

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

STAFF REPORT FOR REGULAR MEETING OF December 2, 2005
Prepared on November 9, 2005

ITEM NUMBER: 9

**SUBJECT: GUADALUPE FUND: PERMIT STREAMLINING SAN LUIS
OBISPO COUNTY AND SANTA BARBARA COUNTY,
REQUEST FOR FUNDING AS PART OF THE BLUEPRINT
FOR EXPENDITURE OF THE GUADALUPE SETTLEMENT
FUND**

KEY INFORMATION

Initial Value of Guadalupe Fund:	\$ 15,654,000
Encumbered by Contracts:	\$ 8,358,000
Unencumbered Value of Fund:	\$ 9,828,000
Funds Requested	\$ 566,000

SUMMARY

Staff is recommending the Central Coast Regional Water Quality Control Board (Water Board) approve \$566,000 from the Guadalupe Settlement Funding for permit streamlining in our Region. The proposed permit streamlining project meets three of the four Guadalupe Settlement criteria established July 1998 and the three additional criteria established by the Water Board on May 20, 1999.

The proposed project includes the following tasks:

- Establishment of permit streamlining for San Luis Obispo County and Santa Barbara County
- Renewed permit streamlining for the Elkhorn Slough area
- Continued implementation of permit streamlining in Santa Cruz County
- Evaluation of methods that will provide permit streamlining to all Resource Conservation Districts in the Central Coast Region

The total cost of the proposed project is \$843,447. The recommended \$566,000 from the Guadalupe Settlement Funding is for permit streamlining in San Luis Obispo County and Santa Barbara County (Component 1). Staff received a verbal commitment from the Coastal Conservancy for \$100,000 towards the project. Staff is pursuing an additional \$178,447 from other sources to fund the balance of the proposed project.

Each task of the proposed project will be implemented independently. If the Water Board approves this proposal, Component 1 will move forward. Other components will move forward as additional funds from other sources are obtained.

If the Board approves this recommendation, the resulting accomplishments will be greater permitting efficiency, less burdensome bureaucracy for landowners and businesses, and fewer obstacles to implementation of water quality protection projects and management measures.

DISCUSSION

Background: In 1998, as part of a settlement with Unocal, the Water Board established the Guadalupe Settlement Fund (Fund) set at approximately \$15.7 million. The settlement required that the money be spent on water quality-related projects consistent with the Settlement Agreement and criteria (Attachment 1) adopted by the Regional Board (Resolution No. 99-02). To date, approximately half of the original Fund value has been encumbered in existing contracts.

On July 11, 2003, staff presented a Fund blueprint (Plan) outlining expenditures (Attachment 2) to the Water Board for the remaining value of the Fund. The Fund blueprint identified projects based on priority water quality considerations (i.e., water quality monitoring data, established management plans for impaired watersheds, etc.). Rather than utilizing the more traditional "Request for Proposal" method, the spending Plan for the Fund outlines priority projects that solve important water quality problems and allows for focused leveraging opportunities. The General elements of the Blueprint include the following items (also see Attachment 2):

1. Watershed Management Plan development.
2. Watershed Coordinator Position - the cornerstone for the rest of the projects in the Fund blueprint.
3. Permit Streamlining - A catalogue of pre-approved projects or management measures commonly used during implementation of individual management projects for water quality improvement are issued permits by participating agencies (e.g. counties, Water Board, Department of Fish and Game, etc.). The permits are typically issued on a five-year cycle.
4. Oso Flaco and Santa Maria River Watershed Plan Implementation - The stakeholders in these two priority areas

are currently in the process of developing both individual ranch management plans and comprehensive watershed management plans.

5. Oso Flaco and Santa Maria River Watershed Plan Implementation Monitoring - The CCAMP monitoring team has already established monitoring stations and collected baseline water quality data in these priority watersheds during their initial sampling rotation.
6. Focused Request for Proposals - This portion of the Fund blueprint is reserved for currently unspecified projects that will be determined as current efforts progress, thus clarifying additional water quality priorities and projects.

With permit streamlining, all agencies involved in permitting or review of projects are planned participants in the process. These agencies include Counties, the Coastal Commission, California Department of Fish and Game, Regional Water Quality Control Board, National Marine Fisheries Service, US Fish and Wildlife Service, and US Army Corps of Engineers. The permit streamlining process includes two main entities, a non-profit coordinating group and a lead implementing agency. The non-profit coordinating group is Sustainable Conservation, an organization that uses innovative approaches to address serious environmental problems by engaging business and private landowners in voluntary conservation. Sustainable Conservation strives to understand both the barriers and incentives that motivate businesses and landowners, and to assess the forces that shape their decision-making. For more information on Sustainable Conservation, please visit the following website: <http://www.suscon.org/>. Sustainable Conservation will work through the permitting and approval process of each regulatory agency to establish a catalogue of approved management activities and projects. The lead implementation agency will be the local Resource Conservation District.

Permit streamlining allows land use managers to implement appropriate management measures contained in the catalogue. Permit streamlining includes regulatory conditions, and participants must work closely with the designated lead implementation agency (Resource Conservation Districts) during project completion.

Without permit streamlining, individual property owners can spend thousands of dollars and significant time obtaining the various permits and approvals required to implement beneficial management measures and projects. Landowners have enjoyed successful implementation of permit streamlining in the Elkhorn Slough Watershed over the past several years. Permit streamlining has allowed major environmental changes to occur in the Elkhorn Slough watershed in direct coordination with the Water Board's programs and grant projects.

Overall Scope of Work: Sustainable Conservation has developed a draft scope of work for the proposed project that includes four components (Attachment 3), as summarized below:

Component 1: Establish Permit Streamlining in San Luis Obispo and Santa Barbara Counties

Sustainable Conservation will work in partnership with the relevant agencies to set up permit streamlining programs in San Luis Obispo and Santa Barbara Counties. The main agencies are Natural Resources Conservation Service (NRCS) and several Resource Conservation Districts (RCDs), including the Coastal San Luis RCD, the Santa Barbara County RCD, and the and Upper Salinas/Las Tablas RCD. The permit streamlining program will build on the successful pilot project currently in operation in Morro Bay and other coastal watersheds.

Sustainable Conservation and the local RCDs will cooperatively carry out the work covered by this grant. Some activities are best carried out by the RCDs, whose local knowledge, contacts, and experience will make the process move faster. For other tasks, Sustainable

Conservation's experience with permit streamlining and familiarity with multiple agency mandates will make the process move faster. Sustainable Conservation will coordinate the division of labor, and ultimately be responsible for ensuring all tasks are completed.

This effort will produce two sets of permits: one for San Luis Obispo County and one for Santa Barbara County. Agencies expected to permit the catalogue of pre-approved projects or management measures include San Luis Obispo County, Santa Barbara County, Coastal Commission, California Department of Fish and Game, Regional Water Quality Control Board, National Marine Fisheries Service, US Fish and Wildlife Service, and US Army Corps of Engineers. The proposed cost for the two sets of permits is \$566,000 (Component 1, Table 1). The funds are targeted for interagency workshops, watershed tours, coordination meetings, completion of permit applications, procuring approved permits, training, and contract reporting.

Component 2: Renewal of Permit Streamlining in Elkhorn Slough

The highly successful permit streamlining effort in Elkhorn Slough started up in 1998 and was designed to expire in five years. The permits that were issued to the NRCS and Monterey County RCD are now in need of renewal to meet the continued demand for conservation work in this watershed. Since permits for this watershed have been previously issued and Elkhorn Slough is a relatively small watershed, we anticipate that permit re-issuance will not be as challenging or time consuming as new streamlining efforts. Additionally, there are no anadromous fish in this watershed, so no consultation with National Marine Fisheries Service is needed. The budget for this component is significantly smaller than the San Luis Obispo County and Santa Barbara County streamlining component.

This effort will produce one set of permits for the Elkhorn Slough watershed. The same group of agencies, with the exception of the National Marine Fisheries Service, will participate in the project. The proposed cost for the two sets of

permits is \$117,500 (Component 2, Table 1). The funds are targeted for interagency workshops, watershed tours, coordination meetings, completion of permit applications, procuring approved permits, training, and contract reporting.

Component 3: Operation of Santa Cruz Permit Streamlining

The Santa Cruz County Permit Streamlining Program is almost complete, pending approval from U.S. Fish and Wildlife. This project will go on-line in 2006 and we anticipate 10-15 projects going through the program annually. In this component, funds are directed through a sub-contract to the Santa Cruz RCD.

Under the conditions contained within the proposed streamlined permit, the Santa Cruz County RCD must carry out conservation planning (on the ground project implementation) to Natural Resources Conservation Service standards. To fulfill this condition, the RCD will train two staff members. The training is provided at no cost by the NRCS. The main expense in this task is RCD staff time.

Component 4: Evaluation of Methods to Provide Permit Streamlining to all RCDs in the Central Coast

Sustainable Conservation has worked with NRCS offices and RCDs along the California coast to establish coordinated permit programs. Sustainable Conservation and Water Board staff understands that replicating the success of the Elkhorn Slough pilot is not a "cut & paste" type operation. We must consider the unique environmental, economic, and social characteristics inherent in each watershed to ensure success.

While we strongly support the establishment of permit streamlining in all areas along the central coast, we do not yet know if San Benito, Santa Clara, and smaller coastal watersheds in Monterey County have the need, desire, or capacity to carry out such a program. As such, at this time we are only requesting funding to conduct preliminary scoping work for these

areas. Where possible, the permit tools used in Elkhorn Slough, Santa Cruz County, Santa Barbara County, and San Luis Obispo County may be modified or extended to serve a greater geographic area. This component requires answering numerous questions, for example:

- Is there a need for permit streamlining and agency assistance in San Benito County and/or Santa Clara County?
- What is the best way to extend permit coverage to these areas?
- What existing regulatory agreements are already in place, or can be leveraged to reduce costs?
- What authority will the administering entity have over landowners? (i.e. how will agencies be assured of quality control?)
- Who will be the point of contact for each regulatory agency?
- What will the strategy be for CEQA compliance?
- How do the local regulations from the different counties affect the program?

The process of collecting information during this initial assessment will also provide an opportunity to build support for the streamlining program among the regulatory agencies. The interview findings and planning meetings would be synthesized in a guidance document for the establishment of permit streamlining in these new areas. Carolyn Remick, Sustainable Conservation's program director, will carry out this work.

FUNDING

The total cost of the proposed project is \$843,447. Staff has received a verbal commitment from the Coastal Conservancy for \$100,000 towards the project. Along with the requested Guadalupe Settlement funds, staff is pursuing an additional \$178,447 from other sources to fund the balance of the proposed project. The requested Guadalupe Settlement Funding, \$566,000 of the \$843,447, is for permit streamlining in San Luis Obispo County and Santa Barbara County (Component 1).

Component 1 of the proposed project meets six of the seven criteria adopted by the Regional Board in 1999:

1. Geographic Nexus: The proposed project is for both Santa Barbara-San Luis Obispo Counties.
3. Beneficial Use Protection: The proposed project has the potential to protect or restore beneficial uses of water that were affected by the Guadalupe Oil Field discharges.
4. Institutional Stability and Capacity: The project proponent has demonstrated ability to complete the proposed project;
5. Water Quality Focus: The proposed project has the potential to directly improve water quality.
6. Leveraged Funding: The proposed project has a \$100,000 commitment from the State Coastal Conservancy to fund portions of additional components.

7. Region-wide use or benefit: The proposed project will benefit both a local geographic area and have broader application throughout each county and the Central Coast Region.

RECOMMENDATION

Approve \$566,000 from the Guadalupe Settlement Funding for permit streamlining in San Luis Obispo County and Santa Barbara County (Component 1).

ATTACHMENTS

1. Guadalupe Settlement Funding Criteria
2. Guadalupe Settlement Fund Blueprint
3. Draft Scope of Work for Permit Streamlining

Table 1
Budget Summary

Component	Work Performed by:	Amount
Component 1: Establishment of Permit Streamlining in SLO & SB	Sustainable Conservation with 3 RCDs (Upper Salinas Las Tablas, Cachuma, Coastal San Luis)	\$565,717
Component 2: Renewal of Elkhorn Slough Permit Streamlining	Sustainable Conservation	\$117,500
Component 3: Operation of Santa Cruz County Permit Streamlining	Santa Cruz County RCD	\$140,650
Component 4: Evaluation of Methods to Provide Permit Streamlining to All RCDs in the Central Coast	Sustainable Conservation	\$19,580
	Total Project Cost (including other sources of funding)	\$843,447