

December 8, 2009

Board of Supervisors
County of Ventura
800 South Victoria Avenue
Ventura, CA 93009

SUBJECT: Update on AB 811- Participation in CaliforniaFIRST Pilot Program and Approval of a Resolution Authorizing Sacramento County to Apply for SEP Funds from the CEC on the County's Behalf

RECOMMENDATIONS:

It is recommended that your Board:

1. Receive the following report on AB 811 options and alternatives, concurring with staff's pursuit of participating in the California First Program;
2. Approve the attached resolution (Exhibit 1) authorizing Sacramento County to apply for State Energy Program Grant Funds from the California Energy Commission on the County's behalf and;
3. Return with the necessary resolution at a public hearing before January 18, 2010 to initiate the County's participation in the California First program.

FISCAL/MANDATES IMPACT:

Approval of the recommendations contained in this Board letter does not result in any fiscal impacts.

Background:

On August 11, 2009 your Board directed our office to continue to monitor progress of, and availability for, participation in either the proposed AB 811 program under development by Santa Barbara County that might be expanded to the tri-County region, or the statewide program being developed by California Communities. Over the intervening months staff has formulated a recommendation to pursue participation in California Communities' AB 811 program. Given the short timeframes for doing so, certain non-binding actions already have been undertaken by the County and all of our cities to ensure continued access to this program. The following report summarizes the California Communities' program and the current status of our efforts.

CaliforniaFIRST Program:

California Communities is a joint powers authority sponsored by California State Association of Counties and the League of California Cities. The member agencies of California Communities include all 58 counties and more than 400 other local agencies throughout California, including all 10 of our incorporated cities.

The CaliforniaFIRST AB 811 Program is being instituted by California Communities to allow owners of property in participating cities and counties to finance renewable energy, energy efficiency, and water efficiency improvements on their property. If a property owner chooses to participate, the improvements would be financed by the issuance of bonds by California Communities who then levies contractual assessments on the owner's property to repay the loan they issue to finance those improvements. California Communities has selected Renewable Funding LLC and Royal Bank of Canada Capital Markets to provide administration and financing for the program.

The contractual assessment proceedings will be undertaken by California Communities pursuant to Chapter 29 of Division 7 of the Streets & Highways Code, which was amended in 2008 by Assembly Bill 811 and further amended in 2009 by Assembly Bill 474, to allow the financing of renewable energy, energy efficiency, and water efficiency improvements on private property. Pursuant to Chapter 29, assessments may be levied to finance renewable energy, energy efficiency, and water efficiency improvements only with the free and willing consent of the owner of each lot or parcel on which an assessment is levied at the time the assessment is levied, and if property owners evidence their consent to the assessments by executing a contract with California Communities.

The benefits to the property owner include:

- Only property owners who choose to participate in the program will have assessments imposed on their property.
- In today's economic environment, there may not be attractive private enterprise alternatives for property owners to finance renewable energy/energy efficiency/water efficiency improvements.
- Even if there were private enterprise alternatives, most private loans are due on sale of the benefited property, which makes it difficult for property owners to match the life of the repayment obligation with the useful life of the financed improvements. Under the CaliforniaFIRST Program, the assessment obligation will transfer with the property upon sale.
- The property owner can choose to pay off the assessments at any time after paying an administrative fee to do so.

- By virtue of regional aggregation provided by the CaliforniaFIRST Program, small projects, both residential and commercial, can have access to the municipal bond market, which may produce a lower borrowing cost.

The benefits to the County of Ventura include:

- As in conventional assessment financing, the County is not obligated to repay the bonds issued by California Communities or to pay the assessments levied on the participating properties.
- California Communities handles all assessment administration, bond issuance and bond administration functions. Participating jurisdictions can provide financing of renewable energy, energy efficiency, and water efficiency improvements to property owners through the CaliforniaFIRST Program, thereby meeting political and environmental goals, while taking advantage of the expertise and experience of those administering the program with little to no impact on local staff.

State Energy Program – California Energy Commission Grant

Jurisdictions joining the CaliforniaFIRST during the pilot phase of the program will be part of a California Energy Commission (CEC) State Energy Program (SEP) grant to cover setup and administrative costs on behalf of the 14 counties and participating cities. The estimated \$16.5 million grant application, sponsored by Sacramento County, will also request funds to write-down the interest rate on the taxable bond issuance, cover program setup fees including judicial validation, web portal development and program management, and provide some funding for counties to cover coordination with the grantee and local marketing efforts. Thus, provided that the CEC grant is awarded, there will be no out-of-pocket costs for joining the CaliforniaFIRST program during its pilot phase and, if the grant is not awarded, no obligation to participate in the program. The organizational structure for the SEP grant is outlined in Exhibit 2.

The CEC SEP grant is expected to include approximately \$6 million to pay for county/city costs to participate in the pilot program and to buy down interest rates for the loans to the property owners. Approximately \$2 million will be for grant/contract administration and steering committee costs. Finally, approximately \$8.5 million will go to the various counties for regional program coordination and marketing, of which \$575,000 will come to Ventura County to be split between the County Executive Office (administrative duties) and Ventura County Regional Energy Alliance (VCREA) who is considered the best qualified to coordinate the local marketing strategy. The establishment of revenue and appropriations, along with a contract with VCREA for local marketing and with Sacramento County for SEP funds, will come to your Board at a future meeting once the mechanics of this arrangement are developed.

Actions to Date and Next Steps:

In order to secure access to the pilot program, counties and their participating cities were required to submit letters of commitment for inclusion in the CEC SEP application. The County's letter, attached as Exhibit 3, along with those from all 10 cities were submitted by the November 20 deadline.

We are now presenting, for your consideration and approval, a resolution (Exhibit 1) authorizing Sacramento County to apply for the SEP grant funds on our behalf. We will be returning to your Board, before January 18th, with one final resolution at a public hearing where the County Board of Supervisors will authorize CaliforniaFIRST to undertake those actions necessary to establish the Assessment District within the unincorporated area. Each of our cities will likewise need to undertake this final step in order to be a part of this pilot program.

Due to timing considerations, these resolutions must be passed before SEP awards are announced. In the unlikely event that the SEP application is not awarded, jurisdictions have the option of paying their share of costs to pursue judicial validation and assessment district creation provided that the County elects to pursue participation. The cost to the County would be about \$15,000. It is anticipated that the CEC will announce SEP application awards by mid-February 2010, after which CaliforniaFIRST will initiate Assessment District establishment in participating jurisdictions. With judicial validation expected to take a minimum of three months, the program's launch in Ventura County is anticipated for sometime during mid- to late summer of 2010.

If you have any questions regarding this item, please contact Christy Madden, Deputy Executive Officer, at 654-2679.

Sincerely,



Marty Robinson
County Executive Officer

Attachments:

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| Exhibit 1 | Resolution Authorizing Sacramento County to apply for SEP funds from the CEC |
| Exhibit 2 | Organization Structure Chart for Sacramento County CEC SEP Application |
| Exhibit 3 | County of Ventura Letter of Commitment |