

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. 07/08:07 PRIORITY: 7 PROJECT ID: 38-07-0001

/DEPARTMENT: San Diego River Conservancy

PROJECT TITLE: General Fund Loan Authority

TOTAL REQUEST (DOLLARS IN THOUSANDS): Up to \$5,000 (five million dollars in loan authority) 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 General Fund Loan Authority up to \$5 million (\$5,000,000).

The purpose of the General Fund Loan Authority is to provide a source of funds (cash flow) with which the Conservancy may pay advance expenditures until reimbursements are received. This source of funds is requested because the Conservancy is relatively new and has never had its own source of upfront funds with which to pay expenditures in advance and then be reimbursed in arrears.

The Conservancy is currently seeking any applicable funding source and any suitable budget authority to optimize/increase its ability to conduct its statutory mission as described in Section A below (and detailed in Appendix 1). Most importantly 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).

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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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 OR THE PROJECT: (problem, program need, infrastructure deficiency)

Purpose

The San Diego River Conservancy (Conservancy) is requesting General Fund Loan Authority up to \$5 million (\$5,000,000) for the purpose of paying expenditures in advance of receiving reimbursements.

Problem

The Conservancy is relatively new and has never had its own source of upfront funds with which to conduct its statutory mission, including the ability to pay expenditures in advance and then be reimbursed in arrears. It has no Capital Outlay/Local Assistance Budget and it has no cash flow.

Program Need

Per its enabling statute, the Conservancy anticipates receiving future funding from many sources and making frequent grants of funds to its many partners for project implementation. After making grants, the Conservancy will need the ability to advance payment to its grantees/partners for their invoices.

Specifically application is currently underway for the entire remaining balance of the original Prop 40 River Parkways appropriation earmarked for the San Diego River, approximately \$5 million. If successful, the Conservancy intends to "regrant" a substantial portion of the Prop 40 funds to its partners and will soon need cash flow to pay advance expenditures before reimbursements are received. The Conservancy is requesting authority to receive up to \$5 million in loans from the General Fund for this purpose because the Conservancy has no other source of funds that can be used. General Fund Loan Authority will allow the Conservancy to avoid cash flow difficulties which may otherwise arise.

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 River¹. 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,

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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 General Fund Loan Authority

If General Fund Loan Authority is not awarded, the Conservancy will likely be unable to pay expenditures in advance of receiving reimbursement.

Measures of Success

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

- Cash flow is established allowing the Conservancy to pay expenditures in advance and then be reimbursed in arrears.

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 General Fund Loan Authority be Granted to the Conservancy?

- *Strong Partner Support / Highly leveraged*

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- *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 General Loan Fund Authority is fully consistent with the Conservancy's statutory mission, recently adopted *Five Year Strategic and Infrastructure Plan 2006-2011*² (Plan), four major programs and thirty implementing projects. The major programs are:

- Land Conservation
- 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 General Fund loan Authority of \$5 million

Alternative #2: Authorize lesser amount of General Fund loan authority to the Conservancy than the requested.

D. RECOMMENDED SOLUTION:

1. Which alternative and why?

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The Conservancy' is recommending Alternative #1: Authorize the requested level of General Fund Loan Authority in the amount of \$5,000,000.00. This is considered to be the most viable and appropriate alternative to allow the Conservancy to pay expenditure in advance and then be reimbursed in arrears. The requested amount of \$5,000,000.00 is consistent with the remaining amount of Prop 40 River Parkways funds for which the Conservancy is currently applying. This amount will provide the upfront cash to pay invoices as necessary to avoid cash flow problems with grantees and project partners of the Conservancy.

2. Detail Scope Description.

The San Diego River Conservancy is requesting General Fund Loan Authority up to \$5 million (\$5,000,000) for the purpose of paying expenditures in advance of receiving reimbursements to support its upcoming grant program.

3. Basis for cost information.

The requested amount of \$5,000,000.00 is consistent with the remaining amount of Prop 40 River Parkways funds for which the Conservancy is currently applying. This amount will provide the upfront cash to pay invoices as necessary to avoid cash flow problems with grantees and project partners of the Conservancy.

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

Any amount of General Fund Loan Authority will be appreciated and helpful. However \$5 million is the amount we believe is needed to efficiently run our upcoming grant program.

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 would be necessary with the Department of Finance and the State Controller's Office.

End Notes:

¹ 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.

² 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://sdrca.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 General Fund Loan 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 2). 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>\$2.5 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>\$2.5 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>