

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

RESOLUTION NO. R3-2007-0042

CCAMP ENDOWMENT FUND CONSOLIDATION

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

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. To simplify and enhance management of CCAMP funds, it will be beneficial to consolidate various funds, including previously approved grants, with one organization.

Guadalupe Fund

4. In 1998, approximately \$15.6 million from the UNOCAL settlement associated with pollution at the Guadalupe Oil Field was deposited into a settlement trust (the "NFWF Trust") held by the National Fish and Wildlife Foundation (NFWF).
5. 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." One of the nine competitively funded initial projects established a \$2 million endowment for CCAMP. The Water Board did not limit the geographical area that could be monitored using the endowment funds.
6. Water Board staff, and not a separate organization, was the grant proponent. NFWF maintained the funds and paid invoices upon approval by Water Board staff. Staff has established the amount of NFWF expenditures for each year since 2000, to support contract sampling staff, data management support, laboratory analytical costs, and purchase of monitoring equipment. Other than paying invoices, NFWF does not participate in management of CCAMP or its other funding sources.
7. NFWF management fees have increased since the Trust was established.
8. NFWF payments for contract staff have at times been delayed because of the logistics of NFWF transaction processing.
9. NFWF hires CCAMP field staff as independent contractors. As such, field staff do not have workers' compensation or health care coverage.

10. The Water Board Resolution authorizing the original nine water quality projects does not allow transfer of grant funds before work has been completed. In order to consolidate management of CCAMP and various funding sources, it is necessary to revise that Resolution to allow the transfer of all previously approved CCAMP endowment funds.

PG&E Moss Landing Fund

11. The \$5 million Moss Landing settlement in 2003 was in response to back-flushing of hot water into Elkhorn Slough by PG&E, former owner of the Moss Landing Power Plant. The funds are held by the Community Foundation for Monterey County ("Community Foundation").
12. The Water Board designated \$950,000 of this money for CCAMP to conduct monitoring activities in the Monterey Bay area. High priority is given to ensure that coastal confluences monitoring be continued, including routine sampling of creeks in the Monterey Bay area.
13. Approximately \$675,000 of that initial allotment will remain following completion of the 2006-07 Salinas watershed sampling effort.
14. The Community Foundation does not typically provide staffing as one of its services.
15. The Memorandum of Agreement between the Water Board and the Community Foundation provides for transfer of the CCAMP fund from the Community Foundation to another Internal Revenue Code Section 501(c)(3) nonprofit organization for the purposes of consolidating it with other fund sources. The transferee must have the same policies and purposes of the CCAMP Fund established under the PG&E settlement. The Bay Foundation meets this requirement.

Bay Foundation of Morro Bay

16. The Bay Foundation of Morro Bay ("Bay Foundation") has proposed to manage consolidated CCAMP funds and to perform additional services for CCAMP. Proposed fees will provide lower cost management of funds.
17. Consolidating CCAMP funds with the Bay Foundation will simplify management of the funds.
18. The Bay Foundation can provide CCAMP with field staff who 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.
19. As a local organization, the Bay Foundation can provide rapid transactions associated with invoice processing and other activities.
20. The Bay Foundation has served as a CCAMP partner over the years, particularly by providing server support, website design, and software development services.
21. 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.”

22. The Bay Foundation has successfully managed a number of different funding sources for the Morro Bay National Estuary Program and other projects, including federal and state grants and a \$3.66 million consent decree fund.

THEREFORE, the Water Board hereby resolves that:

1. The \$2,000,000 CCAMP Endowment shall be transferred from the NFWF Trust to the Bay Foundation through a grant, successor trusteeship or other mechanism, to establish the CCAMP Endowment Fund at the Bay Foundation.
2. An additional \$200,000 shall be allocated from the NFWF Trust to allow the Bay Foundation to establish an “Operational Reserve” account. The purpose of this account is to provide operating funds for at least the first year of CCAMP Fund management by the Bay Foundation, to allow for CCAMP activities to continue uninterrupted while the Endowment account builds up interest earnings. This fund would continue to function as a reserve account for unforeseen expenditures.
3. Water Board staff is directed to finalize the necessary agreements with NFWF and the Bay Foundation.
4. Paragraph 1 on Page 2 of Water Board Resolution No. 99-02 “Guadalupe Oil Field Settlement Water Quality Projects” is amended by deleting “NFWF dedicated for annual income to RWQCB” as the CCAMP Project Proponent, and by substituting “Bay Foundation of Morro Bay.”
5. Paragraph 2 on Page 3 of Water Board Resolution No. 99-02 “Guadalupe Oil Field Settlement Water Quality Projects” is amended to read as follows (in strikeout/underline):

a. Requirements for all projects: Selection of proposals for funding by the Board is tentative, subject to successful negotiation of a detailed project description, scope of work, and contract satisfactory to the proponent, the Executive Officer, and the fund trustee, currently the National Fish and Wildlife Foundation (“Trustee”). If the Executive Officer, at his sole discretion, determines that it is not likely an agreement will be reached, he will bring a recommendation to the Board to withdraw funding. If the Board withdraws funding, the affected funds will remain in the Water Quality Project Trust, available for other projects.

b. Projects other than Central Coast Ambient Monitoring Program. Project proponents will perform the work under contract to the ~~National Fish and Wildlife Foundation~~ Trustee. Contracts will provide for payment based on successful completion of project milestones or deliverables. Board staff will monitor and track the projects for compliance with the contracts, and will not approve disbursement of funds until projects milestones or deliverables, as specified in the contract, are met.

c. Central Coast Ambient Monitoring Program (CCAMP). CCAMP activities shall be funded through a grant or other transfer to the Bay

Foundation of Morro Bay, a 501(c)(3) nonprofit organization. The Bay Foundation will conduct monitoring and management activities for CCAMP. The grant or transfer agreement shall require the Bay Foundation to account separately for the grant funds, income and expenditures. The Bay Foundation shall agree to hold the funds as an endowment, with the principal amount maintained and expenditures from interest earnings only. Approval of this grant is subject to the Executive Officer's approval of appropriate agreements with the Bay Foundation and the Trustee.

6. Remaining CCAMP funds from the PG&E Moss Landing Settlement, held by the Community Foundation, may be transferred to the Bay Foundation, as provided for in the MOA between the Water Board and the Community Foundation, for the purposes of consolidating CCAMP monitoring funds with one foundation.
7. Water Board staff is directed to finalize a Memorandum of Agreement or Trust Agreement between the Water Board and the Bay Foundation providing for the transfer of remaining CCAMP funds from the Community Foundation to the Bay Foundation and including appropriate provisions regarding management of the funds.

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 March 23, 2007.

Executive Officer

Date