RECOMMENDED ACTION: Authorization to disburse up to $450,000 of settlement funds from the California Department of Fish and Wildlife to the Monterey Peninsula Water Management District to prepare engineering, permitting, and environmental review documents to improve the intake structure of the Sleepy Hollow Steelhead Rearing Facility located on the Carmel River, Monterey County.

LOCATION: Monterey County

PROGRAM CATEGORY: Integrated Marine and Coastal Resources

EXHIBITS

Exhibit 1: Project Location Map
Exhibit 2: Project Letters

RESOLUTION AND FINDINGS:

Staff recommends that the State Coastal Conservancy adopt the following resolution pursuant to Section 31220 of the Public Resources Code:

“The State Coastal Conservancy hereby authorizes the disbursement of an amount not to exceed four hundred fifty thousand dollars ($450,000) of settlement funds from the California Department of Fish and Wildlife to the Monterey Peninsula Water Management District (MPWMD) to prepare engineering, permitting, and environmental review documents to improve the intake structure of the Sleepy Hollow Steelhead Rearing Facility on the Carmel River in Monterey County. Prior to disbursement of funds, MPWMD shall submit for Executive Officer review and approval a work plan, schedule and budget, and the names and qualifications of any contractors.”

Staff further recommends that the Conservancy adopt the following findings:

“Based on the accompanying staff report and attached exhibits, the State Coastal Conservancy hereby finds that:

1. The proposed authorization is consistent with Chapter 5.5 of Division 21 of the Public Resources Code, regarding Integrated Marine and Coastal Resources.
2. The proposed project is consistent with the current Conservancy Project Selection Criteria and Guidelines.”

PROJECT SUMMARY:
The proposed project would provide a grant to the Monterey Peninsula Water Management District (MPWMD) to prepare engineering, permitting, and environmental review documents to improve the intake structure of the Sleepy Hollow Steelhead Rearing Facility (SHSRF) on the Carmel River. The grant would be funded with settlement funds controlled by the California Department of Fish and Wildlife (CDFW) stemming from a 2009 settlement agreement between California American Water Company (CAW) and NOAA’s National Marine Fisheries Service (NMFS) related to the impacts of CAW’s water withdrawals from the Carmel River on South-Central California Coast (SCCC) steelhead. SCCC steelhead are listed as a threatened species under the federal Endangered Species Act.

MPWMD began operating the SHSRF in 1996 to raise juvenile steelhead rescued from portions of the Carmel River that dry up nearly every year as a result of stream diversions for municipal and private water supply. MPWMD rescues an average of about 16,000 fish each year, a portion of which are placed into the SHSRF. The juvenile fish are then released back into the river in the fall or early winter after wet season rains begin and the downstream channel is re-watered. To operate the facility, MPWMD diverts water from the Carmel River, runs it through several holding tanks, an 800 foot long simulated natural rearing channel, and then discharges it back to the river near the point of diversion.

The facility’s intake structure and pump system were designed based on the assumption that the intake structure would be drawing in clear water (i.e., water free of sediment and debris). As a result, the system cannot be operated during higher flows when sediment transport rates are higher. In addition, organic material (mostly leaves) can clog the flat screen in the bottom of the channel at low flows. Even with frequent cleaning, reduced flow through the clogged screen can cause the pump to fail. This problem will be further exacerbated once San Clemente Dam is removed and more sediment begins to flow downstream. Furthermore, CDFW and NMFS have requested that MPWMD release juvenile fish later in the rainy season in order to provide more time for the re-watered downstream reaches to more fully recover. Under current conditions, operating further into the winter storm season would increase the possibility of system failure due to a clogged intake structure or pump failure.

To address these issues, MPWMD proposes to design a new intake structure that can function even when the river is laden with sediment and/or debris. The proposed project would involve developing engineering designs for the new structure, as well as preparing permit applications and conducting environmental review for the project.

MPWMD designed and built the SHSRF and has operated it for over 15 years. In addition, the District has designed and implemented multiple restoration projects on the Carmel River. MPWMD is well qualified to undertake the proposed project.
Site Description: The SHSRF is located on the Carmel River in Monterey County. It is in a remote location on property owned by CAW approximately 3000 feet downstream of San Clemente Dam. The facility consists of an instream river diversion, a pump station, three large circular holding tanks, an 800-foot long simulated natural rearing channel, and miscellaneous support systems. In 2000, the facility was upgraded with a cooling system and pump improvements to handle river water that is heated as it passes through Los Padres and San Clemente Reservoirs.

Project History: Problems with clogging of the SHSRF intake structure were first identified in a technical report in 2003, and since then several approaches to improving the intake have been analyzed. Improvements to the intake structure were identified as a high priority by both CDFW and NMFS in 2009 for use of the CAW-NMFS settlement funds. Now that construction has begun on the removal of San Clemente Dam, the need for the retrofit has become even more urgent. Earlier this year, CDFW determined that it did not have an appropriate mechanism for providing settlement funds to MPWMD to implement the project; as a result, CDFW, MPWMD, and NMFS requested assistance from the Conservancy.

PROJECT FINANCING

Coastal Conservancy $450,000
(CAW-NMFS Settlement Funds provided to Conservancy by Interagency Agreement with CDFW)

Project Total $450,000

The anticipated source of funds for the project is funds controlled by CDFW pursuant to a settlement agreement concerning alleged Endangered Species Act violations that requires CAW to pay CDFW $11.2 million over a seven-year period. See Settlement Agreement, March 3, 2009, between California-American Water Company, U.S. Department of Commerce, National Oceanic and Atmospheric Administration, and California Department of Fish and Game. These funds can only be used to improve habitat conditions for, and production of, SCCC steelhead, and/or otherwise aid in the recovery of SCCC steelhead in the Carmel River watershed; in addition, these funds can only be expended for mitigation of impacts from well-pumping and water withdrawals by CAW. The SHSRF is operated specifically to mitigate the impacts of downstream water withdrawals, and improvements to the facility will aid in the recovery of SCCC steelhead. Accordingly, use of the funds for the proposed improvements is consistent with the terms of the settlement agreement. CDFW will pass the funds to the Conservancy via an interagency agreement.

CONSISTENCY WITH CONSERVANCY’S ENABLING LEGISLATION:

The proposed project will be undertaken pursuant to the Conservancy’s enabling legislation, Division 21 of the Public Resources Code (PRC); in particular Chapter 5.5, PRC Section 31220, regarding integrated coastal and marine resources protection.

PRC Section 31220(a) authorizes the Conservancy to award grants for coastal watershed and living marine resources protection and restoration projects that meet one or more criteria of
Section 31220(b). As set forth in Section 31220(b)(7), this includes projects that will reduce the impact of population and economic pressures on coastal and marine resources. By rearing rescued SCCC steelhead, the SHSRF reduces the impacts to SCCC steelhead of over-pumping water from the Carmel River basin to supply the population of the Monterey Peninsula. Thus, improving the functioning of the SHSRF will protect SCCC steelhead, a coastal and living marine resource, from the impacts of populations pressures consistent with PRC 31220(b)(7).

As Section 31220(c) requires, the proposed project is consistent with local and state watershed plans. This is discussed in detail below under “Consistency With Local Watershed Management Plan/State Water Quality Control Plan.” Section 31220(c) also requires that projects include a monitoring and evaluation component. Specifications for monitoring and evaluation of the improved intake structure will be included in the final design plans for the intake improvements.

**CONSISTENCY WITH CONSERVANCY’S 2013 STRATEGIC PLAN GOAL(S) & OBJECTIVE(S):**

Consistent with **Goal 5, Objective E** of the Conservancy’s 2013-2018 Strategic Plan, the proposed project will help improve fish habitat in the Carmel River since it is a necessary step before removing San Clemente Dam and will also help ensure the survival of the Carmel River run of steelhead.

Consistent with **Goal 8, Objective B** of the Conservancy’s 2013-2018 Strategic Plan, the proposed project will help to resolve a conflict between NMFS and CAW and will provide assistance at the request of CDFW and NMFS.

**CONSISTENCY WITH CONSERVANCY’S PROJECT SELECTION CRITERIA & GUIDELINES:**

The proposed project is consistent with the Conservancy’s Project Selection Criteria and Guidelines, last updated on November 10, 2011, in the following respects:

**Required Criteria**

1. **Promotion of the Conservancy’s statutory programs and purposes:** See the “Consistency with Conservancy’s Enabling Legislation” section above.

2. **Consistency with purposes of the funding source:** See the “Project Financing” section above.

3. **Support of the public:** The SHSRF is strongly supported by NMFS and CDFW. See also Exhibit 2 Project Letters.

4. **Location:** The project area is located on the Carmel River approximately 18 miles from the ocean. The proposed project will benefit coastal resources by helping ensure the survival of SCCC steelhead until over-pumping of the river has stopped. Steelhead are an anadromous fish that spends part of their life in the ocean.
5. **Need:** For the past four years, CDFW has been unable to find a way to provide settlement funds to MPWMD to implement the project. Conservancy assistance is needed to make sure this project occurs prior to removal of San Clemente Dam.

6. **Greater-than-local interest:** The proposed project will aide in the survival and recovery of the federally-threatened South-Central California Coast steelhead population.

7. **Sea level rise vulnerability:** The project area is not located in an area vulnerable to sea level rise.

**Additional Criteria**

8. **Urgency:** The proposed intake improvements must be planned and implemented before San Clemente Dam is removed. This is currently scheduled to occur in 2015. Therefore it is critical that the intake structure improvements proceed immediately.

9. **Leverage:** See the “Project Financing” section above.

10. **Readiness:** MPWMD is ready to proceed with the project immediately.

11. **Realization of prior Conservancy goals:** “See “Project History” above.”

12. **Cooperation:** The proposed project is being undertaken by the Conservancy at the request of CDFW, NMFS, and MPWMD to resolve a long-standing administrative obstacle.

**CONSISTENCY WITH LOCAL WATERSHED MANAGEMENT PLAN/STATE WATER QUALITY CONTROL PLAN:**

Projects undertaken pursuant to PRC Section 31220 must be consistent with the following, if available and relevant: Integrated Watershed Resource Management Programs (IWRMP); local watershed management plans; and water quality control plans, adopted by the state and regional water boards. The proposed project is consistent with the *Monterey Peninsula, Carmel Bay, and South Monterey Bay IWRMP*, November 2007 (Monterey IRWMP), the scope of which includes the Carmel River. In particular, the proposed project is consistent with the following objectives within the Environment Protection and Enhancement Goal: “protect and enhance sensitive species and their habitats in the regional watersheds,” and “minimize adverse effects on biological and cultural resources . . . when implementing strategies and projects,” and with the regional priority of promoting the steelhead run (Monterey IRWMP at page 4-4 and page 6-2, respectively).

The *Water Quality Control Plan for the Central Coastal Basin*, June 2011 (Water Quality Plan), adopted by the Regional Water Quality Control Board, designates several beneficial use objectives for the Carmel River, including cold fresh water habitat and habitat for rare, threatened or endangered species. The proposed project will help to ensure survival of SCCC steelhead, a threatened species that require cold fresh water habitat, and is thus consistent with the Basin Plan’s identified beneficial uses. The proposed project does not require an NPDES permit. Thus, the proposed project is consistent with the Water Quality Plan.
COMPLIANCE WITH CEQA:
The proposed authorization is statutorily exempt from the California Environmental Quality Act (CEQA), pursuant to 14 Cal. Code of Regulations Section 15262. Consistent with Section 15262, the proposed project will involve preparation of planning and feasibility studies for possible future actions which the Conservancy has not approved, adopted, or funded. Consistent with this section, the studies will consider environmental factors. The authorization is also categorically exempt from CEQA, pursuant to 14 Cal. Code of Regulations Section 15306. Consistent with this section, development of the project designs may require basic data collection and resource evaluation activities that will not result in a serious or major disturbance to an environmental resource. These activities will be undertaken as part of a study leading to an action which the Conservancy has not yet approved, adopted, or funded. Upon approval, staff will file a Notice of Exemption for this project.