



# SONOMA COUNTY

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

## Summary Report

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**Agenda Date:** 3/19/2019 **Agenda Item:** 25

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

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

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

**Vote Requirement:** Majority

**Supervisory District(s):** All

### **Title:**

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

### **Recommended Actions:**

- A) 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; and
- B) Acting as the County Board of Supervisors: Adopt resolutions authorizing the Treasurer to invest in bonds issued by the Public Finance Authority and authorizing execution of various related agreements with the Public Finance Authority, including a bond purchase agreement and a loan agreement; and
- C) Acting as the Directors of the Sonoma County Water Agency: Adopt resolutions withdrawing funds from the County Treasury Pool, and authorizing the withdrawn funds to be invested in Sonoma County Energy Independence Program bonds as a long-term Water Agency investment; and
- D) Accept the Sonoma County Energy Independence Program update for 2018

### **Executive Summary:**

In this summary, we are requesting authorization to issue bonds and enter into related financing agreements to continue the Sonoma County Energy Independence Program over the next six months and accept the Program report.

Additionally, following the establishment of SCEIP in 2009, the State Legislature has adopted legislation authorizing seismic strengthening improvements and wildfire safety improvements to be financed through programs such as the Sonoma County Energy Independence Program. As further detailed below, staff is analyzing the feasibility of expanding the Sonoma County Energy Independence Program to include these types of improvements and will return to the Board at a later date with a recommendation.

The Sonoma County Energy Independence Program continues to provide an accessible financing option for homeowners and businesses to perform energy and water saving improvements.

**Discussion:**

On March 25, 2009, the Board of Supervisors established the Sonoma County Energy Independence Program (“Program”). Since the Program’s inception, staff has provided the Board with quarterly Program reports. In September 2011, the quarterly updates were changed to semi-annual updates jointly with the required semi-annual bond issuance.

**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 the Water Agency (\$15 million) collectively. In September 2018, 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 the Sonoma County Water Agency for the purposes of the Program. This authorization expires on March 31, 2019 and must be renewed in order for the Program to continue.

**Fiscal Impact**

Under the Program, the Sonoma County Public Finance Authority (the “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 three percent annual rate. The total aggregate principal amount of bonds outstanding cannot exceed \$60 million. The current outstanding aggregate principal amount of bonds is \$28,287,496. This means that the Authority may issue up to \$31,712,504 in aggregate principal amount of additional bonds, which is \$60 million minus the aggregate principal amount of bonds outstanding.

The Authority has the right to prepay all or any portion of the outstanding principal amount without penalty. In the absence of any prepayment, and assuming that the Authority issues \$31,712,504 the total amount to be repaid by the Authority, would be \$31,712,504 plus any interest. 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 filings for the bonds and \$2,500 paid to special legal counsel the monthly bond issuance.

Assuming that the Authority issues the total available principal amount of \$31,712,504, the total amount of proceeds received by the Authority would be \$31,712,504 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.

### **Program Activity**

In 2018, Eighty-three (83) applicants signed contracts for a total requested amount of \$3.75 million dollars, including four (4) adjacent commercial properties for a large multi-tenant housing retrofit. This resulted in 11,016 metric tons of greenhouse gas reduced, over 46 jobs created or retained and 109 energy, water and, solar improvements financed.

Staff is currently drafting a five (5) year Program business plan so it may continue to grow and stay successful. Part of this process has included conducting a SWOT analysis to identify the Program's strengths, weaknesses, opportunities, and threats. The plan also updates the staffing, space and technology plans as well as creating a marketing plan to increase the Program volume. The Program's goal is to increase financing application levels and disbursed funding by 100% over the next five (5) years. Staff proposes to return to your Board within the next several months with further analysis of PACE trends and Program options for your Board to consider.

### **Potential Program Expansion**

Following the establishment of SCEIP in 2009, the State Legislature has adopted legislation authorizing seismic strengthening improvements and wildfire safety improvements to be financed through programs like the County's Program.

Under the Seismic Safety Finance Act, Section 5899 of the California Streets and Highways Code, which took effect on January 1, 2012, the State Legislature authorized the County to finance the installation of seismic strengthening improvements that are permanently fixed to residential, commercial, industrial, agricultural, or other real property.

Under the Wildfire Safety Finance Act, Section 5899.4 of the California Streets and Highways Code, which took effect on January 1, 2019 and is repealed on January 1, 2029, the State Legislature authorized the County to finance the installation of wildfire safety improvements that are permanently fixed to existing residential, commercial, industrial, agricultural, or other real property located within designated Very High Fire Hazard Severity Zones within the County.

Staff is analyzing the feasibility of expanding the Program to include these types of improvements, including, among other things, the specific types of seismic strengthening improvements and wildfire safety improvements that could be included as part of the Program, the designated areas of the County where financing these improvements would be authorized, the impacts on bonding from expanding the Program to include these improvements, and the procedural requirements and programmatic changes necessary to expand the Program. Authorizing the expansion of the SCEIP program requires the Board adopt a resolution following an approval process similar to that undertaken when the program was initially established. Staff are confirming the procedural steps necessary for program expansion and will return to the Board at a later date with a recommendation for the Board.

**Prior Board Actions:**

This is the regular semi-annual bonding and investment action. Most recent actions include:

9/18/18 - Sonoma County Energy Independence Program bond authorization and investment and interest rate determination.

3/13/18 - Sonoma County Energy Independence Program bond authorization and investment.

9/19/17 - Sonoma County Energy Independence Program bond authorization and investment and interest rate determination.

3/21/17 - Sonoma County Energy Independence Program bond authorization and investment.

9/27/16 - Sonoma County Energy Independence Program bond authorization and investment and interest rate determination.

3/8/16 - Sonoma County Energy Independence Program bond authorization and investment.

9/15/15 - Sonoma County Energy Independence Program bond authorization and investment and interest rate determination.

3/17/15 - Sonoma County Energy Independence Program bond authorization and investment.

9/23/14 - Sonoma County Energy Independence Program bond authorization and investment and interest rate determination.

3/25/14 - Sonoma County Energy Independence Program bond authorization and investment.

**FISCAL SUMMARY**

<b>Expenditures</b>	<b>FY 18-19 Adopted</b>	<b>FY19-20 Projected</b>	<b>FY 20-21 Projected</b>
Budgeted Expenses			
Additional Appropriation Requested			
<b>Total Expenditures</b>			
<b>Funding Sources</b>			
General Fund/WA GF			
State/Federal			
Fees/Other			
Use of Fund Balance			
Contingencies			
<b>Total Sources</b>			

**Narrative Explanation of Fiscal Impacts:**

There is no fiscal impact related to this item

**Staffing Impacts:**

Position Title (Payroll)	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:**

Attachment 1: Resolution authorizing the Public Financing Authority to issue and sell Sonoma County Energy Independence Program contractual assessment revenue bonds

Attachment 2: County Resolution Authorizing the Treasury to Invest in Sonoma County Energy Independence Program contractual assessment revenue bonds

Attachment 3: County Resolution consenting to Water Agency investment in Sonoma County Energy Independence Program contractual assessment revenue bonds

Attachment 4: Water Agency Resolution Authorizing the Water Agency Funds to Invest in Sonoma County Energy Independence Program contractual assessment revenue bonds

Attachment 5: County Resolution Approving Loan Agreements

Attachment 6: Program Update Presentation

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

None