

APPROVED BY THE BOARD JANUARY 19, 2011
Oregon Watershed Enhancement Board

September 14, 2010
OWEB Board Meeting
Garibaldi, Oregon

Minutes

OWEB Members Present

Miles Brown
Dan Carver
Dan Heagerty
Alan Henning
Debbie Hollen
John Jackson
Jim Johnson
Kim Kratz
Meta Loftsgaarden
Patricia Smith
Diane Snyder
Dan Thorndike
Karl Wenner
Ken Williamson

OWEB Staff Present

Kyle Abraham
Bonnie Ashford
Lauri Anan
Ken Bierly
Tom Byler
Rick Craiger
Renee Davis-Born
Carolyn Devine
Sue Greer
Mark Grenbemer
Wendy Hudson
Miriam Hulst
Karen Leiendecker
Melissa Leoni
Tom Shafer
Greg Sieglitz

Others Present

Wayne Hoffman
Jerry Nicolescu
Steve Wise
Tom O'Brien
Todd Miller
Liz Vollmer-Buhl
Jamison Cavallaro
Chip O'Brien
Paul Ketcham
Deborah Lev
Shannah Anderson
Don Golberg
Pam Reber
Lisa Seales
Joe Rohleder

Members Not Present

Skip Klarquist
Jennifer Phillippi
Eric Quaempts

A. Board Member Comments

Representatives on the OWEB Board commented on recent activities and issues facing their respective agencies and areas.

B. Minutes

Minutes of the June 2-3, 2010, Board meeting in Baker City were unanimously approved.

C. Executive Director Update

Executive Director, Tom Byler, briefly reported on the following program updates:

1. Biennial Conference (Carolyn Devine)

OWEB's 11th Biennial Conference will be held November 15-17, 2010, at the Pendleton Convention Center. A visit and reception at the Tamástslíkt Cultural Institute, the interpretive center for the Cayuse, Umatilla, and Walla Walla Tribes, will be followed by a traditional Longhouse dinner for conference participants. Board member Eric Quaempts will share with attendees how the First Foods approach directs the natural resources restoration and monitoring program of the Confederated Tribes of the Umatilla Indian Reservation. Steve Amen, OPB Oregon Field Guide, will be the keynote speaker. Conference tracks have

been selected and speakers and presentations are being finalized. Board members were encouraged to attend the conference and will be contacted soon regarding how they can assist in the conference.

2. Oregon Plan Biennial Report

Due to the state budget situation and likely shortfall of dedicated Lottery funds to OWEB, staff have decided to produce only a four-page Oregon Plan Biennial Report Executive Summary. The Executive Summary will still contain the Board's observations and recommendations. A discussion draft will be distributed to Board members by October 29; Board review and input is due by November 12; a final draft will be available for Board co-chair review before early December.

The online version will include the Executive Summary, agency actions, voluntary restoration projects, and several links to more detailed, technical information.

3. Fiscal and Performance Audits

This year, the Secretary of State's Audits Division has conducted three separate audits on OWEB activities (Lottery Funds Fiscal Audit, Performance Audit, and Environmental Management Fund Audit). The Lottery Funds Fiscal Audit, required by the Oregon Constitution, is performed on all the agencies receiving and expending dedicated Parks and Natural Resources Lottery Funds. In July 2010, the Secretary of State released its final audit report and found that OWEB expended its Lottery Funds for the 2007-2009 biennium in compliance with laws and regulations. The full audit report can be found on the Secretary of State's web site. The Performance Audit is expected to be completed by the end of the calendar year, and the expected date of completion of the Environmental Management Fund Audit is October 31, 2010.

4. October 2010 Grant Cycle Update

The September state revenue forecast showed Lottery earnings down slightly, and unless there is a significant increase in Lottery revenues, capital and non-capital funds will fall short of the projected revenues reflected in OWEB's current biennial budget.

There is also uncertainty about the amount of federal funds OWEB will have to fund non-capital grants for the October cycle. NOAA awarded OWEB \$15 million in PCSRF funds for FFY 2010. However, the legislature needs to approve additional spending authority in order for OWEB to award grants using the \$15 million. Legislative approval could be sought from the legislative Emergency Board in December 2010, or the legislative Ways and Means Committee early next year. Director Byler is discussing the issue with legislative staff and legislators.

Staff and Board members discussed capital and non-capital funding available for the current April grant cycle as well as the October cycle. Staff have communicated with applicants our desire to fund the October 2010 grant cycle as fully as possible at the March 2011 Board meeting, however they were also informed of the uncertainties around available funding. If additional expenditure authority is not obtained, or if other remaining unallocated non-capital funds are "swept" away to build other agency budgets for the 2011-2013 biennium, it is possible that the March 2011 Board awards may be delayed until funding is available. Staff

will keep the Board and OWEB's grantees and applicants informed of any changes or new information that may affect the Board's ability to make future awards.

5. Watershed Council Support Principles

Staff are working with the Board Council Support Subcommittee to discuss potential changes to the council support funding process for the 2013 grant cycle. Discussions include potential ways to streamline the process, performance expectations of funding, adequacy of funding, and measuring and reporting on outcomes of funding. Staff are also planning a "Super Subcommittee" meeting to further discuss funding alternatives and policy issues. Staff will provide follow-up to the Listening Sessions at the Biennial Conference with a 90-minute session which will be available by videoconference for those who are unable to attend the Conference sessions.

6. Oregon "No Child Left Inside" Update

Carolyn Devine, Communications Coordinator, briefed Board members on the federal "No Child Left Inside Act" of 2009. If passed by the federal government, this bill would allow states to receive grants to implement environmental education programs. In June 2009, the legislature passed HB 2544, the "No Oregon Child Left Inside Act" which created a task force to develop an Oregon Environmental Literacy Plan. This relates to Goal 3, Strategy 2, Action 3 in OWEB's 2010 Strategic Plan.

D. OWEB Budget

Tom Byler, Executive Director, provided an update on OWEB's 2009-2011 budget, the status of 2011-2013 budget preparations, and other related considerations for the 2011-2013 biennium.

Lottery Funds

Due to the economic downturn and decreased Lottery Fund revenues, OWEB's management team has been working on a rebalance of the 2009-2011 agency budget. The revenue shortfall will be reflected in the last distribution of funding for the biennium which occurs in May 2011. All agencies that receive Parks and Natural Resources Lottery Funds will receive a proportionate reduction reflected in their final distribution. To manage resources to meet this event, OWEB management has withheld the expenditure of Board authorized expenditures in order to have sufficient resources to balance the agency budget if a shortfall occurs at the end of the biennium. The rebalance plan has set aside \$800,000 in non-capital funds and \$4.5 million in capital funds.

Under the September revenue forecast, the current Lottery Fund shortfall for OWEB is slightly less than predicted in March. If revenues stabilize or improve, the management team will adjust the rebalance reserve to ensure the projected shortfall is met. OWEB will continue to keep the Budget Subcommittee and the Board informed as options are considered.

Federal Funds

OWEB was awarded \$15 million in PCSRF for Federal Fiscal Year 2010. In order to spend the funds, OWEB needs to receive expenditure limitation from the legislature. OWEB is working with legislative leadership and hopes to receive legislative approval for additional federal funds limitation at the December 2010 meeting of the Emergency Board. If additional expenditure authority is not obtained, or if other remaining unallocated non-capital

funds are “swept” away to build other agency budgets for the 2011-2013 biennium, it is possible that the March 2011 Board awards may be delayed until funding is available.

Budget Development Process

OWEB’s Agency Request Budget was submitted the end of August for consideration and possible inclusion in the Governor’s Recommended Budget for the 2011-2013 biennium. The Governor’s Recommended Budget is released in late 2010. Following the election, a new Governor’s Recommended Budget will likely be released in early 2011. The Legislatively Adopted Budget is finalized in June 2011.

Future Scenarios

There is considerable uncertainty facing OWEB as we approach the next biennium.

- The overall state budget is facing a deficit of over \$2.5 billion;
- Ballot Measure 76 goes to the voters in November;
- Oregonians will elect Oregon’s new Governor in November; he takes office in January 2011.

E. Public Comment – Pending Grant Applications

- Todd Miller, City of Springfield, supported Technical Assistance Application 211-3022 which fell one below the funding line.
- Jamison Cavallaro and Chip O’Brien, Pudding River WSC, supported Technical Assistance Application 211-3029 which fell below the funding line.
- Paul Ketcham, Shannah Anderson, and Deb Lev, City of Portland, and Don Goldberg, TPL, supported Acquisition Application 211-103 which was not recommended for funding; however OWEB staff have offered to assist the applicant to leverage other funding by setting up a meeting with State Parks.

F. Board Consideration of Pending Grant Applications

Lauri Aunan, Grant Program Manager, provided Board members an overview of the April 19, 2010, grant cycle. One hundred and fifty-six grant applications requesting more than \$25 million were received.

The following identifies the number of applications received by application type and the amount of OWEB funds requested:

Technical Assistance	36	\$ 1,338,846
Acquisition	10	\$10,307,252
Restoration	<u>110</u>	<u>\$13,826,445</u>
TOTAL	156	\$25,472,543

After being screened for eligibility and completeness, the applications were sent to the appropriate review teams, who made recommendations to OWEB staff regarding “fund” or “no fund” for individual projects on their merit and numerically ranked the projects recommended for funding. OWEB staff then developed funding recommendations for Board consideration. The funding recommendations are based on funding availability, the rankings of the reviewers, and staff’s evaluation of reviewer recommendations.

Acquisition Applications

Nine new land acquisition applications were received during the April 19, 2010, grant cycle. One of the nine is not recommended for funding. Five applications were withdrawn by the applicants. One application is recommended for deferral, one is recommended for further consideration in the Willamette SIP, and one required submission of an updated application in order to be considered further.

Ken Bierly, Deputy Director, discussed the growth of the acquisition program. Between 2000 and 2008 an average of three acquisition applications were received per cycle. Between April 2008 and April 2010, 28 acquisition applications were received, with ten of those received in the April 2010 cycle requesting over \$10 million. In addition, there are four previously deferred applications in the queue totaling \$4 million.

The growth of the acquisitions program has resulted in workload beyond current staff resources. In addition, acquisition projects are complex and time-consuming, taking approximately 150-200 staff hours from receipt of a new application to transaction closing. It is essential that each project be thoroughly vetted and the transaction is structure appropriately to protect conservation values in perpetuity.

Due to the combination of increased demand, limited staff capacity, and funding shortfall, staff and the Acquisitions Subcommittee focused the program on only the most competitive grant applications, resulting in proceeding with due diligence review for a limited number of applications. OWEB has asked for additional positions for the acquisitions program in its 2011-2013 Agency Request Budget.

Regional Program Representatives highlighted several projects that were received in the current grant cycle and are recommended for funding.

REGION 1, NORTH COAST

Lauri Aunan, Grant Program Manager
Tom Shafer, Regional Program Representative
Miriam Hulst, Acquisitions Specialist

Miriam Hulst provided the status of the five acquisition applications received from Region 1 this grant cycle, and two previously deferred applications.

Recommended for Deferral to Proceed with Due Diligence

Application 211-102, Waite Ranch Land Acquisition

Updated Application Required

Application 211-108, Tillamook Bay Wetlands Protection and Restoration

Withdrawn by Applicant

Application 211-104, Doohar Wetlands Acquisition on Lower Kilchis River

Application 211-107, Beaver Creek Acquisition

Application 211-109, Sandlake Estuary Wetlands Acquisition

Recommended for Funding

Application 209-101, Necanicum Forest, \$145,000

Application 210-106, Nehalem Bay Wetlands Conservation Project Phase II, \$275,000

Lauri Aunan provided an overview of the Region 1 funding recommendations as presented in the staff report.

REGION 2, SOUTHWEST OREGON

Lauri Aunan, Grant Program Manager

Mark Grenbemer, Regional Program Representative

There were no acquisition applications submitted for Region 2.

Lauri Aunan provided an overview of the Region 2 funding recommendations as presented in the staff report.

REGION 3, WILLAMETTE BASIN

Lauri Aunan, Grant Program Manager

Wendy Hudson Regional Program Representative

Miriam Hulst, Acquisitions Specialist

Miriam Hulst provided the status of the three acquisition applications received from Region 3 this grant cycle.

Not Recommended for Funding

Application 211-103, River View Cemetery

Withdrawn by Applicant

Application 211-101, South Eugene Hills Acquisition Project

Transferred to Willamette SIP

Application 208-3090-8358, Willamette Confluence Acquisition Project

Lauri Aunan provided an overview of the Region 3 funding recommendations as presented in the staff report.

Ken Bierly discussed the Wildish Property which is proposed to be funded with Willamette SIP funds from OWEB and significant funding from BPA wildlife mitigation funds.

Tom Byler discussed the River View Cemetery project, which is not recommended for funding; however staff are working with the applicant on other funding alternatives.

REGION 4, CENTRAL OREGON

Lauri Aunan, Grant Program Manager

Rick Craiger, Regional Program Representative

Lauri Aunan provided an overview of the Region 4 funding recommendations as presented in the staff report.

REGION 5, EASTERN OREGON

Lauri Aunan, Grant Program Manager
Karen Leiendecker, Regional Program Representative
Miriam Hulst, Acquisitions Specialist

Miriam Hulst noted that Application 211-106, Lostine-Wallowa Rivers Confluence Protection Project, was withdrawn by the applicant.

Lauri Aunan provided an overview of the Region 5 funding recommendations as presented in the staff report.

REGION 6, MID COLUMBIA

Lauri Aunan, Grant Program Manager
Sue Greer, Regional Program Representative

There were no acquisition applications submitted from Region 6.

Lauri Aunan provided an overview of the Region 6 funding recommendations as presented in the staff report.

At the conclusion of the regional presentations, Board members discussed the staff funding recommendations and whether or not to fund applications that were discussed during the Public Comment period.

Board members unanimously approved funding for staff recommendations shown in the shaded area of the revised Attachment A.

G. Ecosystem Services Update

Renee Davis-Born, Ecosystems Services Coordinator, provided an update on the SB 513 Working Group and the status of the Willamette Pilot Project proposal. She noted that information about other ecosystem services related items was included in the staff report.

SB 513 Ecosystem Services Working Group

The Working Group has met eight times since December 2009, and is in the process of refining its draft report and recommendations. Although not yet finalized, the high-priority policy options and action items included in the current draft of the report include:

1. Facilitate coordinated, proactive investment to achieve shared conservation goals.
2. Identify statutory impediments to state agencies' ability to employ ecosystem market approaches and tools and propose solutions to these limitations.
3. Encourage partnerships to develop standardized tools and processes for approving ecosystem credits and payments.
4. Provide authority and direction to state agencies to purchase credits and invest in ecological outcomes.
5. Allow state agencies to sell credits under limited circumstances.

6. Encourage state and local governments to cost and compare natural infrastructure as a preferred alternative to hard engineering for new development projects.
7. Encourage state and local governments to consider and, if possible, quantify impacts to ecosystem services at the watershed scale when making land use and management decisions.
8. Provide a testing ground and stimulate demand for payments for ecosystem services through pilot projects, proofs of concept, and scoping efforts.
9. Further facilitate development of ecosystem services market approaches by 1) guiding implementation of the recommendations of this report and subsequent legislative action; 2) deliberating and providing guidance on unresolved and emerging policy issues for ecosystem services markets; and 3) ensuring connection with processes related to the development of standards, protocols, and accounting systems for the marketplace.

The Working Group will finalize the SB 513 report and recommendations at its October meeting and then forward to the Oregon Sustainability Board for review and approval in November 2010. The final report is due to the legislature by January 1, 2011.

Willamette Pilot Project

OWEB had an opportunity to partner with the Willamette Partnership and The Freshwater Trust on a proposal to the 2010 USDA Conservation Innovation Grant program of the NRCS. The proposed project requested funding to implement a pilot market for ecosystem services in the Willamette Basin by encouraging private investors to fund restoration work that results in ecosystem services credits that could be sold in marketplace. NRCS declined the proposal. Staff are working with the Willamette Partnership and The Freshwater Trust to evaluate alternatives for pursuing the project.

H. Local Partner Presentations

Tom Shafer, North Coast Program Representative, introduced the following representatives of local watershed and conservation organizations who provided presentations to the Board.

- Melyssa Graeper, Necanicum Watershed Council
- Jennifer Holderman, Lower Nehalem Watershed Council
- Denise Lofman, Tillamook Watershed Council
- Olivia Mercado, Lower Nehalem Community Trust
- Liz Vollmer-Buhl, Siuslaw Watershed Council

At the conclusion of the day's meeting, OWEB Board members and staff attended an informal reception honoring area councils, districts, and local officials.

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Rick Craiger
Renee Davis-Born
Carolyn Devine
Sue Greer
Miriam Hulst
Karen Leiendecker
Melissa Leoni
Tom Shafer
Greg Sieglitz

Others Present

Andy Heider
Scott Peets
Kip Wood
Mark Stone
Bruce Taylor
Mike Merrill
Tom Makowski
Steve Wise
Lisa Seales
Jerry Nicolescu
Nan Evans
Russ Hoeflich
Brenda Bateman

Members Not Present

Miles Brown
Skip Klarquist
Jennifer Phillippi
Eric Quaempts

I. OWEB Partnerships

Ken Bierly, Deputy Director, updated Board members on the status of OWEB Partnership Investment Subcommittee discussions including the status of partnership activities and issues to be considered in the coming year. He also reported that the Subcommittee (Diane Snyder, Dan Heagerty, Ken Williamson, Jennifer Phillippi, Meta Loftsgaarden, and Alan Henning) has been evaluating the opportunities and issues facing the agency in the forthcoming biennium. Due to the state's budget limitations, the Subcommittee is proceeding cautiously when considering future potentials for SIPs.

He briefed Board members on the following existing partnerships:

- Special Investment Partnerships (Deschutes SIP and Willamette SIP)
- Oregon Conservation Reserve Enhancement Program
- Whole Watersheds Restoration Initiative
- National Coastal Wetlands Grants

Staff have been involved in conversations about four opportunities for future partnerships around the state:

- Sandy River Basin Partnership is well-developed and is actively implementing projects.
- Wild Rivers Initiative is being professionally developed by a conservation funder.
- Lower John Day Partnership is developing action plans for future implementation.
- Klamath Basin Partnership is an exploration by staff of the possibilities in the Klamath Basin to coordinate with the Klamath Basin Restoration Agreement.

Board member Karl Wenner reported that Governor Kulongoski supports Oregon's contribution to the Klamath Basin. Board members also requested an accounting of OWEB's SIPs including a list of projects, cost-share, and funding to date.

J. Land Acquisitions Administrative Rules

Melissa Leoni, OWEB Senior Policy Coordinator, briefly described the proposed administrative rule amendments related to the administration of OWEB's land acquisition grant program.

The rules proposed for adoption are:

- Donation Disclosure – OAR 695-045-0120(2)(b) and (c).
- Appraisals and Environmental Site Assessments – OAR 695-045-0120(2)(d) and (f).
- Title Reports – OAR 695-045-0120(2)(e)
- Funds Recoverable for Property Misuse or Unapproved Conveyance – OAR 695-045-0140(4)(b) and 695-045-0150(4)

Staff convened a rules advisory committee of land acquisition grantees and due diligence reviewers, who worked with staff the Board Acquisition Subcommittee on the proposed rule changes. The proposed rules were out for public comment from August 1 to 23, 2010, and a public hearing was held on August 23. No public comments were received.

Board members unanimously approved the proposed administrative rules contained in Attachment A of the staff report.

K. OWEB Effectiveness Monitoring Program

Greg Sieglitz, Monitoring and Reporting Program Manager, and Kyle Abraham, Effectiveness Monitoring Coordinator, reported on accomplishments to date including a three-way partnership between OWEB, NRCS, and DEQ that is designed to conduct programmatic effectiveness evaluation in support of Goals 1 and 3 in the OWEB Strategic Plan. Tom Makowski and Mike Merrill, NRCS, and York Johnson, DEQ/Tillamook Estuaries Partnership, briefed Board members on the partnership, which is in the final stages of developing a MOU which will establish the formal relationship between the parties, outline the project goals and timeline, and allow for data sharing between the project partners.

Greg Sieglitz and Kyle Abraham also briefed Board members on other effectiveness monitoring initiatives:

- Coordination with the Network of Oregon Watershed Councils;
- Enhancement of the OWEB web sites to deliver outcomes-based information;
- Improvements to OWEB databases and other information management systems;

- Other ongoing programmatic and project type effectiveness monitoring that OWEB supports including livestock exclusion riparian work, small dam removal, irrigation efficiency improvements, intensively monitored watersheds, and wetland restoration.

L. Salmon and Steelhead Recovery Plans

Sue Knapp, Policy Advisor, with the Governor’s Natural Resources Office provided Board members with an informational briefing on the Mid-Columbia Steelhead Conservation and Recovery Plan, and the Willamette and Lower Columbia recovery plans.

M. Integrated Water Resources Strategy

Brenda Bateman, Senior Policy Coordinator, from the Oregon Water Resources Department, updated Board members on the Integrated Water Resources Strategy and led a discussion with the Board about how the strategy will be a roadmap for the state to follow as it prepares to meet Oregon’s water needs now and in the future. Board members and Ms. Bateman discussed the relationship between the strategy and existing natural resource programs and policies, and the opportunity for flexibility to achieve common objectives.

N. South Fork Yachats Large Wood Presentation

Kip Woods and Mark Stone, from the Lincoln SWCD, and Wayne Hoffman, from the MidCoast Watersheds Council, gave a presentation about watershed process and function as viewed through a large wood placement project implemented in 2004 on the Yachats River.

O. Public Comment – General

- Bruce Taylor, Defenders of Wildlife, commented on proposed implementation of Ballot Measure 76.
- Jerry Nicolescu, new Executive Director of the Oregon Association of Conservation Districts introduced himself to Board members.
- Tom O’Brien, Network of Oregon Watershed Councils, and Nan Evans, The Nature Conservancy, provided an update on Ballot Measure 76 efforts.
- Russ Hoeflich, The Nature Conservancy, provided comments on OWEB’s acquisition program, the federal Land and Water Conservation Fund, Ballot Measure 76, etc. Mr. Hoeflich expressed an interest in increased level of funding for land acquisition projects.
- Steve Wise, Sandy River Basin Watershed Council, briefed Board members on partnerships in the basin.

P. Other Business

Board Co-Chair Election

Board Co-Chair Diane Snyder is leaving the Board before her term as co-chair ends in January 2012. Board members continue to support having Co-Chairs of the Board. Co-Chair Dan Heagerty accepted nominations and Dan Thorndike was unanimously elected to serve the remainder of Diane Snyder’s term.

Having no further business, the meeting was adjourned.