

Meeting Date: November 4, 2015
Page 1



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Request for *approval* to develop an interagency agreement in the amount of up to \$1,200,000 with the Delta Protection Commission, to complete a Sacramento-San Joaquin Delta Agriculture Sustainability Strategy.

November 4, 2015

RECOMMENDATIONS

Staff recommends board authorization for the Executive Officer to develop an interagency agreement in the amount of up to \$1,200,000 with the Delta Protection Commission, to complete a Sacramento-San Joaquin Delta Agriculture Sustainability Strategy. Once complete the agreement will be brought back to the Board for authorization to execute.

PROJECT DESCRIPTION

The purpose of this project is to develop, in collaboration with local stakeholders, strategies that support and enhance the sustainability of the agriculture and food industry in the 5-county Delta region. The project will examine ways to leverage the Delta's unique history, natural assets and proximity to the important Sacramento and Bay Area markets. The project utilizes staff and technical capacity created as part of the Sacramento Area Council of Governments' (SACOG) nationally recognized Rural-Urban Connections Strategy (RUCS) program. The study will focus on the food system cluster and related economic development in communities throughout the 5-county study area, but will also include, to the extent data are available, assessment of possible environmental outcomes. The project includes a stakeholder participation process that will help shape the project and will underpin analyses of agriculture and food enterprises in the region. Components of the study include market analysis, economic feasibility of cropping pattern changes and investments in food system infrastructure¹, policy analysis, and high-level environmental assessments. Tools and data used for the study will be made available to all interested participants during and after the work is completed. This will be particularly important for supporting a primary objective of this project, implementing agriculture and food cluster investment strategies that qualify for Proposition 1 eligible funds. We anticipate an 18-month timeline needed to complete the scope of work; however, every effort will be made to accelerate the schedule. The estimated budget for the project is \$1,200,000 allocated to the tasks outlined below.

¹ Infrastructure for the purpose of this project refers to agricultural enterprises including distribution, aggregation, processing (fresh cut and wrap, freezing, pouches, drying, hulling, bottling, pressing, packing house), and storage.

Meeting Date: November 4, 2015

Page 2

Project Tasks:

1. Stakeholder Outreach

Convening and collaborating with stakeholders to gathering input, build consensus and vet results is a key task for this project. Project relevance and success depends on effective engagement of communities throughout the 5-county Delta study area.

2. Data Development

This task forms the backbone of the technical work for the project. The work will build a “base case” condition against which future scenarios will be compared. It will also provide data needed to conduct economic feasibility of changing cropping patterns and operating food system value-added businesses.

3. Model Development

This task creates the analytical tools needed to conduct the scenario and scenario comparison analyses. The models used by SACOG will be specified for conditions in the Delta and project goals and objectives. New modeling capacity will also be included in this task to address specific project and stakeholder needs.

4. Market Analysis

Analysis of potential market opportunities is important for determining ways to participate in potentially more lucrative markets. Not only are exports important, but also the Sacramento and Bay Area local markets. Strategies to align crop production and infrastructure investments to meet market demand are a primary project result.

5. Agriculture Facility Cost Analysis

Analysis will include capital improvement and operating expenses for food aggregation/distribution, storage, basic processing facility, and marketing (central plant and receiving stations) at three scales: a new facility, modifications of an existing facility, and partnering with existing facilities.

6. Crop Production Analysis

The results of the market analysis and facility analysis will be used to estimate the demand for a range of crops. The crop demand will be translated into acres of production needed to support the facility and the types of value-added products envisioned. A crop map, cost of production studies and soil and water inventory will be used to assess the economic feasibility of growing these crops. Where new cost and return data are needed, studies will be conducted. Scenario indicators such as water demand, labor demand, trucking activity, income, and return on investment will be analyzed.

7. Scenarios and Feasibility Testing

This task will develop sensitivity analyses of various market demand and related production and processing using the data and tools from this study to help users select the most desirable models for

Meeting Date: November 4, 2015

Page 3

their communities. The team will work with stakeholders to consider the business and capital cost factors and requirements, as well as revenues, for an entry-point into new markets and various scales that may be achieved.

8. Draft and Final Reports

A draft report with assumptions, pro-forma analyses and findings will be provided. The draft report will be reviewed by the Delta Protection Commission, the Delta Conservancy, local agency staff and agricultural interests. A final report will reflect feedback on the draft report.

BACKGROUND

The Delta Reform Act of 2009 established the Conservancy and includes three relevant mandates: (1) Protect and preserve Delta agriculture and working landscapes; (2) Identify priority projects and initiatives for which funding is needed; and (3) Protect, conserve and restore the regions physical, agricultural, cultural, historical and living resources.

The Conservancy's Strategic Plan identifies a goal of establishing the Conservancy as a valuable partner with Delta growers, agriculture-related businesses and residents in protecting and enhancing the Delta's agricultural and working landscapes. The Strategy includes an objective of assisting in enhancing Delta agriculture and several related strategies.

The Conservancy's current Three Year Work Plan specifically identifies agricultural sustainability research utilizing the SACOG RUCS model as a priority and directs the Conservancy to seek funding to complete the studies.

Proposition 1 allows for 10% of the Conservancy's allocation to go toward planning and monitoring to ensure successful design, selection and implementation of projects. The project is intended to identify agricultural sustainability projects that would meet criteria and be eligible for Prop. 1 funding, thereby improving the long-term efficacy of the public funding.

The need for a Sacramento-San Joaquin Delta Agriculture Economic Sustainability Strategy has been identified by the Delta Conservancy, the Delta Protection Commission, and Delta agricultural interests. To date, the SACOG RUCS model has completed an early prototype effort for Sacramento County and Yolo County. The proposed effort is intended to build on the initial project and complete a comprehensive strategy for all 5 Delta counties. In 2013 the DPC and the DC worked with the county agricultural commissioners and staff to develop a draft proposal for funding through the Strategic Growth Council. Unfortunately due to the short turnaround for proposal submittal we were not able to finalize the proposal by the program deadline.

Meeting Date: November 4, 2015

Page 4

The project will be a joint effort between the Delta Conservancy, the Delta Protection Commission and the 5 Delta counties. The Delta Protection Commission will be the project lead managing the project and all subcontracts. Much of the work will be subcontracted by the Delta Protection Commission to the Sacramento Area Council of Governments. Additional subcontracts will provide limited funds to the 5 Delta counties for their participation in the process. The Commission and the Conservancy will coordinate the implementation of this project and will share responsibility for project outcomes and final products.

BUDGET

The total project cost is up to \$1,200,000. The funding will come from Prop. 1, through an interagency agreement with the Delta Protection Commission. Prop. 1 allows for 10% of the Conservancy's allocation to go toward planning and monitoring to ensure successful design, selection and implementation of projects. These funds are not required to be competed through local assistance grant solicitation process. We are currently exploring potential limited cost share that would reduce the overall project budget. The Delta Protection Commission has already provided \$100,000 to support RUCS-type efforts - a contract for a Contra Costa County food system analysis (completed in 2014) and a contract for a Sacramento/Yolo Counties ag infrastructure analysis. These efforts will be built upon in the proposed Sacramento-San Joaquin Delta Agriculture Sustainability Strategy.

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