



**BOARD OF SUPERVISORS  
AGENDA LETTER**

**Agenda Number:**

**Clerk of the Board of Supervisors**  
105 E. Anapamu Street, Suite 407  
Santa Barbara, CA 93101  
(805) 568-2240

**Department Name:** Planning & Development  
**Department No.:** 053  
**For Agenda Of:** May 17, 2016  
**Placement:** Administrative, Set hearing for 6/7/16  
**Estimated Tme:** 1 hour  
**Continued Item:** No  
**If Yes, date from:**  
**Vote Required:** Majority

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**TO:** Board of Supervisors

**FROM:** Department Planning and Development  
Director(s) Glenn Russell, Ph.D., Director, 568-2084

Contact Info: Peter Cantle, Deputy Director, Energy and Minerals Division, 568-2519

**SUBJECT:** Coastal Resource Enhancement Fund (CREF) 2015-2017 Reassessment and Recommendations to Allocate 2016 CREF Grants

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**County Counsel Concurrence**

As to form: Yes

**Auditor-Controller Concurrence**

As to form: N/A

**Other Concurrence:** N/A

As to form: No

**Recommended Actions:**

That the Board of Supervisors set a hearing on June 7, 2016 to:

- a) Consider reassessment of Oil and Gas Project CREF payments for 2015-2017 (Attachment A);
- b) Amend the CREF Guidelines as recommended in Attachment B for the purposes of reassessing 2015-2017 CREF fees and updating the Guidelines.
- c) Approve 2016 CREF budgeting of funds as proposed on pages C-7 and C-8 of the attached staff analysis of the 2016 cycle (Attachment C);
- d) Determine that the reassessment of CREF fees in 2015-2017 and the budgeting of CREF funds for the recommended projects are exempt from CEQA pursuant to Sections 15061(b)(3) and 15378(b)(4) of the State Guidelines and that Project No. 6 - Archaeological Research and Excavation, is also exempt from CEQA pursuant to Section 15331; and

- e) **Direct staff to prepare the proposed contractual agreements with non-County grantees, including final grant conditions, and bring any contractual agreements that are over \$100,000 for Board consideration and approval, including appropriate CEQA compliance.**

**Summary Text:**

***2015-2017 Reassessment.***

Permits for three oil and gas projects – Santa Ynez Unit, Point Arguello Unit, and Point Pedernales Unit – each require the payment of mitigation fees to the Coastal Resource Enhancement Fund (CREF) for the life of the project. These fees are intended to mitigate impacts to coastal aesthetics, coastal recreation, coastal tourism, and environmentally sensitive coastal resources. The CREF Guidelines stipulate a process by which CREF fees are assessed at five-year intervals, whereby points are assigned in each of the four impact categories for each project. Each impact point has a \$20,000 value, with CPI adjustment every five years to reflect current dollars. In 2012, the Board of Supervisors approved the 2013-2017 five-year assessment. In mid-2017, Energy & Minerals Division staff will conduct the five-year reassessment of CREF fees for 2018-2022.

Because of the May 19, 2015 shutdown of the Plains All-American Pipeline, Freeport-McMoRan's Point Arguello Unit and ExxonMobil's Santa Ynez Unit (SYU) facilities have ceased production and subsequently removed all oil from their platform and pipeline facilities transporting oil from their platforms to shore. Impacts associated with the risk of an oil spill from these two facilities have therefore been greatly reduced. This reduction in potential impacts correspondingly reduces the assessment of CREF fees while the facilities are non-operational. Rather than reassess the 2015-2017 years retroactively during the next regularly scheduled five-year assessment, staff has conducted a current 2015-2017 reassessment for the Point Arguello and SYU facilities. (Point Pedernales Unit has not been reassessed since it is not affected by the shutdown of the Plains All-American Pipeline.)

Detailed reassessment recommendations for Point Arguello Unit and SYU for the years 2015-2017 are included in Attachment A. In summary, staff did not find reduced risks of an oil spill in 2015 because both Point Arguello Unit and SYU produced oil for approximately half the year, while in the remaining half, the onshore and offshore pipelines were filled with oil and under pressure, and the platforms' wells were under pressure. Therefore, staff does not find a reduction in fees for 2015 warranted.

For 2016 and 2017, both Freeport-McMoRan and ExxonMobil have removed the oil from the Point Arguello Unit and SYU pipeline facilities and preserved and secured their platforms, significantly reducing the likelihood of an oil spill. Staff's reassessment recommendations for 2016 and 2017 fees are correspondingly reduced, reflecting no impacts associated with an oil spill. Aesthetics impacts associated with the platforms and onshore facilities and impacts associated with industrialization of the coast remain and are reflected in the reassessed 2016 and 2017 CREF fees. It is unknown when the Plains All-American Pipeline will return to operation and, consequently, when the Point Arguello Unit and SYU will begin producing oil. When oil production resumes, fees associated with oil spill impacts will be applied on a pro-rated basis for the months producing oil.

Both Freeport-McMoRan and ExxonMobil have reviewed staff's proposed 2015-2017 reassessment for their respective facilities and concur with staff's recommendations. Staff recommends the 2015-2017 schedule of CREF fees in the table below. A detailed explanation of the 2015-2017 reassessment is included in Attachment A.

CREF Fees for 2015-2017

<b>PROJECT</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Point Arguello Unit</b>	\$250,900	\$125,450	\$125,450
<b>Santa Ynez Unit</b>	\$231,600	\$96,500	\$96,500
<b>Point Pedernales*</b>	\$193,000	\$193,000	\$193,000
<b>CREF Fees Per Year</b>	<b>\$675,500</b>	<b>\$414,950</b>	<b>\$414,950</b>

\* Point Pedernales was not reassessed for the 2015-2017 assessment.

***Amend CREF Guidelines.***

Because of the need to perform a mid-cycle reassessment, staff recommends that the Board amend the CREF Guidelines to include:

- Allowing for a mid-five year cycle reassessment to occur if circumstances would significantly affect the CREF fees (Section 2.2);
- Updating the 2015-2017 CREF reassessment points and fees in Tables 1, 2 and 3;
- Inserting a minor clarification in the Fund Deferral Program (Section 3.6); and
- Updating Energy & Minerals Division from Energy Division (throughout document).

The recommended amendments are shown in “track changes” format in the CREF Guidelines included as Attachment B.

***Allocation of 2016 CREF Awards.***

With the 2016 CREF fees reassessed at \$414,950 as described above, \$207,475 is available for coastal acquisition and \$183,600 is available for general allocation in the 2016 CREF cycle (\$23,875 is allocated for staff administrative costs). Staff recommends granting awards to six proposals (one for coastal acquisition and five for general allocation). Please refer to the staff analysis in Attachment C, which evaluates each CREF proposal pursuant to the CREF criteria and recommends grant amounts for the CREF 2016 cycle. A table with the recommended 2016 CREF awards is on page C-8 of that attachment.

***CEQA Determinations.***

California Environmental Quality Act (CEQA) Section 15061 (b)(3) states that CEQA applies only to projects which have the potential for causing a significant effect on the environment. CEQA Section 15378 (b)(4) defines a “Project” as not including the creation of government funding mechanisms. Reassessment of CREF fees and allocation of CREF awards are proposed budget allocations, and therefore are not considered a “Project” nor are they considered to cause a significant effect on the environment. In regards to one of staff’s recommendations for a 2016 award, Project No. 6 - Archaeological Research and Excavation, the County of Santa Barbara permitted the project in 2011. As

part of that action, the County exempted the project from further environmental review under CEQA Guidelines Section 15331 – Historical Resource Restoration/Rehabilitation.

**Background:**

The County established CREF to mitigate the environmental impacts of offshore oil and gas development and transportation projects. Mitigation fees are provided through CREF for impacts to four categories of coastal resources: recreation, tourism, aesthetics, and environmentally sensitive resources. The County must ensure that CREF fees are used to mitigate those impacts, according to conditions of approval on projects and the CREF Guidelines.

The CREF Guidelines, originally approved by the Board of Supervisors in 1988, identify a process by which CREF mitigation fees are reassessed at five-year intervals.

**Fiscal and Facilities Impacts:**

The Coastal Resource Enhancement Fund (CREF) creates no fiscal impact on the County general fund budget. CREF is funded by mitigation fees paid by developers of offshore oil and gas reserves. Fees to fund grants are received annually. Funding is budgeted on page D-291 of the FY 2015-16 budget in the Coastal Mitigation Budget Program, and is fully supported by funds in the Coastal Resource Enhancement Fund. Funds for CREF administration are also included in the budget. Administration includes solicitation and evaluation of proposals, preparation of an annual status report, preparation and monitoring of contracts to complement CREF awards, and reassessment of fees every five years.

**Attachments:**

Attachment A: CREF Reassessment for 2015-2017

Attachment B: CREF Guidelines, Amended June 7, 2016

Attachment C: CREF 2016 Cycle