



COUNTY OF SONOMA

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

SUMMARY REPORT

Agenda Date: 3/16/2021

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: Majority

Supervisory District(s): All

Title:

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

Recommended Action:

A) Acting as the County of Sonoma Board of Supervisors: Accept the Sonoma County Energy Independence Program update through calendar year 2020.

B) Acting as the County of Sonoma Board of Supervisors: Approve revisions to the Program Report and Administrative Guidelines, including a delegation of authority to the Program Administrator to waive specific eligibility requirements or program procedures on a case-by-case basis so long as any such waiver is consistent with applicable law and furthers the purposes of SCEIP.

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, to fund the Sonoma County Energy Independence Program.

D) 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.

E) 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County Water Agency: Adopt resolutions withdrawing funds from the Sonoma County Treasury Pool, and authorizing the withdrawn funds to be invested in Sonoma County Energy Independence Program bonds as a long-term Water Agency investment.

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, determination of the interest rate and loan of funds to the County, to fund the Sonoma County Energy Independence Program.

Executive Summary:

As of December 31, 2020, the Sonoma County Energy Independence Program ("Program") has cumulatively funded \$83.6 million dollars in residential and commercial property improvements. Through the installation of building improvements, the County has eliminated over 100,000 metric tons of carbon dioxide, and created or retained over 1,673 jobs.

In 2020, the Program processed over 100 applications and \$3,464,875 in requested financing. The improvements financed resulted in the elimination of over 281 metric tons of carbon dioxide, or the equivalent of removing 61 cars off the road. The Program has \$35.5 million in funding accessible to property owners wanting to do energy efficiency, water conservation, renewable generation, wildfire safety, and seismic strengthening improvements. This Program invests locally to directly improve properties and building stock within Sonoma County.

With your Board's last action in July 2020, bonds were authorized and 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 (Sonoma Water) (\$15 million) for the purposes of the Sonoma County Energy Independence Program. This authorization expires on March 31, 2021 and must be renewed in order for the Program to continue.

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, 2021 through September 30, 2021. With the approval of these agreements, your Board ensures the continuance of an alternative financing mechanism that allows property owners to install improvements that may lead to the reduction of greenhouse gas emissions through the built environment, make buildings healthier, more durable and resilient to natural disasters. This aligns with the Climate Action and Resiliency Pillar in the County's 5-year Strategic Plan. Specifically, the goal of Investing in the community to enhance resiliency and become carbon neutral by 2030.

Discussion:

On March 25, 2009, the Board of Supervisors established the Sonoma County Energy Independence Program (the "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 Sonoma Water (\$15 million) collectively. In July 2020 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, 2021 and must be renewed in order for the Program to continue.

Fiscal Impact

Under the Program, the Sonoma County Public Finance Authority (“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 1.99 percent annual rate. The total aggregate principal amount of bonds outstanding cannot exceed \$60 million. The current outstanding aggregate principal amount of bonds is \$24,479,930. This means that the Authority may issue up to \$35,520,070 in aggregate principal amount of additional bonds, which is \$60 million minus the aggregate principal amount of bonds outstanding.

Assuming that the Authority issues the total available principal amount of \$35,520,070, 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.

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 outside legal counsel for the monthly bond issuance.

Program Activity

The Sonoma County Energy Independence Program is able to finance over 100 different building and home improvements specifically intended to reduce greenhouse gas emissions, harden structures to become more resilient towards natural disasters, and create and/or maintain jobs in Sonoma County.

Program Expansion, Reduced Interest Rate and Outreach Efforts

In March 2020, the interruption due to the shelter-in-place forced staff to re-evaluate and create a new strategy based on how people are receiving information. This new strategy utilized targeted digital campaigns, online advertising, increased outreach to contractors along with a comprehensive, all virtual educational workshop series. After assessing the potential to utilize Hazard Mitigation Program (HMP) grant funds to potentially “buy down” the interest rate of the Energy Independence Program, it was determined not possible due to the restrictions of the grant. Instead, the Program evaluated the current interest rate market and in July 2020 with Board of Supervisors approval, implemented an interest rate reduction from 7.00% to 5.99% program-wide. By mid-November, all nine cities along with the County passed

resolutions, allowing property owners to use the financing for wildfire safety and seismic improvements. Energy Independence staff and Permit Sonoma's HMP staff are actively working together to promote both the incentive funding that will be available to eligible private property owners and the SCEIP financing. The implementation for the HMP incentive is in process and part of the phase II rollout following the completion of the phase 1 defensible space and structural assessments.

Some of the program expansion successes and highlights include:

- Financed 102 applications, up 38% over 2019 applications.
- Completed and funded nine wildfire safety projects with several more in the application pipeline.
- Transitioned from in-person to all virtual workshops covering several topics. We presented 14 workshops, an increase of over 40% over 2019.
- We received 664 workshop/training registrations, an increase of 152% over 2019.
- Updated outreach and marketing materials and created wildfire safety and seismic strengthening information
- Issued monthly electronic contractor newsletter

Update to Program Report and Administrative Guidelines

Finally, we are requesting your Board approve updates to the Program Report and Administrative Guidelines. These updates include modifications to reflect current legal requirements, as well as a delegation of authority to the Program Administrator to, in consultation with the SCEIP Steering Committee and County Counsel, waive specific eligibility requirements or program procedures on a case-by-case basis so long as any such waiver is consistent with applicable law and furthers the purposes of SCEIP. This will allow flexibility in the Program to accommodate extenuating circumstances when they arise.

On rare occasion, the Program encounters a situation with an application where the particulars associated with it does not meet Program policies (i.e. our local bid requirement states that any applicant must have a local bid for the proposed improvements. They have the ability to choose which contractor to do the work but they must obtain at least one local bid, as defined by the Program.) We recently had a situation where an applicant obtained a bid from a contractor located in Napa County to do a comprehensive energy efficiency project and when they tried to solicit a local bid (within Sonoma County), the two contractors they contacted were too busy to accommodate the request in a reasonable time frame for their schedule. In this scenario, the Program Administrator, in consultation with the Steering Committee and Counsel, could waive the local bid requirement without having to bring it to your Board for approval.

Prior Board Actions:

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

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 20-21 Adopted	FY21-22 Projected	FY 22-23 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:

The interest payments made on the assessments are split between providing an economic return to the Treasury Pool (1.99%) for the purchase of the bonds and to the Program Fund for operations (4.00%). No general fund dollars are utilized in this Program.

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: Program Administrative Guidelines
- Attachment 7: PowerPoint Presentation

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