



COUNTY OF NEVADA COUNTY EXECUTIVE OFFICE

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June 30, 2016

Honorable Board of Supervisors
Eric Rood Administrative Center
950 Maidu Avenue
Nevada City, CA 95959

DATE OF MEETING: July 19, 2016

SUBJECT: Resolution of the County of Nevada Authorizing the County Executive Officer to Execute Funding Agreements to Implement a Tax Neutrality Requirement.

RECOMMENDATION: Approve Resolution.

FUNDING: Four parcels of land that PG&E currently owns and pays property taxes on in Nevada County will be transferred to non-tax paying entities for conservation purposes, resulting in a reduction of property taxes to Nevada County tax receiving jurisdictions, with and offsetting payment in lieu of taxes, for a net zero impact. There will ultimately be a total of four agreements, one for each parcel. The first agreement will be effective in the 16/17 fiscal year. For Unincorporated Nevada County, the results of the first agreement will be a reduction in annual tax revenue of \$137 and an offsetting receipt of payment in lieu of taxes. After all agreements are completed, the annual estimated tax loss to Unincorporated Nevada County is \$1,834, with an offsetting payment in lieu of taxes and an estimated net zero impact (see chart below).

BACKGROUND:

In a 2003 Settlement Agreement and Stipulation with the California Public Utilities Commission, PG&E committed to setting aside certain lands for conservation. These lands are located in 22 counties, including four parcels in Nevada County, totaling approximately 1,867 acres. The Settlement Agreement and Stipulation set up the Pacific Forest and Watershed Lands Stewardship Council (known as the Stewardship Council) and charged them with implementing PG&E's land conservation commitment.

The Stipulation requires that disposition of each affected property will be tax neutral to the local jurisdictions, with the loss of tax revenue offset by payments in lieu of taxes.

The four properties recommended for transfer in Nevada County are as follows:

Property	Land Recipient	Acres	Total Nevada County Annual Tax	Unincorporated Annual Tax*	Total Lump Sum	Unincorporated Lump Sum*
Lake Spaulding	University of California	1,461	\$980	\$137	\$24,500	\$3,430
Bear River	University of California	281	\$11,866	\$1,661	\$296,650	\$41,531
Fordyce Lake	US Forest Service	75	\$21	\$3	\$513	\$72
Lake Spaulding	US Forest Service	50	\$236	\$33	\$5,904	\$827
Total:		1,867	\$13,103	\$1,834	\$327,567	\$45,859

*Unincorporated Annual Tax assumes \$.14 per property tax dollar goes to Unincorporated Nevada County.

Over a number of years there will be four agreements, one for each property. The first agreement (attached to this board item) will cover the donation of 1,461 acres of land near Lake Spaulding to the University of California with an impact of approximately \$980 to all Nevada County tax receiving jurisdictions, including \$137 per year to Unincorporated Nevada County.

The Stewardship Council has devised three options for Counties to receive payment in lieu of taxes:

- A lump-sum payment based on a Capitalization Rate of 4.0%.
- Pay the amount calculated for the lump-sum payment in annual installment payments totaling the lump-sum amount for a maximum number of five years.
- Annual payments in perpetuity based on investment returns on an endowment set up using the lump-sum funds. This option requires a minimum participation of affected counties.

Further details on the tax payment options are provided in the attached Tax Neutrality Agreement.

Due to the relatively modest dollars involved, the potential for ongoing administrative costs, and the uncertainty of long-term viability of a trustee to make payments to the County in perpetuity, we recommend the lump sum payment option for the first transaction (\$24,500 total for all jurisdictions, \$3,430 to Unincorporated Nevada County). For future agreements we will continue to monitor the costs and benefits of the three methods and select accordingly.

The attached resolution requests authorization for the County Executive Officer to execute these agreements.

Respectfully submitted,

Initiated by: Martin Polt, Chief Fiscal Officer

Approved by: Richard A. Haffey, County Executive Officer