
CHAPTER 12.0 FINANCE

12.1 Introduction

Under California Department of Water Resources Propositions 84 and 1, Integrated Regional Water Management (IRWM) Grant Program Guidelines require that regional water management groups (RWMG) address their strategy for financing an IRWM Plan and implementation projects and programs, as follows:

- ◆ List known and possible funding sources, programs, and grant opportunities for the development and ongoing funding of the IRWM Plan.
- ◆ List the funding mechanisms, including water enterprise funds, rate structures, and private financing options, for projects that implement the IRWM Plan.
- ◆ Provide an explanation of the certainty and longevity of known or potential funding for the IRWM Plan and projects that implement the Plan.
- ◆ Provide an explanation of how operation and maintenance (O&M) costs for projects that implement the IRWM Plan would be covered and the certainty of operation and maintenance funding.

The purpose of the “Finance Standard” is to ensure that the RWMG has considered IRWM Plan financing at a programmatic (general) level and that a snapshot of financing is documented for stakeholders. It is not the intent of the finance standard to document that all funding has been fully secured. Most of the cost of developing, maintaining, and implementing an IRWM Plan should be borne by local entities, with state grant funding providing a necessary, but relatively small, supplement in funds. Documentation of the various funding sources will be needed so that the RWMG and its stakeholders understand how the funding pieces fit together and how the IRWM plan will be formulated, maintained, and implemented.

12.1.1 Funding History

The original IRWM Plan for the Upper Feather River (UFR) watershed was adopted in 2005. The 2005 Plan was funded by and prepared in accordance with IRWM guidelines established under Proposition 50--The Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002. The Feather River Watershed Authority, responsible for the creation of the 2005 Plan, consisted of four partner agencies: Plumas County, Plumas National Forest, Sierra Valley Groundwater Management District, and Plumas County Flood Control and Water Conservation District.

The 2005 Plan focused on implementation of projects funded by existing sources such as Monterey Settlement Agreement funds and CALFED, and administered through existing programs such as the Feather River Coordinated Resource Management, Plumas Watershed Forum, and the Quincy Library Group.

In 2007, the Upper Feather River IRWM program was awarded \$7 million in Proposition 50 grant funds for implementation projects identified in the 2005 Plan. The grant award funded an original seven projects related to water quality and watershed restoration. In 2014, DWR approved the reprogramming of approximately \$2,200,000 of the funds for three additional water supply and wastewater system improvements, conservation, and restoration projects. Table 12-1 summarizes the nine final projects funded by the grant award.

Table 12-1 UFR Proposition 50-Funded Implementation Projects

Project Name	Project Sponsor	Grant Amount
Upper Middle Fork Project	County of Plumas; UC Davis; Sierra Valley Groundwater Management District	\$1,400,000
Quincy Wetlands Treatment Project	Plumas Corporation; Quincy Community Services District	\$408,544
National Forest Water Quality Improvement Project	USDA/Forest Service-Plumas National Forest	\$1,927,848
Genesee Valley Integrated Water Management Project	Feather River Land Trust	\$555,548
Sierra Valley Well Assessment and Basin Management Plan	County of Plumas; Sierra Valley Groundwater Management District	\$123,679
Sierra Valley Integrated Water Project	Feather River Land Trust	\$67,358
Chester River Parkway Project*	Feather River Land Trust	\$400,000
Greenville Water and Sewer System Repairs Project*	Indian Valley Community Services District	\$1,290,000
Taylorville Wastewater Improvement Project*	Indian Valley Community Services District	\$184,080
* Indicates the project utilizes reprogrammed Proposition 50 funds.		

After the passage of Proposition 84/1E--The Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006--the UFR was required to apply for "IRWM Region status and update its IRWM Plan to maintain its eligibility for further grant funding through DWR's IRWM Program. In 2009, the Upper Feather River watershed applied for IRWM Region status through DWR's Regional Acceptance Process (RAP) and was approved. The RAP is a component of the IRWM Program guidelines and is used to evaluate and accept an IRWM Region into the IRWM grant program. The RAP is not a grant funding application; however, acceptance of the composition of an IRWM Region into the IRWM grant program is required for IRWM grant funding eligibility.

The 2016 IRWM Plan Update was funded by a Proposition 84 IRWM (Round 2) Planning Grant in 2012. Grant match funding was provided through watershed planning work conducted by Plumas County Flood Control and Water Conservation District between 2008 and 2012.

In 2014, California voters approved Proposition 1 Water Bond, which enacted the Water Quality, Supply, and Infrastructure Act of 2014. With this new proposition, IRWM Regions are required to amend their IRWM plans to meet updated standards. The change in standards occurred in the latter part of the 2016 UFR Region's Plan update process; however, the DWR approved the RWMG's request to address both standards for efficiency and to insure funding eligibility. The 2016 UFR Plan is consistent with both Proposition 84 and 1 IRWM grant program guidelines, making the RWMG eligible for future IRWM funding opportunities.

12.2 Program-Level Funding Sources

Implementation of the IRWM Plan relies upon RWMG members and stakeholders to provide in-kind support, financial support, and to obtain other revenue sources for the anticipated costs of plan implementation and ongoing activities of the RWMG. There is often substantial uncertainty when relying primarily on grant funding; therefore, it is prudent to look for other forms of consistent, secure, and long-term funding to sustain IRWM planning efforts. In addition to assisting project proponents in the implementation of projects that support the Plan, the RWMG is responsible for other important tasks and functions in the UFR IRWM Region. The scope of the RWMG is detailed in Chapter 2 *Governance, Stakeholder Involvement, and Coordination*.

The RWMG has been instrumental in facilitating the Regional collaboration and integration of watershed planning efforts intended by the Regional Water Management Planning Act (SB 1672). Ongoing activities by the RWMG include providing Regional capacity building, education and training, economic development, identification and promotion of issues of Regional interest and consensus, and engagement with downstream water users and adjacent IRWM Regions. RWMG activities that are important to maintain regional collaboration include:

- ◆ Tracking federal and state mandates; sharing information with RWMG members and stakeholders through email and/or web postings.
- ◆ Identifying and applying for funding opportunities to continue Plan implementation and to help participating entities to respond to regulatory mandates.
- ◆ Providing centralized data management services.
- ◆ Facilitating discussion of controversial and/or complicated IRWM issues and reaching consensus when possible.
- ◆ Providing representation in response to policies and mandates affecting the Region.

The Plumas County Flood Control and Water Conservation District assumed the lead role in the IRWM planning process as the DWR Proposition 84 Grantee, and provides staff support and a venue for RWMG meetings. In addition, the Proposition 84 IRWM Planning Grant provided financial support to the RWMG and the Project Team during the planning process. Upon adoption of the Updated 2016 IRWM Plan, the RWMG will become responsible for ensuring the perpetuity of the RWMG organization and the IRWM Plan.

The success of the RWMG in addressing the ongoing needs of the Region depends on the human and financial resources available for ongoing activities. RWMG members and stakeholders can provide a full range of RWMG staffing options including 100 percent in-kind support to full-time RWMG staff (executive director, administrative staff, and programmatic staff implementing projects and policy development throughout the Region) and a RWMG office. Additional financial resources are essential for a variety of Plan Implementation activities. To support these activities, possible funding sources are identified below:

In-Kind Support

Stakeholders that are not able to contribute financial resources may be able to make other essential contributions. Providing in-kind support could include staff time for meeting organization and facilitation, map-making, grant writing and administration, preparing newsletters, and updating the IRWM website. Providing in-kind support could also include material contributions such as a venue for meetings or activities, use of a company vehicle, use of office supplies and/or equipment, and other appropriate forms of contribution. While managing in-kind support would require increased regional communication and

collaboration, it furthers implementation of the Plan and represents a meaningful opportunity for small and/or disadvantaged entities to support RWMG's ongoing activities.

Connect Stakeholder Grant Funding Opportunities to the UFR Plan

When a project proponent pursues grant funding, the RWMG will encourage the proponent to include a budget line item that reflects the cost of RWMG administration and integration of the project outcomes into the Plan. The RWMG would need to coordinate and oversee this effort; this approach would necessitate an active membership to continuously secure grant funding.

Private or Foundation Funding

This is a limited option due to the difficulty of securing these types of grants for ongoing RWMG operations. However, it is still important to identify opportunities for this type of funding from public, private, and family foundations connected with the Upper Feather River watershed. Foundations often confine their grant funding to projects with clearly measurable outcomes and a definitive timeframe; however, the RWMG could request funding for a well-developed, program-level implementation effort.

Fee-For-Service

The RWMG could establish a fee structure for professional services such as technical or policy work for project implementation and/or compliance with the California Environmental Quality Act (CEQA), facilitation of public meetings, community education and outreach, and grant writing and administration activities.

State and Federal Grants

The RWMG may apply for IRWM planning grants to fund regular or technical updates to the Plan. Technical updates may be necessary before a regularly scheduled update in response to new IRWM Grant program guidelines and standards, changes in policies and regulatory mandates affecting the Plan, and emerging issues or new sources of information that significantly impact the Region .

Regardless of the specific funding sources utilized, established and reliable IRWM Plan revenue will increase the likelihood that funding entities outside the Region will understand that applicants are part of a RWMG that coordinates and integrates implementation projects, facilitates collaboration and capacity building among stakeholders, and provides for technical data sharing and cost-saving opportunities.

12.3 Project-Level Funding Sources

Successful IRWM Plan Implementation hinges on establishing reliable (consistent, secure, long-term) funding for the projects that implement the Plan. It is anticipated that non-DWR funding sources will be pursued in addition to funding that may be available through Proposition 1 IRWM opportunities, or any subsequent bonds. Due to the limited DWR funding available and the natural uncertainty associated with bond-based funding, pursuing diverse funding sources will be essential to propel longevity in IRWM Plan Implementation efforts.

The projects included in the UFR IRWM Plan are intended to implement the Plan and achieve Plan objectives. All 79 projects selected for 2016 IRWM Plan Implementation have been thoroughly reviewed (Chapter 9 *Project Development and Review Process*) and are considered eligible for IRWM grant funds by the RWMG. The project list for 2016 IRWM Plan Implementation projects and estimated costs is provided in Chapter 9 *Project Development* (Table 9-2); full project submittals are included in Appendix 9-3.

Updating the implementation project list within the Plan will be necessary as projects are funded and implemented, regardless of the source of funding.

The RWMG representative will track and research available funding options, using a strategy developed by the RWMG (Chapter 11 *Plan Implementation, Performance, Monitoring, Data Management*, Section 11.2.1).

The RWMG has established a process (Chapter 9 *Project Development and Review Process*) for selecting projects for IRWM grant funding. When an IRWM grant solicitation is announced by DWR, the RWMG will decide which projects to include in the grant application package on behalf of the UFR Region since only a limited number of projects can be submitted in any one round. Project proponents will be responsible for developing individual applications in response to solicitations.

Proponents of projects included in the Plan may pursue non-DWR funding independent of RWMG approval. When possible, such project funding proposals are encouraged to include a budget line item to incorporate the cost of RWMG administration and integration of the project outcomes into the Plan. Project implementation might result in water and wastewater rate increases; however, the IRWM process is specifically intended to help leverage funding from outside the Region to alleviate the financial burdens on DACs in particular.

Federal, State, Regional, and Private Grants and Loans

A wide variety of funding sources could be pursued by regional stakeholders to implement the projects that support the Plan. However, it is important to establish realistic expectations that can be accomplished over the next five years and that represent the current capacity level of the Region to successfully deliver. While special districts and municipalities could attempt to raise user fees to pay for new or improved services, these funding options are not realistic at this time given that many residents in the Region who earn less than the state's average household income do not necessarily have the ability to pay additional fees. In addition, local revenue bonds and other more complex financing options are not realistic at this time given the high percentage of DACs located in the Region. Therefore, the most realistic funding sources for stakeholders to pursue over the next five years may be federal, state, regional, and private grants and loans. The IRWM Plan projects will be implemented as appropriate funding sources become available.

Grant funding entities and their financial assistance programs are as varied as the regions and project needs they intend to serve. For example, DWR grant funding opportunities are organized into categories by project scope: environmental restoration, flood related, groundwater, IRWM, water quality/drinking water, water supply/management, and water use efficiency. In addition, projects may be eligible for grant funding from entities and programs that, on the surface, do not appear to fit the scope of IRWM implementation projects. For example, CAL FIRE has a State Responsibility Area (SRA) Fire Prevention Fund for projects and activities related to hazardous fuel reduction, fire prevention planning, fire prevention education, and training that reduce the risk and potential impact of wildfire on habitable structures in an SRA. This funding source could achieve multiple benefits such as reducing the wildfire threat to habitable structures, improving water quality in the UFR watershed through appropriate tree-thinning, and other healthy forest management activities that address a historically fire-based ecosystem.

A wide variety of needs in the Region --natural resources, infrastructure, DACs, wetlands and meadows, education, data collection, forest management and restoration, agricultural water efficiency, and capacity building--could be addressed through grants and loans. The RWMG and stakeholders may pursue the following funding sources to finance the implementation projects that support the IRWM Plan (costs associated with project operations and maintenance are addressed in Section 13.4):

State of California Funding Opportunities

- ◆ Proposition 1 IRWM
 - Planning Grants (Round 1)
 - Disadvantaged Community Involvement Program (Round 1)
 - Implementation Grants (includes funding for DAC Projects) (Round 2)
- ◆ Proposition 1E
 - Storm Water Flood Management Program
 - Early Implementation Program
- ◆ Proposition 84
 - Integrated Regional Water Management Planning
 - Department of Water Resources, Local Groundwater Assistance
 - Department of Public Health, Emergency and Urgent Water Protection
 - State Water Resources Control Board, Storm Water Grant Program
 - Local Levee Assistance Program
 - Flood Protection Corridor Program
 - Flood Control Subventions Program
 - Urban Streams Restoration Program
- ◆ Proposition 50
 - Department of Water Resources, Water Use Efficiency Grants
 - Department of Water Resources, Contaminant Removal
 - Department of Water Resources, UV and Ozone Disinfection
- ◆ Other State Funding
 - California Financing Coordinating Committee (CFCC)
 - State Revolving Fund (SRF)
 - Safe Drinking Water SRF
 - Infrastructure SRF
 - Clean Water SRF
 - State Water Resources Control Board, Federal 319 Program
 - State Water Resources Control Board, Water Recycling Funding Program
 - Department of Water Resources, New Local Water Supply Construction Loans
 - Department of Housing and Community Development, Community Development Block Grant
 - California Energy Commission (CEC), Energy Financing Program
 - Sierra Nevada Conservancy

Federal Funding

- ◆ Environmental Protection Agency, Source Reduction Assistance
- ◆ Environmental Protection Agency, Wetlands Program Development Grants
- ◆ Environmental Protection Agency, Five Star Restoration Program
- ◆ Water Resources Development Act
- ◆ National Rural Water Association (NRWA) Revolving Loan Fund

- ◆ Natural Resources Conservation Service (USDA)
- ◆ National Park Service (NPS), Rivers, Trails, and Conservation Assistance (RTCA) Program
- ◆ US Department of Agriculture (USDA), Rural Development, Water and Waste Disposal Program
- ◆ US Bureau of Reclamation, WaterSMART, Grant Programs
- ◆ US Fish and Wildlife Service (USFWS), North American Wetlands Conservation Act Grant
- ◆ United States Forest Service (USDA) Resource Advisory Committees (RAC) Safe Rural Schools Funding (intermittent appropriations)

Eco-Cultural Land Conservation Funding

- ◆ Administration for Native Americans
- ◆ California State Parks, Off-Highway Motor Vehicle Recreation Commission (OHMVR) Program
- ◆ Council on Foundations
- ◆ Environmental Grantmakers Association
- ◆ First Nations Development Institute
- ◆ Funding Exchange
- ◆ Indian Land Tenure Fund
- ◆ International Funders for Indigenous Peoples
- ◆ Lannan Foundation-Indigenous Communities Program
- ◆ National Park Service, Historic Preservation Grants
- ◆ Seventh Generation Fund for Indian Development
- ◆ The Christensen Fund
- ◆ US Fish and Wildlife Service, Tribal Grants

Resources and References for Native Land and Trusts & Conservancies

- ◆ Indian Country Conservancy
- ◆ Maidu Summit Consortium and Conservancy
- ◆ Native American Land Conservancy

Finally, the RWMG will track key entities that provide financial and technical resource assistance for current and upcoming funding opportunities:

- ◆ The Department of Water Resources (DWR) - Financial Assistance <http://www.water.ca.gov/funding/>
- ◆ Sierra Nevada Conservancy - Funding Opportunities for the Sierra Nevada Region <http://www.sierranevada.ca.gov/other-assistance/funding-sources>
- ◆ State Water Resources Control Board – Division of Financial Assistance http://www.waterboards.ca.gov/water_issues/programs/grants_loans/
- ◆ California Department of Fish and Wildlife - Proposition 1 Restoration Grant Programs <https://www.wildlife.ca.gov/conservation/watersheds/restoration-grants>
- ◆ State Water Resources Control Board - Financial Assistance Application Submittal Tool (FAAST) <http://faast.waterboards.ca.gov/>
- ◆ California Financing Coordinating Committee <http://www.cfcc.ca.gov/>
- ◆ State Water Resources Control Board - Drinking Water State Revolving Fund (DWSRF) http://www.waterboards.ca.gov/drinking_water/services/funding/SRF.shtml
- ◆ State Water Resources Control Board - Clean Water State Revolving Fund (CWSRF) http://www.waterboards.ca.gov/water_issues/programs/grants_loans/srf/
- ◆ USDA Rural Development www.rd.usda.gov/ca

12.4 Project Operations and Maintenance Funding Sources

In addition to demonstrating potential funding for project construction, an IRWM Plan must also contain a discussion of the potential funding sources for project operations and maintenance (O&M). O&M costs are not eligible for grant reimbursement by the IRWM grant programs and most other state financial assistance programs. The funding source for project O&M is generally included in the fee structure for providing a service. For implementation projects involving infrastructure replacement, O&M costs could be covered by the cost savings from the new infrastructure.

Securing funding for regular O&M activities is a common issue for rural IRWM regions especially when addressing the needs of disadvantaged communities. It will be challenging if not impossible for many DACs to recover full O&M costs for infrastructure improvement projects based solely on user fees. Therefore, other methods for addressing O&M costs must be identified for the many DACs in the Region since residents cannot afford increases in fees for services. The RWMG may consider addressing O&M costs for such projects through in-kind donations of staff time and equipment.

Given the diversity of project proponents and the scope of their respective projects, one method to address O&M costs for all IRWM Plan projects does not exist. However, there are intentional and natural opportunities for checks and balances during the grant application process and outside the IRWM process. The RWMG's process of selecting projects for DWR funding will include vetting each project's O&M funding. The project proponent must develop a project-specific funding strategy for the project's budget, including O&M costs, before submitting a grant application. The RWMG will also be involved in monitoring the performance of implementation projects, so as to measure the overall success of the Plan and to identify areas for improvement (Chapter 11 *Plan Implementation, Performance, Monitoring and Data Management*). Finally, municipalities and special districts will continue to be evaluated for their compliance with state and federal infrastructure standards as well as the applicable standards for financial accounting during state-mandated preparation of municipal service reviews by the Local Area Formation Commission (LAFCo).