

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

STAFF REPORT FOR REGULAR MEETING OF JUNE 28 - 29, 2018

Prepared on June 11, 2018

ITEM NUMBER: 18

SUBJECT: Update on Supplemental Environmental Projects

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THIS ACTION: Information

SUMMARY

This information item summarizes the Central Coast Water Board staff's efforts regarding the use of enforcement penalties for the implementation of Supplemental Environmental Projects (SEPs) with respect to the Central Coast Water Board's previously stated SEP priority categories and coordination with the State Water Resources Control Board. Periodically, staff provides the Board an update on SEP funding priority categories. In recent years the Central Coast Water Board's priority emphasis has been on funding efforts that address water quality-related public health issues, assist disadvantaged communities with respect to drinking water (consistent with the Governor's Office, as well as Central Coast and State Water Board priorities), and support regional water quality monitoring (both groundwater and surface water) to inform and evaluate the effectiveness of Water Board programs. Central Coast Water Board staff is currently building on these efforts by increasing Environmental Justice service capacity on the central coast to identify and assist disadvantaged communities with drinking water issues (see agenda item no. 17) and by considering projects that support sustainable groundwater management, as described in this staff report. Central Coast Water Board staff is continuing to focus SEP funding on projects in these high priority categories via established long-term financial management structures while coordinating with the State Water Board to better align our funding-related efforts with the State Water Board's [Supplemental Environmental Project Policy](#) (SEP Policy), as revised in December 2017.

The 2017 SEP Policy includes basic requirements such as accountability, and new requirements regarding solicitation of projects from disadvantaged communities, public posting of potential projects, and State Water Board approval of regional monitoring efforts that use SEP funding. Central Coast Water Board staff is working on obtaining State Water Board approval for our process to fund regional monitoring efforts.

DISCUSSION

The Central Coast Water Board established priority areas for SEP funding, and staff is focusing its efforts on these areas, as described below, consistent with recent Central Coast Water Board discussions (i.e., as part of the February 2018 Environmental Justice capacity discussion). The

Central Coast Water Board's SEP funding management efforts are supported by a robust and effective financial management structure implemented by The Bay Foundation of Morro Bay, a third-party, nonprofit foundation. Central Coast Water Board staff periodically update the Board on SEP funding priority areas, including both in [March 2013](#) and [May 2015](#). A fundamental component of the management structure consists of an established endowment that generates annual revenue to cover the administrative costs of the program and for the ongoing implementation of monitoring and assessment activities that are not supported by any other dependable Water Board funding program. Most of the funds making up the endowments identified below were allocated by the Central Coast Water Board for this purpose using court mediated enforcement settlement monies generated prior to the development of the State Water Board's SEP Policy.

The following describes the Central Coast Water Board's priority area funding programs and associated projects relative to the SEP Policy.

Central Coast Water Board Funding Priorities

[Central Coast Ambient Monitoring Program \(CCAMP\)](#): CCAMP, established in 1998, is the Central Coast Water Board's regional surface water monitoring program, providing long-term trend data for surface water quality in all our major Central Coast Watersheds. CCAMP also monitors water quality and waste loading to the marine environment (and Marine Protected Areas) from all our major coastal rivers and streams. This program is supported by an endowment and is implemented in coordination with the State Water Board's Surface Water Ambient Monitoring Program (SWAMP).

In accordance with Central Coast Water Board priorities, endowment earnings and new SEP funding may help support expanded and/or additional surface water monitoring projects, including projects potentially focused on disadvantaged communities and the evaluation of Water Board program effectiveness. In recent discussions with the Central Coast Water Board, Board members expressed the need for this expanded capability.

Staff is also developing prioritization criteria to evaluate these projects based on various parameters (i.e., pollutant threat to water quality, beneficial uses impairment, public health threat, etc.) and will continue to coordinate with and leverage the efforts of other agencies and organizations, such as the California Department of Pesticide Regulation, California Department of Fish and Wildlife, California Department of Food and Agriculture, U.S. Geologic Survey, UC Davis Extension, Resource Conservation Districts, County Departments of Public Health, and third-party monitoring organizations.

CCAMP uses earnings from the endowment to fund annual monitoring expenses and administrative costs. The CCAMP funding management account balances are summarized in Table 1 below.

Table 1: CCAMP Account Balances

CCAMP Account	Amount
1. Endowment	\$8,871,783
2. Operating Account	\$753,706

[Groundwater Assessment and Protection Program \(GAP\)](#): The Central Coast Water Board more recently established GAP in 2012, the groundwater component of CCAMP, by allocating the remaining Guadalupe Oil Field settlement funds to initiate both an endowment and operating funds. The Water Board more recently identified GAP as the Central Coast Water Board's preferred third-party SEP in 2015. Over the last several years dischargers have selected GAP as a third-party SEP for the implementation of projects listed and described below. GAP funding has provided assistance to disadvantaged communities and the general public regarding drinking water quality and supports sustainable groundwater management efforts. Staff is pursuing efforts to increase Environmental Justice capacity on the Central Coast as a critical need for disadvantaged communities (see item 17 on this agenda).

GAP funding management account balances are shown in Table 2. GAP projects are shown in Table 3.

Table 2: GAP Account Balances

GAP Account	Amount
1. Endowment	\$2,529,573
2. Operating Account	\$81,842
3. Encumbered GAP SEP Funds	\$990,682
4. Unencumbered GAP SEP Funds	\$359,937

1. The endowment includes \$500K set aside for the Water Board's [Sustainable Water Resource Management Basin Plan Amendment](#) and about \$623,382 of investment income generated since 2013.
2. The operating account is used to pay the Bay Foundation administrative costs.
3. Encumbered funds are the total amount of SEP funds obligated to specific GAP projects (see Table 3)
4. Unencumbered funds have not been applied to a specific project.

Table 3: Summary of GAP funded SEP projects and status

Line	Project Type	Title	Contract Amount	Status	Outcomes
1	DAC Outreach and Assistance	Monterey County Domestic Well Testing and Replacement Water Community Outreach	\$24,995	Nearly Complete	Increased awareness and participation in well sampling and replacement water programs

Line	Project Type	Title	Contract Amount	Status	Outcomes
2	DAC & Tribal Needs Assessment	Comprehensive Environmental Justice and Tribal Needs Assessment in the Southern Central Coast Region	\$24,999	Complete	Identification of DACs and associated drinking water and wastewater issues/needs
3	Drinking Water Sampling, Groundwater Assessment and public education	San Luis Obispo County Domestic Well Testing Pilot Project	\$60,990	Nearly Complete	Assessment of MUN beneficial use, public education (i.e., rural domestic well owners), coordination with County level drinking water program and leveraging GeoTracker as local agency tool
4	Local Agency Capacity Building	Local Government Commission (LGC) CivicSpark-WaterCorps Fellows	\$37,000	Complete	San Luis Obispo County drinking water sampling coordination and Region-wide SGMA coordination and assessment
5	Drinking Water Sampling, Groundwater Assessment and public education	Central Coast Domestic Well Sampling Project	\$348,717	Active	Assessment of domestic well and small water system portion of MUN beneficial use and public education
6	Special Groundwater Study	Investigation of the Sources, Flow Paths, and Geochemical Processes Affecting Nitrate in Central Coast Groundwater by Comprehensive Analyses	\$238,981	Active	Improved understanding of the sources, fate and transport of nitrate in Central Coast groundwater
7	Groundwater Sustainability	TBD - working with City of Paso Robles and SLO County in coordination with Paso Basin GSA to develop agreed upon project scope	\$255,000	Pending	Implementation of groundwater monitoring program, or other related water quality focused and scalable SGMA implementation project for the Paso Robles Groundwater Basin, Groundwater Sustainability Plan (GSP)
Total Encumbered GAP SEP Funds			\$990,682		

The Central Coast Water Board also allocated \$221,962 to a third-party SEP, not managed by the Bay Foundation, for a groundwater basin model for the Northern Cities Management Area and Nipomo Mesa Management Area of the Santa Maria Groundwater Basin. This ongoing project is an integral component of one of the regions emerging groundwater sustainability plans.

Staff is also focusing on developing groundwater basin-scale monitoring that will evaluate the overall health and condition of Central Coast groundwater basins and the effectiveness of Water Board programs to achieve compliance with the Basin Plan, and to support sustainable groundwater management. These efforts are consistent with the Water Board's GAP workplan ([Resolution No. R3-2012-0024](#)) and where possible, funds will be leveraged with other agencies such as counties, cities, water agencies, and Groundwater Sustainability Agencies (GSAs) established under the Sustainable Groundwater Management Act (SGMA).

Developing long-term monitoring programs for groundwater basins is a major undertaking that will require many years and involve multiple agencies, scopes, funding sources, and organizations. The Central Coast Water Board cannot fund or implement such an endeavor on its own; however, SEP funding may be used to help initiate and leverage actions by funding critical components of large-scale monitoring efforts. Local municipalities, GSAs, water purveyors, etc., will need to work together and combine resources to effectively address critical issues such as sustainability, salt loading, nitrate contamination, deep-zone pollution from poorly screened or damaged wells, and salt-water intrusion. The issues are complex, but groundwater monitoring is a critical element necessary to develop understanding such that these issues can be addressed effectively. Staff will continue discussions with other agencies invested in groundwater basin management regarding the coordinated design and implementation of monitoring programs. This effort is directly related to the pending development of the Central Coast Water Board's Sustainable Water Resource Management Basin Plan Amendment,¹ which the Board identified as its highest priority in the [Basin Plan Triennial review in December 2017](#) (Item no. 12). Consistent with the [Sustainable Water Resources Management Basin Plan Amendment](#) discussion in February 2018 (Item no. 19), the Executive Officer intends to schedule additional discussions with the Water Board regarding this effort following our internal restructuring and assignment of staff to the project.

Low Impact Development Initiative (LIDI): LIDI has provided technical assistance to municipalities since 2008, including engineering design for low impact development projects, education, outreach, assistance with grant proposal applications, and regulatory compliance assistance. LIDI has brought several million dollars in grants to the Central Coast Region (and assisted with tens of millions statewide) since 2008. There are approximately \$500,000 remaining in the LIDI account, and the Executive Officer is considering options for reallocating these funds to other priorities described in this staff report.

Habitat Conservation and Restoration: The Central Coast Water Board also allocated over thirteen million dollars to habitat conservation and restoration over the past twenty years,

¹ Formerly referred to as Watershed and Integrated Water Resource Protection within the December 2017 Triennial review documents. The name change reflects the Water Board's stated interest over the past few years.

including \$3.4 million to the [Morro Bay National Estuary Program](#) and \$7 million to [Elkhorn Slough Foundation](#). These funds were used to leverage many millions in additional funding for these organizations. To illustrate the successful leveraging of habitat conservation and restoration projects, the following are key results of the Central Coast Water Board's allocation of \$7 million to the Elkhorn Slough Foundation:

- The Elkhorn Slough Foundation has conserved over 2,500 acres of key lands and has measurably reduced nutrient loading into the upper Slough since the Central Coast Water Board's allocation of \$7 million, and has obtained an additional \$35 million for land and easement acquisitions, beyond the Central Coast Water Board's original funding.
- Elkhorn Slough Foundation acquired 167 acres of key habitat through a mitigation project with Caltrans:
<http://www.elkhornslough.org/esf-acquires-elkhorn-highland-reserve/>
- Elkhorn Slough Reserve scientists developed an interactive water quality report card for the slough:
<http://www.elkhornslough.org/water-quality-report-card/>
- Elkhorn Slough Foundation is undertaking a major wetland restoration project on Department of Fish and Wildlife land in the Slough. The Central Coast Water Board was one of the permitting agencies. This is the most significant tidal wetland restoration in the slough since the opening of the Reserve:
<http://www.elkhornslough.org/hester-marsh-restoration-underway/>
- Elkhorn Slough Foundation is transforming a degraded sand hill farm above the slough; the property is stabilized and recovering:
<http://www.elkhornslough.org/update-sand-hill-farm/>

The Central Coast Water Board allocated about \$2.9 million of available settlement funds for the preservation of sensitive watershed and coastal in southern areas of the central coast. In particular, the Water Board provided funds to the [Nature Conservancy](#), [Land Conservancy of San Luis Obispo County](#) and City of San Luis Obispo for the acquisition and maintenance of numerous properties, including but not limited to, the Choin property, Paradise Beach property, Ayers property (Johnson Ranch), Andre Ranch property, and Pismo Preserve.

Also, in a related regulatory action, the State Water Board and PG&E agreed to annual mitigation payments totaling approximately \$38 million through 2025, which will be used to support Marine Protected Areas and for critical estuarine and marine habitat restoration².

Historic habitat conservation and restoration funding has been significantly higher than funding for the Board's other priorities largely due to the time frame involved (over twenty years). The Central Coast Water Board's other priorities are more recent, and staff is focused on these other priorities at this time.

² The Ocean Protection Council provided a status report on this work to the Central Coast Water Board in May 2018.

State Water Board SEP Policy Alignment

The State Water Board revised its SEP Policy in December 2017 with a renewed focus on the Water Boards' mission³ to include furthering the human right to water, ensuring environmental justice, and addressing climate change. As discussed above, the Central Coast Water Board is already implementing the SEP Policy with an emphasis in these areas.

Regional Monitoring Approval: The State Water Board's revised SEP Policy requires State Water Board approval of regional monitoring programs that utilize SEP funding, and Central Coast Water Board staff will work with State Water Board staff on this approval. The San Francisco Bay Water Board recently developed a regional monitoring program funding process consistent with the SEP Policy, which was approved by the State Water Board ([Resolution No. 2018-0015](#)). The San Francisco Bay Water Board works with the San Francisco Estuary Institute to implement their Regional Monitoring Program and to administer SEP funds. Central Coast Water Board staff are reviewing the San Francisco Bay Water Board's program structure and will consider how the CCAMP, GAP and LIDI funding program management structure (administered by the Bay Foundation of Morro Bay) might be improved based on their model.

Central Coast Water Board staff are working with State Water Board staff to comply with the revised SEP Policy by developing a process that:

- Includes regional monitoring as an SEP option.
- Includes detailed scopes of work, budgets, and time schedules, including performance measures.
- Includes a project solicitation component and public listing of potential projects.
- Allows dischargers to be free from ongoing liability upon submitting payment toward the Central Coast Water Board's pre-approved SEPs.

Staff will update the Central Coast Water Board on this alignment and approval effort in late 2018 or early 2019 (for both surface water and groundwater monitoring).

Project Solicitation Process: The State Water Board has developed a state-wide process for soliciting and publicly posting potential SEPs, located here (scroll down to "Submitting Project Proposals"): https://www.waterboards.ca.gov/water_issues/programs/enforcement/sep.html

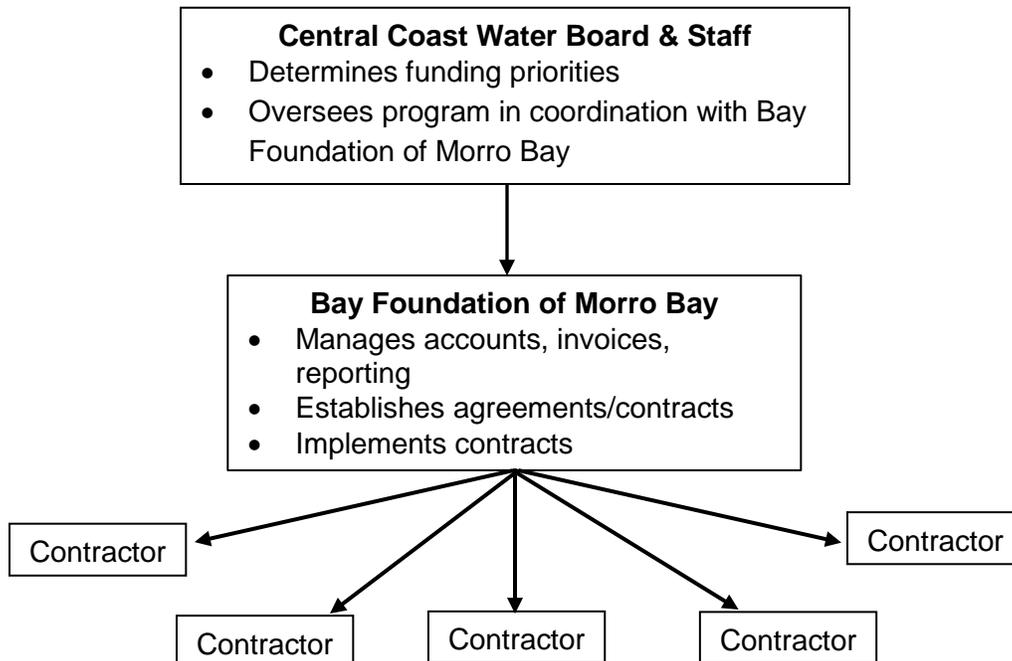
Central Coast Water Board staff is considering options for using the State Water Board's process versus developing an individual regional process. There are multiple ways in which projects can be proposed, including during enforcement settlement discussions, where dischargers can propose specific projects.

Managing SEP projects: There are no dedicated Water Board funds to manage the SEP process; therefore, staff must implement a process that includes an independent third-party to manage accounts, agreements, and provide some degree of oversight. The Central Coast Water Board's current CCAMP-GAP, and LIDI fund management structure and process, as

³ "to preserve, enhance, and restore the quality of California's water resources and drinking water for the protection of the environment, public health, and all beneficial uses, and to ensure proper water resource allocation and efficient use, for the benefit of present and future generations."

simplified in Figure 1, below, is designed to utilize limited staff resources, retaining focus on the highest priority work areas within the region.

Figure 1: Simplified Fund Management Structure



CONCLUSION

Staff actively supports and facilitates the use SEP-related enforcement funds to implement projects consistent with Central Coast Water Board established priorities, the Water Boards' mission and the State Water Board's SEP Policy. As part of this ongoing effort staff will continue to do the following:

- Prioritize Environmental Justice services to disadvantaged communities, sustainable groundwater management, and regional surface and groundwater monitoring to inform and evaluate efforts to protect and restore water quality, and measure the effectiveness of Water Board programs;
- Efficiently manage the SEP process in partnership with appropriate third-party organizations;
- Work with State Water Board staff to develop a process to solicit, post and implement projects within the scope of the Central Coast Water Board's established priorities that is consistent with the State Water Board's SEP Policy;
- Work with State Water Board to obtain their approval of our regional monitoring efforts that utilize SEP penalties; and
- Update the Central Coast Water Board regularly on progress towards the above actions.