

7.0 FUNDING

Implementation of the HCP provides direct funding for habitat improvement for steelhead and red-legged frogs. The District also commits to working with State and federal agencies to secure additional funding. The District will provide technical information on engineering and operations, and capital and maintenance cost data, for proposals and applications for additional funding.

Financial commitments by the District under this HCP include funding of a Monitoring Account, HCP Conservation Account, and Changed Circumstances Account, as described below.

7.1 MONITORING ACCOUNT

Monitoring the performance of project elements implemented under this HCP, and overall performance of the HCP in enhancing habitat for steelhead and red-legged frogs, is an integral part of the program. As part of this HCP, the District will commit \$50,000 per year, or equivalent in-kind services, over the 20-year duration of the HCP, for monitoring and performance evaluation in Arroyo Grande Creek. The financial commitment to the Monitoring Account will support (1) water quality/temperature and hydrologic monitoring in Arroyo Grande Creek, (2) monitoring of species abundance, geographic distribution, habitat use, habitat condition, and sources of mortality to steelhead and red-legged frogs, (3) monitoring of incidental take for covered species, (4) monitoring and performance evaluations for habitat enhancement actions implemented under this HCP, and (5) compilation of monitoring results from other watersheds in the region useful for evaluating the status and trends of covered species. The HCP monitoring will be reviewed by the Technical Committee on an annual basis, and summarized in an annual monitoring report to the Technical Committee for use in evaluating priorities and refinements to the program.

7.2 CONSERVATION ACCOUNT

Conservation Account funds will be placed in an interest-bearing account specifically designated for implementation of the HCP. Cumulative total financial commitment by the District to the Conservation Account would not exceed \$1,000,000. Funds allocated to the Conservation Account by the District will be \$50,000 per year for 20 years, less the District's services in-kind.

In-kind services, such as compilation and analysis of Lopez Project operational data or engineering support in feasibility analysis of alternatives, would be charged against the Conservation Account at the District's cost. In-kind services shall not include services provided by the District in its representative capacity to the Technical Committee. In-kind services would be performed only after prior authorization by the Technical Committee in accordance with a specific request for services and a not-to-exceed budget for allocation of funds from the Conservation Account.

The \$50,000 per year Conservation Account funding allocation included as part of the HCP, representing a cumulative total of \$1,000,000 over 20 years, was considered adequate to

provide habitat improvement and protection of steelhead and red-legged frogs in Arroyo Grande Creek.

Funding contributed by the District to the Conservation Account would be allocated as part of this HCP in the following priorities:

- Habitat improvements or actions to reduce and avoid impacts and enhance environmental conditions to benefit steelhead and red-legged frogs inside the HCP boundaries; and
- Off-site habitat improvements in cooperation with other water users, interest groups, State and federal agencies that would benefit the covered species.

The Technical Committee will identify and evaluate protective measures and habitat enhancement as part of this HCP. The HCP does not preclude allocation of Conservation Account funds for monitoring and scientific investigation. The scope of activities allowed by this HCP is broadly defined to provide flexibility for the Technical Committee in evaluating future alternatives. In addition to the general priorities for evaluating actions under the HCP, the Technical Committee should consider biological benefits of a proposed action relative to its cost. Priority should be given to activities producing the greatest net positive environmental benefit for available funding from the local cost-share allocated by the District, in combination with funding augmentation through State and/or federal sources.

Technical Committee members will help develop grant applications and proposals and provide letters of support to assist the District in securing additional funding for activities conducted under the HCP. Any grant funds received would be used to augment the District's financial commitment to the HCP and would not reduce or modify the responsibility of the District to the actions outlined in this HCP. Funds from the HCP Conservation Account may be used as the local cost-share and matching funds for grant funds.

The Conservation Account principal of \$1,000,000 and all interest accrued by the account will be available for allocation to conservation measures under this HCP. If funds are not fully appropriated for conservation measures at completion of the 20-year HCP, the funds will be allocated towards future conservation projects by consent of the parties, or the HCP will be amended to extend the termination date. A primary benefit of the HCP is a secure and reliable funding source for habitat enhancement in Arroyo Grande Creek. Availability of money from the Conservation Account should accelerate projects to protect and conserve covered species and other fish and wildlife resources.

7.3 CHANGED CIRCUMSTANCES ACCOUNT

Habitat conditions and/or the status and distribution of red-legged frogs or steelhead are vulnerable to changed circumstances, as described in Section 8. Circumstances assumed during development of the HCP may change over the 20-year duration of the HCP, affecting performance of individual elements of the HCP, the status of covered species, or the importance of various habitat enhancements and protective actions. For example, an extreme high flow event may damage pool structures important to steelhead or red-legged frog or create a passage barrier. Creation of a passage barrier would be a changed circumstance requiring immediate action to return the stream channel to full operation. To accommodate such changed

circumstances, the HCP establishes a Changed Circumstance Account. The funding obligation for changed circumstances by the District would be limited to a maximum of \$100,000 per event. The \$100,000 ceiling on the District's commitment to fund modifications or repairs to structures or facilities in response to changed circumstances adversely affecting biological protection provided under this HCP is based on the likely maximum cost for emergency repairs and maintenance to fish passage facilities and habitat enhancement projects implemented under the HCP.

If money is allocated from the account to address changed circumstances adversely affecting biological performance of the HCP, the District will replenish the revolving Changed Circumstance Account to the \$100,000 limit. The \$100,000 Changed Circumstance Account will be maintained throughout the duration of the HCP. At the completion of the HCP period, the principal and all accrued interest from the Changed Circumstance Account will revert to the District.

Costs for repairs to Lopez Dam or any element of this HCP resulting from catastrophic damage exceeding the \$100,000 limit are considered unforeseen circumstances, as discussed in Section 8.

7.4 SOURCE OF FUNDS

Funds committed by the District would be generated through increased charges for water deliveries to customers. The increased charges will provide a reliable and secure source of funding for the Monitoring Account, the Conservation Account, and the Changed Circumstances Account to meet District obligations for financial support of the HCP.

7.5 OPERATION AND MAINTENANCE

Costs associated with operation and maintenance of Lopez Reservoir, the replacement of Arroyo Grande Stream gage with alternative flow monitoring technology, or other District facilities in Arroyo Grande Creek, will be the responsibility of the District. The cost for operation and maintenance of District facilities is not included as part of this HCP. The cost for operation and maintenance of habitat improvements implemented under the HCP is part of the allocation of funds from the HCP Conservation Account.

7.6 INSURANCE COVERAGE

In addition to the HCP accounts, the District will maintain insurance for repair and replacement of major facilities, such as those associated with Lopez Reservoir and the outlet structure, in the event of major damage or catastrophe. Major damage to the dam, reservoir, or other District facilities from catastrophic events (e.g., major earthquakes, floods, fires, etc.) impairing the ability to achieve biological goals of the HCP and exceeding the \$100,000 limit of the Changed Circumstance Account are considered unforeseen circumstances.

7.7 ADMINISTRATION OF ACCOUNTS BY SAN LUIS OBISPO DISTRICT

The District will administer the Monitoring, Conservation and Changed Circumstances accounts in a manner consistent with the administration of other Lopez Project accounts.

Allocations from the Conservation Account will be made by the District based on recommendations of the Technical Committee. The District will deposit the \$50,000 per year annual contribution to the Conservation Account each year over the 20-year duration of the HCP. The District will also administer the Changed Circumstances Account. If disbursements are made from the Changed Circumstances Account under this HCP, the District will deposit sufficient funds in the Changed Circumstances Account in the year of withdrawal to maintain a minimum account balance of \$100,000. The Technical Committee will be provided with an accounting of deposits (including services-in-kind) and withdrawals from all three HCP accounts once per year. Funds in the HCP Conservation Account will not be available for District activities not directly related to obligations and requirements of the HCP. Conservation Account funds are for design, implementation, and maintenance of habitat enhancement projects identified by the Technical Committee. The Technical Committee may also allocate Conservation Account funds to supplement the Monitoring Account in amounts not exceeding \$20,000 in any year. Funds from Conservation or Changed Circumstances accounts will not be used for Lopez Project operations, maintenance or repair, unless specifically authorized and allocated by the Technical Committee.