in future drafts, they would be considering how this should change given the likelihood of receiving federal funding. Mr. Schilling stated that it seemed that every state gets some federal funding, but that the group should consider what strings may be attached. He would like to see an outline involving no federal funding. Ms. Hansel noted that if the federal share is dropped, that amount moves to the state's obligation, not to the public. Originally, the split between government and the public was 80/20. Because the public share is limited to 20%, any decrease in federal funding would result in an equal increase in the state's share.

Juliet Lamont agreed that ideally, a 50/50 split of the 80% government share made sense; however, she noted that the likelihood of getting the entire amount from the federal government was low. She offered that maybe the state would take on a greater share, especially after the election. She suggested revisiting this issue.

Mr. Meacher brought up the example of how the California Public Utilities Commission (PUC) regulates the phone bill for PG&E, stating that they impose a surcharge on their bill. Unfortunately, he noted that the Subcommittee did not have an entity like this, but he did suggest that this discussion needed to take place at a higher level, perhaps at the level of the Authority. He said he would make a case to approach this issue. He also noted that the 50/50 split could become 80% state, but that water was too political now. Ms. Hansel agreed that we needed to continue this discussion and examine fees versus taxes. She said that her group could look into how PUC comes up with their surcharges.

Mr. Lorenzato commented that the public split that 50/50 made sense; however in reality, if the federal government was assigned 50% and did not pay, funding for the program would fall short because the state share would have also been capped at 50%. He said that we needed to consider this issue and perhaps make the split 75/25 state/federal. Ms. Ames said that she endorsed this.

Ms. Hansel noted that another issue besides the federal funding being lower than the ROD across the entire CALFED Program was better understanding what types of projects were authorized to receive federal funding. In other words, she asked if federal agencies had the authority to fund the programs that the Watershed Program wanted to implement? She noted that there would not be a chance to authorize a bill for six more years if the current one passed. Mr. Lowrie commented that the federal agencies always say they have the authority, but when it comes to funding, they say they do not have the money.

Mr. Lorenzato suggested that Subcommittee make sure that the federal money was not tied to

certain requirements so that the program was not limited. He said that we needed to be more explicit about CALFED Projects.

Ms. Hansel recapped the discussion by noting that she would incorporate the group's comments as quick changes and would turn around a new draft for the October Authority meeting. She said that these conversations would continue and hopefully, that the October Subcommittee meeting would fall in the appropriate schedule of events for the more input on the draft proposal.

Ms. Ames stated that she would like to be clear that Ms. Hansel was not going to increase the funding request to \$40 million. Ms. Hansel replied that based on the discussion that had just taken place, she did not see a reason to increase the amount from \$25 million. Another Subcommittee member asked if she would note in the proposal that there was a discrepancy between the proposal and what the Subcommittee felt was appropriate. Ms. Hansel replied that this was an open issue along with the issue of who would be responsible for the majority of implementing the CALFED Program. She said that discussions would continue.

Another Subcommittee member asked if it was clear that the Watershed Program was not responsible for implementation. Mr. Bowker responded that the Program Plan very clearly states that it is responsible for implementation. Mr. Lowrie commented that the goal of the Watershed Program is to improve management to the degree that it leads to restoration and enhancement, not to perfect all watersheds in the CALFED Solution Area. The Subcommittee member responded that the scope seemed to be a big issue that still needed to be addressed.

Ms. Hansel announced to the group that if they had any other comments to please send them to Mr. Lowrie to forward to Ms. Hansel.

PUBLIC COMMENT PERIOD

A general discussion began regarding the issue of how best to address the concerns that the Subcommittee had regarding the funding target and the Finance Plan. Mr. Meacher agreed that the unresolved issue of who will be responsible for implementation of the CALFED Program had resulted requiring the Watershed Program to put the cart before the horse when it came to making a funding recommendation. He said that the Subcommittee was being asked to make funding recommendations before understanding how the CALFED Programs were integrated. Mr. Bowker acknowledged that this would be difficult to do and that the Subcommittee needed an economist to review this. He said that the Subcommittee does not have the political clout to send their recommendations to the Authority without an economic review. Mr. Schilling noted that a full-fledged economic analysis was a bit much to ask from a volunteer group like the Subcommittee. He said that the previous proposal rounds were relevant in answering these questions and that a needs assessment could be done from those.

Mr. Bowker said that he was trying to think about what would be most effective versus logical. He acknowledged that given the time constraints, 17 days, it would be difficult to do something like an economic analysis. He asked if any organization or agency had someone who could devote 9 to 10 hours over the new two weeks to work on something to present a proof of the value of the Watershed Program. He suggested using existing models as a basis. Ms. Horney asked if they could appeal to Madeline at that Natural Resources Conservation Service. Mr. Lowrie responded that he would ask her.

Mr. Lorenzato acknowledged that Mr. Schilling had a valid comment regarding what could be practically accomplished in the short timeframe and stated that the Subcommittee needed to provide a bridge between the politics and economics. Mr. Bowker replied that they needed an economist as a reviewer/mentor, not necessarily as the writer.

Ms. Evoy commented that this endeavor seemed quite ambitious and gave the example that the State Board had spent \$5-7 million for beach valuation studies. She said that in the time that Subcommittee has, it would be difficult to be effective. She did say that an economic analysis would be a good thing to complete for later evaluations. Mr. Lowrie agreed that in the limited time frame with limited resources it would be difficult to provide a substantiation of the program. He said that the Subcommittee did not need to defend its defined activities, but rather that Ms. Hansel was suggesting that we provide more substantial documentation on why we needed \$25 million. He said that the more doable task might be to describe the extent to which watershed assessments had been conducted and how many there were left to do. He also recommended including technical assistance activities and go right down the list of actions in the Program Plan for the various basins. Mr. Bowker noted that it would also be good to combine this with historical activities of the program.

Syd Brown commented that past grant applications probably did not accurately represent the future finance need of the Watershed Program. She noted that when the Department of Parks and Recreation was confronted with budget cuts, they went through a very comprehensive analysis of their baseline. She noted that the rationale that they presented resulted in their program being one of the few that actually received increased funding when other program budgets were being cut. She suggested that the Watershed Program needed to take a similar approach.

Mr. Bowker responded that they were doing this by attempting to quantify completed watershed assessments. He noted that there had been challenges to this approach because of the difficulty associated with identifying high quality watershed assessments. Mr. Lowrie stated that the approach was to first quantify the area of watershed assessment, identify which were worthwhile, and go from there.

Ms. Cornwall said that any estimate based on an extrapolation from existing grants would be too small. However, she noted that it would likely still be greater than \$25 million. Once a new number was proposed, they could keep refining it.

Joan Clayburgh asked if the group had already discussed the power politics of the situation and who would be allies to help their case. Mr. Lowrie said that the group was proposing ideas to critical audiences but that this subject was touchy to discuss in the current forum. However, he noted that those allies were there. Ms. Clayburgh asked if there was a group of people who would be meeting separately from this meeting to discuss this issue. Mr. Bowker replied that this was what they were trying to resolve in the current discussion.

Mr. Bowker told the group that he heard Ms. Hansel say that she needed an identification of the beneficiaries and the dollar amount of the benefits. Mr. Lorenzato said that doing an evaluation of the benefits would be a lot of work, but that there could be some information in past

proposals. He said the it could be possible to present the benefits identified in these proposals and identify qualitatively as benefits that the Watershed Program was working towards. However, valuing them would be another question. Mr. Lorenzato thought that this would be potentially a waste of time at this point.

Another Subcommittee said that is not what he heard her say, but rather than Ms. Hansel wanted to know why the Subcommittee wanted \$25 million. Mr. Lowrie agreed that this is also what he thought that she was looking for.

Another Subcommittee member said that he thought that the footnote idea to disclose that the number was preliminary was a good idea. Mr. Lowrie said that the group should consider Ms. Ames' perspective that even with this approach, once the number was on paper it would become locked in. He wondered if we could come up with something to better substantiate the costs.

Ms. Murrison asked if the program was going to be held to \$25 million, what would that be worth in Year 14, for example. Mr. Lowrie said that the focus was on cost distribution and funding sources, but that once that issue was resolved, they would consider an adjustment factor. However, Mr. Lowrie noted that he would verify this with Ms. Hansel.

Mr. Meacher asked who from the Subcommittee would be willing to work on pulling together something to present to the Authority in October. It was decided that Fraser Schilling, Caitlan Cornwall, Ben Wallace, Leigh Sharp, and Liz Mansfield would work on this issue.

Ms. Ames noted that the decision makers were the Authority, not the legislators in this case. She said that it would be difficult to target key people in the Authority, but that the co-chairs were politically connected. Mr. Meacher agreed that he and Ms. Davis would present the perspective that the cart is way before the horse on this and that this is why the Subcommittee feels there is a need for an amount greater than \$25 million. He noted that the politically correct path would be bonds. Mr. Bowker suggested that the letter be sent to Ms. Hansel first and that the group let Ms. Ames, Ms. Davis, and Mr. Meacher deal with the politics.

Mr. Lowrie reviewed the schedule of events regarding the Straw Proposal and noted that in theory there should be some extra time because the Authority should provide a 30-day public comment period before making their final decision.

Ms. Evoy commented that she was under the impression that if the Subcommittee could provide backup on why they thought that they would need more money, Ms. Hansel would change the recommendation in the proposal.

Mr. Meacher asked if they should bring up the issue of linkages. Ms. Ames thought that this would just confuse the issue. She suggested focusing on the number and including the possibility of considering a water user fee even though the contractors did not like it. Mr. Bowker confirmed that the co-chairs would review the letter and approve it once it was completed. Ms. Ames proposed that it be due to them two weeks from today on October 14, 2004.

DEFINING CRITERIA AND OBJECTIVES FOR THE NEXT WATERSHED PROGRAM RFP

Mr. Lorenzato introduced the topic by noting that the California Department of Water Resources (DWR) would be managing this grant round mainly with Proposition 50, Chapter 7 money. He said that there was approximately \$27 million to be distributed evenly over a three-year period. DWR would be the administering agency, but they that IWAT was also participating to develop a mechanism that would be transferable to other agencies that may administer future grant rounds. Once IWAT had a proposal together for the criteria, they would take it to the Subcommittee and the Authority for their approval.

There have been three to four IWAT meetings focusing on development of a Multi-Year Plan. Part of this plan calls for dovetailing with the CALFED Program Elements to allow for more than one agency to administer the grants program. The Multi-Year Plan has seven major priorities, which include:

1. Broadening participation in the watershed partnerships
2. Encouraging more community involvement
3. Advancing the application of physical, biological, and social sciences
4. Fostering and supporting strategies to ensure long-term sustainability of watershed activities
5. Enhancing communication among stakeholders
6. Integrating better with CALFED Program Elements
7. Aligning agencies with the Watershed Program

Mr. Lorenzato reported that DWR was proposing a continuous solicitation so that applicants could apply whenever they wanted. They were also working to develop a regional review structure that would be broken into the five CALFED regions: the Sacramento Valley, San Joaquin Valley, Delta, Bay, and Southern California regions. Mr. Lorenzato conceded that there was no good model for a continuous solicitation process and that therefore, IWAT was looking to receive a lot of input on this idea.

Mr. Lorenzato said that the schedule would be quite aggressive between now and early next year since DWR would like to get a proposal solicitation package (PSP) out by next February. He noted that this was a very ambitious schedule. He summarized the preliminary concept explaining that the staff would first review a preliminary proposal to determine if the proposed project met the goals of the Watershed Program. If the proposal were accepted, the grant applicant could submit a full proposal when ready. Regional review would occur quarterly and simultaneously in all regions. Therefore, there would have to be a statewide balancing of proposals for submittal to the Authority each quarter.

Mr. Lorenzato reported that there should be approximately \$9 million available for next year. He noted that the State Water Resource Control Board (SWRCB) anticipated running the grant program the following year, but that the SWRCB had reported they were not in a position to determine whether they could follow the process that DWR began because they will be consolidating with other grant programs. Mr. Lorenzato reported that the SWRCB should have between \$7 to 8 million available sometime between April 2006 and March 2007. There first round of solicitations with the SWRCB would be sometime in November of 2005.

A Subcommittee member asked if projects that were in the works, but had not yet been funded by DWR would move over to the SWRCB's process. Mr. Lorenzato replied that a grant applicant in that situation could reapply to the SWRCB. The Subcommittee member asked if IWAT was developing criteria now that could be used by the SWRCB as well as DWR, then why couldn't a grant applicant simply just move over to the SWRCB process. Mr. Lorenzato replied that they were working to collaborate on this process. Ms. Horney noted that if this issue was not resolved, it could be very difficult for new grant applicants or small organizations to deal with if they needed to start over after working on the process with DWR. She also asked if IWAT would be addressing the problems that the grant applicants had in the past with the SWRCB. Mr. Lorenzato responded that this was the intent of this process. Mr. Lowrie noted that it may be as simple as repackaging the grant application. It could take a bit of time, but the emphasis should be on good projects, not just good proposals. Mr. Lorenzato commented that there were many ways to manage the grant review process and that they were working to ameliorate these problems.

Michelle Stevens from DWR then gave a presentation on the seven criteria that had been developed for the grant program. She stated that the criteria were kept to a small number and described in detail so that they would all be interpreted in the same way by everyone. Ms. Stevens mentioned that handouts on these criteria were available (see Attachment B). She wanted to go through her presentation first and then ask for comments at the end. She gave some background information about her own personal work experience, which included past experience in restoration, work with Indian tribes, and work in the Mesopotamian marshes in Iraq.

Ms. Stevens went over the seven criteria and noted that they represented an effort to synthesize IWAT's ideas. She then encouraged feedback from the audience.

Mr. Cornwall asked how this set of criteria was related to last year's criteria. Mr. Lorenzato responded that the past set of criteria had been developed for Years 1 through 4 and that there have been some changes since this time. Now IWAT is trying to craft criteria to implement some actions to move us toward those new priorities. The previous criteria are part of the new criteria.

Mr. Lowrie inquired about what the difference was between *evaluation criteria* versus *implementation criteria*. Mr. Lorenzato responded that this was an artifact of moving from the Watershed Program Plan to the grants program and that there was no difference. Mr. Lowrie also asked about what the distinction was between *umbrella criteria* and the *guiding principles*. Mr. Lorenzato said that the umbrella criteria are to rank the comparative value of the grants and would be used to weight the application while the guiding principles were more an indication of overall thresholds.

During her presentation on the preliminary draft of the criteria that she had handed out, Ms. Stevens had mentioned that in order to meet Criteria #4, it might be a possibility to have formalized agreements or MOUs in place among key watershed stakeholders to ensure longevity of watershed planning and implementation. In reference to this idea, one Subcommittee member commented that she was concerned that a formal charter among stakeholders may be viewed by some of the agencies as a limited group.

Another Subcommittee member commented that the criteria seemed very long and difficult to use. Ms. Stevens and Mr. Lorenzato responded that they would appreciate feedback on how to improve the criteria and that their first goal was to make the clear and the second goal was to make them short.

Another Subcommittee member stated that she would like to get a better idea of how the process would work and where all of this discussion was going. She asked if there would be a draft version of the guidelines to review. Mr. Lorenzato responded that there would. She also commented that it was unlikely that many more formal boards, such as county boards for example, would want to sign anything like an MOU or charter to work with a smaller watershed group. She noted that it was much more likely such groups would prefer to do work with smaller groups on an ad hoc basis. Mr. Lorenzato commented that the emphasis was to consolidate support and get buy in to augment an existing group that was already viable.

Ms. Cornwall commented that an important criterion should be that the project be more appropriately funded by the Watershed Program than any other program. She also asked if some of the good proposals that were not funded in the last round would be brought forward and put into the hopper for this next round. Mr. Lowrie responded that those grant applicants would be notified, but that they would have to reapply because some of the criteria have been changed.

Another Subcommittee member stated that it would be good to know how much money was available and what size/scope of project the grant program was looking for. Mr. Lorenzato responded that it could be possible to cap the award amount. He asked if this is something that that group would want to do. The Subcommittee member responded that it would be helpful to spread the money around, but that in that case, the grant review board should keep in mind that grant recipients would most likely be working on phased projects.

Mr. Bowker commented that it would be necessary to make clear what the priorities are in the seven broad areas that the criteria are based on and to try to match project goals with what the Watershed Program is interested in funding.

Mark Horne asked if there would be a requirement for a match. Mr. Lowrie responded that in the past, a competitive advantage was given to those projects that had a significant match component; however, he did not think that this would be the case this time. Mr. Lorenzato said that as an administering agency, it was within DWR's authority to require a match if so desired. He also noted that in the past, expectation of a match was considered to be reasonable for projects that were already up and running. However, in order to encourage participation of first time applicants and smaller groups, there was generally a hesitancy to require a match. He went on to say that it was possible that the criteria might only require a match from a project if it scored high in the area of being well established. He mentioned that he would appreciate more feedback on this issue.

Ms. Cornwall suggested perhaps that the PSP should require applicants to disclose whether they had a match available even if DWR was not going to require a match. Abby Fateman commented that if the program was trying to focus on capacity building it might be a bad idea to require a match because there would be a bias against smaller groups. She also asked if you

could apply for all three years or if an applicant would be expected to use an award to wean itself off grant funding. Mr. Lorenzato said that they had not gotten that far in their thinking, but that you could apply as long as you had spent the money and achieved your stated goals.

Mr. Wallace commented that a regional review could be a good idea; however, he had concerns about the lack of competition that a continuous grant process might afford. He stated that it might be difficult to get the best proposals out of the pot if all the applications were not submitted at once. He also cautioned that coordinating a grant review on a regional basis might be too ambitious and encouraged IWAT to think very carefully about this process. Mr. Lorenzato said that they were trying to have a balance between the criteria and the process.

Mr. Lorenzato also stated that while IWAT was pursuing the possibility of having regional reviews, they were still uncertain if this could be successful. He commented that IWAT was definitely seeking feedback on this subject. A Subcommittee member asked why IWAT was pursuing a continuous process. Mr. Lorenzato responded that it would allow for a more productive use of time and better communication between the reviewers and the applicants. He said that this type of process usually results in higher quality proposals. He acknowledged that there might not be enough time to test this approach out for this upcoming round. Mr. Meacher agreed that this approach was originally envisioned for a multi-year process and that given the current timeframe of 9 months, this process might no longer make sense.

Several members of the Subcommittee agreed that unless there was deemed to be sufficient time and resources to pull off a continuous grant process and unless the SWRCB would buy off on the process and continue it into the next round of grants, it did not seem practical to attempt a continuous solicitation process at this time. The general consensus was that it might be better to focus resources on attempting to regionalize the review process for the next round.

In conclusion, Mr. Lorenzato stated that he would email information regarding the draft criteria to the List Serv and requested that comments be sent to any of the following people:

- Stefan Lorenzato at StefanL@water.ca.gov,
- Michelle Stevens at MStevens@water.ca.gov, or
- Karen Enstrom at KENstrom@water.ca.gov.

Ms. Stevens also encouraged members to contact her by telephone if they preferred at (916) 765-7397.

CLOSING COMMENTS

In closing, Mr. Meacher announced to the group that it was likely that the next Subcommittee meeting for October would be held later in the month instead of the typical third Friday because the September meeting had been postponed. Once the decision was made, it will be announced to the List Serv.

Attachment A

MEETING PARTICIPANTS

Name	Affiliation
Ames, Laurel	California Watershed Network
Benson, Craig	Sutter County Watershed Coordinator
Bowker, Dennis	California Bay-Delta Authority Watershed Program
Brodie, John	San Joaquin County Resource Conservation District
Brown, Syd	Parks and Recreation
Clayburgh, Joan	Sierra Nevada Alliance
Cornelius, Jim	Calaveras County Water District
Cornwall, Caitlan	Sonoma Ecology Center
Crooks, Bill	City of Sacramento
Di Stefano, Jenny	California Department of Conservation
Dills, Greg	East Lake & West Lake Resource Conservation District
Enstrom, Karen	California Department of Water Resources
Evoy, Barbara	State Water Resources Control Board
Fateman, Abby	Contra Costa County
Francis, Pam	Lake County Department of Public Works
Halford, Dwight	Upper Putah Creek Stewardship
Hansel, Kate	California Bay-Delta Authority
Harrington, Russell	Westlands Water District
Helton, Melisa	U.S. Fish and Wildlife Service
Henly, Russ	California Department of Forestry and Fire Safety
Hopkins, Dale	San Francisco Bay Regional Water Quality Control Board
Horne, Mark	EIP Associates
Horney, Cindy	Napa County Resource Conservation District
Jacobsen, Peter	Metropolitan Water District
Kaplan, Shana	U.S. Department of the Interior, Bureau of Reclamation
King, Audrey	California Bay-Delta Authority
Klasson, Mick	Sacramento Area Flood Control Agency
Lamont, Juliet	Environmental Consultant/Urban Creeks Council
Lorenzato, Stephan	California Department of Water Resources
Lowrie, John	California Bay-Delta Authority Watershed Program
Mansfield, Liz	El Dorado Irrigation District
Marcotte, Kim	Jones & Stokes
Mannion, Kathy	Regional Council of Rural Counties
Meacher, Robert	California Bay-Delta Public Advisory Committee/Regional Council of Rural Counties
Moller, James	Western Shasta Resource Conservation District
Murrison, Teri	East Merced Resource Conservation District
Nozuki, Bob	California Department of Water Resources
Patterson, Jim	Colusa County Resource Conservation District
Sharp, Leigh	Napa Resource Conservation District
Sime, Fraser	California Department of Water Resources
Name	Affiliation

Singh, Ajay
Stevens, Michelle
Sullivan, Bernice
Templin, Bill
Wermiel, Dan
Walsh Cady, Casey
Wrysinski, Jeanette
Yee, Betty

Glenn County Resource Conservation District
California Department of Water Resources
Friant Water Users Authority
North Fork of the American River Watershed
California Bay-Delta Authority Watershed Program
California Department of Food and Agriculture
Yolo County Resource Conservation District
Regional Water Quality Control Board

Attachment B

- Meeting Agenda
- Draft Guidelines to Chapter 8 of Proposition 50
- Watershed Program Finance Plan Issue Paper
- 10-Year Finance Plan Proposed Schedule, Process and Work Products
- 10-Year Finance Plan Workshop Notice
- Getting Started Garden Design Workshop Notice
- Award Nominations Handout