



COUNTY OF SONOMA

575 ADMINISTRATION
DRIVE, ROOM 102A
SANTA ROSA, CA 95403

SUMMARY REPORT

Agenda Date: 3/22/2022

To: Sonoma County Board of Supervisors

Department or Agency Name(s): County Administrator Office, General Services, Auditor-Controller/Treasurer-Tax Collector, Sonoma County Water Agency, and Sonoma County Public Financing Authority

Staff Name and Phone Number: Jane Elias, 707-565-6483; Erick Roeser, 707-565-3295

Vote Requirement: Majority

Supervisorial District(s): All

Title:

Sonoma County Energy Independence Program Semi-Annual Bonding Authorization and Program Update

Recommended Action:

- A) Acting as the County of Sonoma Board of Supervisors: Accept the Sonoma County Energy Independence Program update through calendar year 2021.
- B) Acting as the Board of Directors of the Sonoma County Public Finance Authority: Adopt resolutions and approve agreements with the County authorizing continued issuance and sale of revenue bonds, to fund the Sonoma County Energy Independence Program.
- C) Acting as the County of Sonoma Board of Supervisors: Adopt resolutions authorizing the Treasurer to invest in bonds issued by the Sonoma County Public Finance Authority and authorizing execution of various related agreements with the Sonoma County Public Finance Authority, including a bond purchase agreement and a loan agreement.
- D) Acting as the Directors of the Sonoma County Water Agency: Adopt resolutions withdrawing funds from the Sonoma County Treasury Pool, and authorizing the withdrawn funds to be invested in Sonoma County Energy Independence Program bonds as a long-term Water Agency investment.
- E) Acting as the Board of Directors of the Sonoma County Public Finance Authority: Adopt resolutions and approve agreements with the County authorizing continued issuance and sale of revenue bonds and loan of funds to the County to fund the Sonoma County Energy Independence Program.

Executive Summary:

The Sonoma County Energy Independence Program (the "Program") staff is requesting authorization to issue bonds and enter into related financing agreements to continue the Program for the period of April 1, 2022 through September 30, 2022.

With your Board's last action in September 2021, a total of \$60 million in bonds was authorized for issuance by the Public Financing Authority and purchase (investment) by County Treasury

(\$45 million) and Sonoma Water (\$15 million) for the purposes of the Program. This authorization expires on March 31, 2022 and must be renewed in order for the Program to continue.

There is currently \$22.66 million in outstanding bonds and \$37.34 million in funding accessible to property owners wanting to do energy efficiency, water conservation, renewable generation, wildfire safety, and seismic strengthening improvements.

As of December 31, 2021, the Sonoma County Energy Independence Program ("Program") has cumulatively funded \$85.9 million dollars in residential and commercial property improvements. Through the installation of building improvements, the County has eliminated over 126,481 metric tons of carbon dioxide, and created or retained over 1,718 jobs. In May 2022, your Board will hear a more in-depth review of the Program and the larger trends affecting energy and sustainability financing in Sonoma County. At that time, staff will present projections and options for the future of the Program for your Board's consideration.

With this item, we are requesting authorization to issue bonds and enter into related financing agreements to continue the Sonoma County Energy Independence Program over the next period of April 1, 2022 through September 30, 2022. With the approval of these agreements, your Board ensures the continuance of an alternative financing mechanism that allows property owners to install improvements that may lead to the reduction of greenhouse gas emissions through the built environment, make buildings healthier, more durable and resilient to natural disasters.

Discussion:

On March 25, 2009, the Board of Supervisors established the Sonoma County Energy Independence Program (the "Program"). Since September 2011, staff has provided semi-annual Program updates at the time of the required semi-annual bond issuance authorization.

Bond Issuance

The Program is bond financed, and must be reauthorized per State statute. Since the bonds carry a final maturity in excess of 5 years, Government Code section 53601 requires that your Board approve and authorize the Treasurer to make these dedicated investments. The Board previously established a \$60 million program limit that reflects the total bond funding commitment from the Treasury (\$45 million) and Sonoma Water (\$15 million) collectively. In September 2021 the Board authorized bonds to be issued by the Public Financing Authority that were subsequently purchased (invested) by the Treasury on behalf of the Treasury Pool and Sonoma Water for the purposes of the Program. This authorization expires on March 31, 2022 and must be renewed in order for the Program to continue.

Financing Structure and Implications

Under the Program, the Sonoma County Public Finance Authority ("Authority") is authorized to issue two series of bonds each month, one series matures in 10 years and the other series matures in 20 years. The bonds bear interest at a 1.99 percent annual rate. The total aggregate

principal amount of bonds outstanding cannot exceed \$60 million. The current outstanding aggregate principal amount of bonds is \$22,659,822. This means that the Authority may issue up to \$37,340,178 in aggregate principal amount of additional bonds.

If the Authority issues the total available principal amount of \$37,340,178, the total amount of proceeds received by the Authority would be that principal amount less an amount deposited to a capitalized interest account to pay the interest on the Bonds through the following September 1. Because the bonds are issued monthly, in varying amounts, with terms of either 10 or 20 years, the amount of capitalized interest cannot be estimated in advance of issuing the bonds.

Due to the nature of the bonds issued by the Authority, including variations in term lengths and bond issue dates and their effect on interest calculations, interest cannot be accurately estimated in advance of issuing the bond. The Authority does not incur any financing charges or fees paid to third parties, except for a small amount (expected to be less than \$200) paid to the California Debt and Investment Advisory Commission in connection with required filings for the bonds and \$1,750 paid to outside legal counsel for the monthly bond issuance.

Program Activity

Residential/Commercial Activity and Project Pipeline

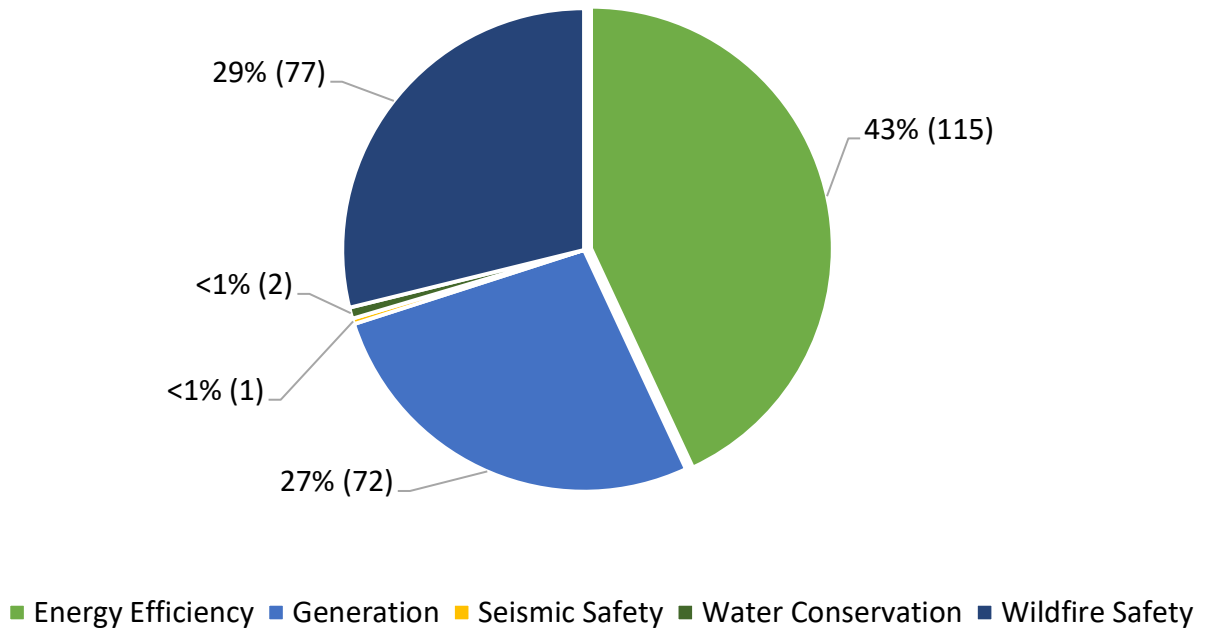
During the second half of 2021, Program staff outreach and promotion for commercial SCEIP projects resulted in 8 new commercial applications. As of February 2022, these 8 commercial applications account for 53.4% of the requested financing in our active project pipeline of 52 applications. The current overall pipeline is \$3,986,280.00. Compared to the same time last year, our current pipeline is 71.3% higher over last year. In calendar year 2021, we funded 6 commercial projects.

Types of Improvements

The Program funds improvements related to energy, generation, water conservation, seismic and wildfire safety. Figure 1 below shows the types of improvements funded. Wildfire safety improvements were popular last year, amounting to 29% of the types of improvements funded. We also saw a rise in battery storage systems which is reflected in the energy efficiency section.

Figure 1: Types of Improvements Funded in 2021 - Number and Percent

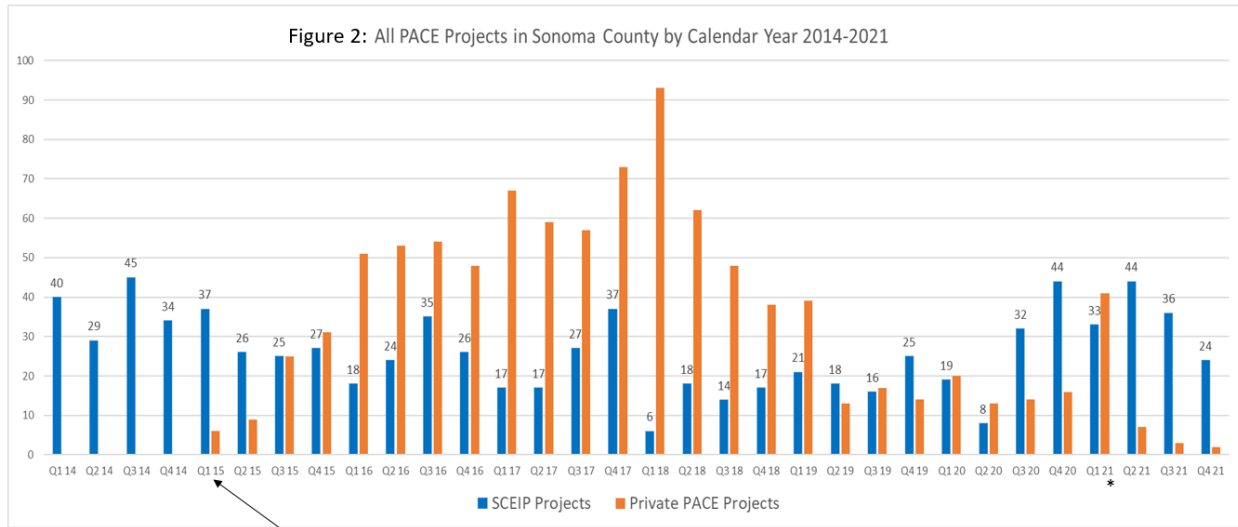
Total Number of Improvements = 267



Third Party PACE Marketplace

Over the last two calendar years, there has been a marked decrease in private PACE activity in Sonoma County, and is shown in Figure 2, below. This trend is similar to the decline in private PACE activity statewide. Some providers have left the residential PACE market altogether, some moved their book of business to other states that offer residential PACE, and some are no longer in operation.

At the same time, the number of SCEIP projects has increased – returning to levels observed before private PACE providers began operating in Sonoma County.



PACE marketplace begins 2015

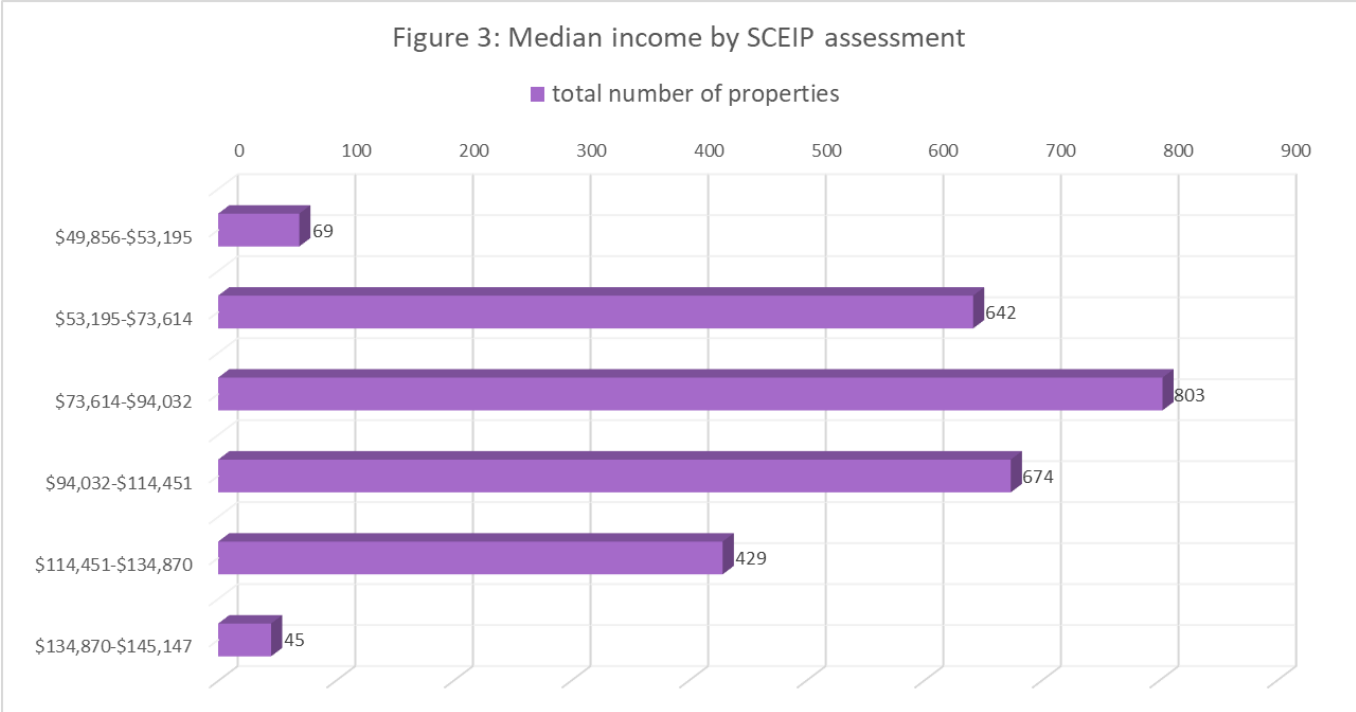
Between 2016-2020, seven CA consumer protection laws passed for private PACE industry, including Statewide oversight based on their business practices. As a result, private PACE growth slowed and began declining. Sonoma's program is Municipal PACE. Since inception, consumer protections have been part of the Program.

* 1st quarter 2021: Private PACE activity reflects 34 new construction assessments in Coffey Park.

Equitable Access to SCEIP Benefits

SCEIP projects are completed by all income level property owners throughout Sonoma County. It is a financing option available to all and does not have the same underwriting barriers associated with traditional types of financing, making accessibility more feasible. SCEIP financing allows commercial and residential property owners a financing option with underwriting criteria and eligibility requirements that do not consider applicant income levels, credit scores, or debt-to-income ratios to qualify. The financing pays for improvements that can reduce utility costs, improve efficiency, resiliency, health, indoor air quality and durability. The Program also has consumer protections built into its design throughout the application process. In contrast, third party, for-profit PACE providers, which are increasingly less available, do have income qualification requirements and offer less stringent consumer protections.

Figure 3, below, shows the distribution by median income bracket of properties with SCEIP assessments. The distribution is based on 2,662 total unique applicants, including 77 commercial and 2,585 residential projects. While SCEIP has financed more total projects, there are over 100 properties that have used the SCEIP financing more than one time; this chart does not include multiple projects at the same location. Because the Program does not collect income or personal data, to determine the distribution by income bracket staff used the most recent available Census data of median income tracts and overlaid it with the SCEIP assessments through 2021.



Leveraging SCEIP and FEMA Funding for Structural Hardening

Lastly, Program staff will continue to coordinate with Permit Sonoma regarding its FEMA grants with funding for structural hardening for individual homeowners. To date, Permit Sonoma has only received funds for planning/assessment/environmental review for its Wildfire Adapted Sonoma County grants. FEMA could release Implementation funds sometime in late 2023 or early 2024. The Building Resilient Infrastructure and Communities (BRIC) grant is still “under review” at FEMA Region IX and staff has not been provided any indication when an actual award of this large grant will be made. When BRIC is awarded, it will initially release funds to complete the 18-month planning/assessment/environmental review phase of the project. Assuming this award arrives by mid-2022, the earliest implementation funds would be available would be in 2024.

Strategic Plan:

This item directly supports the County’s Five-year Strategic Plan and is aligned with the following pillar, goals, and objectives.

- Pillar:** Climate Action and Resiliency
- Goal:** Goal 2: Invest in the community to enhance resiliency and become carbon neutral by 2030
- Objective:** Objective 2: Provide \$20 million in financing by 2026 that incentivizes property managers and renters to retrofit existing multi-family housing towards achieving carbon neutral buildings.
- And Goal 1: Continue to invest in wildfire preparedness and resiliency strategies

Objective 1: Provide educational resources to the community that promote and facilitate carbon neutral and fire hardening construction for new and existing homes.

Prior Board Actions:

9/21/21 – Sonoma County Energy Independence Program Semi-Annual Bonding Authorization, Program Update, and Annual Interest Rate Determination

3/16/21 - Sonoma County Energy Independence Program Semi-Annual Bonding Authorization and Program Update

7/7/20 – Sonoma County Energy Independence Program Semi-Annual Bonding Authorization, Program Update, and Annual Interest Rate Determination

3/10/20 – Sonoma County Energy Independence Program Semi-Annual Bonding Authorization and Program Update

7/23/19 – Expansion of the Sonoma County Energy Independence Program to Allow for Seismic Strengthening and Wildfire Safety Improvements

4/30/19 – Resolution of Intention for Program Expansion to Allow Seismic and Wildfire Safety

FISCAL SUMMARY

	FY 21-22 Adopted	FY22-23 Projected	FY 23-24 Projected
Expenditures			
Budgeted Expenses			
Additional Appropriation Requested			
Total Expenditures			
Funding Sources			
General Fund/WA GF			
State/Federal			
Fees/Other			
Use of Fund Balance			
Contingencies			
Total Sources			

Narrative Explanation of Fiscal Impacts:

There are no potential financing implications related to this item. The interest payments made on the assessments are split between providing an economic return to the Treasury Pool (1.99%) for the purchase of the bonds and to the Program Fund for operations (4.00%). No General Funds are utilized.

Staffing Impacts:			
Position Title (Payroll Classification)	Monthly Salary Range (A-I Step)	Additions (Number)	Deletions (Number)

Narrative Explanation of Staffing Impacts (If Required):

There is no staffing impact related to this item.

Attachments:

- 1 – Resolution authorizing the Public Financing Authority to issue and sell Sonoma County Energy Independence Program contractual assessment revenue bonds
- 2 – County Resolution Authorizing the Treasury to Invest in Sonoma County Energy Independence Program contractual assessment revenue bonds
- 3 – County Resolution consenting to Water Agency investment in Sonoma County Energy Independence Program contractual assessment revenue bonds
- 4 – Water Agency Resolution Authorizing the Water Agency Funds to Invest in Sonoma County Energy Independence Program contractual assessment revenue bonds
- 5 – County Resolution Approving Loan Agreements
- 6 – PowerPoint presentation

Related Items “On File” with the Clerk of the Board:

- 1 – Form of Bond Purchase Agreement between the Treasury and Public Financing Authority to purchase Sonoma County Energy Independence Program contractual assessment revenue bonds
- 2 – Form of Loan Agreement between the County and the Public Financing Authority