



City of Woodland

REPORT TO MAYOR AND CITY COUNCIL

AGENDA ITEM

TO: THE HONORABLE MAYOR
AND CITY COUNCIL

DATE: January 19, 2010

SUBJECT: Participation in the CaliforniaFIRST Program to Enable Residents to
Use Property Assessed Clean Energy (PACE) Financing

Report in Brief

The City has been asked by Yolo County to support the Sacramento County application for a State Energy Program (SEP) grant to fund a 14-county CaliforniaFIRST property-assessed clean energy (PACE) pilot program. Participating in the CaliforniaFIRST pilot program with Yolo County will provide Woodland residents with access to alternate financing for residential energy efficiency and retrofit projects that are expected to lead to energy savings and green house gas emission reductions and to support the creation of regional green jobs. All the cities in the county have expressed interest in participating in the pilot program.

In order to maximize the benefits of participation in the CaliforniaFIRST Program, Yolo County and its four cities have also supported the preparation of an application for grant funding for the NorCal Regional Residential Retrofit Program under the U.S. Department of Energy Retrofit Ramp-up Program. This funding would be used to provide a “turn-key” program of energy efficiency audits and retrofits that would complement the financing opportunity created through the CaliforniaFIRST Program. The grant application would be pursued in collaboration with Sacramento County if authorized by the City Council.

The City Council Energy Committee has been briefed on these opportunities and is supportive of the City’s participation in both the CaliforniaFIRST financing program and the retrofit program. A public hearing and approval of two resolutions is required for City participation in the CaliforniaFIRST Program and SEP grant application process.

Staff recommends that the City Council adopt Resolution No. _____ authorizing the City of Woodland to Join the CaliforniaFIRST Program; Authorizing the California Statewide Communities Development Authority to Accept Applications from Property Owners, Conduct Contractual Assessment Proceedings and Levy Contractual Assessments within the Territory of the City of Woodland and Authorizing Related Actions; and adopt Resolution No. _____ authorizing Sacramento County to Apply for Funds on Behalf of the City of Woodland.

Background

CaliforniaFIRST Program and SEP Grant Application

Pursuant to Assembly Bill (AB) 811 of 2008, the State of California’s Clean Energy Municipal Financing Law, property owners may finance energy efficiency and renewable energy projects that are permanently affixed to their properties through a PACE finance program. AB 474 (2009) expanded the program to include the financing of water efficiency projects.

The CaliforniaFIRST Program is a PACE finance program sponsored by the California Statewide Communities Development Authority (California Communities), a joint powers authority sponsored by the League of California Cities and the California State Association of Counties. The member agencies of California Communities include all 58 counties and more than 400 other local agencies throughout California, including the City of Woodland. California Communities has already financed millions of public improvements in Woodland at Woodland Gateway.

A local government must adopt the CaliforniaFIRST Program in order for local residents to apply for financing through the program. If property owners choose to participate, the improvements will be financed by the issuance of bonds by California Communities. California Communities will levy “contractual assessments” on each participating owner’s property to repay the portion of the bonds issued to finance the improvements on that property, and the owners will pay back the amounts financed as a line item on their property tax bills. If an owner sells the property, the repayment obligation remains with the property.

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 AB 811 and further amended in 2009 by AB 474. 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 property owners evidence their consent to the assessments by executing a contract with California Communities.

California Communities has selected Renewable Funding LLC and RBC Capital Markets to provide administration and financing for the program.

The California Communities Board approved moving forward with a pilot for the CaliforniaFIRST Program in September 2009. Yolo County has joined with 13 other counties, with Sacramento County as the lead, in applying for grant funding through the California Energy Commission’s State Energy Program (SEP) to undertake the pilot program. County staff invited all the municipalities in the county to support the SEP grant application and participate in the CaliforniaFIRST pilot program to provide for a county-wide comprehensive PACE financing opportunity and approach.

The SEP grant monies would be used to provide funding in two program areas:

- **Program financing costs** – to buy down the interest rate on initial rounds of projects financed by the CaliforniaFIRST Program; cover fixed costs associated with bond counsel, bond disclosure, and bond rating; and fund set-up fees for participating counties and cities that cover legal and validation costs, as well as the deployment of technology to support local programs.
- **Local coordination and marketing costs** – to provide for grant administration; technical assistance; agency coordination; steering committee participation; education, outreach, incentives, and marketing; and community coordination for participating property owners.

The CaliforniaFIRST pilot program will focus initially on energy efficiency improvements and renewable energy projects and will later add financing for water-use efficiency improvements. Eligible projects under the CaliforniaFIRST Program may include, but are not limited to, air duct sealing, wall and roof insulation, energy efficient windows, tank less water heaters, and photovoltaic (solar electricity).

NorCal Regional Residential Retrofit Program

The American Recovery and Reinvestment Act of 2009 (ARRA) was enacted by Congress to, among other purposes, promote energy efficiency and reduce greenhouse gas emissions. In furtherance of this purpose, the U.S. Department of Energy has allocated \$454 million in ARRA funding for competitive grants through its Retrofit Ramp-up Program.

The solicitation for this program requests applications by consortia of local governments, among other entities. The Association of Monterey Bay Area Governments (AMBAG); Yolo County; and the cities of Davis, Woodland, West Sacramento, Winters, and Stockton have formed a consortium or partnership for the purpose of applying for funds under this program. The consortium has designated AMBAG as the collaborative lead/prime bidder for purposes of applying for these funds.

The project objectives as stated in the application are to:

- Create a comprehensive, multi-tiered residential retrofit program that covers a large geographic region and leverages millions of dollars of related funding
- Gain homeowner commitments via a broad-based marketing and outreach program
- Complete upward of 3,400 residential retrofits
- Achieve economies of scale and high participation rates in targeted subdivisions of similar homes

- Create a sustainable home retrofit market in the Northern California region by demonstrating that contractors can deliver large numbers of home retrofits in a profitable, ongoing manner

The role of the City of Woodland would be that of a partner in the implementation of the program as described in the following abstract of the grant application:

The Association of Monterey Bay Area Governments (AMBAG) proposes a regional residential retrofit program that offers a range of options, from basic retrofits through whole-house retrofits that meet Home Performance with Energy Star criteria. The program will cover a wide swath of the Northern California region, including 21 jurisdictions within the Monterey Bay area, along with Yolo County (immediately west of Sacramento), the four cities in Yolo County – Davis, West Sacramento, Winters, and Woodland – and the City of Stockton. The program will leverage approximately over \$51 million of related funding including homeowner investments using innovative PACE financing, utility and other incentives and state and federal programmatic funding.

The proposed approach bifurcates the residential single-family housing market into two types: homes within a subdivision and homes of unique design (referred to as “1 x 1” homes). For the 1 x 1 market, homeowners will initially be contacted via a variety of marketing and outreach programs with the goal of setting up an in-home consultation and free home energy assessment. This portion of the program will build upon AMBAG’s existing “Energy Watch” program, a partnership with PG&E that has been marketed to homeowners since 2006. During the initial in-home assessment, homeowners will be provided with materials explaining the benefits of whole-house retrofits and the Home Performance with Energy Star Program. They will also be provided with information about PACE financing and other financial incentives. This in-home consultation will serve as a key entry point to encourage homeowners to upgrade to whole-house retrofits. Homeowners will then be matched with subcontractor Central Coast Energy Services for basic retrofits in AMBAG territory or with pre-qualified whole-house performance contractors in their region.

For subdivision homes, lead subcontractor Davis Energy Group (DEG) will select target subdivisions best suited to achieve economies of scale and market the retrofit program to homeowners in these subdivisions using a variety of media outlets. For each selected subdivision, DEG will benchmark representative floor plans and develop standardized retrofit packages; homeowners will be able to choose the package that suits their needs and budget. Subdivision homeowners will be encouraged to participate in the program while it is in their area to benefit from the cost savings created when a limited number of home performance contractors retrofit many similar houses within a limited timeframe.

Both home types will be marketed under a comprehensive, unified marketing program to increase homeowner confidence and reduce market fragmentation. We

estimate that this comprehensive regional approach will result in retrofits of over 3,400 homes in 36 months, creating an annual savings of 7.3 GWh and reducing GHG emissions by 5,675 metric tons per year.

The City would collaborate with the other partners in the consortium to identify residential energy efficiency opportunities and facilitate outreach and marketing of appropriate retrofit measures for homeowners.

Discussion

Participation in the CaliforniaFIRST pilot program for PACE financing and the complementary retrofit implementation program will require little staff time and little or no direct costs while allowing the City to join with Yolo County and the other Yolo municipalities to offer a comprehensive and unified program that will support residents' efforts to lower energy use, reduce utility costs, and increase property values.

Pursuant to Government Code Section 6586.5, in order for California Communities, a joint powers authority, to finance public capital improvements within the City's boundaries, the City Council must have approved the financing and made a finding of significant public benefit after a public hearing. City participation in the CaliforniaFIRST Program and in the SEP application for pilot program funding also requires City Council approval of the two attached resolutions:

- The first resolution authorizes California Communities to accept applications from owners of property within the City of Woodland for municipal financing of renewable energy, energy efficiency, and water efficiency improvements through the CaliforniaFIRST Program. It also authorizes California Communities to conduct assessment proceedings and levy assessments against the property of participating owners within the City's boundaries. In addition, it authorizes payment of the City's set-up fee to cover legal, procedural, and technology costs associated with the CaliforniaFIRST Program, which would be reimbursed through the grant award. California Communities will undertake a judicial validation proceeding as part of its initiation of the CaliforniaFIRST Program.

Attached to this resolution as Exhibit A is a "Form of Resolution of Intention to be Adopted by California Communities." This is for informational purposes and does not require action by the City Council.

- The second resolution authorizes Sacramento County to act as the lead applicant for SEP funding on behalf of the 13 county coalition.

The estimated costs of the program are set forth in Exhibit A to this resolution (Exhibit A: "California Energy Commission State Energy Program, CaliforniaFIRST Collaborative Proposal, and Summary of Proposal Scope & Budget Framework").

If the SEP application is not funded, the City may still opt to participate in a CaliforniaFIRST pilot program. However, the \$12,500 set-up and validation fee would not be reimbursed and other means of addressing program financing and outreach costs would need to be sought. The City could also choose not to participate. Any jurisdiction can withdraw from the CaliforniaFIRST Program at any time by passing a resolution rescinding the authorization.

The benefits of participation in the California FIRST Program to the property owner include the following:

- Only property owners who choose to participate in the program will have assessments imposed on their properties.
- 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 subject to applicable prepayment penalties.
- By virtue of regional aggregation provided by the CaliforniaFIRST Program, small residential and commercial projects can have access to the municipal bond market, which may produce a lower borrowing cost.

The benefits to the City include the following:

- The City 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. A participating city can support property owners' renewable energy and energy efficiency improvements through participation in the CaliforniaFIRST Program while committing little or no staff time to administer the program.
- The City can withdraw from the CaliforniaFIRST Program at any time by passing a resolution rescinding the authorization.
- Collaboration in the program with Yolo County and the other cities in the county allows the program to be offered countywide and allows for a coordinated outreach effort to provide a seamless countywide program to all residential property owners (this will allow for

maximized marketing efforts, web portals, and consolidation of staffing resources to minimize staffing impacts on each jurisdiction).

Participating in the application process for ARRA Retrofit Ramp-up Program funding for the retrofit implementation program does not require passage of resolutions or commitment of funds.

The retrofit program was conceived as a complement to the CaliforniaFIRST PACE financing approach for the Yolo County jurisdictions. However, if the SEP grant funding is not awarded for the CaliforniaFIRST pilot project but the ARRA funding is provided for the NorCal Regional Residential Retrofit Program, the latter could still be undertaken. The program proposal does include an allowance for homeowner incentives, and other sources of retrofit financing are likely to become available.

Fiscal Impact

Participation in the CaliforniaFIRST Program requires a set-up fee of \$12,500, which would be reimbursed through the SEP grant. If the grant is not awarded, the City may choose not to participate in the program and would not have to pay the fee. Participation can be expected to help stimulate regional job creation and growth with indirect economic benefits to the City and its residents.

Public Contact

Posting of the City Council agenda and published notice of a public hearing.

Council Committee Recommendation

The City Council Energy Committee (Mayor Davies and Council member Dote) received a presentation on the CaliforniaFIRST Program, the SEP application, and the concept for the NorCal Regional Residential Retrofit Program from a Yolo County representative at its November meeting. Staff held a second meeting in December with the Energy Committee to further review the information and discuss the risks associated with the action presented herein. The Committee recommended going forward with participation in the CaliforniaFIRST Program and the two grant opportunities described in this report.

Alternative Courses of Action

1. Adopt Resolution No. _____ authorizing the City of Woodland to Join the CaliforniaFIRST Program; Authorizing the California Statewide Communities Development Authority to Accept Applications from Property Owners, Conduct Contractual Assessment Proceedings and Levy Contractual Assessments within the Territory of the City of Woodland and

Authorizing Related Actions; and adopt Resolution No. _____ authorizing Sacramento County to Apply for Funds on Behalf of the City of Woodland.

2. Do not adopt the resolutions and cease further consideration of the City's participation in the CaliforniaFirst program and the grant opportunities as described herein.

Recommendation for Action

Staff recommends that the City Council approve Alternative No. 1.

Prepared by: Roberta Childers
Environmental Analyst

Reviewed by: Gregor G. Meyer
Public Works Director

Mark G. Deven
City Manager

Attachments: Resolution No. _____ authorizing the City of Woodland to Join the CaliforniaFIRST Program; Authorizing the California Statewide Communities Development Authority to Accept Applications from Property Owners, Conduct Contractual Assessment Proceedings and Levy Contractual Assessments within the Territory of the City of Woodland and Authorizing Related Actions

Resolution No. _____ authorizing Sacramento County to Apply for Funds on Behalf of the City of Woodland

CITY OF WOODLAND

RESOLUTION NO. _____

RESOLUTION AUTHORIZING THE CITY OF WOODLAND TO JOIN THE CALIFORNIAFIRST PROGRAM; AUTHORIZING THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY TO ACCEPT APPLICATIONS FROM PROPERTY OWNERS, CONDUCT CONTRACTUAL ASSESSMENT PROCEEDINGS AND LEVY CONTRACTUAL ASSESSMENTS WITHIN THE TERRITORY OF THE CITY OF WOODLAND; AND AUTHORIZING RELATED ACTIONS

WHEREAS, the California Statewide Communities Development Authority (“California Communities”) is a joint exercise of powers authority the members of which include numerous cities and counties in the State of California, including the City of Woodland (the “City”); and

WHEREAS, California Communities has established the CaliforniaFIRST program (the “CaliforniaFIRST Program”) to allow the financing of certain renewable energy, energy efficiency and water efficiency improvements (the “Improvements”) through the levy of contractual assessments pursuant to Chapter 29 of Division 7 of the Streets & Highways Code (“Chapter 29”) and the issuance of improvement bonds (the “Bonds”) under the Improvement Bond Act of 1915 (Streets and Highways Code Sections 8500 and following) (the “1915 Act”) upon the security of the unpaid contractual assessments; and

WHEREAS, Chapter 29 provides that assessments may be levied under its provisions 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

WHEREAS, the City desires to allow the owners of property within its jurisdiction (“Participating Property Owners”) to participate in the CaliforniaFIRST Program and to allow California Communities to conduct assessment proceedings under Chapter 29 and to issue Bonds under the 1915 Act to finance the Improvements; and

WHEREAS, California Communities will conduct assessment proceedings under Chapter 29 and issue Bonds under the 1915 Act to finance Improvements;

WHEREAS, there has been presented to this meeting a proposed form of Resolution of Intention to be adopted by California Communities in connection with such assessment proceedings (the “ROI”), a copy of which is attached hereto as Exhibit A, and the territory within which assessments may be levied for the CaliforniaFIRST Program shall include all of the territory within the City’s official boundaries of record (the “Proposed Boundaries”); and

WHEREAS, the City will not be responsible for the conduct of any assessment proceedings; the levy or collection of assessments or any required remedial action in the case of delinquencies in such assessment payments; or the issuance, sale or administration of the Bonds or any other bonds issued in connection with the CaliforniaFIRST Program; and

WHEREAS, pursuant to Government Code Section 6586.5, a notice of public hearing has been published once at least five days prior to the date hereof in a newspaper of general circulation in the City and a public hearing has been duly conducted by this City Council

concerning the significant public benefits of the CaliforniaFIRST Program and the financing of the Improvements;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Woodland as follows:

Section 1. On the date hereof, the City Council held a public hearing and the City Council hereby finds and declares that the issuance of bonds by California Communities in connection with the CaliforniaFIRST Program will provide significant public benefits, including without limitation, savings in effective interest rate, bond preparation, bond underwriting and bond issuance costs and reductions in effective user charges levied by water and electricity providers within the boundaries of the City.

Section 2. In connection with the CaliforniaFIRST Program, the City hereby consents to the conduct of special assessment proceedings by California Communities pursuant to Chapter 29 on any property within the Proposed Boundaries and the issuance of Bonds under the 1915 Act; provided, that

(1) Such proceedings are conducted pursuant to one or more Resolutions of Intention in substantially the form of the ROI;

(2) The Participating Property Owners, who shall be the legal owners of such property, execute a contract pursuant to Chapter 29 and comply with other applicable provisions of California law in order to accomplish the valid levy of assessments;

(3) The City will not be responsible for the conduct of any assessment proceedings; the levy or collection of assessments or any required remedial action in the case of delinquencies in such assessment payments; or the issuance, sale or administration of the Bonds or any other bonds issued in connection with the CaliforniaFIRST Program; and

(4) The issuance of Bonds will occur following receipt of a final judgment in a validation action filed by California Communities pursuant to Code of Civil Procedure Section 860 that the Bonds are legal obligations of California Communities.

Section 3. Pursuant to the requirements of Chapter 29, California Communities has prepared and will update from time to time the "Program Report" for the CaliforniaFIRST Program (the "Program Report"), and California Communities will undertake assessment proceedings and the financing of Improvements as set forth in the Program Report.

Section 4. The appropriate officials and staff of the City are hereby authorized and directed to make applications for the CaliforniaFIRST program available to all property owners who wish to finance Improvements; provided, that California Communities shall be responsible for providing such applications and related materials at its own expense. The following staff persons, together with any other staff persons chosen by the City Manager from time to time, are hereby designated as the contact persons for California Communities in connection with the CaliforniaFIRST Program: City Manager and the Environmental Resource Analyst.

Section 5. The appropriate officials and staff of the City are hereby authorized and directed to execute and deliver such closing certificates, requisitions, agreements and related

documents as are reasonably required by California Communities in accordance with the Program Report to implement the CaliforniaFIRST Program for Participating Property Owners.

Section 6. The appropriate officials and staff of the City are hereby authorized and directed to pay California Communities a fee in an amount not to exceed \$12,500, which California Communities will use to pay for the costs of implementing the CaliforniaFIRST Program in the City, including the payment of legal costs incurred in connection with judicial validation of the CaliforniaFIRST Program.

Section 7. The City Council hereby finds that adoption of this Resolution is not a "project" under the California Environmental Quality Act, because the Resolution does not involve any commitment to a specific project which may result in a potentially significant physical impact on the environment, as contemplated by Title 14, California Code of Regulations, Section 15378(b)(4).

Section 8. This Resolution shall take effect immediately upon its adoption. The City Clerk is hereby authorized and directed to transmit a certified copy of this resolution to the Secretary of California Communities.

PASSED AND ADOPTED by the City Council of the City of Woodland this 19th day of January 2010 by the following vote:

AYES: Council Members _____
NOES: Council Members _____
ABSENT: Council Members _____
ABSTAIN: Council Members _____

Marlin H. Davies, Mayor

ATTEST:

Sue Vannucci, City Clerk

EXHIBIT A

**FORM OF RESOLUTION DECLARING INTENTION
TO FINANCE INSTALLATION OF
DISTRIBUTED GENERATION RENEWABLE ENERGY SOURCES,
ENERGY EFFICIENCY AND WATER EFFICIENCY IMPROVEMENTS**

Exhibit A

RESOLUTION NO. ____

**RESOLUTION DECLARING INTENTION TO FINANCE INSTALLATION OF
DISTRIBUTED GENERATION RENEWABLE ENERGY SOURCES, ENERGY
EFFICIENCY AND WATER EFFICIENCY IMPROVEMENTS**

COUNTY OF _____

WHEREAS, the California Statewide Communities Development Authority ("California Communities") is authorized under the authority granted California Communities pursuant to Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California in accordance with Chapter 29 of Part 3 of Division 7 of the Streets & Highways Code of the State of California ("Chapter 29") to authorize assessments to finance the installation of distributed generation renewable energy sources, and energy efficiency and water efficiency improvements that are permanently fixed to real property ("Authorized Improvements"); and

WHEREAS, Chapter 29 authorizes California Communities to enter into contractual assessments to finance the installation of Authorized Improvements in the County of ____ (the "County"); and

WHEREAS, California Communities wishes to declare its intention to establish a CaliforniaFIRST program (the "CaliforniaFIRST Program") in the County, pursuant to which California Communities, subject to certain conditions set forth below, would enter into contractual assessments to finance the installation of Authorized Improvements in the County;

NOW, THEREFORE, BE IT RESOLVED by the California Statewide Communities Development Authority, as follows:

Section 1. Findings. California Communities hereby finds and declares the following:

- (a) The above recitals are true and correct.
- (b) Energy conservation efforts, including the promotion of energy-related Authorized Improvements to residential, commercial, industrial, or other real property, are necessary to address the issue of global climate change and the reduction of greenhouse gas emissions in the County.
- (c) Water conservation efforts, including the promotion of water-related Authorized Improvements to residential, commercial, industrial, or other real property, are necessary to address the issue of chronic water shortages in California.
- (d) The upfront cost of making residential, commercial, industrial, or other real property more energy and water efficient, along with the fact that most commercial loans for that purpose are due on the sale of the property, prevents many property owners from installing Authorized Improvements.
- (e) A public purpose will be served by establishing a contractual assessment program, to be known as the CaliforniaFIRST Program, pursuant to which California

Communities will finance the installation of Authorized Improvements to residential, commercial, industrial, or other real property in the County.

Section 2. Determination of Public Interest. California Communities hereby determines that (a) it would be convenient, advantageous, and in the public interest to designate an area, which shall encompass the entire geographic territory within the boundaries of the County, within which California Communities and property owners within the County may enter into contractual assessments to finance the installation of Authorized Improvements pursuant to Chapter 29 and (b) it is in the public interest for California Communities to finance the installation of Authorized Improvements in the County pursuant to Chapter 29.

Section 3. Identification of Authorized Improvements. California Communities hereby declares that it proposes to make contractual assessment financing available to property owners to finance installation of Authorized Improvements, including but not limited to those improvements detailed in the Report described in Section 7 below, as that Report may be amended from time to time.

Section 4. Identification of Boundaries. Contractual assessments may be entered into by property owners located within the entire geographic territory of the County; provided, however, that California Communities shall not enter into contractual assessments to finance the installation of Authorized Improvements with the owner of any property in the County unless requested to do so first by the County if the property is located in unincorporated territory or a city if the property is located in incorporated territory and after such city or the County, as applicable, has held a public hearing pursuant to Section 6586.5 of the Government Code of the State of California. The form of resolution pursuant to which cities may request California Communities to enter into contractual assessments to finance the installation of Authorized Improvements is attached as Exhibit A.

Section 5. Proposed Financing Arrangements. Under Chapter 29, California Communities may issue bonds pursuant to Chapter 29 that are payable by contractual assessments and California Communities may advance its own funds to finance work to be repaid through contractual assessments, and may from time to time sell bonds to reimburse itself for such advances. Division 10 (commencing with Section 8500) of the Streets & Highways Code of the State (the "Improvement Bond Act of 1915") shall apply to any bonds issued pursuant to Chapter 29, insofar as the Improvement Bond Act of 1915 is not in conflict with Chapter 29.

California Communities shall determine the creditworthiness of a property owner to participate in the financing of Authorized Improvements based on the criteria developed by the Program Manager in consultation with the CaliforniaFIRST Program financing team and on file with the Secretary.

In connection with bonds issued under the Improvement Bond Act of 1915 that are payable from contractual assessments, serial and/or term improvement bonds shall be issued in such series and shall mature in such principal amounts and at such times (not to exceed 20 years from the second day of September next following their date) and at such rate or rates of interest (not to exceed the maximum rate permitted by applicable law) as shall be determined by California Communities at the time of the issuance and sale of the bonds. The provisions of Part 11.1 of the Improvement Bond Act of 1915 shall apply to the calling of the bonds. It is the intention of California Communities to create a special reserve fund for the bonds under Part 16 of the Improvement Bond Act of 1915. California Communities will not advance

available surplus funds from its treasury to cure any deficiency in the redemption fund to be created with respect to the bonds; provided, however, that this determination shall not prevent California Communities from, in its sole discretion, so advancing funds. The bonds may be refunded under Division 11.5 of the California Streets and Highways Code or other applicable laws permitting refunding of the bonds, upon the conditions specified by and at the determination of California Communities.

California Communities hereby authorizes the Program Manager, upon consultation with bond counsel and the CaliforniaFIRST Program underwriter, to provide for the issuance of bonds payable from contractual assessments.

In connection with the issuance of bonds payable from contractual assessments, California Communities expects to obligate itself, through a covenant with the owners of the bonds, to exercise its foreclosure rights with respect to delinquent contractual assessment installments under specified circumstances.

Section 6. Public Hearing. Pursuant to the Act, California Communities hereby orders that a public hearing be held before this Commission, at _____, on _____, _____, 2010 at _____ a.m., for the purposes of allowing interested persons to object to or inquire about the proposed program or any of its particulars. The public hearing may be continued from time to time as determined by the Commission for a time not exceeding a total of 180 days.

At the time of the hearing, the Report described in Section 7 below shall be summarized and the Commission shall afford all persons who are present an opportunity to comment upon, object to, or present evidence with regard to the proposed contractual assessment program, the extent of the area proposed to be included within the program, the terms and conditions of the draft Contract described in Section 7 below, or the proposed financing provisions. Following the public hearing, California Communities may adopt a resolution confirming the Report (the "Resolution Confirming Report") or may direct the Report's modification in any respect, or may abandon the proceedings.

The Commission hereby orders the Secretary to publish a notice of public hearing once a week for two successive weeks. Two publications in a newspaper published once a week or more often, with at least five days intervening between the respective publication dates not counting such publication dates, are sufficient. The period of notice will commence upon the first day of publication and terminate at the end of the fourteenth day. The first publication shall occur not later than 20 days before the date of the public hearing.

Section 7. Report. The Commission hereby directs the Program Manager for the CaliforniaFIRST Program to prepare and file with the Commission a report (the "Report") at or before the time of the public hearing described in Section 6 above containing all of the following:

(a) A map showing the boundaries of the territory within which contractual assessments are proposed to be offered, as set forth in Section 4 above.

(b) A draft contract (the "Contract") specifying the terms and conditions that would be agreed to by California Communities and a property owner within the County. The Contract may allow property owners to purchase directly the related equipment and materials for the installation of the Authorized Improvements and to contract directly for the installation of such Authorized Improvements.

(c) A statement of California Communities' policies concerning contractual assessments including all of the following:

(1) Identification of types of Authorized Improvements that may be financed through the use of contractual assessments.

(2) Identification of California Communities official authorized to enter into contractual assessments on behalf of California Communities.

(3) A maximum aggregate dollar amount of contractual assessments in the County.

(4) A method for setting requests from property owners for financing through contractual assessments in priority order in the event that requests appear likely to exceed the authorization amount.

(d) A plan for raising a capital amount required to pay for work performed pursuant to contractual assessments. The plan may include amounts to be advanced by California Communities through funds available to it from any source. The plan may include the sale of a bond or bonds or other financing relationship pursuant to Section 5898.28 of Chapter 29. The plan shall include a statement of or method for determining the interest rate and time period during which contracting property owners would pay any assessment. The plan shall provide for any reserve fund or funds. The plan shall provide for the apportionment of all or any portion of the costs incidental to financing, administration, and collection of the contractual assessment program among the consenting property owners and California Communities.

(e) A report on the results of the consultations with the County Auditor-Controller described in Section 9 below concerning the additional fees, if any, that will be charged to California Communities for incorporating the proposed contractual assessments into the assessments of the general taxes of the County on real property, and a plan for financing the payment of those fees.

Section 8. Nature of Assessments. Assessments levied pursuant to Chapter 29, and the interest and any penalties thereon, will constitute a lien against the lots and parcels of land on which they are made, until they are paid. Unless otherwise directed by California Communities, the assessments shall be collected in the same manner and at the same time as the general taxes of the County on real property are payable, and subject to the same penalties and remedies and lien priorities in the event of delinquency and default.

Section 9. Consultations with County Auditor-Controller. California Communities hereby directs the Program Manager to enter into consultations with the County Auditor-Controller in order to reach agreement on what additional fees, if any, will be charged to California Communities for incorporating the proposed contractual assessments into the assessments of the general taxes of the County on real property.

Section 10. Preparation of Current Roll of Assessment. Pursuant to Section 5898.24(c), California Communities hereby designates the Program Manager (or his/her designee) as the responsible official for annually preparing the current roll of assessment obligations by assessor's parcel number on property subject to a voluntary contractual assessment.

Section 11. Procedures for Responding to Inquiries. The Program Manager shall establish procedures to promptly respond to inquiries concerning current and future estimated liability for a voluntary contractual assessment.

Section 12. Professionals Appointed. California Communities hereby appoints Jones Hall, A Professional Law Corporation, San Francisco, California, as bond counsel to California Communities in connection with the CaliforniaFIRST Program. The Commission hereby authorizes and directs an Authorized Signatory of California Communities (as determined from time to time by the Commission by separate resolution) to enter into appropriate agreements with such firm for its services to California Communities in connection with the matters addressed in this Resolution.

Section 13. Set-Up Fees. The County and various cities within the County may advance fees to California Communities to pay for certain costs of establishing the CaliforniaFIRST Program, some or all of which represent State Energy Program (SEP) funds. The Program Manager is hereby authorized and directed to return to the County and cities, as applicable, any fees paid to California Communities by the County and cities, as applicable, that do not represent SEP funds and that California Communities does not use to pay for the costs of establishing the CaliforniaFIRST Program.

Section 14. Effective Date. This resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED by the California Statewide Communities Development Authority this _____, 2010.

I, the undersigned, the duly appointed, and qualified member of the Commission of the California Statewide Communities Development Authority, DO HEREBY CERTIFY that the foregoing resolution was duly adopted by the Commission of said Authority at a duly called meeting of the Commission of said Authority held in accordance with law on _____, 2010.

By: _____
Member

EXHIBIT A

**FORM OF RESOLUTION AUTHORIZING CALIFORNIA COMMUNITIES TO CONDUCT
CONTRACTUAL ASSESSMENT PROCEEDINGS AND
LEVY CONTRACTUAL ASSESSMENTS**

CITY OF WOODLAND

RESOLUTION NO. _____

RESOLUTION AUTHORIZING SACRAMENTO COUNTY TO APPLY FOR FUNDS ON BEHALF OF THE CITY OF WOODLAND

WHEREAS, the City of Woodland recognizes that it is in the interest of the regional, state, and national economy to stimulate the economy; create and retain jobs; reduce fossil fuel emissions; and reduce total energy usage and improve energy efficiency within our jurisdiction; and

WHEREAS, State Energy Program (“SEP”) funds are available through the California Energy Commission’s SEP for grants to eligible local governments for energy efficiency, energy conservation, renewable energy, and other energy related projects and activities authorized by the American Recovery and Reinvestment Act of 2009 (“ARRA”); and

WHEREAS, SEP allows for cities, counties, or groups of cities and counties in California to apply for SEP funds on behalf of eligible local governments; and

WHEREAS, the City of Woodland is eligible for SEP funding under the California Energy Commission’s SEP; and

WHEREAS, the City of Woodland is proposing to collaborate with Sacramento County to implement a program for financing the energy efficiency, energy conservation, renewable energy, and other energy related projects and activities authorized by ARRA, which program is described in Exhibit A for the purpose of qualifying for SEP funds from the California Energy Commission; and

WHEREAS, the City of Woodland has considered the application of the California Environmental Quality Act (CEQA) to the approval of the program for financing energy efficiency, energy conservation, renewable energy, and other energy related projects and activities authorized by ARRA described in Exhibit A;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Woodland as follows:

1. That in compliance with CEQA, the City of Woodland finds that the approval of the program for financing energy efficiency, energy conservation, renewable energy, and other energy related projects and activities authorized by ARRA described in Exhibit A is not a “project” under CEQA, because the program does not involve any commitment to a specific project which may result in a potentially significant physical impact on the environment, as contemplated by Title 14, California Code of Regulations, Section 15378(b)(4).
2. That the City of Woodland authorizes Sacramento County to submit a collaborative application on its behalf to the California Energy Commission for up to \$16.5 million in SEP funds for the program for financing energy efficiency, energy conservation, renewable energy, and other energy related projects and activities authorized by ARRA described in Exhibit A.

3. That if recommended for funding by the California Energy Commission, the City of Woodland authorizes Sacramento County to accept a grant award on its behalf and to enter into all necessary contracts and agreements, and amendments thereto, on its behalf to implement and carry out the program for financing the project/s described in Exhibit A.

PASSED AND ADOPTED by the City Council of the City of Woodland this 19th day of January 2010 by the following vote:

AYES: Council Members _____

NOES: Council Members _____

ABSENT: Council Members _____

ABSTAIN: Council Members _____

Marlin H. Davies, Mayor

ATTEST:

Sue Vannucci, City Clerk

EXHIBIT A

**California Energy Commission State Energy Program
CaliforniaFIRST Collaborative Proposal
Summary of Proposal Scope & Budget Framework**

Exhibit A
California Energy Commission State Energy Program
CaliforniaFIRST Collaborative Proposal
Summary of Proposal Scope & Budget Framework

Description of Program Proposal

Under the lead applicant, Sacramento County, the 14 counties eligible to participate in the pilot stage of the CaliforniaFIRST Program are collaborating on a proposal to the California Energy Commission State Energy Program for a grant of up to \$16.5 million. The grant funds will be used to offset initial fees associated with bond issuance, start-up costs for the 14 counties and all incorporated cities, an interest rate buy-down, local marketing/education/training/outreach, local coordination, and grant administration to support the launch of the CaliforniaFIRST municipal financing program.

CaliforniaFIRST Program County Participants and Proposal Collaborators

- | | | | |
|------------|-------------------|---------------|-----------|
| ✓ Alameda | ✓ Sacramento | ✓ San Mateo | ✓ Ventura |
| ✓ Fresno | ✓ San Benito | ✓ Santa Clara | ✓ Yolo |
| ✓ Kern | ✓ San Diego | ✓ Santa Cruz | |
| ✓ Monterey | ✓ San Luis Obispo | ✓ Solano | |

Budget Basics

1. CaliforniaFIRST financing costs and fees (~\$6M)

Guided by California Communities and the CaliforniaFIRST Program Administrator Renewable Funding, this program element will:

- buy-down the interest rate on the initial round(s) of projects financed by the CaliforniaFIRST Program,
- cover fixed costs associated with initial bond counsel, bond disclosure, fiscal agent and bond rating,
- cover legal and validation costs, and
- cover the deployment of technology (web portal) to support local programs.

2. Grant/Contract Administration & Steering Committee Liaison: (~\$2.0M)

On behalf of the applicant agency, grant/contractor administration duties include gathering relevant reporting information from all partner jurisdictions and CaliforniaFIRST, financial oversight and invoicing, contract administration, tracking, monitoring, and oversight of deliverables. In addition, the grant administrator will serve as the partner liaison between all participating steering committees to maintain coordination and consistency on the local marketing efforts between parties as well as provide marketing and contract technical assistance, training, and advice to participating agencies. The Grant Administrator will also coordinate local efforts with those programs funded under the California Comprehensive Residential Building Retrofit Program.

3. Regional Program Coordination & Marketing: (~\$8.5M)

In line with the overall project goals, funding has been budgeted on a regional basis to each of the six primary program regions in the following amounts, based on total number of Counties:

- Capitol Region (Sacramento/Yolo): \$1,800,000
- Central Valley Region (Fresno/Kern): \$1,150,000
- Bay Area Region: (Alameda/San Mateo/Santa Clara/Solano): \$2,300,000
- North Central Coast Region: (Monterey/Santa Cruz/San Benito): \$1,725,000
- South Central Coast Region: (Ventura/San Luis Obispo): \$1,150,000
- Southern California Region: (San Diego): \$575,000

This final program element serves to provide each region with the resources necessary to help facilitate the rapid adoption of energy efficiency and renewable energy generation system installations throughout the target area by connecting property owners to any and all available on-the-ground or proposed resources, and services, providing a streamlined framework for easy navigation, reduced out-of-pocket expenses, and overall increased cost effectiveness for both participants and the program overall. The focus of the program will be to create region-wide (or county-wide, where appropriate) cooperative project design, implementation, marketing, and coordination to maximize economies of scale, take advantage of overlapping markets, and ultimately allow each dollar to go further to benefit all parties.

Financing Costs and Fees

A. Financing Costs

As Program Administrator of the California Communities CaliforniaFIRST Program, Renewable Funding will coordinate and provide program administration, financing, and legal services to support a robust statewide municipal financing program. Specific financing costs are concentrated at the start of the program and result in increased fees to a program participant, and therefore a higher effective interest rate. In order to lower the interest rate, the SEP funds will be used to cover bond disclosure counsel, bond rating fees, and a bond fiscal agent. In addition, a direct interest rate buy-down will be employed to achieve a bond rate that is equivalent to an A-rated bond, which is likely to be the bond rating later in the program.

B. Set-up Fees

A funding request equivalent to the city and county set-up fees will be included in the proposal. The costs for initial legal work and validation proceedings will be covered by this request. Additionally, the costs of establishing county web portals, importing local assessor's data, and maintaining the website will be part of this funding request.

Suggested Major Marketing Program Coordination & Marketing Program Elements

A. Agency Coordination / Steering Committee Participation

In recognition of the additional coordination time required to get new programs off the ground, individual counties may elect to include a modest amount of staff time for agency representatives to participate in the program steering committee and other activities to drive marketing program design, educational/marketing material development, form and protocol development, etc. By investing this time at the onset, we are able to develop a self-sustaining program for the long term. County agencies (that is, auditor/tax collector/controller) will receive a small percentage, incorporated into each loan, to cover regular ongoing program administration costs associated with maintaining the tax roll and collecting annual assessments in years beyond the grant term. Some jurisdictions may instead wish to contribute this time as project leveraged funds/resources to increase overall program cost effectiveness based on their individual needs and resources. Regional partnership may also elect to use a portion of the resources from this program element toward informal or formalized staff/personnel training within their jurisdictions.

B. Education / Outreach / Marketing

Successful program adoption requires thoughtful design, convenient procedures, and a robust program education component to encourage and energize program participation. Achieving this goal, the project team will create clear, consistent, and thematic program branding imagery, educational and recruitment tools such as program brochures. The program will be supported by the CaliforniaFIRST web portal and links to new and existing partner and complementary websites, frequently asked questions, applications, and/or other program materials. In addition, the project will engage a wide-stretching network of partners to promote, recruit, and disseminate program information utilizing existing mechanisms of door-to-door outreach, community event tabling, workshops and presentations, or other appropriate energy efficiency and complementary program participation activities. Major elements might include:

- ✓ Outreach Promotional Materials: Brochures, Door-hangers, Postcard Mailers, Bill Inserts, etc.
- ✓ Program Marketing Advertisements: Print Ads, Radio/TV Ads, PSA Production

- ✓ Promotional Outreach Events, Trade Shows or Community Workshops
- ✓ Homeowner/Business/Contractor/Staff Training Seminars
- ✓ Sustainability Site Signage
- ✓ Green Building and/or LEED Certification Technical Assistance

C. Community Coordinator / Partner Liaison / Supplies

The community coordinator is envisioned to serve as the single point regional program coordinator to unify, inform, collaborate, and engage all program parties in relation to local coordination and marketing efforts; respond to public inquiries; facilitate the education, outreach, marketing, recruitment; and promote program adoption by the target community. In addition the coordinator is responsible for coordinating with the grant administrator, tracking/reporting necessary progress and metrics, meeting/exceeding grant milestones and targets, incorporating required complementary program components, and working with CaliforniaFIRST to assure QA/QC measures are applied to all participating properties. Specific tasks will be driven by the overall project goals as well as the specific needs of each region and may include:

- ✓ **Coordination** with Grant Administrator/Steering Committee Liaison
- ✓ **Marketing Coordination** with CaliforniaFIRST Municipal Finance District
- ✓ **Facilitation** of local Regional Steering Committee Members and Partners
- ✓ **Assist** with Implementation Strategy, Documents, Procedures & Protocols Development
- ✓ **Guide** Promotion, Marketing, Education, Recruitment & Program Information Dissemination
- ✓ **Link** Program Participants to Regional Energy Efficiency & Complementary Programs
- ✓ **Connect** to Concurrent Complementary Workforce Development Training/Graduates
- ✓ **Administer** Regional Program Budget, Competitive Bidding, Other Program Transparency Reqs
- ✓ **Track** and/or compile, Monitor & Evaluate Program Progress, Energy Savings, GHG Reductions Achieved, Partner Leveraged Funds and Ancillary Environmental Benefits

Sample County Budget

A sample budget based on the above framework is provided below. Please note that these amounts are subject to change based on the actual needs of each participating jurisdiction as well as feedback obtained regarding funder and partner thresholds for competitiveness.

| Component | % Overall | Gross Benefit Per County | Net Benefit Per County |
|--|------------------|---------------------------------|-------------------------------|
| 1. CaliforniaFIRST Costs & Fees | 39% | \$ 428,571.43 | - |
| 2. Grant Administration & Technical Assistance | 10% | \$ 107,142.86 | - |
| 3A. Steering Advisory Committee | 10% | \$ 115,000.00 | \$ 115,000.00 |
| 3B. Education, Outreach, Incentives, Marketing | 23% | \$ 258,750.00 | \$ 258,750.00 |
| 3C. Community Coordination | 18% | \$ 201,250.00 | \$ 201,250.00 |
| Total | 100% | \$ 1,110,714.29 | \$ 575,000.00 |

Grant Development Team:

- **County of Sacramento**—Lead Agency (Applicant), will oversee grant writing, provide final edits and required signatures, and submit finalized proposal on behalf of entire collaborative team based on the approved proposed program scope and budget framework
- **Ecology Action**—Partner Grant Writer (Lead on Marketing), will develop narrative based on proposed program scope and budget framework, especially as it pertains to local coordination and marketing project administration, marketing/contract technical assistance, regional coordination, and marketing, to meet all grant requirements and maximize proposal competitiveness.
- **Renewable Funding**—Partner Grant Writer (Lead on Finance), will develop narrative based on proposed program scope and budget framework, especially for CaliforniaFIRST Program finance-related program elements, to meet all grant requirements and maximize proposal competitiveness.