

**COUNTY OF SONOMA
AGENDA ITEM
SUMMARY REPORT**

Clerk of the Board Use Only
Meeting Date **Held Until**
 ___/___/___ ___/___/___
Agenda Item No: **Agenda Item No:**
 _____ _____

Department: Auditor-Controller/Treasurer-Tax Collector

4/5 Vote Required

Contact:
Rod Dole

Phone:
(707) 565-3287

Board Date:
4/21/09

Deadline for Board Action:
4/21/09

AGENDA SHORT TITLE:
Sonoma County Energy Independence Program (SCEIP) Bond Funding and Implementation

REQUESTED BOARD ACTION:

See following page

CURRENT FISCAL YEAR FINANCIAL IMPACT

EXPENDITURES

Estimated Cost \$1,000,000

Amount Budgeted

**Other Avail Approp
(Explain below)**

Additional Requested:

ADD'L FUNDS REQUIRING BOARD APPROVAL

**Contingencies
(Fund Name:)**

Unanticipated Revenue \$1,000,000
(Source:) See Background

**Other Transfer(s)
(Source:)**

Add'l Funds Requested:

Explanation (if required): We are requesting appropriation of \$1,000,000 in an enterprise fund structure to fund operations of the SCEIP. This appropriation is intended to fund the fiscal year 2008-09 and 2009-2010 and the unused portion will be rolled forward to fiscal year 2009-2010.

Prior Board Action(s): 7/8/08 – Establishment of the Regional Climate Protection Coordination Plan; 9/16/08 – Direction to explore a potential AB 811 program; 2/3/09 – AB 811 Feasibility Workshop; 3/3/09 – Adoption of the AB 811 Resolution of Intention; 3/24/09 - AB 811 Public Hearing; 3/25/09 - Adoption of the Sonoma County Energy Independence Program.

Alternatives - Results of Non-Approval: The County would be unable to fund assessment applications currently in progress and the SCEIP would cease operations.

1. Adopt a resolution authorizing the establishment of a county enterprise fund for the Sonoma County Energy Independence Program, approving as to form and authorizing the execution and delivery of loan agreements in connection with the sale and issuance by the Sonoma County Public Financing Authority of its Energy Independence Program, contractual assessment revenue bonds (taxable), and authorizing certain other matters related thereto;
2. Adopt a resolution of the governing board of the Sonoma County Public Financing Authority providing for the issuance and sale of contractual assessment revenue bonds in an aggregate principal amount not to exceed forty-five million dollars (\$45,000,000), approving as to form and authorizing the execution and delivery of loan agreements and bond purchase agreements in connection therewith, and authorizing certain other matters relating thereto;
3. Adopt a resolution of the County of Sonoma, California, Authorizing the Sonoma County Treasurer, on behalf of the Sonoma County Pooled Investment Fund, to invest in and purchase the Sonoma County Public Financing Authority's Sonoma County Energy Independence Program, Contractual Assessment Revenue Bonds (taxable); approving as to form and authorizing the execution and delivery of bond purchase agreements in connection therewith; and authorizing certain other matters relating thereto;
4. Adopt a resolution authorizing Auditor-Controller-Treasurer-Tax Collector acting as Program Administrator, to initially fund the expenses of the Sonoma County Energy Independence Program utilizing funds from de-allocated bond proceeds held in the Sonoma County Tobacco Endowment in an amount not to exceed \$1 million dollars (\$1,000,000), and further authorizing the Auditor-Controller-Treasurer-Tax Collector to process all related accounting and budgetary adjustments (4/5 vote required);

Background:

On March 3, 2009, the Board of Supervisors adopted a Resolution of Intention to establish an Energy Independence (AB 811) program. On March 24, 2009 the Board of Supervisors commenced a Public Hearing which concluded on March 25, 2009, and thereafter approved implementation of the Sonoma County Energy Independence Program (SCEIP or Program). Since that time the storefront has been actively accepting and processing applications from interested property owners. As of 4/7/09, the program has accepted 12 completed applications for a total of \$746,000 in project funding. In addition, we've received many more inquiries. Since we last reported to your board, the cities of Sonoma and Sebastopol have joined the Program, and we expect an increase in application volume as a result. All other cities are scheduled to join the Program by early May. As other cities opt into the program we anticipate the level of participation will continue to increase.

Now that the Program is fully active, we expect the first wave of financing will take place on either May 1st or June 1st, 2009. In order to finance the assessments, the Sonoma County Public Financing Authority (PFA), a joint powers agency that was formed to assist the County in financing capital improvements, will issue bonds in 5, 10 and 20 year terms which will be initially purchased by the Sonoma County Pooled Investment Fund (the "Treasury"). The PFA will loan the proceeds from the sale of the bonds to the SCEIP to fund the assessments for property owners. Due to the fact that some of the bonds carry a final maturity in excess of 5 years, Government Code section 53601 requires the Board's approval to allow the Treasurer to make these dedicated investments. Initially, we are requesting approval for bonds to be issued in an amount not to exceed \$45 million during the months of May, June and July. In the future, we will return to your Board for bonding authorization requests in 3 month intervals. The \$45 million limit reflects the total commitment of funding from the Treasury to invest in these assessment bonds, and as future bonds are issued the amount of the requested authorization will decrease by the amount of the outstanding bonds already issued. The resolution authorizing the issuance of the bonds also provides the authority for establishing the accounting and budget structure for the bonds, the loan to the SCEIP, and the assessments to property owners. Typically, these accounts would be held by an outside fiscal agent. However, to keep Program costs down we are acting as our own fiscal agent.

In order to run the SCEIP, the Program Administrator is requesting initial funding to support operations until such time as the SCEIP becomes self supporting. In order to fund these start-up costs, we are requesting that \$1 million be made available from the Sonoma County Tobacco Endowment fund (the "Endowment"). The operational expenses of the SCEIP include the costs associated with marketing, legal fees, storefront operations, and staffing costs related to the financial and accounting structure of the program. The feasibility report anticipated negative cash flow for a period of time for this program, and therefore a need for up-front cash to fund initial program operations until revenues from the program assessments covered these costs. Initially it was anticipated the Treasury could fund these up front costs. However, it was later determined that the Treasury could not fund these costs due to unforeseen legal and bonding requirements.

We propose to draw on the \$1 million as needed to fund SCEIP expenses, for the remainder of fiscal year 2008-2009 and for fiscal year 2009-2010, and begin repayment to the Endowment with interest at 3%, which approximately reflects the current pooled interest rate plus .75% for administrative expenses. Revenue will begin to offset the need for drawing down this line of credit and based upon a cash flow analysis that assumes \$10 million in annual assessment participation, the SCEIP will break even by approximately November 2011.

We are also requesting the Auditor-Controller-Treasurer-Tax Collector as Program Administrator be authorized to establish the program budget as an enterprise fund structure, set up the required accounting structure to accommodate the bonding structure and operations of the Program, and the ability to move appropriations between program budget areas as needed. This flexibility is necessary due to the newness of the Program and the changing environment associated with creating an unprecedented program. As highlighted in the feasibility report, there is a risk that the volume of assessments will be lower than the projected \$10 million, in which case the Program will either be slower to repay the Endowment.

As outlined in the Feasibility Report, previously submitted to this Board, the worst case scenario is the Program does not generate sufficient revenues to sustain the Program and we have to shut the storefront and hold the outstanding bonds in the Treasury. In that case, the repayment to the Endowment would be prolonged, and potentially may not ever be repaid.

Requested Action:

1. Adopt a resolution authorizing the establishment of a county enterprise fund for the Sonoma County Energy Independence Program, approving as to form and authorizing the execution and delivery of loan agreements in connection with the sale and issuance by the Sonoma County Public Financing Authority of its Energy Independence Program, contractual assessment revenue bonds (taxable), and authorizing certain other matters related thereto;
2. Adopt a resolution of the governing board of the Sonoma County Public Financing Authority providing for the issuance and sale of contractual assessment revenue bonds in an aggregate principal amount not to exceed forty-five million dollars (\$45,000,000), approving as to form and authorizing the execution and delivery of loan agreements and bond purchase agreements in connection therewith, and authorizing certain other matters relating thereto;
3. Adopt a resolution of the County of Sonoma, California, Authorizing the Sonoma County Treasurer, on behalf of the Sonoma County Pooled Investment Fund, to invest in and purchase the Sonoma County Public Financing Authority's Sonoma County Energy Independence Program, Contractual Assessment Revenue Bonds (taxable); approving as to form and authorizing the execution and delivery of bond purchase agreements in connection therewith; and authorizing certain other matters relating thereto;
4. Adopt a resolution authorizing Auditor-Controller-Treasurer-Tax Collector acting as Program Administrator, to initially fund the expenses of the Sonoma County Energy Independence Program utilizing funds from de-allocated bond proceeds held in the Sonoma County Tobacco Endowment in an amount not to exceed \$1 million dollars (\$1,000,000), and further authorizing the Auditor-Controller-Treasurer-Tax Collector to process all related accounting and budgetary adjustments (4/5 vote required);

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Attachments:

- A) County Resolution Approving Loan Agreement
- B) Sonoma County Public Financing Authority Bond Resolution
- C) County Resolution Authorizing Treasury Pool Purchase Approval
- D) County Resolution Authorizing the use of de-allocated Tobacco Endowment Funds

On File With Clerk:

- A) Draft Form of the County Loan Agreement
- B) Draft form of the Bond Purchase Agreement

CLERK OF THE BOARD USE ONLY

Board Action (If other than "Requested")

Vote:
