



February 19, 2010

MEMORANDUM

TO: Oregon Watershed Enhancement Board

FROM: Lauri Aunan, Grant Program Manager
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**SUBJECT: Agenda Item F: OWEB Grant Award Recommendations
Overview and Statewide Projects
March 16-17, 2010 OWEB Board Meeting**

I. Introduction

This staff report describes the process for evaluation of the capital and non-capital grant applications submitted by the October 19, 2009, deadline. The report includes budget considerations and a summary of combined funding recommendations for the October 19, 2009, grant cycle, including the Statewide Education grant evaluations and staff funding recommendations.

This staff report also contains funding recommendations for the second phases of the “staged” awards for the Bandon Marsh restoration project and Willow Creek Water Quality Improvement Phase II grants, for which the Board awarded the first phase of funding in September 2009, and deferred awarding funding for the second phase following progress reports, which are included in this report.

II. Background and Summary

Two hundred and twenty-six grant applications seeking a total of \$21,980,489 were received by the October 19, 2009, deadline. The breakdown by region, project type, and dollar amount is shown on the attached table. (Attachment A) One application in Region 1 was not accepted because it was submitted on an old application form that did not contain information required for the October 2009 cycle. Another application, 210-2048, for removal of the Gold Ray Dam, was pulled from consideration for this cycle and funded at the January 2010 Board meeting because of the need to provide expedited state funding to supplement federal stimulus funding, which requires the project to be completed this year. The two applications were withdrawn by the applicants.

Restoration and Acquisition applications that use capital funds were solicited in this funding cycle, as were Technical Assistance, Monitoring, and Education/Outreach applications that generally use non-capital funds. After being screened for eligibility and completeness, the applications were sent to the six Regional Review Teams (RRTs), which reviewed them for

merit and made prioritized funding recommendations to OWEB staff. OWEB staff considered the funding availability and funds budgeted, and integrated the separate RRT recommendations into the staff funding recommendation to the Board.

As explained in more detail below, the four Statewide Education/Outreach applications (Attachment B) were reviewed only by the statewide Education/Outreach Review Team (EORT). Monitoring applications were also reviewed by the Oregon Plan Monitoring Team (OPMT).

Following this overview are staff reports containing the OWEB staff funding recommendations for each region.

III. Review Process

The applications were screened for completeness and categorized by application type. The RRTs were sent packets or CDs of eligible grant proposals to read and consider. OWEB staff in each region then scheduled visits to as many sites as possible, emphasizing new applications, acquisitions, and the more complicated projects. All RRT members were invited on these visits and some members were able to participate.

The RRTs met in December and January. For Restoration, Technical Assistance, Monitoring and Education/Outreach, the RRTs evaluated the merit of each proposal. Discussion of Restoration applications included how the proposed project addresses watershed process and function. After classifying applications as “fund” or “no fund,” the RRTs then prioritized the projects recommended for funding. The RRT recommendations are included in each applicable regional staff report in this agenda item. The recommended funding amount and any special conditions are identified in the tables attached to each regional staff report. For Acquisition applications, the RRTs only discussed the ecological and educational value of the proposed acquisition.

The EORT met in Salem in December to review the four Statewide Education/Outreach grant applications and discuss five main aspects of each proposal: the applicant's understanding of audience needs; the design of the activities and whether or not they will lead toward the intended outcomes; the process for evaluation; and the proposal's overall value toward furthering the broader goal of developing and maintaining healthy watersheds.

The OPMT met in Salem in February to review each Monitoring grant application and identify their significance to the Oregon Plan and their likelihood of success.

The RRT recommendations in summary form were distributed to all applicants whose proposals were reviewed by that RRT. The EORT evaluations were also distributed to the Statewide Education/Outreach applicants. Prior to the Board meeting, staff forward to the Board all written comments received from applicants regarding the RRT, EORT and staff recommendations.

IV. Statewide Education Applications

Based on EORT evaluations and staff consideration of the evaluations and available funding, staff recommend funding one Statewide Education/Outreach application, 210-7003, at a reduced level of \$60,000. This application will fund Oregon State University's work to publish the master watershed stewardship program on-line. The learning modules will be self-paced and accessible to participants regardless of time and location. One aspect of this proposal is to create

a step-by-step training interface for Oregon Explorer, which will increase the general public's accessibility and usability of the resource.

The EORT recommended two additional Statewide applications for funding, 210-7001 and 210-7002. For 210-7001, staff do not recommend funding this cycle. The proposal demonstrated innovative ideas, including the utilization of water bill inserts to drive users to a website and the use of online social networking such as Facebook. While the proposal has merit, at this time, it is most strategic to wait and determine how the proposed website may coordinate and complement content on OWEB's own newly launched portal website.

For 210-7002 submitted by SOLV, staff do not recommend funding this cycle, but instead will work with SOLV and other OWEB stakeholders and grantees to explore local capacity funding.

V. Acquisition Applications

Two new land acquisition applications were reviewed during this grant cycle. By rule, acquisition projects undergo a multifaceted review. The applications often require more time to fully evaluate and prepare funding recommendations than is available in the regular 21-week grant cycle.

Applications are first reviewed by a Board Acquisition Subcommittee (Subcommittee), which recommends whether or not staff should proceed with a due diligence review of the project. Simultaneously, applications are reviewed by the RRTs for ecological and educational values. The Subcommittee may ask for additional information from the applicant or may ask that specific questions be addressed by the RRT.

If the due diligence review is recommended, staff request an appraisal report, title report and exceptions, option, donation disclosure, environmental site assessment, and proposed conservation easement. An independent review appraiser evaluates the appraisal report. OWEB's legal counsel at the Department of Justice reviews the title report, exceptions, option agreement, and conservation easement. The environmental site assessment is reviewed by staff at the Department of Environmental Quality. Staff typically recommend the Board defer funding decisions for applications for which due diligence has been requested but not completed in the regular 21-week grant cycle.

After the due diligence review is complete, the Subcommittee synthesizes the proposed project's ecological and educational benefits, applicant capacity, partnerships, local support, local and regional community effects, RRT evaluation, and due diligence results into a funding recommendation to OWEB staff. Staff then consider all evaluation criteria, the Subcommittee's recommendation, and available funding resources to develop a funding recommendation to the full Board.

The applications submitted in October 2009 are discussed in the Region 1 staff report and are recommended for deferral. No acquisition projects previously deferred by the Board are ready for a funding decision at this time.

VI. Staged Awards

The following sections report on the progress to implement the Bandon Marsh Restoration and Willow Creek Water Quality Improvement Phase II grants that received staged funding awards in September 2009. Attachment C shows the staged awards and recommended funding amounts.

A. Bandon Marsh Restoration Progress Report

OWEB grant 210-2032 will help restore more than 400 acres of tidal and freshwater marsh and riparian habitats in the 582-acre Ni-les'tun Unit of the Bandon Marsh National Wildlife Refuge. Restoration will return historic tidal influence and provide foraging, roosting and rearing habitat for a suite of wildlife including migratory shorebirds, waterfowl, and anadromous and resident fish. The project is occurring in two phases, and OWEB funding supports the implementation of Phase II work.

The implementation of Phase I work began in the fall of 2009. Phase I work occurred in drained or ditched locations behind levees and consisted of eliminating minor drainage ditches to allow for natural tidal inundation of the historic marsh when dikes are breached in Phase II. The U.S. Fish and Wildlife Service has confirmed that the Phase I work has been completed and Phase II work is ready to commence as soon as the contracts are awarded and the weather gets drier.

The Phase II work is scheduled for the summer of 2010. Major elements include ditch filling, tidal channel excavation, placement of large wood, the removal of dikes and tide gates along the Coquille River, and removal of unpaved farm roads. Fahy's Creek, which flows through the project site, will be reconfigured to re-connect the creek to the Coquille River in its historic location. Concurrently, the work to raise the Northbank Road to reduce flooding and the relocation of the Coos Curry power lines (both funded with federal dollars) will be taking place.

Grant 210-2032 was submitted to OWEB during the April 2009 application cycle. The Region 2 RRT recommended funding for the application. Staff recommended full funding for the restoration portion of the project and partial funding of the effectiveness monitoring component (\$979,265), to be provided through a staged award. Under the staged award, the Board awarded \$500,000 in September, 2009, with \$479,265 to be awarded in March 2010 on the condition of receiving a progress report on the status of the project. Given the complex nature of Phase I and Phase II, OWEB staff wanted to ensure that Phase II was ready to be implemented before awarding the second stage of funding.

While Phase I has been completed, Phase II has been awaiting drier weather and to date no OWEB funds have been expended or advanced to the grantee, Ducks Unlimited, Inc. (DU). Ducks Unlimited will be putting the entire project out to bid in March 2010 and will be awarding contracts soon afterward. This will legally obligate DU to the entire construction project, currently estimated at \$1.5 million. DU is required to have project funds under agreement prior to awarding a construction contract. This prevents DU from being legally obligated to construction contract payments without having the project funding legally obligated to them. Mobilization and other preparatory work will begin in March. Minor earthwork will begin in June. Major earthwork will proceed as the ground dries in July and August. The final levee removal is scheduled for the first two weeks in September.

B. Willow Creek Water Quality Improvement Phase II

The Willow Creek Working Group (WCWG) is continuing its effort to address irrigation-induced erosion and high bacterial counts in the Willow Creek drainage located west of Vale. The Willow Creek drainage encompasses about 500,000 acres. WCWG's efforts focus on approximately 30,000 acres of intensive agriculture and feedlots below Brogan Canyon to Willow Creek's confluence with the Malheur River near Vale. WCWG has already piped over 30 miles of irrigation laterals, 20 miles of buried mainline, and 6,800 feet of pipe near feedlots to prevent contamination of drain water. WCWG has also implemented 15 miles of riparian and cross-fencing and many individual projects to improve water quality, reduce runoff, and improve efficiency. They have successfully obtained several OWEB and Bureau of Reclamation (BOR) grants in the past six years to help fund these efforts and have provided all the installation of the pipe, which is a significant cost-share. WCWG estimates that due to implementation of previous projects, 8,000 to 16,000 tons of soil and millions of *E. coli* colonies were prevented from entering Willow Creek.

Grant 210-5021 will install 8 pumpbacks to eliminate return flow on 880 acres; 8 sprinklers on 462 acres; 19,720 feet of pipe in open drains and irrigation ditches on 4 separate properties treating 698 acres; 2,800 feet of exclusion fence on an irrigation canal, and 6,000 feet of fence to exclude cattle from 3,000 feet of Willow Creek. The grant is a coordinated effort of 19 individual projects involving 18 different landowners. Watershed benefits include elimination of return flow and run-off on 2,075 acres and preventing 42,000 to 57,000 tons of sediment and millions of *E.coli* colonies from entering Willow Creek. Water quality will be substantially improved as a result of decreased sediment, nutrient, and bacteria levels. The WCWG used the following criteria to evaluate individual projects: proximity to Willow Creek; ability to connect to a pipe lateral; current cropping and irrigation; the size of the irrigated parcel; and the potential for riparian protection.

Grant 210-5021 was submitted to OWEB during the April 2009 application cycle. The Region 5 RRT recommended funding and ranked it number three in priority out of 15 Restoration applications. Staff recommended funding the project in two stages. Under the staged award, the Board awarded \$322,142 in September 2009, with the remaining \$322,142 to be awarded in March 2010 on the condition of receiving a progress report on the status of the project. Given the amount of coordination with 19 separate projects, OWEB staff wanted assurance that the grantee was ready to implement the rest of the project before awarding the second stage of funding.

With the funding awarded in September 2009, two projects have been completed and six will be completed this spring. WCWG needs the second stage of funding to complete the projects planned for the spring as well as purchase pipe and materials for nine projects planned for later this year. Most of the 19 total projects will be completed by the fall of 2010.

VII. Budget Considerations

A. Capital Funds

Due to the continuing uncertainty around the State budget and Lottery revenues, the Board has not yet established capital funding targets for OWEB's 2009-2011 biennium. For the first funding cycle in this biennium, staff recommended, and the Board approved, a

conservative award level of about \$7.3 million in capital grant awards. In the 2007-2009 biennium, the capital funding target was \$9.25 million for each grant cycle.

Given the economic downturn, it is difficult to predict with certainty exactly the amount of capital funds available for the remainder of the biennium. The February 8, 2010, Revenue forecast showed Lottery revenues declining. OWEB staff estimates that capital Lottery funds are down by about \$2.5 million when compared to OWEB's budgeted funds. As of the writing of this report, the Legislature has not acted to adjust Lottery funds in agency budgets.

Based on this information, OWEB estimates having approximately \$25.4 million in uncommitted capital funds available for the remainder of the biennium; this includes unspent grant funds returned from completed grants. However, this figure is uncertain, and could change if Lottery revenues continue to fall.

Staff expect that between \$125,000 and \$1.25 million in land acquisition applications may be ready for Board consideration at the June 2010 meeting. The total dollar amount of deferred acquisitions is \$4.1 million.

Staff recommend funding for 71 of the 92 Restoration applications recommended for funding by the RRTs. No Acquisition applications are ready for funding at this time. Staff recommend funding these applications through the expenditure of \$9,213,716 in capital funds and \$21,584 in non-capital funds.

In addition, in order to allow funding further down the list of non-capital applications, staff recommend funding three Monitoring applications using capital funds for a total of \$117,404. These applications are eligible for capital funds because they propose effectiveness monitoring for three implemented Restoration projects where work is continuing. The capital fund source designation for the Sprague River Restoration project in Region 4 and the Luther Wetlands and Choirboys Wetlands Pond projects in Region 5 are noted in the regional funding tables.

B. Non-Capital Funds

Due to the continuing uncertainty around the State budget and Lottery revenues, the Board has not yet established non-capital funding targets for OWEB's 2009-2011 biennium. At this stage of the biennium, Lottery Fund non-capital funds have declined by approximately \$538,000 when compared to budgeted non-capital funds.

In September 2009, the Board awarded \$577,000 to the April 2009 Technical Assistance applications. For the October 2008 grant cycle, which included Technical Assistance, Monitoring, and Education/Outreach, the Board was able to target \$2.8 million in non-capital funding, including \$750,000 each for Education and Technical Assistance, and \$1.3 million for Monitoring.

Table 1 shows the amount of non-capital funding recommended by OWEB staff for each non-capital grant type.

Table 1. Non-Capital Applications Recommended by OWEB Staff

Grant Type	Budget
Education/Outreach	\$ 588,969
Monitoring	\$1,213,702*
Technical Assistance	\$ 571,315
Total	\$2,373,986*

*Includes \$117,404 in capital funding for three monitoring applications.

OWEB also uses non-capital funds for the education and outreach elements of Restoration applications. These non-capital costs are identified in the tables attached to each regional report and total \$21,584.

Staff recommend funding 23 of the 31 Education/Outreach applications recommended by the RRTs, and one of the three recommended Statewide Education/Outreach applications (at a reduced level). Staff recommend funding all 23 of the 23 Monitoring applications recommended by the RRTs. Staff recommend funding 18 of the 24 Technical Assistance applications recommended by the RRTs.

Staff recommend funding these applications through the expenditure of \$2,256,582 in non-capital funds and \$117,404 in capital funds, for total funding of \$2,373,986.

If the Board acts on the staff recommended non-capital awards for this grant cycle, there will be approximately \$1.6 million in uncommitted non-capital funds for the remainder of the biennium. Staff expect to receive additional non-capital funds through the Pacific Coastal Salmon Recovery Fund (PCSRF) for federal fiscal year 2010. In 2009, OWEB was awarded \$13.2 million in PCSRF funds. The 2010 PCSRF funds should be available by the end of the summer.

VII. Point of Interest: The Role of Big-Ticket Projects

Over the past several years, OWEB has seen a greater number of more complex, large-dollar grant applications vying for the available resources. The challenge has been to balance support for smaller, shorter-term opportunities with support for larger, longer-term projects, while also making award decisions that assure the larger applications will receive the funding they need to succeed. This becomes even more challenging this biennium where OWEB has fewer capital funds.

In previous cycles, including the September 2009 cycle, staff have addressed this issue by recommending that the Board approve “big-ticket” applications on the condition that only part of the funding is awarded, and remaining funds are awarded at future Board meetings. This approach allows OWEB to continue to fund a number of applications in all six regions during each cycle. It also requires that OWEB staff carefully track the future commitments made by the Board to ensure accurate calculations of available grant resources.

For this cycle, staff recommend the Board approve one “big-ticket” application in Region 3 (210-3067, Sodom Ditch-Calapooia River Fish Passage Improvement Project, \$697,470), with the condition that only part of the funding be awarded at this meeting, and the remaining funds

be awarded at the September 2010 meeting. The Regional Review Team and OWEB staff support funding the application in its entirety; all of the staff-recommended funding is needed. Staff have discussed the “staged award” with the applicant and the staging of funds works for the project. More detail is provided in the Region 3 staff report.

VII. Staff Funding Recommendations

Staff recommendations for Board action are identified by region for the applications indicated in each of the following six regional reports. “Do Fund” applications are indicated on the tables by shading.

A. Capital Funding Recommendations

The statewide funding totals recommended by staff are shown below. Details are contained within each of the attached regional staff reports.

Restoration Applications, <i>Capital</i> Portion	\$9,214,966
Restoration Applications, Staged Awards	\$ 801,407
<u>Monitoring Applications</u>	<u>\$ 117,404</u>
TOTAL <i>Capital</i> Staff Recommendation	\$10,132,527

B. Non-Capital Funding Recommendations

The statewide funding totals recommended by staff are shown below. Details are contained within each of the attached regional staff reports.

Education/Outreach Applications	\$ 588,969
Monitoring Applications	\$1,096,298
Technical Assistance Applications	\$ 571,315
<u>Restoration Applications, <i>Non-Capital</i> Portion</u>	<u>\$ 21,584</u>
TOTAL <i>Non-Capital</i> Staff Recommendation	\$2,278,166

C. Statewide Education and Outreach Application Recommendations

Attachment B shows the proposals and funding amounts for the statewide Education/Outreach applications. The table also indicates, by means of shaded entries, the OWEB staff funding recommendations to the Board.

Staff recommend the Board approve the staff funding recommendations contained in Attachment B to this report.

D. Staged Award Recommendations

The Bandon Marsh Restoration and Willow Creek Water Quality Improvement Phase II have submitted the required progress reports. Staff recommend the Board award the second stage of funding for 210-2032 and 210-5021 as shown in Attachment C to this report.

Attachments

- A. Types of Applications Received and Amounts Requested by Application Type
- B. Statewide Applications Recommended for Funding
- C. Staged Awards from September 2009 Recommended for Funding

Oregon Watershed Enhancement Board

Types of Applications for October 19, 2009

	Technical Assistance	Monitoring	Education	Acquisition	Restoration	Totals
Region 1	4	5	6	2 (Land)	14	31
Region 2	5	8	4	0	28	45
Region 3	9	4	6	0	22	41
Region 4	8	4	12	0	14	38
Region 5	4	5	2	0	30	41
Region 6	1	2	4	0	19	26
Statewide	0	0	4	0	0	4
Totals	31	28	38	2	127	226

Dollar Amounts by Application Type

	Technical Assistance	Monitoring	Education	Acquisition	Restoration	Totals
Region 1	134,458	256,342	95,569	848,761	1,433,468	2,768,598
Region 2	157,987	954,409	116,414	0	3,705,553*	4,934,363*
Region 3	354,092	344,674	166,803	0	3,630,461	4,496,030
Region 4	292,272	151,165	350,514	0	1,820,470	2,614,421
Region 5	106,534	459,981	59,180	0	3,500,407	4,126,102
Region 6	25,641	292,440	53,665	0	2,434,923	2,806,669
Statewide	0	0	234,306	0	0	234,306
Totals	1,070,984	2,459,011	1,076,451	848,761	16,525,282	21,980,489

*Totals include the \$1 million Gold Ray Dam removal project (210-2048) which was removed from the cycle and funded at the January, 2010, Board meeting because of the shortened time to implement projects funded under the American Recovery and Rehabilitation Act of 2009

ATTACHMENT B

**Statewide
Education Applications Reviewed by the Education/Outreach Team
October 19, 2009 Grant Cycle**

Staff Recommendations to the Board are Highlighted in Gray			
Project #	Project name	Total Amount	Priority
210-7003	On-line Watershed Stewardship*	60,000	1
210-7001	Love Your River Education and Outreach Campaign	41,800	2
210-7002	SOLV Watershed Education Program	33,943	3
Total Education Projects Recommended for Funding by Staff to Board		\$60,000	

* Listed Amount Reflects Recommended Reduction

**Statewide
Education Applications NOT Recommended for Funding by RRT
October 19, 2009 Grant Cycle**

Project #	Project Name	Total Amount
210-7000	Enhancement Watershed Protection Information Access	39,169

Staged Awards
October 19, 2009 Grant Cycle
Second Stage Award

Staff Recommendations to the Board are Highlighted in Gray		
Project #	Project name	2nd stage award
210-2032	Bandon Marsh NWR, NI-les'tun Unit Restoration	479,265
210-5021	Willow Creek Water Quality Improvement Phase II	322,142
Total Restoration Projects Recommended for Second Stage Award by Staff to Board		\$801,407