



SUMMARY REPORT

Agenda Date: 7/14/2026

To: Board of Supervisors

Department or Agency Name(s): Auditor-Controller-Treasurer-Tax Collector

Staff Name and Phone Number: Erick Roeser 707-565-3285, Kathleen Parnell 707-565-6124, Terri Somers 707-565-6489

Vote Requirement: Majority

Supervisorial District(s): Countywide

Title:

Sonoma County Energy Independence Program Update and Recommendations

Recommended Action:

- A) Receive Sonoma County Energy Independence Program (SCEIP) update;
- B) Authorize an orderly wind-down of commercial SCEIP;
- C) Direct staff to cease accepting new commercial SCEIP applications, effective July 14, 2026;
- D) Authorize the Auditor-Controller-Treasurer-Tax Collector as Program Administrator to take all actions necessary to administratively wind-down SCEIP, in consultation with County Counsel.

Executive Summary:

The Sonoma County Energy Independence Program (SCEIP), launched in 2009 as the nation's first countywide municipal Property Assessed Clean Energy (PACE) financing program, has provided financing for energy efficiency, renewable energy, water conservation, wildfire safety, and seismic strengthening improvements for residential and commercial properties in Sonoma County. Established in the aftermath of the Global Financial Crisis when traditional financing options were limited, SCEIP provided a vehicle for property owners to access capital for critical resilience and sustainability improvements, including water conservation measures during periods of severe drought and fire hardening improvements following the County's major wildfires.

Following new federal Consumer Financial Protection Bureau (CFPB) regulations affecting all residential PACE programs, the Board approved closure of the residential SCEIP program in July 2025, and residential applications ceased in January 2026. SCEIP continued to accept commercial applications to evaluate whether a commercial-only program could be sustainable. Over the past year, there have been no commercial applications or financed projects despite marketing and outreach efforts.

Given the lack of demand, staff recommends closing SCEIP to new applications and proceeding with an orderly wind-down. ACTTC staff will continue to levy existing assessments on tax bills, make bond debt service payments, and perform accounting and financial reporting and other administrative services until final maturity of all SCEIP bonds, which is estimated to occur in 2046.

SCEIP bonds purchased as investments by the Sonoma County Investment Pool (Pool) and Sonoma County Water Agency (Sonoma Water) will be held to maturity and interest earnings will continue to provide a tangible benefit to Pool participants and Sonoma Water.

Discussion:

SCEIP is a County-administered program that provides PACE financing and education services to support community-wide greenhouse gas reduction goals and improve County-wide resilience to power grid interruptions, drought, earthquakes and wildfires.

Established in 2009 during the Global Financial Crisis and a period of severe drought, SCEIP was a novel program established through collaboration among the County Executive Office (CEO), the Auditor-Controller-Treasurer-Tax Collector (ACTTC) and the Sonoma County Water Agency (Sonoma Water). The Program offers property owners financing for water conservation, energy efficiency, and community resilience improvements through voluntary property tax assessments repaid over 10- or 20-year terms at fixed interest rates.

Program administrative costs are funded through a fixed 4.00% portion of the total interest rate charged to participants, with the remaining interest supporting investment earnings on SCEIP bonds. The Sonoma County Treasury and Sonoma Water purchase the monthly bonds issued through the Program, which have remained competitive with other Treasury investment options.

Since 2009, SCEIP has financed more than \$116 million in energy efficiency, water conservation, and resilience improvements across Sonoma County, which includes over 3,200 residential and nearly 100 commercial projects across the County. These investments are estimated to have reduced greenhouse gas emissions by over 160 thousand metric tons, which is equivalent to eliminating approximately 34-35 thousand gasoline powered passenger vehicles from the road for a full year, have contributed to improved grid stability, and supported local economic activity.

Approximately 85% of SCEIP activity has been residential projects, reflecting sustained demand for residential energy efficiency, renewable energy, and resilience improvements. Commercial participation, while always available, has remained limited and inconsistent.

In March 2026, new compliance requirements imposed by the CFPB took effect for residential PACE programs. Due to increased compliance requirements and associated operational costs, Staff previously recommended closure of the residential SCEIP program and requested additional time to evaluate the long-term viability of continuing a commercial-only program. Residential applications closed in January 2026.

Since then, Staff has conducted outreach, including a targeted commercial SCEIP marketing campaign, monitored inquiry activity and project pipelines. Despite several inquiries and prospective leads, no new commercial applications have been submitted or funded. Without new project volume generating interest revenue, the Program cannot sustainably support the current structure while servicing a small and declining portfolio of commercial assessments. Early payoffs further reduce projected long-term revenue, increasing financial risk. Additionally, commercial projects may carry increased risk over time due to project size, industry concentration, and longer completion timelines.

SCEIP was established as a fully self-funded Program that does not rely on County general fund support. However, given the lack of new activity and ongoing administrative costs required to maintain Program compliance, staff is recommending closure of SCEIP to new applications. This approach will eliminate overhead associated with application processing while ensuring continued administration of existing assessments.

Reducing program expenses at this time will preserve sufficient operating reserves to service remaining

bonded assessments throughout their terms, while maintaining financial sustainability and avoiding future reliance of the general fund. A prior loan from the County general fund, which was used to address a temporary timing mismatch in program revenues and expenditures, is no longer needed and has been repaid in-full.

The recommendation to close the Program also reflects broader market changes since SCEIP's inception. Over the life of the Program, commercial, multifamily, and agricultural property owners increasingly adopted energy efficiency and clean energy improvements in response to rising utility costs, federal tax incentives, utility rebate programs, favorable financing conditions, and evolving building code requirements encouraging retrofit investments. More recently, elevated interest rates, rising construction and insurance costs, and the phase-out of some federal incentives may have reduced the financial attractiveness of these projects. Shifts toward hybrid and remote work resulting from the COVID-19 pandemic may also have reduced demand for certain commercial retrofit investments.

Additionally, property owners now have more financing options than existed in 2009, including conventional loans, private commercial PACE providers, and State-sponsored "Go Green" programs that support energy efficiency and resilience investments.

Application Volume

In FY 2025-26, SCEIP approved 63 residential applications and received no commercial applications. As of May 1, 2026, SCEIP bonded 60 assessments totaling \$3,300,844, all of which were residential. Early payoffs from July 1, 2025 to April 30, 2026 totaled \$2,666,759 (8.2% payoff rate).

Operating Fund Condition

The SCEIP operating fund receives revenue from interest paid on outstanding bonded assessments. As of May 1, 2026, outstanding bonds totaled \$32,646,116. The projected FY 2025-26 year-end balance is \$32,234,370, a decrease of \$380,678 from prior fiscal year-end.

In April 2026, the Board approved the reassignment of three SCEIP staff members to vacant positions within the County Executive's Office in response to declining workload from the residential program wind-down. The remaining full-time SCEIP staff member was transferred to the ACTTC to support ongoing SCEIP operations and oversee the residential program wind-down.

Existing ACTTC staff will continue to levy SCEIP assessments on tax bills, make bond debt service payments, perform accounting and financial reporting, and other administrative services until final maturity of all SCEIP bonds, which is estimated to occur in 2046.

Strategic Plan:

This item supports the County's Five-year Strategic Plan and is aligned with the following pillar, goal, and objective. Previously appropriated funds for marketing were fully expended over a two-year period to support broad community outreach efforts, including print and digital advertisements, property tax bill inserts, social media campaigns, in person events, educational webinars and radio outreach. With the recommended closure of the Program, no further marketing activities are planned.

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.

Racial Equity:

Was this item identified as an opportunity to apply the Racial Equity Toolkit?

No

Prior Board Actions:

4/14/26 - Amend the Department FY 2025-2026 Position Allocation Lists in the County Executive's Office and Auditor-Controller-Treasurer-Tax Collector's Office

3/24/26 - Sonoma County Energy Independence Program Semi-Annual Bonding Authorization

9/23/25 - Sonoma County Energy Independence Program Semi-Annual Bonding Authorization

7/8/25 - Sonoma County Energy Independence Program Update and Recommendations

3/18/25 - Sonoma County Energy Independence Program Semi-Annual Bonding Authorization

9/17/24 - Sonoma County Energy Independence Program Semi-Annual Bonding Authorization

6/4/24 - Sonoma County Energy Independence Program Update, and Annual Interest Rate Determination

3/26/24 - Sonoma County Energy Independence Program Semi-Annual Bonding Authorization

9/19/23 - Sonoma County Energy Independence Program Semi-Annual Bonding Authorization

FISCAL SUMMARY

Narrative Explanation of Fiscal Impacts:

The FY26-27 SCEIP Program Adopted Budget assumed reductions associated with the wind down of the residential program and no commercial activity based on the current environment. If the commercial wind-down is approved, any additional cost savings are anticipated to support the cash reserves needed to service the existing SCEIP assessments and bonds.

Narrative Explanation of Staffing Impacts (If Required):

N/A

Attachments:

N/A

Related Items "On File" with the Clerk of the Board:

N/A