

August 29, 2006

MEMORANDUM

TO: Oregon Watershed Enhancement Board

FROM: Lori Warner-Dickason, Policy Specialist

**SUBJECT: Agenda Item H: Request to Apply for Watershed Council Support
September 19-20, 2006 OWEB Board Meeting**

I. Introduction

This report discusses the two requests received from watershed councils who would like to apply for watershed council support funding separately from their current funding partners and provides options for the Board to consider in response to these requests.

II. Background

In previous council support grant cycles, the Board has adopted policies to encourage watershed councils to consolidate and apply jointly for council support grants. The objectives of these policies were to encourage similar councils to take advantage of economies of scale and to restrict the number of councils who apply for grants from a limited funding source.

In April, 2003, the Board adopted four funding principles that were applied to the 2003-2005 council support grants. They were:

1. No staffing increases from the 2001-2003 FTE levels.
2. Limit funding for new watershed councils to \$37,500 per biennium, regardless of their merit rating.
3. Establish a financial disincentive to council splintering off from an existing group and not fund councils that form within existing hydrologic watershed areas that have been served, or could continue to be served by an existing watershed council.
4. Encourage staff consolidation by identifying councils that could combine operations, take advantage of economies of scale and submit a joint council support application.

The administrative rules adopted by the Board in November 2004 formalized the policy to keep councils together. The administrative rules for Watershed Council Support Grants, OAR 695-040-0030(1)(a)(A) state: "In the situation where a watershed council has been awarded shared funding for watershed council support, but serves a watershed area that is not served by another watershed council, that council may be eligible to apply independently if it receives prior approval from the Board." Councils who desire to break off from a group of councils and apply independently must obtain Board approval prior to submitting the application.

III. Watershed Council Requests for 2007-2009 Biennium

OWEB received requests from two watershed councils who would like to apply for council support funding separately from their current funding partners: the Elk Creek Watershed

Council (Elk Creek) and one from the Luckiamute Watershed Council (Luckiamute). Their requests are attached to this report.

A. Elk Creek Watershed Council Request (Attachment A)

1. Background

The Elk Creek and Smith River watershed councils were both formerly part of the larger Umpqua Basin Watershed Council (now the Partnership for the Umpqua River). In 2001 and 2002, through support of Douglas County, the Smith River and Elk Creek watershed groups were split off from the Umpqua Council and formed their own separate watershed councils.

The two councils submitted a joint application in 2002 for the 2003-2005 biennium. In April 2003, the Board applied the funding principle that recommended no funding be provided to “splinter councils” (funding principle number 3, above) to the Smith River and Elk Creek application. After requests from the Smith and Elk Creek watershed groups at the May 2003 meeting, the Board reconsidered this principle and the councils were awarded a total of \$42,500 for the 2003-2005 biennium. Together they applied for and received \$23,010 for the 2005-2007 biennium.

2. Solo Funding Petition

Based on the petition submitted by Elk Creek and review of the files for the Smith/Elk Watershed Council Support Grants, it appears that the councils have significant differences in watershed issues, biology, geography, priorities and project types. The council partners are also very different, mainly due to geography. While the two councils are adjacent geographically, road access is poor and there are significant travel constraints. This has presented an obstacle for cooperation and resource sharing.

The two councils have used their limited council support funds in very different ways. Elk Creek hired a part time coordinator who focused on applying for other grants to subsidize the coordinator salary. Elk Creek has secured over \$146,000 in other OWEB funds for various projects. Smith River has not hired a coordinator and has secured \$37,000 in other OWEB funds for two projects. This demonstrates a significant difference between the two groups in their efforts to leverage very limited funding.

Since their inception, the two councils have operated totally independently and collaboration appears to be limited to the council support application and subsequent fiscal reporting on the council support grant. This lack of collaboration is reinforced by the differences in watershed issues, council partners, strategies for providing watershed services, and travel constraints.

The petition reports that the entire Elk Creek Council supports solo funding. Elk Creek has requested a letter from Smith River to indicate their support for solo funding, but such a letter has not been received. Because grant awards are based on the merit ranking of each application, it is impossible to predict what each council will received if they were to apply independently.

B. Luckiamute Watershed Council Request (Attachment B)

1. Background

The Rickreall Watershed Council (Rickreall) was formed in 1997 and received individual council support funding in the 1999-2001 and 2001-2003 biennia. In 2001, the newly formed Luckiamute received their first council support start-up grant in the amount of \$1,000.

Through the grant evaluation process and in application of the funding principles in April 2003, the Luckiamute and the Rickreall were identified as candidates for consolidation (funding principle four in Section II above). As a consequence, they initially received a joint council support award of \$85,000 for the 2003-2005 biennium. In 2003, the two councils were joined by the Glenn-Gibson Watershed Council (Glenn-Gibson), which is also located in Polk County and had previously been supported through the Salem Keizer Area Watershed Councils. The three councils formed an umbrella organization that provided coordination services for the three groups. The councils received \$100,776 and \$108,584 for the 2003-2005 and 2005-2007 biennia, respectively, to be shared between them. For these two grant cycles, the Board applied a monetary bonus to their grant award for support to multiple watershed councils and being an umbrella organization.

Currently, the Rickreall and Glenn-Gibson share a staff person who also works with the coordinating body for the umbrella organization. The Luckiamute has contracted for coordinator services separately.

2. Solo Funding Petition

According to the petition, the Luckiamute serves a much larger watershed and has more forest land than the other two councils. Review of the previous council support files shows that all three watershed councils have many of the same habitat and species concerns. The Luckiamute and Rickreall watersheds have similar agricultural land use issues and percentages of public and private land.

The Luckiamute works with two county governments, two soil and water conservation districts, and two universities. While this added level of collaboration requires more time, it also offers more opportunities to develop meaningful partnerships, some of which are shared by all three councils.

It is unclear whether an independent application will result in improved watershed services to the Luckiamute watershed, unless it results in more staff funding for the council.

Review of the OWEB files indicates that the three groups have been effective in sharing resources and regularly collaborate on projects, especially related to outreach and capacity building. They share some administration functions, which may have reduced their operating costs. The councils have some partners in common, which results in some increased efficiencies. The current arrangement does not preclude the opportunity to develop partnerships specific to the needs of the watershed. In their petition, the Luckiamute contends that the umbrella organization dilutes their “efforts and hinders” their “ability to implement watershed improvement activities.”

The combined council support grant has resulted in a level of collaboration that is beneficial in terms of resource sharing and efficiency. If the Luckiamute is allowed to apply separately, it may or may not result in improved watershed restoration service, depending on the outcome of the funding from the council support grant application.

The petition indicates that there is broad support for the Luckiamute to apply independently for council support funding. Both the Rickreall and the Glenn-Gibson watershed councils have indicated they will not oppose actions to allow the Luckiamute to apply for solo funding.

IV. Evaluation of Solo Funding Petitions

In anticipation of requests for independent funding, staff developed a list of items for watershed councils to address in their petition to the Board. The list focuses on trying to determine whether requiring multiple councils to combine operations has resulted in any efficiencies in terms of watershed services. The list includes whether:

- The council represents unique ecological or social conditions that are significantly different from that of its funding partners.
- Solo funding would result in a significant improvement of service to the watershed and its residents compared to the level of service possible under the present funding arrangement.
- There is widespread and broad-spectrum community awareness of and support for the change.
- The split-off will not result in significant detrimental effects to previous funding partners.

If councils could demonstrate that the above conditions exist, then it might be appropriate to allow them to apply separately and not force them into a funding partnership. Staff have evaluated the petitions and OWEB files to develop three options and a recommendation based on the items listed above. The options are described below.

A. Option 1: Approve petitions based how effective the consolidation has been in the delivery of watershed services.

In light of the four criteria, it seems appropriate to allow the Elk Creek to apply for a council support grant separately because there is no indication that these councils are collaborating or sharing resources to take advantage of economies of scale or efficiencies.

Applying the same criteria leads staff to recommend that the Luckiamute not be allowed to apply independently because the similarities may present significant opportunities for collaboration that outweigh any impediment due to the differences. The three councils are sharing resources and collaborating, especially on capacity building activities.

Allowing the Elk Creek to submit a separate application because their partnership with the Smith River has not been effective and not allowing the Luckiamute to apply independently because the partnership has been somewhat successful sends a mixed message. It could be viewed as punishing the group that has made progress toward sharing resources and rewarding the councils who do not work together. This may provide a disincentive for councils to continue to try to work together.

B. Option 2: Deny both petitions based on the funding principles adopted in April 2003.

Funding principle number four from April 2003, “encourage staff consolidation by identifying councils that could combine operations, take advantage of economies of scale and submit a joint council support application,” could be applied to these petitions and the Board could deny both requests to apply independently. The Board could then explore ways to assist the councils in effective collaboration.

Denying both councils the opportunity to apply independently may accomplish OWEB’s objective of restricting the number of council support applications from a limited funding source. At the same time, forcing them to collaborate is inconsistent with the local formation and designation of watershed councils. This puts the Board in the position of deciding who works with whom.

C. Option 3: Allow both to apply separately.

Under this option, OWEB would allow councils to apply independently if they choose. If collaboration and consolidation are important, the Board could incorporate additional merit incentives to reward councils that share staff and apply together. The rules currently allow for and require consideration of “sharing resources, staff or project responsibilities with other entities” as part of the review criteria for council support applications. This merit incentive could be in addition to the existing bonus for umbrella organizations, since not all councils that apply together meet the definition of “umbrella council.” Further, OWEB could create a monetary disincentive (such as applying funding principle number 1, no staffing increases, described in Section II above) to discourage councils from breaking away from an established group.

Councils who have applied together, or were “forced” together through grant awards, believe they have received less funding as a result. They believe that if they are able to apply independently, then they will have the opportunity to compete with other councils for a “full share” of funding. OWEB could address this disincentive for councils to consolidate by creating more financial incentive for councils to combine operations, share staff and increase their efficiency.

Allowing both councils to apply independently, if they choose, while providing a monetary incentive to those who combine operations, takes OWEB out of the role of council manager. The drawback is that unless the incentive is high enough, it may result in a dramatic increase in council support applications and reduce the average award amount.

V. Recommendation

Staff recommend that the Board approve Option 3 and allow the Luckiamute Watershed Council and Elk Creek Watershed Council to apply for council support independently, if they choose. It is also recommended that staff work with the Board subcommittee to explore incentives for council consolidation for use in the 2007-2009 grant cycle.

Attachments

- A. Elk Creek Watershed Council request
- B. Luckiamute Watershed Council request