

MEETING DATE: February 8, 2018

TITLE: Authorization to Submit Letter to BWSR Regarding Watershed Based Funding Pilot Program

RESOLUTION NUMBER: 18-010

PREPARED BY: Becky Christopher

E-MAIL: bchristopher@minnehahacreek.org

TELEPHONE: 952-641-4512

REVIEWED BY: Administrator Counsel Program Mgr. (Name): _____
 Board Committee Engineer Other

WORKSHOP ACTION:

<input type="checkbox"/> Advance to Board mtg. Consent Agenda.	<input type="checkbox"/> Advance to Board meeting for discussion prior to action.
<input type="checkbox"/> Refer to a future workshop (date): _____	<input type="checkbox"/> Refer to taskforce or committee (date): _____
<input type="checkbox"/> Return to staff for additional work.	<input type="checkbox"/> No further action requested.
<input checked="" type="checkbox"/> Other (specify): <u>Requesting approval at February 8 meeting</u>	

PURPOSE or ACTION REQUESTED:

Requesting authorization to submit a letter to the Board of Water and Soil Resources, signed by the Board President, outlining District concerns and recommendations for the Watershed-based Funding Pilot Program.

PROJECT/PROGRAM LOCATION: N/A

PROJECT TIMELINE: N/A

PROJECT/PROGRAM COST: N/A

PAST BOARD ACTION: N/A

SUMMARY:

At the January 25, 2018 Planning and Policy Committee (PPC) meeting, staff provided an overview of the Board of Water and Soil Resources (BWSR) Watershed-based Funding Pilot Program and its implications for MCWD. The PPC recommended that staff provide a letter for Board authorization that outlines the District's concerns and recommendations for the program.

Background:

In 2011, the Local Government Water Roundtable (Association of Minnesota Counties, Minnesota Association of Soil and Water Conservation Districts, and Minnesota Association of Watershed Districts) introduced legislation to make changes to allow Comprehensive Local Water Management to be conducted on a watershed basis instead of a county boundary. The policy recommendations were developed through the work of the Local Government Water Roundtable (LGWR) and BWSR. This watershed basis management is now known as One Watershed One Plan (1W1P). On January 27, 2016, the LGWR chartered a Workgroup in order

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Resolutions are not final until approved by the Board and signed by the Board Secretary.**

to expand on the original concepts for watershed based funding that were included in its November 2013 Policy Paper, resulting in the 2016 Funding Workgroup Policy Paper.

The LGWR recognized that comprehensive watershed management planning has been taking place in the Seven County Metropolitan Area (Metro) since 1982. Since these plans exceed what is expected of a 1W1P, the watersheds in these counties are not required to go through the 1W1P process. However, they concluded that “comprehensive watershed management plans are in need of predictable funding from the state”, and “as the metro area contributes to the source of Clean Water Funds through its tax base, to be equitable, it should have some share in the funds distributed through this new mechanism [1W1P].”

The Funding Paper included the following recommendations for the Metro Area:

- Metro local government units (LGUs) should work together and develop a priority list of projects leveraging existing plans without the need to duplicate existing plans/efforts.
- To address the issue of equity and duplication of funding through this new mechanism:
 - The LGUs within each County will come together to use their watershed management plans to develop a priority list of projects that will be referred to as a Collaborative PTM Plan (prioritized, targeted, and measurable).
 - The SWCDs in each county will be given the opportunity to serve as the lead organization for this effort. An alternative lead organization could be requested by the entities creating the Collaborative PTM Plan with approval from BWSR.
 - The lead organization will help to create the Collaborative PTM Plan, seek approval through BWSR, receive the funds, and distribute the funds to the partners in accordance with the partners per the funding agreement.

These recommendations were further developed and advanced by BWSR and the LGWR Workgroup, resulting in the Clean Water Council supporting watershed-based implementation funding with a recommendation for BWSR to initiate a pilot program in FY2018-19. The legislature appropriated \$9,750,000 from the Clean Water Fund to BWSR for the FY2018-19 biennium for a pilot program to provide performance-based grants to LGUs. The grants may be used to implement projects identified in a comprehensive watershed plan developed under the 1W1P or metropolitan surface water management frameworks or groundwater plans.

Pilot Program:

On December 20, 2017, the BWSR Board adopted the FY18 Watershed-based Funding Pilot Program guiding principles, policy, and allocations. The Pilot Program is generally consistent with the recommendations from the LGWR Workgroup. It allocates funding based on county boundaries and includes a base amount of \$250,000 for each county with the remainder distributed based on land area of each county.

The LGUs within each county (county, SWCD, WMOs, WDs, and cities) can choose to either develop a joint work plan identifying priority activities or collectively opt into a metro area competitive grant process. The funds for those groups that opt into the competitive process are pooled and only available to those metro entities. These partnerships have until June 30, 2018 to develop and submit their joint work plan to BWSR or indicate that they are opting into the competitive process.

Implications for MCWD:

Given that the District is part of both Hennepin and Carver Counties, staff is participating in a separate process for each. The FY2018-19 allocations include \$1,018,000 for Hennepin County and \$749,200 for Carver County. Preliminary meetings with the Carver and Hennepin groups (excluding cities) were held on January 16 and 23, respectively, to discuss options.

Since the rollout of the pilot program in early January 2018, staff has been communicating with BWSR staff and other affected LGUs to better understand the program and its implications for the District, both now and in future years. Staff has a number of concerns that have been expressed to BWSR staff regarding (1) the process used to develop the pilot program, (2) the framework for the pilot program, and (3) the long-term implications of the funding transition. These concerns were discussed at the January 25, 2018 PPC meeting and are outlined in the attached letter.

Requested Action:

Staff is requesting that the Board authorize the Board President to sign the attached letter for submittal to the appropriate BWSR staff and board members.

RESOLUTION

RESOLUTION NUMBER: 18-010

TITLE: Authorization to Submit Letter to BWSR Regarding Watershed Based Funding Pilot Program

WHEREAS, the legislature appropriated \$9,750,000 from the Clean Water Fund to the Board of Water and Soil Resources (BWSR) for the FY2018-19 biennium for a pilot program to provide performance-based grants to local government units (LGUs) to implement projects identified in comprehensive watershed plans; and

WHEREAS, on December 20, 2017, the BWSR adopted the FY18 Watershed-based Funding Pilot Program guiding principles, policy, and allocations; and

WHEREAS, within the Seven County Metropolitan Area, the program allocates funding based on county boundaries and allows for the LGUs within each county to develop a joint work plan of activities or opt into a competitive grant process; and

WHEREAS, MCWD staff has identified a number of concerns with the pilot program and discussed these with the MCWD Planning and Policy Committee at its January 25, 2018 meeting; and

WHEREAS, the Planning and Policy Committee recommended that a letter to BWSR outlining these concerns be brought to the February 8, 2018 Board Meeting for authorization, and this letter is attached;

NOW, THEREFORE, BE IT RESOLVED that the Minnehaha Creek Watershed District Board of Managers authorizes the Board President to sign the attached letter for submittal to the appropriate BWSR staff and board members.

Resolution Number 18-010 was moved by Manager _____, seconded by Manager _____.
Motion to adopt the resolution ___ ayes, ___ nays, ___ abstentions. Date: _____.

Secretary

Date: _____



February 8, 2018

Mr. John Jaschke, Executive Director
Minnesota Board of Water and Soil Resources
520 Lafayette Road North
Saint Paul, MN 55155

Re: Watershed-Based Funding Pilot Program

Dear Mr. Jaschke,

I am writing on behalf of the Minnehaha Creek Watershed District (MCWD) Board of Managers to express our concerns regarding BWSR's FY2018 Clean Water Fund Watershed-Based Funding Pilot program. While we support the broad direction and principles of the One Watershed, One Plan (1W1P) program, the Funding Pilot for the Twin Cities Metropolitan Area does not reflect a watershed-based approach. We urge BWSR to engage openly with watershed districts and other local units of government (LGUs) to develop a Clean Water Funding approach that is truly watershed-based and meets the purpose and intent of the One Watershed, One Plan program.

MCWD Concerns

We understand and support the goals of the 1W1P program and the Guiding Principles of the Watershed-Based Funding Pilot program: planning and prioritizing water quality projects on a watershed basis; prioritized, targeted, measurable (PTM) planning and implementation of watershed-based projects; stable and predictable funding to implement watershed plans; efficient administration of state and local funds; and oversight and accountability to ensure that funds are used wisely. We believe that a funding program that truly pursues these goals would be consistent with the vision of the Clean Water Fund and bring great benefits to water resources.

Unclear Process to Develop Policy

The process to develop the Watershed-Based Funding Pilot program was never clearly defined or communicated, making it difficult for LGUs to engage. We participated in all of the few opportunities for LGU input that the process afforded. The first opportunity came during a March-April 2017 round of dedicated listening sessions at which the MCWD provided input in support of watershed (not county) boundaries, and advocated use of a project priority list that would enable funding predictability. The Watershed Funding Pilot program was discussed briefly at October listening sessions held for Governor Dayton's 25 by 2025 Initiative, at which the MCWD reiterated its input provided at the March-April sessions. It was difficult to discern how the input provided to BWSR through these listening sessions was considered in the development of the current policy.

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It appears that BWSR relied heavily on the recommendations of the Local Government Water Roundtable and its Funding Workgroup in developing the pilot program. While these groups included watershed district representatives, they were comprised predominantly of entities that operate on a county boundary. Furthermore, it was never made clear to the affected LGUs that these members would, in essence, be representing us in providing these recommendations to BWSR. In addition, there has been no engagement of cities throughout this process even though they are eligible entities under the program.

County, Rather than Watershed-Based

Rather than pursue a watershed-based approach, the Watershed Funding Pilot program allocates funding in the metro area by county boundaries. A funding application process by county boundaries places extra burden on watershed districts that cover multiple counties. The MCWD lies in both Carver and Hennepin Counties, for example, and our current highest priority for watershed restoration, the Six Mile Creek-Halsted Bay Subwatershed, lies in both counties. The county funding framework renders the opportunity to pool funds on a single project unavailable to our District. In other cases, there are watershed management organizations that are focused on a common water resource but located in different counties (e.g. Mississippi WMO, West Mississippi WMO, Lower Mississippi WMO, Capitol Region WD). These LGUs would benefit from coordinating and prioritizing their implementation efforts but are currently participating in separate county-based groups.

Lacking Incentives for Prioritized, Targeted, Measurable Projects

While, BWSR's stated goal is to focus on prioritized, targeted, and measurable (PTM) projects, the current Funding Pilot does not incentivize the best projects in the metro area. Rather than provide clear PTM criteria, the funding has been "block granted" to the metro counties according to land area. Based on the MCWD's meetings and conversations with other LGUs to date, the likely outcome of the current funding structure will be the further division of funds based simply on land area or tax base. It will be overly burdensome for all LGUs within each county to agree on a framework that more effectively prioritizes and targets resources. As a result, funds will be directed to small, dispersed implementation efforts, a project structure that will not demonstrate the strong results needed to secure continued funding from the legislature.

Furthermore, the current program allows funding to be used for studies rather than being focused on implementation. This seems inconsistent with the overall intent for these funds and will make it even more difficult to show measurable results.

Lack of Guidance

To date, BWSR has not provided adequate clarity about the Watershed Funding Pilot program or sufficient program guidance. It has been left up to the LGU groups to determine who will convene and lead each group, their decision-making process, how the cities will be informed and involved, and the criteria or framework that will be used to allocate the funds. This lack of clarity is causing LGUs to collectively spend an inordinate amount of time in an effort to understand the program and determine a course of action. It is neither reasonable nor realistic of BWSR to expect large groups of LGUs – 57 in Hennepin County – to, by June 2018, agree on a decision-making process and a joint plan for allocating funds without any guidance.

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Long-Term Implications

Finally, the District is concerned about the long-term implications of the Watershed Funding Pilot program because BWSR has proposed to shift the bulk of BWSR Clean Water Funds to this program model in future years. The District requests that BWSR provide a clear written process for how it will gather input from LGUs about and evaluate the pilot program in making decisions about the future of the program.

MCWD Recommendations

We believe that many watershed organizations in the Metro area share these concerns, and we would like to work with BWSR to assure that the funding model addresses these problems. In that spirit, we offer the following recommendations:

1. *BWSR's Watershed-Based Funding Program Should be Watershed-Based.*

Funds should be allocated based on 8 digit HUC watersheds, rather than county boundaries. Further subdivision, based on hydrologic boundaries, could be considered as needed.

2. *Follow PTM and Establish Incentives for the Best Projects with the Best Outcomes.*

BWSR should focus the program on the resource needs and outcomes of projects, and incentivize those projects and programs that achieve the greatest results. This program structure and criteria could also be used to incentivize other goals and priorities, such as partnerships or larger amounts of project financial match. The program would remain competitive but would be modified to address concerns about best project incentives and funding predictability.

3. *Provide Stability and Predictability Through a Project Priority List.*

Program use of a project priority list (like that of the Public Facilities Authority) would allow LGUs to organize projects based on project merit and provide a predictable funding plan in alignment with the timeline for project implementation. BWSR's use of a project priority list would demonstrate the recognition that not all LGUs will have eligible, shovel-ready projects annually or every biennium, and establish a predictable queue for projects to receive funding according to a defined timetable. Without this structure, all LGUs are compelled to put forward a proposal every cycle in order to obtain funding.

We will continue to coordinate with the other LGUs within our two counties, both to develop and evaluate options for the successful implementation of the pilot program and also to develop recommendations for the future of the program. To that end, we will be sharing this letter with other Metro LGUs for their consideration.

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We appreciate this opportunity to provide comments on the pilot of Watershed-Based Funding and look forward to working with BWSR on an improved program that meets our common goals. We would welcome the opportunity to meet with your staff to discuss these ideas further.

Sincerely,

Sherry Davis White
MCWD Board President

Cc: Marcey Westrick, Clean Water Coordinator
Doug Thomas, Assistant Director of Regional Operations
Kevin Bigalke, Central Region Manager
Steve Christopher, Board Conservationist
BWSR Board

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