

Background

At its meeting in September 2009, the SNC Board approved the **2010-11 Proposition 84 Grant Guidelines** and directed staff to take the actions necessary to roll out the new grant program once funding for new grant authorizations was made available. In April 2010, the SNC received Budget Letter 10-09 which indicated the intent of the State Treasurer's Office to sell bonds that would allow the SNC and other agencies to begin new grant solicitations. Based on this information, the SNC launched the FY 2010-11 Proposition 84 Grant Program in mid-July.

In addition, the Department of Finance began an audit of the SNC's Proposition 84 Grant Program in May 2010 to determine whether bond expenditures were in compliance with applicable laws and regulations and to assess whether we had adequate controls in place to ensure that projects and activities were carried out as intended. The audit included review of grant processes, files and administrative records for grants awarded through December 2009, as well as interviews with staff and on-site visits for selected grantee projects.

Finally, at the June 2010 Board meeting, a Board subcommittee was named to provide input to staff regarding more effective information tool(s) for the Board's use in future grant project review and decision-making. This Committee met in September, and the Committee's recommendations appear below.

Current Status

Proposition 84

This year we anticipate awarding \$10 million in Proposition 84 funds from two grant categories, to be awarded in a single round. Category One grants will include acquisition and site improvement/restoration projects; Category Two grants will be limited to pre-project "due diligence" activities associated with preparing for specific future on-the-ground projects that meet the SNC Proposition 84 grants criteria. The Board has allocated distribution of funds this year as follows:

- 60 percent of available funds will be awarded for high-benefit projects in the six Subregions (10 percent for each Subregion);
- 40 percent of available funds will be awarded for remaining high-benefit projects, regardless of geographic location; and
- If a Subregion does not expend its entire allotment on high-benefit projects, the SNC Board will determine whether remaining funds will be: a) awarded to remaining high-benefit projects this year, regardless of geographic location or b) rolled over and held within that Subregion for future-year allocation.

The FY 2010-11 Grants Program had an application deadline of September 13th. The SNC received 129 applications by the deadline. Of these, 72 were Category One site improvement or acquisition applications, and 57 were Category Two pre-project due diligence applications. The total amount requested between the two categories was

\$40,335,950. Of the 129 applications received, 16 applications were deemed ineligible or incomplete and, therefore, were unable to be evaluated. The total amount requested in these applications was \$2,277,463.

As of the writing of this report, 113 eligible applications totaling \$38,058,487 are undergoing detailed project evaluation and scoring by external teams of technical experts. Once these teams have completed their review, the highest-ranked projects will move to SNC staff for review, at which point additional factors, such as geographic distribution and project type diversity, may be considered. The SNC staff review will result in a set of funding recommendations for each Subregion and a prioritized list of recommended projects, regardless of Subregion, for the non-geographic pot.

In order to get to final recommendations for Board consideration at the March 2011 meeting, the SNC will be scheduling Subregional Subcommittee calls in mid-January to discuss staff recommendations. As Boardmembers may recall, each subcommittee is made up of the Subregional representative and a statewide Boardmember.

Subcommittee on Decision-Making Tools and Information

The Committee offered a number of suggestions designed to provide the Board with a better understanding of how recommendations are developed and to increase the transparency of decisions for the public. Primary subcommittee recommendations included:

- 1) Adding the score for each project on the lists and project summaries included in the Board packets;
- 2) Providing more information to the Board about where and how the line was drawn between those projects that are recommended and those that aren't; and
- 3) Providing more access to the full application contents for the Board and public as soon as possible after intake.

Staff is taking steps to address these recommendations in preparation for bringing projects forward to the Board for funding consideration in March. We will, for example, add a column with project scores to the **Recommended** and **Not Recommended** lists in the Board packet materials, and we will augment the individual project summaries to include the score and other information to better identify the differences between recommended and not-recommended projects. In addition, we are currently working on making full applications available to the Board and public through our searchable grants database on the SNC Web site.

Proposition 84 Grant Program Audit

The Department of Finance audit of the SNC Proposition 84 Grants Program is complete. Auditors reviewed our procedures and documentation and completed site visits on a subset of our grant projects. An exit interview took place in late September, during which SNC staff and auditors reviewed the initial findings that came out of the process. The auditors were generally complimentary about the fact that we regularly

update our major controlling documents, such as our Strategic Plan, Annual Report, Grant Guidelines and application materials. They were also impressed with the area staff in terms of knowledge, engagement and availability, both to grantees and the auditors themselves.

Some of the items we expect to see discussed in the audit report include the need to improve grant monitoring over the life of a project (post-funding), offer more information for prospective applicants regarding the evaluation process and post-award process so they know what to expect if they are awarded grant funds, and work with other agencies to improve the identification and tracking of multiple funding sources that contribute to the same project.

Auditors are now in the process of drafting the final audit findings, which we anticipate receiving prior to the December Board meeting. Once we receive the auditors' report, we will have 10 days to respond to the formal findings. We expect to be able to discuss results more fully at the December meeting.

Next Steps

Staff will amend the project recommendation materials for the March Board packet, as described above, and will continue to provide oversight to the evaluation process in order to develop grant funding recommendations for the Board to consider at the March 2011 meeting. And we are poised and ready to respond to the auditors' report as soon as we receive it.

Recommendation

This is an informational item only; no formal action is needed by the Board at this time, although Boardmembers are encouraged to share their thoughts and comments. The Board Chair may wish to assign statewide Boardmembers to each Subregion Committee for purposes of reviewing staff recommendations.