

**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:
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Phone:
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Board Date:
10-27-09

Deadline for Board Action:
10-27-09

AGENDA SHORT TITLE: Geothermal Appraisal Contract.

REQUESTED BOARD ACTION: Resolution approving a one year contract for geothermal and power plant property appraisal services between the Sonoma County Clerk-Recorder-Assessor and Harold W. Bertholf, Inc. for fiscal year 2009/10.

CURRENT FISCAL YEAR FINANCIAL IMPACT

EXPENDITURES

ADD'L FUNDS REQUIRING BOARD

Estimated Cost \$ 135,646

Contingencies \$
(Fund Name:)

Amount Budgeted \$ 135,646

Unanticipated Revenue \$
(Source:)

Other Avail Approp. \$ N/A
(Explain below)

Other Transfer(s) \$
(Source:)

Additional Requested: \$ 0

Add'l Funds Requested: \$

Explanation (if required): Contract funding was approved in the final FY 2009/10 budget.

Prior Board Action(s): Resolution # 08-0812 dated 9/23/08 approving agreement for geothermal appraisal services 2008/09; Resolution #05-0663 dated 7/19/05 approving agreement for geothermal appraisal services 2005/06 – 2007/08; Resolution #04-0598 dated 6/22/04 for the 2005/06 assessment roll, Resolution #03-0749 dated 7/1/03 for the 2004/05 assessment roll.

Alternatives - Results of Non-Approval: Results of Non-Approval: Complex technical appraisals of geothermal and power plant properties located within Sonoma County as well as, expert testimony in assessment appeals related to these properties would have to be done by in-house staff who do not have the specialized level of expertise to adequately appraise them.

Background:

For many years, the Sonoma County Assessor's Office has contracted for geothermal property appraisal services. Prior to 1999 the geothermal steam fields and a few municipally-owned power plants were appraised locally each year. In 1999 the California State Board of Equalization amended Property Tax Rule 905 and changed the assessment of investor owned utilities from State Board of Equalization jurisdiction to that of local assessors, thus requiring the inclusion of more power plant appraisals in the contract. Sonoma County currently has 14 investor-owned power plant facilities at the Geysers.

Yearly, the Assessor's Office issues a Request for Proposals (RFP) for appraisal and assessment services with respect to geothermal steam field and power plant properties and their related facilities located in the County of Sonoma. In May 2009, an RFP was advertised by legal notice published in the Press Democrat for fifteen days. Harold W. Bertholf, Inc. was the only firm that submitted a proposal.

Harold W. Bertholf and his associate Joe Colosi, possess the necessary expertise in geology and experience in appraisal services to provide reliable economic analysis and evaluations of geothermal properties and related facilities. All professional employees of the company are certified by the State Board of Equalization for property tax appraisal work. Bertholf, Inc. has been providing geothermal property appraisal services to the Sonoma County Assessor's Office for many years. The Assessor's Office does not have in-house staff with the necessary technical expertise in the geothermal field to accurately appraise geothermal properties and successfully defend assessment appeals on these properties.

Normally, the contract would call for professional liability insurance as required by the County's standard contract language, but this requirement has been reviewed with County Counsel, Risk Management and the Assessor and it appears acceptable to waive this requirement due to the extensive review and modification process imposed on the contractor's work product – the geothermal appraisals – by the Assessor's Office. The appraisals and parameters are reviewed and analyzed extensively by an economic consultant, Bruce Reading, and the Chief Deputy Assessor, and modified or adjusted based on that review prior to enrollment.

Attachments:

On File With Clerk: CONTRACT

CLERK OF THE BOARD USE ONLY

Board Action (If other than "Requested")

Vote:

Background: (Continued)
(Continued)

The proposed contract is for one year with total costs of \$135,646. The contract provides for a maximum cost of \$76,646 for basic valuation of geothermal and power plant properties. In addition, two other elements, supplemental assessments and auxiliary hours, add to the total potential contract cost. These are charged at an hourly rate due to the extreme variability in hours expended. Events such as new construction and changes of ownership require the calculation of supplemental assessments.

It is necessary for the consultant to expend auxiliary hours in order to represent the County at Assessment Appeal Board hearings when a taxpayer challenges an assessment or to assist legal counsel when an assessment appeal decision is appealed to a higher court. Efforts in the past several years to reach settlements or resolve prior year appeals through hearings have caused a substantial increase in auxiliary costs, but have decreased the backlog of appeals.

Most major geothermal assessment appeals including several prior years with Calpine have been resolved. Currently, no assessment years are under appeal. The consultant must analyze the valuation information provided by the companies, prepare and provide expert testimony and respond to contested valuations. It is common for geothermal appeals to last a week or more. This contract provides a cap of \$15,000 for supplemental work and, \$44,000 for auxiliary hours before necessitating an amendment to the contract.

Summary of costs:

Fiscal Year	Contract Amount	Actual Expenditures
1998/99	\$166,150	\$110,558
1999/00	\$167,585	\$126,919
2000/01	\$133,000	\$92,880
2001/02	\$134,740	\$97,341
2002/03	\$136,500	\$103,697
2003/04	\$138,000	\$165,686
2004/05	\$239,890	\$239,890
2005/06	\$139,488	\$102,787
2006/07	\$148,188	\$139,370
2007/08	\$147,966	\$104,242
2008/09	\$151,646	\$117,675