



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: December 5, 2017
Placement: Administrative, Set
hearing for 12/12/17
Estimated Tme: 10 minutes
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

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

Contact Info: Dianne Black, Assistant Director, 568-2086

SUBJECT: Coastal Resource Enhancement Fund (CREF): 2018-2022 Reassessment, Annual
Status Report and Distribution of 2018 CREF Fees

County Counsel Concurrence

As to form: Yes

Other Concurrence: N/A

As to form: No

Auditor-Controller Concurrence

As to form: N/A

Recommended Actions:

That the Board of Supervisors set a hearing on December 12, 2017 to:

- a) Consider reassessment of Oil and Gas Project CREF payments for 2018-2022 (Attachment A);
- b) Receive and file the annual CREF Status Report (Attachment B);
- c) Direct staff to set aside \$156,138 from the 2018 CREF fees for the Hollister Ranch Access Program and \$146,606 for the Fund Deferral Program for coastal acquisitions and solicit proposals with 2019 CREF fees in 2019;
- d) Amend the CREF Guidelines for the purposes of reassessing 2018-2022 CREF fees and documenting CREF fees set aside for the Hollister Ranch Access Program (Attachment C); and
- e) Determine that reassessing CREF fees, updating CREF Guidelines, receiving the annual CREF Status Report, and allocating 2018 CREF fees are exempt from CEQA pursuant to Sections 15378(b)(4) and (5) of the State Guidelines (Attachment D).

Summary Text:

2018-2022 Reassessment. Permits for three oil and gas projects – Santa Ynez Unit (SYU), Point Arguello Project (PAP), and Point Pedernales Project (PPP) – each require the payment of mitigation fees to the Coastal Resource Enhancement Fund (CREF) for the life of each 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 these fees are reassessed at five-year intervals. In 2012, the Board of Supervisors approved the 2013-2017 five-year assessment. In June 2016, the Board approved a mid-cycle reassessment (2015-2017) for PAP and SYU since both facilities ceased operations in 2015 due to the shutdown of the Plain’s All American Pipeline. The Board did not reassess PPP in 2016 since it was not affected by the Plain’s pipeline shutdown. This 2018-2022 reassessment marks the seventh five-year reassessment.

Consistent with past reassessments, each of the three oil and gas projects is assigned up to five points per year in each of the four impact categories (coastal aesthetics, coastal recreation, coastal tourism, and environmentally sensitive coastal resources). The points are multiplied by a fixed-dollar amount to determine the CREF fee of each project. The fixed-dollar amount was \$20,000 in 1988 and is adjusted every five years, based on the change in Consumer Price Index (CPI) for the preceding five years. The fixed-dollar amount for 2013-2017 was \$38,600; revised CPI-adjusted dollar value for the 2018-2022 period is \$41,800 per CREF point.

Staff recommends the 2018-2022 schedule of CREF fees in the table below. Detailed reassessment recommendations for PAP, SYU and PPP for the years 2018-2022 are included in Attachment A. These reassessments assume that both PAP and SYU will continue to be shut down through the five-year period. Plains Pipeline submitted an application in August 2017 to replace the Plain’s pipeline with a new pipeline. However, it is difficult to predict when the new pipeline would be operating and, subsequently, when the two facilities could resume production. If the facilities are able to operate within the five-year period, staff will conduct a mid-cycle reassessment. With PPP, this five-year reassessment reflects a status-quo of its operations. Both Freeport-McMoRan (PAP and PPP) and ExxonMobil (SYU) have reviewed staff’s proposed 2018-2022 reassessment for their respective facilities and concur with staff’s recommendations.

CREF Fees for 2018-2022*

PROJECT	2018	2019	2020	2021	2022
Point Arguello Unit	\$135,850	\$135,850	\$135,850	\$135,850	\$135,850
Santa Ynez Unit	\$104,500	\$104,500	\$104,500	\$104,500	\$104,500
Point Pedernales	\$209,000	\$209,000	\$209,000	\$209,000	\$209,000
CREF Fees Per Year	\$449,350	\$449,350	\$449,350	\$449,350	\$449,350

* Assessed at \$41,800 per point, pursuant to CREF Guidelines to reflect 1988 dollars.

Annual CREF Status Report. The annual CREF Status Report (Attachment B) summarizes the status of the 314 grants from CREF since 1988. The report organizes the CREF grants by district and then by category (acquisitions, capital improvements, planning and research, educational and equipment).

Distribution of 2018 CREF Fees. If the Board approves the 2018-2022 CREF reassessment, the County will be collecting CREF fees in the amount of \$449,350 in 2018. Because of a special Coastal Commission condition on the Point Arguello Project permit, the Board-approved CREF Guidelines require setting aside approximately \$125,000 - \$250,000 towards public access to Hollister Ranch for the next five to seven years (Section 3.8). In addition, the CREF Guidelines stipulate that half of each year's remaining contributions (after setting aside money towards a Hollister Ranch access program) be available to accrue for coastal acquisitions (Section 3.6). Of the \$449,350 2018 fees, staff recommends that \$156,138 be set aside for public access to Hollister Ranch, \$146,606 be available for coastal acquisitions, \$122,731 be available for general allocation, and \$23,875 be retained to cover administrative costs. At the June 20, 2017 hearing, the Board directed staff to solicit CREF proposals every other year, as long as the Point Arguello Project and Santa Ynez Unit are not operating. Therefore, the coastal acquisition and general allocation amounts would be held in their appropriate subfunds and then combined with 2019 CREF fee amounts to be solicited and recommended for funding in 2019. Under this scenario, no grants would be solicited or awarded in 2018.

Amend CREF Guidelines. Staff recommends that the Board amend the CREF Guidelines to include the 2018-2022 CREF fees (Table 1, page 4 of Attachment C), update the oil and gas project's tables with the recommended 2018-2022 assessment points (Table 2 on pages 7- 8, Table 3 on pages 8-9, and Table 5 on page 10 in Attachment C), and insert a new table that documents CREF funds set aside for the Hollister Ranch Access Program (Table 6 on page 17 in Attachment C).

Background:

The County established CREF to partially mitigate the significant, unavoidable environmental impacts of offshore oil and gas development and transportation projects. The County must ensure that CREF fees are used to mitigate coastal impacts, according to conditions of approval on these offshore oil and gas 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:

No fiscal or facilities impacts are associated with reassessing CREF fees. Staff time to prepare the reassessment, status report, and board letter and amend the Guidelines is budgeted on page D-286 of the FY 2017-18 budget in the Coastal Mitigation Budget Program, and is fully supported by funds and interest in CREF. CREF is funded by annual mitigation fees paid by developers of offshore oil and gas reserves.

Attachments:

- Attachment A: CREF Reassessment for 2018-2022
- Attachment B: Annual CREF Status Report
- Attachment C: CREF Guidelines Proposed Amendments
- Attachment D: Notice of Exemption

Attachment A

CREF Reassessment 2018-2022

Attachment B

Annual CREF Status Report

Attachment C

**CREF Guidelines
Proposed Amendments**

Attachment D

Notice of Exemption