

APPROVED BY THE BOARD SEPTEMBER 14, 2010
Oregon Watershed Enhancement Board

June 2, 2010
OWEB Board Meeting
Baker City, Oregon

Minutes

OWEB Members Present

Miles Brown
Dan Carver
Dan Heagerty
Alan Henning
Debbie Hollen
Skip Klarquist
Kim Kratz
Meta Loftsgaarden
Jennifer Phillippi
Eric Quaempts
Patricia Smith
Diane Snyder
Dan Thorndike
Karl Wenner
Ken Williamson

OWEB Staff Present

Bonnie Ashford
Lauri Aunan
Ken Bierly
Carolyn Devine
Sue Greer
Karen Leiendecker
Melissa Leoni
Greg Sieglitz

Others Present

Vicki Wares
Charlie Boyer
Tom O'Brien
Mayor Craig Dirksen
Owen Wozniak
Lisa Seales
Laurie Owen
Ed Merriman

Members Not Present

John Jackson
Jim Johnson

Note: Due to the absence of Tom Byler, OWEB's Executive Director, the order of agenda items was modified. Items in the minutes are not identified in the order they were heard/considered by the Board.

Board Co-Chairs Diane Snyder and Dan Heagerty welcomed new Board members Debbie Hollen representing the U.S. Forest Service, and Alan Henning, representing the U.S. EPA.

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 March 16-17, 2010, Board meeting in Hood River were unanimously approved.

C. Executive Director Update

OWEB staff 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. Staff are working with Board member Eric Quaempts on a visit to the Tamástslíkt Cultural Institute and planning a traditional Longhouse dinner for conference participants. As of May 13, 2010, \$11,500 has been committed in sponsorships. Without additional sponsors, registration fees will be increased to cover more of the conference costs. Steve Amen, OPB Oregon Field Guide, will be the keynote speaker. A call for presentations will be out soon and staff will begin to schedule sessions and Board member participation.

2. Oregon Plan Biennial Report (Melissa Leoni)

OWEB staff have begun planning the content and production elements of the 2009-2011 Oregon Plan Biennial Report. Staff plan to produce a print document, but are discussing how to pare down the content included in the print version while enhancing the amount of data, information, and stories, made available on the Oregon Plan web site. The report is due to the Governor and appropriate legislative committees by January 15, 2011.

3. Strategic Plan Update (Melissa Leoni)

The content of OWEB's strategic plan was adopted by the Board at the January Board meeting. Staff are working on the public version of the plan and hope to have it ready soon.

4. Watershed Council Listening Sessions (Lauri Aunan)

Watershed Council Listening Sessions were held in each region in February and March. A total of 53 councils were represented at the sessions. Jim Owens of Cogan Owens Cogan, facilitated the listening sessions and provided OWEB with a final report summarizing the responses gathered through the listening sessions and an online anonymous survey. Staff is working with the Board Council Support Subcommittee, the Network of Oregon Watershed Councils and the Watershed Council Support Application Work Group to follow up on key areas identified in the Listening Sessions. Work includes improving, but not significantly changing, the application for the 2011-2013 grant cycle; holding a council support program dialogue at the OWEB Biennial Conference in November; and working with the Network on ideas for tools for capacity building. Board members discussed how OWEB is following up with watershed councils that ranked as "needs improvement" as a result of the 2009-2011 watershed council support evaluation process.

5. Small Grant Program Evaluation (Lauri Aunan)

OAR 695-35-0070 directs OWEB to review reports submitted by the Small Grant Teams and evaluate the need for program improvements and administrative rule changes once a biennium. Staff reviewed the submitted Small Grant Team 2007-2009 Biennial reports and conducted listening tours/site visits to each of OWEB's six regions. Staff found some housekeeping items that could be changed at a later date, but did not discover any substantive changes necessary. Staff concluded that no changes to the Small Grant Program are recommended at this time.

6. Coastal Wetlands Grants (Ken Bierly)

OWEB staff solicited project proposals for submission to the U.S. Fish and Wildlife Service (USFWS) Coastal Wetlands Grant Program. Three proposals in Tillamook and Coos

counties were received, and have been reviewed and approved for submittal to USFWS by the Board Acquisition Subcommittee. On May 26, the Legislative Emergency Board granted OWEB permission to apply for the three grants. Final applications are due June 25, 2010 to USFWS.

7. PCSRF Grant Process Report (Greg Sieglitz)

OWEB recently submitted a proposal to NOAA for Federal Fiscal Year 2010 PCSRF funding. OWEB is requesting a total of \$27 million for Oregon, which will include two new objectives requested by NOAA to specifically work with the Oregon Department of Fish and Wildlife on Lower Columbia monitoring and hatchery reform actions. OWEB expects to receive a response from NOAA in June of 2010.

8. Communications Strategy (Carolyn Devine)

OWEB's second web site www.healthywatersheds.org was recently launched. It is intended for those who are not currently involved in the watershed enhancement program, but who are curious about the agency and the work that has been done through OWEB investments. Staff contracted with OakTree Digital Resources on implementing a usability study request for proposals (RFP) and they identified short term web improvements. Staff plan to launch a second phase of improvements by hiring a contractor to evaluate both of OWEB's web sites from a user's perspective to improve the delivery of information and content and look at integration of sites.

On April 23, staff received customer service training. More intensive training on effective communications with members of the media will be offered to selected staff this summer.

Staff are also working with the Network of Oregon Watershed Councils on a communications effort to help build public awareness about involvement in watershed restoration efforts around the state.

D. Budget and Legislative

Tom Byler, Executive Director, provided Board members with 1) an overview on preparations to rebalance funds for the 2009-2011 biennium; 2) an update on the proposed SB 513 Working Group legislative concept for 2011-2013; and 3) preparations for creating the agency request budget for 2011-2013.

1. 2009-2011 Rebalance

Based on the latest revenue forecast, OWEB's managers have been discussing different options to rebalance funds for the remainder of the 2009-2011 biennium. Managers have identified reductions in operations, unallocated grant funds, and allocated but unspent funds that the Director has delegated authority to expend. Although Lottery Funds seem to be steady, the manager's recommendation is to be cautious and prepare for the worst case scenario by holding back more than the estimated shortfall.

The rebalance approach was structured to avoid affecting awarded grants, funds allocated to watershed council or SWCD support, impacting filled positions, and retaining as many grant funds as possible. The proposal uses awarded but unspent funds that were reserved for effectiveness monitoring, restoration priorities, and the communication strategy.

2. 2011-2013 Legislative Concept

At the request of the SB 513 Ecosystem Services Markets Working Group, and with approval from the Board, OWEB submitted a placeholder legislative concept on behalf of the Working Group relating to ecosystem services markets. The Working Group recently decided to have OWEB withdraw the legislative concept placeholder.

3. 2011-2013 Agency Request Budget

Director Byler provided an overview of the state's budget process, specifically the development of OWEB's Agency Request Budget (ARB) for 2011-2013. Key considerations in developing the ARB are:

- Strategic Plan Goals, Strategies, and Actions
- Board Budget Principles
- Potential Ballot Measure to Reauthorize Measure 66
- Long Term Revenue Forecast
- All Fund Sources and Fund Shifts
- Resiliency to Recover – 2014 Revenue forecasts
- Risks of backfill

In addition to the base budget, staff developed option packages to meet program goals and needs. These option packages cover

- Program Continuity (Ecosystems Services Coordinator, Performance Analyst/Reporting Specialist, Education Program Analyst, Acquisitions Specialist Reclass, and Information Technology Needs)
- Local Capacity (additional \$2 million for watershed councils and SWCDs)
- Research Capital (\$480,000)
- Federal Commitments (PCSRF Reporting Coordinator, Data Systems Specialist, Office Specialist, Willamette Partnership Coordinator)
- Program Enhancements (7th RPR, Acquisitions Assistant, Partnership Specialist)
- Capital Grant Funds
- Lower Columbia River Estuary Partnership (LCREP)
- Independent Multidisciplinary Science Team (IMST)

OWEB staff met with the Board Budget Subcommittee (Board Co-Chairs Dan Heagerty and Diane Snyder, Karl Wenner, Meta Loftsgaarden, Kim Kratz, Dan Thorndike, and Skip Klarquist) to review the staff report and draft staff recommendations.

Board members unanimously approved the staff recommendation for the Policy Packages described in Section IV.A and further detailed in Attachment A of the staff report except for numbers 15 and 16, additional funding for the IMST and LCREP, and the base budget reduction scenarios described in Section IV.B of the staff report, for inclusion in the Agency Request Budget for the 2011-2013 biennium.

E. 2010 Grant Cycles and Funding Targets

Lauri Aunan, Grant Program Manager, provided Board members with the background on development of OWEB's four biennial grant cycles, capital and non-capital grant offerings, and funding targets.

April 19, 2010, grant cycle

Staff received 156 applications in the April 19, 2010, grant cycle for a total request of over \$25 million. The solicitation was for Restoration/Acquisition (120 applications received) and Technical Assistance (36 applications received) applications.

October 18, 2010, grant cycle

The next grant application deadline is October 18, 2010. In addition to Restoration/Acquisition grants, staff recommended a non-capital solicitation that includes Technical Assistance, Education/Outreach, and Monitoring offerings.

Capital Grant Cycles (Restoration/Acquisition)

Staff estimate the amount of capital funds available for grant purposes for the remainder of the biennium to be between \$16.1 and \$18.1 million with two regular grant cycles remaining. Based on the uncertainty of funding, staff proposed a conservative approach to setting a funding target for each cycle -- \$8.25 million per cycle, which is 10 percent less than the funds reserved set by the Board for 2009-2011.

Non-Capital Grant Types

Staff estimate the amount of non-capital funds available for grant purposes is \$1.6 million. Staff again proposed a conservative approach (10 percent less) based on the uncertainty of lottery revenues and the level of PCSRF funding. Staff recommended the following grant solicitations and funding targets:

April 2010 Non-capital grants

Technical Assistance \$450,000

October 2010 Non-Capital Grants

Technical Assistance	\$ 450,000
Education/Outreach	\$ 450,000
Monitoring	\$1,350,000

Board members discussed whether Assessments should be added to the list of grant offerings for the October 2010 cycle since the last time it was offered was in April 2008. Staff will look into whether Assessments should be solicited for the October 2010 cycle or potentially for the April 2011 cycle.

Board members unanimously approved the following:

A) A funding target of \$8.25 million each for the April 2010 and October 2010 capital grant cycles; B) A funding target of up to \$450,000 for Technical Assistance grant applications received for the April 19, 2010, grant cycle; and C) The solicitation of Technical Assistance, Education/Outreach, Monitoring, and potentially Assessment grant applications with a funding target of up to \$2.25 million, dependent upon the receipt of new PCSRF funds.

F. Acquisition Grants

F-1. Deferred Land Acquisition: Summer Creek (#210-102)

Public Comment:

- Mayor Craig Dirksen, City of Tigard, and Dennis Kohlmeyer, Public Works Director, supported the Summer Creek acquisition.
- Owen Wozniak, Trust for Public Land, supported the Summer Creek acquisition.

Ken Bierly, Deputy Director, provided a brief summary of the Summer Creek application (#210-102), which was previously deferred by the Board for due diligence review, and was ready for Board consideration.

Staff worked with both the Board Acquisition and Budget subcommittees on this proposal. Board members discussed the benefits of this proposed application focusing on the education component.

Board members passed with one nay (Diane Snyder), a motion to award \$1 million of federal and other funds for the Summer Creek (#210-102) acquisition application subject to the conditions described in Section IX of the staff report.

F-2. Water Lease Application for Upper Klamath Basin (#211-100)

Ken Bierly, Deputy Director, provided a summary of this water acquisition proposal to fund a three-year water lease on Sevenmile Creek in the Upper Klamath Basin. This application was taken out of regular sequence to help address the Klamath Basin drought issues. Although it was not reviewed by the entire Central Oregon regional review team, it was reviewed by the Board Acquisition Subcommittee and Andrew Purkey, Manager of the Columbia Basin Water Transaction Program for the National Fish and Wildlife Foundation. Staff also consulted with Oregon Water Resources Department staff who were familiar with the project and strongly supported its funding.

Board members unanimously voted to award \$171,252 of capital funds to the Upper Sevenmile Creek Critical Habitat Instream Water Lease grant application (#211-100).

G. Jobs Research Presentation

Greg Sieglitz, Monitoring and Reporting Program Manager, introduced Cassandra Moseley and Max Nielsen-Pincus, with the University of Oregon's Ecosystem Workforce Program (EWP), who presented the final results from an OWEB-funded research project evaluating the economic impact and job creation associated with watershed restoration project funding. Mr. Sieglitz provided the Board members with summary comments and described the potential future phases of the project which may be presented to the Board at future meetings with funding requests.

H. Public Comment

- Tom O'Brien, Executive Director, Network of Oregon Watershed Councils, provided an update on follow-through from the Listening Sessions.
- Charlie Boyer, OACD President, said that OACD is advertising to fill the Executive Director position. He also commented that watershed councils are often working on restoration projects in riparian areas with no surveys for cultural resources unless a federal agency is involved.
- Jeff Oveson, Grande Ronde Model Watershed, presented OWEB with a photo book of the Wallowa River/6 Ranch Project in recognition of OWEB's contribution to the success of the project.

At the conclusion of the day's meeting, OWEB Board members, staff, and local partners toured restoration projects in the Burnt River watershed with representatives from the Baker County soil and water conservation districts.

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OWEB Staff Present

Bonnie Ashford
Lauri Aunan
Ken Bierly
Tom Byler
Renee Davis-Born
Carolyn Devine
Sue Greer
Karen Leiendecker
Melissa Leoni
Greg Sieglitz

Others Present

Rob Richardson
Charlie Boyer

Members Not Present

John Jackson
Jim Johnson
Skip Klarquist

Board members discussed the Klamath Water Lease funding decision made under Agenda Item F-2 at the previous day's meeting. Board members are interested in a training session on the valuation of water. Staff will work with the Board Co-Chairs and the Acquisition Subcommittee meeting on a presentation for the next meeting.

I. 2011-2013 Watershed Council Support

Lauri Aunan, Grant Program Manager, presented staff recommendations to the Board related to policy changes for new applicants and solo funding requests for the 2011-2013 Watershed Council Support grant cycle.

She provided background information on the Council Support process with the next application deadline on January 18, 2011, with grant awards planned for June 2011. Goal 2 of OWEB's newly adopted Strategic Plan is to "Support an enduring, high capacity local infrastructure for conducting watershed restoration and conservation." Strategy 2 under Goal 2 is to "Evaluate and adjust watershed council support grant review and funding processes to build local capacity, provide base funding and promote strategic partnerships."

OWEB began addressing Goal 2 by holding six Watershed Council Listening Sessions around the state to get feedback from councils to inform OWEB staff and Board members in developing actions to implement Goal 2. A Council Support and Listening Session Follow-Up Schedule was provided. For the 2011-2013 cycle, OWEB is working with a Watershed Council Support Work Group made up of watershed council coordinators, council support application reviewers and OWEB staff. The goals of the Work Group are to make the application easier and quicker to fill out and review, and ensure that key information is more clearly communicated to reviewers without losing information needed for the merit evaluation.

Ms. Aunan provided Board members with information on OWEB's statutes and recommended policy changes for new applicants and requests for solo funding in the next council support cycle. OWEB is committed to developing long-term council support program principles that will form the basis for potential funding and rule changes for the 2013-2015 council support grant cycle. The State budget faces significant revenue shortfalls for the 2011-2013 biennium, resulting in OWEB budget uncertainty and the likelihood of limited council support finding.

Based on these factors, staff recommended changes to Board policy for the 2011-2013 biennium only, with the expectation that the Board and staff will address key council support policy questions before the 2013-2015 council support funding cycle.

Since watershed councils may face a funding shortage and need to find ways to do more with less, Board members suggested the importance of shared services as a way to get things done in a less expensive manner. OWEB's follow up with watershed councils that were ranked as "needs improvement" as a result of the 2009-2011 evaluation process was also discussed.

Board members unanimously approved the new applicant policy as described in paragraph IV.C.1 of the staff report; and the solo funding request policy as described in paragraph IV.C.2 of the staff report.

1. Recommended New Applicant Policy

Based on OWEB's eligibility rules, OWEB cannot refuse to accept an application for council support funding if the application meets the eligibility requirements. However, the Board has the discretion to make no award based on "available funding." OWEB has provided council support funding in the past two biennia to achieve an award average of approximately \$100,000 per council (recognizing that actual individual awards vary based on merit category and umbrella council bonuses). For the 2011-2013 council support grant cycle, staff recommend that the Board give notice to councils that we expect the 2011-2013 budget to be constrained, and that if the level of available funding does not support an average award of \$100,000 per council, the Board will not fund new applicants. As an example, if OWEB received 65 eligible applications, the total amount of funding available would need to meet or exceed \$6.5 million for new applicants to be awarded council support funding.

2. Recommended Policy on Requests for Solo Funding

OWEB's rules give the Board broad discretion to decide whether to entertain or approve requests for solo funding. For the 2011-2013 council support grant cycle, staff recommend that the Board give notice to councils that it will not accept requests for solo funding. This

hiatus will allow staff and Board to concentrate on developing council support program principles that will form the basis for potential funding and rule changes.

J. Ecosystem Services Update

Renee Davis-Born, Ecosystem Services Coordinator, provided updates on the following:

SB 513 Working Group

The Working Group has met three times since December 2009. They divided into four subgroups around four identified priority policy areas, and will report back to the group as a whole on their findings.

1. Overarching ecological, economic, and integration goals to guide the development of integrated ecosystem services markets in Oregon;
2. Agency processes and interactions to address appropriate roles at local, regional, state and national scales;
3. Public/private financing issues; and
4. Private and government roles in developing standards, methodologies, metrics and tools.

The Working Group will provide a final report to the Sustainability Board in November 2010, and staff will brief Board members at the September meeting.

Ecosystem Services Markets in the Willamette Basin

Ms. Davis-Born updated Board members on a proposal to the 2010 U.S. Department of Agriculture (USDA) Conservation Innovation Grant (CIG) program. In this proposed project, OWEB would partner with the Willamette Partnership and The Freshwater Trust 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 a marketplace.

OWEB's role in the proposed project is to provide grant funds that could be used as a backstop option to reimburse private investors for high-quality restoration work if the market for ecosystem services credits fails to appear. The pilot effort is proposed to stimulate private investment in restoration and conservation, reduce initial risk to private investors, and help establish an ecosystem services market.

On April 26, 2010, the Willamette Partnership, The Freshwater Trust, and OWEB submitted a CIG pre-proposal to USDA requesting funding to support implementation of the pilot project to be conducted within the framework of the tributary initiative of the Willamette SIP and the Meyer Memorial Trust/Bonneville Environmental Foundation "Model Watershed Program." The organizations then were asked by USDA to submit a full application package by June 5, 2010, and will await an award decision following that.

OWEB Research Project on Ecosystem Services

In August 2009, OWEB contracted with Ecosystem Services LLC and Ecotrust to investigate how traditional OWEB restoration and acquisition projects may provide ecosystem services and how these investments may converge with ecosystem services markets. Ms. Davis Born introduced Duncan Berry and Guy Sievert from Ecosystem Services LLC who provided a presentation on their final report and recommendations from their research.

Following the presentation, Board members discussed several aspects of the research, ranging from methods used by the contractor to estimate monetary values for carbon emerging from OWEB projects, to related work underway by other organizations to develop protocols and methods to quantify other ecosystem services, to the potential for pilot projects that could evolve from this research to enhance stewardship, create opportunities for green marketing, and offer additional revenue streams to landowners involved in restoration projects. The contractor will provide a briefing to staff about this research in June or July, and staff will propose potential next steps for the agency's ecosystem services initiative to the Board at the September meeting.

K. Public Comment

There was none.

L. DEQ Willamette Water Quality Presentation

Greg Sieglitz, Monitoring and Reporting Program Manager, introduced DEQ staff, Aaron Borisenko, Watershed Assessment Manager, and Greg Pettit, Lab Division Administrator, who provided Board members a presentation on the Willamette Basin Rivers and Streams Assessment. The report, compiled by Michael Mulvey, Robin Leferink, and Mr. Borisenko, contained ten years of water quality data and included data gathered by watershed councils using OWEB funding. The data shows continued declines in water quality particularly in rivers and streams dominated by adjacent agricultural landscapes. The ten year, large scale review is the only means to evaluate overall incremental changes in water quality associated with OWEB and other project investments

This unique opportunity to pull together information about water quality was the result of standard methods that were used by the various water quality monitoring efforts and the capabilities of the DEQ Lab. Without those standard methods and with the staffing and funding reductions experienced at the DEQ Lab it is not likely this type of analysis will be possible in the future.

M. Investment and Outcome Reporting

Greg Sieglitz, Monitoring and Reporting Program Manager, updated Board members on the implementation of various actions related to the reporting and communication about OWEB investments and outcomes achieved as described in the OWEB 2010 Strategic Plan.

Goal 3, Strategy 1, Action 4 of the Strategic Plan proposes to compile a history of OWEB investments and ecological outcomes. A number of investment and outcome reporting tools have been or are being developed such as the OWEB Investment Tracking Tool, a Fish Passage Project Viewer, as well as the Conservation Registry, Oregon Watershed Restoration Inventory Visualization Tool on the Oregon Explorer, and Pacific Coastal Salmon Recovery Funds data viewer.

In addition to enhancing the exposure of the general public to the information about OWEB investments, staff have been building platforms and compiling information for reporting on the outcomes of those investments. Staff have been working with InfoGraphics Lab at the University of Oregon on a web-based data viewer to portray fish habitat made accessible by OWRI projects over the last ten years in the Coos and Upper John Day sub-basins.

Mr. Sieglitz provided a demonstration of each online web tools that were developed or in development and provided the release dates of all products that correspond with the corresponding workplans. All tools have an initial release date between July 1 and August 31 2010. Staff will continue to report on improvements to the web site as well as additional reporting tools through the end of the year.

N. Other Business

Land Acquisition Grant Rulemaking

Ken Bierly, Deputy Director, and Melissa Leoni, OWEB Senior Policy Coordinator, briefly described the need to initiate permanent rulemaking related to OWEB's acquisitions grant program. Staff working with grantees and OWEB's independent due diligence reviewers, have identified needed revisions to three rules which will result in greater clarity for applicants, grantees, and staff.

The rules proposed for revision are: A) Funds Recoverable for Property Misuse or Unapproved Conveyance [OAR 695-045-0140(4)(b) and OAR 695-045-0150(4)]; and B) Due Diligence Requirements [OAR 695-045-0120(2)(b)-(e)].

Staff will convene a rules advisory committee of land acquisition grant applicants, OWEB due diligence reviewers, and other stakeholders to work with staff and the Board Acquisition Subcommittee on proposed rule changes.

Board members unanimously authorized staff to begin a targeted acquisition rulemaking for OAR 695-045-0120(2)(b)-(e), OAR 695-045-0140(4)(b), and OAR 695-045-0150(4) as described in Sections III and IV of the staff report.

Having no further business, the meeting was adjourned.