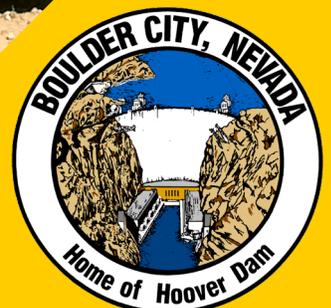
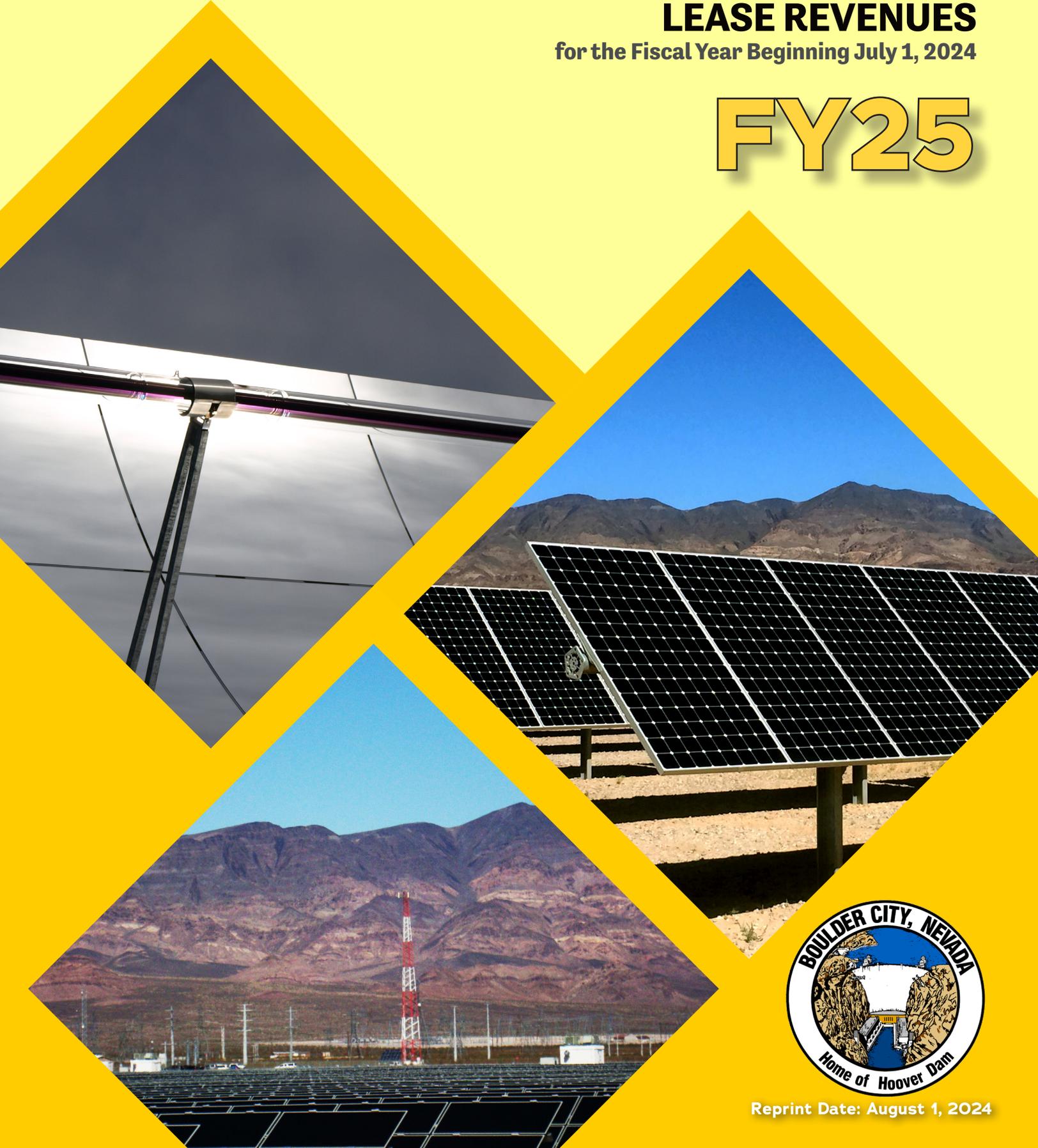


CITY OF BOULDER CITY, NEVADA

TURNING LAND INTO REVENUES: UNDERSTANDING ENERGY DEVELOPMENT LEASE REVENUES

for the Fiscal Year Beginning July 1, 2024

FY25



Reprint Date: August 1, 2024



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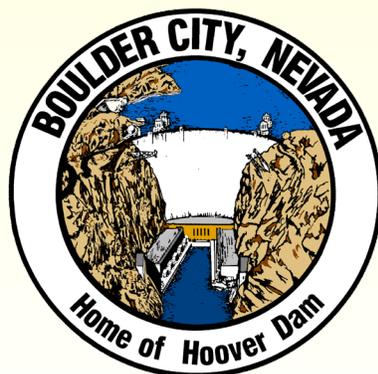
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Boulder City Revenue Overview

Unlike most other municipalities and counties in Nevada, the revenue stream for Boulder City does not include the lucrative gaming tax. Prior to the recession of 2007 - 2009, the City's revenue stream did not have a sizable amount of monies from land leases. With the recent focus by California and more recently at the national level on renewable energy development, the City was in a key position to take advantage of its unique position for solar development by leasing city-owned land for energy production. Because of those prudent actions, today, the solar lease revenues equate to roughly 33% to 39% of the City's overall revenue stream to support vital governmental functions. Lease revenue collected nearly covers Police and Fire Services. Without it, taxes and fees would need to increase dramatically, but even then because of caps on how much they could be increased, it would require that the City reduce all service levels if but for the lease revenues.

But is Land Lease Revenue Stable?

A common question posed to our City Council surrounds the stability of land lease revenues. Traditional commercial or residential land leases have many risks, as the tenants are subject to market conditions or changes in employment. And with recessions, these types of leases are common casualties of a downturn in the economy.

However, there are exceptions to this general rule. Energy leases historically have shown to be recession-resistant. A general constant for all consumers - they may stop buying cars or furniture, but they will always be using water and electricity.

The result for the city is an overall revenue stream that has remained relatively stable. A recession will undoubtedly affect the other primary revenue sources, such as sales tax and property tax, but not to the same degree that a recession has on discretionary recreation activities - such as gaming. Because Boulder City has diversified its revenue stream to include land leases, the City has been able to maintain a higher level of services to its residents during economic uncertainty in recent years.

Where Does the Energy Go?

A frequently asked question of city staff, elected officials, and on social media is where does the electrical energy go that is generated upon our energy lease sites. The City, as the landowner, is not involved in the marketing or selling of the electricity generated. Each solar development markets its project and develops individual power purchase agreements with an off-taker. At present, the majority of the power generated in Boulder City is being purchased by:

- ⊗ NV Energy
- ⊗ Los Angeles Department of Water and Power (LADWP)
- ⊗ Pacific Gas and Electric (PG&E)
- ⊗ San Diego Gas & Electric

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Strategic Plan

In late 2018, the City Council adopted a Strategic Plan that consisted of five priority areas of focus meant to guide the City through 2025. The first goal for financial stewardship calls for diversification of city revenues. Leasing City land is one method to achieve that goal.



A Bit of History

Boulder City purchased the Eldorado Valley from the Federal Government in 1995. The purchase, covering approximately 107,400 acres (167.8 square miles), was authorized by the Eldorado Valley Act of 1958 (Public Law 85-339) passed by Congress on March 6, 1958. The City purchased the land for \$1,277,630.

Upon purchase, the City Charter was amended to limit the uses to be permitted within the newly acquired lands. They are:

- ☼ Public Recreation
- ☼ Solar Energy Facilities
- ☼ Desert Tortoise Preserve

Other accessory uses, such as transmission lines, easements, roads, and similar rights-of-way, communication towers and other related governmental uses are also permitted. Additional uses can be approved by the voters. For example, the voters have previously approved a motocross track, the construction of wind towers, energy storage systems, and geothermal energy collection.

Beginning in 2004, the City actively marketed the Eldorado Valley as an ideal location for solar energy development. Since then, the City has been able to lease or place under option to lease approximately 11,765 acres (18.38 square miles) for energy development, **leaving 149.4 square miles (95,635 acres) available for open space (joint use of tortoise preserve and public recreation)**. These lands, for fiscal year 2025, are expected to generate approximately \$19,526,963 in total revenues to all City funds (capital improvement, general fund, special reserve funds).



Charter and Ordinance Requirements

The City Charter in Section 142 specifies that all revenues from leases shall be apportioned as follows:

- ☼ 20% to current operational expenses of the City (general fund)
- ☼ 20% to the Capital Improvement Fund; and
- ☼ 60% divided between the Capital Improvement Fund and the current operational expenses (general fund) as determined by the City Council

The City's Municipal Code, in Title 1, Chapter 9 (Financial Administration), implements the City's Charter Requirements. The Municipal Code further clarifies the disposition of lease revenues (beginning with fiscal year 2023) as follows:

- ☼ 20% for the Capital Improvement Fund
- ☼ 70% for operational expenses (general fund)
- ☼ 1.1% for the Compensated Absences Fund
- ☼ 1.1% for the Extraordinary Maintenance Fund
- ☼ 5.6% for the Vehicle/Equipment Replacement Fund
- ☼ 1.1% for the Revenue Stabilization Fund
- ☼ 1.1% for the Risk Management Fund



Key Information

23 energy leases/options
11,765 acres under lease/option
2,130 MW of energy

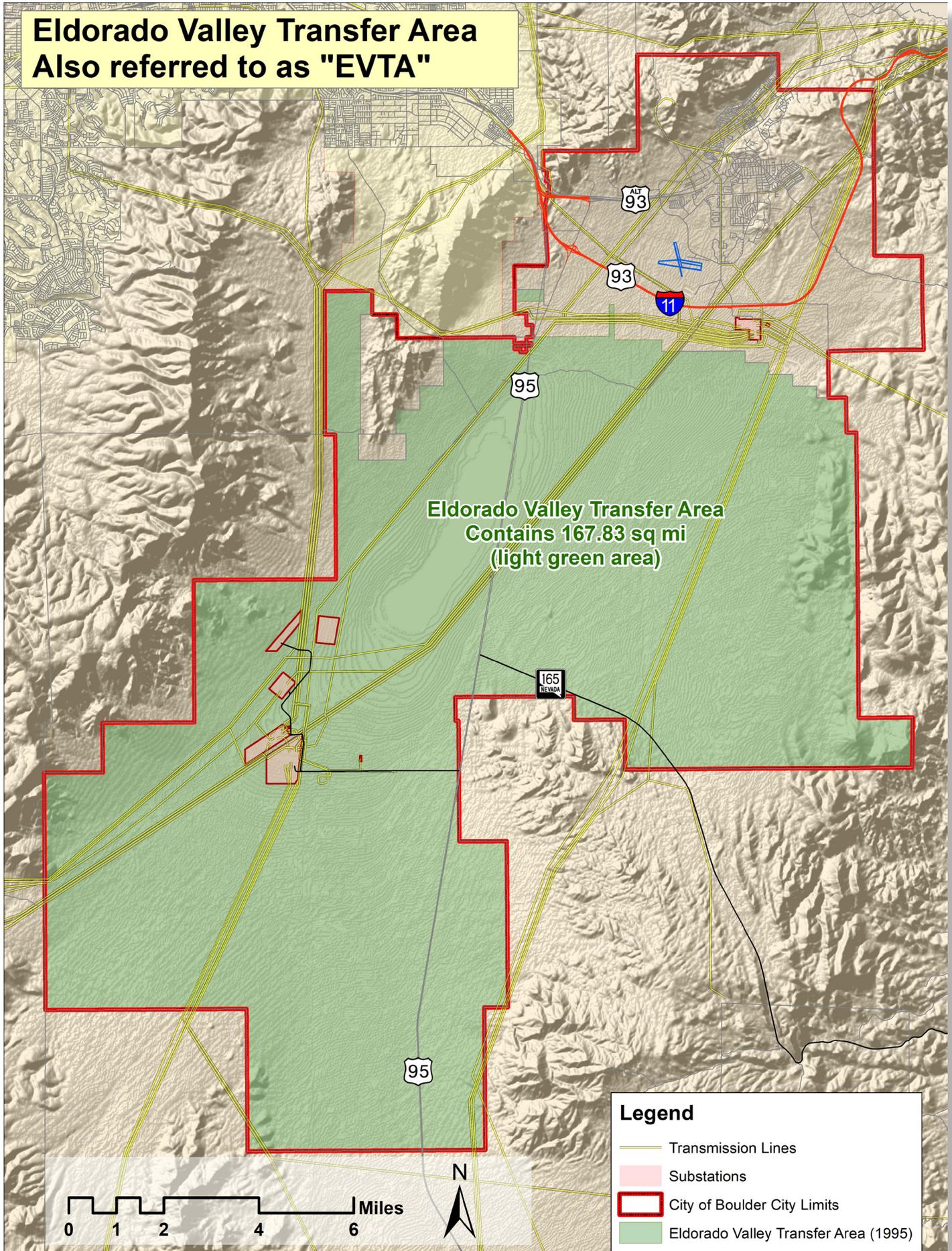
FY25 Projected Revenues:
\$19,526,963

Average rent per acre: \$1,660

Potential new lease acreage:
2,500 acres



**Eldorado Valley Transfer Area
Also referred to as "EVTA"**



How does the Leasing Process Work?

The process to convert raw land to a lease must go through these steps:

- ✿ The City's Land Management Process Map is amended
- ✿ Staff receives approval from City Council to have the land appraised
- ✿ Request for Proposals package is issued
- ✿ Request for Proposals responses evaluated and one or more respondents are awarded the right to negotiate with the City to lease
- ✿ Lease is negotiated
- ✿ Lease is approved by the City Council

Below are the steps described in more detail:

Land Management Process Map Amendment

To ensure a very transparent process, the City requires that for any city-owned parcel that *may* be developed, the parcel must first be entered into the Land Management Process (or "LMP") Map. To be entered into the LMP, the City Council and City Planning Commission hold multiple meetings and hearings, along with public notices mailed out to adjacent and nearby property owners to seek their input and concerns. If, after the many meetings and hearings, it is determined to be appropriate, the subject parcel(s) are added to the LMP Map. The parcels then can move forward to a potential lease or other use.

Appraisal Process

To lease land, the City is required by Nevada Law to obtain at least two appraisals, and use the average value of the two appraisals as the minimum acceptable bid amount for any land lease proposal. The City Charter requires that before an appraisal is ordered, that first the City Council must authorize the appraisal. City Staff then contacts two appraisers from an approved list (they are rotated as per Nevada Law) with the specific details about the appraisal request, and the order is placed. Upon receipt of the two appraisals, the minimum bid amount is inserted into the RFP document.

Request for Proposals Package is Released

To comply with the requirements of Nevada Law and the City Charter for competitive bidding, the City prepares a Request for Proposal ("RFP") document. The RFP package contains the necessary information on how to respond, the minimum acceptable bid price per acre, and any special requirements for the parcel proposed to be leased. For example, if the RFP is for a renewable energy project, the RFP package includes a listing of required elements for renewable energy (i.e., photovoltaic panels) and a list of additional functions or facilities that will increase the ranking score (i.e., fixed-tilt panels vs. sun-tracking panels; single face vs. bi-facial panels, adding battery storage, a gas peaker plant, and or wind power). The ranking criteria will be used to evaluate the submitted proposals and select the top respondent(s). Typical response periods range from as short as sixty (60) days to as long as one hundred twenty (120) days, although it may be shorter or longer depending on the nature of the proposed land use.

Request for Proposals Responses Evaluated

Upon closing of the RFP response period, each response is reviewed for completeness. Failure to provide the minimum required information will affect the ranking of the response. After the completeness review, a City Review Team prepares an evaluation table that lists the response requirements and the responses for each respondent. This form ensures that each response is



evaluated fairly and consistently against the other responses. A final tabulation is then prepared, ranking each of the responses against each other. In the event that the responses only proposed leasing a portion of the available parcel(s), the Review Team may recommend multiple responses be considered for award of the RFP so that the entire available area is put under a lease. Lastly, the ranking of responses is used by the City during the award process to determine the order in which a lease will be negotiated should the initially selected respondent be unable to proceed with the lease process.

Lease is Negotiated

Upon award of the RFP by the City Council, City Staff will be directed to enter into lease negotiations with the selected respondent(s). The lease draft will use the details from the RFP response to complete the required information for the lease, and if needed, the option agreement. The City uses a lease template for energy and communication site leases that have been developed over the past fifteen years of experience with both industries and has been recognized by the industry as a best practice. The Lease draft will contemplate the need for additional easements, any required off-site improvements to serve the leasehold, and address what additional (if any) side agreements may be necessary. Examples of other possible side agreements include a temporary water agreement for construction and dust control or a dedicated building inspector reimbursement agreement. It is not uncommon for a lease to include a pre-lease option period. During the option period, the lessee will be obtaining any necessary entitlements and approvals from outside government agencies, such as the Bureau of Land Management or the State of Nevada. For energy projects, they are required to undertake a time-consuming environmental assessment under the National Environmental Protection Act (“NEPA”) if their project will utilize federally controlled transmission corridors to deliver their power to the grid. During the Option Period, the lease amount charged is generally 10-25% of what the annual initial year’s payment will be, with an escalation clause.

Lease is approved by the City Council

Once the terms of the lease/option have been negotiated, the final document(s) is brought back before the City Council for approval. Options and Lease agreements are adopted by Ordinance, which requires two readings (a bill introduction, followed by a bill consideration and public hearing). Upon approval, the lease or option is executed, and the lessee is able to start their federal and state permits, design, and construction processes. Any required side agreements or additional easements are brought back before the City Council for approval when appropriate.

What happens next?

A Memorandum of Lease is recorded with Clark County. The County Tax Assessor then creates a taxable parcel. Property Taxes are then assessed for future years, and the lessee is responsible for their payment. The lessee, upon making their lease or option payment, is free to start using the property as permitted by the agreement. They are required to obtain all necessary permits (including payment of fees for the permits) and inspections to ensure a safe and regulatory compliant use of the land. The City’s Finance Department monitors the lease performance, including the issuance of quarterly or annual invoicing to ensure proper payment is received as per the terms of the Agreements. Each year the Finance Department audits each lease to make sure that the rate charged is consistent with the terms of the agreement, that any required performance measures have been met, and that the property is not in default with the County Tax Assessor for failure to remit property taxes.

Land Lease Revenue History

Over the past six years (fiscal years 2020 through 2025), the average annual land lease contribution to the general fund's overall revenue stream was just over 34.47% (\$83,056,738 total in land lease revenues, general fund total revenues of \$246,585,000). Going forward, it is anticipated that land lease revenues will approach approximately 40% of the overall operating revenues of the City. The table below shows the revenue history by fiscal year, including the current fiscal year and preliminary budgeted figures for FY2025 for both land lease revenues and overall general fund revenues.

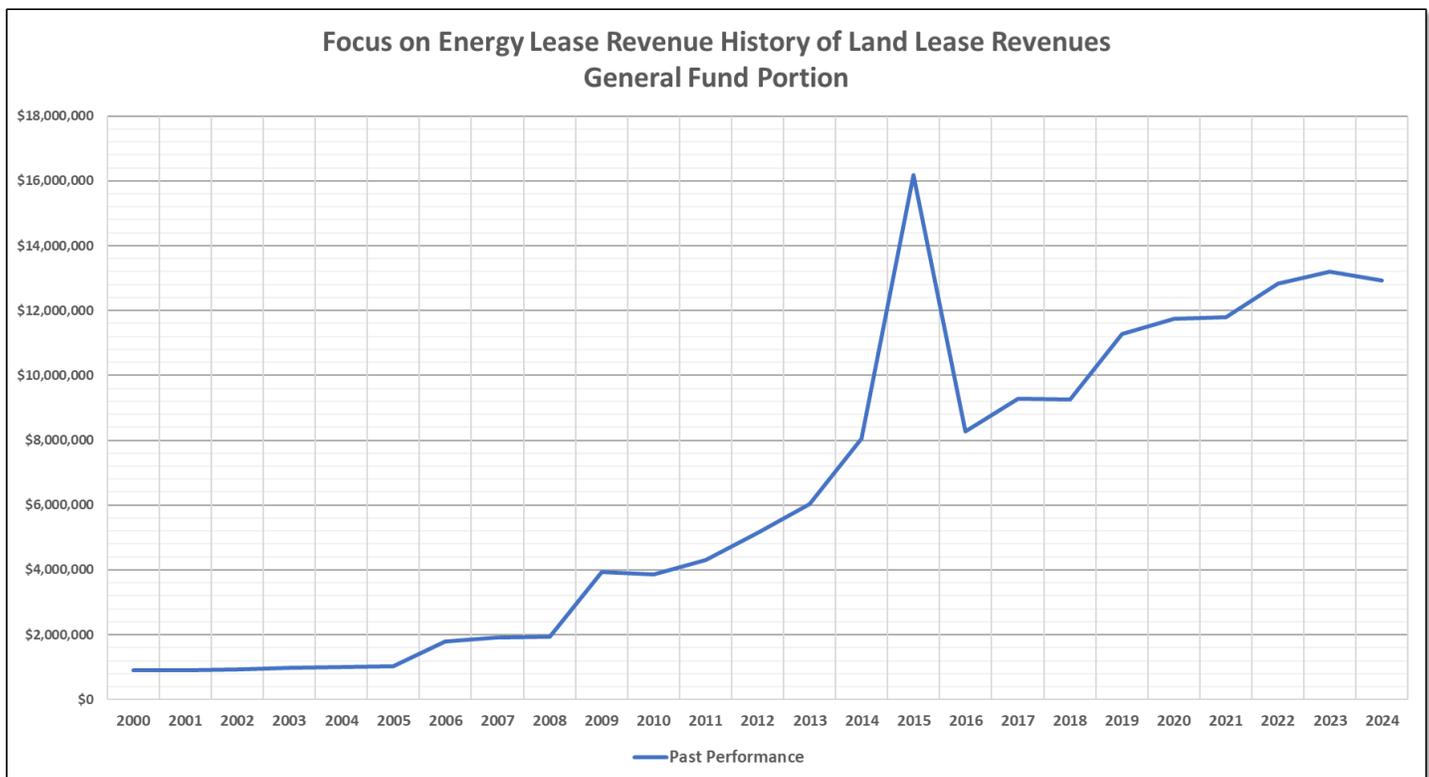
Fiscal Year	General Fund Land Lease Revenue	Total General Fund Revenues ³	Percent of overall revenues
2020	\$11,749,514	\$35,310,656	33.27%
2021 ⁴	\$16,699,581	\$41,836,908	39.92%
2022	\$13,710,946	\$34,306,580	39.97%
2023 ¹	\$13,616,954	\$56,794,358	23.98%
2024 ²	\$13,526,508	\$38,281,263	35.33%
2025 ²	\$13,753,235	\$40,055,235	34.34%

¹ FY23 General Fund revenues include ARPA funds

² FY24 and FY25 Projections are based on approved Budgets

³ Total General Fund Revenues does not include transfers from Fund Balance

⁴ The City received a unique Option Exercise one-time payment of \$4M, a requirement not found in any other Option agreement



Important Note: The brief rise and immediate dip in revenues between 2014 and 2015 is not due to a canceled lease or for nonpayment. The City corrected how it recognized a prepayment penalty fee in our accounting system for the 2015 Comprehensive Annual Financial Report (now called the Annual Comprehensive Financial Report). The large increase in 2021 was due to a unique option exercise payment of \$4M not found in other agreements.

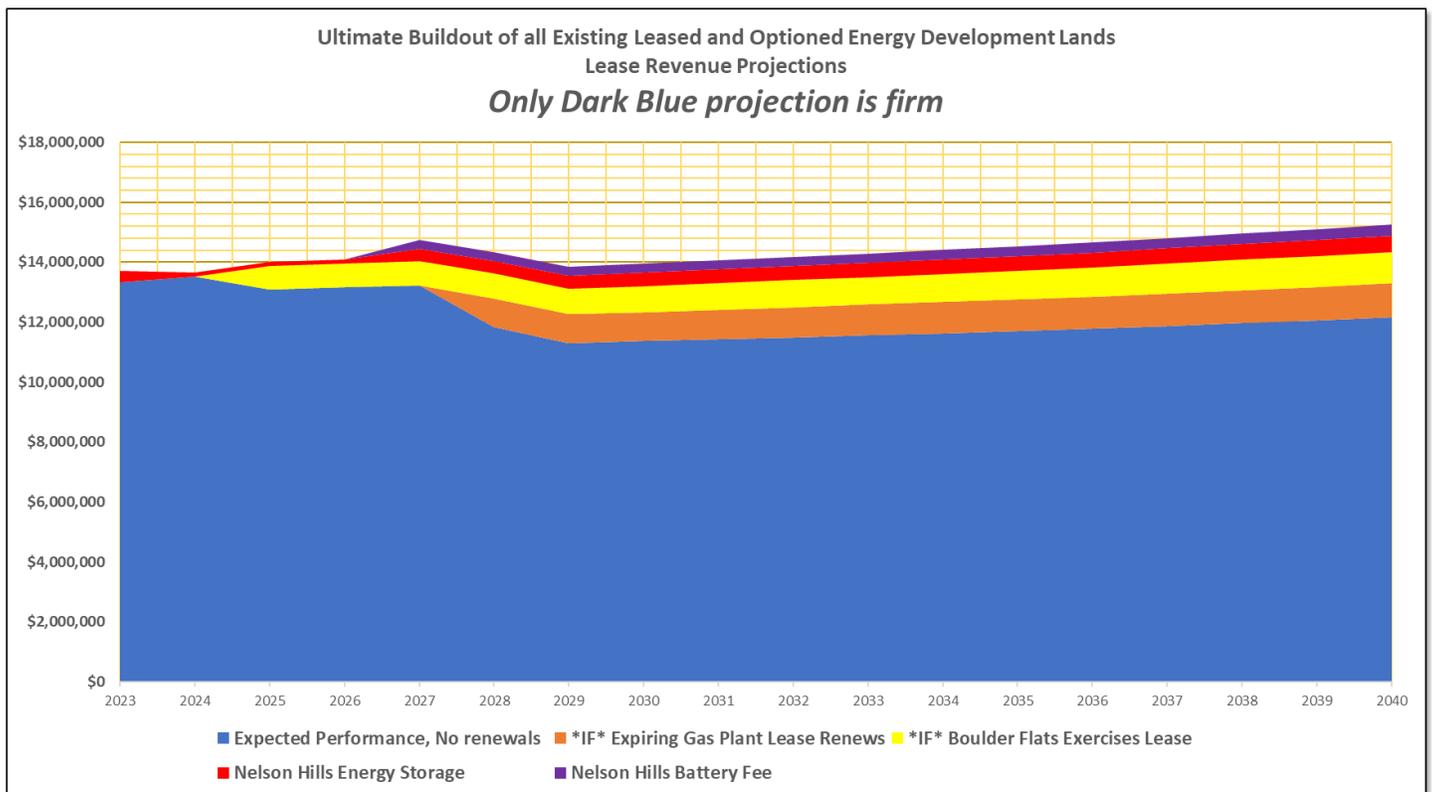


Future Energy Lease Revenue Projections

Going forward, the City is projecting a very stable revenue stream, averaging close to \$14.7M annually for the next five years. This projection is based on current leases. The projection does not include options that may or may not exercise over the next five years. Nor does the lease projection include revenues for lands that have yet to be released for lease for solar or energy storage development (approximately 2,500 acres, worth an estimated \$2.8M+ annually for the General Fund).

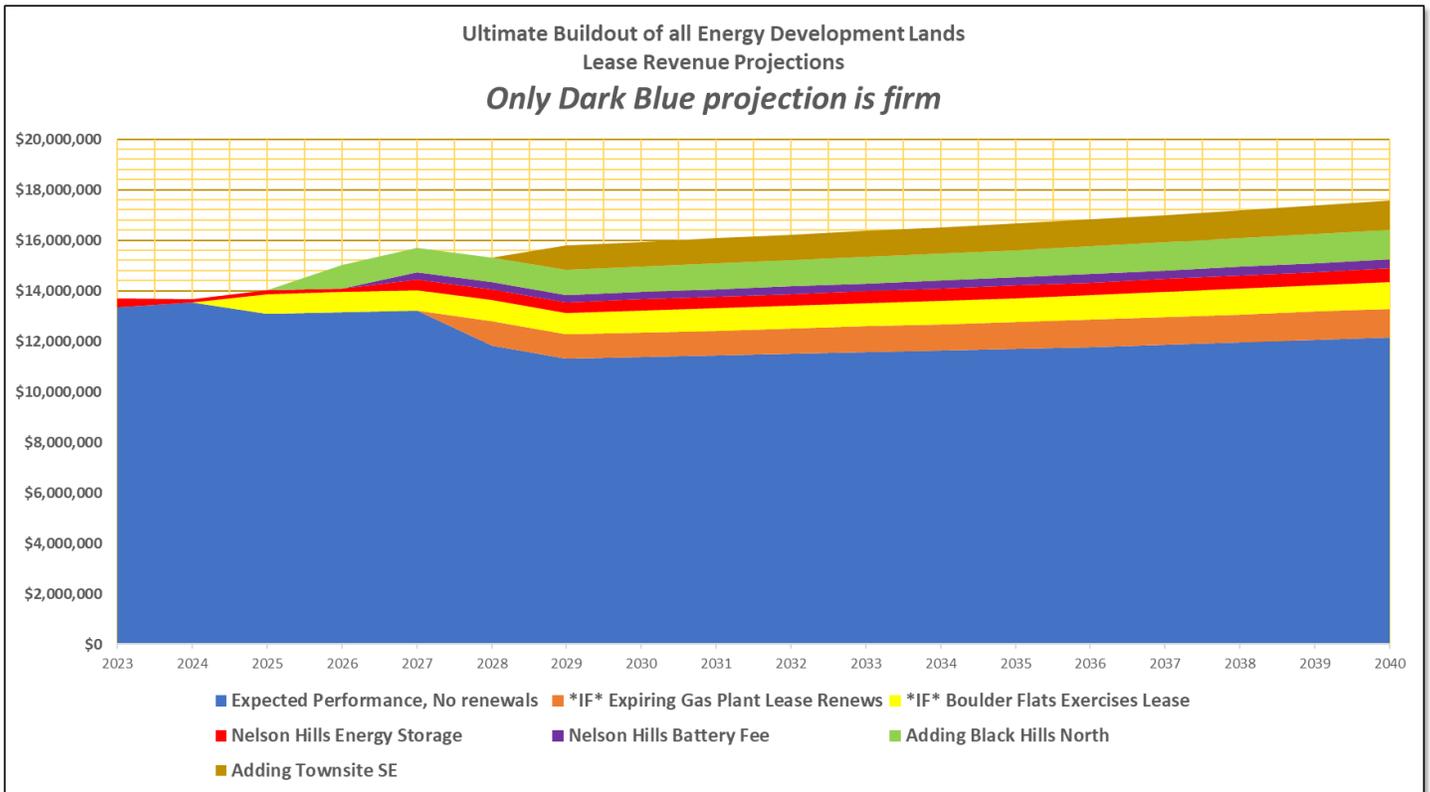
Year	Projected General Fund Energy Lease Revenues
2024	\$13,666,508
2025	\$13,753,235
2026	\$15,033,770
2027	\$15,687,716
2028	\$15,303,283

The table below shows the forecast for the *general fund portion* of energy lease revenues. The Blue area represents existing leases and options as they progress through their terms (slight downward initial trend represents expiring options). The blue area also does not assume the natural gas electrical generating plant will renew its lease in 2027. The dark orange area shows the impact of the natural gas plant renewing their lease on the same terms. The yellow area shows the impact of the Boulder Flats Option area should the lease be exercised in the near term. The red area represent the recent Option to lease for the Nelson Hills Energy Storage project, with the purple area representing the additional revenue from an estimated 200MW of battery storage on that project. The trajectories are based on existing lease escalation clauses.



Potential Energy Lease Revenue

The City has two additional areas that could potentially be developed for additional energy development. They are located at the north end of what is known as Black Hills North (approximately 1,200 acres) and the area located at the southeast quadrant of the original townsite south and east of Interstate 11 (approximately 1,300 acres). If these two sites are leased, all existing options are exercised, and the natural gas electric generating plant lease is renewed, the overall revenues generated in the year 2040 for the General Fund would exceed \$17.5M.



Overall Energy Lease Revenue History and Forecast

At a minimum, the conservative outlook for Boulder City for energy lease revenues as a contributing resource to the general operating fund of the City is stable. It is reasonable to assume that the current options will all be exercised, and the natural gas electrical generating plant will renew its lease, providing approximately \$17.5M annually by the year 2040 towards the general operating expenses of the City.

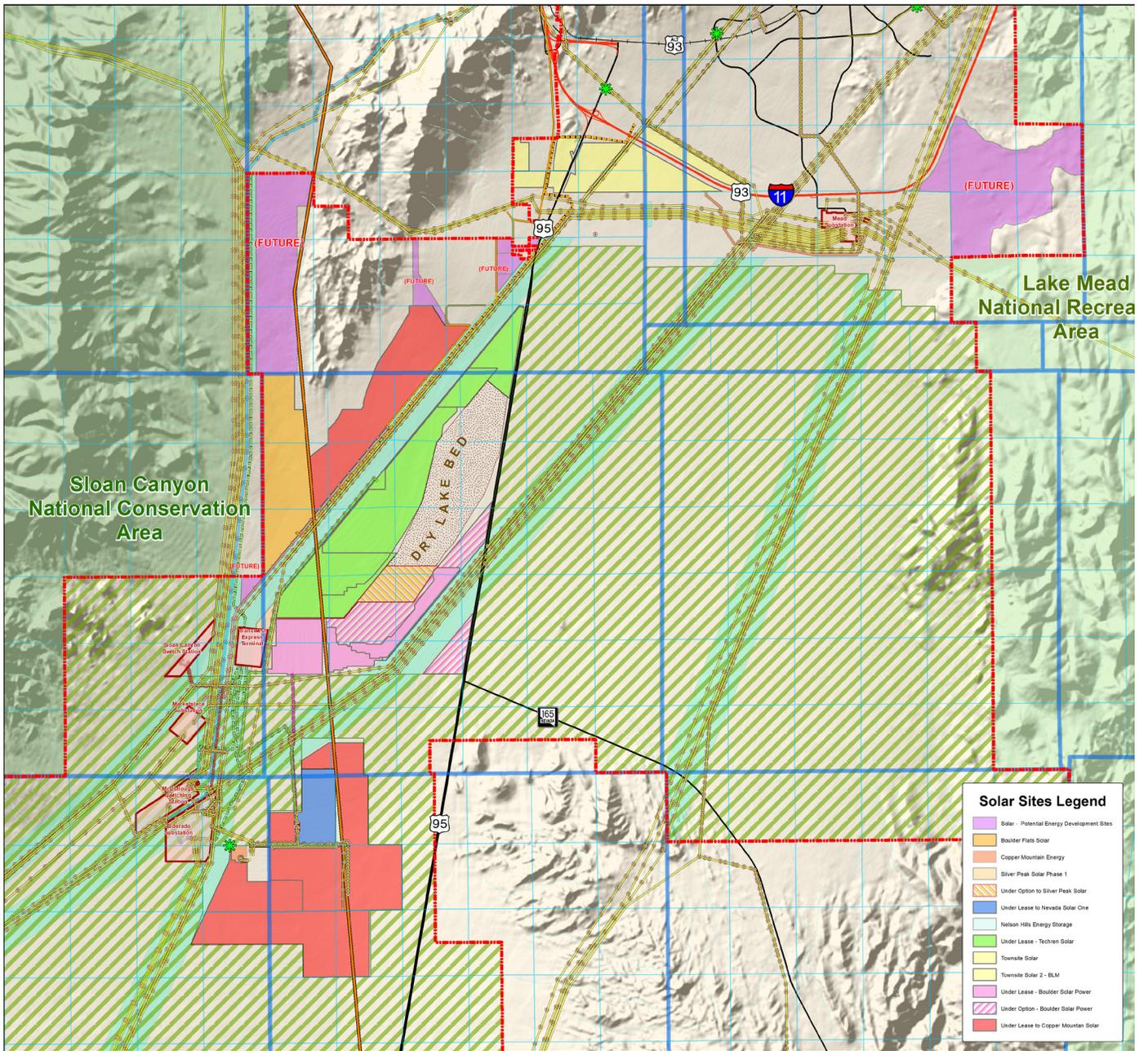
To implement the additional revenue potential, City Staff recommends that the City be aggressive in its marketing and negotiations for the release of additional land for solar energy development with the following timetable:

- ✿ Black Hills North (~1,200 acres) - 2024 RFP release. Anticipated rent per acre: \$1,600+ and additional rent per MW of energy storage
- ✿ Townsite Southeast (~1,300 acres) - 2027 RFP release. Anticipated rent per acre: \$1,600+ and additional rent per MW of energy storage

Both future development sites have excellent insolation properties, but also have their own unique challenges due to limited access or distance from municipal utilities (water). Both locations would be required to extend water service to each lease site at their own expense, along with paved access. For these principal reasons, the rent has been estimated to be at the \$1,600 per acre per year rate. It is possible each site may appraise at a higher or lower rate.



Boulder City Energy Development Areas



Solar Sites Legend

- Solar - Potential Energy Development Sites
- Boulder Flats Solar
- Copper Mountain Energy
- Silver Peak Solar Phase 1
- Under Option to Silver Peak Solar
- Under Lease to Nevada Solar One
- Nelson Hills Energy Storage
- Under Lease - Techren Solar
- Townsite Solar
- Townsite Solar 2 - BLM
- Under Lease - Boulder Solar Power
- Under Option - Boulder Solar Power
- Under Lease to Copper Mountain Solar

Legend

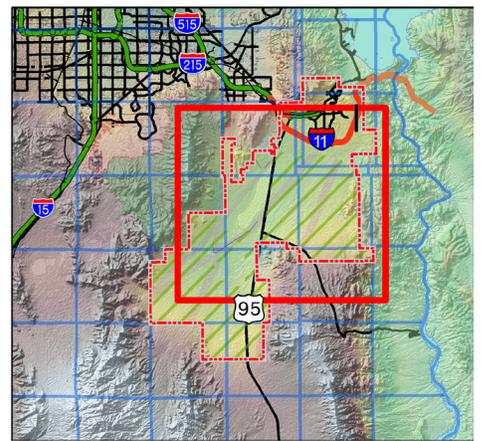
- Boulder City Limits
- Township/Range Sections
- Cel Towers
- Interstate Transmission Lines
- Transmission Towers
- Substations / Switchyards
- Boulder City Conservation Easement
- Lake Mead National Recreation Area
- Sloan Canyon National Conservation Area
- BLM Administered Transmission Corridors
- Dry Lake Bed (open to recreational use)

N

0 2 4 Miles

Map prepared by:
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 Contracts/Real Estate Manager
 City of Boulder City, Nevada

Version: 1.02
 Reprint Date: 7/22/2024



Energy Leases - Total Rent Collected*

Lease Holder	Annual Rent (FY24)	Number of Acres	Type of Lease
Transwest Express	\$55,932	165.8	Option - Substation
Desert Star	\$1,272,849,749	117.86	Lease - Gas Plant
Eldorado Peaker	\$50,000	33.46	Option - Gas Peaker Plant
Copper Mtn Solar 1	\$904,552	470.97	Lease - Solar
Copper Mtn Solar 2	\$2,409,000	1,095	Lease - Solar
Copper Mtn Solar 3	\$2,217,700	1,374.86	Lease - Solar
Copper Mtn Solar 4	\$1,023,000	682	Lease - Solar
Copper Mtn Solar 5	\$1,827,264	1,134.99	Lease - Solar
Nevada Solar One	\$550,000	400	Lease - Solar
Techren Solar 1	\$973,935	649.29	Lease - Solar
Techren Solar 2	\$1,530,615	1,020.41	Lease - Solar
Techren Solar 3	\$234,120	156.08	Lease - Solar
Techren Solar 4	\$246,270	164.18	Lease - Solar
Techren Solar 5	\$431,610	287.74	Lease - Solar
Boulder Solar Power 1	\$982,975	541.77	Lease - Solar
Boulder Solar Power 2	\$444,620	247.61	Lease - Solar
Boulder Solar Power 3	\$133,950	699	Option - Solar
Silver Peak Solar	\$77,980	276.00	Option - Solar
Silver Peak Solar 1	\$121,629	66.69	Lease - BESS
Townsite Solar	\$1,557,805	1,015.25	Lease - BESS/Solar
Townsite Solar 2	\$35,525	87.57	Option - BESS/Solar
Sloan Canyon Switchyard	\$213,306	107.64	Lease - Substation
Desert Link Transmission	\$73,382		Easement - Transmission
Boulder Flats Solar	\$189,000	1,100	Option - Solar

*Note: Amounts above represent the total rent payments made to the City. The amounts paid are then split as follows: 70% to the General Fund, 10% to Special Reserve Funds, 20% to the Capital Improvement Fund



Capital Improvement Fund Revenues

The Capital Improvement Fund (“CIF”) is funded through land sales and a portion of the lease revenues (20% of lease payment). To spend money from the CIF, the project or activity must first receive voter approval. The City’s Finance Department tracks the CIF fund to ensure that it can meet the obligations imposed by the voters and remain a healthy funding source for future approved capital projects. Below is a table showing the actual and anticipated CIF fund revenues and balances for the next five years.

	2022	2023	2024	2025	2026	2027
Beginning CIF Balance	15,283,141	16,887,023	18,771,468	21,429,409	24,101,496	26,792,375
Total Revenues	4,310,992	4,959,057	3,657,941	3,672,087	3,690,879	3,686,366
Total Approved Expenses*	2,707,110	3,074,612	1,000,000	1,000,000	1,000,000	1,000,000
Ending CIF Balance	16,887,023	18,771,468	21,429,409	24,101,496	26,792,375	29,478,741

*Does **not** include any potential repayment of debt or future voter approved expenditures that may be posed or recently approved for FY25 or beyond.



Other Lease Types

The City also leases land for communication towers, and for nonprofit/other governmental entity uses. Communication Site leases, more commonly referred to as Cell Tower Sites, generate approximately \$325,000 in total revenues to the City each year. This represents approximately 1.1% of the overall revenue stream for the City. As of July 2023, the City had in place seventeen (17) communication site leases. These are a combination of cell tower sites, radio antennas, the large aviation transmitter at the top of Red Mountain, and communication buildings.

For the cell site leases, the rent payment is a hybrid fee structure that includes a base fee for the tower with one carrier. For any additional carriers mounted on the tower structure (called “co-location”), the leaseholder is required to pay an additional monthly fee. This ensures that as the tower company improves its revenue stream for the cell site, that the City also benefits from the additional income.

The City Charter and Nevada Statutes permit the City to lease land to nonprofit entities on whatever terms it deems appropriate. Boulder City has opted to lease land and office space to local nonprofits who are providing benefits to the community. Examples include the Emergency Aid food bank (and other services) and Lend A Hand (services to the aged and handicapped).

The City has also leased land for the development of the Cascata Golf Course. This site generates approximately \$983,000 in total annual revenues to the City for the land lease.





Property Tax Benefits of Leasing City Land

By law, publicly-owned property is tax-exempt as long as it remains in use for a public purpose. Once the land is leased to a for-profit entity, the property becomes taxable. All leases, with two exceptions, require that the lessee be responsible for payment of property taxes when they come due.

By leasing land for energy projects and a private golf course, the City has put 10,183 acres of land onto the public tax rolls (the remaining 2100 acres are in process by the County - see notes below). This has resulted in land previously having no taxable value now have a taxable assessed value of \$47,204,891*. This has resulted in \$600,799 in tax assessments for the overall property tax due, of which approximately \$59,969 will be remitted to Boulder City's General Fund. The balance of the tax collected is distributed to the other taxing entities, such as the Clark County School District, the Boulder City Library District, and others.

Important notes on the property tax assessments:

- ✿ The numbers quoted above do not include lands that are only under option for lease or have yet to appear on the tax rolls for the current fiscal year. The County Assessor does not assess a value to land that is under option only. Once the option is converted to a formal lease, the property is then assessed as a solar project, and taxes are collected.
- ✿ The Townsite Solar and Boulder Flats Solar projects are still in the midst of a property tax assessment and do not yet appear on the tax rolls. Property Taxes for those parcels will be included on the Tax Rolls for Tax Year 2024.
- ✿ Solar Energy projects are eligible for tax credits and assessment reduction under Federal and State laws. Most of the solar projects have taken advantage of these programs, which have resulted in a reduced assessed value - in some cases as much as a 70% reduction. Once their participation in these programs expires, their assessed value will normalize to the proper market rate, and the property taxes collected for distribution to local government will increase.
- ✿ Nonprofit leases do not pay property taxes (they are not assessed for taxes by the County)
- ✿ Some communication site leases do not pay property taxes, as they are using space within city facilities (i.e., the City's communication building on Red Mountain)

* as assessed for Tax Year 2023 (July 1, 2022 through June 30, 2023)



**This document prepared by:
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