Memorandum
Office of Jenine Windeshausen
Treasurer-Tax Collector

To: The Board of Supervisors

From: Jenine Windeshausen, Treasurer-Tax Collector

Date: October 6, 2009

Subject: **AB 811 Program Proposal to Finance Distributed Generation Renewable Energy Sources and Energy Efficiency Improvements Through the Use of Contractual Assessments with Property Owners**

Action Requested:

- Receive a presentation by the Treasurer-Tax Collector for a proposal to implement a $33 million AB 811 Program in Placer County to finance distributed generation renewable energy sources and energy and water efficiency improvements through the use of contractual assessments with property owners.
- Accept the *AB 811 Proposal Feasibility Analysis and Business Plan* prepared by the Treasurer-Tax Collector.
- Authorize the Treasurer-Tax Collector to initiate AB 811 Program implementation activities and return to the Board with the necessary action items

Background:

AB811 was passed by the California State Legislature, signed by the Governor and placed into law on July 21, 2008 as an urgency statute taking immediate effect.

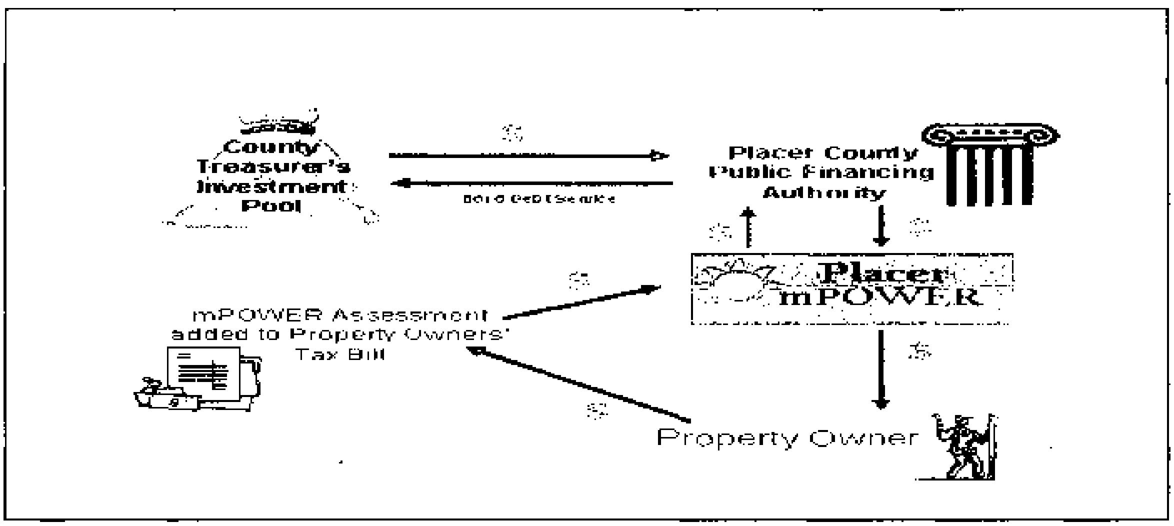
AB811 allows cities and counties the authority to designate boundaries within or throughout their jurisdictions to establish programs for property owners to enter into contractual assessments to finance the installation of distributed generation renewable energy sources or energy efficiency improvements that are permanently fixed to real property. All property types are eligible including residential, commercial, industrial or other real property. This statue only applies to existing improved properties and cannot be utilized for new development.

AB 811 utilizes an assessment district financing model for counties and cities to develop programs to provide financing for property owners to make distributed generation renewable energy sources or energy efficiency improvements to their property. There are two major components to the financing of the Program. One component is the property owner financing and the other is the Program funding mechanism.

Property owners qualify to participate in the Program based on an application process and a determination that their proposed improvements are allowable under the Program pursuant to AB 811 requirements. After the property owner application has been approved, the property owner has the improvements installed and then presents documentation to support the improvement costs. Funds are advanced to the property owner and an assessment lien is placed on the property. Based on the amount funded, the useful life of the improvements and the property owner's request; the financing is amortized over a 5, 10 or 20 year period and an annual assessment is placed on the property tax role for collection of the assessment over the amortization period. The assessment is repaid with interest.

The Treasurer-Tax Collector's Proposal is to provide funding for the program administrative costs and for property owner financing through the Treasurer's Investment Portfolio (the "TIP"). The mechanism for the TIP financing would be as follows:

1. The Placer County Public Financing Authority (the "Authority") will issue (sell) debt on a line of credit basis to provide funding as needed for the Program in the most cost effective manner.
2. The Treasurer-Tax Collector will purchase the debt issued by the Authority as a TIP investment.
3. The Authority will use the proceeds from the sale of debt to provide funding through a lending agreement (a loan) with the County for its AB 811 Program.
4. The AB 811 Program will assessment finance (loan) money to property owners for the energy related improvements.
5. The property owners will repay the AB 811 assessment with interest on their annual property tax bills over time.
6. The Tax Collector will distribute the assessments collected to the County's AB 811 Program.
7. The County will repay the Authority loan with the AB 811 Program assessments collected on the property tax role.
8. The Authority will use the loan repayments to make debt service payments to the TIP.



The interest rate on the assessment will be used for full cost recovery of administrative costs and to provide a return for TIP depositors and future bond holders.

At a later date, the assessments can be bundled into a public debt offering. Proceeds from the public debt offering would be used to pay off the debt purchased by the Treasurer. The Treasurer would then have additional funding that could be made available for the Program.

The Treasurer has established to commit up to 3% of TIP funds for a total of $33 million to be invested in the Program.

The Treasurer has substantially completed all of the Program documentation. The documentation is in final draft form pending Board approval to proceed, legal review and any final Program policy changes.

After the Board takes the actions being recommended today, the following next steps will be required to complete Program implementation:

1. The next steps needed for Program implementation will be for the Board to pass a Resolution of Intention indicating that the County proposes to make contractual assessment financing available to property owners, identifies the kinds of improvements that may be financed, describes the boundaries of the properties to be included, describes the proposed financial arrangements for the program, makes a finding as to the public benefit of the proposed improvements to be financed, designates a time and place for a public hearing for the proposed AB 811 Program, directs that a report be prepared pursuant to Section 5898.22 of the Streets and Highways Code and that the Auditor-Controller be consulted regarding applicable fees for adding the proposed assessments to the property tax roll.
2. At least 20 days after the Resolution of Intention, conduct a public hearing on the proposed AB 811 Program, approve the Program Report required by Section 5898.22 of the Streets and Highways Code, approve the Program budget, designate the Treasurer-Tax Collector as Program Administrator, enter into cooperative agreements with the Cities/Town to offer the Program to property owners of the incorporated areas and, take other administrative actions as may be necessary.
3. Take actions necessary to approve and execute the issuance of debt by the Authority and approve the lending agreement and related documents between the Authority and the County.

Recommendation:
It is recommended that the Board take the actions requested above to implement a $33 million AB 811 Program in Placer County.

Environmental Clearance:

The implementation of this program is not a project as defined under the California Environmental Quality Act, Public Resources Code Section 21065 because it does not commit any party to any definite course of action that may cause a direct or indirect effect on the physical environment. Any and all improvement projects financed through this program would be required to demonstrate environmental review compliance at the time of finance approval. No specific projects are approved with the implementation of this financing program.

Fiscal Impact:
There is no direct fiscal impact on the General Fund or on other funds under the control of the Board of Supervisors. The attached *AB 811 Proposal Feasibility Analysis and Business Plan* includes a detailed discussion of financial costs and benefits.

Respectfully submitted,

Jenine Windeshausen

Jénine Windeshausen
Treasurer-Tax Collector

Enc: AB 811 Proposal – Feasibility Analysis and Business Plan

AB 811 Proposal Feasibility Analysis and Business Plan

Jenine Windeshausen
Placer County Treasurer-Tax Collector
October 2009

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AB 811 Proposal
Feasibility Analysis
and
Business Plan

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Introduction

AB811 was passed by the California State Legislature, signed by the Governor and placed into law on July 21, 2008 as an urgency statute taking immediate effect.

AB811 allows cities and counties the authority to designate boundaries within or throughout their jurisdictions to establish programs for property owners to enter into contractual assessments to finance the installation of distributed generation renewable energy sources or energy efficiency improvements (the "Improvements" refers to those authorized by the Program) that are permanently fixed to real property. All property types are eligible including residential, commercial, industrial or other real property. This statue only applies to existing improved properties and cannot be utilized for new development.

The statute requires the County to prepare a report that outlines the financing plans of the program, program policies, program costs, eligible Improvements, designates a program administrator, and indicates the maximum assessment amount, and property owner priorities for participation and other program information.

Program Overview

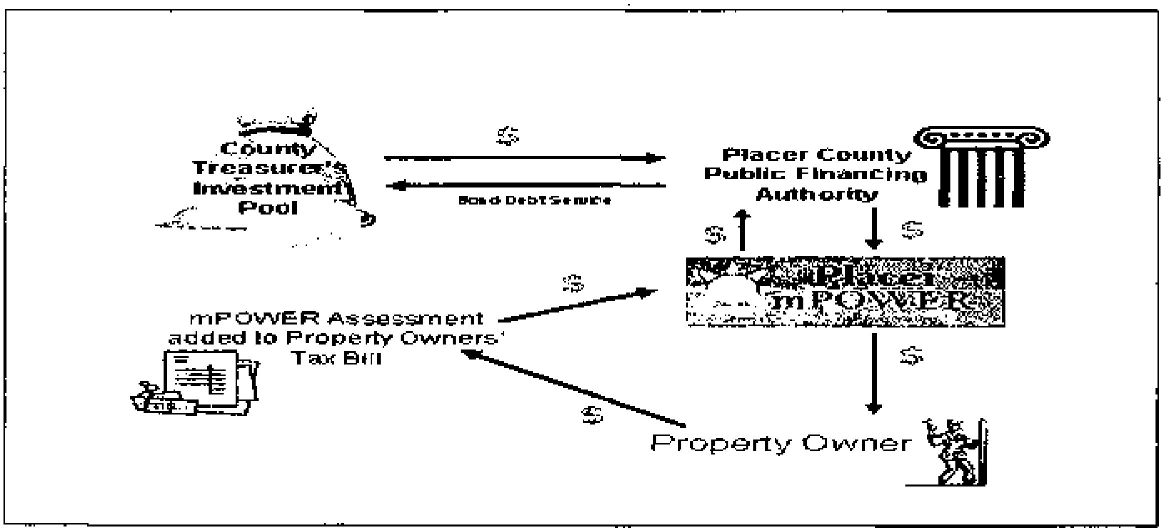
Financing Structure

Financing is needed to provide funding to property owners for AB 811 contractual assessments, for program start-up costs, and for on-going administration. The financing structure will require the issuance of debt with the potential for a public offering at some future date.

The financing structure proposed for the Placer County program utilizes financing provided by the Placer County Treasurer (the "Treasurer" or "Program Administrator") through the Treasurer's Investment Pool ("TIP"). The financing structure calls for the issuance of debt by the Placer County Public Financing Authority (the "Authority") which will be purchased by the TIP to provide funding for administrative costs and AB811 contractual assessments to property owners.

Specifically, it is proposed that the TIP will provide the initial financing in the amount of $33 million to the Authority who will in turn provide a loan to the AB811 Program (the "Program" or "**Placer mPOWER**"). The proceeds from the financing provided by the Treasurer's debt purchase would in turn be loaned to the AB811 program to provide for administrative costs and to disburse funds to property owners as required to fund approved contractual assessments. The Program will advance funds to property owners who have qualified for and have been approved for financing based on the program's eligibility criteria. Funds advanced to property owners for allowable Improvements will result in an assessment lien on the property to be paid back on the annual property tax bill of a specified amortization period.

Flowchart of Financing Plan



An initial effort by the Treasurer will be required to set-up the line of credit financing between the Authority and the TIP, and the corresponding lending agreement between the Authority and the Program. Subsequently, a modest amount of effort will be needed to monitor and manage the line of credit. It is proposed that the line of credit will be subject to biweekly draws in order to advance funds on a timely basis for property owners to pay technology vendors and contractors.

An interest rate charged on the assessment will be used to recover costs and will need to provide a market rate of return to TIP depositors and future bond holders. Currently energy efficiency assessment bond financing is not tax-exempt for federal income tax purposes. Although federal legislation is pending that would make AB 811 municipal bonds tax exempt.

To recover program costs, the TIP would need to hold the contractual assessments for an adequate period of time. After the holding period, the assessments could be "bundled" into an assessment bond financing and sold in the municipal bond market. The Treasurer is proposing to commit up to 3% of the TIP for Program financing for a total of $33 million at this time.

Public Debt Offering

Proceeds from the sale of assessment bonds can be used to perpetuate the Program. The initial financing will be based on a TIP investment in conjunction with a lending arrangement between the Authority and the County for its **Placer mPOWER** program. At a future date, this arrangement can be essentially "refinanced" with the issuance of public debt. Once the outstanding assessments are sold in the bond market, the TIP will be relieved of its investment in the Program and will then have funding freed for re-investment in the Program. The issuance of public debt will enable funding to expand beyond the TIP financing.

As an assessment collected on the property tax roll, the assessment can be maintained in the Teeter program. This would provide additional credit enhancement for a future bond issue. Should properties become defaulted, ultimate collection would be accomplished through the property tax collection process as prescribed by the Revenue and Taxation Code provisions for tax defaulted land or could be subject to accelerated judicial foreclosure as a provision of the bond financing. If a property becomes subject to delinquent or defaulted collections, the County would be made whole or could possibly receive incremental revenues associated with delinquency penalties collected on the assessments. There is a remote possibility that final collection on a defaulted property could yield less than the total amount of property taxes due. In that event, total penalties collected through the Teeter program help to offset this amount.

The effect of any debt issued would not count against the County's overall debt capacity as the debt is secured by the assessment and not a pledge of the General Fund or other County revenues.

It is expected that a feasible bond offering would need to be about $20 million size to attract capital market investors. A bond offering is not likely until sometime after the first year of program operation. A bond offering is dependant on how quickly assessments are funded since a certain holding period is needed to recover program costs. Once program costs are recovered and the funded assessments total over $20 million, it will take approximately three months to structure, market and sell the AB 811 assessment bonds.

There is an increasing demand for "Green Investments". In fact there are certain funds that are devoted entirely to green investments. The Treasurer will work with outside bond counsel and financial advisors to develop and market a bond offering consisting of assessments made through the Program. The bundling of assessments into a security sold in the financial markets will generate bond proceeds that can be "reinvested" into the Program in order to expand the funding available for more projects and property owners.

Financial Feasibility

Start-up and On-going Administrative Costs

The Program size is based on the total dollar amount of assessment funding to be offered. The program budget depends on the size of the program. The Treasurer has developed budgets for three Program sizes at $10 million, $20 million and $33 million. As can be expected, the greater the Program size the greater the Program's overall cost.

A $10 million Program size is estimated to require an estimated budget of $585,697. At these levels, a 100% Program size increase from $10 million to $20 million results in a 62% Program budget increase for an estimated budget of $947,583. Increasing the Program size another 65% to $33 million results in an additional 29% cost increase for an estimated budget of $1,219,114.

The table below shows the various Program levels and the budget estimates associated with each Program level.

Placer mPOWER

Program Budget - Year 1 Including Start Up Costs

Annual Loan Volume	$10,000,000	$20,000,000	$33,000,000
Operating Cost *Includes office supplies, phones, internet, reproduction, database development, etc*	$ 73,099	$ 87,098	$ 100,572
Staffing Cost *Ranges from 1.0 FTE to 3.0 FTE Extra Help Processor, Special Assmt Coord, Admin Aide - Contracts, and Clerical Support*	$ 200,375	$ 353,961	$ 523,833
Tax Collection/Finance System *Includes direct charges (placement of charges on tax bill), and finance transactions.*	$ 92,854	$ 133,905	$ 141,529
Marketing Cost *Includes advertising cost, advertising and marketing materials, website, and other miscellaneous marketing*	$ 164,369	$ 284,619	$ 305,180
Consulting Cost *Includes legal, bond counsel, financial advisor, etc*	$ 55,000	$ 88,000	$ 148,000
First Year Costs	$ 585,697	$ 947,583	$ 1,219,114

Staffing is the significant cost driver that increases with each Program level due to the amount of effort needed in processing the increased number of applications for each Program level.

The other significant cost driver is the expense associated with publicizing and marketing the Program. It is imperative that the Program have available the tools necessary to publicize and market the Program. As discussed in the next section on Cost Recovery and Feasibility Thresholds, the important component of cost recovery is placing as many assessments on the property tax roll as soon as possible.

Accurate and timely Program information must be available to property owners and potential contractors. Program materials need to be developed that will clearly explain the Program requirements, obligations and responsibilities as well as what property owners can expect in Program benefits.

Cost Recovery and Feasibility Thresholds

In addition to a loan based on a TIP investment for the assessment funding, there will also be a loan based on a TIP investment to finance administrative costs including initial start-up and on-going operating costs. Cost recovery on the administrative loan is dependant on the amount of earnings collected from funded assessments.

$Earnings = (rate X amount)/time

The amount funded is a significant earnings driver due to timing of collections based on the property tax collection cycle.

When the interest rate charged on the assessment is collected, a portion will be applied to repay the administrative loan. The amount available to repay the administrative loan will be dependant on the total dollar amount of assessments included in the upcoming property tax cycle.

If the Program proceeds according to the Project Implementation Timeline as shown in Appendix D, there will be approximately six to seven months for assessments to be advanced before the July cut-off for the assessment to be included in the following property tax billing cycle. Therefore, assessments advanced in the first six to seven months of 2010 would be placed on the property tax bill sent in September of 2010 for collection on December 10, 2010 and April 10, 2011. This represents a significant lag between assessment advancement and property tax collections. The table below shows the cost recovery for the three Program levels and a forth scenario that considers a future public debt offering.

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Summary of Cost Recovery Cash Flow

	$10 Million Funding Level Operating Cost Loan $850,000	$20 Million Funding Level Operating Cost Loan $1,500,000.00	$33 Million Funding Level Operating Cost Loan $1,900,000.00	$33 Funding Level w/Add'l $20 Million Bond in Yr. 3 Operating Cost Loan $1,900,000.00
Year 1				
Operating Receipts (1)	$ 129,972	$ 170,509	$ 175,902	$ 175,902
Proceeds from Note	$ 600,000	$ 800,000	$ 1,100,000	$ 1,100,000
Operating Expenses	$ (585,696)	$ (947,583)	$ (1,219,113)	$ (1,219,113)
Ending Balance	$ 144,276	$ 22,926	$ 56,789	$ 56,789
Year 2				
Beginning Balance	$ 144,276	$ 22,926	$ 56,789	$ 56,789
Operating Receipts	$ 443,639	$ 762,081	$ 1,067,867	$ 1,065,850
Proceeds from Note	$ 250,000	$ 700,000	$ 800,000	$ 800,000
Repayment of Note	$ (100,000)	$ (250,000)	$ (300,000)	$ -
Operating Expenses	$ (620,681)	$ (1,109,030)	$ (1,513,354)	$ (1,519,160)
Ending Balance	$ 117,234	$ 125,977	$ 111,302	$ 403,479
Year 3				
Beginning Balance	$ 117,234	$ 125,977	$ 111,302	$ 403,479
Operating Receipts	$ 702,898	$ 1,341,965	$ 2,021,801	$ 2,057,535
Repayment of Note	$ (300,000)	$ (450,000)	$ (750,000)	$ (300,000)
Operating Expenses	$ (489,849)	$ (934,948)	$ (1,260,922)	$ (1,879,004)
Ending Balance	$ 30,283	$ 82,994	$ 122,181	$ 282,010
Year 4				
Beginning Balance	$ 30,283	$ 82,994	$ 122,181	$ 282,010
Operating Receipts	$ 702,467	$ 1,403,694	$ 2,317,856	$ 2,021,547
Repayment of Note	$ (200,000)	$ (450,000)	$ (850,000)	$ -
Operating Expenses	$ (399,849)	$ (961,348)	$ (1,386,322)	$ (1,885,193)
Ending Balance	$ 132,901	$ 75,340	$ 203,715	$ 418,364
Year 5				
Beginning Balance	$ 132,901	$ 75,340	$ 203,715	$ 418,364
Operating Receipts	$ 704,752	$ 1,403,549	$ 2,319,709	$ 1,858,243
Repayment of Note	$ (250,000)	$ (350,000)	$ -	$ (475,000)
Operating Expenses	$ (399,849)	$ (961,348)	$ (1,386,322)	$ (1,787,872)
Ending Balance	$ 187,804	$ 167,541	$ 1,137,102	$ 13,735
Year 6				
Beginning Balance				$ 13,374
Operating Receipts				$ 2,407,300
Repayment of Note				$ (850,000)
Operating Expenses				$ (1,461,293)
Ending Balance				$ 109,381
Year 7				
Beginning Balance				$ 109,381
Operating Receipts				$ 2,407,300
Repayment of Note				$ (275,000)
Operating Expenses				$ (1,461,283)
Ending Balance				$ 780,398
Assumptions:	$10 Million financing volume on 09/10 tax roll Full cost recovery in year 5	$10 Million financing volume on 09/10 tax roll and $10 million on 10/11 tax roll Full cost recovery in year 5	$20 Million financing volume on 09/10 tax roll and $10 million on 10/11 tax roll Full cost recovery in year 4	$10 million financing volume on 09/10 tax roll and $20 million on 10/11 tax roll, $10 million on 11/12, and $10 million on 12/13 Full cost recovery in year 7

(1) Includes only first installment of property taxes from 12/10/10

Program Benefits

The Program benefits are numerous. The benefits range from economic, to social and environmental and legal/regulatory.

The economic benefits include the ability to leverage local tax dollars to stimulate the local economy. Typically, TIP money is invested in money market and fixed income securities that are actively bought and sold on Wall Street trading floors. This Program would utilize local resources (local tax dollars) to stimulate the local economy by adding money and credit that would not otherwise be available. A general economic rule of thumb is that for every dollar invested there is a multiplier affect resulting in a one to three dollar turnover in the economy. Another very key economic benefit is job creation in the constructions trades which has been one of the hardest hit sectors of the local economy. In the construction sector, job development will be most significant in the "green trades". The increase in construction activity will also result in increased building permit activity for the County and the incorporated jurisdictions.

Currently there are American Reinvestment and Recovery Act (ARRA) and California Energy Commission (CEC) block grant funds available for AB 811 programs. However this money can also be utilized for other programs and on August 18, 2009, the Board of Supervisors (the "Board") authorized Facility Services to prepare a grant application package to fund energy efficient projects. Should the Board so decide, the Treasurer could work with Facility Services to utilize this grant funding to defray AB 811 Program administrative costs and shorten the cost recovery period. Additional, funding may become available through these grant programs in the future and these funds could be utilized to defray Program administrative costs at that time to ensure that all available State and Federal funding is utilized for the benefit of our local communities.

One of the goals of AB 811 is to provide funding for improvements that would reduce the emission of Green House Gases (GHG). Depending on the types and magnitude of energy and water efficiency measures and distributed generation capacity developed locally through the **Placer mPOWER** program a considerable measure of GHG reduction could be achieved and thereby reduce the County's overall carbon footprint. The Program is also likely to benefit the County and the Cities/Town by demonstrating achievement toward AB 32 compliance as related AB 32 regulations and requirements are implemented over time. As a record will be kept of all Improvements funded by the Program, there may be potential for the County to realize carbon credits associated with the Improvements.

Reduced demand for energy and water will help move the County's residents toward energy independence and will reduce energy and water costs for property owners. By providing financing for up to 20 years that might not otherwise be available given the tight credit market of the current economy, property owners will also be able to take advantage of government rebates and tax credits that they might otherwise have to forgo.

Potential Risk Factors

There are several possible risk factors associated with AB811 programs. As in most business transactions, the major benefits of the program have corresponding risks. These risk factors fall into several categories. There are risks associated with the financing plan, program participation and community impact. For some of these risks there are existing conditions or circumstances that serve to mitigate the associated risks. Certain proactive mitigation measures can be instituted to minimize other potential risks.

Financing Plan Risks

Risks associated with the financing plan include:

- risks that participation volume does not allow cost recovery to occur timely enough to utilize bond financing to perpetuate the program,
- risks associated with the future bond sale due to "newness" of AB811 bonds,
- risk of credit implications to the County based on the issuance of public debt associated with program funding,
- risks to the bond holder associated with property owner default,
- risks to the County associated with advancement of funds through the Teeter Plan for delinquent properties.

Below is a discussion of each of the risks noted above and any mitigating circumstances or measures existing or that can be utilized to reduce those risks.

The two main factors in achieving a satisfactory level of cost recovery are the volume of assessments placed on the upcoming property tax roll and the interest rate on the assessment. The Program feasibility is measured in terms of timeframe for cost recovery. The greater the volume, the shorter the time period for cost recovery given a set rate of interest. A schedule of cost recovery volume and timing is discussed in the Financial Feasibility section and details are provided in Appendix F.

An assessment interest rate will be calculated and set to provide a market rate of return to the bondholder with a sufficient spread to cover the program start-up and ongoing administrative costs over a reasonable time period. The assessment interest rate charged for the Palm Desert and Sonoma County programs is 7%. At this rate, Palm Desert has sold out its program and Sonoma County is currently receiving applications weekly in the range of $600,000 to $800,000. Sonoma County pegged their interest rate late last winter at 7% based on scenario analysis with a Sonoma County Treasury rate of 3% to 3.5% plus a 4% to 5% spread for cost recovery with an expected cost recovery time frame of three years based on annual loan volume of $5 million.

Currently, there is federal legislation pending to make AB 811 type assessment bonds tax exempt. In addition to California eleven other states have legislatively authorized similar financing programs, including New York, Texas, Colorado and Ohio. Should the energy efficiency assessment financing become federally tax-exempt, there will be an opportunity to lower the interest charged to property owners. The Placer County Treasurer will make an independent determination, subject to Board concurrence, as to the interest rate necessary to provide investors with a market rate of return and reasonable cost recovery prior to Program implementation. The interest rate determined will be stated in the "Program Report and Guidelines" submitted for approval by the Board at a later date.

Risks associated with the future bond sale due to the "newness" of AB811 bonds are anticipated to be relatively low considering the market's familiarity with assessment district financing in general and an increasing demand for green holdings in investor portfolios. Also, many of the risks associated with assessment district financing are not present in a future AB 811 debt offering. Typical assessment district risks to bondholders include the completion of financed improvements, the concentration of assessments in a single or very few property owners and the risk that capitalized interest will not be sufficient to cover the time period until assessments are placed on the property tax roll. The AB811 program debt would not include these risks as: 1) funds are not advanced until Improvements are complete or substantially complete in the case of projects that are approved for progress payments, 2) property owners will be diversified over the entire geographic boundaries of Placer County, and 3) there will be no need for capitalized interest as the assessments will have already been placed on the property tax roll by the time the public debt offering.

Each issuer of debt has certain factors that affect debt capacity and related credit ratings. Since any future issuance of debt associated with the AB811 program is repaid through the assessments collected as part of the program and repayment is secured by the property and not by any pledge of general fund or other County revenues there is not a direct credit impact to the County. However, credit rating agencies will consider the AB811 program structure and its administration as part of their analysis of County management which is a component of their overall credit rating analysis. A discussion with a senior ratings analyst at Moody's Investor Services about AB811, confirmed that there would be no direct impact on the County's credit rating or debt capacity if an AB 811 Program were established in Placer County.

It is proposed that risks to the bond holder associated with property owner default be mitigated by including any AB811 assessments in the current County Teeter Plan. Under this plan, the County has set aside money in its Tax Loss Reserves Fund[1] to advance delinquent property taxes to local agencies in Placer County. When taxes are ultimately collected pursuant to State Revenue and Taxation Code and accelerated foreclosure provisions included in the Program bond financing, the County is reimbursed the amount of the property taxes plus 18% per annum from the time of default.

The County may be at risk in advancing funds through the Teeter plan if future collections do not result in fully recovering the amount of taxes and penalties due on any of the individual property assessments. While losses are possible, the Tax Collector's historical (16 years) delinquent collection record, particularly with properties subject to tax defaulted land sale, has resulted in only one unique case where the property taxes where not fully recovered. Further, all delinquent properties (after December 10th and April 10th) are subject by state statute to an immediate 10% penalty and defaulted properties (after June 30th) are additionally subject to a 1.5% per month, or 18% per year penalty, resulting in gross penalty collections that can further offset any losses to the County as a result of "Teetering" AB811 assessments.

<u>Program Participation Risks</u>

Risk factors having to do with program participation include:

- potential for fraud,
- excessive lien to value ratios,
- uncompetitive interest rates or other factors could result in participation levels too low to achieve an acceptable cost recovery timeframe.

The potential for fraud always exists in government offered financial programs. Fraud potential includes excessive charges to homeowners by contractors resulting in possible kickback or other schemes, removal of installed Improvements and other means of deception.

First, the amount advanced to the property owner by the AB811 program results in a priority lien against the property to be repaid with interest. This should provide incentive to the property owner to keep costs as low as possible. Further, the program will maintain market information on costs and

[1]The Tax Loss Reserve Fund is required in the Revenue and Taxation Code and is required to be maintained at a level based on prior delinquency rates.

whenever feasible will set guidelines regarding reimbursement levels for various types of improvements and may require the property owner to provide bids from competing contractors. While the property owner would not be required to contract with the lowest bidder, it will serve as a guide to the amount of financing that will be authorized. Also, Improvements are subject to all applicable building permit requirements. Therefore, the permit final inspection will be utilized to ensure that stated Improvements have been made. At the time the funds are advanced an assessment lien will be recorded against the property. The recorded assessment lien will include a listing of the Improvements financed by the assessment with a statement that such Improvements must be in place at the time of any future sale of the property as long as the assessment lien is outstanding unless replaced by Improvements with equal or greater efficiency and capacity.

To ensure adequate security in terms of lien to value ratio for the assessment lien, several measures will taken. As a conservative guideline the program procedures will call for using assessed value as the basis for determining a maximum assessment of 10%. If more costly Improvements are proposed, additional information may be required to demonstrate a reasonable relationship between the proposed Improvements, and the ability of the property owner to repay the assessment. For each property, a title report will be provided and used to ensure that total liens do not exceed 90% of the assessed value or market value if necessary.

As discussed in the Financial Feasibility Section above, program volume is a significant factor in cost recovery. Any Program parameter that could dampen participation should be carefully considered. Such parameters could include uncompetitive interest rates, upfront fees imposed to cover administrative costs, and possible restrictions on the use of carbon credit accruing from the financed Improvements.

The Treasurer's office has analyzed the rates necessary for various cost recovery scenarios based on volume and cost recovery period. The rate on the assessment must be competitive for the program participant, provide for an acceptable cost recovery time frame and provide an attractive rate of return for future bond buyers. Approximately 30 days prior accepting the first property owner applications, the Treasurer would be responsible for setting the interest rate with Board concurrence based on criteria just stated. Thereafter, the Treasurer, will review, adjust and set a new rate, with Board concurrence, based on market conditions, and other considerations as may be appropriate from time to time. This will allow for adjustments to be made to the rate based on providing the program participants the most competitive rates, while maintaining acceptable cost recovery time frames and providing future bond-buyers attractive rates. It will also allow for adjustments to the rate based on any change in tax status for future bonds issues.

Community Impact Risks

Community impact risks include:

- inducement for property owners to take on debt levels that are not affordable,
- delays in program implementation that cause property owners to delay planned improvements which could result in negative local economic impact to the local construction trades.

Overleveraging debt and abuse of credit on both residential and commercial property has been a contributing factor to the current economic downturn. It will be important for the security of the Program assessments and to prevent negative impact to the local economy to ensure that the program does not contribute to overleveraging or abuse of credit. Program guidelines outlined in this document are designed to minimize the occurrence of overleveraging as it applies to the underlying security of the assessment lien by requiring guidelines for a reasonable relationship between the proposed Improvements, the value of the property, and the ability of the property owner to repay the assessment.

In the case of the City of Berkeley, there was a delay between the initial public discussions of the Berkeley FIRST AB 811 program and program implementation. During this period of delay, anticipation about the program resulted in property owners holding back on planned solar improvements which created a slump in the solar application market. Subsequently, the market for solar application rebounded with pent-up demand created by the program anticipation. It is advisable that comprehensive and detailed information necessary to determine whether to implement a program be provided early in the discussion and that an implementation decision is made timely. Further, if Program implementation is approved, the resources and effort necessary to achieve implementation also need to be provided in a timely fashion to avoid implementation delays that might result in reduced market demand.

Market Analysis

Efforts in Other Jurisdictions

Palm Desert:

The City of Palm Desert initiated an AB 811 program called the Energy Independence Program (EIP) on July 21, 2008 by passing the required Resolution of Intention on the same day that the Governor signed AB 811 into law under an urgency measure making the new legislation effective immediately. Palm Desert allocated $2.5 million for assessment funding from General Fund Reserves and $160,000 for program administrative expenses.

The program commenced on September 1st and was fully subscribed within three weeks. The City allocated an additional $5 million which also sold out quickly. The $7.5 million program funded 208 assessments 88 of which were photovoltaic and 120 that were other energy efficiency projects. The City currently has a waiting list of approximately180 property owners for future program funding. The City is currently waiting for a favorable bond market environment to issue bonds that would allow debt proceeds to be reinvested in the City's program.

Berkeley:
Similarly the City of Berkeley initiated a program called Berkeley FIRST (Financing Initiative for Renewable and Solar Technology). As a pilot program Berkeley allocated City funding of $1.5 million dollars to fund photovoltaic systems. Thirty-eight solar installation projects were funded through this program. Funding has been exhausted and the City is evaluating opportunities to provide additional funding. These opportunities include additional City provided funding and the issuance of bonds.

Sonoma County:
The County of Sonoma was the first county to develop and implement an AB 811 program. The Sonoma County Program, Sonoma County Energy Independence Program (SCEIP) was the first program to utilize the County Treasurer's investment pool to provide funding and the first program to include water conservation as an energy efficiency component of the program. The Sonoma County program has been structured with the intent of issuing bonds to perpetuate the program. Through joint participation of the County Treasurer and the Sonoma County Water Agency $100 million has been committed to the Sonoma County SCEIP. Since program inception in last April, the program has had the following activity:

Sonoma County Program Statistics
Inception, March 25, 2009 through September 4, 2009

Number of Applications Received	564
Number of Applications Approved	408 ($14,042,716)
Number of Applications Funded	168
Average Number of Applications Received per week	24 ($600,000 to $8800,000)

Other Jurisdictions:
A number of other jurisdictions are considering AB 811 programs. The Counties of Santa Barbara, Ventura, Solano, and Los Angeles are actively pursuing AB 811 program development. Sacramento County in conjunction with the City of Sacramento and the Association of Bay Area Governments are

also considering program opportunities. Also, Napa County is coordinating to join the Sonoma County Program. There is also an effort to create a statewide program for small jurisdictions.

Placer County Market

Survey:

While information from other jurisdictions is helpful, it may not necessarily be indicative. The jurisdictions discussed differ from Placer County in several ways. First, the other jurisdictions all have goals specific to green house gas reductions as part of climate action plans that are established and widely known to their constituents. These plans include specific strategies to achieve stated levels of green house gas reductions by promoting and providing incentives for residents and business to implement certain energy efficiency measures.

Possibly more significant are the differences in climate from Placer County. Placer County has an array of climates that range from valley with hot summers and foggy cool winters to foothill areas with hot summers and sunny cool winters to high country elevations with moderate summers and Alpine winters with heavy snow and freezing temperatures. These considerations mean that demand for projects in Placer County may range significantly from that of other jurisdiction with increased demand for weatherization related projects in the high country, and possibly more demand for solar applications in the foothill areas than even for solar applications in the valley climates.

By comparison, the City of Palm Desert has a single climate which is highly conducive to solar related applications. Berkeley's program only provided funding for solar based on its climate action plan goals and Sonoma County has a more temperate and homogenous climate than Placer County. Sonoma has more foggy days and also has a significantly different water supply and delivery system than Placer County which could mean differences in demand for water conservation projects.

Another factor is the relative rates charged by the local utility companies. The lower the energy rates the longer the time it will take for the property owner to recover energy efficiency improvement costs. Depending on geographic location, Placer County property owners are served by at least eight different energy and water utility companies all with differing energy rates. Except for the City of Healdsburg, Sonoma County property owners are served by Pacific Gas & Electric Company.

A survey of both residential and commercial property owners would help the County to better gauge interest and demand for AB 811 funding. A survey would be conducted after the Board gives approval to move forward on development of an AB 811 program.

Geographic Market

Total parcels	Residential Parcels Developed/Undeveloped	Commercial Parcels[2] Developed/Undeveloped
Unincorporated Placer County		
69,515	50,096/10,181	8,292/946
City of Roseville		
42,275	37,343/2,816	1,822/294
City of Rocklin		
18,709	16,712/1,065	704/228
City of Lincoln		
18,226	16,392/1,405	312/117
Town of Loomis		
2,854	2,213/328	270/43
City of Auburn		
5,619	4,586/501	464/68
City of Colfax		
850	591/110	121/28

Potential Loan Volume

Countywide Eligible Parcels	1% Participation At $20,500/est. assmt.	5% Participation At $20,500/est. assmt:
139,918	$ 28,683,190.00	$ 143,415,950.00

Using an estimate of $20,500 per assessment, at 1% participation (1,400 parcels) the program would require just over $28 million in funding over an estimated 18 month application period and at 5% participation (7,000 parcels) the program would require over $143 million and take approximately 6.5 years to reach this funding level.

Estimates are based on Sonoma County statistics which have been conservatively derived. For the first three months of the Sonoma County AB 811 program, the average approved assessment was $34,430. The number of new assessments approved each month was about 80.

[2] Commercial includes industrial and agriculturally designated parcels.

Stakeholders

Stakeholder participation is critical to the success of any AB811 program. There are a wide variety of stakeholders for AB811. Among them are cities within the county, utility providers, the banking community, contractors, and other jurisdictions in the region. The interest of these stakeholders is as diverse as the different stakeholders.

Cities:

There is no statutory requirement for a county to get consent from a city within the county's jurisdiction to offer an AB811 program within the city limits. However under Revenue and Taxation code, the County Board of Supervisors' approval is required for a city to place an AB811 assessment on the county property tax roll.

From a feasibility standpoint, participation by all of the cities is very advantageous. Regardless of the statutory provisions, an effective AB811 program requires cooperation and mutual understanding of roles and responsibilities between the County and its cities. Such understanding can be documented in a cooperative agreement between the County and its cities. Such an agreement can describe the communication protocols between the County and cities for the program, the terms under which the program will be offered in the cities, services and fees to be provided by the cities under the program, and commitments for marketing the program by the cities. A draft the *Cooperative Agreement to Implement* **Placer mPOWER** *AB 811 Program* is attached in Appendix C.

Additionally, a single countywide program will be less confusing for property owners who might otherwise have to differentiate between various programs and property owners will not have to compare financing options and authorized Improvements.

Utility Providers:

There are a number of important areas where collaboration between the AB811 program and the County's eight utility providers will be essential. The utility providers in Placer County include Pacific Gas & Electric Company, Roseville Electric, Sierra Pacific Power Company, Southwest Gas Corporation, Sacramento Municipal Utility District, Placer County Water Agency, and Nevada Irrigation District. Energy efficiency audit and energy efficiency rebate programs will vary among the utility providers based on consumption goals and priorities and the financial feasibility of allowable program Improvements within each utility's franchise area.

The Program Administrator will need to work with each of the utilities to ensure that the AB811 program optimizes opportunities for property owners to leverage benefits between AB811 financing and rebate programs wherever possible. Property owners will also benefit if information can be obtained through the program about energy efficiency audits and other services provided by the utilities which can assist property owners in evaluating the financial feasibility of various energy and water efficiency improvements.

The utilities can also be of great value to the AB811 program by collaborating on the development of the final list of allowable Improvements for the program.

Preliminary discussions with one of the largest utility providers indicate enthusiastic support for implementation of an AB811 program in Placer County.

Lenders:
The major issue for lenders is the subordination of their loans to an AB811 assessment lien. Even though the AB811 assessment is voluntary, once the assessment is put in place, it, together with any fees, interest and any penalties, constitute a lien on the property, and will be collected in installments on the property tax bill in the same manner as and subject to the same penalties, remedies and lien priorities as the real property taxes.

There is no legal requirement that lender consent be obtained before an assessment is placed on a property. However, a property owner may have a contractual obligation to obtain lender consent prior to adding an involuntary lien. The experience in Sonoma County has been that the lending community has been quite amenable to the AB811 program. For residential properties, most loans are sold by the initial lender, therefore the lender does not have an ongoing interest in the property. However, lenders often hold commercial loans in their portfolios and therefore have an interest in any voluntary liens placed on commercial property. The Sonoma County policy has been to obtain a "Lender Consent and Acknowledgment" on commercial properties with outstanding loans. With this policy and procedure in place, the Sonoma County program has obtained lender support for their program. Upon Board approval, the Program Administrator will pursue discussions with lenders to ensure that lender concerns are addressed and accommodated as reasonably as possible

Contractors:
On-going dialogue with the contractor community will be essential to the success of an AB811 program. Contractors will need information on how the program operates in order to convey that information to their clients and potential clients. In other jurisdictions contractors have played an important role in marketing and publicizing the available AB 811 programs. Contractors also have an interest in certain operational aspects of the program regarding required Program documentation and the Improvement funding. The Program Administrator will establish a contractor's advisory committee to establish an

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ongoing working relationship with contractors to address their business interests and ensure their Program participation.

Marketing Program

The higher the volume of financing provided to property owners the greater the shorter the cost recovery time frame. therefore; marketing of the program is important to the success of the program. Marketing will need to include a variety of program materials to create awareness and understanding of the program among property owners.

There are certain opportunities and costs associated with an effective marketing program. Costs will be incurred in developing and producing marketing materials. These costs are included in the projected budget.

Additionally, there are certain opportunities to market the program. Materials can be distributed through existing means of communication with property owners. These means consist of including program materials in utility bills sent by local municipal utilities such as Placer County Water Agency and Roseville Electric. Program materials can also be included in the annual property tax bill. The key benefit of including program materials in local utility bills is that the program materials can be included in the very near future. Program materials cannot be included in property tax bills until September of 2010. The key benefit of including program materials in property tax bills is the ability to reach property owners who live outside of the County. This is particularly true for the Tahoe area where many property owners live outside of the County.

An estimate of $215,000 has been included in the initial budget for a public relations and marketing effort for the Program.

Carbon Credits

As a part of the Program documentation and accountability all Improvements financed under the AB811 program will be maintained in a database. Such a database can enable information about Program Improvements to be retrieved in the event the information is beneficial for future carbon credit trading, green house gas emission regulations, cap and trade requirements or other environmental regulations.

The Program database on funded Improvements can be used to catalog and bank carbon credits for future disposition. As a Program requirement any carbon credits accruing from funded Improvements can be banked by the County. The County may wish to bank all resulting carbon credits, only carbon credits from residential Improvements, or not to bank any carbon credits created by Program funding.

It is recommended that carbon credits derived from the program be required to accrue to the County. The County can then retain the flexibility of banking, spending or returning carbon credits to property owners at a future date when there is more certainty about AB 32 requirements and other.

Program Framework

The framework of the program includes application processing, property owner qualifications, approved technologies, permit requirements, cost documentation, lender approvals in certain cases, and assessment lien administration.

Application Process and Property Owner Qualifications

Property owner applications will be processed, once complete, on a first-come, first-served basis. The Program will have certain parameters for reviewing, evaluating and approving the property owner and the underlying security in the property. The application and property owner qualification process is outlined in Appendix B.

After receiving notice of Application approval, the property owner (or contractor) must obtain a permit from the local building official. All Improvements, including those normally exempt from permit requirements, would require an inspection from the local jurisdiction (town, city, or County). Final inspection by the permitting jurisdiction will be required to ensure that the Improvements have been completed.

Program funding must be available before assessment proceeds can be advanced. If available funding is reaching the Program limit, applicants would be informed that funding is reaching its maximum level and may not be available. If an application is denied on the sole basis that Program funding is not available, the application would not need to be resubmitted. Pending additional funding, applicants would be placed on a waiting list based on the date of application receipt.

Allowable Technologies

Allowable technologies are confined to those technologies that conserve, create efficiency or develop renewable energy sources in the distributed generation of energy which can be affixed to property. Due to the amount of energy required for water delivery, allowable technologies will also include technologies related to water conservation.

Energy efficient and renewable technologies may be for residential or commercial/industrial application. At this time, funding is not available for government owned or other tax-exempt properties. Generally, the allowable technologies include high efficiency HVAC, windows, doors and insulation, geo-exchange heat pumps, and photovoltaic solar systems. Water conservation technologies include smart irrigation systems, low flow devices and other improvements. Additionally, commercial and industrial technologies may include building energy management systems, zone climate control systems, thermal conversion systems, waste to energy systems, electric vehicle plug-in stations and other custom applications.

A comprehensive draft listing of allowable technologies is attached in Appendix A

Installation of Improvements

The property owner will enter into a contractual arrangement directly with a contractor for Improvements unless the property owner is self-installing the Improvements. All work would be subject to the appropriate jurisdiction's (county, city, or town) permitting and inspections and all other applicable federal state and local laws and regulations. To ensure program process and funding continuity, all work would need to be completed, including the final inspection, within 90 days of execution of the Assessment Contract. Provisions can be made for the property owner and Program Administrator to agree to an extension of this completion date for good cause.

Final Inspections

After Improvements are completed, the property owner would contact the local permitting agency for a final inspection and permit finalization. The property owner would then notify **Placer mPOWER** that all work has been completed and will need to submit final documentation regarding permit final approval, invoices or other evidence showing all costs.

Assessment Lien

When the property owner's application has been approved and the funding amount determined an Assessment Contract will be executed. **Placer mPOWER** will then record an assessment lien against the Property to secure the financing. The lien will need to be for the full amount of the assessment on the property that secures the assessment. If funds are disbursed to property owners before the third Thursday in July of each year, the annual assessment amount will appear on the next tax bill. For disbursements after that date, the assessment would not appear on the property tax bill until the following tax year, but interest would accrue on the outstanding amount from the time the assessment lien is recorded.

Payments, Progress Payments/Multiple Disbursements

Cash flow and timing of funding can be significant elements in the level of program participation. A biweekly funding cycle would give property owners the timeframes necessary to make timely payment to contractors or in the case of self-installing property owners to be reimbursed for project expenditures.

The following guidelines should be instituted so progress payments can be made available for larger projects. If the maximum assessment amount is $60,000 or greater, the property owner may request that **Placer mPOWER** make progress payments prior to the completion of the work. Progress payments will be subject to additional fees and costs associated with verifying project progress and program administration. Projects approved for progress payments would need to be completed within 90 days and a total of three progress payments would be allowed.

In the case of commercial custom projects totaling $500,000 or more, funding would require approval by the Board and progress payments would be considered on a case by case basis appropriate to the funding level and Improvements being financed.

Annual Assessment Administration

As long as any properties are subject to a **Placer mPOWER** assessment, annual administration of the assessments will be necessary to affect billing on the property tax roll, track property owner payments, and to reconcile assessments. Currently, both the Tax Collector and the Auditor have ongoing obligations related to existing assessments placed on the property tax roll from jurisdictions through out the County. The effort associated with a **Placer mPOWER** assessment would not create additional duties, but would increase workload based on the number of additional annual assessments.

The County Auditor has historically charged a fee of 1% of the annual assessment amount which is added to the property tax bill for annual assessment administration. Participants in the **Placer mPOWER** program would be subject to the fee of 1% of the annual assessment to cover annual administrative costs.

Project Implementation Timeline

If approved by the Board of Supervisors, the Treasurer's goal is to have the **Placer mPOWER** program operational in January 2010. This effort will require certain actions by the Board of Supervisors, the Treasurer-Tax Collector, certain County Staff and the City Councils of those cities intending to participate. These actions and activities are outlined in greater detail in the Next Steps section below and a chart of the critical activities is shown in Appendix D – Proposed Project Implementation Time Line.

Assuming first applications are accepted in January of 2010, there will be approximately six to seven months of assessment processing and funding activities that would result in the first assessments being included on the 2010/11 property tax roll collected on December 10, 2010 and April 10, 2011. Subsequent assessment funding would be included on the following years' tax roll.

Conclusion and Recommendations

An AB 811 Program in Placer County would have economic, social, environmental and legal/regulatory benefits. The Program would provide economic resources for green jobs. It would assist property owners in moving toward energy independence, while reducing property owner utility costs. Certain environmental benefits would be realized from reduced GHG emissions resulting from funded Improvements. The Program would demonstrate the County's commitment to legal and regulatory compliance.

Program costs will be incurred immediately, however cash flow associated with cost recovery is tied to property tax collections which creates a delay in collection of costs. Therefore, cost recovery is more a function of **when** and not **if** cost recovery will occur.

It is recommended that the Board consider the Treasurer's proposal fully described in this Feasibility Study and Business Plan, review the Program Components Already Completed as shown below. And finally, the take the first step listed in Next Steps below by authorizing the implantation of an AB 811 Program in Placer County by the Treasurer.

Program Components Already Completed

The Program documentation is substantially complete. Below is a listing of documents that are in final draft form and ready for any final Program policy changes and legal review.

1. Feasibility Analysis and Business Plan
2. Program Report and Administrative Guidelines
3. County Resolution of Intention, Board Item and related documentation
4. County Notice of Public Hearing, Board Item and related documentation
5. City Resolutions and Cooperative Agreements to Implement **Placer mPOWER**
6. Financing Documents
    a. The Bond Form
    b. Bond Purchase Agreement
    c. Lending Agreement
    d. Financing documents
7. Program Forms
    a. Intake Checklist
    b. Application
    c. Truth in Lending Disclosure Statement
    d. Notice of Right to Cancel
    e. Lender Consent and Acknowledgement
    f. Assessment Contract (for both single and progress payments)
    g. Disbursement Request Form (for both single and progress payments)
    h. Settlement Statement (for both single and progress payments)
    i. Final Assessment Settlement Statement
8. Resource Documents for Web Site and Paper Distribution
    a. Frequently Asked Questions
    b. Information for Lenders Regarding Assessment Financing
    c. How to Maximize Your Energy Savings
    d. Fee Schedule
    e. Annual Payment Calculator Instructions

Next Steps

Assuming the desires to proceed with the establishment of an AB 811 Program for Placer County, the Board and the Authority Board must take the following actions to establish and implement the program.

1. Authorize the AB 811 Program implementation allowing the Treasurer to begin working with County Staff and Stakeholders.
2. Pass a Resolution of Intention as required by AB 811 which
    a. Indicates the County proposes to make contractual assessment financing available to property owners
    b. Identifies the kinds of improvements that may be financed
    c. describes the boundaries of the properties to be included
    d. describes the proposed financial arrangements for the program
    e. makes a finding as to the public benefit of the proposed Improvements to be financed

   f. shall designate a time and place for a public hearing the proposed AB 811 Program
   g. direct that a report be prepared pursuant to Section 5898.22 of the Streets and Highways Code
   h. direct that the Auditor-Controller be consulted regarding applicable fees for adding the proposed assessments to the property tax roll.
3. At least 20 days after the Resolution of Intention,
   a. conduct a public hearing on the proposed AB 811 Program
   b. approve the Program Report required by Section 5898.22 of the Streets and Highways Code
   c. approve the Program budget
   d. designate the Treasurer-Tax Collector as Program Administrator
   e. enter into cooperative agreements with the Cities/Town to offer the Program to property owners of the incorporated areas
   f. and, take other administrative actions as may be necessary
4. Take actions necessary to approve and execute the issuance of debt by the Authority and approve the lending agreement and financing related documents between the Authority and the County.

Appendix A – Draft of Eligible Improvements

The **Placer mPOWER** provides funds for a number of equipment types, including water conservation measures, energy efficiency measures, solar systems, and other innovative, energy-saving and energy generation custom measures. In each case, if a rebate is available to the property owner to be applied to the purchase price, that amount must be deducted from the amount of financing requested.

I. Water Conservation Measure

A. Residential Indoor Water Conservation Measures

(1) High efficiency toilets (average flush volume of 1.28 gallons or less)

(2) Showerheads (1.75 gpm)

(3) Bathroom aerators (1.5 gpm)

(4) Hot water delivery options, as defined by the Energy Star "Volumetric Hot Water Savings Guidelines"

  (a) Hot water recirculation systems use a hot water circulating pump to pump hot water from the water heater, through the hot water piping, and back to the water heater through an additional length of pipe that runs from the furthest fixture back to the water heater.

  (b) Demand initiated hot water systems use a recirculation pump to rapidly pull hot water from a water heater while simultaneously sending cooled-off water from the hot water lines back to the water heater to be reheated.

  (c) Whole house manifold systems consist of a manifold (trunk line) connected to the water heater from which individual pipes (twigs) are connected to each water fixture.

  (d) Core plumbing systems are hot water distribution systems where water volumes in the pipes are reduced by a combination of smaller pipe diameters and shorter pipe runs due to a centrally located water heater.

(5) Demand initiated water softeners, Energy Star rated

(6) Demand initiated or instantaneous hot water heater

(7) Hot water pipe insulation (minimum of R4)

B. Residential and Commercial Outdoor Water Conservation Measures

(1) A weather-based irrigation controller, or Smart irrigation controller with a rain shut off device, uses weather data and site information such as plant type and sprinkler system output to adjust watering times and frequency. This provides more efficient watering, reduces water run-off and improves the heath of your landscape.

(2) Permanently installed rainwater cisterns.

(3) Drip irrigation systems in gardens, planters and beds. Drip irrigation can save up to 70% in water usage due to more efficient delivery.

(4) Matched precipitation sprinklers so that all spray patterns and radius deliver water evenly over the landscape area.

(5) Custom Measure: Replace turf grass with native or low water use plants. Project must include soil amendment, mulch, drip irrigation and /or matched precipitation sprinklers and a Smart irrigation controller.

C. Commercial Water Conservation Measures

(1) All applicable water conservation measures listed for "residential"

(2) Pre-rinse spray valves (1.2gpm)

(3) Urinals (pint)

(4) Waterless urinals

(5) Bathroom aerators (0.5 gpm)

D. Commercial Custom Measures

(1) Industrial process water use reduction

(2) Recycled water source

(3) Deionization

(4) Filter upgrades

(5) Cooling condensate reuse

(6) Foundation drain water

(7) Cooling tower conductivity controllers

E. Residential and Commercial Recycled Water Use (Custom Track Measures)

(1) Outdoor irrigation

II. ENERGY Efficiency Measures

The **Placer mPOWER** provides services and funding for a wide range of Energy Star-rated efficiency measures, including many Energy Efficiency measures for which property owners can get rebates as well as **Placer mPOWER** funding. Except the HVAC equipment as noted below, efficiency measures must meet the performance criteria stated in the list of Eligible Improvements or the Energy Star minimum efficiency levels.

For all packaged and central air conditioning systems funded in this Program, the minimum efficiency levels shall be as required by the current minimum requirements set forth in List of Eligible Improvements.

All other proposed efficiency measures will be considered in the Custom Measure Track.

The County of Placer anticipates that Energy Star requirements will "ratchet up" to greater efficiency levels over time. Energy Star will also become more inclusive of technologies over time. Thus, the **Placer mPOWER** will evolve with Energy Star and the market for energy-efficient technologies.

The following Energy Star measures – among others – are eligible in the Efficiency Track.

A. Residential Energy Efficiency Measures

(1) Geothermal exchange heat pumps

(a) Minimum efficiencies
(i) Ground source exchange open loop system 17.8 EER or higher
(ii) Ground source exchange closed loop system 15.5 EER or higher

(2) Home EV charging installations

(3) HVAC Systems

(a) Minimum efficiencies

(i) Split systems with 14 SEER and 12 EER or higher rating
(ii) Natural gas furnaces of 90 AFUE or higher
(iii) Package systems with 14 SEER and 11 EER or higher rating

(b) Home energy management control systems

(c) Whole house fan systems

(d) Duct insulation, meeting Energy Star guideline

(e) Duct sealing

(4) Evaporative Coolers

(a) Cooler must have a separate ducting system from air conditioning and heating ducting system

(b) Maximum 5 gallons/ton-hour cooling

(5) Natural gas storage water heater, EF of 0.67 or higher and Energy Star listed

(6) Tankless water heater, EF of 0.82 or higher and Energy Star listed

(7) Solar water heater systems, rated by Solar Rating Certification Council

(8) Cool roof system as defined by the 2005 California Building Energy Efficiency Standards (also called the California Energy Code). Roofing replacement eligible under this program shall be:

(a) Tested and rated through the Cool Roof Rating Council (CRRC);

(b) Be labeled for its initial reflectance and initial emittance as determined in the CRRC tests and be labeled that the product meets Title 24, Section 118(i);

(c) Achieve at least a 0.75 initial emittance and 0.70 initial reflectance or, if the initial emittance is less than 0.75, have an initial reflectance of at least [0.70 + {0.34 x (0.75 – initial emittance)}];* ***and***, if applied as a liquid coating in the field, be applied at a minimum dry mil thickness of 20 mils* across the entire roof surface and meet performance requirements listed in the table shown immediately below:

[illegible]	ASTM*** Test Procedure	Requirement
Initial percent elongation (break)	D 2370	Minimum 60% 0 °F (-18 °C) Minimum 200% 73 °F (23 °C)
Initial tensile strength (maximum stress)	D 2370	Minimum 100 psi (1.38 Mpa) 73 °F (23 °C) Minimum 200 psi (2.76 Mpa) 0 °F (-18 °C)
Final percent elongation (break) after accelerated weathering 1000 h	D 2370	Minimum 40% 0 °F (-18 °C) Minimum 100% 73 °F (23 °C)
Permeance	D 1653	Maximum 50 perms
Accelerated weathering 1000 h	D 4798	No cracking or checking Any cracking or checking visible to the eye fails the test procedure

NOTE: Aluminum-pigmented asphalt roof coatings and cement-based roof coatings are not required to meet this table. The former must meet ASTM D2824, D6846, and D3805 and the latter must meet greater dry mil thicknesses (depending on the substrate) and meet ASTM D822. Details are found in Standards Section 1(B)3.

(9) Reflective roofs and coatings

(10) Attic and wall insulation, minimum R value 30 and Energy Star listed

(11) Reflective insulation or radiant barriers

(12) Attic fans

(13) Windows and glass doors, U value of 0.40 or less and solar heat gain coefficient of 0.40 or less

(14) Window filming, in compliance with the NFRC glazing attachment ratings for solar heat a gain and visible transmittance

(15) Weather-stripping, following Energy Star guidelines

(16) Home sealing, following Energy Star guidelines

(17) Skylights, U Value of 0.60 or less and solar heat gain coefficient of 0.40 or less

(18) Solar tubes

(19) Additional building openings to provide addition natural light, windows and doors must meet the Energy Star rating U value of 0.40 or less

(20) Lighting, Energy Star listed (no bulb only retrofits)

(21) Pool equipment
    - (a) Pool circulating pumps (must be variable flow and/or multi-speed with controllers)

B. Residential Energy Efficiency *Custom* Measures

(1) Passive solar (heating/cooling)

C. Commercial Energy Efficiency Measures

(1) Heating, ventilating and air conditioning systems ("HVAC")

- (a) Minimum efficiencies
  - (i) Split systems with 14 SEER or 12 EER
  - (ii) Package systems with 13 SEER or 11 EER

(2) Geothermal exchange heat pumps

- (a) Minimum efficiencies
  - (i) Ground source exchange open loop system 17.8 EER or higher
  - (ii) Ground source exchange closed loop system 15.5 EER or higher

(3) High efficiency electric hand dryer

(4) All applicable energy efficiency measures listed in "Residential" section

D. Commercial Energy Efficiency *Custom* Measures

(1) Building energy management systems,

(2) Lighting control systems, which shall include occupancy sensors and other energy saving measures

(3) HVAC duct zoning control systems

(4) Motors and controls (processing or manufacturing equipment)

(5) Customer electric vehicle plug-in station

III. SOLAR Equipment

Solar track funding is available for a wide range of solar equipment. **Placer mPOWER** funding will be available for photovoltaic equipment and installers listed by the California Energy Commission. Solar thermal equipment must be rated by the Solar Rating Certification Council (SRCC). As with efficiency measures, if a rebate is available to the property owner to be applied to the purchase price, that amount must be deducted from the amount of financing requested. Eligible solar equipment for both residential and commercial properties includes:

(1) Solar thermal systems (hot water)

(2) Solar thermal systems for pool heating

(3) Photovoltaic systems (electricity)

 (a) Battery back-up systems will be allowed

 (b) Funding for off-grid systems will be allowed

 (c) PV systems can be sized to accommodate plug-in electric vehicles

 (d) Plug in stations

(4) Emerging technologies – following the Custom Measures Track

 (a) Nano/thin film photovoltaic

 (b) High intensity (parabolic solar panels)

IV. CUSTOM Measures

The Custom Measures Track is a process by which **Placer mPOWER** Staff can evaluate and fund projects that are not "off the shelf" improvements listed in the eligible Water Conservation, Energy Efficiency or Solar Measures. These custom projects may involve large scale industrial or commercial energy efficiency improvement projects, such as process or industrial mechanical systems, renewable energy sources and energy generation, other than the solar system (photovoltaic), such as geothermal, and potentially fuel cells, as well as more complex and cutting edge energy management solutions and emerging technologies. The Custom Measure Track will evaluate and provide funding, if appropriate, for these innovative projects.

Applicants for the Custom Measure Track should consult with **Placer mPOWER** Staff to determine eligibility and will be required in most cases to submit engineering plans and specifications. A **Placer mPOWER** Custom Measure's Track review/technical panel will meet to review the engineering documents and data for custom and emerging technology projects. **Placer mPOWER** may require an additional administrative fee for project evaluation by the technical review. In all cases, the County reserves the right to decline funding of a custom measure.

The following types of measures – among others – will be considered for **Placer mPOWER** funding through the Custom Measure Track:

A. Energy Efficiency Custom Measures

(1) Alternative energy generation (other than photovoltaic)

(2) Building energy management controls

(3) HVAC duct zoning control systems

(4) Irrigation pumps and controls

(5) Lighting controls

(6) Industrial and process equipment motors and controls

As these "Custom Measures" become Energy Star rated they will be included in the List of Eligible Improvements.

B. Energy Generation Custom Measures

(1) Fuel Cells

(2) Natural gas

(3) Hydrogen fuel

(4) Other fuel sources (emerging technologies)

(5) Co-generation (heat and energy)

Appendix B - Application Process

The following applicant processing guidelines should be implemented to confirm:

(1) The property owner(s) owns the Property without federal or state income tax liens, judgment liens or similar involuntary liens on the Property;
(2) The Property is developed and within the County;
(3) The Property is not exempt from secured property taxes;
(4) The property owner is current on property taxes;
(5) Property owner is current on mortgage(s) and, for commercial property, lender has given consent to **Placer mPOWER** financing;
(6) The property owner has declared that the property owner(s) and the Property is/are not currently involved in a bankruptcy proceeding;
(8) The property owner has executed all declarations required in the Application;
(9) The proposed Improvements and costs are eligible to be financed under the Program. If the proposed Improvements are part of a project that includes new construction (e.g., a room addition), the costs of the work have been properly allocated between adding **Placer mPOWER** Improvements and new construction;
(10) The cost estimate(s)/bid(s) is/are reasonable for the Improvements;
(11) Improvement costs are reasonable to property value. As a guideline, proposed Improvements should not exceed 10 percent of assessed value. If more costly Improvements are proposed, the Program Administrator may require additional information supporting both the reasonable relationship of the Improvements to the property, and information related to the ability of the property owner to repay the assessment;
(12) All required documents have been submitted (including for commercial properties, PG&E or other utility onsite energy audit report);
(13) The requested assessment amount (including contingency) is equal to or greater than $2,500 and is less than $60,000; and within 15 business days of receipt of an application, **Placer mPOWER** Staff will notify the property owner if the application is incomplete, approved, denied or requires additional approval. Property owners are free to submit a

new application, which will be processed on a first come, first-served basis based upon the new receipt date.

If an application is denied because the cost estimate(s) is/are not deemed reasonable by **Placer mPOWER** Staff, the application may be resubmitted with the additional documentation of cost estimates.

Appendix C – Cooperative Agreement with Cities

COOPERATIVE AGREEMENT TO IMPLEMENT
Placer mPOWER AB 811 Program

This Agreement is made by and between the County of Placer ("County") and the [City/Town of ___________________] ("City" or "Town") also referred to hereafter as the "Parties".

RECITALS

A. County and [Town/City] are committed to development of renewable energy sources and energy efficiency improvements, development of opportunities for property owners to reduce utility costs, and protection of our environment, and,

B. Chapter 29 of Part 3 of Division 7 of the California Streets and Highways Code (the "Act") authorizes cities and counties to assist property owners in financing the cost of installing distributed generation renewable energy sources or making energy efficient improvements that are permanently fixed to their property through a contractual assessment program.

C. On _______, 2009 pursuant to this authority, and by County Resolution No._______, the County established the "Placer money for Property Owner Water & Energy efficiency Retrofitting Program" **(Placer mPOWER)**.

D. [City/Town] has, by its Resolution No.________, adopted on __________, 20___ approved the County's Resolution of Intention to establish **Placer mPOWER** and consented to the inclusion of properties in the incorporated area governed by [City/Town] in **Placer mPOWER**.

E. [City/Town] has reviewed the Program Report prepared by the County of Placer that outlines the policies, initial list of eligible improvements, administration, and financing of **Placer mPOWER**.

F. The Parties agree that [City/Town] property owners should have the opportunity to participate in **Placer mPOWER** under the terms and conditions contained in this Agreement.

G. The Parties understand that [City/Town] may have preferences that meet the needs of its property owners. The Parties will work together to consider those preferences.

The Parties agree as follows:

1. ***RECITALS.***

The above recitals are true and correct.

2. ***Communication/Designated REpresentatives.***

The persons identified below as the Designated Representative shall, upon execution of this Agreement, have authority to grant discretionary approvals identified in this Agreement. Except as otherwise specifically provided in this Agreement, any notice, submittal, or communication required or permitted to be served on a party, may be served by personal delivery to the person or the office of the person identified below. Service may also be made by mail, by placing first-class postage, and addressed as indicated below, and depositing in the United States mail to:

County

Program Administrator:	Jenine Windeshausen
Phone:	(530) 889-4140
Fax:	(530) 889-4100
Email:	energyinfo@placer.ca.gov
Designated Representative:	Eric Waidmann

[City/Town]

Project Manager:	____________________
Phone:	____________________
Fax:	____________________
Email:	____________________
Designated Representative:	____________________

3. ***COUNTY RESPONSIBILITIES.***

(a) Except as provided in paragraph (b) below, County shall make **Placer mPOWER** available to [City/Town] property owners subject to the same terms and conditions applicable to property owners in the unincorporated area of Placer County.

(b) If, at any time, [City/Town] wishes to request modifications to **Placer mPOWER** for [City/Town] property owners, City shall so notify County in writing, identifying the modifications [City/Town] requests to be implemented within [City/Town]. County shall evaluate such request within 60 days and shall notify [City/Town] in writing of the steps and conditions that would be necessary, if any, to implement [City/Town's] request. If County concludes that the request is not feasible or is detrimental to **Placer mPOWER**, it may, after discussion with the City/Town, deny the request but shall work with [City/Town] to attempt to otherwise address [City/Town]'s desires.

4. ***CITY/TOWN RESPONSIBILITIES.***

(a) [City/Town] agrees to require permits for all projects and improvements requesting **Placer mPOWER** financing. [City/Town] shall charge its usual and customary fees for such permits. [City/Town] understands that County intends to rely upon issuance of a finaled permit as evidence that the improvements have been installed according to local building code requirements by the property owner.

(b) [City/Town] agrees to make information about **Placer mPOWER**, provided by County, available at appropriate locations in [City/Town]. [City/Town] agrees to work with County to market **Placer mPOWER** through such means as inserting information into [City/Town]'s utility bills, linking to the **Placer mPOWER** website from [City/Town]'s website, and including information on **Placer mPOWER** in community information bulletins.

5. ***ADDITIONAL REQUIREMENTS.***

(a) Authority to Amend Agreement: Changes to the Agreement may be authorized only by written amendment to this Agreement, signed by the Designated Representative of each party or such other representative as is authorized by the governing body of each party.

(b) No Waiver of Breach: The waiver by any party of any breach of any term or promise contained in this Agreement shall not be deemed to be a waiver of such term or promise or any later breach of the same or any other term or promise contained in this Agreement.

(c) Construction: To the fullest extent allowed by law, the provisions of this Agreement shall be construed and given effect in a manner that avoids any violation of statute, ordinance, regulation, or law. The Parties covenant and agree that in the event that any provision of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of the provisions hereof shall remain in full force and effect and shall in no way be affected, impaired, or invalidated thereby.

(d) Making of Agreement: The Parties acknowledge that they have each contributed to the making of this Agreement and that, in the event of a dispute over the interpretation of this Agreement; the language of the Agreement will not be construed against one party in favor of the other. The Parties acknowledge that they have each had an adequate opportunity to consult with counsel in the negotiation and preparation of this Agreement.

(e) No Third-Party Beneficiaries: Nothing contained in this Agreement shall be construed to create and the parties do not intend to create any rights in third parties.

(f) Applicable Law and Forum: This Agreement shall be construed and interpreted according to the substantive law of California excluding the law of conflicts. Any action to enforce the terms of this Agreement or for the breach thereof shall be brought and tried in the County of Placer.

(g) Captions: The captions in this Agreement are solely for convenience of reference. They are not a part of this Agreement and shall have no effect on its construction or interpretation.

(h) Merger: This writing is intended both as the final expression of the Agreement between the parties hereto with respect to the included terms and as a complete and exclusive statement of the terms of the Agreement, pursuant to Code of Civil Procedure Section 1856. No modification of this Agreement shall be effective unless and until such modification is evidenced by a writing signed by all parties.

(i) Time of Essence: Time is and shall be of the essence of this Agreement and every provision hereof.

(j) Entire Agreement: This Agreement is the entire Agreement between the Parties.

6. *AGREEMENT BECOMING EFFECTIVE.*

This Agreement shall become effective upon execution by the Parties.

7. *TERMINATION.*

Either Party may terminate its participation in this Agreement by giving one hundred eighty (180) days advance written notice to all other parties of its intent to terminate its participation in this Agreement. Termination shall not affect the validity of any contractual assessment agreement already entered into by the County within the incorporated area of [City/Town].

8. *COUNTERPART SIGNATURES.*

This Agreement may be executed in counterpart and each of these executed counterparts shall have the same force and effect as an original instrument and as if all of the parties to the aggregate counterparts had signed the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as set forth below.

CITY/TOWN

By: ______________________
Mayor

Authorized by Resolution No: __________

Date: __________

Attest: ______________________
City/Town Clerk

Approved as to form:

____
City Attorney

COUNTY OF PLACER

By: ______________________
Jenine Windeshausen
Treasurer-Tax Collector
Program Administrator,
Placer mPOWER

Approved as to form:

____
County Counsel

Appendix D – Proposed Project Implementation Time Line

Treasurer's Proposal to Board of Supervisors	October 6, 2009		
Commence Program Implementation Preparation	October 6, 2009		January 1, 2009
Market Survey of Residential and Commercial Property Owners	October 6, 2009	-	November 8, 2009
City Discussions	October 6, 2009	-	November 6, 2009
City Program Participation Resolutions			
Roseville	October 21, 2009		
Rocklin	October 27, 2009		
Lincoln	October 13, 2009 or		October 27, 2009
Loomis	October 13, 2009		
Auburn	October 26, 2009		
Colfax	October 14, 2009		
Completion of Program Report & other Documents	November 3, 2009		
Board of Supervisor's Resolution of Intention and Approval of City Agreements	November 3, 2009		
Commence Program Marketing	November 3, 2009	-	July 31, 2010
Board Hearing to Create Program	December 8, 2009		
Commencement of Validation Action Re: future bond	December 8, 2009	-	March 1, 2010
Program Grand Opening	By late January 2010		
Commence Validation Action for Future Bond Issuance	March 1, 2010		
Begin Development of program for outside jurisdiction participation	March 1, 2010		
Begin participation of outside jurisdictions	April 30, 2010		

Appendix E Estimated Program Budget

Placer mPOWER
Program Budget Detail
January 1, 2010 - December 31, 2010

	Annual Loan Volume $ 10,000,000	Annual Loan Volume $ 20,000,000	Annual Loan Volume $ 33,000,000
Receipts			
Tax Roll - Annual asmts interest 7%	$ 77,500	$ 77,274	$ 77,274
Tax Roll - Annual admin asmt fee - 1%	6,450	6,452	6,452
Title Search Reimbursement	38,012	75,852	78,432
Treasury Interest Earnings	5,213	5,797	8,467
Recording Fees	2,122	4,234	4,378
Progress Payment Fee	900	900	900
Proceeds from Administration Note	600,000	$ 800,000	$ 1,100,000
Total Receipts	$ 730,197	$ 970,509	$ 1,275,902
Disbursements			
Program Staffing			
Processor	$ 62,928	$ 64,740	$ 61,117
Processor		61,117	61,117
Processor			56,024
E/H Contingency	16,923	16,923	16,923
Notary	16,304	32,608	48,912
Reception	6,231	18,692	31,367
Intake Coord	10,385	30,635	51,196
Special Assmt Coordinator	16,615	30,115	43,111
Asst Treasurer Tax Collector	28,620	50,635	73,377
Admin Aide - Contracts	52,754	79,131	131,885
Treasurer Tax Collector	38,984	38,984	38,984
Program Operarting Costs			
Phones	$ 2,175	4,350	$ 6,000
Office Expense	5,000	10,000	15,000
Postage & Mailing	1,000	1,500	2,000
Printing	5,000	5,000	5,000
IT - New Computers	2,500	5,000	7,500
IT Support - 3 PCs	3,824	7,648	11,472
Copy Machines	3,600	3,600	3,600
Database Development	50,000	50,000	50,000
Other Services & Supplies			
Audit costs	$ 20,000	$ 20,000	$ 20,000
Legal costs	$ 30,000	60,000	120,000
Consultant services	$ 5,000	8,000	8,000
Marketing costs	$ 115,000	215,000	215,000
Title search fees	$ 38,012	75,852	78,432
Recording fees	$ 2,122	4,234	4,378
Tax Roll - Annual admin asmt fee - 1%	$ 6,452	6,452	6,452
Progress Payment Fee	$ 900	-	900
Annual asmt costs	$ 6,250	6,250	6,250
Contingency Costs	$ 6,000	8,000	12,000
Assessment Repayment			
Interest Expense - 3%	$ 33,118	$ 33,118	$ 33,118
Total Disbursements	$ 585,697	$ 947,584	$ 1,219,114
Net (Costs)	$ 144,500	$ 22,925	$ 56,789

Appendix F - Cost Recovery Detail Based on Program Size

This page blank, worksheets on following 5 pages.

ePOWER - Cash Flow Model
$10 Million Funding Level
No Outside Additional Funding

Financing Volume on 09-10 Tax Roll: $10M
$850,000 Administration Loan

	YEAR 1 Total Jan. 10- Dec. 10	YEAR 2 Total Jan 11 - Dec 11	YEAR 3 Total Jan 12 - Dec 12	YEAR 4 Total Jan 13 - Dec 13	YEAR 5 Total Jan 14 - Dec 14
Beginning Cash	$0	$ 144,276	$ 117,234	$ 30,283	$ 132,901
Receipts					
Tax Roll - Annual asmts interest (7%)	$ 77,274	$ 435,330	$ 700,000	$ 700,000	$ 700,000
Tax Roll - Annual admin asmt fee (1%)	6,452	6,452	0	0	0
Title Search Reimbursement	38,012	0	0	0	0
Treasury Interest Earnings on cash balance	5,213	1,857	2,898	2,467	4,752
Recording Fees	2,122	0	0	0	0
Progress Payment Fee	900	0	0	0	0
Subtotal	$ 129,972	$ 443,639	$ 702,898	$ 702,467	$ 704,752
Proceeds from Note	$ 600,000	$ 250,000	$ -	$ -	$ -
Repayment of Note		$ (100,000)	$ (300,000)	$ (200,000)	$ (250,000)
Total Receipts	$ 729,972	$ 593,636.8	$ 402,898	$ 502,467	$ 454,752
Disbursements					
Program Staffing					
Processor Extra Help	$ 62,928	$ 66,210	$ -	$ -	$ -
Extra Help Contingency	16,923	20,000	0	0	0
Notary (- 20 FTE)	16,304	15,700	0	0	0
Reception (- 10 FTE)	6,231	6,000	0	0	0
Intake Coordinator (- 10 FTE)	10,385	10,000	0	0	0
Special Assmt Coordinator (- 13 FTE)	16,615	16,000	12,000	12,000	12,000
Asst Treasurer Tax Collector (- 13 FTE)	28,620	27,560	0	0	0
Admin Aide - Contracts (- 4 FTE)	52,754	50,800	0	0	0
Treasurer Tax Collector (15 FTE)	38,984	37,541	0	0	0
Subtotal	$ 249,744	$ 249,811	$ 12,000	$ 12,000	$ 12,000
Program Operating Costs					
Phones	$ 2,175	$ 2,175	$ 2,175	$ 2,175	$ 2,175
Office Expense	5,000	5,000	5,000	5,000	5,000
Postage & Mailing	1,000	1,000	1,000	1,000	1,000
Printing	5,000	5,000	5,000	5,000	5,000
IT - New Computers	2,500	0	0	0	0
IT Support -2 PCs	3,824	3,824	3,824	3,824	3,824
Copy Machines	3,600	3,600	3,600	3,600	3,600
Database Development	50,000	0	0	0	0
Subtotal	$ 73,099	$ 20,599	$ 20,599	$ 20,599	$ 20,599
Other Services & Supplies					
Audit costs	20,000	20,000	20,000	20,000	20,000
Legal costs	30,000	30,000	30,000	30,000	30,000
Consultant services	5,000	5,000	5,000	5,000	5,000
Marketing costs	115,000	90,000	80,000	0	0
Title search fees	38,012	0	0	0	0
Recording fees	2,122	0	0	0	0
Tax Roll - Annual admin asmt fee - 1%	6,452	6,452	0	0	0
Progress Payment Fee	900	0	0	0	0
Annual asmt costs	6,250	6,250	6,250	6,250	6,250
Contingency Costs	6,000	6,000	6,000	6,000	6,000
Subtotal	$ 229,735	$ 163,702	$ 157,250	$ 67,250	$ 67,250
Assessment Repayment					
Interest Expense - 3%	$ 33,118	$ 186,570	$ 300,000	$ 300,000	$ 300,000
Subtotal	$ 33,118	$ 186,570	$ 300,000	$ 300,000	$ 300,000
Total Disbursements	$ 585,696	$ 620,681	$ 489,849	$ 399,849	$ 399,849
Ending Cash	$ 144,276	$ 117,234	$ 30,253	$ 132,901	$ 187,804
Year End Administration Note Balance	$ 600,000	$ 750,000	$ 450,000	$ 250,000	$0

mPOWER - Cash Flow Model
$20 Million Funding Level
No Outside Additional Funding

1,485
1,337

Financing Volume on 09-10 Tax Roll: $10M
Financing Volume on 10-11 Tax Roll: $10M
$1.5M Administration Loan

	YEAR 1 Total Jan. 10- Dec. 10	YEAR 2 Total Jan 11 - Dec 11	YEAR 3 Total Jan 12 - Dec 12	YEAR 4 Total Jan 13 - Dec 13	YEAR 5 Total Jan 14 - Dec 14
Beginning Cash	$0	$22,925	$125,976	$82,993	$75,339
Receipts					
Tax Roll - Annual asmts interest (7%)	$ 77,274	$ 732,597	$ 1,338,400	$ 1,400,000	$ 1,400,000
Tax Roll - Annual admin asmt fee (1%)	6,452	12,903	0	0	0
Title Search Reimbursement	75,852	9,460	0	0	0
Treasury Interest Earnings on cash balance	5,797	6,593	3,565	3,694	3,549
Recording Fees	4,234	528	0	0	0
Progress Payment Fee	900	0	0	0	0
Subtotal	$ 170,509	$ 762,081	$ 1,341,965	$ 1,403,694	$ 1,403,549
Proceeds from Note	$ 800,000	$ 700,000	$ -	$ -	$ -
Repayment of Note		$ (250,000)	$ (450,000)	$ (450,000)	$ (350,000)
Total Receipts	$ 970,509	$ 1,212,081	$ 891,965	$ 953,694	$ 1,053,549
Disbursements					
Program Staffing					
Processor Extra Help	$ 64,740	$ 68,210	$ -	$ -	$ -
Processor Extra Help	61,117	68,210	0	0	0
Extra Help Contingency	16,923	20,000	0	0	0
Notary (- 20 FTE)	32,608	31,400	0	0	0
Reception (- 10 FTE)	18,692	18,000	0	0	0
Intake Coord (-.10 FTE)	30,635	29,500	0	0	0
Special Assmt Coordinator (- 13 FTE)	30,115	29,000	12,000	12,000	12,000
Asst Treasurer Tax Collector (- .13 FTE)	50,635	48,760	0	0	0
Admin Aide - Contracts (- .4 FTE)	79,131	76,200	0	0	0
Treasurer Tax Collector (.15 FTE)	38,984	37,541	0	0	0
Subtotal	$ 423,581	$ 422,821	$ 12,000	$ 12,000	$ 12,000
Program Operating Costs					
Phones	$ 4,350	$ 4,350	$ 4,350	$ 4,350	$ 4,350
Office Expense	10,000	10,000	10,000	10,000	10,000
Postage & Mailing	1,500	1,500	1,500	1,500	1,500
Printing	5,000	5,000	5,000	5,000	5,000
IT - New Computers	5,000	0	0	0	0
IT Support -2 PCs	7,648	7,648	7,648	7,648	7,648
Copy Machines	3,600	3,600	3,600	3,600	3,600
Database Development	50,000	0	0	0	0
Subtotal	$ 87,098	$ 32,098	$ 32,098	$ 32,098	$ 32,098
Other Services & Supplies					
Audit costs	$ 20,000	$ 20,000	$ 20,000	$ 20,000	$ 20,000
Legal costs	60,000	60,000	60,000	60,000	60,000
Consultant services	8,000	8,000	8,000	8,000	8,000
Marketing costs	215,000	215,000	215,000	215,000	215,000
Title search fees	75,852	9,460	0	0	0
Recording fees	4,234	528	0	0	0
Tax Roll - Annual admin asmt fee - 1%	6,452	12,903	0	0	0
Annual asmt costs	6,250	6,250	6,250	6,250	6,250
Contingency Costs	8,000	8,000	8,000	8,000	8,000
Subtotal	$ 403,787	$ 340,141	$ 317,250	$ 317,250	$ 317,250
Assessment Repayment					
Interest Expense - 3%	$ 33,118	$ 313,970	$ 573,600	$ 600,000	$ 600,000
Subtotal	$ 33,118	$ 313,970	$ 573,600	$ 600,000	$ 600,000
Total Disbursements	$ 947,583	$ 1,109,030	$ 934,948	$ 961,348	$ 961,348
Ending Cash	$ 22,926	$ 125,976	$ 82,993	$ 76,339	$ 167,540
Year End Administration Note Balance	$ 800,000	$ 1,250,000	$ 800,000	$ 350,000	$0

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ePOWER - Cash Flow Model
$33 Million Funding Level
No Outside Additional Funding

Financing Volume on 09-10 Tax Roll: $20M
Financing Volume on 10-11 Tax Roll: $10M
$1.9M Administration Loan

	YEAR 1 Total Jan. 10- Dec. 10	YEAR 2 Total Jan 11 - Dec 11	YEAR 3 Total Jan 12 - Dec 12	YEAR 4 Total Jan 13 - Dec 13	YEAR 5 Total Jan 14 - Dec 14
Beginning Cash	$0	$ 56,789	$ 111,303	$ 122,182	$ 203,716
Receipts					
Tax Roll - Annual asmts interest (7%)	$ 77,274	$ 955,547	$ 2,017,400	$ 2,310,000	$ 2,310,000
Tax Roll - Annual admin asmt fee (1%)	6,452	29,032	0	0	0
Title Search Reimbursement	78,432	72,240	0	0	0
Treasury Interest Earnings on cash balance	8,467	7,016	4,401	7,856	9,709
Recording Fees	4,378	4,032	0	0	0
Progress Payment Fee	900	0	0	0	0
Subtotal	$ 176,902	$ 1,067,867	$ 2,021,801	$ 2,317,856	$ 2,319,709
Proceeds from Note	$ 1,100,000	$ 800,000	$ -	$ -	$ -
Repayment of Note		$ (300,000)	$ (750,000)	$ (850,000)	$ -
Total Receipts	$ 1,276,902	$ 1,567,867	$ 1,271,801	$ 1,467,856	$ 2,319,709
Disbursements					
Program Staffing					
Processor Extra Help	$ 61,117	$ 66,210	$ -	$ -	$ -
Processor Extra Help	61,117	66,210	0	0	0
Processor Extra Help	56,024	66,210	0	0	0
Extra Help Contingency	16,923	20,000	0	0	0
Notary (- 20 FTE)	48,912	47,100	0	0	0
Reception (- .10 FTE)	31,367	30,205	0	0	0
Intake Coord (- .10 FTE)	51,196	49,300	0	0	0
Special Assmt Coordinator (- .13 FTE)	43,111	41,514	12,000	12,000	12,000
Asst Treasurer Tax Collector (- .13 FTE)	73,377	70,660	0	0	0
Admin Aide - Contracts (- 4 FTE)	131,885	127,000	0	0	0
Treasurer Tax Collector (.15 FTE)	38,984	37,541	0	0	0
Subtotal	$ 614,012	$ 621,949	$ 12,000	$ 12,000	$ 12,000
Program Operating Costs					
Phones	$ 6,000	$ 6,000	$ 6,000	$ 6,000	$ 6,000
Office Expense	15,000	15,000	15,000	15,000	15,000
Postage & Mailing	2,000	2,000	2,000	2,000	2,000
Printing	5,000	5,000	5,000	5,000	5,000
IT - New Computers	7,500	0	0	0	0
IT Support - 3 PCs	11,472	11,472	11,472	11,472	11,472
Copy Machines	3,600	3,600	3,600	3,600	3,600
Database Development	50,000	0	0	0	0
Subtotal	$ 100,572	$ 43,072	$ 43,072	$ 43,072	$ 43,072
Other Services & Supplies					
Audit costs	$ 20,000	$ 20,000	$ 20,000	$ 20,000	$ 20,000
Legal costs	120,000	80,000	80,000	80,000	80,000
Consultant services	8,000	8,000	8,000	8,000	8,000
Marketing costs	215,000	215,000	215,000	215,000	215,000
Title search fees	78,432	72,240	0	0	0
Recording fees	4,378	4,032	0	0	0
Tax Roll - Annual admin asmt fee - 1%	6,452	21,290	0	0	0
Progress Payment Fee	900	0	0	0	0
Annual asmt costs	6,250	6,250	6,250	6,250	6,250
Contingency Costs	12,000	12,000	12,000	12,000	12,000
Subtotal	$ 471,411	$ 438,812	$ 341,250	$ 341,250	$ 341,250
Assessment Repayment					
Interest Expense - 3%	$ 33,118	$ 409,520	$ 864,600	$ 990,000	$ 990,000
Subtotal	$ 33,118	$ 409,520	$ 864,600	$ 990,000	$ 990,000
Total Disbursements	$ 1,219,113	$ 1,513,354	$ 1,260,922	$ 1,386,322	$ 1,386,322
Ending Cash	$ 56,789	$ 111,303	$ 122,182	$ 203,716	$ 1,137,102
Year End Administration Note Balance	$ 1,100,000	$ 1,600,000	$ 850,000	$0	$0

ePOWER - Cash Flow Model
$33 Million Funding Level
Additional Funding from Bond Issuance in Year Three

Financing Volume on 09-10 Tax Roll: $20M
Financing Volume on 10-11 Tax Roll: $10M
Bond issuance in end of Year 3 for $20M
Financing Volume on 11-12 Tax Roll: $10M
Financing Volume on 12-13 Tax Roll: $10M
$1.9M Administration Loan

	YEAR 1 Total Jan. 10- Dec. 10	YEAR 2 Total Jan 11 - Dec 11	YEAR 3 Total Jan 12 - Dec 12	YEAR 4 Total Jan 13 - Dec 13	YEAR 5 Total Jan 14 - Dec 14	YEAR 6 Total Jan 15 - Dec 15	YEAR 7 Total Jan 16 - Dec 16
Beginning Cash	$ -	$ 56,789	$ 403,478	$ 282,009	$ 418,363	$ 13,734	$ 109,741
Receipts							
Tax Roll - Annual asmts interest (7%)	$ 77,274	$ 955,547	$ 2,017,400	$ 1,933,867	$ 1,762,600	$ 2,361,800	$ 2,361,800
Tax Roll - Annual admin asmt fee (1%)	6,452	27,097	27,097	32,258	40,000	40,000	40,000
Title Search Reimbursement	78,432	72,240	7,912	47,472	47,472	0	0
Treasury Interest Earnings on cash balance	8,467	6,934	4,905	5,301	5,521	5,500	5,500
Recording Fees	4,378	4,032	221	2,650	2,650	0	0
Progress Payment Fee	900	0	0	0	0	0	0
Subtotal	$ 175,902	$ 1,065,850	$ 2,057,535	$ 2,021,547	$ 1,858,243	$ 2,407,300	$ 2,407,300
Proceeds from Note	$ 1,100,000	$ 800,000	$ -	$ -	$ -	$ -	$ -
Repayment of Note		$ -	$ (300,000)	$ -	$ (475,000)	$ (850,000)	$ (275,000)
Total Receipts	$ 1,275,902	$ 1,865,850	$ 1,757,535	$ 2,021,547	$ 1,383,243	$ 1,557,300	$ 2,132,300
Disbursements							
Program Staffing							
Processor Extra Help	$ 61,117	$ 66,210	$ 66,210	$ 66,210	$ 63,663		
Processor Extra Help	61,117	66,210	66,210	66,210	63,663		
Processor Extra Help	56,024	66,210	66,210	66,210	63,663		
Extra Help Contingency	16,923	20,000	20,000	20,000	19,231		
Notary (- .20 FTE)	48,912	47,100	47,100	47,100	45,236		
Reception (- .10 FTE)	31,367	30,205	30,205	30,205	28,043		
Intake Coord (-.10 FTE)	51,196	49,300	49,300	49,300	47,404		
Special Assmt Coordinator (- .13 FTE)	43,111	41,514	41,514	41,514	39,918	12,000	12,000
Asst Treasurer Tax Collector (- .13 FTE)	73,377	70,660	70,660	70,660	67,942		
Admin Aide - Contracts (- .4 FTE)	131,885	127,000	127,000	127,000	122,115		
Treasurer Tax Collector (.15 FTE)	38,984	37,541	37,541	37,541	36,097		
Subtotal	$ 614,012	$ 621,949	$ 621,949	$ 621,949	$ 598,028	$ 12,000	$ 12,000
Program Operating Costs							
Phones	$ 6,000	$ 6,000	$ 6,000	$ 6,000	$ 6,000	$ 6,000	$ 6,000
Office Expense	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Postage & Mailing	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Printing	5,000	5,000	5,000	5,000	5,000	5,000	5,000
IT - New Computers	7,500	0	0	0	0	0	0
IT Support - 3 PCs	11,472	11,472	11,472	11,472	11,472	11,472	11,472
Copy Machines	3,600	3,600	3,600	3,600	3,600	3,600	3,600
Database Development	50,000	0	0	0	0	0	0
Subtotal	$ 100,572	$ 43,072	$ 43,072	$ 43,072	$ 43,072	$ 43,072	$ 43,072
Other Services & Supplies							
Audit costs	$ 20,000	$ 20,000	$ 20,000	$ 20,000	$ 20,000	$ 20,000	$ 20,000
Legal costs	120,000	80,000	80,000	80,000	80,000	80,000	80,000
Consultant services	8,000	8,000	8,000	8,000	8,000	8,000	8,000
Marketing costs	215,000	215,000	215,000	215,000	215,000	215,000	215,000
Title search fees	78,432	72,240	7,912	47,472	47,472	47,472	47,472
Recording fees	4,378	4,032	221	2,650	2,650	5,299	5,299
Tax Roll - Annual admin asmt fee - 1%	6,452	27,097	0	0	0	0	0
Progress Payment Fee	900	0	0	0	0	0	0
Annual asmt costs	6,250	6,250	6,250	6,250	6,250	6,250	6,250
Contingency Costs	12,000	12,000	12,000	12,000	12,000	12,000	12,000
Subtotal	$ 471,411	$ 444,619	$ 349,383	$ 391,372	$ 391,372	$ 394,021	$ 394,021
Assessment Repayment							
Interest Expense - 3%	$ 33,118	$ 409,520	$ 864,600	$ 828,800	$ 755,400	$ 1,012,200	$ 1,012,200
Subtotal	$ 33,118	$ 409,520	$ 864,600	$ 828,800	$ 755,400	$ 1,012,200	$ 1,012,200
Total Disbursements	$ 1,219,113	$ 1,519,160	$ 1,879,004	$ 1,885,193	$ 1,767,872	$ 1,461,293	$ 1,461,293
Ending Cash	$ 56,789	$ 403,478	$ 282,009	$ 418,363	$ 13,734	$ 109,741	$ 780,748
Year End Administration Note Balance	$ 1,100,000	$ 1,900,000	$ 1,600,000	$1,600,000	$1,125,000	$275,000	$0

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Appendix G - Program Policy Recommendations

1. **How will start-up cost recovery be achieved?**

   Recommendation:
   Start-up as well as ongoing administrative costs should be covered by the interest rate on the funded assessments.

2. **Who in the County should have responsibility for the Program?**

   Recommendation:
   Only one entity should have overall responsibility; however coordination between departments will be essential for Program success. Support for the Program will be necessary from the Building Department, the Auditor's Office, County Counsel and others. Since the Program is predominantly a financing and property tax assessment Program, it is recommended that the County Treasurer-Tax Collector be the Program Administrator.

3. **Should the Program interest rate be fixed or variable?**

   Recommendation:
   The assessment interest rate should be fixed at the time of project commitment, similar to a fixed rate mortgage. The Program would allow for periodic changes in interest rate based on the TIP rate, market rate and cost recovery factors. Unpaid assessments would accrue interest and penalties in the same manner as property taxes. A final recommendation regarding interest rate will be provided in the final Program Report and Administrative Guidelines.

4. **Should the Program allow up-front property owner costs, such as permit fees to be included in the finance payments?**

   Recommendation:
   Yes. The property owner should have the option of including fees that are required as a part of the improvements financed. The fewer obstacles to the financing the higher the participation rate.

5. **Should the Program charge an administrative fee to property owners to defray administrative costs?**

   Recommendation:
   No. While an administrative fee would help to defray costs and shorten the time for cost recovery, it is likely that such a fee would dampen participation.

6. **Should Cities be allowed to impose their own Program constraints while participating in a countywide Program?**

<u>**Recommendation:**</u>
A single county-wide program is the best options for participants to minimize administrative costs and eliminate confusion from multiple programs and to maximize cost recovery. However, there could be opportunities for Cities to add constraints specific to property owners in their jurisdictions, as long as the property owners paid any additional costs associated with additional program requirements and the requirements do not have a detrimental impact on the overall operation of the County program. Further, any delay in resolving programmatic, administrative, or financial detail s could delay the implementation of the program in the given City.

7. **Should the County require participating cities to make a financial contribution to defray administrative costs of the Program or to increase available funding?**

<u>**Recommendation:**</u>
Cost recovery can be effectively achieved through the interest rate charged on the assessment. Administratively it may be challenging to account for and attribute costs associated with property owners in specific jurisdictions.

Future discussions with the Cities should include a discussion of any opportunities to increase the amount available for funding assessment improvements. Any funding provided by a City can be allocated to property owners within the City's jurisdiction. However, the Cities should not be penalized for not making a contribution to the Program as this could affect participation and funding volume.

8. **What are the allowable technologies and how should the technologies be determined?**

<u>**Recommendation:**</u>
A draft of allowable technologies is included in the Feasibility and Business Plan. This draft is a starting point and should be further refined through discussions with the utility providers and Cities to achieve a list that allows property owners maximum opportunity to take advantage of rebates and tax credits and to assist the County, Cities and Town with the ability to achieve goals associated with regulatory compliance where applicable.

9. Should the program funding be based on priorities such as quickest pay-back time or AB 32 goals?

Recommendation:
No. The list of allowable technologies should be developed to address any of these types of objectives. Manipulation of the funding allocation will likely result in additional administrative costs and possible reductions in Program participation.

10. **Should the Program target specific locations or types of properties (residential vs. commercial)?**

Recommendation:
The Program should be open to all property types except those exempt from property taxes. Marketing efforts could be developed to target certain property types deemed to be yield the greatest benefit.

11. **What Program monitoring should occur?**

Recommendation:
The level of Program monitoring should be established after discussions with the Cities/Town to establish a county-wide standard. Such efforts will increase administrative costs, however some level of monitoring is necessary to ensure program compliance, determine program effectiveness and impacts and provides feedback for future Program improvement and policy making.

12. **How many bids should be required before application approval?**

Recommendation:
Only one bid should be required. The bid should be in writing and conform to Consumer Affairs and the State Contractors' License Board standards. However, program guidelines should encourage property owners to get at least two bids.

13. Should Program staff review bids for reasonableness?

Recommendation:
Yes. A review should be based on market norms for the technology proposed. Should a single bid be provided that appears outside of market norms, the Program Administrator could require additional documentation or require an additional bid. However, the property owner should not be required to take the low bid.

Additionally, the Program Administrator should establish an advisory group of trade representatives to provide information and feedback which can be utilized to ensure reasonableness in the review of applications.

14. **Should there be a required time for project completion?**

Recommendation:
Yes. Timeframes should be reviewed with various stakeholders including representatives from the building departments of the participating jurisdictions, trade representatives and other stakeholders. Project delays could tie-up funding and prevent other applicants from being approved.

15. **Should there be a streamlined process for permit processing based on Program participation?**

Recommendation:
No. Given current resource limitations and below normal permit activity, it is probably not feasible or necessary at this time.

16. **How should funding be advanced to property owners?**

Recommendation:
The assessment lien should be recorded when documents are signed. Most projects are likely to be of an amount and a completion timeframe less than 30 days. In these cases, a single advance should be appropriate. Projects of a larger dollar amount, especially those taking in excess of 30 days to complete should be accommodated with progress payments. Guidelines for progress payments should be established to minimize administrative impacts and costs.

Once an application is approved, the property owner can notify the contractor to begin work. When the work is completed, the contractor will invoice the property owner. Funds will be advanced based on the lesser of the invoice or the approved amount. To minimize cost of carry impacts to contractors, the funding cycle should be short enough to allow 30 days or less from the time of invoice submission to payment.

17. **Will the payment be made to the property owner or the contractor?**

Recommendation:
Payment should be made to the property owner. AB 811 provides that funding is for property owners based on a lien securing the assessment.

Further, for liability and administrative efficiency, the County should not be involved in the third-party relationships of the property owners.

18. If no permit is required for the approved improvements, how will the improvements be certified as complete?

Recommendation:

The Program Administrator should ensure that an inspection is performed. The Program Administrator may utilize existing staff resources, contract resources or other arrangements with existing permitting authorities. This is another issue for discussion with participating jurisdictions.

19. How will repayment be initiated?

Recommendation:

Repayment will occur through the regular property tax collection process. Any assessments in place prior to the end of July will be included in the upcoming property tax billing cycle with the first payment due the following December 10th.

20. What should be the disposition of any carbon credits accruing as a result of funded improvements?

Recommendation:

As a part of Program record keeping and accountability, a record of all improvements will be maintained. The County should develop a policy about banking carbon credits that are a result of the Program. The policy should give consideration to residential vs. commercial/industrial carbon credits. The policy should also consider where the carbon credits will be banked. The County may consider initially banking all carbon credits until the related regulations are more fully developed. At that time, the credits could be re-allocated back to property owners or jurisdictions on a priority basis.