



COUNTY OF SONOMA

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

SUMMARY REPORT

Agenda Date: 9/21/2021

To: Sonoma County Board of Supervisors

Department or Agency Name(s): General Services, Auditor-Controller/Treasurer-Tax Collector, Sonoma Water, 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, 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 2021.
- 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of Sonoma Water: Adopt resolutions withdrawing funds from the Sonoma County Treasury Pool, and authorizing the withdrawn funds to be invested in Sonoma County Energy Independence Program bonds as a long-term Sonoma Water investment.
- 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.

Executive Summary:

Sonoma County Energy Independence Program (the "Program") staff is requesting authorization to issue bonds and enter into related financing agreements to continue the Program for the period of October 1, 2021 through March 31, 2022. We are also recommending the Program interest rate remain at the same 5.99% rate through September 2, 2022.

With your Board's last action in March 2021, 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 Water (\$15 million) for the purposes of the Program. This authorization expires on September 30th, 2021 and must be renewed in order for the Program to continue.

There is currently \$23.36 million in outstanding bonds and \$36.64 million in funding accessible to property owners wanting to do energy efficiency, water conservation, renewable generation, wildfire safety, and seismic strengthening improvements.

As of June 30, 2021, the Program has cumulatively funded \$84,176,332 in residential and commercial property improvements with \$4,295,891 disbursed in fiscal year 2020/21. Based on the job formula from the American Council for an Energy-Efficient Economy, "How Does Energy Efficiency Create Jobs?" fact sheet, the program has cumulatively created and/or retained 1,683.5 jobs and eliminated over 114,464 metric tons of carbon dioxide since its inception.

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 which include the required semi-annual bond issuance authorization.

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 March 2021, 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 September 30, 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 \$23,356,352. This means that the Authority may issue up to \$36,643,648 in aggregate principal amount of additional bonds.

Assuming that the Authority issues the total available principal amount of \$36,643,648, 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 required filings for the bonds and \$1,750 paid to outside legal counsel for the monthly bond issuance.

The Program has experienced an average of 13% in assessment prepayments over the last five years. This is in addition to the regular principal debt service payments. The majority of these prepayments are associated with property owners refinancing their homes. Lenders require assessments to be paid off or “rolled into” the new mortgage. This adversely affects the Program’s share assessment interest revenue, which is necessary to fund Program operations. While home equity values remain high and mortgage interest rates remain at an all-time low, the volume of refinance transactions/payoffs are expected to continue at or above the 13% annual average rate. The Program increased its new disbursements by 101% of last fiscal year, however the early payoffs of Program assessments are outpacing new bond issuances. The pool of outstanding bonds must remain around \$30 million or more to generate Program revenue sufficient to fund ongoing operations. Due to the volume of early payoffs, it has been necessary to use of cash and retained earnings balances to partially fund operations. If this trend continues, it will adversely impact the Program’s long-term viability. Program staff will continue closely to monitor Program activity and provide status updates and recommendations to your Board.

Program Activity

The Program invests locally to directly improve properties and building stock within Sonoma County. During fiscal year 2020/21, the Program bonded \$4,295,891 in residential and commercial property assessments. This represents a 101% increase in disbursements and an 83.6% increase in applications over fiscal year 2019/20. As a result, there were 86 jobs created or retained in Sonoma County last year.

We attribute the Program’s increased participation due to several factors. The Program interest rate reduction from 7.00% to 5.99%, Program expansion was implemented to include construction hardening improvements for resiliency, Program staff increased outreach and education efforts towards contractors and property owners, and an increased number of property owners teleworking over this last year had the time to make the decision to invest in their homes. At the beginning of fiscal year 2020/21, the Program set a goal to increase applications by 30%. We successfully met this goal and are currently working to evaluate trends, market data, and budget expenditures/revenues and payoff activity to ensure there are appropriate Program fund dollars to sustain operations over in future years.

The table below represents the last five years in Program activity.

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

The Program is able to finance 125 different 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. Over this last fiscal year, the Program saw a significant interest in property owners financing wildfire safety improvements along with energy storage systems. In addition, the improvements financed resulted in the elimination of over 435 metric tons of carbon dioxide, or the equivalent of removing 94.5 cars off the road.

Resiliency and Storage Back Up Systems Financed	
Improvement Type	# of Improvements Financed
Energy Storage Systems	23
Siding	1
Roofs	31
Gutters	18
Eaves/Vents	4
Decks	1

The Program has also been highly successful with property owners paying their property assessed tax obligations. Of the \$44,093,452 in billed property taxes (26,678 installments), only \$59,483 (32 installments) is outstanding, equating to a 0.13% tax delinquency rate. The portfolio default rate remains at 0% over the history of the Program.

Outreach and Education Efforts

- Staff provided 320 no-cost consultations, averaging 6.4/week. Topics included financing, resilient/construction hardening, and solar.
- Staff provided 25 virtual workshops with 801 registrants covering a wide array of topics related to the services and resources we offer.
- Staff on-boarded 20 new participating contractors to the Program.
- Staff hosted 2 contractor outreach events with over 90 attendees.

Prior Board Actions:

- 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
- 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

FISCAL SUMMARY

Expenditures	FY 21-22 Adopted	FY22-23 Projected	FY 23-24 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 direct fiscal impacts related to this item. 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 Approving Loan Agreements
- Attachment 4: Sonoma Water Resolution Authorizing Sonoma Water Funds to Invest in Sonoma County Energy Independence Program contractual assessment revenue bonds
- Attachment 5: County Resolution consenting to Sonoma Water investment in Sonoma County Energy Independence Program contractual assessment revenue bonds Attachment 6: Authority Resolution Determining Interest Rates
- Attachment 7: County Resolution Determining Interest Rates
- Attachment 8: 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