

May 14, 2009

TO: Oregon Watershed Enhancement Board

FROM: Lauri Aunan, Grant Program Manager
Courtney Shaff, Grant Program Coordinator

**SUBJECT: Agenda Item F: 2009-2011 Watershed Council Support Funding
June 2-3, 2009 OWEB Board Meeting**

I. Introduction

OWEB received 63 council support applications by the January 30, 2009, deadline. Two applications were from watershed councils that have never before applied to OWEB for council support funding (Molalla River Watch and Upper South Fork John Day Watershed Council). Three applications were from councils that had previously received funding from OWEB as one umbrella council, but after receiving permission from the Board in September 2008, submitted three separate applications. The total council support requested amount was \$8,746,029. This report describes the application and review process, funding alternatives, and a recommendation for funding the 2009-2011 biennium Watershed Council Support grants.

II. Background

From 1997 through 2001, Watershed Council Support (Council Support) grant applications were accepted, reviewed, and awarded along with applications for other project types. Council Support applications were reviewed based on the scope of work and a description of accomplishments submitted by the applicants.

In January 2001, the Board asked staff to explore options for incorporating geographic and biological values into the process for evaluating and awarding Council Support grants. OWEB also was given a budget note from the 2001 Legislative Joint Ways and Means Natural Resources Subcommittee indicating legislative interest in a merit-based approach to funding watershed councils.

In March 2004, the Board adopted new rules outlining a merit-based application and evaluation grant program for Council Support.

Costs eligible for Council Support funding are council coordinator salary and benefits; operating costs such as utilities, rent, travel, printing and training; risk management and accountability insurance costs; and fiscal management of the council support grant award not to exceed 10 percent of direct costs.

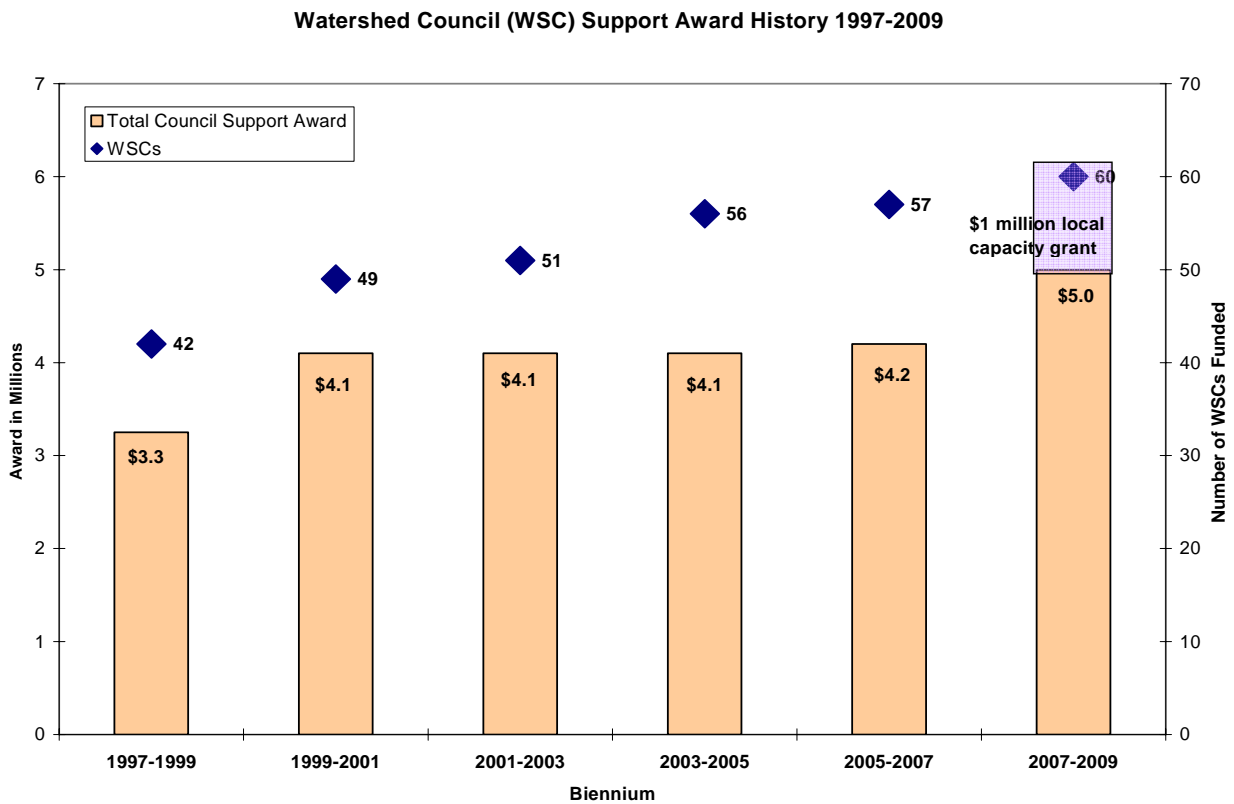
Under OWEB's rules, awards to councils are based on:

- an applicant's merit category;
- whether the Board decides to award incentives for umbrella ("a" or "b") councils or multiple ("c") councils within one application; and
- how much funding is available.

Also under OWEB’s rules, merit category placements are based on:

- The recommendations of the Council Support Advisory Committee;
- The recommendations of OWEB’s Director; and
- The applicant’s response to these recommendations

The chart below shows the history of Council Support and local capacity funding from 1997-1999 through 2007-2009.



For 2007-2009, the Board awarded \$5 million in Council Support at its May 2007 Board meeting. Once OWEB’s budget was known, and because there were sufficient resources, the Board approved additional non-capital funding to support local capacity, including an additional \$1 million for watershed councils.

III. 2009-2011 Application and Evaluation Process

A. The Application

The 2009-2011 application was substantially the same as the 2007-2009 application, with only minor changes. Questions in the application were designed to address the following eight criteria:

Council Organizational Structure

Criteria #1 A well organized council has an effectively functioning organization and governance structure, and is increasing citizen participation.

Criteria #2 A well organized council is committed to organization improvement.

- Criteria #3** A well organized council is engaged in active management of the organization.
- Criteria #4** A well organized council is fiscally responsible.

Council Effectiveness

- Criteria #5** An effective council takes a leadership role in watershed activities.
- Criteria #6** An effective council plans strategically.
- Criteria #7** An effective council works collaboratively with partners.
- Criteria #8** An effective council makes progress toward goals.

In addition to sections related to each criteria, the application included a section called “special circumstances.” This section provided the opportunity for councils to describe staffing situations and demographic or social issues that influence their work. The objective of the “special circumstances” section was to provide reviewers with a context for evaluating the accomplishments of each council.

B. Application Evaluation Process

OWEB followed the same evaluation process that was used in 2007-2009. The Council Support Advisory Committee (CSAC) was made up of 16 members, divided into two teams. Each team was comprised of one person from each of OWEB’s regions and two “statewide” representatives. For a list of CSAC members, see Attachment A. The role of the CSAC was to evaluate applications and make merit recommendations to OWEB staff.

After pre-scoring the applications, the CSAC met for facilitated “consensus scoring sessions.” At the sessions, the CSAC teams discussed the applications and developed consensus scores for the eight criteria for each application. The reviewers were asked to focus on the criteria and avoid comparing councils to each other as they scored the applications. The reviewers also considered the level of funding previously received, the accomplishments of each council, and special circumstances described by the council in its application. As contemplated by OWEB’s council support rules, the reviewers also asked for, and received, regional program representative comments on the evaluation criteria and the applications.

OWEB staff then applied weighting factors that resulted in one merit score for each application. Council effectiveness and accomplishment criteria were weighted more heavily than council organizational structure criteria.

The merit scores, along with staff and Director recommendations, were used to assign merit categories. Adjustments to merit category placement were made based on field staff knowledge of situations where staff felt the reviewers clearly missed an important aspect of a council’s work.

The merit categories “Excellent,” “Very Good,” “Good,” “Satisfactory,” and “Needs Improvement” are the same categories used in the 2007-2009 award process. In addition, new applicants that had never before applied for or received council support funding were placed in a “New Council” merit category.

C. Observations on the Process

The council support grant process is very resource- and time-intensive for OWEB staff, reviewers and applicants. Even without making significant changes to the application and review process, the process requires dedicated staff time ranging from about 0.25 to 1 FTE over a 15-month period. The work ranges from managing the process for councils to ask the Board for permission to submit separate grant applications, training applicants and reviewers, managing the application review and recommendation process, leading the Board Subcommittee work, to writing the grant agreements for each award.

Similar to the process in 2007-2009, the application and the process were not perfect. Some of the application questions were confusing for applicants. To be fair, the reviewers primarily rely on what was in the application and there were instances where the information provided in the application did not accurately reflect the council. As noted above, the regional program representatives were asked to provide information when reviewers had questions. In addition, due to the diversity of councils, evaluations will always involve an element of subjectivity.

The review sessions went very well. The reviewers were very prepared, engaged, and thoughtful in their deliberation of the applications. The two review teams were consistent in how they scored applications (as shown by the duplicate review of three applications, which the two teams scored consistently).

During the four day application review meeting, the Council Support Advisory Committee members consistently commented on how impressed they were with the level of activity and accomplishments across the state. After the review process, nearly 70 percent of all councils ranked in the Very Good and Excellent categories.

Generally, staff feel that the review process was sound but have also actively sought suggestions for improving the application and review process. Suggestions range from a complete overhaul of the process, to tweaking the application questions and review process. As might be expected, there is a wide variety of opinions on what should be the focus and goals of the Council Support process. OWEB Council Support funds are the foundation of the capacity of councils to carry out watershed restoration work. Staff recommend that the Board consider the priority of the Council Support program and future goals for the program during the strategic planning process.

IV. Individual Grant Awards

The current rules governing Council Support [OAR 695-040-0060(4)] state that individual Council Support grant awards will be based on four factors:

- (a) An applicant's merit category.*
- (b) Whether the applicant is an umbrella watershed council as defined in OAR 695-040-0020(4).*
- (c) Whether the applicant is two or more watershed councils serving unique geographic areas in a single Watershed Council Support grant where the application demonstrates operational economies of scale over two separate grant applications.*
- (d) Available funding.*

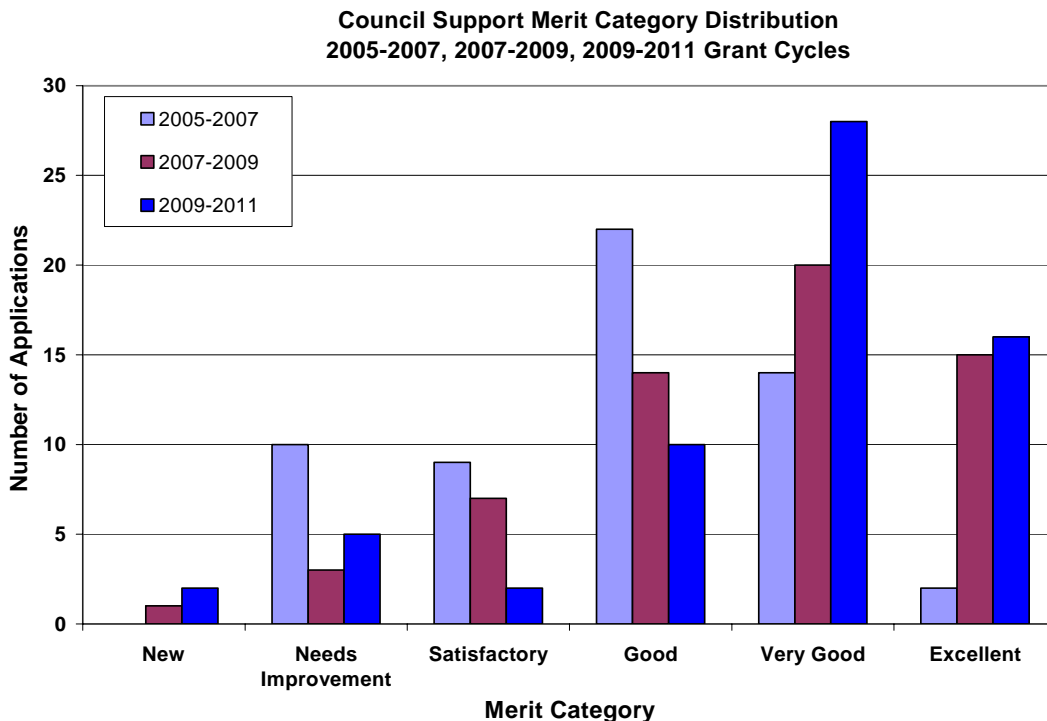
Available funding is a key consideration in the recommended amount of the individual grant awards. The base level of council support funding in OWEB’s 2007-2009 budget was \$5 million. For 2007-2009, the Board was able to provide an additional \$1 million in local capacity funding to watershed councils. Due to the state’s worsening economy, we don’t know for certain whether we will have \$5 million, or potentially less, for councils in 2009-2011. The level of funding available is contingent on OWEB’s legislatively adopted budget. As of the writing of this staff report, OWEB’s budget had not been adopted. Of concern is the level of council support approved by the Legislature as well as the total amount of non-capital funds that will be available for grant program purposes.

At this time, it is not known whether the Legislature will take action on the OWEB budget before the June Board meeting. Staff will provide a budget update at the meeting. Depending on OWEB’s budget, the Board may consider additional local capacity funding options at the September 2009 Board meeting.

A. Final Merit Category Placement and Evaluations

OWEB used the same merit categories as in 2005-2007: “Excellent,” “Very Good,” “Good,” “Satisfactory,” and “Needs Improvement.” For councils that had never before applied for or received council support funds, OWEB added a merit category, “New.”

The table below shows a comparison between the distribution of merit categories for 2005-2007, 2007-2009, and 2009-2011. Compared to the previous Council Support grant cycles, fewer councils are in the “satisfactory” and “good” categories, and more councils are ranked in the “very good” and “excellent” categories. This reflects the reviewers’ comments noting how impressed they were with the accomplishments and work of councils in general.



Staff prepared written summaries of the CSAC evaluations. Evaluations were formatted to provide specific feedback to applicants related to each of the eight evaluation criteria. Staff

made every effort to provide constructive feedback to the applicants that related directly to the merit category placement and that identified specific areas where the council excelled during the last biennium and areas of needed improvement.

Copies of all the evaluations were sent to Board members and applicants on April 17 and 20, 2009, respectively. Applicants had until 5:00 p.m., Friday, May 8, 2009, to submit written comments. Applicant comment letters were sent to the Board along with this staff report.

Staff and the Board Council Support Subcommittee do not recommend changes to individual grant awards at the June 2009 meeting based on applicant responses to the written comments.

B. Board Subcommittee Approach to Merit Category Award Levels

The recommended level of individual grant awards is based on the following approach:

- Keep base awards for each merit category as close as possible to the base awards for 2007-2009.
- Provide a high level of funding for the “Excellent” and “Very Good” councils.

A comparison of the awards for each council from 2007-2009 to the recommended 2009-2011 awards shows that many councils’ awards are lower under both the \$5 million and \$6 million funding scenarios. This is due to:

- Councils have moved up or down in merit category placement; for example, some councils that were “excellent” in 2007-2009 ranked “good” in 2009-2011.
- Compared to 2007-2009, fewer councils are in the “satisfactory” and “good” categories, and more councils are ranked in the “very good” and “excellent” categories.
- As a result of Board action in September 2008, three councils that previously submitted one “umbrella” application submitted three separate applications this time.

C. Umbrella and Multiple Council Awards

As defined in OAR 695-040-0020(4), umbrella watershed councils include (a) those that provide support and coordination for at least three watershed groups or councils, have a coordinating council, shared staff, and a single Council Support grant, (b) those that provide service to a watershed area containing three or more 4th-field hydrologic units, and (c) whether the applicant is two or more watershed councils serving unique geographic areas in a single Watershed Council Support grant where the application demonstrates operational economies of scale over two separate grant applications.

1. History of umbrella awards

In 2005 the Board awarded umbrella incentives to 13 watershed councils. An additional 30 percent was awarded to the five (a) councils, an additional 15 percent to the six (b) councils, and an additional 35 percent to the two (a) and (b) councils.

In 2007 the Board again awarded umbrella incentives to 13 watershed councils, at decreased percentages. An additional 18 percent was awarded to the five (a) councils, an additional 9 percent to the six (b) councils, and an additional 22 percent to the two (a) and (b) councils.

2. Recommended umbrella awards for 2009-2011

For 2009-2011, staff identified four type (a) umbrella councils, six type (b), and one type (a)/(b) council. Staff seek to have the Board award additional funds to these umbrella councils, *above the base award*, allocated by the Board. Staff and the Board Subcommittee recommend that the type (a), (b), and (a)/(b) umbrella councils receive an additional 10, 5, and 15 percent, respectively, of their base award. The size of umbrella awards is reduced from the 2007-2009 biennium due to budget constraints and the goal of maintaining the base awards for each merit category as close as possible to those of 2007-2009.

3. Continue the practice of no multiple “(c)” council awards

The Board has never awarded incentive funding based on “whether the applicant is two or more watershed councils” (subsection (c) in the rule, above). In the May 2005 Council Support awards staff report, staff realized that the rule language relating to this is imprecise and makes the concept difficult to apply. Erring on the inclusive side, numerous councils might currently fit this definition, resulting in significant additional OWEB awards. Staff and the Board Subcommittee recommend continuing to *not* award additional funds for potential multiple “c” councils on the basis of the rule’s imprecise language and the impact it would have on the base award for all watershed councils.

D. Special Funding Considerations

1. New Watershed Council Support Applicants

Two watershed councils, Molalla River Watch and Upper South Fork John Day Watershed Council, applied for council support for the first time this cycle. They had previously not applied for, nor been awarded, council support funds.

The Molalla River Watch was formed in 1992 with the mission to protect and restore the fish and wildlife habitat and water quality of the Molalla River Watershed. There is no other functioning watershed council for the Molalla River Watershed.

The Upper South Fork John Day Watershed Council has been operating in close coordination with the Grant SWCD since 1996 with a focus on project implementation. There is no other functioning watershed council for the Upper South Fork John Day Watershed.

In 2003, the Board adopted a funding principle to limit the awards for new watershed council applicants to \$37,500, regardless of merit. The principle was also informally applied in the 2001-2003 biennium when new councils received half-time support. This award amount was based on the cost for a council to employ a part-time council coordinator (at that time, staff estimated that a full-time coordinator salary for the biennium would cost \$75,000).

The Board Subcommittee and staff wrestled with how to approach these two new councils given OWEB’s current funding and budget constraints. There was recognition that funding for these two councils would enhance their capacity for watershed restoration in their watersheds. However, due to severe funding constraints, staff and the

Board Council Support Subcommittee came to the difficult recommendation not to fund the two councils that submitted applications to OWEB for the first time.

2. Councils in “Needs Improvement” category

Five councils have fallen into the “Needs Improvement” category. Of the five, the Smith River Watershed Council, Greater Oregon City Watershed Council and Mid-Willamette Watershed Alliance (formerly Salem-Keizer Watershed Councils) were also ranked in the “Needs Improvement” category in 2007-2009. (In 2007-2009, Greater Oregon City was a new council.)

For councils in the "Needs Improvement" category, staff will develop very clear grant agreements that outline specific deliverables and deadlines for councils to meet to show progress towards improvement. These deliverables will have to be received and approved by the OWEB Project Manager and the Grant Program Manager in order for the council to receive the full Board award. In addition, the grant agreements will explicitly state that if the council falls into the “Needs Improvement” category again in the 2011-2013 biennium there is a high likelihood they will not be funded.

3. Award for application 210-033

Application number 210-003 is a combined application among the MidCoast, Alsea, and Salmon Drift Creek watershed councils. The MidCoast Watersheds Council is a type “a” umbrella council which is the coordinating council for the Yaquina Group, Siletz Watershed Council, Yachats Water Quality Group, Beaver Creek, and the Salmon Drift Creek Watershed Council. The Alsea Watershed Council operates independently of the MidCoast umbrella structure.

The councils submitted the combined application 210-033 as a result of OWEB direction and advice in the fall of 2008. At that time, OWEB thought that a joint council support application was a path forward as part of helping to improve working relationships in the mid-coast watersheds and implement memoranda of understanding among three of the councils. However, when OWEB tried to make the joint application work in the council support process under our rules, it didn't work.

Because of the confusion around application 210-033, this staff report clarifies the following:

- The award for application 210-033 is to the MidCoast Watersheds Council as a type “a” umbrella council.
- Staff recommend that the Alsea Watershed Council, which operates independently of the umbrella structure, not be awarded Council Support funds. The staff report for agenda item G recommends the Board award \$18,700 in recovery planning funding to the Alsea Watershed Council to implement the memorandum of understanding that arose from OWEB-funded mediation between the Alsea and MidCoast.
- In implementing the award to the MidCoast Council, OWEB will include in the grant agreement a requirement for the MidCoast to pass through a total of \$10,000 to the Salmon Drift Creek Watershed Council for the 2009-2011 biennium. The

staff report for Agenda Item G also recommends the Board award \$7,700 in recovery planning funding to the Salmon Drift to implement the memorandum of understanding between the Salmon Drift and MidCoast.

- Under OWEB's rules, any council that is or has been part of the MidCoast umbrella structure would need prior Board approval in order to submit a separate Council Support grant application for the 2011-2013 biennium.

V. Funding Alternatives

Attachment B shows what individual awards would be under \$4 million, \$5 million, and \$6 million funding scenarios. Attachment B also shows the individual Council Support awards for the 2007-2009 biennium.

Staff and the Board Subcommittee recognize the work of watershed councils is critical to the success of OWEB's objectives to promote and implement voluntary cooperative conservation actions. We strongly believe increasing the capacity of councils will have direct and positive benefits to further OWEB goals throughout the state. If possible, staff and the Board Subcommittee would like to increase funding for watershed councils to the highest practicable level. However, the significant state revenue shortfalls and uncertainty about OWEB's final budget lead staff and the Board Subcommittee to recommend the Board approve funding for councils at the \$5 million level proposed by the Governor's Recommended Budget. This funding level is contingent on OWEB's legislatively adopted budget.

Depending on OWEB's budget, the Board may consider additional local capacity funding options at the September 2009 Board meeting. At that time, the Board will have a clearer understanding of the availability of non-capital funding for the 2009-2011 biennium.

Regardless of when OWEB's budget is passed, grant agreements will be written to be effective starting July 1, 2009.

VI. Recommendations

OWEB staff and the Board Subcommittee recommend the following:

- A. The Board adopt the \$5 million funding level for Council Support with the individual award amounts at the \$5 million level, as shown on Attachment B. This funding level and the individual award amounts are contingent on OWEB's legislatively adopted budget and are subject to change depending on available funding.
- B. The Board award umbrella watershed councils an additional amount of 10, five, and 15 percent of the base award for (a), (b), and (a)/(b) type umbrella watershed councils, respectively. These additional umbrella awards are contingent on OWEB's legislatively adopted budget and are subject to change depending on available funding.

Attachments

- A. Council Support Advisory Committee members
- B. Funding Alternatives and Individual Awards