

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. 07/08:01 PRIORITY: 1 PROJECT ID: 38-07-010

DEPARTMENT: San Diego River Conservancy

PROJECT TITLE: Land Conservation – Ag Lands

TOTAL REQUEST (DOLLARS IN THOUSANDS): \$2,500 MAJOR/MINOR: MA

PHASE(S) TO BE FUNDED: Various PROJ CAT: _____ CCCI/EPI: _____

SUMMARY OF PROPOSAL:

Appropriate to the San Diego River Conservancy two million, five hundred thousand dollars (\$2,500,000) comprised of the following fund sources: (1) the remaining \$1,482,000 balance of the unallocated, unappropriated portion of Proposition 40 Section 5096.610(d) for Agricultural Land preservation (available for multiple departments); (2) \$600,000 of General Funds; (3) \$250,000 of future Park/Water/Conservation Bond funds; and (4) \$250,000 of Environmental License Plate Funds.

The purpose of the requested appropriation is to advance the Conservancy's *Land Conservation Program* by funding high priority projects which acquire, preserve and improve agricultural lands within the San Diego River Area. Specifically the funds will be used to (1) acquire agricultural lands in El Monte Valley that are currently on the market facing imminent risk of conversion to urban land uses; and (2) provide assistance to landowners as needed to preserve working landscapes. The Conservancy will employ acquisition in fee simple, conservation easements, assistance to farmers, grants to Conservancy partners, and other tools as needed for agricultural land preservation. The requested appropriation will be extensively leveraged with partner contributions.

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: _____

REQUIRES PROVISIONAL LANGUAGE (Y/N) _____

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

FUTURE SAVINGS (Y/N):___ REVENUE (Y/N):___

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

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SIGNATURE APPROVALS:

PREPARED BY DATE

REVIEWED BY DATE

DEPARTMENT DIRECTOR DATE

AGENCY SECRETARY DATE

DOF ANALYST USE

DOF ISSUE # _____ PROGRAM CAT: _____ PROJECT CAT: _____ BUDG. PACK STATUS: _____
ADDED REVIEW: SUPPORT: _____ TIRU: _____ FSCU: _____ OSAE: _____ CALSTARS: _____

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Using the attached page, follow the format outlined below and fully address all of the items. Use addition pages as needed. Certain projects may require additional information. Questions should be referred to DOF.

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

Purpose

This proposal requests appropriation to the San Diego River Conservancy (Conservancy), the remaining balance of \$1,482,000 of the unallocated, unappropriated portion of Proposition 40 Section 5096.610(d) funds¹. This section of Proposition 40 is designated for the protection of agricultural lands but is not designated to a particular agency. The San Diego River Conservancy requests this appropriation for the purpose of funding projects to acquire, preserve and improve agricultural lands within the San Diego River Area.

The Conservancy further requests a modest appropriation from each of the General Fund, future Bond Funds, and the Environmental License Plate Fund (ELPF) or other suitable Special Funds. Appropriations from these three sources would be used by the Conservancy to augment the Prop 40 Section 5096.610(d) funds as needed to accomplish high priority/high risk Agricultural preservation projects within its jurisdiction². These three sources would also serve as a source of readily available flexible funds to cover the required upfront costs associated with acquisitions such as options, appraisals, Phase 1 site assessments, DGS/PWB approvals, etc.

Problem

The San Diego River Conservancy has a clear statutory mandate, a recently adopted Five Year Strategic and Infrastructure Plan, a newly established *Land Conservation Program*, and thousands of acres of land within its jurisdiction in serious need of conservation, including over 800 acres of agricultural land. The Conservancy however has never had funding appropriated to its Capital Outlay Budget with which it can conduct its statutory mission and its *Land Conservation Program*. Compounding the lack of funding problem is the critical and growing need to preserve at-risk agricultural lands in El Monte Valley as described below. Without Conservancy intervention, many of these agricultural lands will likely be lost to other land uses.

A secondary problem is the Conservancy's lack of readily available flexible funds to cover the necessary upfront costs of acquisitions (e.g., options, appraisals, Phase 1 site assessments, DGS/PWB approvals, etc.). Without funds to cover these required up front costs, the Conservancy will miss opportunities and not be able to move forward with acquisitions and other projects.

Program Need, Urgency, and Nexus to Prop 40

(1) Ag Lands for Sale -- Face Imminent Threat of Development

Within the eastern reaches of the San Diego River, particularly in El Monte Valley, staff has identified several agricultural lands that are currently for sale (or expected to go on sale). These lands face the imminent threat of purchase and conversion to urban development which continues to encroach into rural El Monte Valley.

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Agricultural lands in imminent danger include, but are not limited to, one 90 acre parcel, one 84 acre parcel, and two 40 acres parcels. Each parcel straddles the San Diego River or is adjacent (or in close proximity) to the River. All are within the Conservancy's statutory jurisdiction. It is both important and urgent that the Conservancy and its partners take action to preserve these lands within the fleeting window of opportunity that currently exists. The \$2.5 million requested in this COBCP would be used for that purpose, but would only cover a small fraction of the funding required.

The requested \$2.5 million appropriation would be extensively leveraged with funds from an existing strong network of local Conservancy partners including the Endangered Habitats League, the Helix Water District, and the Lakeside's River Park Conservancy. The Endangered Habitats League is currently leading a very large scale ten-year restoration effort in El Monte Valley, located just downstream of the threatened Ag lands described above. All Ag lands acquired with this requested appropriation would become part of, and benefit from, the larger El Monte Valley Restoration Project. All of the lands in the restoration project are, or will become, important additions to the overall river-long San Diego River Park

(2) Ag Lands Needing Assistance

Other Ag land owners in El Monte Valley (and elsewhere) need assistance in order to maintain their current uses. The Conservancy and its partners will encourage agricultural use retention and provide assistance as required to preserve working landscapes. Techniques such as employing the use of agricultural easements as well as providing assistance to farmers to improve irrigation, fencing and/or other agricultural property improvements, often provide a more cost effective way of preserving lands in agricultural use than outright fee title acquisitions. Without such assistance, many of these agricultural lands will undoubtedly be lost to other uses.

Approximate Agricultural Acreage and Land Costs/Acre

According to SANDAG's latest land use dataset (2002), there are over 800 acres of agriculturally zoned land within the jurisdiction of the San Diego River Conservancy. Specifically there are 814 acres in Lakeside (within County of San Diego); 1.8 acres in the City of Santee, and 1.3 acres in the City of San Diego. El Monte Valley, where a large concentration of Ag lands exist, comprises the eastern-most part of Lakeside.

Agricultural lands in El Monte Valley are currently selling at approximately \$30,000 per acre. Although the requested \$2.5 million appropriation only provides a small fraction of the money needed for Ag preservation in El Monte Valley, the Prop 40 Section 5096.610(d) and other requested funds would be highly leveraged with partner contributions, allowing the Conservancy to accomplish agricultural preservation on a scale many times that which could be accomplished on its own. Preservation of even a small number of acres in the El Monte Valley would represent a significant early achievement for the Conservancy and its partners.

Conservancy's Total Fiscal Need

To put this \$2.5 million request in perspective, the Conservancy's recently adopted Five Year Strategic and Infrastructure Plan estimates the Conservancy's total capital outlay funding need at

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approximately **\$164.5 million**³. 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. The *Land Conservation Program* alone, which has an initial five year objective of conserving approximately 1,450 acres, is estimated to cost in excess of **\$73 million**. This estimate however does not include the upfront costs needed to secure and transact acquisitions and to seize unexpected windows of opportunity.

Grazing Lands, Oak Woodlands, Grassland / Nexus to Prop 40

Prop 40 Section 5096.650(d) states that funds pursuant to this section "shall be available for the preservation of agricultural lands and grazing lands, including oak woodlands and grasslands." This broader interpretation opens up a much wider universe of lands on which the Prop 40 Ag Funds can be expended. There are extensive stands of oak woodlands and to a lesser extent grasslands in the headwater reaches of the San Diego River. Although the bulk of these lands are Cleveland National Forest lands, "private in-holdings" are scattered throughout the Forest. In-holdings create further opportunities for the valuable use of the Prop 40 Ag land funding by the Conservancy. As an example, I have recently become aware of an oak woodland dominated parcel that has just gone on the market in El Monte Valley, near the gate to El Capitan Dam. Further east, there are also four adjoining forty acre parcel in-holdings in the Cleveland National Forest above El Capitan Reservoir, three of which may shortly go on the market. The fourth adjoining parcel was previously sold and new house recently built. All of the Ag and Grazing lands mentioned above are high priority candidates for the Prop 40 funds.

All of the Agricultural land projects mentioned above, and many more of a similar nature, are high priority for and fully consistent with the use of Prop 40 Section 5096.650(d). These lands are also fully consistent with the *San Diego River Conservancy's Five Year Strategic and Infrastructure Plan*⁴ (Plan) as identified in Program 1, *Land Conservation*, Projects 1.1, 1.2, 1.3, 1.4, and 1.5, pages 10-13. Consistency with the Plan is discussed in Section B below.

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 River.⁵ 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.

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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. In anticipation of receiving federal funding, the Conservancy is currently submitting a COBCP requesting Federal Trust Fund Authority (this packet contains a total of seven COBCPs).

Consequences of Not Granting this COBCP

If the funding for this Land Conservation COBCP is not awarded, Ag lands in El Monte Valley will not be protected and will likely be lost to urban development which would preclude opportunities to protect the River for the benefit of future generations.

Measures of Success

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

- Number of agricultural acres acquired
- Number and length of agricultural easements secured
- Number of acres retained as working landscapes due to Conservancy's support
- Access to a readily available flexible finding source so that the \$240,000 set aside for the Hydrology Assessment does not have to be used to cover the upfront costs required to secure and advance an acquisition or other Conservancy project.

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)*

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Why Should Funds be Appropriated to the San Diego River Conservancy?

- *Strong Partner Support / Highly leveraged*
- *Demonstrated Need*
- *Specific-Purpose Prop 40 Funds Match Conservancy Needs*
- *Strong Public Support*
- *Allows Conservancy to Build Track Record*

Justification for General Funds Request

- *Need and Request*
- *No Prop 12, 13, 40, 50 Appropriations*
- *Not in Private Initiative*
- *No Tidelands Oil Revenues Funds*
- *Unanticipated State Revenues*
- *Flexible Funding Source Needed (for upfront acquisition costs, etc.)*
- *General Funds Support State Conservancies*
- *Local Funding Sources are Not Available*

Bond Fund Request

ELPF / Special Fund Request

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.

Map: Newly developed GIS based map of the San Diego River Watershed identifying the Conservancy's statutory jurisdiction and major River reaches.

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 San Diego River Conservancy has full authority to conduct the projects proposed in this COBCP. This COBCP is entirely consistent with, and in furtherance of, the Conservancy's enabling statute, statutory mission and objectives, and the "*San Diego River Conservancy's Five Year Strategic and Infrastructure Plan 2006-2011*" (Plan)(see also endnote 4). Specifically, all of the agricultural land projects identified in Section A above and many more of a similar nature, effectively implement the Conservancy's *Land Conservation Program* and its Project 1, and component Projects 1.1, 1.2, 1.3, 1.4, and 1.5 (See pages 10-13 of Plan).

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Land Conservation COBCP

This COBCP is fully consistent with the Conservancy's *Land Conservation Program*, one of its four major programs. The statutory objective implemented by the Land Conservation Program is "Acquire and manage public lands within the San Diego River Area".

The five year goal of the *Land Conservation Program* is "secure the preservation of approximately 1,450 acres of land within the San Diego River Area".

The *Land Conservation Program* is being implemented by way of its Project 1 and five component projects (defined by River reach) as shown below:

Project 1: Secure Key River Properties

Under Project 1, the Conservancy and its partners will preserve land by acquiring parcels in fee or securing conservation easements across key properties.

Project 1.1: Conserve 250 acres in the Headwaters Reach

Project 1.2: Conserve 500 acres in El Capitan Reservoir to 67 Freeway Reach

Project 1.3: Conserve 300 acres in the Lakeside Reach

Project 1.4: Conserve 100 acres in the Santee Reach

Project 1.5: Conserve 300 acres in the City of San Diego Reaches

Agricultural lands are an important category of high priority lands to be preserved. This COBCP will primarily focus on meeting the project goal of Project 1.2, "Conserve 500 acres in El Capitan Reservoir to 67 Freeway Reach" which includes the El Monte Valley, as described on Page 12 of the Plan.

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: Provide funding at recommended level of \$2,500,000, a portion of which is from the unallocated, unappropriated Section 5096.610 (d) of Proposition 40 funding which can only be used for the proposed purposes of preserving valuable agricultural land as described in Section A above. All acquired lands become part of the San Diego River Park and are held in trust for maximum public benefit.

Alternative #2: Rely exclusively on existing local funds to address problem and need. This would mean that the stated public benefits (preservation of Ag lands within the San Diego River Area) would be greatly reduced since local funds are generally not available or are very limited at this time.

Alternative #3: Appropriate a lesser level of funding than requested for the purposes of the San Diego River Conservancy's *Land Conservation Program*. Any amount of funding will be appreciated and used efficiently. However Proposition 40 5096.610 (d) funds can only be used for the protection of Ag lands and, at a minimum, should be appropriated to the San Diego River Conservancy for this purpose.

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D. RECOMMENDED SOLUTION:

1. Which alternative and why?

The Conservancy is recommending alternative 1. By preserving San Diego's dwindling Ag lands which face likely near-term conversion to urban land uses, and by supporting farmers in need of assistance, the remaining balance of Prop 40 Section 5096.610 (d) funds will have important multiple and direct public benefits to the residents, tourists, and economy of San Diego and California.

The remainder of Section 5096.610 (d) funds should be appropriated to the Conservancy because they are an outstanding match for a significant documented Conservancy need and a high priority problem for which other funds are not currently available.

Agricultural lands in the El Monte Valley are currently on the market and facing an *imminent threat* of conversion from agricultural land use to urban development land use. The requested appropriation will allow the Conservancy and its partners to take advantage of a short-lived window of opportunity to preserve valuable agricultural lands within the San Diego River Conservancy jurisdiction.

In evaluating this COBCP it is important to keep in mind that the Conservancy has in the past, is now, and will continue in the future to make a significant concerted effort to secure the capital outlay funding needed to conduct its *Land Conservation* and other Programs. Such efforts are described in Appendix 1 of this document. The Conservancy is neither complacent nor relying upon State funding for the conduct of its mission. The Conservancy will continue to seek out and apply for any and every state, federal, local, and private funding opportunity that is appropriate and seen as a worthwhile investment of staff time to pursue.

2. Detail scope description.

Provide funding to the San Diego River Conservancy from Proposition 40 Section 5096.610 (d) and three other state sources for the purpose of undertaking projects to conserve land within the San Diego River Area with special emphasis on preserving at-risk El Monte Valley lands in agricultural use.

3. Basis for cost information.

Cost estimates are based upon best available and most current market driven costs. They are educated, reasonable, and location specific estimates arrived at in consultation with the Conservancy partners, but they are not precise calculations.

This proposal would use a limited amount of funds to provide large public benefits, but represents only a small portion of the Conservancy's overall fiscal need for land conservation and agricultural preservation as identified in the Conservancy's Five Year Strategic and Infrastructure Plan. This COBCP is an excellent match with the Conservancy's needs and an efficient investment of the remaining Prop 40 Section 5096.610 (d) funds that can not be allocated for other purposes.

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

This proposal uses funds from a limited funding source that can only be used for the stated programmatic purposes. In addition, the proposal requests modest appropriations from the General Fund, future Bond Funds, and ELPF or other applicable Special Fund to augment the remaining Prop 40 Section 5096.610 (d) funds. The later sources are more broad and flexible in their intended uses.

The requested \$2.5 million appropriation represents only a very small fraction of the identified need. Less funding will address an even smaller fraction of the need and will realize commensurately less public benefit.

Please see Appendix 1 which provides additional justification for the overall \$2.5 million request as well justification for the use of the remaining Prop 40 Section 5096.610 (d) funds, General Fund, future Bond Funds, and ELPF or other applicable Special Funds.

At a minimum, the Conservancy is requesting appropriation of the balance of Prop 40 Section 5096.610 (d) funds.

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).*

No interdepartmental coordination, reviews or approval are required for the expenditure of these funds.

EndNotes:

Unallocated Prop 40 Bond Funds <http://www.4050bonds.resources.ca.gov>

Prop 40 Section	Public Resource Code	Department/Program	Available Balance
5096.610(d)	5096.650(f)	(Multiple Departments): Agricultural Lands	\$1,482,000

² General Funds, Bond Funds and ELPF or other Special Funds may also be used to support non-agricultural projects as well.

³ 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.

⁴ 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.

⁵ 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.

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 Funds be Appropriated to the San Diego River 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.

Specific-Purpose Prop 40 Funds Match Conservancy Needs

Prop 40 Section 5096.610(d) funds are limited to the conservation of Ag lands which is a high priority for the Conservancy. This is a good match of specific-purpose funding with a specific-purpose need. Appropriation of the remaining Ag land funds to the Conservancy would be an outstanding investment of the State's limited resources.

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).

Justification for General Funds Request

Although we are very aware of the constraints and competitive pressures on the General Fund, the Conservancy believes that its unique circumstances warrant your consideration of a moderate appropriation of General Funds for the following reasons:

- ***Need and Request:*** Because the Conservancy needs \$164.5 million in capital outlay funding and because there are presently very few sources from which to obtain capital outlay funding, the Conservancy is requesting a modest appropriation of General Funds. This appropriation will provide needed resources to advance the Conservancy's *Land Conservation Program* while allowing the Conservancy the time to develop more reliable longer-term sources of funding.

- **Secondary Need for Available Flexible Funding:** In addition the Conservancy needs access to an immediately available flexible funding source to cover the necessary upfront costs of acquisitions (e.g., options, appraisals, Phase 1 site assessments, DGS/PWB approvals). Without such funds, the Conservancy (and its partners) will likely not be able to move quickly enough to take advantage of fleeting windows of opportunity for acquisitions. An available flexible source of capital outlay funds also provides the opportunity to undertake unscheduled projects at the Governing Board's discretion. The General Fund is an excellent source of flexible capital outlay funding for any of the Programs and purposes of the Conservancy.
- **No Prop 12, 13, 40, 50 Appropriations:** Since the Conservancy was not yet created, it has not received a direct appropriation from any of the recent Bond Acts, Propositions 12, 13, 40, and 50. In contrast, the other state Conservancies have received significant appropriations from these Bond Acts. The Conservancy requests an equitable share of all remaining existing bond funds as well as all future bond funds.
- **Not in Private Initiative:** The Conservancy is not included in the upcoming Water and Parks (Cave's) Private Initiative for the November 2006 ballot. All other state conservancies have specific allocations (including one non-state conservancy). For this reason, we are requesting your consideration of alternate capital outlay funding to allow the Conservancy to conduct its statutory mission.
- **No Tidelands Oil Revenues Funds:** The Conservancy has not participated in any funding from the Tidelands Oil Revenue Fund. In contrast, many other state Conservancies have received significant funding from this Special Fund source. Revenues remaining in the oil fund now will be directed to the General Fund. Since the Conservancy has been left out of all Tidelands Oil Revenue funds to date, a General Fund appropriation could potentially help us capture a small amount of funding from this source (or otherwise replace it).
- **Unanticipated State Revenues:** The State is reporting revenues estimated at more than \$5 billion ahead of predictions (\$4 billion this year and \$1 billion next). A moderate appropriation from the General Fund would allow the Conservancy to participate in the State's revenue surplus.
- **General Funds Support State Conservancies:** It is my understanding that many of the other state conservancies are currently receiving or have received General Funds at some point throughout their history. The San Diego River Conservancy is seeking many other funding sources but is also requesting equitable state funding. Access to State funds is one of the key functions of a state chartered Conservancy and one of the primary reasons the San Diego River Conservancy was created.
- **Local Funding Sources are Not Available:** The Conservancy understands that the Agency and Department of Finance wants the Conservancy to obtain local funding. Accordingly the Conservancy has and will continue to seek local funding, however it is currently not available. If local funds had been available, there would likely not have been as compelling of reason to create the Conservancy.

Bond Fund Request

In order to accomplish its statutory purpose of acquiring public lands, it is important for the Conservancy to participate equitably in any future state General Obligation bond funds. The Conservancy has not directly participated in any existing bond funds and has been omitted from the upcoming Cave's private initiative. For this reason the Conservancy is requesting Agency's assistance in securing appropriations from any possible future or existing Bond Funds. In addition to needing bond funds to conduct the Conservancy's core Programs, Bond Funds would also provide a much needed source of readily available flexible funds to pay upfront costs and seize fleeting windows of opportunity.

ELPF / Special Fund Request

Although we are well aware that ELPF revenues are declining and over-allocated, the Conservancy is never-the-less requesting your consideration of providing a small amount of funding from ELPF or any other Special Fund source for which we may be eligible. In addition to needing ELPF (or other Special Funds) to conduct the Conservancy's core Programs, ELPF/Special Funds would also provide a much needed source of readily available flexible funds to pay upfront costs and seize fleeting windows of opportunity.

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 4). 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

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