



MEMORANDUM

To: MCWD Board of Managers
From: Becky Christopher
Date: April 23, 2018
Re: Information Item – Watershed-Based Funding Update

Purpose:

To provide the Board of Managers with an update regarding the Board of Water and Soil Resources Watershed-Based Funding Pilot Program.

Background:

The Board of Water and Soil Resources (BWSR) is moving towards providing more systematic Clean Water Funding for local water management authorities on a watershed basis. The watershed-based funding model is intended to provide local governments throughout Minnesota with efficient, transparent, and stable funding. To achieve this, BWSR envisions transitioning from project by project competitive grants to a coordinated watershed funding approach. This approach will rely on comprehensive watershed management plans developed under the One Watershed, One Plan Program or the Metropolitan Surface Water Management Act to provide assurance that actions are prioritized, targeted, and measurable. The concept of watershed-based funding grew out of the Local Government Water Round Table 2016 Fund Policy Paper.

On December 20, 2017, the BWSR Board adopted a Watershed-Based Funding Pilot Program for state fiscal years 2018-19. The pilot program allocated \$5.59 million across the seven-county metro 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 resulting allocations are \$1,018,000 for Hennepin County and \$749,200 for Carver County.

The eligible local government units (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.

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At the January 25, 2018 Planning and Policy Committee (PPC) meeting, staff provided an overview of the Watershed-Based Funding Pilot Program and its implications for MCWD. Subsequently, on February 8, 2018, the Board authorized the submittal of a letter to BWSR expressing the District's concerns and recommendations for the program.

Current Status:

Staff has been participating in discussions with both the Hennepin and Carver County groups to evaluate options for a collaborative approach to utilize this initial round of funding. In these meetings, staff has advocated for an allocation approach that incentivizes the best projects and resource outcomes.

Given the short timeframe provided for developing a joint work plan, the preference among the Carver County entities has been to use a simple formula to allocate the funds. The members have expressed a willingness to explore a more prioritized and targeted approach long-term. A variety of allocation formulas were discussed, and the preferred option is a 50/50 split between land area and tax base. Under this formula, the District would receive \$93,879, which staff is proposing to apply toward the Wasserman West project. Several other counties are planning to utilize a similar formula approach, though they differ slightly in the factors used.

In Hennepin County, the preferred approach is to first divide the funds across the three major river basins (Mississippi, Minnesota, and Crow) based on a 50/50 split of land area and tax base. The entities within those basins would then determine priorities for their allocation. The group has also expressed interest in applying a portion of the funds toward a regional collaborative effort to address chlorides. This idea is currently being discussed with other counties and the MPCA to determine if it is a viable option for this funding cycle or something that could be considered in the future.

The resulting allocation for the Mississippi basin is \$734,167 (potentially less pending the chloride discussions). The Mississippi sub-group is working toward a targeted and prioritized approach that ranks projects based on resource need (impaired or near-impaired waters), water quality benefit (e.g. nutrient reduction), secondary benefits (e.g. ecological, flood reduction, community), partner support, and leveraged funds. Based on discussions to date, the District is likely to receive somewhere in the range of \$200,000-\$275,000, which staff is proposing to apply toward the 325 Blake Road and Arden Park projects.

Next Steps:

Once the proposal for Hennepin County is further defined and vetted through the full group of eligible entities, staff will return for Board authorization to apply for the funding, per Board policy.

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District staff continue to be vocal regarding concerns with the pilot and future direction of the program and are tracking any developments. At the April 17 Metro MAWD meeting, BWSR staff reported that they are coordinating with the Metropolitan Council to form a metro roundtable of LGU members to provide input on this pilot program and other topics. They anticipate kicking off this process in late May but were not yet certain how members would be selected.

If there are any questions or you would like further information, please contact Becky Christopher at 952-641-4512 or bchristopher@minnehahacreek.org.

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