

STATE OF CALIFORNIA
CAPITAL OUTLAY
BUDGET CHANGE PROPOSAL (COBCP)
COVER PAGE (REV 03/04)

DEPARTMENT OF FINANCE
915 L Street
Sacramento, CA 95814
IMS Mail Code: A15

BUDGET YEAR 2007-08

ORG CODE: 3845 COBCP NO. 07/08:05 PRIORITY: 5 PROJECT ID: 38-07-000

DEPARTMENT: San Diego River Conservancy

PROJECT TITLE: Federal Trust Fund Authority

TOTAL REQUEST (DOLLARS IN THOUSANDS): \$0 (Fed Trust Fund Auth. Only \$1,200)
MAJOR/MINOR: MA PHASE(S) TO BE FUNDED: Various PROJ CAT: _____
CCCI/EPI: N/A

SUMMARY OF PROPOSAL: The San Diego River Conservancy (Conservancy) is requesting Capital Outlay Federal Trust Fund Authority in the amount of \$1,200,000.00.

The purpose of the Federal Trust Fund Authority is to allow the Conservancy to receive Federal funds resulting from appropriation requests and federal grant programs for which the Conservancy has already or will apply. To date the Conservancy has requested federal appropriations from the Department of Food and Agriculture and the Department of the Interior. Entities to which the Conservancy intends to make grant application include the U.S. Environmental Protection Agency (e.g., USEPA Wetland Protection and Development and numerous other grant programs); U.S. Fish and Wildlife Service; the National Oceanic and Atmospheric Administration (Department of Commerce); the National Marine Fisheries Services; and other Federal entities.

The Conservancy is relatively new and has never had its own capital outlay/local assistance appropriation with which to conduct its statutory mission (Capital Outlay Budget = \$0). Application is currently underway for the entire remaining balance of the original Prop 40 River Parkways appropriation earmarked for the San Diego River (which is a line-item in the Resources Agency's budget). In addition the Conservancy has, is, and will continue to actively seek funding from numerous other state, federal, local, and private funding sources as described in Section A below (and detailed in Appendix 1).

HAS A BUDGET PACKAGE BEEN COMPLETED FOR THIS PROJECT? (E/U/N/?): N

REQUIRES LEGISLATION (Y/N): N IF YES, LIST CODE SECTIONS: N

REQUIRES PROVISIONAL LANGUAGE (Y/N) N

IMPACT ON SUPPORT BUDGET: ONE-TIME COSTS (Y/N): N FUTURE COSTS (Y/N): Y
FUTURE SAVINGS (Y/N): N REVENUE (Y/N): N

DOES THE PROPOSAL AFFECT ANOTHER DEPARTMENT (Y/N): N IF YES, ATTACH COMMENTS OF AFFECTED DEPARTMENT SIGNED BY ITS DIRECTOR OR DESIGNEE.

SIGNATURE APPROVALS:

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A. PURPOSE OF THE PROJECT: (problem, program need, infrastructure deficiency)

Purpose

The purpose of the Federal Trust Fund Authority is to allow the Conservancy to receive Federal funds resulting from appropriation requests and federal grant programs for which the Conservancy has already or will apply. To date the Conservancy has requested federal appropriations from the Department of Food and Agriculture and the Department of the Interior. Entities to which the Conservancy intends to make grant application include the U.S. Environmental Protection Agency (e.g., USEPA Wetland Protection and Development and numerous other grant programs); U.S. Fish and Wildlife Service; the National Oceanic and Atmospheric Administration (Department of Commerce); the National Marine Fisheries Services; and other Federal entities.

The Conservancy currently has no funding within its Capital Outlay Budget, having only \$500,000 in Reimbursement Authority to receive grant funding from non-federal sources. The Conservancy is requesting and applying for funds from various federal entities to augment its current project funding sources. Federal Trust Fund Authority is required to accept anticipated awards or any federal funding.

Problem

The San Diego River Conservancy has a clear statutory mandate, a recently adopted Five Year Strategic and Infrastructure Plan, four newly established Programs, and thirty, high-priority implementing Projects. The Conservancy however has never had funding appropriated to its Capital Outlay Budget with which it can conduct its statutory mission, programs and projects.

Program Need

The Conservancy is currently seeking any applicable funding source and any suitable budget authority to optimize/increase its ability to conduct its statutory mission. This COBCP requests Federal Trust Fund Authority, an important funding authority that we currently lack. To date the Conservancy has submitted three federal appropriation proposals. Each proposal has requested appropriation of federal funds into the budget of one of the Conservancy's federal partners. The \$1,200,000.00 sought in this COBCP reflects the total amount of federal appropriation that the Conservancy has requested for Federal Fiscal Year 2007.

Two identical proposals were submitted through the Department of Agriculture via the City of San Diego (FFY 2006 and FFY 2007). These proposals requested the appropriation of federal funding to the Cleveland National Forest for the purpose of partnering with the Conservancy to acquire high priority private in-holdings within the Forest.

A third proposal was submitted to the Department of Interior through Congresswoman Susan Davis requesting a line item appropriation to the budget of the Bureau of Reclamation. The purpose of this proposal was to fund the Bureau of Reclamation to develop sophisticated predictive models for the Conservancy's comprehensive Hydrology Assessment of the San Diego River Watershed.

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In addition, the Conservancy intends to submit application to various federal entities which administer grant programs. These entities may include U.S. Environmental Protection Agency (e.g., USEPA Wetland Protection and Development and numerous other grant programs); U.S. Fish and Wildlife Service; the National Oceanic and Atmospheric Administration (Department of Commerce); the National Marine Fisheries Services; or other Federal entities.

Conservancy's Total Fiscal Need

To put this COBCP request in perspective, the Conservancy's recently adopted Five Year Strategic and Infrastructure Plan estimates the Conservancy's total capital outlay funding need at approximately **\$164.5 million**¹. This is the estimate of the total cost for the Conservancy to conduct its statutory mission over the upcoming five year planning period. It is based on the projected costs of conducting the Conservancy's four major Programs and 30 implementing Projects.

Past and Future Conservancy Efforts to Secure Funding

Although the San Diego River Conservancy is still in its infancy, it has already taken significant steps to secure funding (or related budget authority) necessary to conduct its mission. See Appendix 1 for discussion of Conservancy's efforts to secure funding.

\$240,000 Special Deposit Fund Account

The Conservancy has successfully secured a \$240,000 award from the City of San Diego as mitigation for alleged discharges of sewage into the San Diego River². These funds are currently earning interest in a Special Deposit Fund Account and can be used for capital outlay purposes. The Governing Board has formally designated these funds as seed money to initiate the Conservancy's comprehensive Hydrology Assessment of the San Diego River Watershed which is currently in the early design stages. Portions of the \$240,000 however are currently being used to cover the upfront costs of on-going acquisitions (White property, Anderson property, etc.). This practice will necessarily continue until the Conservancy is able to secure an alternate source of readily available funds for this purpose.

Reimbursement Authority and Federal Trust Fund

In addition, the Conservancy has applied for several state and local grants and other funding opportunities. In anticipation of receiving such funds, the Conservancy requested and was granted \$500,000 of Reimbursement Authority. The Conservancy has also applied for three federal appropriations. We are submitting this COBCP In anticipation of receiving requested federal funding.

Consequences of Not Granting Federal Trust Fund Authority

If Federal Trust Fund Authority is not awarded, the Conservancy will be unable to accept federal funds resulting from any of its current or future appropriation requests or grant applications.

Measures of Success

Successful use of the requested appropriation will be measured in terms of:

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- Federal dollars awarded and accepted

Additional Important Information in Appendices

In order to keep the body of this document concise and focused, I have provided two important Appendices with relevant additional information for your consideration.

Appendix 1

Appendix 1 provides information on each of the following topics:

Past and Future Conservancy Efforts to Secure Funding

- *Two 2007 Federal Appropriation Requests*
- *Supplemental Environmental Project (SEP) to Local Transit District*
- *Cave's Water and Parks Private Initiative for Nov 2006 Ballot*
- *Resources' Prop 40 River Parkways Funds for San Diego River (\$3 million)*
- *Plans for Resources' Remaining \$5 million Prop 40 River Parkway Funds*
- *Support BCPs for 2007*
- *Reimbursement Authority*
- *Federal Appropriation for FY 2006*
- *Consolidated Grant, State Water Resources Control Board*
- *Prop 50 Integrated Regional Water Management Plan (IRWMP)*
- *Southern California Wetlands Recovery Project (SCWRP)*

Why Should Federal Trust Fund Authority be Granted to the Conservancy?

- *Strong Partner Support / Highly leveraged*
- *Demonstrated Need*
- *Strong Public Support*
- *Allows Conservancy to Build Track Record*

Appendix 2

Appendix 2 provides the big picture overview of the Conservancy's total COBCP Request including:

Background: Information about Conservancy's statutory mission, Five Year Plan, four major Programs and 30 implementing projects.

Table 1: Summary table of all seven COBCPs included in this year's COBCP package and requesting a total of \$6.5 million.

B. RELATIONSHIP TO THE STRATEGIC PLAN: (relevance of problem/need to mission and goals)

The requested Federal Trust Fund Authority is fully consistent with the Conservancy's statutory mission, recently adopted *Five Year Strategic and Infrastructure Plan 2006-2011*³ (Plan), four major programs and thirty implementing projects. The major programs are:

- Land Conservation

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- Recreation and Education
- Natural and Cultural Resources Preservation and Restoration
- Water Quality and Natural Flood Conveyance.

The requested federal funds will be used to support any or all of the Conservancy's programs and implementing projects and to fulfill the Conservancy's mission as identified in its *Five Year Strategic and Infrastructure Plan 2006-2011* (see Plan, pages 1-40).

C. ALTERNATIVES: (for each, describe the proposed alternative and provide a brief summary of scope, cost, funding source, program benefits, facility management benefits, and impact on support budget)

Alternative #1: Authorize the requested level of Federal Trust Fund in the amount of \$1,200,000.

Alternative #2: Authorize a lesser amount of Federal Trust Fund authority to the San Diego River Conservancy than requested.

D. RECOMMENDED SOLUTION:

1. Which alternative and why?

The Conservancy' is recommending Alternative #1: Authorize the requested level of Federal Trust Fund authority in the amount of \$1,200,000.00. This is considered to be the only viable and appropriate alternative to allow the Conservancy to take in Federal grant funds for the purpose of augmenting its current project funding sources. The \$1,200,000.00 sought in this COBCP reflects the total amount of federal appropriation that the Conservancy has requested for Federal Fiscal Year 2007. Furthermore, this modest amount could conceivably be brought in through a single federal grant award. If additional federal authority is necessary, budget revisions will be processed to increase the proposed level to meet the need of additional funding that would be awarded to the Conservancy.

2. Detail Scope Description.

Federal Trust Fund Authority is requested to allow the Conservancy to receive Federal funds resulting from appropriation requests and federal grant programs for which the Conservancy has already or will apply. Scope of future projects will be specified in the project funding requests and will be fully consistent with the Conservancy's Strategic Plan and Programs.

3. Basis for cost information.

The \$1,200,000.00 sought in this COBCP reflects the total amount of federal appropriation that the Conservancy has requested for Federal Fiscal Year 2007. Furthermore, this modest amount could conceivably be brought in through a single federal grant award. If additional federal authority is necessary, budget revisions will be processed to increase the proposed level to meet the need of additional funding that would be awarded to the Conservancy. There is an expectation that future grant

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applications will produce some levels of pass through project funding which will require Federal Trust Fund Authority.

4. Factors/benefits for recommended other than the least expensive alternative.

Any amount of Federal Trust Fund Authority will be appreciated and used efficiently.

5. Complete description of impact on support budget.

There will be no impact on the Conservancy's support budget.

6. Identify and explain any project risks.

There are no risks associated with this type of conservation program.

7. List requested interdepartmental coordination and/or special project approval (including mandatory reviews and approvals, e.g. technology proposals).

Coordination, review and approval will be with the Resources Agency, Federal Agencies, and with Department of Finance if increases in levels of authority are necessary. Advance coordination is not applicable with this type of proposal.

End Notes:

¹ The total funding need was derived by estimating the costs of each program and implementing project. Project cost estimates were provided by the anticipated lead project partner and based upon best available and most current cost information. They are educated, reasonable, and location specific estimates but are not precise calculations.

² The \$240,000 award was part of a larger settlement between the City of San Diego and the Regional Water Quality Control Board in 2005.

³ A copy of the Conservancy's "Five Year Strategic and Infrastructure Plan, 2006-2011 is enclosed in this COBCP Request package and may also be accessed at <http://sdrc.ca.gov>. A copy of the Plan has previously been submitted to the Department of Finance.

Appendix 1

Past and Future Conservancy Efforts to Secure Funding

Two Federal Appropriation Requests for 2007

The Conservancy has submitted two requests for 2007 federal appropriations; one through the Department of Agriculture (via City of San Diego) and the second through the Department of Interior (via Congresswoman Susan Davis). In both cases, if successful, the funding would be appropriated to the Conservancy's local federal partner (i.e., the Cleveland National Forest and the Bureau of Reclamation) who would conduct the proposed projects on the behalf of the Conservancy. Both federal appropriations requests are pending.

Supplemental Environmental Project (SEP) to Local Transit District

The Conservancy has submitted an SEP application to the San Diego Metropolitan Transit District to obtain funding for the Conservancy's Hydrology Assessment of the San Diego River Watershed. Decision is pending.

Cave's Water and Parks Private Initiative for Nov 2006 Ballot

Although the Conservancy does not have its own specific line item appropriation in the Cave's initiative, it is eligible to receive significant funding from the State Coastal Conservancy under Chapter 7, Protection of Beaches, Bays and Coastal Waters (assuming voter approval). Section 75060(f) makes \$27 million available to the Coastal Conservancy for the protection of San Diego Bay and coastal watersheds.

The San Diego River Conservancy will submit well developed project proposals to the Coastal Conservancy requesting funding. The Conservancy will also request funding from the Wildlife Conservation Board. In addition, the Conservancy will submit competitive applications to the Resources Agency, State Water Resources Board, Department of Water Resources, Department of Parks and Recreation, and other departments for various pots of funding included in the initiative such as River Parkways, Urban Streams, etc. The Conservancy may also explore urban greening funds in the initiative.

Resources' Prop 40 River Parkways Funds for San Diego River -- \$3 million

Current status: Three applications, totaling approximately \$3 million, are currently under review by the Resources Agency.

When the Conservancy brought its Executive Officer on board in late April 2004, there was approximately \$7.8 million (of the original \$12 million) remaining in Resources' Prop 40 River Parkway line-item for the San Diego River. In September of 2004, the Executive Officer recommended and the Conservancy Governing Board unanimously approved three excellent projects and the use of approximately \$3 million in Prop 40 River Parkway funds to support them.

The Board requested the lead partner for each project to submit application directly to the Resources Agency for Prop 40 funding. The City of San Diego submitted two applications (bicycle path development project and habitat restoration project) and the San Diego River Park Foundation submitted one application (acquisition in headwaters). Both have also submitted additional requested information. The Conservancy has remained in contact with both the applicants and the Resources Agency throughout the review process. The Conservancy has and will continue to facilitate completion of the application review process in any way it can and within the shortest possible timeframe.

Current Plans for Resources' Remaining \$5 million Prop 40 River Parkway Funds

Current status: Application, totaling approximately \$5 million, is currently under development by the Conservancy and will be submitted to Resources ASAP.

The San Diego River Conservancy is currently preparing a multi-project, multi-partner application for the entire remaining \$5 million balance of Prop 40 River Parkway funds. The Conservancy's application(s), which will be submitted directly to Resources, requests Prop 40 River Parkway funds for the design and construction of multiple trail segments along the length of the River as well as some very recently available acquisitions which we are currently pursuing and intend to secure as quickly as possible.

We are proposing the development of trail segments (of varying lengths) for the headwaters, El Monte Valley, Lakeside, the City of Santee, and the City of San Diego and we are currently working closely with our partners to develop application for each segment. Partners include the Cleveland National Forest, the County of San Diego, the City of Santee, City of San Diego, the Endangered Habitats League, the San Diego River Park Foundation, the San Diego Bicycle Coalition and other members of the San Diego River Coalition. We are also currently working closely with the Department of Fish and Game and US Fish and Wildlife to address each of the many complex CEQA issues that have arisen to date.

Our Prop 40 application will also request funding for several newly available acquisitions we are currently pursuing. These include one exceptional two-mile long parcel (currently in bankruptcy court) and several parcels in El Monte Valley. We will also request funding for a conservation easement we are pursuing.

Previous Informal Plans for Remainder of Prop 40 River Parkway Funds

Since late April 2004, the City of San Diego has on more than one occasion presented status reports to the Governing Board on four to six potential acquisitions it has been pursuing. These were believed to represent the best, highest priority opportunities within the City for Prop 40 funding. In Sept 2004, the Governing Board gave its blessing to develop these potential acquisitions ASAP and voted to informally support any or all of the six parcels for potential future Prop 40 funding. To date, some of these acquisition efforts continue to be viable but are not yet ready for purchase. The Conservancy will continue contact with City real estate representatives and the landowners as appropriate. When and if the landowners become ready to sell, the Conservancy will be there to assist them.

Support BCPs for 2007

The Conservancy also plans to submit Support BCP requests for 2007.

Reimbursement Authority

The Conservancy plans to request increased Reimbursement Authority by way of the Budget Revision process, as needed.

The Conservancy further intends to aggressively pursue other additional appropriate federal, state, local, and private funding sources as they arise in the future. In addition, the Conservancy has also applied for several past sources of funding as summarized below.

- ***Federal Appropriation for FY 2006***
- ***Consolidated Grant***
- ***Prop 50 Integrated Regional Water Management Plan (IRWMP)***
- ***Southern California Wetlands Recovery Project (four proposals)***

Why Should Federal Trust Fund Authority be Granted to the Conservancy?

Strong Partner Support / Highly leveraged

A cooperative network of partners is already assembled that will strongly support the Conservancy's efforts and will ensure that the State's investment is highly leveraged to provide maximum conservation per dollar.

Demonstrated Need

The Conservancy's *Five Year Strategic and Infrastructure Plan* clearly documents and demonstrates the Conservancy's need for \$164.5 million over the upcoming five year planning period. This modest COBCP requests only a minute fraction of the total needed, but will result in an important early Conservancy success. In addition, a readily available flexible funding source is needed to cover the upfront costs of acquisitions, move rapidly in the market, and take advantage of limited windows of opportunity.

Strong Public Support

The Public has demonstrated strong support for the Conservancy, its mission, and Five Year Strategic and Infrastructure Plan and each of its four major programs and thirty implementing projects.

Allows Conservancy to Build Track Record / Demonstrate Value-Added

Appropriation of \$2.5 million to the Conservancy will allow it to grow its much needed track record. The San Diego River Conservancy is anxious to move forward with projects of this nature because in addition to directly achieving its mission, they also help to cultivate the Agency's new track record. This Administration has provided an opportunity for the San Diego River Conservancy to demonstrate its ability to both obtain/spend dollars and to consummate projects within its jurisdiction efficiently.

The Conservancy is requesting these, and other funds, in order to demonstrate its capacity to secure and efficiently expend money, as well as to demonstrate its value-added (i.e., show the value of, and need for, this Conservancy to advance the statutory objectives and the community vision of protecting the special resources of the San Diego River).

Appendix 2

Five Year Strategic and Infrastructure Plan, 2006-2011

On March 24, 2006, the Governing Board of the San Diego River Conservancy (Conservancy) adopted its first “Five Year Strategic and Infrastructure Plan, 2006-2011” (Plan) (see endnote 3). Derived from the statutory objectives specified in the San Diego River Conservancy Act, the mission of the Conservancy as stated in the Plan is:

The mission of the San Diego River Conservancy is to further the goals of its enabling legislation (i.e., land conservation, recreation and education, natural and cultural resources preservation and restoration, water quality and natural flood conveyance), by conserving and restoring its land and water for the enjoyment of present and future generations. This mission will be accomplished in part by building, with our partners, a San Diego River Park and hiking trail stretching from the headwaters to the Pacific Ocean.

The Plan also defines the strategy by which the Conservancy will conduct its statutory mission during the upcoming five year planning period. Specifically, the Plan defines the Conservancy’s four major Program areas, each embodying one or more of the statutory objectives specified in the San Diego River Conservancy’s enabling statute, Public Resources Code, Division 22.9, Section 32630. The Conservancy’s four major Programs are:

- 1) Land Conservation;
- 2) Recreation and Education;
- 3) Natural and Cultural Resources Preservation and Restoration; and
- 4) Water Quality and Natural Flood Conveyance.

In addition, the Plan further defines a set of projects through which each Program will be implemented. In all, there are a total of thirty implementing projects.

Overview of COBCP Request Packet

The San Diego River Conservancy currently has a Capital Outlay Budget of \$0. In order to conduct its basic statutory mission, it is essential for the Conservancy to secure an adequate capital outlay budget of its own. The Conservancy respectfully requests the Agency’s and Department of Finance’s support in securing the capital outlay funds (and additional budget authority) needed by the Conservancy to conduct its statutory mission.

For your convenience, an overview table summarizing the Conservancy’s entire COBCP Request Packet is attached as **Table 1**. As shown, our overall Request Packet consists of seven COBCPs, four of which are programmatic each corresponding to one of the Conservancy’s four major Programs. The programmatic COBCPs request small appropriations from multiple sources of specific-purpose and general-purpose funding. Together the four programmatic COBCPs request a total of \$6.25 million of new capital outlay funding. The remaining three COBCPs do not request new funding, but request instead a specific change in our budget authority or budget language to provide additional capacity for the Conservancy to carry out its mission (while developing its track record and other reliable funding sources).

Table 1. Summary of Seven Conservancy COBCPs by Program, Funding Source, and Total Funding Request

SDRC Program Number and Name	COBCP Number and Title	COBCP Priority	Approx Prop 40 Fund Request	Approx General Fund Request	Approx Bond Funds Request	Approx ELPF / Special Funds Request	Federal Trust Authority Request	Reapprop- of Remaining R. Parkway Funds after 06 /30/07	General Fund Loan Amount Request	Approx Total Program Funding Needed
1. Land Conservation	07/08:01 Land Conservation	1	Prop 40 Ag Lands \$1.4 Million	\$.6 Million	\$.25 Million	\$.25 Million	—	—	—	\$2.5 Million
2. Recreation & Education	07/08:02 Recreation & Education	3	—	\$.25 Million	\$.25 Million	\$.25 Million	—	—	—	\$.75 Million
3. Natural & Cultural Resources Preserv & Restoration	07/08:03 Cultural & Historical Resources Preserv & Restoration	2	Prop 40 Historical and Cultural Resources \$1.6 Million	\$.4 Million	\$.25 Million	\$.25 Million	—	—	—	\$2.5 Million
4. Water Quality & Natural Flood Conveyance	07/08:04 Water Quality & Natural Flood Conveyance	4	Prop 40 Beaches, Watershed, & Water Qual \$569,000	—	—	—	—	—	—	\$.5 Million
—	07/08:05 Federal Trust Fund Authority	5	—	—	—	—	1.2 Million	—	—	—
—	07/08:06 Prop 40 River Parkway	6	—	—	—	—	—	Up to \$7.8 Million	—	—
—	07/08:07 General Fund Loan	7	—	—	—	—	—	—	Up to \$5 Million	—
Total	—	—	\$3.5 Million	\$1.25 Million	\$.75 Million	\$.75 Million	—	—	—	\$6.25 Million