

**STATE OF CALIFORNIA
REGIONAL WATER QUALITY CONTROL BOARD
CENTRAL COAST REGION**

RESOLUTION NO. R3-2007-0064

ALLOCATION OF GUADALUPE SETTLEMENT FUNDS

The California Regional Water Quality Control Board, Central Coast Region (hereafter "Water Board"), finds that:

Central Coast Ambient Monitoring Program

1. The Water Board has utilized funds from various sources since 1998 to help build a Central Coast Ambient Monitoring Program ("CCAMP") to conduct water quality monitoring in the Central Coast.
2. CCAMP has operated as a "public-private partnership" with the Bay Foundation of Morro Bay ("Bay Foundation") and other non-profit organizations since its inception.
3. The Water Board established a vision and tangible goals for the Central Coast Region, and CCAMP is a main tool for measuring the Water Board's performance in achieving it vision and goals. CCAMP must be capable of tracking key parameters, such as water quality, flow, and biological and physical parameters.
4. The existing CCAMP endowment, and highly variable state funding, are not adequate to cover the costs of a basic regional water quality monitoring program, or to provide monitoring coverage for the Central Coast watersheds, or to include the biological and physical parameters that must be added to the program.
5. Therefore, the Water Board is augmenting the CCAMP endowment by \$4.65 million to help provide a reliable funding source and to conduct the necessary region wide performance monitoring.

Low Impact Development

6. The consequences of urban sprawl are among the most significant water quality issues facing the Central Coast over the next several decades. Application of Low Impact Development principles and hydromodification controls are critical to protect water quality, beneficial uses, and the physical and biological integrity of watersheds.
7. The Water Board is increasing its requirements for municipalities to apply Low Impact Development design principles and hydromodification controls, and based on feedback from municipalities and other professionals in the field, specific services are needed to aid the implementation of these design principles and controls. The services include technical expertise on Low Impact Development design and implementation, socio-economics and cultural change, education and outreach. The Water Board does not have the institutional capacity to provide the services.

8. Therefore, the Water Board is allocating \$2.25 million to help provide the services necessary to implement Low Impact Development design principles and hydromodification controls throughout the Central Coast Region. The Executive Officer will establish a \$2 million endowment with a nonprofit organization, and use the interest earned to provide the services. The Executive Officer will ensure that the non-profit organization will manage the funds appropriately to maintain the \$2 million principal and provide other financial management services, such as processing project invoices. The Executive Officer may immediately use up to \$250,000 to provide Low Impact Development and hydromodification design and implementation services as needed. The process for proceeding is flexible, and the Executive Officer will determine how to provide the services in the most effective manner and will make any necessary adjustments. Initially, the Executive Officer will focus on retaining leading experts to help municipalities create large-scale LID projects, with an emphasis on Guadalupe, Santa Maria, Orcutt, and Nipomo area, then moving north to San Luis Obispo, Paso Robles, and Salinas. However, the Executive Officer will also consider willingness to participate, and will not pass up significant opportunities that arise in the Region. The Executive Officer will also work to obtain additional funding from other sources, and coordinate with existing non profit organizations and universities to establish a Central Coast Low Impact Development Center to provide services on an ongoing basis. The Executive Officer will provide regular progress reports to the Water Board, including recommendations to reallocate the funds to other projects if necessary due to nonperformance. The Water Board will determine success based on the implementation of Low Impact Development design standards and hydromodification controls in development projects.

Preservation of Coastal Habitat

9. The Water Board's vision for the Central Coast is "Healthy Watersheds," and the Board supports outstanding watershed and coastal conservation efforts. In 1998, the Water Board allocated \$2 million from the Guadalupe Water Quality Fund for the purchase and preservation of coastal dunes habitat. The Water Board established a contract with The Nature Conservancy to select and propose conservation projects. The Nature Conservancy subcontracted to the Land Conservancy of San Luis Obispo County, and the Water Board approved several preservation projects proposed by the Land Conservancy. There are \$1.4 million remaining in the contract. The Land Conservancy proposed that the Water Board allocate \$900,000 to the purchase and preservation of the Paradise Beach property. The Paradise Beach property is located just north of Point Sal, fronting the Paradise Beach area, and includes about ½ mile of beach property. The property is adjacent to BLM and Santa Barbara County Parks land, which in turn is adjacent to Point Sal State Park. Santa Barbara County Parks has expressed an interest in the long-term ownership and management of the parcel if the conservation project is successful. The Gragnani family has agreed to sell the property to the Land Conservancy for its market value of \$2.15 million. The California Coastal Conservancy agreed to allocate \$1.25 million for the Paradise Beach acquisition at their Board meeting on January 17, 2008. The Land Conservancy has submitted to the Water Board the documentation required by the contract for these funds. Therefore, the Water Board is allocating \$900,000 to this acquisition, providing the Executive Officer determines that all legal conditions of the contract are met.

Abandonment of Monitoring Wells

10. In 2000, the Water Board retained Komex H2O Science (Komex) to assess potential oil field-related impacts to water in the Santa Maria and Cat Canyon oil fields. The Water Board funded this project from the Guadalupe settlement fund. Komex evaluated impacts associated with oil field development and production in five different areas throughout the Santa Maria basin. Komex reviewed historical oil field information from 2002 through 2004, and collected sediment samples, soil samples from borings, and surface water samples from ephemeral streams during storm events. Komex also collected groundwater samples from drive-point borings, private drinking water supply wells, and twelve monitoring wells installed specifically for the study. In September 2005, Water Board staff received Komex's final report. One of the recommendations of the final report was that the Water Board either transfer ownership of the wells or abandon them. The scope of work covered in proper abandonment of these wells includes:

- Obtaining Santa Barbara County well destruction permits;
- Retaining a contractor with a C-57 drilling license to destroy the wells in accordance with Department of Water Resources regulations; oversee site field activities;
- Containing, sampling, characterizing, and disposing of waste materials (water, soil, well casing, etc.) generated, at the appropriate landfill; and
- Submitting completed well destruction documentation to Santa Barbara County, the Department of Water Resources, and the Water Board upon project completion.

Therefore, the Water Board allocates up to \$120,000 to properly abandon these wells, unless the Executive Officer is able to acquire the necessary funding from the State Water Board's Clean and Abatement Account. The Executive Officer will direct the allocation of funds to accomplish this project.

Guadalupe Fund

11. The Central Coast Water Board is responsible for allocating the \$15 million Water Quality Fund established by a 1998 settlement with Unocal and others regarding illegal discharges at the Guadalupe Oil Field. Unocal is still responsible for oilfield cleanup and restoration of any resources directly affected by the spills and leaks, so the settlement funds are not used for that purpose. The Water Board selected the first round of Guadalupe projects in 1999 through a general Request for Proposals. The Water Board approved the projects in Water Board Resolution No. 99-02 "Guadalupe Oil Field Settlement Water Quality Projects." Since 1998, the Water Board allocated approximately \$10 million for nineteen projects. Ten of the nineteen projects were completed and nine projects remain active. The unallocated amount is approximately \$8.76 million (the amounts add up to more than the original \$15 million due to interest). In 2003, the Water Board added "regional benefit" and "leveraging" to its list of considerations when allocating funding from the Guadalupe Water Quality Fund.

Bay Foundation of Morro Bay

12. On March 23, 2007, the Water Board transferred the existing \$2 million CCAMP endowment to the Bay Foundation of Morro Bay ("Bay Foundation") via Resolution No. R3-2007-0042. The Bay Foundation manages the endowment and performs additional services for CCAMP. The Bay Foundation provides CCAMP with field staff that are Foundation employees, and as such have worker's compensation and health care coverage. The proposed Grant Agreement and Memorandum of Understanding do not require the Foundation to use its employees in carrying out CCAMP-related functions. The Bay Foundation's mission is directly related to support of water quality in the Central Coast Region: "Provide leadership in restoring, enhancing, and protecting the marine resources and watersheds of Morro Bay, Estero Bay, and the Central Coast of California."

THEREFORE, the Water Board hereby resolves that:**Central Coast Ambient Monitoring Program**

1. The Executive Officer shall transfer \$4.65 million from the NFWF Trust to the CCAMP endowment at the Bay Foundation. Leveraging of the CCAMP endowment is one of the Water Board's top priorities, with a goal of achieving a total endowment of \$20 million. The Bay Foundation and Water Board staff shall diligently pursue additional funding for the CCAMP endowment to achieve this goal. Only interest earnings from the CCAMP endowment may be spent for CCAMP activities. Under no circumstances shall the principal amount be spent unless authorized by the Water Board at a public meeting. The Executive Officer will finalize the necessary agreements with NFWF and the Bay Foundation.

Low Impact Development

2. The Executive Officer shall transfer \$2.25 million from the NFWF Trust to a community foundation or other nonprofit organization to provide services to support and facilitate the implementation of Low Impact Development design principles and hydromodification controls throughout the Central Coast Region. The Executive Officer will determine the most effective methods for providing the services to municipalities, and will provide regular progress reports to the Water Board. The Executive Officer may use up to \$250,000 immediately to begin providing the services in the most effective manner possible, and will establish a \$2 million endowment to provide the services over the longer term. Under no circumstances shall the \$2 million principal amount be spent unless authorized by the Water Board at a public meeting. The Executive Officer will pursue additional funding to increase the endowment and if successful, will establish a Central Coast LID Center to provide services over the longer term.

Coastal Watershed Preservation

3. The Executive Officer shall transfer \$900,000 to The Nature Conservancy (or its designee) for the purchase and preservation of the 143-acre "Paradise Beach" property, located just north of Point Sal, fronting the Paradise Beach area, including about ½ mile of beach property, conditional upon the Executive Officer's determination that the grantees meet all contract requirements and implement conditions that prevent

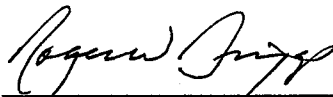
degradation of the natural values and ecological functions of the property, restrict road development, and prohibit recreational off-road vehicle use.

Abandonment of Monitoring Wells

4. The Executive Officer shall retain the necessary services to properly abandon twelve monitoring wells installed during a 2000 study by Water Board retained Komex H2O Science. The Executive Officer may use up to \$120,000 from the NFWF account to complete this project unless the wells may be properly abandoned using funds from the State Water Resources Control Board Cleanup and Abatement Account.

5. Retain remaining funds for future distribution by the Water Board.

I, Roger W. Briggs, Executive Officer of the California Regional Water Quality Control Board, Central Coast Region, do hereby certify the foregoing is a full, true, and correct copy of a Resolution adopted by the California Regional Water Quality Control Board, Central Coast Region, on February 7, 2008.



Executive Officer

2-19-08

Date