



## Memorandum

Date: February 19, 1998

To: Douglas P. Wheeler  
Secretary for Resources

David N. Kennedy  
Director

From: Lester A. Snow  
Executive Director

Subject: Proposition 204 Category III Funds--Proposed Agency, CALFED and DWR  
Responsibilities

The purpose of this memo is to give an overview and obtain approval regarding the roles and responsibilities of the Resources Agency, the Department of Water Resources (DWR), and the CALFED Bay-Delta Program (CALFED) in the administration of the Proposition 204 Category III Program.

### Background

Proposition 204 provided \$60 million to fund the State's portion of the Category III Program, consistent with the Bay-Delta Accord. The purpose of the Category III Program is to begin interim restoration of the Bay-Delta ecosystem prior to completion of the larger CALFED process, i.e. identification of a preferred alternative and certification of the EIR/EIS.

Article 3 of Proposition 204 (referred to as Category III for purposes of this memo) states that "the Secretary for Resources shall carry out this article in accordance with procedures established by CALFED for the purpose of undertaking Category III activities and other ecosystem restoration programs until the Legislature, by statute, authorizes another entity that is recommended by CALFED, to carry out this article."

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#### CALFED Agencies

**California**  
The Resources Agency  
Department of Fish and Game  
Department of Water Resources  
California Environmental Protection Agency  
State Water Resources Control Board

**Federal**  
Environmental Protection Agency  
Department of the Interior  
Fish and Wildlife Service  
Bureau of Reclamation  
U.S. Army Corps of Engineers

Department of Agriculture  
Natural Resources Conservation Service  
Department of Commerce  
National Marine Fisheries Service

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Under the direction of the Resources Agency and the CALFED Policy Group, the CALFED Bay-Delta Program administered the selection process for the Category III program in 1997 and again in 1998. The program includes three other funding sources in addition to the State Proposition 204 funds (Federal Bay Delta Act, Federal Watershed Planning appropriation, and California Urban Water User funds). As a result of the 1997 solicitation of proposals, the CALFED Policy Group approved 50 proposals for approximately \$60 million in December 1997. Of this total, 36 projects for \$33 million are to be funded using State Proposition 204 funding and the remainder are funded by the other funding sources. In late January 1998, the CALFED Policy Group approved a second round of funding which included 29 projects totaling approximately \$23 million. CALFED is in the process of recommending which of the 29 projects will be funded by Proposition 204 and which will be funded by the other sources.

To establish an efficient and coordinated process for overseeing and administering the proposals once selected, the CALFED Policy Group has supported the idea of securing assistance from the National Fish and Wildlife Foundation (NFWF), an organization with extensive experience managing grant programs for ecosystem restoration.

### **Status**

Since June 1997, staff from the Resources Agency, DWR and CALFED have been working with the NFWF on a contract for the purpose of securing the administrative services of NFWF. Although a primary purpose of these discussions was to determine the role and responsibilities of the NFWF, the larger objective was to design a process for the long-term administration of Proposition 204 Category III funds.

Based upon these discussions, we are proposing the framework summarized in this memo for administering the Category III Program. This framework retains overall responsibility for the program at the Resources Agency but also takes advantage of the personnel resources and expertise of CALFED, DWR, and the NFWF. The proposed roles and responsibilities of each agency are summarized below. We have also attached the agreements and contracts which further describe each agency's responsibilities.

### **Summary of Responsibilities Related to Proposition 204, Category III**

1. Resources Agency -- Primary program responsibility
  - Provide overall guidance and policy direction, and budget review and approval
  - Provide final approval of proposals for Proposition 204 funding

- Sign Interagency Category III Agreements with other state agencies
  - Assume responsibility for defense and payment of settlements and judgements involving any claims or legal actions related to the Recipient Agreements or the NFWF Agreement, including claims and judgements against DWR arising from DWR signing the NFWF Agreement.
  - Approve or deny significant amendments to Category III contracts and interagency agreements
2. CALFED -- Overall program management of the Category III Program
- Administration of Category III proposal solicitation and selection process
  - Facilitate stakeholder and local involvement in the program
  - Oversee NFWF's responsibilities related to contract administration
  - Provide technical assistance to NFWF, if necessary, on engineering, biology, and other technical areas needed for contract administration
  - Serve as contract administrator for the Category III interagency agreements with other state agencies
  - Prepare, in coordination with DWR, periodic status reports to Agency, CALFED Policy Group, the Legislature and others.
  - Coordination of Category III with other ecosystem restoration efforts, e.g. AFRP, CVPIA Restoration Funds, State Board Watershed Restoration Grant Funding Program
3. Department of Water Resources -- Serve as fiscal agent for the Category III funds
- Maintain fiscal records
  - Solicit and arrange for bond sales
  - Disburse Category III monies to (1) NFWF Escrow Account, (2) CALFED, for administrative support and (3) Category III interagency agreement recipients
  - Sign NFWF Agreement.
4. National Fish and Wildlife Foundation -- Oversight for Assigned Category III contracts
- Serve as contract administrator for assigned proposals
  - Finalize contracts (recipient agreements) for assigned proposals
  - Assemble and maintain fiscal records
  - Provide quarterly status reports to CALFED and DWR which include fiscal and programmatic status of assigned proposals

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In order that we may to proceed quickly with the administration of the Proposition 204 grant awards, please review and respond by Thursday, February 26, 1998. I am circulating this memo simultaneously to CALFED, DWR, and the Resources Agency for signature to further expedite the review process. Once we have agreed on the basic responsibilities associated with the Proposition 204 Category III Program, the attached contracts and agreements will be revised accordingly and resubmitted to each of you for final approval.

Attachments