



SUMMARY REPORT

Agenda Date: 3/14/2023

To: Sonoma County Board of Supervisors, Sonoma County Water Agency Board of Directors, and the Sonoma County Public Financing Authority Board Members

Department or Agency Name(s): County Administrator Office, 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

Supervisory District(s): Countywide

Title:

Sonoma County Energy Independence Program Semi-Annual Bonding Authorization

Recommended Action:

- A) 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.
- B) 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County Water Agency: Adopt resolutions withdrawing funds from the Sonoma County Treasury Pool and authorizing the withdrawn funds to be invested in Sonoma County Energy Independence Program bonds as a long-term Sonoma County Water Agency investment.
- C) 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 through September 30, 2023. With your Board's last action in July 2022, 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 County Water Agency ("Sonoma Water") (\$15 million) for the purposes of the Program. This authorization expires on March 31, 2023 and must be renewed in order for the Program to continue.

There is currently \$26.9 million in outstanding bonds and \$33.1 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, 2022, the Program has cumulatively funded over \$95.5 million dollars in residential and commercial property improvements.

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, 2023 through September 30, 2023.

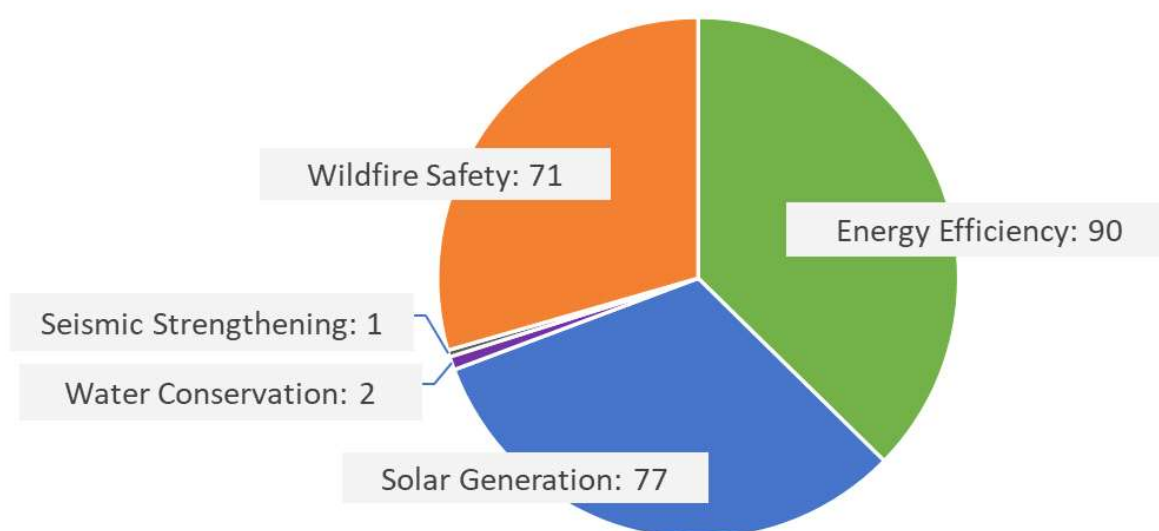
Program revenues continue to increase relative to expenditures as the outstanding principle grows. On May 23, 2023, staff will be providing a Program update along with an updated interest rate determination for the Program. Staff will also provide an update on federal efforts to establish regulations that may impact the Program.

Discussion:

In July 2022, your Board authorized the issuance of bonds related to the Program over the next period of October 1, 2022 through March 31, 2023. These agreements ensure the continuance of an alternative financing mechanism that allows property owners to install improvements that contribute to the reduction of greenhouse gas emissions through the built environment, and make buildings healthier, more durable, and resilient to natural disasters. Over the Program's history it has cumulatively funded \$95 million dollars in residential and commercial property improvements. Through the installation of building improvements, the County has eliminated over 127,770 metric tons of carbon dioxide and created or retained over 1,910 jobs.

In calendar year 2022, the program funded 119 residential assessments for a total of \$4,897,150 and 5 commercial assessments totaling \$1,075,858. These assessments funded 241 improvements. Figure 1 shows the number of projects funded in each of the five categories of authorized improvements. The 90 energy efficiency improvements funded include 19 battery storage systems. The two water conservation improvements were a rainwater cistern and a graywater system. The wildfire safety improvements funded last year include roofs, gutters and gutter guards, venting, decks, siding, windows and doors. Interest in funding wildfire safety improvements continues to grow. Program staff are working on a pilot program to align financing for wildfire safety projects with other incentives and insurance considerations to expand community-wide fire safety improvements.

Figure 1: 2022 SCEIP Improvements Funded



This County-administered, public service program provides financing and education services community-wide, without profit, to assist in meeting the County's greenhouse gas emission reduction goals, and to promote community resilience to drought, earthquakes, and wildfires. The Program makes financing available to a property owner by placing an assessment on the property, which is used to fund eligible property improvements and then paid back through property taxes over 10 or 20 years with a fixed interest rate. Financing is available to both residential and non-residential property owners with a minimum assessment amount of \$2,500. The amount available for financing is based on the value of the property.

Program staff considers racial equity in all decision-making. This includes policies, practices, education, and outreach. Staff has developed strategies and actions that reduce racial inequities and ensures access for all Sonoma County residents, including underserved members of our community. The Program provides access to capital through financing that does not consider the applicant's income, credit score, or debt-to-income ratio, which increases access to non-traditional capital resources.

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 July 2022 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, 2023 and must be renewed in order for the Program to continue.

Bond Financing Structure

Under the Program, the Sonoma County Public Finance Authority ("Authority") is authorized to issue bonds each month. The bonds mature in 10 years and 20 years. The total aggregate principal amount of bonds outstanding cannot exceed \$60 million. The current outstanding aggregate principal amount of bonds is \$26.9M. This means that the Authority may issue up to \$33.1M in aggregate principal amount of additional bonds, which is \$60 million minus the aggregate principal amount of bonds outstanding.

If the Authority issues the total available principal amount of \$33.1M, 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.

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 filings for the bonds and \$1,750 paid to outside legal counsel for the monthly bond issuance.

Program Stability

Since its inception in 2009, Program revenues have more than covered program costs in most years. The Program experienced a 7-year period when early loan payoffs exceeded the amount of new projects financed. This was during the period when commercial mortgage interest rates were at historic lows. In addition,

competition from private assessment-based financing companies took away market share. Private financing conditions have since been resolved and mortgage rates have increased significantly over the last year, and as a result Program revenues are increasing. A full report will be provided during a Program Update to the Board in May.

Federal regulatory agencies continue to explore avenues to provide adequate consumer protection caused by the unfair practices of some private assessment-based financing providers. California established regulations addressing these concerns through passage of several laws between 2016-2018. Program staff have provided information to federal regulators encouraging them to align their approach with California's regulations.

Racial Equity Analysis

Utilizing the Racial Equity Toolkit, published by the Government Alliance on Race and Equity, Program staff has expanded consideration of racial equity in decisions, including policies, practices, programs, and budgets. Staff recognizes the racial equity tool can help to develop strategies and actions that reduce racial inequities and improve success for underserved members of our community. Below are several questions adapted from the Toolkit provided by the County.

How does your Program align with or leverage other Countywide initiatives to advance racial equity?

The Program provides access to capital through financing that does not consider the applicant's income, credit score, or debt-to-income ratio, which increases access to non-traditional capital resources. The building improvements financed by the Program can reduce utility costs, improve energy efficiency, resiliency, health, indoor air quality and safety during earthquake and fire disasters for the occupants - all of which disproportionately affect underserved communities. The Program has consumer protections and assurances and an impartial application review process and includes bilingual service and provides outreach and education through Spanish media.

What specific racial and/or economic inequities in Sonoma County does this Program intend to address/reduce?

The Program intends to increase access by property owners in underserved communities to property improvements that reduce energy costs, improve resilience and comfort in the home, and make properties safer from climate hazards and interruptions in grid power. Currently, the Program does this through its Tool Lending Library (TLL) program and Do-it-Yourself (DIY) Energy and Water Saving Toolkits. Both programs are available to low-income residents at no cost. The TLL was developed as a workforce development initiative to provide low-income residents, entering the green workforce, access to expensive, specialized tools through a no-cost rental program. The DIY Kits are available to all residents through the Sonoma County Library's 14 branches. These kits are important in that they allow renters an opportunity to make simple changes, at no cost, that saves them energy, water, and money. In addition, consistent with Strategic Plan Goal CAR 2.2, the Program is increasing focus on financing these improvements at multi-family housing. The County has 40% renters and many live in multi-family housing. Much of this building stock is older and in need of improvements related to efficiency, resiliency, health, indoor air quality and durability. The improvements can also lower utility costs that are often part of the renter's responsibility. The Program received Strategic Plan funds to increase education and outreach to multi-family properties. Staff leverages the financing with rebates from the Bay Area Regional Energy Network (BayREN) multi-family program and Sonoma Clean Power's multi-family incentives.

Will the Program have impacts in specific geographic areas (neighborhoods, areas, or regions)? What are the racial demographics of those living in the area?

This financing option is available countywide to any residential or commercial property owner. The Program does not collect personal income or racial demographic details, so it is difficult to determine demographic outcomes. However, utilizing median household income from the most recent Census data overlaid with SCEIP assessments placed reflects the financing is utilized by all income levels, and over 25% of the projects were financed in areas with median income levels of \$53,195-\$73,614.

Who are the most affected community members who are concerned with or have experience related to this issue/program? How will you involve these community members in the development and implementation of this program?

This is a County-wide financing program. It has historically benefited property owners, but current efforts to increase financing of projects at multi-family properties aim to expand benefits to renters and to more underserved communities. Program staff does extensive outreach and education throughout the County in communities. The Program has expanded efforts to reach more of the Spanish speaking communities in Sonoma County and to better meet their needs, including on-staff bilingual services and providing community education and outreach about the Program in Spanish.

Does the estimated Program budget and timeline include sufficient resources and time to ensure accessibility, i.e. translation, interpretation, outreach, etc.?

Program budget has in the past supported these activities. During this fiscal year, the Program was awarded Strategic Plan funds specifically to expand education and outreach for decarbonization and resiliency with a focus towards multi-family.

How will the Program document and evaluate the Program's impact on communities of color and low-income communities?

Staff relies on Census data to geographically evaluate the distribution of financing projects across the County. Staff also collects statistics as part of education activities and performs satisfaction surveys after financing projects are completed.

What additional disaggregated demographic data will your Program need to collect, track, and evaluate to inform future decisions, and/or develop mitigation practices to respond to unintended impacts of the project in communities of color?

Staff is currently evaluating these questions. One example of a mitigation practice staff is exploring a partnership with low-income housing non-profits in our work on multi-family housing to ensure the property remains available for low-income residents, and the residents are not displaced by subsequent increases in rent. Staff is also seeking grant funding to defray project costs at low-income multi-family housing and would constrain grant recipients from displacing low-income residents after receipt of project funding.

Strategic Plan:

This item directly supports the County's Five-year Strategic Plan and is aligned with the following pillar, goal, and objective.

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:

8/30/22 - Board authorization for the approval of Grapevine Holdings, LLC Sonoma County Energy Independence Program (SCEIP) financing application for \$722,160.

7/12/22 - Sonoma County Energy Independence Program (SCEIP) Update, Semi-Annual Bonding Authorization, and Annual Interest Rate Determination

3/22/22 - Sonoma County Energy Independence Program Semi-Annual Bonding Authorization and Program Update

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

FISCAL SUMMARY

Expenditures	FY 22-23 Adopted	FY23-24 Projected	FY 24-25 Projected
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 (2.99%) 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 Approving Loan Agreements
- 4: Sonoma County Water Agency Resolution Authorizing Sonoma Water Funds to Invest in Sonoma County Energy Independence Program contractual assessment revenue bonds
- 5: County Resolution consenting to Sonoma County Water Agency investment in Sonoma County Energy Independence Program contractual assessment revenue bonds

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

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