

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

STAFF REPORT FOR REGULAR MEETING OF MAY 12-13, 2005

Prepared April 15, 2005

ITEM: 3

SUBJECT: Revision of Resolution No. 00-004, Avila Beach Settlement Water Quality Projects, to Fund Extension of Avila Beach Community Services District's Outfall Diffuser, and Update on Other Approved Projects

SUMMARY

Regional Board Resolution No. 00-004 allocated \$200,000 plus "interest and contingency" from the Avila Beach Water Quality Fund to the Avila Beach Community Services District (CSD) for several improvements to its wastewater system, including replacement of its broken ocean outfall diffuser. The Water Quality Fund has since accrued approximately \$250,000 in interest to date. Avila Beach CSD has requested an additional \$168,000 from this interest and contingency to fund a 480-foot extension of its ocean outfall. Extension of the outfall closely meets the criteria used to select the projects approved by Resolution No. 00-004. The extension may be funded entirely by the interest and contingency in the Water Quality Fund, without jeopardizing funding of any of the originally approved projects.

A clause in Resolution No. 00-004 currently limits funding of Avila Beach CSD projects to \$300,000. The proposed Resolution is revised to eliminate this clause, so that an additional \$168,000 may be directed to Avila Beach CSD to extend the outfall.

This report also includes a status update on the other Avila Beach mitigation projects that were approved by Resolution No. 00-004.

DISCUSSION

Background. In June 1998, Unocal and several State agencies, San Luis Obispo County, and several private parties entered into a settlement agreement and stipulated judgment to settle legal claims arising from the discharge of petroleum from Unocal's pipelines beneath Front Street in

Avila Beach. The parties agreed to settle claims associated with this discharge for a total of \$18 million. The settlement allocated \$1 million of the total to an Avila Beach Water Quality Fund. The settlement specified that \$100,000 be directed to the Regional Board's Central Coast Ambient Monitoring Program, and the remaining amount be directed to water quality projects chosen by the Regional Board.

In a collaborative effort with the California Department of Fish and Game and the San Luis Obispo County Air Pollution Control District, Regional Board staff reviewed and ranked several proposals, participated in public meetings, collected and responded to comments, and proposed a list of nine water quality projects to be funded to the Regional Board on November 29, 2000. After considering all testimony, the Regional Board approved the nine projects, which included \$200,000 for replacement of Avila Beach CSD's outfall diffuser, but also directed "interest and contingency money, estimated at approximately \$100,000" to Avila Beach CSD for two other priority improvements to its wastewater system. Avila Beach CSD had lost a significant amount of its revenue stream as a result of Unocal's cleanup project, and expressed need for funding for several critical improvements to its wastewater system. The current status of the other approved projects are discussed later in this report.

Of the original nine approved projects, several have not yet been completed. Consequently, the Water Quality Fund has accrued approximately \$250,000 interest to date. Although the original Resolution stated that Avila Beach CSD would be given interest and contingency money, the final

Resolution included a footnote stating, "The total expenditure of RWQCB funds for [Avila Beach CSD] projects shall not exceed \$300,000." The Board placed the footnote and dollar cap in the resolution to limit funding to Avila Beach CSD projects that had been through the staff ranking and extensive public meeting/comment process. The Regional Board did not want to bypass this process for additional projects, so the dollar cap was used, as it approximated the value of the combined Avila Beach CSD projects evaluated through the review process.

This footnote has effectively prevented staff from directing any interest and contingency in excess of \$100,000 to Avila Beach CSD. Staff is proposing the Resolution be revised to eliminate this footnote.

Providing additional funding for extending the outfall remains consistent with the original Regional Board decision and public process outcome in terms of projects selected for funding, it just further enhances the benefit of the original outfall project by pushing it further offshore, away from this very popular beach – the site of the settlement-generating petroleum discharge.

Replacement and Extension of Outfall Diffuser.

Avila Beach CSD discharges its treated wastewater to San Luis Bay via outfall and diffuser. The outfall and diffuser are approximately 40 years old. The outfall terminates at an approximate water depth of 29 feet, about 540 feet beyond the end of Avila Pier. The minimum initial dilution of the discharge (seawater:effluent) is approximately 10:1. This outfall is short and shallow relative to other ocean discharges in the Central Coast Region, and is located in an area that is popular with ocean swimmers.

In the mid-1990's, divers discovered that corrosion and large storms had caused the diffuser section to break off the end of outfall, greatly reducing outfall effectiveness.

Discovery of the damage and plans for repair of the diffuser coincided with the beginning of the Unocal Avila Beach Cleanup. The cleanup required the entire commercial core and several residences of Avila Beach to be demolished. Avila Beach CSD was heavily reliant on revenue from those properties, and has not had enough funding to repair

the outfall since they were demolished. In fact, Avila Beach CSD has been dipping into its reserves to fund day-to-day operations for several years now. Avila Beach is rebuilding, but the CSD forecasts that it will not have positive cash flow for another two years.

Avila Beach CSD contracted local engineering firm Wallace Group to assist it in repairing the outfall. Rather than just replacing the diffuser, the CSD chose to explore extending the outfall further offshore, to further remove the discharge from swimmers and the beach. Wallace Group designed and requested contractor bids for a diffuser at the existing outfall length, but also for a 480-foot extension of the outfall. An engineering drawing of the extension is included as Attachment 1. Several offshore contractors submitted bids in mid-March 2005. The total cost for only replacement of the diffuser is \$312,450. Due to significant savings on equipment mobilization and permitting, extending the outfall 480 feet would only cost an additional \$168,000. Knowing that the Water Quality Fund has accrued significant interest, Avila Beach CSD formally requested additional funding to extend the outfall on March 23, 2005. Its written request is included as Attachment 2.

Avila Beach CSD was prepared to notify its chosen contractor, Cushman Contracting of Santa Barbara, to proceed with only replacement of the diffuser in early April 2005. However, Cushman has agreed to wait until this hearing to determine if the extension would be funded, and hold its bid price at \$168,000.

It should be emphasized that replacement of the outfall diffuser was the second-ranked of the nine originally approved projects. Replacement and extension of the outfall diffuser closely meets the water quality nexus, geographical nexus, beneficial use protection, and institutional stability and capacity criteria that were used to rank the originally approved projects. Discussions with Avila Beach CSD President Christopher Helenius suggest the Avila Beach community strongly supports extension of the outfall. County of San Luis Obispo Supervisor Jerry Lenthall submitted a letter of support on April 15, 2005. His letter is included as Attachment 3.

Staff strongly supports the project. Extension of the outfall will provide additional protection of Avila Beach water quality.

Revised Resolution. Revised Resolution No. 00-004 is included as Attachment 4. The revision simply eliminates the footnote that limits funding of Avila Beach CSD projects to \$300,000. Funding for Avila Beach CSD projects now includes \$233,000 for replacement and extension of the outfall diffuser, \$30,000 for rehabilitation of the primary clarifier at the wastewater treatment plant, and \$205,000 for replacement of the influent pumps and restoration of influent wet well at the wastewater treatment plant. This amounts to \$468,000 for Avila Beach CSD projects, a \$168,000 increase above the original Resolution. This additional \$168,000 will come from the interest and contingency in the Water Quality Fund, and will not jeopardize funding of any of the originally approved projects. Funding amounts for the other originally approved projects remains the same.

Staff must negotiate a funding grant agreement with Avila Beach CSD before funding will be disbursed. Detailed requirements for the funding agreement are contained in the Resolution.

Projects Update. Staff would like to take this opportunity to also update you on the other projects that were approved by Resolution No. 00-004 for funding by the Avila Beach Water Quality Fund. Following is a brief update on each project.

Project: Leucadia Ranch Property Acquisition - Irish Hills

Grantee: The Nature Conservancy

Description: This project preserves habitat in the San Luis Obispo Creek and Wild Cherry Canyon watersheds through the purchase of consecutive 99-year lease options for the Leucadia Ranch located on the western boundary of the town of Avila Beach. This 2,600-acre property is a cornerstone in the Pecho Coast preservation plan for the coastal Irish Hills area. If acquisitions are successful, this property will be converted to a state park. This was the highest ranked of all the originally approved projects.

Status: On Hold – This project has been placed on hold since August 2003. The original project fell through due to a breakdown between the Nature Conservancy and the long-term leaseholders for the purchase of the optioned lease. Staff is not

proposing that this funding be reassigned, as this is the highest ranked project based on the Regional Board's selection criteria for the Avila Beach Water Quality Fund. Additionally, there is still a possibility that this project will proceed. Furthermore, should the Leucadia Ranch Property Acquisition cease to be a feasible option, there are similar acquisition projects in the coastal Irish Hills area that would serve as excellent alternatives to the Leucadia acquisition.

Approved Funding: \$250,000

Amount Disbursed: \$0

Project: Oil and Grease Filters in Stormwater Drains

Grantee: TENERA Environmental

Description: The oil and grease filters contain petroleum-trapping filter fabric fitted into stormwater drain inlets. Fifteen stormwater inlets within the San Luis Obispo Creek watershed that are likely to contribute higher concentrations of oil and grease were selected. Sites are near impervious surfaces in high traffic area (e.g., near parking lots) wherever possible. This project also had an outreach and education component; Tenera worked with schools located in the San Luis Obispo Creek watershed to paint curbs ("Drains to Creek") at locations where filter fabric is installed.

Status: Original Project Complete; Maintenance Phase Ongoing – Fifteen oil and grease filters were installed in June 2002. Also in June 2002, Tenera hosted a field trip by local second graders to visit the site, learn about how the filters work to protect the ocean, and assist Tenera staff in painting "Drains to the Ocean" signs near the storm drains in Port San Luis. All filter units are serviced three times a year at which time they are inspected for damage, cleared of debris, and new filter media is added as needed. The contract has provided funding to continue this service for five years past the installation. The crews who service the units report that they are holding up well and proving effective. Proponents of the project are currently seeking funding to extend the maintenance period beyond the five years of secured funding currently in place.

Approved Funding: \$15,460

Amount Disbursed: \$5,004

Project: Ayers Property Acquisition – Irish Hills

Grantee: City of San Luis Obispo

Description: The acquisition preserves and restores habitat in the lower San Luis Obispo Creek watershed. The Ayers property, also known as the Johnson Ranch, occupies 242 acres west of Highway 101 several miles south of the City of San Luis Obispo. The preserve consists of rolling grasslands and steeper woodland habitat, as well as approximately one-mile of a San Luis Obispo Creek tributary (referred to as Ayers Creek). The City plans to improve the fish passage between Ayers Creek and San Luis Obispo Creek and open the property for day use recreation.

Status: Complete – The Ayers Property was acquired in December 2001. Regional Board staff attended a dedication hosted by the City of San Luis Obispo, which honored the contributors for preservation of the property. The City of San Luis Obispo is currently developing open space plans for all its properties and intends to have a specific plan for the Johnson Ranch within the next two years, after which time they will work towards implementation. Currently, there is a park ranger living on the property to prevent vandalism. The Ranch is not open for public use at this time.

Approved Funding: \$50,000

Amount Disbursed: \$50,000

Project: Port San Luis Harbor boatyard upgrade

Grantee: Port San Luis Harbor District

Description: This portion of the fund provided for an upgrade of the Port San Luis Harbor boatyard to minimize water quality impacts associated with boat maintenance at the facility. Paint sanding and chippings, oil and grease, fuel, and detergents are pollutants encountered in the boatyard. Renovation of the boatyard's drainage system helps prevent these materials from being discharged with stormwater to San Luis Bay. This project provides a reduction in the contribution of petroleum, metals, and surfactants to the Avila/San Luis Bay area.

Status: Complete – The boatyard upgrade was completed in February of 2002 and since that time has been running smoothly. The yard is now equipped with contained drainage facilities that concentrate runoff into a separator where it is treated before entering the ocean. Solids are settled out and a sorbent pad removes oil and grease. The Regional Board toured the boatyard project during the offsite Board meeting in June 2002.

Approved Funding: \$132,500

Amount Disbursed: \$132,500

Project: Oil Spill Response in Port San Luis/Avila Beach area

Grantee: Metson Marine

Description: Port San Luis and Avila are heavily used commercial fishing and recreational boating areas yet there is an absence of oil spill response capabilities. This project provides for oil spill response training, equipment, and deployment in the Port San Luis and Avila Bay area.

Status: Pending – California Department of Fish and Game (DFG) is the lead agency on developing a contract for this project. Regional Board staff has notified the Department of Fish and Game that if this project does not proceed by December of 2005 this funding allocation will be considered for other projects.

Approved Funding: \$25,000

Amount Disbursed: \$0

Project: South San Luis Obispo Creek Habitat Restoration

Grantee: San Luis Obispo County Land Conservancy

Description: This project focused on riparian habitat restoration along the East Fork Creek immediately upstream of its confluence with San Luis Obispo Creek. This property's riparian corridor is in poor condition due to historic land practices and grading. The creek was also significantly damaged by discharges associated with the 1928 Unocal Tank Farm Road explosions and fire. This project involves measures to decrease stream temperatures, nitrate loading, and sedimentation within East Fork and San Luis Obispo Creeks.

Status: Complete – The San Luis Obispo Land Conservancy installed the habitat restoration project from May to October 2002. Monitoring in November 2004 shows that native species cover has increased from 12% to nearly 40%. Maturing plants on site have produced a new generation of natives requiring little human effort to grow. In addition, wildlife surveys have documented an increase from 15 bird species to over 100 different bird species utilizing the area over the same time period. A quantitative water quality-monitoring component on such a small-scale project would have been cost prohibitive. Yet, staff has inspected this site on numerous occasions and has observed denser canopy cover, increased vegetation in the flood plain, and newly formed vernal pools. These conditions have proven in past studies to benefit water quality. Increased canopy can lower in-stream temperatures; increased vegetation in the flood plain and vernal pools can reduce and prevent nitrates, pesticides, sediment, metals, and other constituents of concern from entering the stream channel.

Approved Funding: \$50,000

Amount Disbursed: \$50,000

Project: Continuous real-time water quality monitoring

Grantee: Cal Poly, Biological Sciences Department and TENERA Environmental

Description: A continuous, real-time monitoring station to measure marine water quality was installed off the Unocal Pier adjacent to Avila Beach. Continuous measurements of environmental parameters will be evaluated to understand causes for toxic phytoplankton and bacterial blooms from San Luis Obispo Creek. The goal is to understand short-term and seasonal changes in indicator constituents that typically accompany these destructive blooms. In addition, the monitoring will allow researchers to evaluate and monitor long-term trends to determine normal and abnormal changes within the San Luis Bay. This project is conducted in conjunction with the Central Coast Regional Board's Regional Monitoring Program and the County Department of Health's monitoring efforts, to maximize leverage of funding, as well as ensuring that appropriate data are collected.

Status: Original Project Complete; Maintenance Phase Ongoing – The monitoring equipment was installed at the end of the Cal Poly Marine Science Research and Education Facility (Unocal Pier) in San Luis Obispo Bay in June of 2003. The monitoring equipment collects conductivity, temperature, turbidity, chlorophyll a, and dissolved oxygen data. Regional Board staff has requested an update from the grantee as to the types of conclusions and determinations made regarding the harmful blooms, indicator constituents that accompany these blooms, and baseline information for long-term trends based on the data that has been collected in the past two years. The contract has supported the maintenance and calibration of the equipment, as well as the design, programming, and upkeep of the web interface. The web interface allows for anyone with an Internet connection to view the data for all constituents being collected by the equipment in real time. The data may be viewed at: www.marine.calpoly.edu/getwet

Approved Funding: \$107,500

Amount Disbursed: \$80,950

**Project: Replacement of the Marre Dam/
improved fish passage**

Grantee: San Luis Obispo County Land Conservancy

Description: The Marre Weir is a sheet-pile dam located in lower San Luis Obispo Creek where it meets the estuary. The Weir crosses the entirety of San Luis Obispo Creek and acts as a passage barrier for migrating steelhead trout. Several attempts have been made to facilitate fish passage over the years, including two fish ladders. The attempts have only proven marginally effective due to debris accumulation during high flow events. Removal of the dam is infeasible, as this would threaten upstream drinking water wells with saltwater intrusion. The project will focus on modifications of the dam to allow for fish passage.

Status: In progress – This project is in the initial stages as the Land Conservancy is preparing designs and securing permits required to implement the project. The project's estimated completion date is December 2006.

Approved Funding: \$50,000

Amount Disbursed: \$0

COMMENTS

Staff sent this report and revised Resolution No. 00-004 to the following interested parties on April 14, 2005. These interested parties were involved in the original Resolution in 2000 and were invited to submit written comments on staff's recommendation by April 28, 2005. Written comments will be addressed through a supplemental sheet.

- Avila Beach CSD
- John Wallace, Wallace Group
- Jay Elder, Port San Luis Harbor District
- John Steinbeck, Tenera Environmental
- Mark Moline, Cal Poly
- Lois Capps, Congresswoman
- Abel Maldonado, State Senator
- Melissa Boggs-Blalack, Ca. Dept. of Fish and Game
- Peg Pinard, Former County Supervisor
- Liz Scott-Graham

- Colleen Ray, Central Coast Natural History Association
- J.F. Henry
- Chris Clark, Bay Foundation
- Brian Stark, SLO County Land Conservancy
- Walt Sadinsky, Nature Conservancy
- Sam Blakeslee, State Assemblyman
- Kara Blakeslee, American Land Trust
- Neil Havlik, City of San Luis Obispo
- Lucy Lepley, Avila Beach Resident
- Jerry Lenthall, County Supervisor
- Suzanne Murphy, San Jose State University Foundation
- Dave Flynn, San Luis Obispo County Engineering Dept
- Thomas Ruehr, Cal Poly
- Donald Funk, American Watersheds
- J. Ivor John
- Michael Hall
- Larry Rennacker
- James Vilkitas, Cal Poly
- Nirupam Pal, Cal Poly
- Charles Yates
- Frank Sances, Alliance for Alternative Agriculture
- Melinda Trask

RECOMMENDATION

Staff recommends adoption of revised Resolution No. 00-004, to fund extension of the Avila Beach CSD ocean outfall.

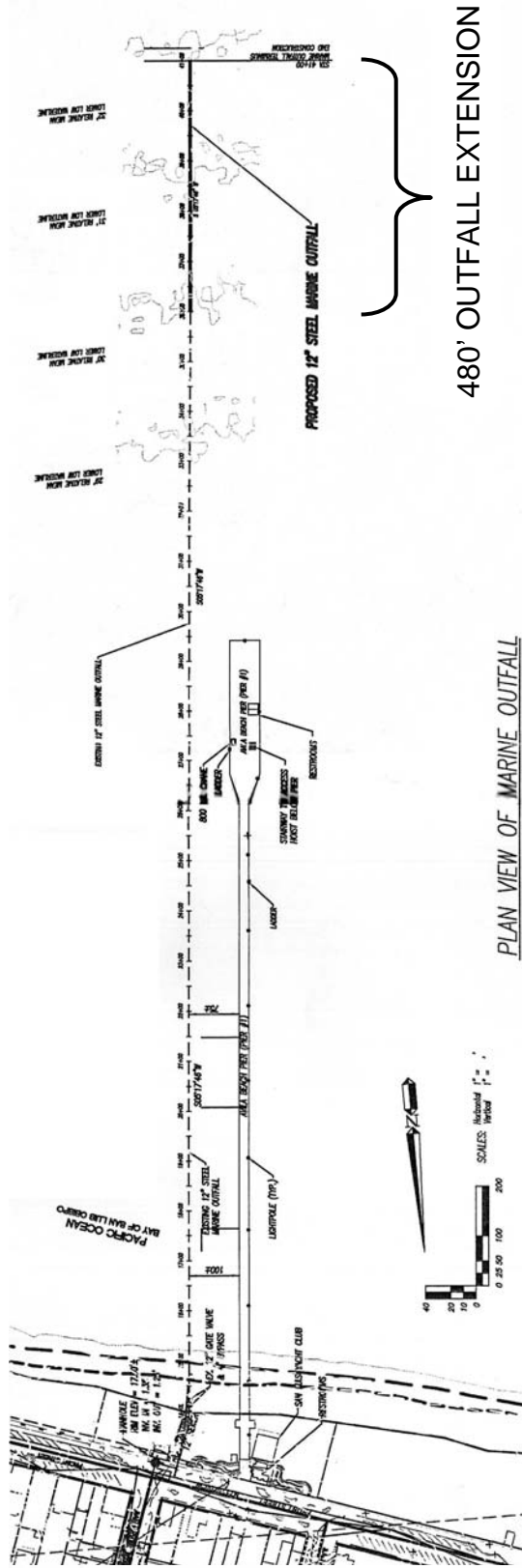
ATTACHMENTS

1. Engineering drawing of Avila Beach CSD outfall extension and diffuser replacement project
2. Avila Beach CSD letter dated March 23, 2005
3. Supervisor Jerry Lenthall letter dated April 15, 2005
4. Revised Resolution No. 00-004

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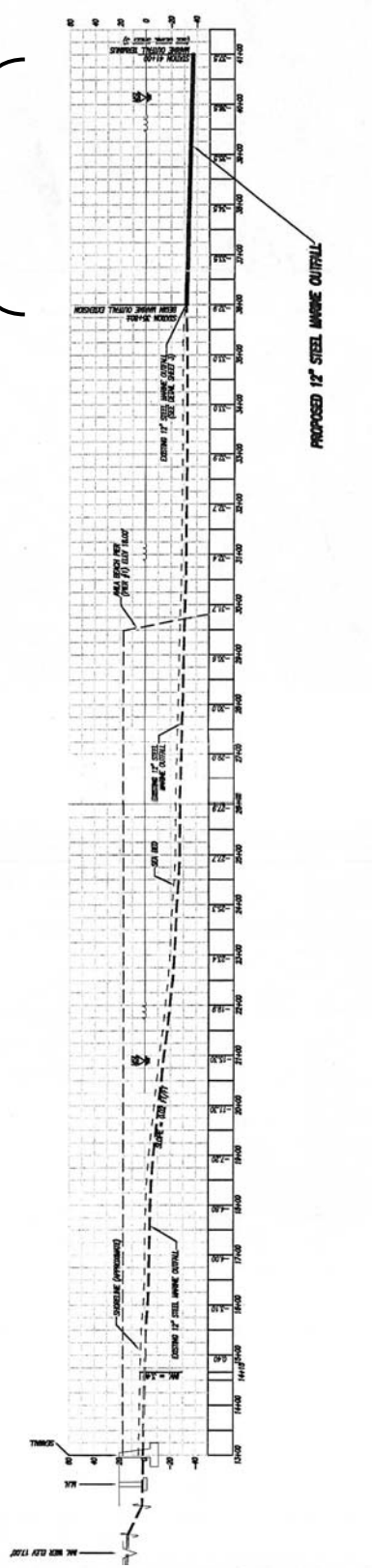


Attachment 1
 Avila Beach CSD Outfall Extension and Diffuser Replacement Project
 Figure courtesy of Wallace Group



480' OUTFALL EXTENSION

PLAN VIEW OF MARINE OUTFALL



PROFILE VIEW OF MARINE OUTFALL