



COUNTY OF SONOMA

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

SUMMARY REPORT

Agenda Date: 9/17/2019

To: Sonoma County Board of Supervisors

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: Caroline Judy, 707-565-8058; Erick Roeser, 707-565-3295

Vote Requirement: 4/5th

Supervisory District(s): All

Title:

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

Recommended Action:

- A) Acting as the County of Sonoma Board of Supervisors: Accept the Sonoma County Energy Independence Program update through fiscal year 2019.
- 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County Water Agency: Adopt resolutions withdrawing funds from the Sonoma County Treasury Pool, and authorizing the withdrawn funds to be invested in Sonoma County Energy Independence Program bonds as a long-term Water Agency investment.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, determination of the interest rate and loan of funds to the County, to fund the Sonoma County Energy Independence Program.
- F) Acting as the County of Sonoma Board of Supervisors: Adopt a resolution approving budget adjustment to the Auditor-Controller/Treasurer-Tax Collector FY 19/20 Budget in the amount of \$90,000, using available program fund balance, in order to increase marketing efforts. (4/5th Vote Required)

Executive Summary:

The Sonoma County Energy Independence Program has cumulatively funded \$81.4 million dollars in residential and commercial property improvements. There is currently \$31.7 million in funding accessible to property owners wanting to do energy efficiency, water conservation, renewable generation, and soon wildfire

safety and seismic improvements. The program has created or retained over 1,650 jobs to Sonoma County since inception. This program invests locally to directly improve properties and building stock within Sonoma County.

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.

In March 2019, 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 (\$45 million) or the Sonoma County Water Agency (\$15 million) for the purposes of the Sonoma County Energy Independence Program. This authorization expires on September 30th, 2019 and must be renewed in order for the program to continue.

The SCEIP program has been highly successful with property owners appropriately paying their SCEIP assessed tax obligations. The portfolio default rate is 0%, and the tax delinquency rate is 0.25%, which is lower than the average county tax delinquency rate.

Discussion:

On March 25, 2009, the Board of Supervisors established the Sonoma County Energy Independence Program ("Program"). With the Program's inception, staff 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 March 2019, 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 September 30, 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 \$28,310,500. This means that the Authority may issue up to \$31,689,500 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 the total amount of \$31,689,500 to be repaid by the Authority, would be \$31,689,500 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 \$31,689,500, the total amount of proceeds received by the Authority would be \$31,689,500 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

The Sonoma County Energy Independence Program is able to finance over 90 different building and house improvements specifically intended to reduce greenhouse gas emissions in Sonoma County. Results for the program through June 2019 are presented in the table below:

Funded Improvement Volume (#)			
Project Type	Residential	Commercial	Total
Energy	2,301	75	2376
Water	69	5	74
Generation	1,632	51	1683
Other	25	1	26
All	4,027	132	4,159

Program Expansion

Additionally, SCEIP is currently undertaking its first major expansion in the program's ten year history. This will result in our ability to include the financing of wildfire safety improvements and seismic strengthening improvements on our list of eligible measures. This expansion effort was approved by the Board in July 2019, and County Counsel is currently leading the validation action to expand the program to offer these improvements.

The wildfire safety improvements include the installation of fire-resistant roofing, siding, eaves, soffits, decks, windows, roof gutters and gutter enclosures, vents, and hardscaping. To qualify, these improvements must use equipment, systems, and technology that meet ignition-resistant, ember-resistant, or non-combustible

material ratings. Under state law, wildfire safety improvements must be fixed to an existing building or structure, and cannot be used as a part of a project to construct a new home or to rebuild or reconstruct a home that was destroyed or damaged in a fire. The seismic strengthening improvements include strengthening of cripple walls and sill plate anchorage of light, wood-framed buildings. Following a successful outcome of the validation action, both wildfire safety and seismic strengthening improvements will be eligible for SCEIP financing throughout the County.

Our work in developing this program expansion was done in consultation with the Office of Recovery and Resiliency (ORR) and Permit Sonoma's Fire Prevention Division. ORR has provided the Recovery Framework and fundraising efforts, Permit Sonoma has provided technical advice on the proposed measures and on current code requirements, the Energy and Sustainability Division implements the program and works directly with property owners, and ACTTC provides program oversight and handles all of the long-term financing arrangements.

In addition to providing this valuable financing service for local residents, another major partnership opportunity has presented itself in the form of the Hazard Mitigation Grant Program proposals submitted by ORR and Permit Sonoma. Proposals have been submitted to assist residents with identifying and installing wildfire and seismic construction hardening techniques. By combining outreach and marketing efforts between SCEIP's financing program and the HMGP efforts, we anticipate a great long-term partnership. Staff is also exploring ways to maximize use of the HMGP funds by allowing homeowners to coordinate grant monies received with PACE financing allowing them to pay down principal, in essence lowering the effective interest rate.

Staff is currently reaching out to the nine (9) incorporated cities to provide background materials, presentations, and draft resolutions for adoption at the local level. Following successful validation by the County, each of the incorporated cities will also need to adopt resolutions to authorize the expanded improvements within their individual jurisdictions. We have already met with representatives from several cities to initiate this process and will be scheduling additional meetings throughout September and October.

As part of the expansion efforts, staff have developed an expanded marketing and outreach campaign that will kick-off throughout the fall and ramp-up immediately following the successful validation action. Primary marketing targets include residential and non-residential property owners, local contractors, building professionals, elected officials, and building departments. Additional outreach targets also include realtors, lenders, appraisers, insurance companies, community groups, and local service organizations. Multiple marketing channels are being considered including radio, television, billboards, direct mailings, workshops, print and digital ads, and social media outreach.

Staff anticipates additional funds will be necessary to implement this expanded marketing campaign to educate the public about financing availability for wildfire safety and seismic strengthening improvements. Staff is requesting approval of a budget resolution for an additional \$90,000 from program fund balance for expanded marketing efforts. In consultation with the SCEIP Program Administrator, we are currently planning

to advance the expenditure of program funds to boost our marketing efforts in the short-term with the expectation of an increase in program revenue in future fiscal years. This strategy will allow the SCEIP program to move forward with short-term marketing efforts and to monitor increased financing applications to gauge public interest.

The Program's short-term fiscal sustainability is solvent and in good condition. In considering the longer-term fiscal solvency over the next five (5) years, the Program developed three (3) fiscal scenarios (conservative, moderately conservative and less conservative) in the SCEIP business plan. These scenarios consider various market factors and Program impacts. These factors include banking institutions willingness to lend money, mortgage refinancing, appetite for Program participation, and the amount of property owners paying off their assessments before full maturity - essentially using the SCEIP as a bridge financing. The scenarios reflect increased Program support towards marketing and outreach over the next two (2) years, coordination efforts with other agencies, and varying levels of new improvements including improvements related to construction hardening. The SCEIP business plan is a living document and will be revisited and updated as necessary or at a minimum of every 12 months. The Program's intention is to remain focused on the County goals associated to reducing carbon emissions, achieving local energy independence and building community resiliency while offering an excellent financing option to all eligible property owners within Sonoma County.

The SCEIP Business Plan will be provided to Board members off-agenda and made available on the General Services Energy and Sustainability website at

[<https://sonomacounty.ca.gov/General-Services/Energy-and-Sustainability/Financing-and-Rebates/>](https://sonomacounty.ca.gov/General-Services/Energy-and-Sustainability/Financing-and-Rebates/)

Prior Board Actions:

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

3/19/19 - Sonoma County Energy Independence Program Semi-Annual Bonding Authorization and Program Update

9/18/18 - Sonoma County Energy Independence Program Semi-Annual Bonding Authorization, Program Update, and Annual Interest Rate Determination

FISCAL SUMMARY

Expenditures	FY 19-20 Adopted	FY20-21 Projected	FY 21-22 Projected
Budgeted Expenses			
Additional Appropriation Requested	\$90,000	\$50,000	
Total Expenditures	\$90,000	\$50,000	
Funding Sources			
General Fund/WA GF			
State/Federal			

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Fees/Other			
Use of Fund Balance	\$90,000	\$50,000	
Contingencies			
Total Sources	\$90,000	\$50,000	

Narrative Explanation of Fiscal Impacts:

In consultation with the SCEIP Program Administrator, we are seeking to advance the expenditure of program funds from our existing SCEIP Fund Balance to boost our marketing efforts in the short-term with the expectation of an increase in program revenue in future fiscal years. This strategy will allow the SCEIP program to move forward with short-term marketing efforts and to monitor increased financing applications to gauge public interest as we move forward.

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:

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 - Authority Resolution Determining Interest Rates

Attachment 7 - County Resolution Determining Interest Rates

Attachment 8 - Powerpoint Presentation

Attachment 9 - Budget Resolution Authorizing the Use of Fund Balance and a Budget Adjustment to the FY2019-20 Sonoma County Energy Independence Program (SCEIP) Final Budget, in the Amount of \$90,000

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

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On File 1, Agreement 1 - Bond Purchase Agreement between the Treasury and Public Financing Authority to purchase Sonoma County Energy Independence Program contractual assessment revenue bonds

On File 2, Agreement 2 - Loan Agreement between the County and the Public Financing Authority

On File 3 - Business Plan for Sonoma County Energy Independence Program 2019-2023