



PG&E Settlement Fund Policy

Approval Date: 04/27/2021

PURPOSE

Establish a Policy regarding the use of the PG&E Settlement Fund.

POLICY SCOPE

This Policy sets forth the general process and parameters the County may utilize to determine the use of the PG&E Settlement Fund.

BACKGROUND

Butte County received a \$252 million settlement from PG&E whose criminal negligence resulted in the Camp Fire. The County's net settlement revenue after attorney's fees was \$204.4 million plus a \$150,000 reimbursement to the General Fund for the County's in-house legal costs. Additionally \$2.52 million was held back for trailing costs. Once final PG&E settlement litigation related bills are paid and the accounting for the settlement is finalized the County will receive any balance remaining of the \$2.52 million, which will be deposited into the PG&E Settlement Fund.

At the Fiscal Year 2020-21 budget hearings on July 21, 2020, the Board of Supervisors directed that a new fund called the "PG&E Settlement Fund" be established and the settlement funds be committed to County stability, hazard mitigation, and recovery. The use of the PG&E Settlement Fund is at the sole discretion of the Board of Supervisors.

The PG&E Settlement Fund is held in the County Treasury and part of the pooled Investment Portfolio, which is subject to the limitations in Government Code and the County's investment policy related to allowable investments for public funds. Based on the current portfolio performance the County anticipates interest earnings of 1% or \$2 million on the PG&E Settlement Fund if the principal were to remain intact and unspent for a years' time. Historical Treasury interest earnings have ranged from 0.74% to 1.96% over the last ten years; however, the current market environment has been volatile and interest rates are at historically low levels.

POLICY

The Camp Fire caused immeasurable damage to Butte County and its residents. Over 19,000 structures were destroyed, 86 lives were lost and thousands of residents lost their homes and/or livelihoods. Butte County diverted staff and funds to the response and ongoing recovery efforts, County revenues were reduced, opportunities were lost due to diverting staff to Camp Fire related activities and the Fire had a destabilizing impact on the organization and the community. To begin addressing these impacts and working to mitigate the risks of future disasters PG&E Settlement Funds will be used for **County stability, hazard mitigation and recovery**. Recognizing that there are more worthy projects and uses of the PG&E Settlement Fund than there are funds available, projects that

address direct impacts from the Camp Fire, leverage outside funds and/or have a high level of urgency will be given priority.

PG&E Settlement Funds are one time in nature and as such should not be used for ongoing operating expenses. Any project funded with PG&E Settlement Funds should have a clear financial plan for operating without ongoing PG&E Settlement Fund contributions.

County Departments, on their own or at the Direction of the Board, will submit project proposals to the Chief Administrative Officer (CAO) to have the use of PG&E Settlement Funds considered. Similar to the County Budget process, the CAO and his/her staff will work with the Department to analyze the project and any project that is recommended to be funded will be brought to the Board of Supervisors for consideration. Depending on timing this could happen as part of the annual budget process or as a midyear adjustment.

Department PG&E Settlement Fund Proposals shall include the following:

1. Total cost;
2. Priority area(s) that the project falls under (***County stability, hazard mitigation and recovery***);
3. Project description;
4. Direct or indirect impact to County functions from the Camp Fire (if applicable);
5. Other funds leveraged (if applicable);
6. Project urgency; and
7. Long-term financial plan (if applicable).

The Board of Supervisors must approve any use of PG&E Settlement Funds.

The CAO or CAO staff will periodically report to the Board of Supervisors on the status of PG&E Settlement Fund projects, total funds spent, remaining balances and interest earned.

RESPONSIBILITIES

The Chief Administrative Officer is hereby authorized and directed to implement the Policy.