

COASTAL CONSERVANCY

Staff Recommendation
June 25, 2015

SAN CLEMENTE DAM REMOVAL PROJECT: IMPLEMENTATION PHASE

Project No. 07-004-03
Project Manager: Trish Chapman

RECOMMENDED ACTION: Authorization to disburse an additional \$2.2 million of Conservancy funds to California-American Water Company for implementation of the San Clemente Dam Removal Project (Project) in Monterey County and to increase the maximum contribution of State funds for the Project to \$30 million.

LOCATION: Carmel River Watershed, Monterey County (Exhibit 1)

PROGRAM CATEGORY: Integrated Marine and Coastal Resources Protection

EXHIBITS

- Exhibit 1: [Project Location and Site Map](#)
 - Exhibit 2: [May 19, 2011 Staff Recommendation](#)
 - Exhibit 3: [August 2, 2012, Staff Recommendation](#)
 - Exhibit 4: [Project Update](#)
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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 Executive Officer to disburse an additional two million two hundred thousand dollars (\$2.2 million) of Conservancy funds to California-American Water Company for the San Clemente Dam Removal Project (Project) and to increase the net contribution of State of California funds to the Project to \$30 million.”

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 Project is consistent with the current Project Selection Criteria and Guidelines.
 2. The proposed authorization remains consistent with the Conservancy’s May 19, 2011, findings regarding the Project’s consistency with the Conservancy’s enabling legislation
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(Chapter 5.5 of Division 21 of the Public Resources Code), local watershed management and State Water Quality Control Plans, and CEQA compliance.

3. The Project remains of both regional and statewide significance.
 4. A grant to a public agency or nonprofit organization would not be able to accomplish the Project.”
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PROJECT SUMMARY:

On May 19, 2011 and August 2, 2012, the Conservancy authorized the disbursement of up to \$32 million to California-American Water Company (CAW) for implementation of the San Clemente Dam Removal Project (project). The Conservancy authorized \$4.5 of Conservancy funds (funds appropriated by the legislature directly to the Conservancy) towards the \$32 million with the rest expected to derive from grants and donations to the Conservancy from other state, federal, and local public entities and private entities. The staff recommendation explained that the Conservancy’s \$4.5 million for construction combined with the estimated \$2.5 million to be spent during the planning phase of the project would result in a total Conservancy contribution of \$7 million. Staff recommends that the Conservancy increase the contribution of Conservancy funds to construction by \$2.2 million for a new total of \$9.2 million of Conservancy funds for the project (planning and construction). The recommended authorization also increases the cap on funds provided for the project by all state agencies collectively from \$25 million to \$30 million. The proposed authorization does not change the total amount of funds to be granted by the Conservancy for project implementation, which remains at \$32 million.

As described in detail in the staff recommendations for the May 19, 2011 and August 2, 2012 authorizations (Exhibits 2 and 3), San Clemente Dam is owned and operated by CAW, but no longer serves a water supply function. The State’s Division of the Safety of Dams determined the dam could fail in the event of a maximum flood or earthquake, and ordered CAW to address the issue. The least-cost alternative to resolve the dam safety issue would be to strengthen the dam for an estimated cost of \$49 million. Alternatively, removing the dam presents a unique opportunity to permanently solve the public safety threat of dam failure, restore an important steelhead run by providing access to 25 miles of spawning and rearing habitat, enhance the biological connectivity of the river corridor, and restore the natural sediment supply to the downstream river and beach. In addition, the project will protect and provide recreation on approximately 900 acres of watershed lands. However, the estimated cost of removing the dam is significantly more than the cost to buttress it, and CAW has an obligation to its ratepayers to resolve the safety issue at the lowest cost possible. Therefore, outside funding was needed for CAW to undertake the project. As a result, the Coastal Conservancy, with assistance from the National Marine Fisheries Service, committed to securing up to \$35 million in state, federal, and private funding for the project.

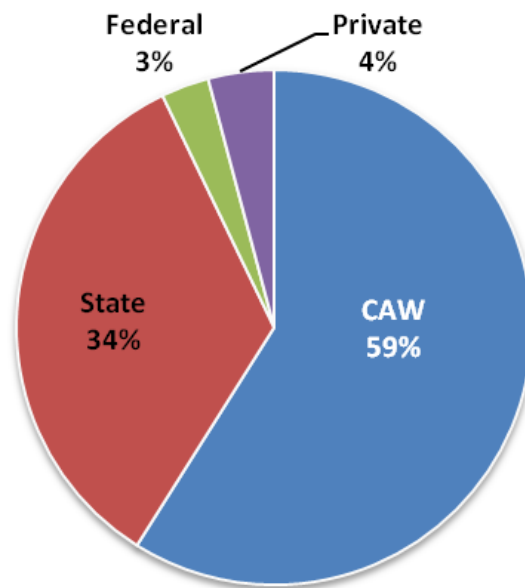
The estimated cost to complete the project is now \$82.8 million. The table below summarizes the funding secured to date. Based on the \$82.8 million project cost, CAW’s \$49 million contribution, and the \$30.6 million secured to date, there is a remaining funding gap of approximately \$3.2 million. Staff has requested \$1 million of this from the Wildlife Conservation Board (WCB) and is continuing efforts to secure additional private or federal

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funds. However, in order to ensure that the project is fully funded, staff recommends that the Conservancy authorize using its own funds to cover the final gap, estimated to be a maximum of \$2.2 million. This will bring the total amount of Conservancy funds disbursed for the project to \$9.2 million.

Funding Source	Previous	Requested	Total
California American Water			
SUBTOTAL	\$49,000,000		\$49,000,000
State			
State Coastal Conservancy	\$7,000,000	\$2,200,000	\$9,200,000
Wildlife Conservation Board	\$7,000,000	\$1,000,000	\$3,000,000
California Resources Agency	\$4,000,000		\$4,000,000
California Department of Fish and Game	\$7,000,000		\$7,000,000
SUBTOTAL	\$25,000,000		\$28,200,000
Federal			
Coastal Impact Assistance Program	\$904,000		\$904,000
NOAA Restoration	\$1,596,000		\$1,596,000
SUBTOTAL	\$2,500,000		\$2,500,000
Other Contributors			
The Nature Conservancy	\$1,000,000		\$1,000,000
CAW-NOAA Settlement Funds	\$1,700,000		\$1,700,000
Private Foundations	\$434,000		\$434,000
SUBTOTAL	\$3,434,000		\$3,434,000
TOTAL NON-CAW FUNDING	\$30,634,000		\$33,834,000
TOTAL FUNDING GAP	\$3,200,000		\$0
GRAND TOTAL:	\$82,834,000		\$82,834,000

*Rounded to nearest \$1000



Public Resources Code 31111.5 sets a cap on the expenditures of State funds for the removal of San Clemente Dam. Initially this cap was set at \$25 million. In 2014, the legislature increased the amount to \$30 million. The proposed authorization increases the limit on the amount of state funds to be granted to CAW for the project, as established in by the Conservancy's August 2012 authorization, to be consistent with the new limit set by Section 31111.5 as amended. The increase is necessary to facilitate the Conservancy's contribution of an additional \$2.2 million and the WCB contribution of an additional \$1 million, which would bring the total state funds to \$28.2 million.

Two years of construction have been completed on the project, and the project is expected to be substantially complete by the end of 2015. The project remains largely on time and on budget, although there remains additional work to be done that could affect the budget and schedule. Additional information on project progress can be found in Exhibit 4.

Site Description: See Exhibit 2.

Project History: See Exhibit 2.

PROJECT FINANCING

This Authorization for Project Implementation

Coastal Conservancy	\$2,200,000
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Previously Authorized "Public Funding" for Project Implementation and Planning

Coastal Conservancy	\$7,000,000
Wildlife Conservation Board (of this, \$1 million pending)	\$8,000,000
California Department of Fish and Game	\$7,000,000
California Natural Resources Agency	\$4,000,000
USFWS Coastal Impact Assistance Fund	\$904,000
NOAA Restoration Center	\$1,596,044
Carmel River Settlement Funds	\$1,700,000
The Nature Conservancy	\$1,000,000
Resources Legacy Fund	\$433,756
<i>Subtotal Previously Authorized Funding</i>	\$31,633,844
California American Water	\$49,000,000
Total Project Costs	\$82,833,844

The expected source of Conservancy funds for this project is an appropriation to the Conservancy from the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 (Proposition 84, Public Resources Code section 75001, et seq.). The project remains consistent with the purposes of this funding source as discussed in Exhibit 2.

CONSISTENCY WITH CONSERVANCY'S ENABLING LEGISLATION:

The project remains consistent with the Conservancy's enabling legislation, Public Resources Code Sections 31000-31410, as described in the May 19, 2011 authorization. Subsequent to the May 19, 2011 authorization, Section 31111.5 was added to the Public Resources Code; consistency with this section was discussed in the August 2, 2012 authorization. Subsequent to that authorization, Section 31111.5 was amended to stipulate that the total expenditure of state funds for the removal of San Clemente Dam shall not exceed \$30 million. The recommended authorization is consistent with this constraint.

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

The project remains consistent with the Conservancy's prior Strategic Plan Goals and Objectives as described in the May 19, 2011 authorization. The project is also consistent with the following goals of the 2013-2018 Strategic Plan:

Consistent with **Goal 4, Objective C**, the project restores a fish corridor between core habitat areas along the coast to and from inland habitat areas.

Consistent with **Goal 5, Objective D**, the project enhances a coastal watershed.

Consistent with **Goal 5, Objective E**, the project improves fish habitat by removing two significant barriers to fish passage.

CONSISTENCY WITH CONSERVANCY'S PROJECT SELECTION CRITERIA & GUIDELINES:

The project remains consistent with the Project Selection Criteria & Guidelines as described in the May 19, 2011 authorization. This includes the criteria that the project be of greater than local significance as also required by Section 31111.5. The Project Selection Criteria & Guidelines have been amended since May 2011 to include an additional required criterion, which is that a project must promote and implement state plans and policies. The project promotes and implements the following state plans and policies:

- *California Water Action Plan* (California Natural Resources Agency, California Environmental Protection Agency, and California Department of Food and Agriculture, 2014). Goal #4, "Protect and Restore Important Ecosystems," identifies the elimination of barriers to fish migration as a priority action. The goal references coordinated efforts with CDFW to remove small dams to provide anadromous fish species access to historic spawning and rearing habitat on smaller watersheds around the state.
- The project implements the *Steelhead Restoration and Management Plan for California* (CDFW, February 1996, with updates to Steelhead Tasks in 2013). This CDFW document provides strategies to restore native and naturally produced (wild) stocks of steelhead, including restoring access to historic habitat that is presently blocked.
- The project implements the following critical recovery actions identified for the Carmel River biogeographic group in the South-Central California Coast Steelhead Recovery Plan

(National Marine Fisheries Service, 2013): 1) CAR SCCCS 3.2 develop and implement plan to remove or modify fish passage barriers within the watershed, with specific mention of both San Clemente Dam and Old Carmel River Dam; and 2) SCCCS 7.1 develop and implement a plan to restore natural channel features.

- The project is consistent with the *California Wildlife Action Plan* (CDFW 2005) goals for the Central Coast region including protecting sensitive species and important wildlife habitat and restoring anadromous fish populations.

CONSISTENCY WITH LOCAL COASTAL PROGRAM POLICIES:

The project remains consistent with the Local Coastal Program Policies as described in the May 19, 2011 authorization.

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

The project remains consistent with the Local Watershed Management Plan and State Water Quality Control Plan as described in the May 19, 2011 authorization.

COMPLIANCE WITH CEQA:

The Conservancy's compliance with the California Environmental Quality Act (CEQA) is discussed in Exhibits 2 and 3. The proposed authorization to provide additional Conservancy funding for the project in lieu of obtaining funds from other sources affects only project financing and does not change the project's environmental impacts or required mitigation in any way. There have been no changes that trigger the need for any additional CEQA review. Accordingly, no further action under CEQA is necessary for the proposed authorization.