

County Of Sonoma Agenda Item Summary Report

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

Department: General Services Department

4/5 Vote Not Required

Contact:
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Board Date:
 8/18/2009

Deadline for Board Action:
 8/18/2009

AGENDA SHORT TITLE: Financing application for proposed Los Guilicos 600kW Photovoltaic and Sonoma Valley Substation 12kW Photovoltaic Projects

REQUESTED BOARD ACTION:

Authorize and ratify filing of an application to the Internal Revenue Services ("I.R.S.") Department on behalf of the County for authorization of the issuance of Clean Renewable Energy Bonds ("CREBs") for the Proposed Los Guilicos 600kW Photovoltaic Project and the Proposed Sonoma Valley Substation 12kW Photovoltaic ("P.V.") Project.

Adopt a Resolution authorizing the Director of General Services, after consultation with County Counsel and the Sonoma County Auditor-Controller-Treasurer-Tax Collector (A.C.T.T.C.), to file future applications on behalf of the County for funding opportunities relating to Energy Efficiency, Sustainability, Renewable Energy, and Climate Protection projects and programs.

Direct the Director of General Services or his designee to report back to the Board on any application filed on behalf of the County for Energy Efficiency, Sustainability, Renewable Energy, and Climate Change indicating the purpose of the filing, the benefits to be attained and the relationship such funds have to County initiatives, programs and strategic goals.

CURRENT FISCAL YEAR FINANCIAL IMPACT

<u>EXPENDITURES:</u>	<u>ADDITIONAL FUNDS REQUIRING BOARD APPROVAL:</u>	
Estimated Cost	\$0	Contingencies \$0
		(Fund Name:)
Amount Budgeted	\$0	Unanticipated Revenue \$0
		(Source:)
Other Available Appropriations	\$0	Other Transfers \$0
(Explain Below)		(Source:)
Additional Requested	\$0	Additional Funds Requested \$0

Explanation (if required): None.

Prior Board Action:

6-16-2009 - Adopt a Resolution authorizing the Director of General Services Department to submit a list of candidate projects in pursuit of formula funding under the Energy Efficiency Conservation Block Grant.
 Grant (E.E.C.B.G.) program pursuant to the American Recovery and Reinvestment Act of 2009 (A.R.R.A.).

Alternatives – Results of Non-Approval:

The County would not have the benefit of utilizing the CREBs vehicle to provide low interest renewable energy project financing.

Background:

The County of Sonoma has committed to achieving energy use and greenhouse gas (“G.H.G.”) emissions reductions by optimizing internal operations and by developing and promoting regional initiatives with partner cities and agencies. To facilitate the management of all these efforts and to attain the goals established by your Board relative to energy and green house gas reductions, the General Services Department assigned the Energy and Sustainability Division the role and responsibility of seeking, procuring and utilizing grant and financing opportunities available from by State and Federal agencies and programs. In this role, the Energy and Sustainability Division and our Architecture Division have utilized the Department’s Energy Services Company (“ESCO”) contractor, Aircon Energy, to investigate available opportunities to install clean generation projects and the Department has identified two such potential projects, one at the Los Guilicos campus and one at the Sonoma Valley Substation. The key to moving forward on both of these opportunities is the availability and accessibility of Clean Renewable Energy Bonds to finance the cost of the projects.

To access CREBs bonds, a government agency needs to apply and the application requires the signature of person able to commit the County to the process. CREBs applications require certain elements and information; for example, you need to have an engineer sign off on the project, you need to have a proposed project scope, size, and cost estimate, etc.

California Renewable Energy Bonds (CREBs)

The CREBs program is a low cost method of raising capital required for construction of clean energy projects. The County has applied for CREBs in the past and General Services has routinely examined the use of such bonds in seeking energy project funding. Authorization to use CREBs must be applied for and approved by the I.R.S. The total CREBs program and the amount of CREBs funding available is limited and projects are approved starting with the smallest and moving to larger, as long as there is financing capacity. The CREBs program limits funding to \$3.5M per project and due to the limited availability, authorization in terms of the size of the bonds previously allocated average around \$1.5 M. The incentive to bond buyers is that the purchaser of the bond gets tax credits in the amount of 7%. The user of the bonds gets 97.5% of the requested amount. Term of the financing is 15 years, meaning that projects that use such funds normally must be paid within a 15 year period. This is key in that most agencies using CREBs financing utilize reduced utility costs to cover the debt liability.

In the current environment and driven by new and higher level of interest to use CREBs in connection with the American Recovery and Reinvestment Act (A.R.R.A.) initiatives, applications to seek and reserve the use of CREBs needed to be submitted and postmarked by August 4th, 2009. The Director of General Services and Energy and Sustainability manager, with direction from County Counsel and A.C.T.T.C., made immediate preparations to prepare and submit the applications. To ensure preservation of the opportunity for the County to utilize this financing option, the Acting County Administrator signed applications for CREBs bond authorization for the two solar projects previously noted. The submission of the application for authorization to use CREBs does not bind the County to issuance of bonds pursuant to a successful application, nor does it require construction of the project for which the application is made. The County reserves the right to make those decisions based on the final bids and the financial analysis performed on the actual proposals received. The Department is requesting the Board to authorize and ratify the filing of these applications as it will position the County to exercise the use of CREBs if the final assessments of the projects are favorable. Staff will return to your Board and request authority to enter into the implementation contract and for the authority to utilize CREBs financing at the same time.

Future Funding Opportunities

As a reflection of the dynamic funding environment that has developed around green initiatives since the passage of the A.R.R.A. initiative, it has become increasing apparent that pre-cursor actions and pre-applications to secure grant and other financing funds offered through federal and state government, and other programs, will continue to present themselves with very short time frames and immediate response turnaround times. To be able to adequately take advantage of these opportunities and to streamline our processes relative to authorization, the General Services Director requests delegated authority to file future applications on behalf of the County for funding opportunities relating to Energy Efficiency, Sustainability, Renewable Energy, and Climate Protection projects and programs. This authorization would be limited to such actions that do not bind the County fiscally nor obligate the County to create new programs that have a need for new or expanded County resources.

Potential Application of CREB Financing

Los Guilicos Solar Project -The Los Guilicos Solar project calls for a 600kW photovoltaic system that would provide a reliable renewable energy source that would provide a significant amount of the electricity required for the buildings on the Los Guilicos campus. To validate the proposal as developed by the ESCO contractor, staff has conducted a third party review of the project work scope, technology, and performance. The peer review confirmed that the project, if installed, would reduce the amount of electricity that would need to be purchased from Pacific Gas and Electric Company (“PG&E”) and reduce the carbon footprint of the campus. The project would promote our goal of making the Los Guilicos campus into an example of a self reliant energy island with a minimal carbon footprint and support our plan to use this strategic location to demonstrate the County’s commitment to meet its energy and G.H.G. gas reduction goals. The proposed project funding strategy is as follows:

The total cost of the Los Guilicos solar project is estimated to be \$3,750,000 and no new funding is required for implementation. The funding strategy includes the use of \$400,000 of the anticipated \$1,900,000 in grant funds from the Federal Energy Efficiency Conservation Block Grants (“E.E.C.B.G.”) your Board approved on June 16, 2009, and application of the \$481,000 in mitigation funding previously approved by your Board in the FY 2009/10 Capital Budget to mitigate the green house gas emissions attributed to the Valley of the Moon Children’s Home, Phase III Project. The original strategy was to use the mitigation funding to “buy” offsetting carbon credits to account for the green house impacts attributed to this project; however, a redirection in strategy is being proposed. Staff is recommending that the mitigation funds be applied locally by way of the proposed Los Guilicos solar project. This will allow us to not only mitigate the Children’s Home G.H.G. emission issue, thereby safeguarding our efforts to get Gold Level – LEED (“Leadership in Energy and Environmental Design”) certification for this new facility, it will also provide a means to reduce energy cost on the Los Guilicos campus in whole and promote our efforts to make the total campus energy self sufficient and carbon neutral. The balance of the cost for the Los Guilicos Solar Project would be financed using tax-exempt CREBs coupled with the use of a low interest lease-purchase agreement. The strategy is to leverage grant and mitigation funding with low cost financing, facilitating the use of the energy savings to pay for the debt service incurred. A performance review of the initial project proposal as developed by the ESCO supports this strategy and will be reexamined upon submittal of the formal contract proposal.

Sheriff Sonoma Sub-Station

General Services has also identified a potential P.V. project at the Sheriff’s Sonoma Valley Substation. Taking advantage of a free engineering evaluation obtained through Solar Sonoma County as a part of the Solar American Cities grant program, we conferred with “C.H.2.M. Hill” (an engineering firm specializing in solar P.V. projects and financing), and have been advised that a solar project is feasible at the Sheriff Substation. As in the Los Guilicos project, the viability of this project is contingent on the use of CREBs financing; however, due to the smaller size of this installation and its reduced cost, staff is recommending that we apply for CREBs authorization to finance the entire project. Engineering and pro-forma information on this potential project was provided on August 4, 2009, and staff is currently evaluating the project for viability and environmental benefit. Moving forward with implementation of this project is predicated on staff’s validation that the energy savings will cover the debt liability within a reasonable time period.

Sources and Uses of Funds - Los Guilicos Solar Project/Sheriff Substation Solar Project

<u>Funding Source</u>	<u>Los Guilicos Solar Project</u>	<u>Sheriff Substation Solar Project</u>
Tax-Exempt CREB Bonds	\$1,500,000	\$173,000
Lease/purchase agreement	\$1,425,000	\$0
County ARRA Grant	\$ 400,000	\$0
County GHG Mitigation Fund	\$ 481,000	\$0
TOTAL	<u>\$3,806,000</u>	<u>\$173,000</u>

The focus of this request is to seek ratification of actions taken to position the County to use CREBs financing for the two renewable (solar) energy projects discussed in the narrative above. Staff will return to your Board with more details on each of the projects after evaluating the formal submittal from Aircon and to request Board authority to proceed with construction. To reiterate, the funding of both projects is predicated on garnishing sufficient reduced energy costs to cover the total costs of the project. If validated and approved by your Board, both projects could be in service by Spring 2010.

Recommended Board Actions:

Authorize and ratify filing of an application to the Internal Revenue Service ("I.R.S.") Department on behalf of the County for authorization of the issuance of Clean Renewable Energy Bonds ("CREBs") for the Proposed Los Guilicos 600kW Photovoltaic Project and the Proposed Sonoma Valley Substation 12kW Photovoltaic ("P.V.") Project.

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Attachments: Resolution.

On File With Clerk: Applications for CREBs financing.

CLERK OF THE BOARD USE ONLY

Board Action (If other than "Requested")

Vote: