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SACRAMENTO - SAN JOAQUIN  
**DELTA CONSERVANCY**  
A California State Agency

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## ***Agricultural Sustainability Project Eligibility within Proposition 1***

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### **Staff Report**

#### **WATER-RELATED AGRICULTURAL SUSTAINABILITY BACKGROUND**

Proposition 1 identified \$50 million for the Delta Conservancy “for competitive grants for multibenefit ecosystem and watershed protection and restoration projects in accordance with statewide priorities” (Sec. 79730). The Conservancy’s Proposition 1 Ecosystem Restoration and Water Quality Grant Program (Grant Program) has three programmatic focal areas: ecosystem protection, restoration and enhancement; water quality; and water-related agricultural sustainability. At the May 2017 Board meeting, Delta Conservancy staff brought revised Grant Guidelines to the Board for its consideration. As part of the discussion of the Grant Guidelines, the Board considered and discussed information from Yolo County regarding the eligibility of water-related agricultural sustainability projects for funding from the Proposition 1 Grant Program. The Chair presented a letter from the Yolo County Counsel outlining the position that “water-related agricultural sustainability” encompasses a wide range of projects that address water resources, agriculture, and long-term productivity of agricultural lands, and should be broadly interpreted to allow funding for projects that do not have a direct link to ecosystem or watershed benefits. The Conservancy’s Legal Counsel advised that the intent of the Water Bond makes it clear that a link to ecosystem and/or watershed benefits must exist. The Board discussed the Proposition 1 statutory language and the intent of the legislature in drafting the language. There was general agreement among the Board that to be eligible for Proposition 1 funding, an agricultural sustainability project must also demonstrate ecosystem and/or watershed benefits.

At the meeting, staff provided to the Board a redline version of Yolo County’s suggested changes to the examples of water-related agricultural sustainability projects proposed in the draft Grant Guidelines. There was a lengthy discussion of the changes to the Grant Guidelines suggested by Yolo County. Due to the amount of time remaining in the meeting and the need to review the rest of the Grant Guidelines, the Board discussed how to continue discussion on the issue before the adoption of the final Grant Guidelines in July. The Board encouraged the Conservancy’s Legal Counsel and staff to meet with the County Counsels from the five Delta Counties in order to address their concerns regarding examples of water-related agricultural sustainability projects within the Grant Guidelines. The Board also requested that the issue be made a discussion item at the Program and Policy Subcommittee meeting on June 21, 2017.

#### **UPDATE ON WATER-RELATED AGRICULTURAL SUSTAINABILITY DISCUSSIONS**

On May 31, 2017, Conservancy Legal Counsel provided County Counsels for the five Delta Counties with a revised version of the water-related agricultural sustainability language included in the draft 2017-2018 Grant Guidelines that were approved by the Board at the May 2017 meeting and

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subsequently posted for public comment. A redline version (Attachment 1) and a clean version (Attachment 2) of the revised language shared with the Delta Counties is included with this report. On June 12, 2017, the Delta Counties provided revisions to document shared by Conservancy Legal Counsel; their revisions are included with this report as Attachment 3. On June 12, 2017, Conservancy Legal Counsel and staff discussed the Delta Counties' proposed revisions with County Counsels from Yolo, Contra Costa, Solano, and San Joaquin counties. The Conservancy and the Delta Counties agreed to the redline changes in Attachment 4, but for the highlighted section. The remaining area of disagreement surrounds the final bullet highlighted in Attachment 4. Underlying this disagreement is a differing interpretation of whether or not agricultural sustainability projects must provide a watershed or ecosystem benefit to be eligible for Proposition 1 funding.

The Conservancy, consistent with the discussion of the Board at the May 2017 meeting, maintains that the language in Proposition 1, which states that funds are to be used "for competitive grants for multibenefit ecosystem and watershed protection and restoration projects in accordance with statewide priorities" (Sec. 79730), requires that all projects funded by the Conservancy have ecosystem or watershed benefits. The Delta Counties continue to insist that the language of the bond should be broadly interpreted to allow agricultural sustainability projects to be funded even if they do not have a direct link to ecosystem or watershed benefits. Conservancy staff encourages the subcommittee to consider and discuss this issue and decide how to bring it before the Board in a manner that leads to a final decision.

#### **PROGRAM BACKGROUND AND BUDGET**

The Conservancy's Proposition 1 Ecosystem Restoration and Water Quality Grant Program funds multibenefit ecosystem and watershed protection and restoration projects in accordance with statewide priorities (Sec. 79730 et seq). The Conservancy anticipates administering one grant cycle each fiscal year for at least five years, beginning in 2015. The Grant Program is a competitive, two-step process, requiring both a concept proposal and a full proposal. Full proposals are subject to a rigorous scoring and evaluation process by both staff and an external review panel, and are recommended based upon score and funding availability. In its first two grant cycles, the Conservancy awarded or reserved \$10.3 million of Proposition 1 funds for eligible projects. For the 2017-2018 fiscal year, \$9.3 million is proposed to be made available for grant awards.

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