

Office of the President

TO THE MEMBERS OF THE COMMITTEE ON FINANCE:

ACTION ITEM

For Meeting of November 17, 2004

**AUTHORIZATION TO JOIN THE CONAWAY RANCH JOINT POWERS
AUTHORITY FOR THE PLANNING, USE, AND CONTROL OF THE CONAWAY
RANCH, YOLO COUNTY, DAVIS CAMPUS**

EXECUTIVE SUMMARY

- Campus: Davis
- Project: Joint Powers Authority (Authority) formed to acquire 17,300-acre Conaway Ranch in Yolo County (Property) for conservation, water rights and income from farming and natural gas production action.
- Proposed Action: Approval of the University becoming a voting member of the Authority with the following rights and obligations:
- Chancellor to appoint UC members to 17-person Authority board.
 - UC share of Authority operations estimated at not more than \$200,000 through start-up period.
 - No obligation to contribute to acquisition or operation of the Property.
 - No obligation for debt or liability of the Authority.
 - Right to withdraw from the Authority at any time in UC's sole election.
- Future Action: Should UC ever determine that it is in its best interest to contribute to funds for the acquisition or operation of the Property, appropriate approvals would first be obtained.

RECOMMENDATION

The President recommends that the Committee on Finance recommend to The Regents that:

- 1) The President, after consultation with the General Counsel, be authorized to approve and execute all documents necessary for the University to become a full voting member of the Conaway Ranch Joint Powers Authority (Authority) including, without limitation, a Joint Exercise of Powers Agreement, such Agreement to include the following provisions:
 - a. The purpose of the Authority would be to undertake acquisition, ownership, planning, management, improvement, and operation of the Conaway Ranch (17,300 acres in Yolo County), and for other services including, but not necessarily limited to, legislative and regulatory advocacy, solicitation of grant funding and implementation of grant-funded projects, and incurring of obligations.
 - b. The initial objective of the Authority would be to consider the acquisition of the Conaway Ranch to maintain the status quo with respect to the existing uses and resources of the property for public benefit and, following any such acquisition, to establish an inclusive and comprehensive process, subject to the applicable requirements of the California Environmental Quality Act, to develop and implement a long-term plan for the use, management, improvement, and operation of the property for multiple public purposes and benefits.
 - c. The Agreement forming the Authority would remain in effect until the earlier of the withdrawal of all Members or termination by the then remaining Members.
 - d. The Authority would be authorized to do all acts necessary for the exercise of its powers, including, but not limited to:
 - i. Executing contracts;
 - ii. Employing agents, consultants and employees;
 - iii. Acquiring, constructing, or providing for maintenance and operation of any building, work, or improvement;
 - iv. Acquiring, holding or disposing of real or personal property wherever located, including property subject to mortgage, by agreement, eminent domain, or other lawful means;
 - v. Incurring debts, liabilities, or obligations;
 - vi. Receiving gifts, contributions and donations of property, funds, services, and any other forms of assistance from persons, firms, corporations, or governmental entities;

- vii. Suing and being sued in its own name, and litigating or settling any suits or claims;
 - viii. Exercising any or all powers authorized under the California Joint Powers Authority Act (Act) or other applicable law; and
 - xi. Doing any and all things necessary or convenient to the exercise of its specific powers and to accomplishing its purpose.
- e. The Authority was formed pursuant to the Act and, if joined by the University representatives as proposed, would be governed by a 17-person board composed of representatives from the County of Yolo, the Cities of Winters, Davis, Woodland, and West Sacramento, the Yolo County Flood Control and the Water Conservation District, and the University of California (Authority Board).
 - f. Any Member would be authorized to withdraw from the Agreement upon written notice to the Authority Board provided, however, that no such withdrawal shall result in the dissolution of the Authority as long as any obligations of the Authority remain outstanding
- 2) The President be authorized to delegate to the Chancellor of the Davis campus authority to appoint the University of California, Davis representatives to the Authority Board and to provide funds to support Authority operations.
 - 3) The President be authorized to approve and to execute any additional documents reasonably required for the above described purposes and such amendments thereto as conform to such purposes.

BACKGROUND

The University of California has a unique opportunity to participate with other public agencies in the future use and control of the Conaway Ranch, a large property located in Yolo County near the Davis campus (Property). Several Yolo County public agencies, including the County of Yolo; the Cities of Davis, West Sacramento, Woodland, and Winters; and the Yolo County Flood Control and Water Conservation District have formed a Joint Powers Authority (Authority) in order to manage for public benefit this major regional resource. The Davis campus, on behalf of the University, currently participates as a non-voting member of the Authority Board but has the opportunity to become a full voting member. The County of Yolo recently started an eminent domain proceeding to acquire the Property. In the future, the Authority may have the opportunity to acquire the property from the County.

The Conaway Ranch is approximately 17,300 acres of agricultural land located in an unincorporated area of Yolo County. It is generally bounded by Interstate 80 to the south, the City of Davis to the southwest, the City of Woodland to the northeast, Interstate 5 to the north, and the Sacramento River to the east, although it does not adjoin the river. The Property is currently used almost exclusively for agriculture and natural gas production. The Property includes farming support structures, including residences and office space, as well as oil and gas

well operations. It has one of the largest gas fields in the county. The Property is owned by The Conaway Ranch Company, a subsidiary of National Energy and Gas Transmission, Inc. (NEGT), which is owned by PG&E Corporation. NEGT is in bankruptcy and intends to raise funds by selling its assets, including Conaway Ranch.

Acquisition of the Property is a once-in-a-generation opportunity for Yolo County public agencies to secure a significant regional asset and preserve the property in its current state. The significant public interests that would be protected include: (1) water rights for Yolo County communities; (2) agricultural resources; (3) public health and safety; (4) local and regional flood control alternatives; (5) open space and rural recreation; and (6) management of natural resources for environmental purposes. The Davis campus shares and supports all of these interests. As discussed below, protection and effective local management of the water resources on the Property is vital to the support and advancement of the teaching, research, and public service missions of the Davis campus.

The primary source of water for UC Davis and other communities within Yolo County is from groundwater from interconnected groundwater aquifers. Because there is limited surface water available to meet campus and community needs, it is critical that the campus participate in this effort to retain local surface and ground water resources for local uses. The Property has significant water rights entitlements, including approximately 51,000 acre-feet of water per year from the Sacramento River and 10,000 acre-feet of water per year from Cache Creek, as well as 21 deep groundwater wells. The water rights also make the Property attractive for acquisition by developers and water districts outside the region.

At the request of Yolo County, the Authority will soon begin preparing a financing plan for acquisition of the Property, and interim and long-term management plans for the Property. If the County is successful in acquiring the Property, the short-term management plan would maintain the current uses of the Property. Eventual transfer of the Property from Yolo County to the Authority is contemplated but not decided. Preparation of a comprehensive long-term plan for the use, management, improvement, and operation of the Property for public benefit would include an extensive public process and appropriate environmental review consistent with the California Environmental Quality Act (CEQA). Preliminary objectives of such a comprehensive plan include: (1) protect farming operations, (2) secure long-term regional surface water supply, (3) create opportunities for wastewater reuse, (4) enhance wetlands habitat and flood control, and (5) practice sustainable development of all available property resources.

The action proposed in this item would enable the University to participate as a full member of the Authority, in the preparation of the plans, as well as other actions of the Authority including possible future acquisition. The Davis campus seeks to participate in the Authority to assure that its financial, legal, and other interests are protected in the development of the long-term use plan for the Property. The Davis campus expects to share, on a pro rata basis with the other member agencies of the Authority, operating costs associated with staffing the administrative elements of the Authority's efforts. Davis campus costs are not anticipated to exceed \$200,000 per year. These costs will be paid from Chancellor's Discretionary Funds. If the Property is eventually acquired by the Authority, acquisition, operation, and maintenance of the Property would be funded by existing operating income from the property and possible short-term water sales, and funding from other potential sources that include grants from: Proposition 50 funds;

environmental foundations and conservancies; agriculture industry commissions; State and federal agencies; and private developers . In particular, Proposition 50 funds are well suited to this endeavor because, among other things, they are intended to support water security and enhancement projects, creation and enhancement of wetlands, acquisition and protection of open space and watershed lands, and flood control programs. If adequate funds are not obtained from these external sources, Authority members may contribute funding for acquisition and operation but would not be required to do so. The University will not fund Property purchase costs or operating expenses without first seeking Regents' or appropriate delegated approval for such action.

The agreement forming the Authority provides for the Authority to exercise the powers common to all the Authority members and for the exercise of additional powers granted to the Authority by the California Joint Exercise of Powers Act. The Authority will be empowered to take all actions necessary for the exercise of its powers, including, but not limited to, executing contracts; establishing or participating in related entities; employing persons; acquiring or developing any building, work or improvement; acquiring and disposing of real or personal property by agreement or eminent domain; incurring debts, liabilities, or obligations; receiving gifts, contributions, and other forms of assistance from persons or entities; and suing or being sued in its own name and litigating or settling any suits or claims.

Obligations of the Authority, including issuing bonds, financing agreements, and other legal obligations of the Authority, will not be debts or liabilities of the members of the Authority. Such obligations will be payable solely from monies pledged to the repayment of the obligations under the terms of the agreement or instrument applicable to the obligations. The agreement provides that neither the faith and credit nor the taxing power of the Authority or any members of the Authority shall be pledged to the payment of such obligations.

Environmental Review

The University's becoming a voting member of the existing Authority Board will result in no physical changes to the environment, and the Authority currently neither owns property nor has any plans to change land use on any property it would acquire; therefore, the proposed action does not require review under CEQA. If in the future the Authority proposes projects or land use plans that require environmental review, the Authority will be the lead agency and responsible for fulfilling the requirements of CEQA.