

March 1, 2007

MEMORANDUM

TO: Oregon Watershed Enhancement Board

FROM: Roger Wood, Special Projects

**SUBJECT: Agenda Item H: Strategic Investments
March 14-15, 2007 OWEB Board Meeting**

I. Introduction

This report provides an update on development of the Strategic Investments concept.

II. Background

This concept was first discussed with the Board as an item in the Director's Report at the January 2007 Board meeting. Director Byler explained then that several circumstances are combining to present OWEB with significant challenges and opportunities:

- A. Revenues from the Measure 66 Lottery source are steadily increasing. Forecasts for the 2007-09 biennium estimate that about \$30 million in capital funds will be available each year, and this level of revenue is expected to continue, if not increase, for the foreseeable future.
- B. More and more complex, multi-objective projects are being developed by local stakeholder partnerships to address increasingly ambitious objectives that seemed out of reach ten years and even five years ago. OWEB has been seeing, and funding, more of these through the regular grant program. However, questions remain as to whether the regular grant program will always provide the best tool for considering and funding these types of projects and objectives.
- C. Measure 66 and the Lottery Fund revenues it provides to OWEB's grant programs may end after 2014. Ensuring we have all the necessary tools available to make effective investments in projects with strong and lasting ecological outcomes between now and 2014 is of critical importance.
- D. Measure 66 revenue increases to OWEB will allow the dedication of a certain percentage of capital funds to special projects while at the same time continuing robust funding for the regular capital grant program.

At the January 2007 meeting, the Board appointed a subcommittee to work with staff on developing the details of the strategic investment concept. Subcommittee members are Dan Heagerty, Diane Snyder, Dave Powers, and Ken Williamson. The subcommittee is charged with working with staff to discuss and develop draft documents laying out preliminary goals, structure, process, and developmental steps and time line, and to raise and explore related issues.

III. Subcommittee Meeting

The subcommittee and staff met for the first time on February 27. The following discussion reviews the issues discussed by the group at the meeting.

At the outset, staff and the subcommittee agreed that the initial working title of “Strategic Investments” is misleading as it implies a new program to address “strategic” issues for the first time. In fact, OWEB’s grant programs and awards have always emphasized strategic goals relating to watershed enhancement and protection. Assessment and planning grants have been awarded to help local groups arrive at watershed strategies, and subsequent grant awards have always favored project proposals that implement those strategies. Accordingly, staff suggest changing the working title of the concept to the “Special Investment Partnerships.”

The subcommittee focused its discussion on the core elements of why the Board would consider a special investment partnerships (SIP) approach and what that might entail. The following sets out some of the key points of consideration discussed by the subcommittee.

A. Why are we considering this?

1. To use OWEB’s financial resources to support projects and partnerships at a scale and in a way that might not otherwise happen through the regular grant program.
2. To assure that the larger strategic goals of Measure 66 and of the Oregon Plan are addressed in a concerted fashion that produces significant and thoroughly measurable outcomes.
3. To assure that OWEB is using all the “tools” available to take full advantage of the funding opportunity presented by the Measure 66 funds between now and the potential expiration date of Measure 66 in 2014 – just seven years from now.
4. To reach across organizational and jurisdictional lines to forge partnerships capable of accomplishing big outcomes.
5. To collaboratively provide the “missing pieces” necessary to boost existing partnerships with outstanding ideas along to the implementation stage.
6. Because increasing Measure 66 revenues are expected to allow for SIP projects to be funded, while at the same time assuring that the regular OWEB capital grant program will continue to be robustly funded and will continue to be the main focus of the agency’s restoration and acquisition investments.

B. What are we considering?

1. A special process by which the OWEB Board may provide funding to projects with exceptional ecological, economic, and community significance – the “triple bottom line” of sustainability.
2. Watershed and ecological outcomes would be *qualitatively* similar to those directed by existing OWEB statutes and rules and to those traditionally funded by OWEB, particularly for Restoration and Acquisition projects. For example, SIP projects would:
 - a. Address major limiting factors for watershed and habitat health.
 - b. Implement major restoration/protection priorities for the locality in question.
 - c. Support comprehensive projects with clear objectives, clear work plans, and definite time lines.
 - d. Act to prevent species and/or watershed functions from being lost or threatened.

3. Although qualitatively similar to “regular” OWEB funded projects, overall SIP project objectives could be significantly greater in scope, the contributions of other project partners would be much greater in amount and greater as a percentage of total effort, and the *quantifiable* results would be much greater in measure.
4. While all OWEB investments have at least incidental local economic and community benefits, SIP projects offer an opportunity to incorporate the overt social and economic objectives of the Local Innovation Fund program.
5. SIP would emphasize a collaborative, cooperative gathering of partners willing and able to work together toward large and commonly held objectives. These same partners might otherwise feel it necessary to compete against each other for access to funds through a “regular” OWEB grant program.
6. One potential scenario anticipates a limited number of SIP awards, perhaps six to eight, each granted several million dollars by OWEB, and each implementing a major project over a period of several years, either nearing or finishing completion by mid-2014.
7. The total capital funding awarded by the Board might be in the neighborhood of 20 to 25 percent of the Measure 66 capital funds available each year between now and the end of 2014.

C. SIP Project Characteristics

The subcommittee discussed several key criteria that would establish the framework under which potential SIP projects would be evaluated. These ideas are conceptual at this point, and will undergo further review and refinement.

1. **High level ecological outcomes.** SIP will allow the Board to invest in these outcomes at a significant scale – “scale” in this case meaning either spatial extent or ecological impact – or both.
2. **Strong community partnerships.** Strong support and involvement by partners at a scale that may not be possible through the regular grant program.
3. **Efficiencies.** Investments that offer a more cost-effective vehicle for achieving outcomes – e.g., through economies of scale, through inclusive partnerships, and through the elimination of unnecessary competition for resources like technical assistance, public outreach, and implementation funding.
4. **Sustainability.** The beneficial outcomes of the projects will address ecological, community, and economic benefits at a larger and more measurable scale.
5. **Ripeness.** Viable SIP projects – and the partners involved – must be ready to move forward with implementation of their projects.
6. **Leveraging.** Although OWEB’s regular grant investments attract good “match” support, SIP investments will strive for contributions – including non-capital funding – from other partners significantly above and beyond what we typically achieve through the regular grant program

Staff are planning additional meetings of the subcommittee leading to a report and possible recommendations for action to the full Board at the September 2007 Board meeting. Further subcommittee refinements of the SIP concept will be presented for Board discussion at the upcoming meeting in May.

IV. Recommendation

This is an informational item. No Board action is requested at this time.