



Auditor, Controller, Treasurer, Tax  
Collector and County Administrator's  
Office

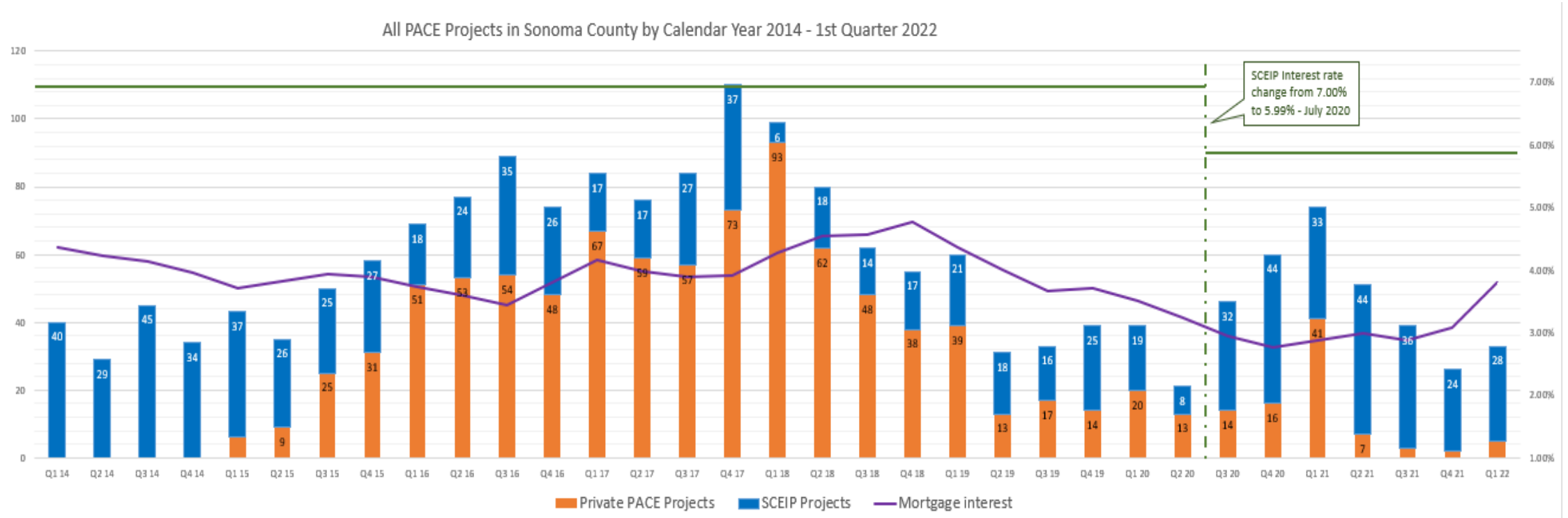
# Sonoma County Energy Independence Program Update

July 12, 2022

# SCEIP Service to Sonoma County

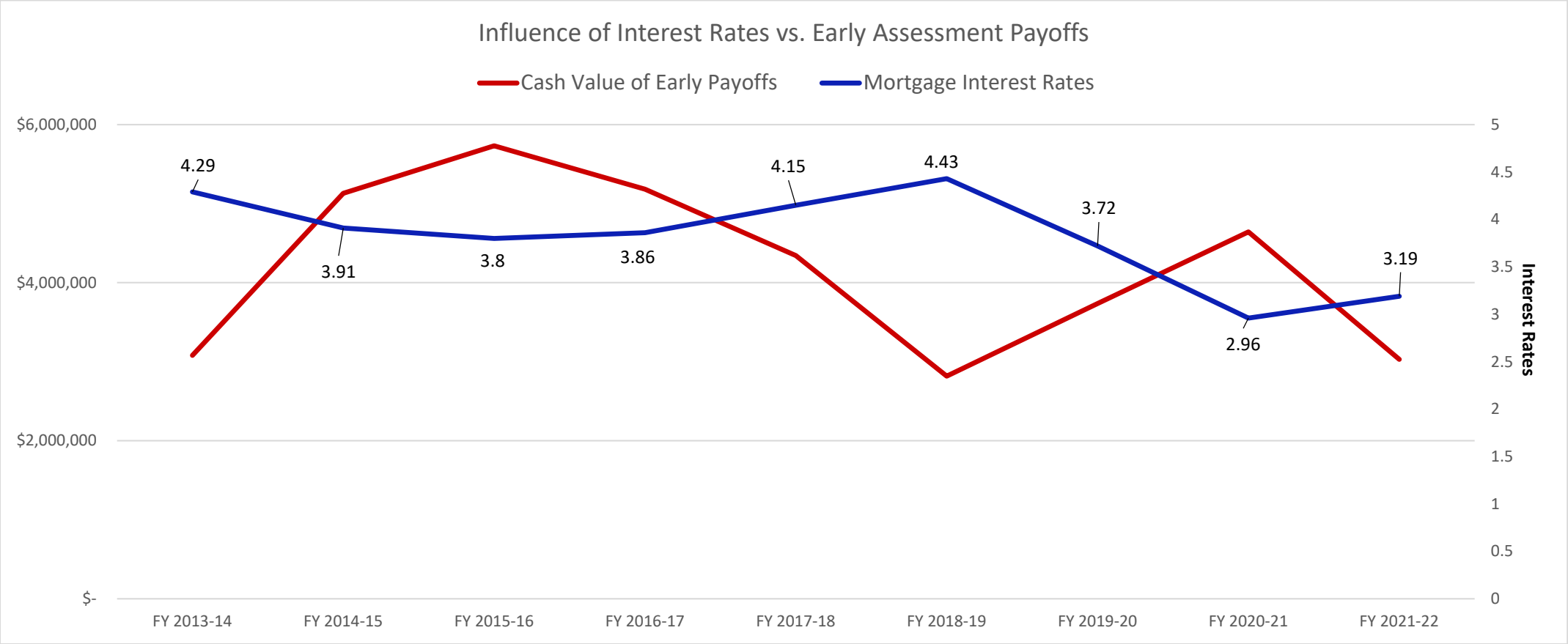
- Disbursed over \$86.87M in financing
- Operated for 13 years without any defaults
- Financed over 2,800 projects through 2021
- Eliminated over 126,498 metric tons of carbon dioxide emissions
- 90% of the projects completed by local contractors
- Created or retained over 1,737 jobs
- Installed 17.4 MW solar

# SCEIP Activity vs. Private PACE Activity in Sonoma



\*Mortgage interest data from Freddie Mac Primary Mortgage Market Survey  
<https://www.freddiemac.com/pmms>

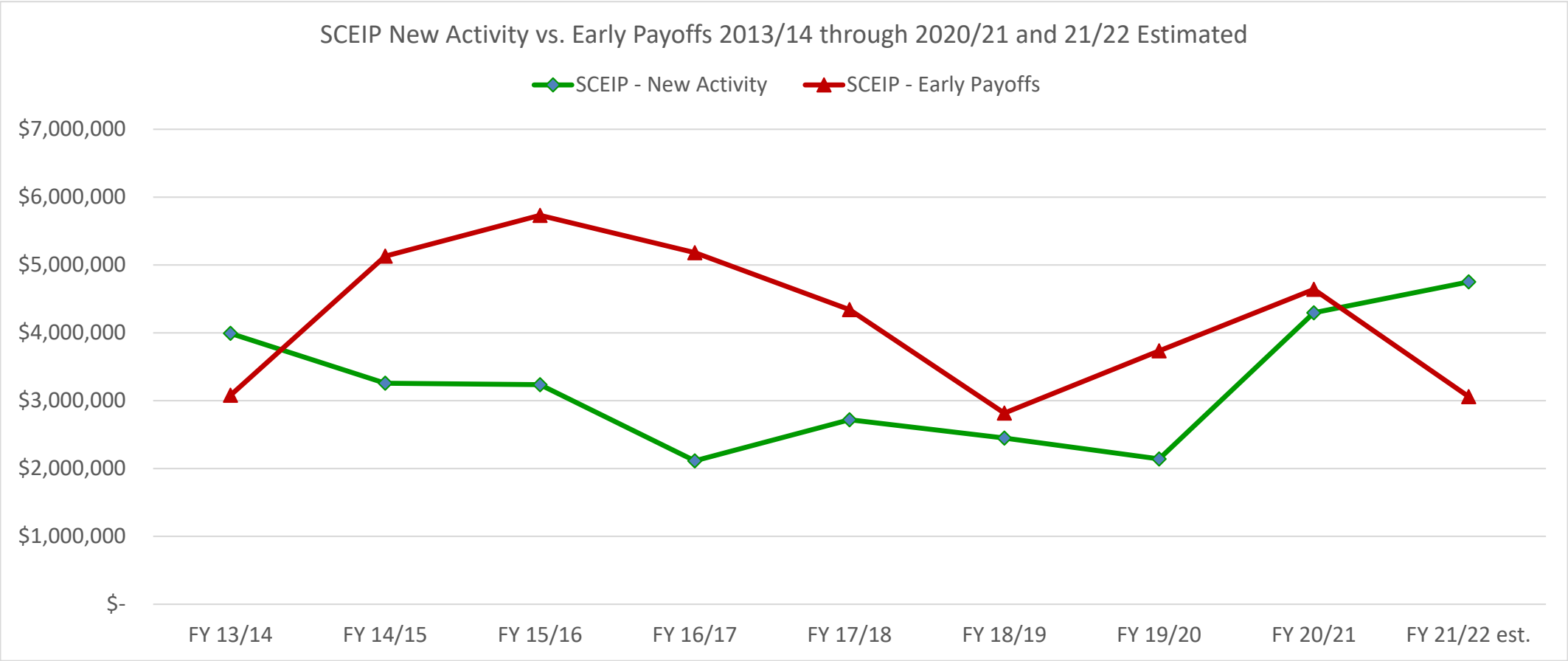
# SCEIP Early Payoff vs. Mortgage Interest Trends



\*Mortgage interest data from Freddie Mac  
Primary Mortgage Market Survey  
<https://www.freddiemac.com/pmms>



# SCEIP New Activity vs. Early Payoff

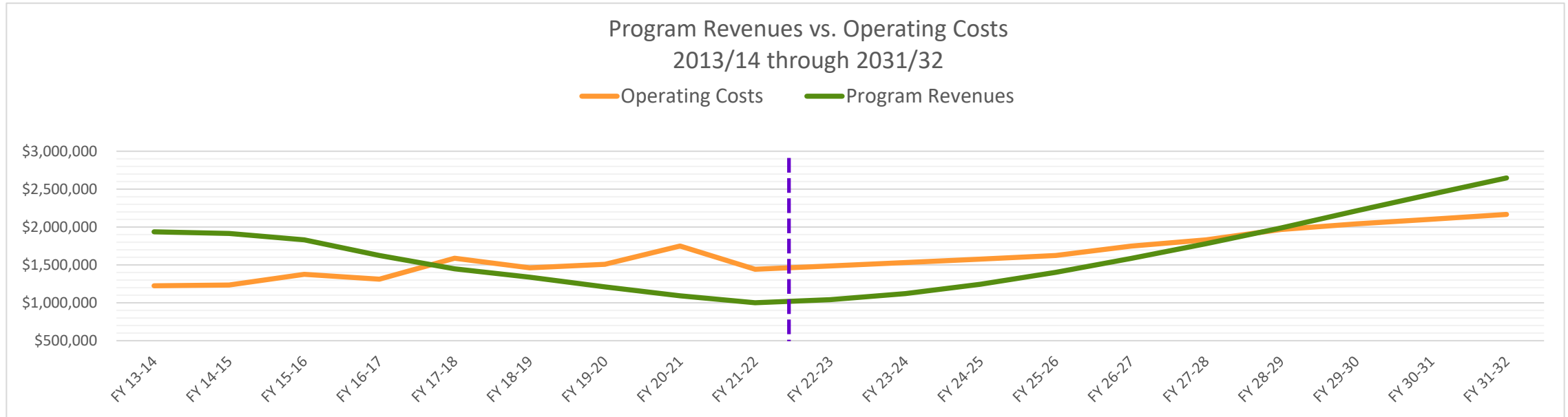


# SCEIP Application Activity

Fiscal Year	FY 16/17	FY 17/18	FY 18/19	FY 19/20	FY 20/21	FY 21/22
Number of Applications	83	83	61	61	112	120
Residential	82	76	59	59	107	112
Commercial	1	7	2	2	5	8
Dollars of Disbursed Assessments	\$2,113,643	\$2,719,644	\$2,449,734	\$2,141,039	\$4,295,891	\$4,751,794*
Jobs Created/Retained	42	54	49	43	86	95

\*Estimated

# Fund Condition – Actuals and Future Projected



- Interest revenues exceeded operational costs yielding fund balance
- Competition from private PACE + historically low commercial interest rates caused revenues to fall around FY 16/17
- Private PACE withdrew from CA, and interest rates are rising
- Revenues have stabilized and will exceed costs by FY 28/29

# SCEIP Scenarios for Your Consideration

1. Shutdown the Program

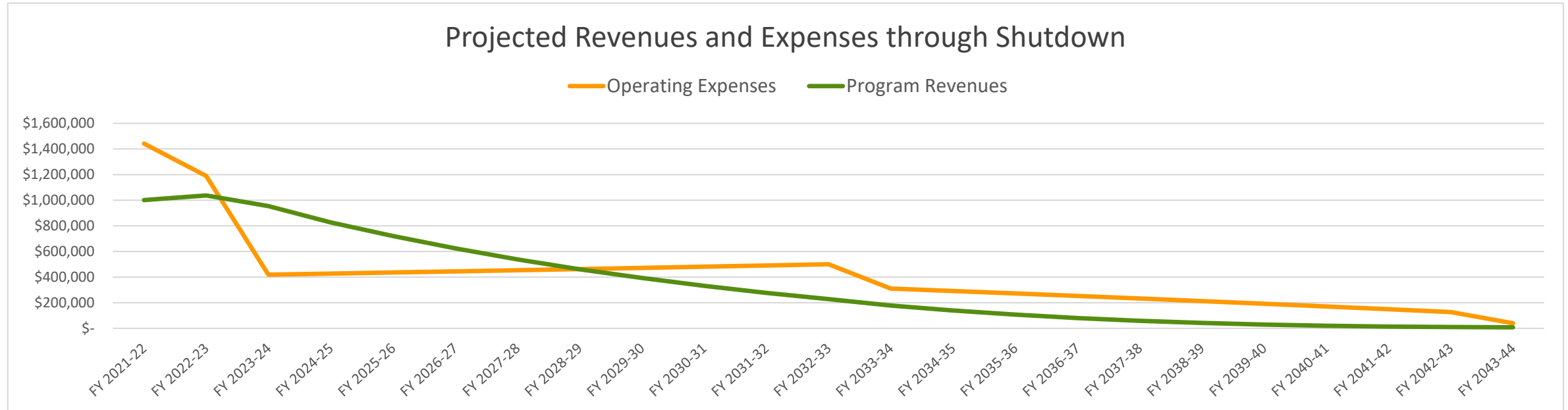
or

2. Continue the Program





# SCEIP Projections – Shutdown of Program



- ▶ Staff reduction results in near term positive effect on fund condition but costs for legally required fund management continue until FY 2043-44
- ▶ Without new project loans, the outstanding principal and interest revenue both drop, and by 2028-29, revenues are once again lower than operating costs
- ▶ By 2043-44, the estimated cumulative General Fund cost is approximately \$500,000

# What Happens if SCEIP Ends?

- Limited access to PACE financing in Sonoma County
- Six positions that support SCEIP will be eliminated
- Public Services funded by SCEIP will be discontinued

# How Does SCEIP Ending Affect the Strategic Plan?

## **CAR 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

## **CAR Goal 2: Invest in the community to enhance resiliency and become carbon neutral by 2030**

Objective 1: Support carbon eliminating microgrid technology in communities and energy grid resilience...

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

Objective 3: Partner with educational institutions, trade associations, businesses and non-profit organizations to establish workforce development programs that focus on carbon neutral and resilient building technologies by 2023

# General Fund Impact of Ending SCEIP

- General Fund will assume certain non-SCEIP indirect costs
- Certain operating costs continue
- General Fund will assume the cost of residual operations

# How Could SCEIP Continue?

**Temporarily shift the Program focus** to expand commercial financing projects

**Temporarily shift staff resources** to support:

- Complimentary programs to be developed
- Energy and sustainability activities of the Climate Action and Resiliency Pillar of the Strategic Plan

**Remove non-SCEIP indirect costs** from SCEIP expenditures

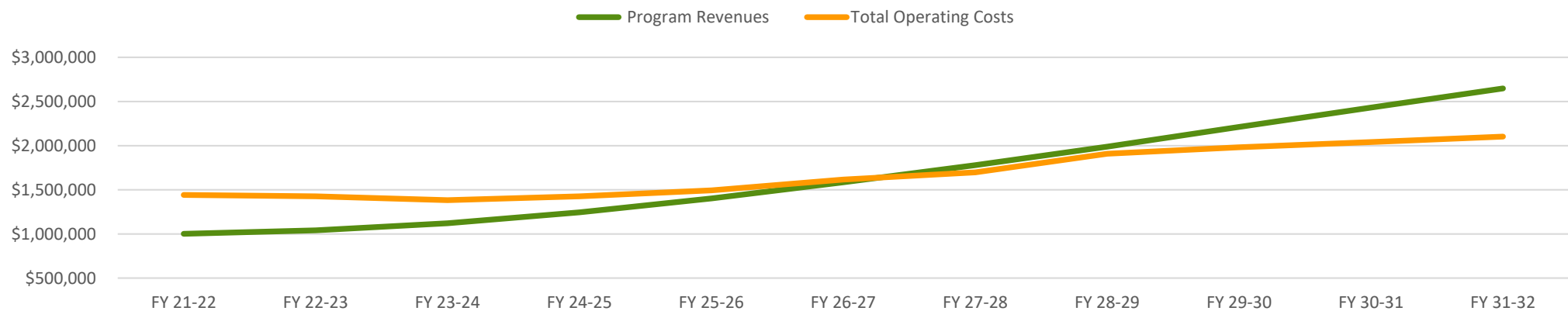
- Estimated at \$54K per year plus COLA

**Secure SCEIP with a General Fund line-of-credit loan** to be applied as gap funding until interest revenues recover:

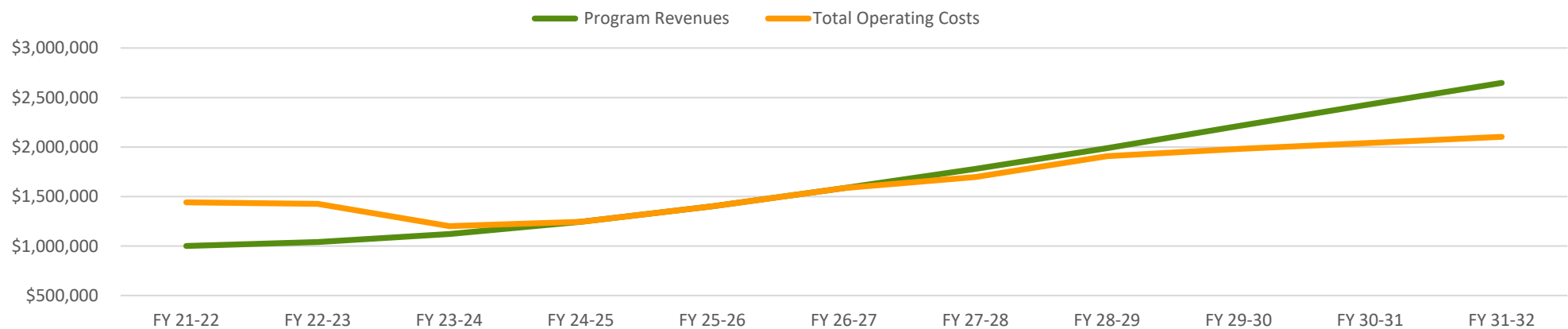
- Expected need about \$500K over 4 years
- Establish credit ceiling not to exceed \$750k
- Repay the loan by the end of FY 30/31

# Fund Condition w/ No Loan and w/ Loan

Program w/ Implemented Savings and No Loan



Program w/ Implemented Savings and the GF Loan



# Continuing SCEIP

- Ensures an equitable financing option for all
- No-Cost public services continue
- Strategic Plan objectives stay in place and staff strives to accomplish goals
- Staff expertise is not lost
- Time to recover General Fund loan obligation and pay it back
- Ability to create a Program Reserve for the future

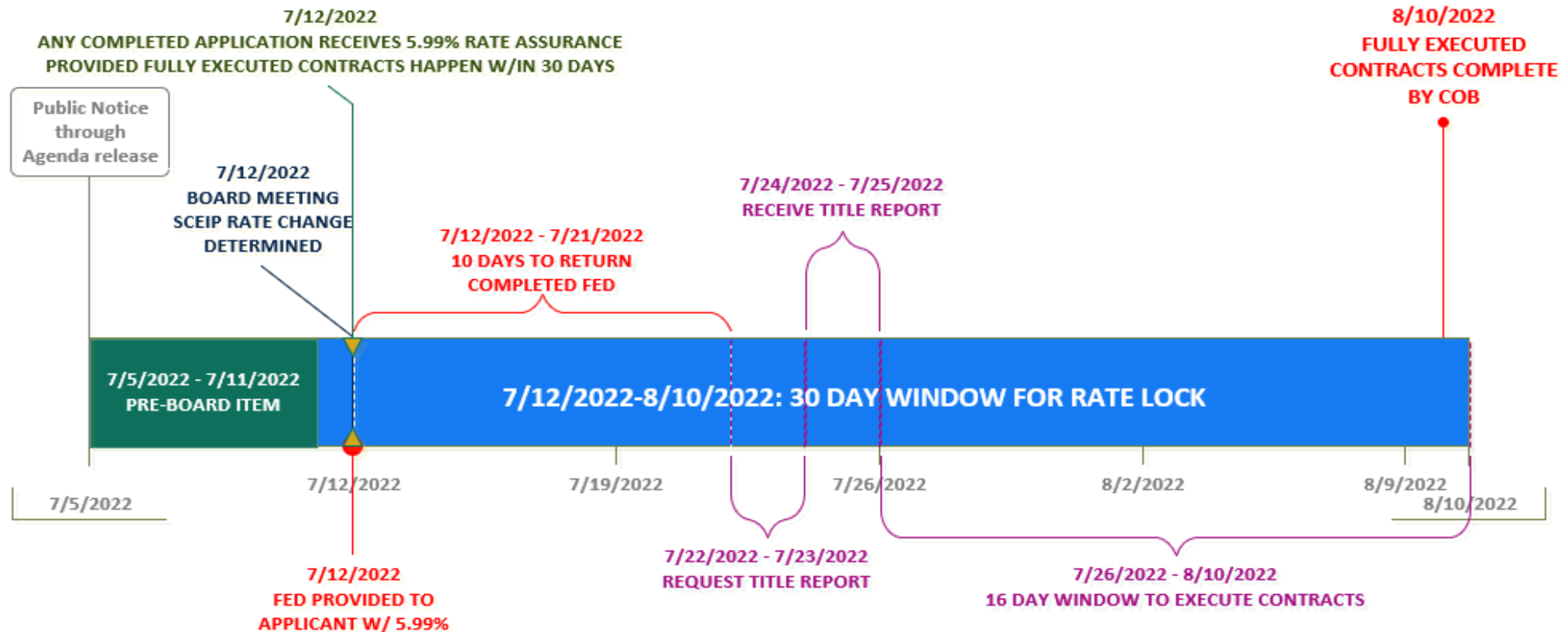
# A Tale of 2 Scenarios

Projected Impact	Continue SCEIP	End SCEIP	Notes
PACE Financing Available	✓		Private PACE providers left California
Implement CAR 2.2	✓		CAR 2.2: Provide \$20M financing upgrades for carbon neutral multi-family housing
Provide consultations, tools, & kits	✓		
<b>Temporary</b> staffing reduction	1.5 FTE		Position sharing, underfilling & vacancy
<b>Permanent</b> staffing reduction		6.0 FTE	Following HR procedures
Create reserve for future costs	✓		Designated reserve built over time
Short term <b>loan</b> from General Fund	~\$500k		Capped at \$750,000
<b>Cost</b> to General Fund to close program		~\$500k	Covers fund implementation costs when interest earned is insufficient
Shift <b>non-SCEIP</b> costs to General Fund	\$54k/yr	\$54k/yr	Certain indirect staffing costs for non-SCEIP program activities



# Interest Rate Change Timeline

## SCEIP TIMELINE FOR 5.99% GUARANTEED RATE LOCK FOR APPLICANTS



# Recommended Actions – Slide 1 of 2

- A. Receive the Program update;
- B. Provide direction to staff regarding Program changes, as appropriate;
- C. Approve Program funding changes, as appropriate;
- D. Acting as the County of Sonoma Board of Supervisors: Approve an increase in the fixed interest rate for Sonoma County Energy Independence Program assessment contracts from 5.99 percent to 6.99 percent, with 4.00 percent to remain allocated to Program operations and interest rates for new bonds to be increased from 1.99 percent to 2.99 percent, applicable to assessments bonding October 2022 going forward.
- E. Authorize the Program Administrator, in consultation with County Counsel, to amend the Program Report and Administrative Guidelines, revise Program contracts, and take all other necessary steps to effectuate the interest rate increase.

# Recommended Actions – Slide 2 of 2

- F. 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.
- G. 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.
- H. Acting as the Directors of Sonoma Water: 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 Sonoma Water investment.
- I. 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, determination of the interest rate and loan of funds to the County, to fund the Sonoma County Energy Independence Program.

# Discussion

