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June 7, 2005

MEMORANDUM

TO: Council Members

FROM: Patty O'Toole, Program Implementation Manager
Doug Marker, Fish and Wildlife Division Director
John Shurts, General Council

SUBJECT: Future project review process: FY07 and beyond

Introduction

The agenda for the Fish and Wildlife Committee at the June meeting includes continued discussion of the next project selection process for fiscal years 2007-2009. With the final adoption of the subbasin plans, the intent behind the next project selection process is a comprehensive rethinking and review of projects proposed for funding by Bonneville to implement the plans and all other aspects of the Council's comprehensively revised *Columbia River Basin Fish and Wildlife Program*.

The shape of the coming review process is a complicated subject with a host of elements and issues. We have been trying to work through these issues in a logical sequence. At the April meeting, we focused in a general or conceptual way on three themes: (1) the desired outcomes of the review process; (2) what the overall organization of the projects and the review might look like; and (3) the important elements of the review. At the May meeting, we sharpened the focus on two aspects of the review -- the organization of the review and possible schedule; and issues involved in allocating the available resources across the disparate parts of the program. The guidance we received from the Council members in these discussions has in turn helped us shape the proposal more distinctly, as have a set of discussions among central and state staff.

This memo contains recommendations for some aspects of the future project review and selection process. We will describe these in more detail at the Council meeting and focus on outstanding questions.

The purpose of this memorandum is to sharpen the focus further, with what is in essence a strawman proposal of the basic elements of the review, in four categories:

- organization of the program and the review
- timing and sequence
- allocation of available resources
- procedural details of the reviews
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The four parts of the memorandum focus in turn on these four categories, with a proposal (in outline form) for each aspect of the review, along with issues and alternatives.

We are not asking the Council for a decision at this meeting on the details of the review process. But we are asking the Committee for informal endorsement of either this proposal for how to organize and proceed with the review, or a revised proposal that we shape during the Committee discussion. The staff will then discuss this proposal internally and with our partners in the review (Bonneville, fish and wildlife managers, and so forth), with an eye to bringing a final proposal to the Council at the July meeting. If we are going to begin this review in the second half of 2005, as is the intent, it is time to finalize the planning and get on with the review.

Before moving to the elements of the review itself, it is important to consider the outcomes that we desire of the review:

- Review the entire program consistent with Section 4(h)(10)(D) of the Power Act, involving ISRP review, public review, and then Council review and recommendations.
- Provide enough time for a thorough review in context, which means that it might not be possible to do the whole program all at once and complete the review in one year. As in the previous review, we may need to stagger or roll through different parts of the program, as quickly as possible.
- Result in multi-year recommendations.
- Implement subbasin plans. The intent is to use the subbasin plans as the source documents for evaluating and recommending habitat and production actions in the tributaries and mainstem reaches.
- Recognize that a big part of the direct program involves activities outside of the subbasin plans (the “systemwide” projects), such as research, monitoring and evaluation, and coordination. Guidance documents exist to direct and prioritize many of these activities, including the 2003 Mainstem Amendments and key ESA documents. For further guidance, we need to complete the research plan and further develop the regional monitoring and evaluation framework.
- Integrate ESA needs successfully.
- Shift the Council’s recommendations as much as possible to an emphasis on performance objectives and results that the Council wants to obtain, and leave more flexibility and local input for the actions to be selected (e.g., adapting the water brokerage process or a functioning model watershed process to larger parts of the program). This *has* to be

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coupled with the development of appropriate procedures and controls for reporting results, monitoring and evaluation, and data management so we can be confident with this approach.

- Decide on a (scientifically) sound allocation of resources across the program, including an effort to increase the proportion of program funding on habitat and production (on-the-ground) work and decrease proportion in the other areas.

Organization

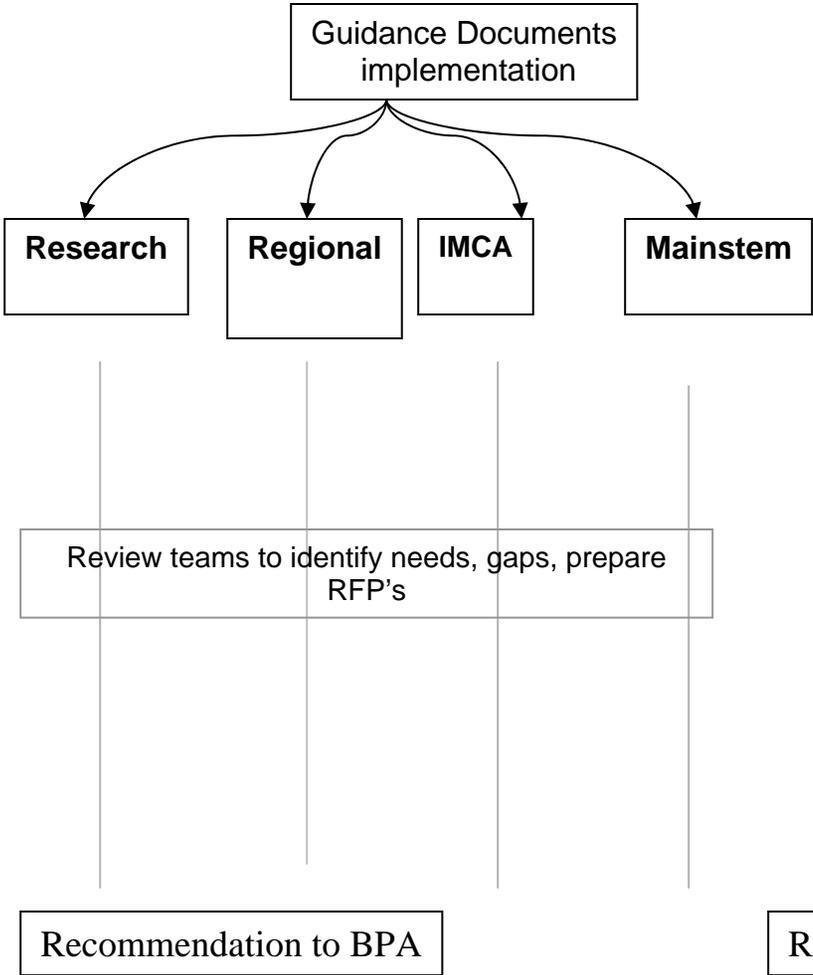
- General agreement on basic breakdown between a *Systemwide* review (and set of associated categories) and a *Province* review (and corresponding set of categories). See the diagram on the next page, which you have all seen in previous discussions.
- *Systemwide* review categories include research, regional monitoring and evaluation and coordination (IMCA).
 - Mainstem activities that involve research (such as the reach survival studies) or monitoring and evaluation (such as the smolt monitoring program) should be thought of as part of and grouped with the relevant *Systemwide* categories of research and monitoring and evaluation.
 - The “mainstem” projects also include the predator control and harvest related projects -- essentially the pikeminnow control project and the Select Area Fisheries project. While each of these projects has an element of research, they are really or largely management actions, and should be thought of and grouped with the habitat and production projects in the Province Review. This will make more sense when we get to the issues of allocation.
 - We plan to identify the monitoring and evaluation and research projects in the provinces/subbasins that are not specific to on-going work and move those into their relevant *Systemwide* categories. The existing project organization includes a large number of monitoring and evaluation, assessment and research projects in the subbasins that are not directly connected to on-going production and habitat projects. These largely involve the monitoring and assessment of baseline conditions and trends in population status and watersheds. We have identified these in the FY06 review, so the members can see the number and magnitude of these projects. For allocation reasons and for the purpose of reforming our approach to monitoring and evaluation from a regional perspective, it makes more sense to consider these projects as part of the *Systemwide* review. We potentially lose the subbasin and province context of these monitoring and evaluation and research activities when we do this (a context which benefits both the monitoring and evaluation activities and the understanding of the whole set of work in the relevant subbasin). So, we will have to organize the *Province* reviews so that the ISRP and others still understand and can comment on what baseline and trend monitoring and evaluation and research is taking place.
- *Province* review includes the habitat and production actions in the tributary subbasins and in the estuary and mainstem reach areas as well, organized by provinces. This category includes both new habitat and production work *and* o&m on existing production and past

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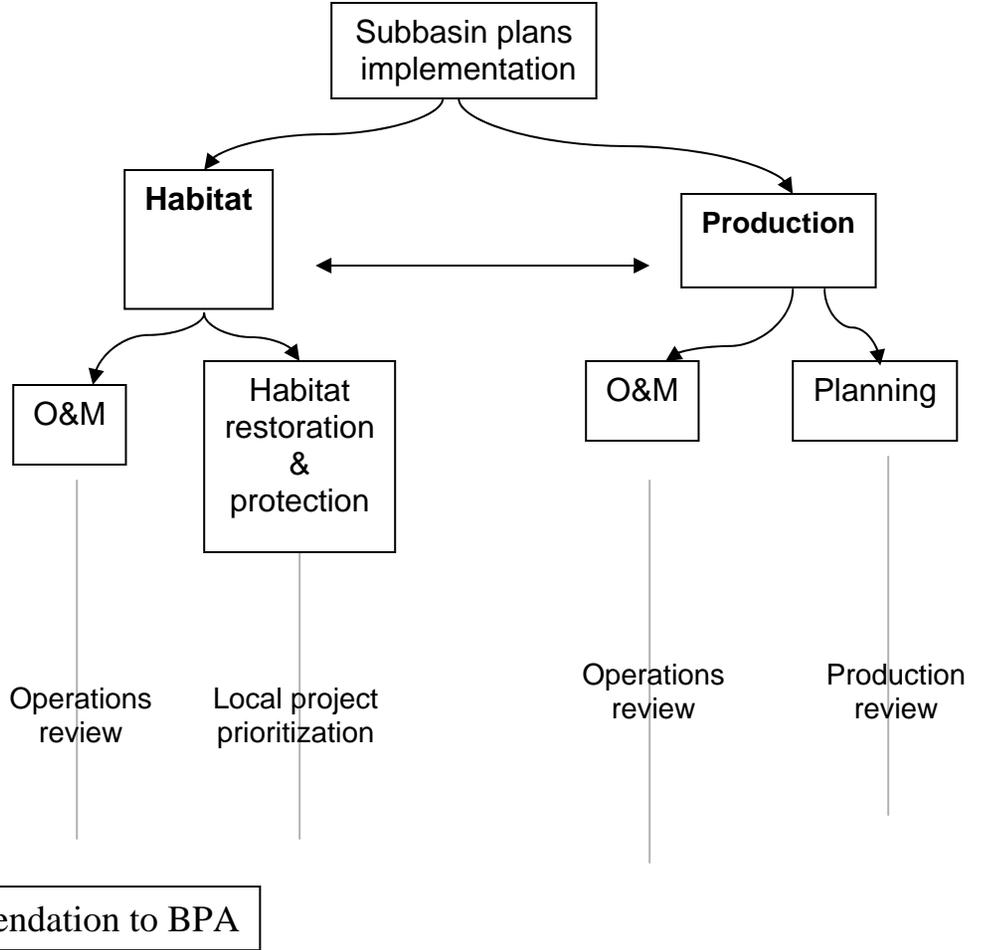
habitat actions. It also includes monitoring and evaluation that is directly related to the production and habitat projects.

F&W Program

Systemwide Review



Province Review



Sequence and timing

- Where to begin? Whether to start first with the *Systemwide* review of projects or the *Province* review is *not* really an issue. It is imperative that the Council get going on solicitation and review of habitat/production work to implement subbasin plans. The only issue is whether to start the *Systemwide* review at same time and run it concurrently, and if so, when, *or* whether to wait and do the *Systemwide* review at the end. Staff suggests we run the reviews concurrently, although it is also likely we will not be able to start the *Systemwide* review immediately with the start of the *Province* review, as the Council may need to have more time to work on the regional research and monitoring and evaluation protocols that will guide the review.
- How long to do the entire review? The next obvious question is how long to take to do the whole review? For a number of reasons, it seems neither prudent nor necessary to take three years, yet impossible to do the review all in one year. We propose to take a little over 18 months to do the entire review, beginning in late summer or early fall of 2005 (say, September 2005) and finishing before the summer field season in spring 2007 (say, April 2007). Given all we have to review, this is quite aggressive, and we may meet with some understandable resistance from the ISRP and others. But it will mean finishing much of the review before the start of FY07, and all of it in time to inform FY07.
- For the *Systemwide* review categories, the proposal is to review them all at once. This would presumably be a six- to eight-month review.
- For the *Province* review, it continues to make sense to stagger or sequence or roll the reviews by province or groups of provinces. This area of the Program is too big to review all at one time.
 - One issue then becomes in what sequence? We propose here is to group the anadromous provinces into three big groups (upper and middle Columbia, Snake, and lower Columbia) and review them in that order.
 - Another issue is how to sequence *all* the pieces of the review, (solicitation/review/recommendation)? Do we parse and sequence just certain parts, such as the ISRP and Council review, while we organize and solicit all at once and/or recommend all at once at the end? We propose to do the former, that is sequence the all the pieces -- organizing the province review teams, soliciting/packaging the projects, and the ISRP, public and Council review.

Allocation

- What is the total to allocate? It is too early to say for certain, so we have simply been working in a provisional or placeholder way with the recent Bonneville proposal of an average \$143 million per year accrual target in expense funds for FY2007 to 2009. Be aware that even if this number does indeed turn out to be the accrual amount available, the start-of-year planning target for each year will be higher, given that spending usually lags and never comes up to the planning budget. From recent experiences, a planning budget of around \$150 million would seem appropriate, even if the accrual target were \$143 million.
- The proposal here is to work towards Bonneville's target of allocating no more than 25% of the total budget to monitoring and evaluation and research and 5% of the budget to coordination. Staff will present this for discussion at the Council meeting.
 - The discussion last month indicated that roughly 40% of the budget is currently spent on research, monitoring and evaluation, and coordination -- and that does not really capture all of the research and population and watershed monitoring in the provinces. So, moving especially the monitoring and evaluation portion of the program to the target allocation will be difficult. But especially if the available budget is at the level Bonneville has proposes, the funding percentage allocated to habitat and production work has to be met, if it is to be sufficient for that purpose. So, the staff recommends the Council go into the review with an understanding that the 70% of the budget allocated to habitat and production work be a hard allocation, walled off from the *Systemwide* side of the expense budget.
 - This allocation target is the main reason stated above for making sure all the monitoring and evaluation work that is not intimately tied up in the production and habitat projects is placed in the *Systemwide* categories, and why the “mainstem” projects involving predator control and harvest are grouped into the habitat and production side of the expense budget.
 - For the *Systemwide* categories, then, it is easy to allocate the 5% to the coordination (IMCA) projects. The monitoring and evaluation and research categories will need to be solicited and reviewed together to ensure that the total 25% allocated to these two categories is fairly distributed.

- The *Province* review allocation is more complicated. Last month we reviewed allocation history with you and we need to continue to develop alternatives.
 - Alternative 1:
 - Determine what the historic percentage allocations among the provinces have been, based on actual spending in the last five years or so.
 - Provisionally allocate the total amount available to the provinces by means of the historic percentage allocations.
 - Apply a set of well understood criteria, derived from the priorities in the 2000 Program, to shift those allocations to the extent they do not make sense in the current context:
 - Priority funding in areas with multiple listed species and/or more serious “endangered” listings.
 - Priority funding to protect the most robust and viable populations and best habitat conditions to prevent further declines and listings under the ESA.
 - Priority funding to areas that have the most unmitigated losses
 - By looking at how funding is currently allocated to anadromous fish, resident fish and wildlife projects, reshape the proposed allocations to roughly fit and maintain the 70/15/15 allocation formula.
 - Subtract from the amount allocated to each province the proportional share of the total amount of any placeholders that sit above all the provinces, or above any set of them. The only one that comes to mind at this time is the water transactions program.
 - Consider restructuring allocation for provinces that rely heavily on artificial production instead of habitat restoration. These areas probably already have large operations and maintenance budgets.
 - Alternative 2:
 - Begin first by subtracting out what the program needs to preserve on-going investments. That is, begin by sizing the embedded costs (in terms of percentages of what is spent on habitat and production) of existing production o&m and the o&m on past habitat investments, place these costs in their respective provinces/subbasins, and assume for now that costs of this magnitude for this work will largely continue.
 - Segment out any likely capital expenditures and assign to the capital budget; also segment out an amount for the overarching work, such as the water transactions program.
 - Determine roughly what is left to allocate to new habitat and production work.
 - Then follow the steps in Alternative 1 to get to the final province allocation.
 - Alternative 3:
 - Do not further allocate the 70% assigned to the *Province* review before the review.
 - Solicit for the near-term objectives and actions out of the subbasin plans and develop priority implementation plans for the subbasins/provinces.

At the conclusion of the review, using these implementation plans and applying both historic percentage allocations and a set of criteria (such as above) for how you might shift those allocations to the most biologically beneficial, allocate the available funds to the provinces/subbasins.

Details of Solicitation/Review/Recommendations

Systemwide review

- Begin this solicitation and review with the decisions/assumptions from above, including an allocated budget based on keeping the spending in these categories to not more than 30% of the program total, and an expected place in the sequence and timing of the overall review that will allow the Council to make the Systemwide review recommendations to Bonneville prior to the start of FY2007.
- We propose to shift the solicitation (for research, monitoring and evaluation and IMCA at least) to a needs/gap approach, rather than a more open ended call for projects.
- What is the source of the needs? The Council's program, the UPA and other ESA source documents, the research plan (once completed), and a developing regional monitoring and evaluation framework. Another source of determining the "needs" comes from the on-going projects themselves, viewed in the light of the source documents.
- Who decides what these priority *needs* are, as derived from these documents? The staff will assemble a small team from the relevant agencies to produce a set of recommendations. We also propose to have ISRP/ISAB members provide an ad hoc or informal review of the recommendations
- The same inter-agency team will also scrutinize the current suite of work and recommend which current projects address priority needs, what *gaps* exist, and what current projects do not address priority needs
- The Council will informally or provisionally approve the statement of needs and gaps by agreeing to a solicitation based on the recommendations. One or more solicitations would then identify these gaps in meeting priority needs and ask for proposals to fill those gaps. For those priority needs that are already being met by existing projects, we will ask the sponsors to provide information about past and expected accomplishments and budgets. Should we also solicit for competitive proposals for this on-going work? Probably not as a matter of course, but perhaps in certain situations.
- The ISRP will then review the package -- proposals that respond to the "gaps" solicitation, responses describing the existing projects that relate to priority needs, and the projects that do not appear to address priority needs, all in the context of the recommended statement of needs and gaps and the underlying source documents. We will also schedule public review.
- Out of these reviews, and mindful of the budget allocation target, the Council will shape a final set of multi-year research, coordination and monitoring and evaluation recommendations. The proposal here is to make these three-year recommendations, and if possible, have them ready to inform FY 2007.

Province review

- We need to begin this review with certain decisions and assumptions noted above, including an understood sequence and timing, and the appropriate budget allocations.
- The other key starting assumption is that we now have subbasin plans in place. The key to any solicitation and review will be to determine if proposed objectives and actions are consistent with subbasin plan priorities.
- Our aim is to frame the review and recommendations in the most strategic form possible, emphasizing the objectives and outcomes and results the Council seeks to accomplish. This means striving to develop implementation plans for each province/subbasin with these characteristics:
 - Clearly defined sets of objectives to accomplish in next three years, derived from priority objectives in subbasin plans.
 - Description of a set of actions intended to meet those objectives, perhaps leaving some flexibility to choose from year-to-year which work to initiate to meet these objectives.
 - A well defined process for how the actual work/projects will be selected in each year to fund to try to meet the defined objectives, an approach that has to be based in the priorities and priority framework of the subbasin plan.
 - A clearly defined approach for reporting of actions, funding, results, etc, so there is real accountability for the application of ratepayer funds to the work.
- Where we have the proper province team in place, we would like to move the review and recommendations as far as possible in this direction, as follows:
 - Identify or organize the proper implementation planning team. This has to be a review team solidly in place, with the trust and support of the relevant fish and wildlife managers, state and local officials, and other key participants in the province. The regional funding boards in Washington are a model. Where such bodies exist and willing to perform the functions described here, we should use them. Most of Washington and Idaho ought to qualify with regional or inter-agency organizations. Montana's two main basins should not be difficult to organize in this way. Oregon has watershed bodies that might fill this role, but not all are covered, and regional entities are rarer.
 - Define for the relevant team what the Council wants in the way of a proposed implementation plan and its elements as clearly as we can, and turn them loose on that effort, with assistance from Council staff, Bonneville and others.
 - Key to this implementation plan will be a statement of the priority objectives to accomplish in the next three years, derived from the subbasin plan objectives.
 - The plan should also contain a proposed set of actions to address these objectives. The Council staff can help solicit for the proposals to meet the objectives, or the planning team can take charge of the solicitation, depending on the context.
 - The ISRP will then review the implementation plan of near-term objectives and actions, especially for consistency with subbasin plans and other parts of the program. There is the question of whether to organize site visits for the ISRP. It does not seem critical that the ISRP review always include site visits. The proposal here is to schedule such visits connected to the review of proposals *if and only if* that can be done within the time frame

- for the review. We should also make efforts to provide tours of project areas for ISRP members in the months it takes to set up the review process.
- We should reserve time for the implementation team to respond to the ISRP review.
 - Then subject the entire package to public and Council review, with the Council shaping the final recommendations in the form of implementation plans.
- In some places we simply will not have an implementation planning team in place that can handle an effort of this type. For those areas, we will need to go to Plan B. We may still need some type of ad hoc province team, such as we organized for the last provincial review. And the end goal will still be an implementation plan of near-term priority objectives and actions, derived from the subbasin plans. But we will need to follow a model of project solicitation and review of proposed actions that looks more like the last provincial review, but now based in the subbasin plans. This means simply that the Council will solicit for projects to implement subbasin plans, and with the help of some sort of provincial review team and the ISRP review, itself shape an implementation plan of this type.
 - One issue has been how to review the projects involving o&m on existing production facilities and habitat investments. The issue has been discussed as whether, on the one hand, we review all possible expenditures together and equally in their subbasin context or, on the other hand, we segment out the o&m projects and largely take them off the table as something the Council and Bonneville will continue to commit to. The proposal here is not to choose either of these absolutes, but instead to:
 - Clearly break out the operation and maintenance, and make sure where appropriate that this work and these costs show up in the implementation plans.
 - Have the ISRP review all of the work in a subbasin together, including the existing projects and o&m. These investments should be subject to some level of review as to results every few years. More important, the reviewers need to see it all to understand how habitat work is related to production work
 - At the same time, the ISRP and Council review of this work and these costs should be much more limited than for new work, in large part because these activities have been reviewed often in the past and are already largely committed to -- a kind of operations review and basic check for soundness.
 - Far more important will be to engage in a parallel and systematic review to standardize o&m costs for production and land acquisitions in particular. The sizable disparity between the o&m costs for similar types of projects needs to be closed.
 - One final question concerns the water (and now land easement) transactions program. We need to review that separately, perhaps at the same time as one of the province groups. The real question is how the transaction program will work with our implementation plans. Should all water acquisitions go through the brokerage? all land easements? If subbasin X identifies increasing streamflows by a certain amount as a key objective of the next three years, will we then assume that the water transactions program will be the sole vehicle for applying ratepayer funds to acquire this water? Or, will we allow other paths to securing water and conservation easements take place? The proposal here is the former. This is

important to decide, so that we can figure out how to shape the water brokerage mission, and coordinate with implementation of subbasin plans.

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