

Background

The Sierra Nevada Conservancy (SNC) launched its first Grant Program in Fiscal Year (FY) 2007-08, using funds allocated to it through Proposition 84, the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coast Protection Bond Act of 2006. In that first and subsequent grant rounds, we used a competitive application process for the identification and selection of projects to receive grant funding. The competitive process consisted of distributing and conducting outreach around a broad set of guidelines outlining how much money was available each year, how it would be allocated and the general criteria that would be used to evaluate applications, along with specific application forms and materials. Each round had a set deadline for receipt of applications, followed by an extensive evaluation and technical review process leading to staff recommendations and Board authorizations.

Funding was allocated equally per Subregion, with a portion being awarded without regard to geographic location. This allowed the funding of high benefit projects as widely and evenly as possible across the Region to help remedy the historic lack of State investment in the Sierra, resulting in building relationships and providing value to local communities. At the same time, the process did not provide for a targeted or strategic approach to project solicitation.

Assuming that the Board acts on the recommendations for FY 2010-11 Grant Program at today's meeting, we will only have +/- \$10 million left in Proposition 84 funds to distribute. At the last meeting the Board discussed input from applicants, grantees and staff regarding the degree of time and effort that goes into these applications, coupled with the desire to be as strategic as possible in how the final \$10 million in grant funds gets distributed. As a result, staff has been tasked with developing ideas for how we might address these and other concerns.

Current Status

Based on Board direction and additional conversations with stakeholders in the Region, staff has fleshed out some ideas for allocation of the remaining Proposition 84 funds.

Overarching Issues

All projects would be required to meet statutory requirements of the SNC's enabling legislation and Proposition 84. As a reminder, this includes the following:

SNC Statutory Program Areas

Projects must address one or more of the following program areas, as outlined in the legislation creating the SNC, with projects addressing multiple areas being preferred:

- Provide increased opportunities for tourism and recreation;
- Protect, conserve, and restore the Region's physical, cultural, archaeological, historical, and living resources;
- Aid in the preservation of working landscapes;

- Reduce the risk of natural disasters, such as wildfires;
- Protect and improve water and air quality;
- Assist the Regional economy through the operation of the SNC's program; and,
- Undertake efforts to enhance public use and enjoyment of lands owned by the public.

Proposition 84 and General Obligation Bond Act Requirements

Eligible projects must contribute to the protection or restoration of rivers, lakes and streams, their watersheds and associated land, water, and other natural resources. In addition, General Obligation Bond Law (Government Code §16720 et seq.) specifies that bond funds may only be used for certain listed purposes, primarily related to construction, acquisition or maintenance of so-called capital assets, which are defined as tangible physical properties and/or infrastructure, as well as certain equipment and other costs related to construction or acquisition, including planning, engineering, construction management, design work, environmental impact reports and assessments, required mitigation expenses, appraisals, etc.

2011-12 & 2012-13 Grants Program

SNC Staff is recommending the following policy direction for development of a 2011-12 and 2012-13 grant program.

- ***Develop the grant program as a two-year program.*** This helps stakeholders to know whether their project will meet eligibility criteria and when funding will be available, allowing them to plan accordingly, as well as providing more time for SNC Staff to work with prospective applicants on project development and more consistent evaluation by being able to assess like projects within each round. This approach assumes a distribution of approximately \$5 million of remaining Proposition 84 funds over each of the next two fiscal years. SNC Staff will develop a single set of guidelines covering the two-year period for Board review, with a target of approval at the September 2011 Board meeting.
- ***Maintain guidance of approximately 75% of funds going to “on the ground” projects*** (Category One). This goal allows the SNC to achieve significant tangible impacts on the ground with the 75 percent Category One projects, while still allowing the opportunity to assist in preparation of beneficial projects for future funding with the remaining 25 percent (Category Two).
- ***Target the remaining funding to one or more of the proposed strategic plan program area foci*** (discussed in more detail below): Tourism and Recreation, Healthy Forests/Sierra Nevada Forest and Community Initiative, Agricultural Land/Working Landscapes and/or Watershed Protection and Restoration, as a means of supporting SNC's strategic direction over the next two years.

- ***Fund Allocation Alternative 1*** – maintain Subregional allocations by dividing the \$5 million equally among the six Subregions each year, and assure the spread of funds by lowering individual project caps:
 - allocate +/- \$833,000 per year in each of the six Subregions for projects meeting guideline criteria;
 - Category One projects to be capped at \$250,000 each; and,
 - Category Two projects to be capped at \$50,000 each.

- ***Fund Allocation Alternative 2*** – focus fund allocation strategically and programmatically based on project benefits (and not primarily on geographic location) by distributing the remaining funds across the entire Region without guaranteed Subregional allocations; assure the spread of funds by lowering individual project caps:
 - allocate approximately \$5 million across the Region in each of the next two fiscal years, with consideration given to geographic distribution and project diversity as key factors in the evaluation process;
 - within each \$5 million, allocate at least \$4 million for Category One projects and up to \$1 million for Category Two projects;
 - Category One projects capped at \$250,000 each; and,
 - Category Two projects capped at \$50,000 each.

- ***Areas of Grant Program Focus (based on Strategic Plan)***

The four external areas of focus adopted by the Board at the December 2010 meeting are listed below, including the types of projects that might be eligible for funding under the Proposition 84 requirements and SNC's statutory program areas:

Tourism and Recreation

Projects would need to support the social and economic needs for increased levels and diversity of sustainable tourism and recreation throughout the Sierra Nevada, including use of public lands, while protecting the natural resource values associated with recreation and tourism. This could include actions that preserve current sustainable activities, reduce or eliminate negative impacts of current or increased recreational use – particularly to watershed resources, or create infrastructure directly related to achieving the first two objectives.

Healthy Forests/Sierra Nevada Forest and Community Initiative (SNFCI)

Projects would need to foster collaboration locally and Regionally in support of a cohesive, economically viable, and sustainable approach to reducing the risk of large, damaging fires, and restoration of forest ecological health or creation of infrastructure with a direct relationship to achieving first two objectives. This could include projects that result in, or lead to, reduction of fuels in areas of fire

risk, restoration of forest stands, meadows and riparian areas, post-fire rehabilitation and creation of wood processing infrastructure necessary for these activities to occur.

Working Landscapes/Agricultural Lands

Projects would need to lead to, or result in, the preservation of working ranches, farms or forests. This would include actions that preserve activities occurring on ranches and farms that result in sustainable economic, ecological, and social benefits to communities, people, and their environments. Projects could include conservation easements and actions necessary for such easements (i.e. appraisals, surveys, etc.), as well as other eligible projects that allow current agricultural activities to continue.

Watershed Protection and Restoration

Projects other than those that would meet criteria above would need to increase the long-term health and sustainability of watersheds in the Sierra Nevada, resulting in improved water quality, increased natural storage of water and improved habitat conditions. This could include projects that protect or restore watershed function, reduce or eliminate watershed impacts or otherwise result in or lead to improved watershed condition.

Since the funding source, Proposition 84, is watershed-focused at its base, staff recommends using *Working Landscapes/Agricultural Lands and Healthy Forests/SNFCI* as the two focus areas for the remaining two years of grant funding. Regarding the other two focus areas, Watershed Protection and Restoration will, by definition, be a primary outcome of any funded project due to the intent of Proposition 84, and Tourism and Recreation-focused projects generally have a harder time making a clear nexus to Proposition 84 goals. If we use these two areas of focus, we recommend having the first round concentrate on working landscapes and using the second round for healthy forest-related projects, since most healthy forest projects are restoration or site-improvement-based and, therefore, need more time to complete CEQA, permitting and other requirements.

Next Steps

Based on Board direction, staff intends to conduct additional outreach around these ideas and bring back a formal recommendation for Board consideration at the June 2011 meeting. Once the Board has approved a formal proposal, staff will develop a timeline and revise the Proposition 84 Grant Guidelines and application materials, as necessary, conduct outreach to stakeholders on the program, and launch the public application solicitation for FY 2011-12 & 2012-13. It should be noted that at this time, there are numerous questions around future sales of the bonds necessary to fund future projects. SNC staff will continue to monitor this situation, as it could lead to changes in the schedule of future grant rounds.

Recommendation

Staff recommends that the Board direct staff to solicit public input on pursuing a two-year grant program based on the policy direction outlined above, using Alternative 2 to guide allocation of funds within the Region, with a focus on working landscapes in the first year and healthy forests in the second year. A more detailed recommendation will be made to the Board at the June meeting, based on public comment and further review by staff.