

**CRD
PARTNERSHIP PROJECT
FUNDING PROGRAM
FRAMEWORK**

January 19, 2021

Introduction:

On November 3, 2020, the registered electorate of the Colorado River Water Conservation District (the District or CRD) approved Ballot Question 7A. Ballot Question 7A, in its entirety reads:

Shall Colorado River Water Conservation District, also known as the Colorado River District, taxes be increased by an amount up to \$4,969,041 in 2021 (which increase amounts to approximately \$1.90 in 2021 for every \$100,000 in residential home value), and by such amounts as are generated annually thereafter from an additional property tax levy of 0.248 mills (for a total mill levy of 0.5 mills) to enable the Colorado River District to protect and safeguard Western Colorado water by:

- *Fighting to keep water on the West Slope;*
- *Protecting adequate water supplies for West Slope farmers and ranchers;*
- *Protecting sustainable drinking water supplies for West Slope communities;*
and
- *Protecting fish, wildlife, and recreation by maintaining river levels and water quality;*

provided that the District will not utilize these additional funds for the purpose of paying to fallow irrigated agriculture; with such expenditures reported to the public in an annually published independent financial audit; and shall all revenues received by the District in 2021 and each subsequent year be collected, retained and spent notwithstanding any limits provided by law?

When taking action to place this ballot question on the November 2020 ballot, the CRD Board adopted Resolution 2020-01 which included within in it an Implementation Plan. The Implementation Plan articulates the River District’s clear intent and commitment as to how the newly authorized funds would be used by the District if the voters approved the ballot question. Specifically, the Board committed to allocating approximately 86% of the funds annually to fund partnerships with water users and communities within the District on projects identified as priorities by local communities and Basin Roundtables.

The Implementation Plan adopted by the Board pledged that the Board and staff of the Colorado River District will prioritize multi-purpose projects that meet needs in one or more of the following five categories:

- productive agriculture,
- infrastructure,
- healthy rivers,
- watershed health and water quality; and

- conservation and efficiency.

The Board indicated that the District is committed to expending funds in an equitable manner which, over time, disperses the benefits of the program geographically within the District boundaries and between the identified categories. The District is also committed to utilizing these funds to drive the initiation and completion of projects that are priorities for residents of the District by utilizing District funds as a catalyst for matching funds from state, federal and private sources.

In Resolution 2020-01, the District expressly stated that it will not utilize the funds raised by this ballot question for the purpose of paying to temporarily or permanently fallow irrigated agriculture and the Implementation Plan affirms the River District's commitment to coordinating and consulting local elected officials in all relevant counties prior to committing funds to any specific project or activity pursued by the District.

The purpose of the following document is to provide a transparent framework and common understanding as to how this program will function for all Colorado River District stakeholders, i.e. our taxpayers, water users, potential applicants, elected officials, community members, and River District Board members and staff.

Commencing with the 2021 budget cycle, the CRD shall create a line item in the General Fund Budget which identifies the funds available in the budget year for appropriation for partnership project funding. Except as otherwise provided for herein, these funds shall only be allocated and committed with Board approval. The District recognizes and values the importance of transparent and public accounting and allocation of these funds; therefore, CRD staff shall be charged with conducting the following analysis and recommendation to the Board for each request to allocate partnership project funding.

Purpose: To provide District Board and staff with an appropriate, objective and transparent tool and process to evaluate any new external or internal request for partnership project funding in order to determine the appropriateness of the request within the District's mission, the District's commitment to the citizens of the District as set forth in ballot question 7A approved on November 3, 2020 and as more specifically articulated by the Board in Resolution 2020-01.

Intent: To provide an objective framework and transparent process by which staff will initiate or receive, evaluate and potentially recommend to the Board of the CRD, requests for partnership project funding from funds received by the District as a direct result of Ballot question 7A's passage. Additionally, this document is intended to provide guidance to the CRD Board members as they evaluate and make approval decisions on these partnership project funding requests.

Process: All requests for funding under the CRD Partnership Project Funding Program shall be analyzed by staff pursuant to the following criteria. Projects that the staff determines meet the criteria shall be recommended to the Board for funding at the regular quarterly meeting or special Board meeting following staff's analysis hereunder. Staff members receiving requests for assistance from any party, (i.e. constituent, other government, Board Member, or non-governmental organization) and or desiring to initiate any new project with funding from these funds on behalf of District must collaborate with their department head to work through the analysis set forth below and, utilizing the District approved form, draft a concise written analysis recommending or

advising against providing the assistance requested.

Required Elements to Staff Analysis and Recommendation:

I. Mission Alignment:

Does the request/project fit within the Mission of the District as expressed in the Board's Mission Statement, its Strategic Plan, and the language of question 7A?

- Staff should be able to objectively articulate which (hopefully multiple) strategic plan initiatives the request fits within.
- Is the requested activity in compliance with or contravene any written policy of the District? Staff should provide a reference to relevant policies and if no policies apply, explain why the project should be funded.

II. Identification of which Categories from the Implementation Plan are fulfilled:

A. Category Allocation: Staff shall identify which of the following categories or buckets apply to the proposed project and if more than one (which is preferred) identify the approximate percentage applied to each applicable category. This section of the analysis should contain a narrative prepared by staff which articulates the rationale supporting the identification of and allocation between categories.

- (I) Productive agriculture projects which could include multiple-use storage that addresses regional priorities; developing innovative and functional water leasing; suitable agriculture efficiency and conservation approaches; technical assistance and technological innovation; and dedicated resources for increasing community literacy about irrigated agriculture and supporting agricultural market growth. The District will not utilize these funds for the purpose of permanently or temporarily fallowing irrigated agriculture;
- (II) Infrastructure projects which could include upgrading aging infrastructure while incentivizing new storage and delivery projects that collaboratively address multiple needs, such as improved flows to meet demands, stream and watershed health, and habitat quality; multi-purpose projects and storage methods that are supported in the Water Plan and the Basin Implementation Plans;
- (III) Healthy rivers projects which could include those identified in stream management plans or similar projects, projects that support and sustain fish and wildlife, healthy aquifer conditions as they connect to healthy streams, economically important water-based recreation, wetland habitat, fish passage construction for new or revised water diversion structures, stream restoration projects, and environmental and recreational enhancements for new or revised water supply projects;
- (IV) Watershed health and water quality projects which could include projects identified in collaborative and science-based watershed management plans that reduce the risk from and increase resilience to fires and/or floods, rehabilitate streams, or make landscapes resilient to climate change, including, but not limited to science-based mechanical forest treatments and prescribed fire, projects that address drinking water quality for under-resourced communities, and projects that

address pollutants such as selenium, salts, and others, as well as mine remediation activities; and

- (V) Conservation and efficiency projects which could include supporting agricultural water infrastructure that increases reliability and efficiency; municipal and industrial projects that promote efficiency, water conservation, green infrastructure, and outdoor landscaping to reduce consumptive use; increase leak detection for infrastructure repair and replacement; assisting communities with water-smart community development and water conservation programs; and targeting smaller, fast-growing, and communities with older infrastructure with strategic, incentive-based investments.

B. Fund Distribution by Category:

To implement the District's commitment to funding each of these categories in approximately equal amounts over time, the District shall exert a reasonable effort to expend these partnership project funds in a such a manner that the above five listed categories will receive approximately equal funding on a running five-year average. In order to assist the District Staff and Board, the District accounting staff shall keep a current year and a running five-year average as to how the District has allocated Partnership Project funds. Staff shall include the effect of any recommended funding to the current year and running five-year average allocation when presenting any recommendation to the Board.

C. Geographic Equity:

The District has committed to expending the Partnership Project funds in a manner which equitably disperses the funds geographically within the District boundaries over time. The District staff shall keep track of a five-year running average of where partnership project funds are allocated, both on a county by county basis and on a sub-basin drainage basis (i.e. Gunnison, mainstem Colorado and Yampa/White/Green). When considering equitable geographic distribution, the staff and Board will consider all relevant factors, including but not limited to: the running average distribution of funds, the relative population of counties and basins, the relative financial contribution, the number of requests for funding from certain counties and or drainages and the relationship of any particular request to the strategic goals of the District. With each funding recommendation, the staff shall provide the current running five-year allocation of funds by basin and staff's analysis on the factors listed in this paragraph.

III. Analysis of Project Funding and Leverage of CRD Funds:

The intent of the District is that District funds shall not be the sole source of funding for any project. It is the expectation and intent of the District that the applicant or project proponent will contribute funds and utilize District funds to leverage state, federal or private funds to the project. While there is, at this time, no minimum percentage contribution required by a project proponent, the extent of project proponent and non-CRD funding shall be a factor in evaluating any project for District funding.

For any Partnership Project Funding request recommended for CRD funding, District staff shall require applicant or project proponent to provide a complete disclosure of all funds and funding sources being utilized to complete the project. If District funds are to be used as matching funds from a different source (i.e. federal, state or private funding sources), the District may award funds in a manner that is contingent upon the applicant receiving the matching funds.

District Partnership Project Funding may be made in the form of grant, loan and/or investment in a project. If a project has funding from a non-public entity (whether in-kind or direct funding) and that entity has the intent to receive a profit from the operation or construction of the project, the applicant or project proponent shall disclose and deliver to the staff of the CRD all relevant funding agreements, letters of intent or understanding, contracts, operating agreements or corporate documents which serve as the basis of the agreement between the proponent and the non-public entity. In some circumstances, non-public partner projects may profit from projects funded by the River District. In such circumstances, staff may suggest conditions for the approval of project funding that provides a return on the River District's investment that is equitable in comparison to the rate of return to the private entity. In doing so, District staff shall evaluate all risks posed to the District related to this investment and/or loan and staff shall not commit the District to any obligation which is not authorized by law or may be considered a multi-year fiscal obligation.

IV. Local Community Support:

The District is committed to coordinating and consulting local elected officials in any and all relevant counties prior to committing funds to any specific project or activity pursued by the District.

Any applicant or project proponent shall, as part of the application process submit a letter of support for the project from the board(s) of county commissioners in which county the project is located and/or water from the project will be utilized. If a project is proposed to occur within the boundaries of a municipality, it is strongly recommended that the project proponent provide a letter of support from the governing body of said municipality. Should a letter of support for a project not be available from the appropriate local government(s), project proponents shall provide a detailed explanation of the reasons. Prior to recommending a project for funding to the Board in which there is not a letter of support from the local board(s) of county commissioners, the staff member in charge of processing the request shall work with the Director of Government Affairs and the General Manager to communicate with the District Director from the affected county and the relevant board(s) of county commissioners. Staff shall accurately convey any concerns or opposition to the project expressed by the board(s) of county commissioners to the CRD Board as part of the recommendation.

V. Human Resource Requirements:

It is the intent of the District that the partnership project funding shall primarily be a financial relationship with the project applicant. There are, however, instances where the District may desire or need to contribute technical, legal, administrative or government advocacy resources to the project. Projects for which staff recommends staff involvement beyond the partnership funding shall require staff to conduct the following additional analysis.

Staff should prepare a detailed and realistic analysis of the short, and long-term number of staff hours and the nature of the staff involvement.

- Identify who would be the lead District staff on any new project.
- The estimate should include the number of months/years of involvement, the number of hours for each anticipated staff member on a monthly or quarterly basis and a computation of the actual, loaded cost for each of the involved employees.
- If such request involves multiple departments, those department heads shall be brought into this initial analysis process.
- Need to have an affirmative finding that proposed staffing needs can be met by existing District staff capacity.

VI. Risk Analysis:

Staff shall conduct a thorough risk analysis of any partnership funding request. Areas of risk to be analyzed shall include but not be limited to:

- Public health, safety and welfare;
- Consequences of project failure;
- Potential injury to vested absolute water rights;
- Potential for ongoing financial need (whether operational or during construction phase);
- Reputational risk to the District;
- Potential for District staff involvement beyond that identified above; and
- Evaluation and disclosure of any potential conflict of interest by District staff or Board members.

VII. Additional Factors to be Evaluated:

The District recognizes that the scope and type of projects which will be funded by this program will cover a wide spectrum of water projects and as such the District desires to keep funding criteria broad enough to be inclusive of as many different types of projects as possible. However, there are a number of elements that the District may consider when evaluating a funding request:

- A.** Preservation of pe-Compact Water Rights;
- B.** Non-injury to other water users;
- C.** Negative effects caused by reduction in return flows;
- D.** Reduction of water consumption;
- E.** Reduction of operational costs to the operator;
- F.** Enhancement of a project's long-term viability;
- G.** Promotion of innovation within a water use sector;
- H.** Development of applied research, science and data beneficial to the mission and strategic goals of the District;
- I.** Size, complexity and importance of a project which may warrant consideration of multiple sequential funding awards; and

- J. Any other factors deemed relevant by the District.

VIII. Timing and Process:

- A. Application Forms. The District staff shall create an application form and an internal staff evaluation form. The District shall provide access to those forms together with the District's strategic plan, written policies and this framework to any interested applicant or project proponent.
- B. Application Timing. The program will be funded annually with a rolling application process. The Board may consider any staff recommendation at any of its regular quarterly or special meetings. For a project proponent's request to be considered at a meeting of the Board, the project proponent shall submit all information required by staff no later than six weeks prior to the next regularly scheduled District Board meeting. The General Manager may make exceptions for emergency situations which, in the opinion of the General Manager, warrant such consideration. Neither the staff or Board shall be required to evaluate a request that is not complete or contain all relevant information and documentation. While the District will make every attempt to process funding requests in a timely manner, the District reserves the right to delay consideration of any request if the District has other business which it determines is of higher importance to the mission of the District.
- C. Reconsideration Process. Should staff make a determination not to fund a project which is within the delegated authority of the General manager (see, Section IX below), or make a determination not to recommend funding for a project of any size does not satisfy all applicable criteria, an applicant may, within 30 days of receiving a notice of adverse determination, request that the River District reconsider the request. Such request shall be delivered in writing to the General Manager and shall specify the grounds for reconsideration. Upon receipt of a timely request for reconsideration, the General Manager shall schedule the request on the agenda of the next quarterly meeting of the Board at which there is practicable time to consider said appeal. The Board shall review and consider the request and may grant the applicant the opportunity to present their case or the Board may act on the request based on its review of the written reconsideration and any material submitted by the General Manager. The Board's determination of a request for reconsideration shall be final. The River District's determinations with respect to Partnership Project funding is a purely discretionary policy-making function of the River District and there are no adjudicatory or substantive rights associated with funding requests from the River District's Partnership Program.
- D. Execution of Funding Program. Staff shall create and implement processes for successful applicants with respect to disbursement of funds, progress reports and completion reports and inspections and methods for appropriate recognition of District Funding on project literature and location. Applicants shall adhere to any such requirements.

IX. Delegation of Authority to General Manager:

The Board hereby delegates authority to the General Manager to review, consider, approve and/or deny application for Partnership Project Funding in amounts up to \$50,000 for any single project. This delegation of authority shall not exceed an aggregate total of \$400,000 in any single calendar year. The General Manager shall abide by the terms of this Framework in considering any grant requests which fall within this delegation of authority. The General Manager shall provide a report to the Board on a quarterly basis of all requests approved or denied under this authority.

X. Board Discretion:

The Board reserves the right to modify this Framework at anytime in the future and further reserves the right to waive any requirement set forth herein.