



COUNTY OF PLACER

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David Boesch, County Executive Officer

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November 25, 2015

Fred Ilfeld, M.D.
Incorporate Olympic Valley Foundation
P.O. Box 2160
Olympic Valley, CA 96146

Sent via E-mail & USPS

Re: Proposed Incorporation of the Town of Olympic Valley

Dear Dr. Ilfeld:

Pursuant to Government Code Section 56815, the County of Placer is desirous to initiate preliminary revenue neutrality negotiations on the proposed incorporation of the Town of Olympic Valley.

Given the lengthy discussion during the November 18, 2015 Placer County Local Area Formation Commission ("LAFCO") hearing on whether to continue this incorporation process, the County suggests that the parties' discussion on revenue neutrality first focus on the issue of transient occupancy tax (TOT) revenues. If the issue of TOT revenues cannot be resolved, there appears little utility to continue discussions on the other revenue neutrality issues. The County is prepared to schedule this meeting to discuss the TOT matter further, but believes it to be more efficient to clearly state the County's position in advance of those discussions; and, in view of the pending holidays and short time period before the next LAFCO meeting.

As you are aware, under revenue neutrality law (Govt. Code § 56815), LAFCO cannot approve a proposal for incorporation unless it finds that the amount of revenues the new city receives from the County (and affected agencies) after incorporation would be substantially equal to the amount of savings the county (or affected agencies) would attain from no longer providing services to the proposed incorporation area. It is apparent that IOV's proposal to render the future city financially feasible is now based upon capturing a large portion of the transient occupancy tax revenue generated in the proposed jurisdiction of Olympic Valley as if it is funding transferred services.

As you know, this portion of the TOT revenue funds the County's support of marketing, tourist and infrastructure services provided in part through its annual contract with the North Lake Tahoe Resort Association (NLTRA). The services provided by this portion of the TOT revenue are regional services that benefit the entire Lake Tahoe and eastern County areas and are not specific to Olympic Valley. The County will continue its support of the NLTRA contract and the provision of these regional marketing, promotional and infrastructure services even after the proposed incorporation. There is no practical method of allocating a fixed percentage of these regional services to the proposed Town of Olympic Valley. Nor is there any assurance that the Town could continue to provide similar regional services once incorporated. In fact, it may well be beyond the authority of the new Town to provide many of the regional services currently provided by the County.

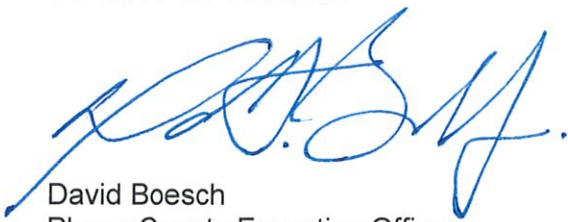
As stated during the November 18, 2015 LAFCO meeting, the County has no interest in subsidizing the incorporation effort to the detriment of County residents and visitors to the area. While the LAFCO staff report suggested that revenue neutrality negotiations could potentially change the current conclusion of financial infeasibility, it would not be fiscally prudent for the County to reach such an agreement. The incorporation would result in the loss of this annual Tahoe area TOT revenue; and, at the same time, the County would still be obligated to provide the current level of regional tourist, transportation and infrastructure services to all other County residents and visitors in the Tahoe region. The continued support of these services will require a replacement revenue source that would be determined through the revenue neutrality negotiations. Under the law, the County is not required or expected to consider the financial feasibility of the proposed town: Rather, the negotiations are focused on determining whether revenues and expenditures are "substantially equal" for LAFCO to be able to approve an incorporation proposal (Government Code Section 56815(b)).

Because of the legal and practical inability to transfer these regional marketing, promotions, transportation and infrastructure services to the proposed town, even Scenario 1 from the Comprehensive Fiscal Analysis (CFA) prepared fails to address the actual revenue neutrality payment that may be necessary to address this revenue loss. In fact, Scenario 1 does not even address the entire loss of TOT revenues to the County. In conclusion and for the reasons discussed above, the County believes that a preliminary discussion of the TOT issue is necessary before the parties begin discussing the broader issues that will be involved in full revenue neutrality negotiations.

The County looks forward to discussing this further at your earliest convenience. Please contact Jennifer Merchant, Deputy County Executive Officer at jmerchan@placer.ca.gov or (530) 546-1952 at your earliest opportunity.

Sincerely,

COUNTY OF PLACER



David Boesch
Placer County Executive Officer

CC: Kris Berry, Executive Officer, LAFCO
Commissioners, LAFCO
Placer County Board of Supervisors
Gerald O. Carden, Placer County Counsel
Jennifer Merchant, Deputy County Executive Officer