

**COUNTY OF SONOMA  
AGENDA ITEM  
SUMMARY REPORT**

**Clerk of the Board Use Only**  
**Meeting Date**                      **Held Until**  
 /   /    /   /  
**Agenda Item No:**                      **Agenda Item No:**  
 \_\_\_\_\_                                      \_\_\_\_\_

**Department:** County Clerk-Recorder-Assessor

(   ) **4/5 Vote Required**

**Contact:**  
Janice Atkinson

**Phone:**  
(707) 565-1877

**Board Date:**  
7/14/09

**Deadline for Board Action:**

**AGENDA SHORT TITLE:** Contract for Economic and Financial Analysis

**REQUESTED BOARD ACTION:** Authorize the Chair to execute a contract with J. Bruce Reading for economic and financial analysis services.

**CURRENT FISCAL YEAR FINANCIAL IMPACT**

<u><b>EXPENDITURES</b></u>		<u><b>ADD'L FUNDS REQUIRING BOARD</b></u>	
<b>Estimated Cost</b>	\$            30,000	<b>Contingencies</b>	\$
		(Fund Name:)	
<b>Amount Budgeted</b>	\$            30,000	<b>Unanticipated Revenue</b>	\$
		(Source:)	
<b>Other Avail Approp.</b>	\$	<b>Other Transfer(s)</b>	\$
(Explain below)		(Source:)	
<b>Additional Requested:</b>	\$	<b>Add'l Funds Requested:</b>	\$

**Explanation (if required):** Financial impact is for fiscal year 2009-10. If appeals reach the hearing stage, it may be necessary to request additional funding or use budget savings from other accounts.

**Prior Board Action(s):** 6/24/08, approving agreement with J. Bruce Reading for 2008/09; 6/19/07 approving agreement with J. Bruce Reading for 2007/2008; Resolution #06-0497 dated 6/6/06, approving agreement with J. Bruce Reading. 1/9/07, approving amendment to 2006/2007 agreement.

**Alternatives - Results of Non-Approval:** Review and analysis of complex appraisals of geothermal properties would have to be done by in-house staff without training or expertise in these areas or economics.

**Background:** AGREEMENT ON FILE WITH CLERK

The Assessor has contracted with J. Bruce Reading to provide economic and financial analysis for complex geothermal and cable television appeals since 1991. This has been necessary because the Assessor's Division lacks in-house staff with sufficient expertise in the areas of economics, cable television, and geothermal appraisal to review the reasonableness of geothermal and cable television appraisal parameters and develop capitalization rates and cash flows, etc. Mr. Reading performed these duties while he was employed by the Assessor's Office and has also taught Economics at Santa Rosa Junior College, making him uniquely qualified in these areas.

Since the Assessment Appeals Board hearings and decision on the cable television appeals in the mid 1990's, Mr. Reading's services have concentrated on geothermal appeals. For the 2009/10 fiscal year contract, Mr. Reading will continue to provide economic and financial analysis services with respect to complex geothermal properties located in Sonoma County and in-house training of Assessor staff. While most of the prior year assessment appeals have been settled, Mr. Reading's services will be required to defend the 2007/08 appeals and to analyze Calpine's recent lease purchase documents. In addition, Mr. Reading's services are needed to analyze the Western Geo Power steamfield leases and potential power plant construction.

The contract for Economic and Financial Analysis has been reviewed and approved by County Counsel. The 2009/10 contract provides a maximum cap of \$30,000, with no change to the hourly rate of \$115 from the previous year. Actual expenditures will be affected by whether or when cases actually go to hearing and/or trial. Costs for past fiscal years have fluctuated substantially due to hearing and settlement activity in relation to geothermal assessment appeals (2004/05, \$27,900; 2005/06, \$16,170; 2006/07, \$53,130; 2007/08, \$20,125; 2008/09, \$20,240 - thru 5/31/09).

Page 1 of 2

**Attachments:**

**On File With Clerk: AGREEMENT**

**CLERK OF THE BOARD USE ONLY**

**Board Action** (If other than "Requested")

**Vote:**

**Background:** (Continued)

This is a sole source contract due to the unique combination of experience, knowledge and skills possessed by Mr. Reading. Mr. Reading is an expert in the valuation of geothermal steam field reserves, steam gathering systems, injection and production wells, power plants, electricity pricing and geothermal energy economics. In addition, Mr. Reading has over 20 years as a property tax appraiser in the Sonoma County Assessor's office, which has given him extensive knowledge of California property tax practices and procedures as well as property tax law as it relates to resource properties.

One of the key duties that Mr. Reading performs for the assessor's office is a comprehensive review of all appraisals performed by our outside geothermal appraiser, Bertholf and Associates. The ability to perform a comprehensive review of a geothermal appraisal comes from his years of experience in the geothermal area as well as his extensive knowledge of geothermal energy economics.

The value Mr. Reading adds to the assessment of geothermal properties by far exceeds the annual cost of his contract, (\$30,000). Geothermal assessments add over \$700,000,000 in value to the Sonoma County property tax roll each year. That equates to over \$7,000,000 in annual property taxes. The county's annual share of those taxes is approximately \$2,000,000.

Over the last eight years, 140 assessment appeals have been filed by GPC/Calpine. These appeals have put over \$2.4 billion in assessed value at risk, an average of \$300 million at risk per year. The total amount of tax dollars at risk during this time period was \$24 million. Mr. Reading has been instrumental in resolving all of the 140 assessment appeals. In addition, the savings to the county in potential litigation costs well exceeds the \$30,000 contract for Mr. Reading.

**Recommendation:**

The Assessor recommends that the Board approve and authorize the Chair to execute the 2009/10 contract with J. Bruce Reading for economic and financial analysis and consulting services.