TO:Colorado Water Conservation Board Members
FROM:Russ Sands, Water Supply Planning Section
DATE:September 17, 2020
AGENDA ITEM: #18 - WSRF Criteria & Guidelines

Staff Recommendation: Staff recommends approval of the proposed Criteria & Guideline changes.

Background: CWCB staff will present a status update on the progress being made towards the update of the Basin Implementation Plans and the Colorado Water Plan. There are three major categories of changes proposed, including changes to the distribution of funds, changes to the WSRF grant deadlines and general language changes which are shown in Attachment A and highlighted below in Table 1.

Table 1. Budget Impacts to CWCB Programs.

<table>
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<th>WSRF Program Changes</th>
<th>Change</th>
<th>Impacts</th>
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<tr>
<td>Change to a single annual fund distribution</td>
<td>Move from a three-time annual (40%-30%-30%) distribution to one time per year on September 1.</td>
<td>Improves understanding and clarity of when deposits are made.</td>
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<td>Change to grant deadlines up by one month</td>
<td>Move all deadlines up by one month, allowing two months before each board meeting (instead of one).</td>
<td>Improves staff’s ability to process grants and reduces lag-time for contracting.</td>
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<tr>
<td>Changes to generally clarify and update</td>
<td>Multiple changes are needed to update outdated references and enhance clarity of what is required.</td>
<td>Reduces applicant questions and confusion.</td>
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The WSRF Criteria & Guidelines have not been updated since 2016 and since that time there have been some significant changes to staffing, processes and budget that necessitate an update to the program Criteria and Guidelines. Additionally, the last four years have allowed staff to better understand areas where there are frequent questions. To that end, both staff and applicants are aligned in wanting to enhance clarity and reduce the number of questions applicants have.
In December of 2019 staff convened a WSRF Criteria & Guidelines Committee (WSRF Committee) of CWCB Board members and Interbasin Compact Committee (IBCC) Members to discuss possible WSRF updates.¹

The WSRF Committee discussions were set to be continued in early 2020 but the meetings were delayed for several reasons - most notably due to impacts from the COVID-19 pandemic. The WSRF Committee group planned to continue to meet to address other potential recommended changes but three issues seemed prudent to move forward sooner. These include:

1. **Budget Impacts** - Budget impacts related to COVID-19 pandemic, the downturn in the oil and gas industry and/or emergency funding needs suggest that Severance Tax will be significantly impacted for at least the next three years. Because any funding that would be deposited (if any) may be small, it would be more helpful for basins to have the money distributed once a year, rather than three times a year (as is currently established in the WSRF Criteria & Guidelines). A one-time distribution also reduces some work for staff.

2. **Grant Submittal Timing** - As roundtables have sought to be more efficient with meetings, some roundtables have moved their WSRF approvals to align with the February 1 and August 1 deadlines because these dates align with when statewide match funding is considered by the CWCB Board (in March and September respectively). While this streamlines the grant process for roundtables, the end result for staff is an increase in grants/workload in these months. Moving WSRF deadlines up by one month allows staff an additional month to process grants and is more in-line with other grant deadlines like the Water Plan Grant Program, which now has a December 1 deadline for the March Board meeting.

3. **Confusing Language** - As documents have been rebranded and staff have turned over, there is a need (e.g. continued customer questions) to update language. This reduces confusion, increases clarity and updates terminology. As an example, when the *Analysis and Technical Update to the Colorado Water Plan* (Technical Update) was released in 2019 there was confusion as to whether the existing Criteria & Guidelines reference to the statewide water supply initiative (SWSI) included the Technical Update. Clarifying that the Technical Update is a statewide water supply initiative will reduce these questions. Reviewing the Criteria and Guidelines for areas that need to be updated, reworded or removed to improve clarity should be done to reduce confusion for staff, applicants and roundtables.

In August of 2020, the same WSRF Committee was reconvened to review these three issues and proposed solutions. There was unanimous support for making these changes, understanding that additional changes could be considered in the future. The latter will be considered as part of ongoing conversations with the CWCB Board and the WSRF Committee, which aims to reconvene in early 2021.

¹ WSRF Committee members included CWCB Board directors Heather Dutton, Jim Yahn, Steve Anderson, Jackie Brown and IBCC members Aaron Citron, Joanne Fagan, Stan Kazier and Steve Harris. Steve Harris is no longer on IBCC nor the WSRF Committee.
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Introduction
Senate Bill 06-179, adopted by the 2006 General Assembly, created the Water Supply Reserve Account, now called the Water Supply Reserve Fund (per SB13-181) and referred to as WSRF or "the Fund" hereafter. The legislation, codified at 39-29-109(1)(a)(III), C.R.S., directs the State Treasurer to annually transfer ten million dollars from the Operational Account of the Severance Tax Trust Fund to WSRF, subject to the availability of Grant (previously Tier II) Program funds and/or emergency state budget needs. Any balance remaining in the Fund at the end of any fiscal year shall remain in the Fund. Senate Bill 09-106 removed a sunset provision and provides for continuous appropriation of $10 million (subject to availability).

Monies in the Fund are continuously appropriated to the CWCB for loans or grants for water activities recommended for approval by the basin roundtables in which the water activity would occur. The legislation requires the CWCB, in consultation with the Interbasin Compact Committee (IBCC) to jointly establish criteria and guidelines for allocating moneys from the WSRF. This document establishes the required criteria and guidelines developed jointly by the IBCC and the CWCB. In approving loans or grants from the WSRF, the CWCB will apply the criteria and guidelines described in this document.

To help ensure opportunities for roundtables to seek funding in an orderly fashion and at the same time to encourage competitive water activities from every river basin, the CWCB will administer two accounts in the WSRF. A Statewide Account will be used to fund water activities from any roundtable on a competitive basis, based on the eligibility requirements in this section and the evaluation criteria outlined in this document. Basin Accounts will be established for each of the nine (9) roundtables to be used to fund water activities within any designated roundtable on a competitive basis based on the eligibility requirements in this section and the evaluation criteria outlined in this document.

The Statewide Account will receive 64% of the allocated WSRF funding and the Basin Accounts as a whole will receive 36%. This allocation is subject to revision when circumstances warrant. The WSRF is a Severance Tax Grant Program (formerly referred to as Tier II grant program) with 100% of allocated funds will be distributed on September 1st. 40% of allocated funds distributed on July 1st, 30% on January 1st, and the final 30% on April 1st. All fund distribution is subject to availability based on severance tax revenue collections.

Eligibility Requirements:
In order to receive funding from WSRF, a water activity must satisfy the eligibility requirements described below.
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General Eligibility: The following requirements are established by either SB 06-179 or CWCB policy, in consultation with the Interbasin Compact Committee (IBCC).

(A) The application for a grant or loan must be approved by the roundtable for the basin(s) in which the water activity would occur before it is submitted to the CWCB.

(B) The water activity must assist in meeting the basinwide consumptive or nonconsumptive water supply needs identified by the roundtable under 37-75-104(2)(c), C.R.S. in cooperation with ongoing statewide water supply initiatives (SWSI) including but not limited to the 2019 Analysis and Technical Update to the Colorado Water Plan, or SWSI 2010, or needs identified in Basin Implementation Plans (BIPs) or the Colorado Water Plan.

(C) Both structural and nonstructural projects and methods are eligible for WSRF funding.

Entity Eligibility: Entities that may apply for grants or loans from the Fund include:

(A) Public (Government) - municipalities, enterprises, counties, and State of Colorado agencies. Federal agencies are eligible entities, but the agency would need to demonstrate why a local non-federal partner should not be the grant recipient. Federal agencies are encouraged to work with local entities.

(B) Public (Districts) - authorities, Title 32 special districts, conservancy, conservation, and irrigation districts, and water activity enterprises.

(C) Private Incorporated - mutual ditch companies, homeowners associations, and non-profit corporations.

(D) Private not incorporated - individuals, partnerships, and sole proprietors are eligible for Basin Funds but not for Statewide Funds.

(E) Non-governmental organizations are typically non-profit but they may also include for-profit corporations.

(F) Covered Entities as defined in Section 37-60-126 C.R.S., are eligible for grants or loans if the applicant has adopted an approved Water Efficiency Plan, formerly called a Water Conservation Plan.

Water Activity Eligibility: Examples of eligible water activities are listed but expressly not limited by SB 06-179. The following are examples of eligible water activities.

(A) Competitive grants for environmental compliance and feasibility studies.

(B) Technical assistance regarding permitting, feasibility studies, and environmental compliance.

(C) Studies or analysis of structural, nonstructural, consumptive, and nonconsumptive water needs, projects or activities.
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(D) Structural or nonstructural projects or activities.

(E) Grants to promote education and outreach, if the proposed activity is consistent with the applicable roundtable’s current Education Action Plan, as determined by the roundtable’s Public Education, Participation and Outreach (PEPO) liaison or Outreach Committee.

Eligibility Based on Funding Match Requirements:

Requests from Basin Accounts: For requests for funding only from a basin roundtable account, the applicant must demonstrate at least a 25% match. The match may be provided by the applicant or a third party and may consist of any combination of cash, in-kind services or in-kind materials. The following expenses will not qualify as in-kind contributions: general organizational operating costs such as utilities; operating supplies and services; amortization costs or rental costs for buildings and equipment; general property and liability insurance costs; overhead percent charges used to cover such items. Any matching contributions not provided by the applicant must be accompanied by a letter of commitment, or a letter of pending commitment from the contributing entity.

Waivers: The CWCB Board may allow a waiver for the 25% Basin Account match requirement. To obtain a waiver, the applicant must: 1) request a waiver from the roundtable and CWCB Board; and 2) demonstrate that the matching requirement imposes a significant financial hardship on the applicant; and 3) obtain a written justification from the roundtable supporting the waiver and recommending the water activity for approval as provided in the Roundtable Recommendation Letter; and lastly 4) obtain approval for the waiver from the CWCB Board.

Requests from the Statewide Account: Statewide Account match requirements supersede Basin Account match requirements when a Statewide Account request is being proposed. For requests for funding from the Statewide Account, the applicant must demonstrate at least a 50% match of the Statewide Account grant request with the following stipulations: A) At least of 10% of the required Statewide Account Grant request match shall be cash from Basin Account funds whether that is from one or multiple basins; and B) at least 10% of the required match shall be provided by the applicant or a third party in any combination of cash, in-kind services or in-kind materials. The remaining 40% of the required match may be provided from any other source, including cash from the Basin Account, or any combination of cash, in-kind services, or in-kind materials. For the latter, in-kind service contributions cannot include time or expenses that roundtable members incur to prepare, review, process, or approve the subject application nor can they include general organizational or operating costs.
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such as utilities; operating supplies and services; amortization costs or rental costs for buildings and equipment; general property and liability insurance costs; overhead percent charges used to cover such items. Any matching contributions not provided by the grantee must be accompanied by a letter of commitment, or a letter of pending commitment from the contributing entity.

Waivers: The CWCB Board may allow a waiver for one-half of the total Statewide Account match requirement of 50%. To obtain a waiver, the applicant must: 1) request a waiver from the Roundtable and CWCB Board; and 2) demonstrate that the matching requirement imposes a significant financial hardship on the applicant; and 3) obtain a written justification from the Roundtable supporting the waiver and recommending the water activity for approval as provided in the Roundtable Recommendation Letter; and lastly 4) obtain approval for the waiver from the CWCB Board. If a waiver by CWCB is approved, at least 5% of the required match shall be cash from the Basin Account funds, and at least 5% of the required match shall be provided by the applicant or a third party in any combination of cash, in-kind services, or in-kind materials. The remaining 15% of the required match may be provided from any other source, including cash from the Basin Account, or any combination of cash, in-kind services, or in-kind materials.

Recognizing the limited resources of some entities, past expenditures directly related to the water activity may be considered as matching funds if the expenditures occurred within 9 months of the date the contract or purchase order between the applicant and the State of Colorado is executed (this applies to both Basin Account requests and Statewide Account requests).

Requests Related to Basin Implementation Plans: For requests that result directly from Basin Implementation Plans, and are initiated by the respective roundtable, all funds needed to complete the proposed water activity may be provided from the WSRF with the Statewide Account providing 33.3% of the funding and 66.7% from the Basin Account.

Evaluation Criteria: The proposed water activity shall be evaluated based upon how well the proposal conforms to the Colorado Water Plan criteria for state support, including funding, of projects (the Colorado Water Plan, Section 9.4, pp. 9-43 to 9-44); and how well the proposed water activity meets the Goals and Measurable Outcomes of their respective Basin Implementation Plan.

The criteria for state support, including funding, are as follows:

- Does the project proponent demonstrate a commitment to collaboration? Does the project proponent:
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- address more than one type of need;
- involve multiple participants where appropriate;
- consult with a broad set of local stakeholders and local governments before or early in the regulatory process (examples of stakeholders include relevant basin roundtables, water users, conservation groups, and community groups); or
- provide meaningful opportunities for input

Does the project proponent address an identified water gap? Is the project:

- included in a BIP;
- identified as meeting a defined need in a basin needs assessment;
- identified as meeting a defined need identified in a statewide water supply planning initiative; or
- identified as part of the No-and Low-Regrets document; or
- identified as part of the scenarios in the Colorado Water Plan.

Does the project proponent demonstrate sustainability? Does the project proponent:

- adopt an integrated plan or plans geared toward implementing the conservation best practices at the high customer participation levels, as defined in a statewide water supply initiative:
  - avoid adverse effects to environmental and recreational interests or adopt environmental, watershed health, and recreational mitigation in the planning phase of the project, prior to consideration in the permitting phase of alternatives that minimize or avoid adverse effects (project proponents should consider use of existing tools if available, such as stream management plans that follow state guidance, instream flow water rights, water leasing, restoration, infrastructure upgrades, and consumptive use efficiencies);
  - avoid impacts to, mitigate, or enhance water quality, such as exceeding water quality standards or impairment of classified uses;
  - mitigate or avoid economic and social impacts on agricultural and rural communities;
  - maximize the use of water resources (through reuse, firming the yield of existing supplies, water sharing arrangements, improving or modernizing aging infrastructure, or aquifer storage and recharge projects);
  - partner with the local government(s) being served by the water project to incorporate best water use practices into land use planning efforts (these practices are included in water and land use trainings offered by CWCB and DOLA as described in Section 6.3.3); or
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- demonstrate that the project will not unreasonably increase the risk of non-compliance with any interstate compact or the curtailment of existing water rights

Does the project proponent establish the fiscal and technical feasibility of the project? Does the project proponent demonstrate:
- over-all cost-effectiveness;
- local investment or contribution;
- financial capability to repay debt (bonds, loans, or other debt instruments);
- an intent to leverage any state grant or loan with private, local, or federal funding;
- technical and legal availability of water supplies for the project; or
- readiness to proceed upon receipt of necessary funding and permits (i.e. completed preliminary planning and design work, obtained necessary water rights, secured necessary financial commitments)

Application Process

Roundtable Recommendations: Applications for WSRF funding must be evaluated and recommended for approval by the roundtable where the eligible water activity will occur. Each roundtable may use an evaluation process which reflects its unique needs, priorities, guidelines, document submittal and timeline requirements. However, since the WSRF involves public funds, each roundtable must have an evaluation process that includes a written conflict of interest policy. The policy must require any roundtable member who has a direct or indirect financial interest in the funding request to disclose the interest to the roundtable, abstain from voting on the application, and refrain from attempting to influence the decisions of other members of the roundtable in voting on the application. If the roundtable itself is seeking funding from WSRF at or greater than $100,000, some sort of competitive selection process must be used to select a recommended contractor.

Applicants should contact the applicable roundtable and CWCB staff early in the process, several months before the applicant would like to begin the project.

A roundtable must accept and then evaluate the application using the roundtable’s process. The roundtable must determine if the application meets the eligibility requirements described in this document, including the requirements for matching funding. If the application is recommended for approval, the roundtable must provide a written recommendation to the CWCB signed by the Roundtable Chair. The letter of recommendation must specify the amount of grant funding
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requested from the Basin Account and/or the Statewide Account and describe how the water activity satisfies the statutory eligibility requirements. The letter should describe the level of agreement among roundtable members, who opposed the application and why, and any minority opinion. If the applicant is requesting a waiver of either the Basin Account match requirement, or a portion of the Statewide Account match requirement, the letter of recommendation shall reflect the waiver request and shall provide a justification for the request as determined by the roundtable.

The applicant must ensure delivery of the Roundtable Recommendation Letter to CWCB. If the roundtable evaluation process requires the applicant to revise the submittal documents, the applicant must provide these revised documents to CWCB by the appropriate submittal date.

Application forms are available on the CWCB website at: https://cwcb.colorado.gov/loans-grants/water-supply-reserve-fund-grants

CWCB: After recommendation for approval by the Roundtable, the applicant is required to submit to CWCB the following documents:

Required Documents:

- Application
- Exhibit A
  - Statement of Work
  - Budget (Excel and pdf format)
  - Schedule
- Maps (if applicable)
- Letters of (pending) Commitment (matching funds)

Optional Documents

- Photos
- Drawings
- Letters of Support

Financial Documents Required for Contract Execution

- Certificate(s) of Insurance to include general, auto, and workers compensation coverages
- Certificate of Good Standing
- W-9
- Independent Contractor Form (IC Form) – (Only applies for Individual Person)
After approval by the Roundtable, the Roundtable Chair is required to submit to CWCB the following documents:

- Roundtable Recommendation Letter

The process at the CWCB will include the following steps:

1. CWCB staff will determine if the required documentation has been submitted. The application will be accepted once all documentation has been received.
2. CWCB staff will evaluate the application based on the criteria described in this document.
3. CWCB staff will develop a recommendation to the Board for full or partial funding or for denial of funding.
4. CWCB staff will prepare a Water Activity Summary Sheet for the Board that contains the application, the Required Documents and Optional Documents listed above, and an explanation of the staff’s recommendation for Board action.
5. CWCB staff will notify the applicant of the staff’s recommendation and of the date and time when the Board will consider the application. While CWCB staff has primary responsibility for presenting the application to the Board, the applicant is encouraged to attend the meeting in the event an opportunity to address the Board is provided.
6. The Board will take action on the application during the appropriate Board meeting as described in the Review Schedule below. The Board has the discretion to approve or deny any WSRF application for funding and is the final decision-making authority with regard to WSRF funding.
7. Within 30 days after the Board meeting, CWCB staff will notify the applicant in writing of the Board’s decision and proceed to the contracting phase of the process if funding was approved.

CWCB Review Schedule: The CWCB will make decisions for allocation of funds from Roundtable Basin Accounts or for Basin Implementation Plans during any of its scheduled meetings. The CWCB will make decisions for allocation of funds from the Statewide Account at its March and September meetings. The table below lists the submittal deadlines for the respective Board meetings.
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<tr>
<th>WSRF Submittal Dates and Board Meeting Schedule</th>
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<tr>
<td>CWCB Meeting</td>
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<tr>
<td>January</td>
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<td>September</td>
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Grant Administration
Contracting:
After approval or conditional approval of funding by the Board, CWCB staff will direct the applicant to revise and supplement submitted documents if required for issuance of a purchase order or execution of a contract. Grants less than $100,000 will be completed by use of a purchase order. Grants for $100,000 or more will require execution of a contract.

Successful applicants are expected to execute a contract with CWCB within six (6) months of award. For contracts related to easements (e.g. conservation easements) CWCB staff may require additional processing time. If a grant is not executed within this six (6) month timeframe due to applicant delays, staff may revert funds back to appropriate accounts, after consulting with the respective roundtable(s).

Reporting Requirements:
Progress Reports: The applicant shall provide the CWCB a progress report every six (6) months, beginning from the date of issuance of a purchase order, or the execution of a contract. The progress report shall describe the status of the tasks identified in the statement of work, including a description of any major issues that have occurred and any corrective action taken to address these issues. Applicants are required to submit Progress Reports to their respective roundtable(s) and the CWCB. The CWCB may withhold reimbursement until satisfactory progress reports have been submitted.
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Final Report:
At completion of the project, the applicant shall provide their respective roundtable(s) and the CWCB a final report on the applicant’s letterhead that:
- Summarizes the project and how the project was completed.
- Describes any obstacles encountered, and how these obstacles were overcome.
- Explains the Proposed Budget versus the Actual Budget.
- Confirms that all matching commitments have been fulfilled.
- Includes photographs, summaries of meetings and engineering reports/designs, if appropriate.

The CWCB will withhold the last 10% of the entire water activity budget until the Final Report is completed to the satisfaction of CWCB staff. Once the Final Report has been accepted, and final payment has been issued, the grant purchase order or contract will be closed without any further payment. Any entity that fails to complete a satisfactory Final Report and submit to CWCB within 90 days of the expiration of a purchase order or contract may be denied consideration for future funding of any type from CWCB.

Invoice for Services:
Payment will be based on actual expenditures invoiced by the grantee. The request for payment must be transmitted on the grantee’s letterhead, and shall include:
- Date of request;
- Grantee’s contact name, email address, physical address, and phone number;
- Roundtable that recommended the grant;
- Date of CWCB approval;
- Contract or purchase order number;
- Description of the work accomplished by individual tasks as presented in the approved budget;
- Supporting documentation (vendor invoices) label for items or services billed. Vendor invoices must clearly reflect and identify which Task(s) in the approved Statement of Work, Budget and Schedule the invoice is intended to be debited. Reimbursement of administrative expenses of the applicant or grantee will be limited to 15% of the total grant request;
- Estimate of the percent completion for individual tasks and the entire water activity in relation to the percentage of budget spent; and
- Identification of any major issues, and proposed or implemented corrective actions.
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All payment requests must reflect services within the purchase order/contract terms (effective date/NTP) and completion (expiration date).

Grant Amendments:
Grants may be amended as appropriate, including modifications to Exhibit A, Statement of Work, Budget, and Schedule; purchase order or contract extensions; and Change of Grantee. All amendment requests shall be submitted on the grantee’s letterhead, and shall include:

- Date of request;
- Grantee’s contact name, email address, physical address, and phone number;
- Roundtable that recommended the grant;
- Date of CWCB approval;
- Contract or purchase order number and current expiration date;
- Rationale for amendment;
- Revised Tasks – CWCB Program Manager approval required; Revised Exhibit A (Statement of Work and Budget/Schedule Table);
- Extension to Terms – Revised Exhibit A, Schedule (B, C, etc.) with desired expiration date;
- Request for Change of Grantee - A signed Letter of Request shall be accompanied by (when applicable): a revised Statement of Work, Budget, and Schedule (proposed new Grantee); a letter drafted by current Grantee requesting the release; a letter drafted by proposed Grantee accepting grant obligations and responsibilities; and an updated Certificate(s) of Insurance for the proposed new Grantee. Requests for Change of Grantee must be presented and approved by the CWCB Board.

Amended documents for grant extension requests shall be delivered to CWCB 30 days prior to current expiration date of purchase orders and 90 days prior to expiration of a contract.

Loan Program
For those applicants seeking a loan, a CWCB standard loan application form and loan feasibility study must be completed. In addition, the applicant should include with its loan application a summary of how the applicant’s water activity meets the eligibility requirements and evaluation criteria requirements described in this document. The loan application form and additional information can be found at: https://cwcb.colorado.gov/loans-grants/water-project-loan-program