

TO: James L. App, City Manager  
FROM: Doug Monn, Public Works Director  
SUBJECT: Resolution to Join the CaliforniaFIRST Program  
DATE: December 15, 2009

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Needs: That the City Council consider adopting two (2) resolutions establishing its participation in the California First Program (Assembly Bill 811)

- Facts:
1. The CaliforniaFIRST Program (Assembly Bill 811) is being instituted by California Communities to allow owners of property in participating cities and counties to finance renewable energy, energy efficiency and water efficiency improvements on their property.
  2. California Communities is a joint powers authority sponsored by the League of California Cities and the California State Association of Counties. The member agencies include all 58 counties and more than 400 other local agencies including the City of Paso Robles.
    - a. Locally the Counties of Ventura and San Luis Obispo have formed a consortium to apply for \$1.5 million in grants to market the California First Program (AB 811).
  4. If a property owner chooses to participate, the improvements will be financed by bonds issued by California Communities. Assessments on the owner's property will be used to repay the bonds.
  5. The City has filed letter of intent to participate in the pilot program with the County of San Luis Obispo. To complete the process City Council must adopt the attached resolutions establishing the City as a participant.

Analysis & Conclusion: The proposed resolution authorizes California Communities to accept applications from owners of property within the City for financing of renewable energy, energy efficiency and water efficiency improvements.

As a participant, the City would enable property owners to obtain financing through the CaliforniaFIRST Program. Specific features of the program are:

- a. Only property owners who choose to participate in the program will have assessments imposed on their property.
- b. The property owner can choose to pay off the assessments at any time
- c. Small private projects can access the municipal bond market, likely producing a lower borrowing cost
- d. The assessment obligation will transfer with the property upon sale.
- e. As with conventional assessment financing, the City of Paso Robles is not obligated to repay the bonds or assessments.

- f. California Communities will handle all assessment administration, bond issuance and bond administration functions.
- g. The City can withdraw from the Program at any time by passing a resolution rescinding the authorization.

Reference: State Assembly Bill 811

Fiscal Impact: Fiscal Impact will be staff time allocated to the program steering committee and promotion.

- Options:
- a. Adopt the attached resolutions authorizing County of San Luis Obispo to apply for funds on our behalf and authorize Statewide Communities Development Authority to accept applications from Property owners.
  - b. Amend, modify or reject the above option.

Attachments:

- 1. Resolutions
- 2. AB 811

RESOLUTION NO. 09-xxx

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

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

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

WHEREAS, Chapter 29 provides that assessments may be levied under its provisions only with the free and willing consent of the owner of each lot or parcel on which an assessment is levied at the time the assessment is levied; and

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

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

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

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

WHEREAS, pursuant to Government Code Section 6586.5, a notice of public hearing has been published once at least five days prior to the date hereof in a newspaper of general circulation in the City of Paso Robles and a public hearing has been duly conducted by the City Council concerning the significant public benefits of the CaliforniaFIRST Program and the financing of the Improvements;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of El Paso de Robles as follows:

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

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

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

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

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

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

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

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

Section 5. The appropriate officials and staff of the City of Paso Robles are hereby authorized and directed to execute and deliver such closing certificates, requisitions, agreements and related documents as are reasonably required by California Communities in accordance with the Program Report to implement the CaliforniaFIRST Program for Participating Property Owners.

Section 6. The appropriate officials and staff of the County of San Luis Obispo are hereby authorized and directed to pay California Communities a fee in an amount not to exceed \$75,000, which California Communities will use to pay for the costs of implementing the CaliforniaFIRST Program in the City of Paso Robles, including the payment of legal costs incurred in connection with judicial validation of the CaliforniaFIRST Program.

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

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

PASSED AND ADOPTED by the City Council of the City of Paso Robles this 15th day of December 2009 by the following vote:

AYES:  
NOES:  
ABSTAIN:  
ABSENT:

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Duane Picanco, Mayor

ATTEST:

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Lonnie Dolan, Deputy City Clerk

**Exhibit A**  
**(To be Adopted by California Statewide Communities Development Authority)**

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

**COUNTY OF \_\_\_\_\_**

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

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

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

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

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

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

**Section 2. Determination of Public Interest.** California Communities hereby determines that (a) it would be convenient, advantageous, and in the public interest to designate an area, which shall encompass the entire geographic territory within the boundaries of the County, within which California Communities and

property owners within the County may enter into contractual assessments to finance the installation of Authorized Improvements pursuant to Chapter 29 and (b) it is in the public interest for California Communities to finance the installation of Authorized Improvements in the County pursuant to Chapter 29.

**Section 3. Identification of Authorized Improvements.** California Communities hereby declares that it proposes to make contractual assessment financing available to property owners to finance installation of Authorized Improvements, including but not limited to those improvements detailed in the Report described in Section 8 below, as that Report may be amended from time to time.

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

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

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

In connection with bonds issued under the Improvement Bond Act of 1915 that are payable from contractual assessments, serial and/or term improvement bonds shall be issued in such series and shall mature in such principal amounts and at such times (not to exceed 20 years from the second day of September next following their date) and at such rate or rates of interest (not to exceed the maximum rate permitted by applicable law) as shall be determined by California Communities at the time of the issuance and sale of the bonds. The provisions of Part 11.1 of the Improvement Bond Act of 1915 shall apply to the calling of the bonds. It is the intention of California Communities to create a special reserve fund for the bonds under Part 16 of the Improvement Bond Act of 1915. California Communities will not advance available surplus funds from its treasury to cure any deficiency in the redemption fund to be created with respect to the bonds; provided, however, that this determination shall not prevent California Communities from, in its sole discretion, so advancing funds. The bonds may be refunded under Division 11.5 of the California Streets and Highways Code or other applicable laws permitting refunding of the bonds, upon the conditions specified by and at the determination of California Communities.

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

In connection with the issuance of bonds payable from contractual assessments, California Communities expects to obligate itself, through a covenant with the owners of the bonds, to exercise its

foreclosure rights with respect to delinquent contractual assessment installments under specified circumstances.

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

At the time of the hearing, the Report described in Section 8 below shall be summarized and the Commission shall afford all persons who are present an opportunity to comment upon, object to, or present evidence with regard to the proposed contractual assessment program, the extent of the area proposed to be included within the program, the terms and conditions of the draft Contract described in Section 8 below, or the proposed financing provisions. Following the public hearing, California Communities may adopt a resolution confirming the Report (the "Resolution Confirming Report") or may direct the Report's modification in any respect, or may abandon the proceedings.

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

**Section 7. Notice to Water and Electric Providers.** Pursuant to Section 5898.24 of the Streets & Highways Code, the Commission hereby orders the Secretary to provide written notice of the proposed contractual assessment program within the County to all water and electric providers within the boundaries of the County not less than 60 days prior to adoption of the Resolution Confirming Report.

**Section 8. Report.** The Commission hereby directs the Program Manager for the CaliforniaFIRST Program to prepare and file with the Commission a report (the "Report") at or before the time of the public hearing described in Section 6 above containing all of the following:

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

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

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

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

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

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



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

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

(e) A report on the results of the consultations with the County Auditor-Controller described in Section 10 below concerning the additional fees, if any, that will be charged to California Communities for incorporating the proposed contractual assessments into the assessments of the general taxes of the County on real property, and a plan for financing the payment of those fees.

**Section 9. Nature of Assessments.** Assessments levied pursuant to Chapter 29, and the interest and any penalties thereon, will constitute a lien against the lots and parcels of land on which they are made, until they are paid. Unless otherwise directed by California Communities, the assessments shall be collected in the same manner and at the same time as the general taxes of the County on real property are payable, and subject to the same penalties and remedies and lien priorities in the event of delinquency and default.

**Section 10. Consultations with County Auditor-Controller.** California Communities hereby directs the Program Manager to enter into consultations with the County Auditor-Controller in order to reach agreement on what additional fees, if any, will be charged to California Communities for incorporating the proposed contractual assessments into the assessments of the general taxes of the County on real property.

**Section 11. Preparation of Current Roll of Assessment.** Pursuant to Section 5898.24(c), California Communities hereby designates the Program Manager (or his/her designee) as the responsible official for annually preparing the current roll of assessment obligations by assessor's parcel number on property subject to a voluntary contractual assessment.

**Section 12. Procedures for Responding to Inquiries.** The Program Manager shall establish procedures to promptly respond to inquiries concerning current and future estimated liability for a voluntary contractual assessment.

**Section 13. Professionals Appointed.** California Communities hereby appoints Jones Hall, A Professional Law Corporation, San Francisco, California, as bond counsel to California Communities in connection with the CaliforniaFIRST Program. The Commission hereby authorizes and directs an Authorized Signatory of California Communities (as determined from time to time by the Commission by separate resolution) to enter into appropriate agreements with such firm for its services to California Communities in connection with the matters addressed in this Resolution.

**Section 14. Set-Up Fees.** The County and various cities within the County have advanced fees to California Communities to pay for certain costs of establishing the CaliforniaFIRST Program, some or all of which represent State Energy Program (SEP) funds. The Program Manager is hereby authorized and directed to return to the County and cities, as applicable, any fees paid to California Communities by the County and

cities, as applicable, that do not represent SEP funds and that California Communities does not use to pay for the costs of establishing the CaliforniaFIRST Program.

**Section 15.**      **Effective Date.** This resolution shall take effect immediately upon its adoption.

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

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

By: \_\_\_\_\_  
Member

**EXHIBIT A**

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

RESOLUTION NO. 09-xxx

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASO ROBLES  
AUTHORIZING SAN LUIS OBISPO COUNTY TO APPLY FOR STATE ENERGY  
PROGRAM FUNDS ON BEHALF OF THE CITY

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

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

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

WHEREAS, the City of El Paso de Robles is eligible for SEP funding under the California Energy Commission's SEP; and

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

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

NOW, THEREFORE, BE IT RESOLVED, that in compliance with the CEQA, the City Council of the City of El Paso de Robles finds that the approval of the program for financing energy efficiency, energy conservation, renewable energy, and other energy related projects and activities authorized by ARRA described in Exhibit A is not a "project" under CEQA, because the program does not involve any commitment to a specific project which may result in a potentially significant physical impact on the environment, as contemplated by Title 14, California Code of Regulations, Section 15378(b)(4).

Be it also resolved, that the City Council of the City of El Paso de Robles authorizes San Luis Obispo County to submit a collaborative application on its behalf to the California Energy Commission for up to \$16,500,000 in SEP funds for the program for financing energy efficiency, energy conservation, renewable energy, and other energy related projects and activities authorized by ARRA described in Exhibit A.

Be it also resolved, if recommended for funding by the California Energy Commission, the City of El Paso de Robles authorizes San Luis Obispo County to accept a grant award on its behalf and to enter

into all necessary contracts and agreements, and amendments thereto, on its behalf to implement and carry out the program for financing the project/s described in Exhibit A.

PASSED AND ADOPTED by the City Council of the City of Paso Robles this 15th day of December 2009 by the following vote:

AYES:  
NOES:  
ABSTAIN:  
ABSENT:

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Duane Picanco, Mayor

ATTEST:

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Lonnie Dolan, Deputy City Clerk

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

**Description of Program Proposal**

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

**CaliforniaFIRST Program County Participants and Proposal Collaborators**

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

**Budget Basics**

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

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

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

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

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

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

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

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

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

## **Financing Costs and Fees**

### **A. Financing Costs**

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

### **B. Set-up Fees**

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

## **Suggested Major Marketing Program Coordination & Marketing Program Elements**

### **A. Agency Coordination / Steering Committee Participation**

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

### **B. Education / Outreach/ Marketing**

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

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

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

**C. Community Coordinator / Partner Liaison / Supplies**

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

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

**Sample County Budget**

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

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

**Grant Development Team:**

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





Founding Co-Sponsors:



## CaliforniaFIRST Program Report

County of San Luis Obispo  
(as of November 24, 2009)

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## **I. Introduction**

This CaliforniaFIRST Program Report (this "Program Report") outlines the basic design and financing structure of a property assessed municipal financing program called CaliforniaFIRST (the "CaliforniaFIRST Program") for the County of \_\_\_\_\_ (the "County").

### **A. California Communities**

The California Statewide Communities Development Authority ("California Communities") is a statewide joint powers authority sponsored by the California State Association of Counties and the League of California Cities. California Communities' mission is to provide local governments access to low-cost financing for projects that provide a tangible public benefit, contribute to social and economic growth, and improve the overall quality of life in local communities.

### **B. Purpose of the CaliforniaFIRST Program**

California Communities is offering the CaliforniaFIRST program on a statewide basis, and the County is offering the CaliforniaFIRST Program in the County, to encourage utilization, by the existing building stock, of distributed generation renewable energy sources, energy efficiency and water efficiency improvements. California Communities will facilitate a statewide bond pool, which will allow property owners to access competitive interest rates offered by the public bond markets.

With the passage of AB 32, California set ambitious goals for reducing carbon emissions and building alternative energy use. The California Public Utilities Commission has set a goal of retrofitting over 13 million residences in the State to be at least 30% more energy efficient. Many California cities and counties have also set their own greenhouse gas reduction targets. Similarly, water conservation efforts, including the promotion of water-related improvements to residential, commercial, industrial, or other real property, are necessary to address the issue of chronic water shortages in California.

Property owners can help to achieve greenhouse gas reductions and reduce water use and, at the same time, save money by investing in distributed generation renewable energy sources, energy efficiency, and/or water efficiency improvements. Yet most people still resist making these improvements. The number one barrier is the large upfront cost.

Utilities sell power and water to their customers as a simple pay-as-you-go service. Homes and businesses can be converted to clean energy and reduce water use quickly, but many believe that it can happen only if paying for distributed generation renewable energy sources, energy efficiency improvements and water efficiency improvements is more like paying a utility bill. The CaliforniaFIRST Program can make this happen.

### **C. Assessment Financing; Contractual Assessments**

The CaliforniaFIRST Program uses a tool that is widely used by local agencies in California to finance public benefit projects: land-secured financing. California law has long provided cities and counties with the power to issue bonds and levy assessments on the County property tax bill to finance public projects such as sewers, parks, and the undergrounding of utilities.

Chapter 29 of the Improvement Act of 1911, commencing with Section 5898.10 of the Streets & Highways Code of the State of California ("Chapter 29"), authorizes the levy of "contractual assessments" to finance the installation of distributed generation renewable energy sources, energy efficiency and water efficiency improvements to be permanently affixed to residential, commercial, industrial, agricultural, or other real property.

A "contractual assessment" is an assessment that is levied by contract pursuant to Chapter 29. For the CaliforniaFIRST Program, the assessment contract will be an "Agreement to Pay Assessment and Finance Improvements" in the form attached to this Program Report as Exhibit A (the "Assessment Contract"). The Assessment Contract will be executed by each participating property owner and California Communities.

Under the CaliforniaFIRST Program, a contractual assessment lien is placed on each participating property in an amount necessary to (i) finance the installation of authorized renewable energy, energy efficiency and water efficiency improvements over a 10-20 year period of time, depending upon the useful life of the financed improvements and (ii) pay the costs of administering the CaliforniaFIRST Program. The contractual assessments are paid on the County property tax bill. If the owner sells the property, the repayment obligation remains an obligation of the property. California Communities will issue bonds payable from the contractual assessments.

The CaliforniaFIRST Program is completely voluntary and property taxes for properties in the County that do not choose to participate are completely unaffected by the Program.

## **D. Purpose of this Program Report**

This Program Report constitutes the report required pursuant to Section 5898.22 of Chapter 29 for the County's CaliforniaFIRST Program. The CaliforniaFIRST Program will be offered throughout the entire County as shown on the boundary map attached as Exhibit B. If a property is located in a city's incorporated territory within the County, a property may participate in the CaliforniaFIRST Program only after the city has adopted a resolution asking California Communities to offer the CaliforniaFIRST Program within its boundaries.

## **E. Program Administration**

California Communities will be responsible for implementing the CaliforniaFIRST Program in the County, including providing assessment administration and issuing the bonds. California Communities has selected Renewable Funding to administer the CaliforniaFIRST Program. Renewable Funding will review applications and provide marketing and customer service through its custom websites, email, and toll-free phone number. California Communities has selected Royal Bank of Canada Capital Markets to serve as the bond underwriter for the CaliforniaFIRST Program.

The California Center for Sustainable Energy (CCSE) and EcoMotion are program partners. They are participating in program design and will be involved in providing services to some communities. Other program partners or affiliates may be added. The program's legal counsel includes Jones Hall (bond counsel to California Communities) and Orrick, Herrington & Sutcliffe LLP (issuer's counsel and disclosure counsel to California Communities).

## **II. Duration**

The CaliforniaFIRST Program will continue as long as there is sufficient demand.

## **III. Program Requirements**

This Program Report identifies the CaliforniaFIRST Program requirements relating to the types of improvements that can be financed under the CaliforniaFIRST Program (including the required "loading order"), eligible properties and financing parameters. Additional requirements are set forth in the CaliforniaFIRST Program Terms, which are attached as Exhibit C.

### **A. Authorized Improvements**

The CaliforniaFIRST Program offers financing of the installation of those distributed generation renewable energy sources, energy efficiency and water efficiency improvements listed on Exhibit D (the "Authorized Improvements"). In the pilot stage of the CaliforniaFIRST Program, water efficiency measures are ineligible for financing.

Property owners are responsible for the Authorized Improvements installed on their property. Property owners must address performance and other system-related issues directly with the installer according to the terms of the contract with the installer. The CaliforniaFIRST Program is a financing program only.

Neither California Communities nor the administrator is responsible for the system or its performance.

## B. Loading Order Process

Based on guidelines established by the California Energy Commission (the "CEC") as part of its competitive grant program, authorized energy efficiency measures from an approved list or recommended by an energy audit must be installed before or contemporaneously with renewable energy improvements to be eligible for financing under the CaliforniaFIRST Program. The CaliforniaFIRST Program will comply with all state and federal requirements for loading order.

Due to the need for additional market development to meet demand, there are two pathways to meet the loading order requirement. First, a property owner can obtain a whole house energy audit by a Building Performance Institute<sup>1</sup> ("BPI"), Home Performance with Energy Star<sup>2</sup> ("HPwES") or Home Energy Rating System<sup>3</sup> ("HERS") II rater. Energy efficiency measures can be implemented based on the outcome of the audit. Second, a property owner may install a basic package of standard energy efficiency measures. This "prescriptive path" would include measures such as air sealing, attic and water heater insulation. This second pathway is currently under development by the CEC and California Public Utilities Commission (the "CPUC") and is scheduled to be completed by the CaliforniaFIRST program launch.

## C. Quality Assurance

**Renewable Energy; Energy Efficiency.** The CaliforniaFIRST Program will use the quality assurance protocols of existing renewable energy programs and pending energy efficiency programs as the basic platform for its quality assurance and quality control, and adjust requirements as necessary to remain compliant with state and federal requirements. The CaliforniaFIRST Program will not provide quality assurance beyond the third party services described below.

Until otherwise indicated by the standards of a CPUC statewide rebate program, energy efficiency projects will be subject to one of two levels of review depending on whether the project falls under an existing certification program or if the project is completed without contractor certification.

- 5% of projects reviewed by BPI, HPwES and HERS II raters will be subject to field inspection and review as part of existing programs and carried out by the California Building Performance Contractors Association (CBPCA).
- 15% of projects undertaken by licensed contractors that do not have BPI, HPwES or HERSII certification, and are installing the prescriptive package, will be subject to field inspection and review by CBPCA, and the contractors will be required to become BPI certified by 01/01/11. These projects are subject to an additional administrative fee to cover the cost of the quality assurance inspection. This cost is explained in the Administrative Fees section of this Program Report.

Approximately 14% of solar photovoltaic ("PV") and solar water heating ("SWH") projects will be subject to field inspection and review within the California Solar Initiative ("CSI") program.

**Water Efficiency.** A quality assurance procedure for water efficiency installations is currently under development.

**Subject to Change.** All quality assurance and quality control procedures are subject to review and

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<sup>1</sup> BPI is a global organization that supports the building performance industry through individual and organizational credentialing and a rigorous quality assurance program. More information on BPI is available here: <http://www.bpi.org/>

<sup>2</sup> HPwES is a national program from the U.S. Environmental Protection Agency and U.S. Department of Energy, which offers a comprehensive, whole-house approach to improving energy efficiency and comfort at home. More information on HPwES is available at the following link, [http://www.energystar.gov/index.cfm?c=home\\_improvement.hm\\_improvement\\_hpwes](http://www.energystar.gov/index.cfm?c=home_improvement.hm_improvement_hpwes)

<sup>3</sup> A HERS II rater is part of the Home Energy Rating System Program, developed by the CEC. The CEC developed the program "to provide reliable information to differentiate the energy efficiency levels among California homes and to guide investment in cost-effective home energy efficiency measures". More information on HERS is available at <http://www.energy.ca.gov/HERS/>.

adjustment based on applicable state and federal standards.

#### **D. Property Eligibility Criteria**

In order to receive financing from the CaliforniaFIRST Program, a property must meet the following requirements:

- a. The property to be improved with the Authorized Improvements (the "subject property") must be located in the boundaries of the CaliforniaFIRST Program. If a property is located in the unincorporated territory of the County, then it is eligible to participate. If a property is located in a city's incorporated territory within the County, a property may participate in the CaliforniaFIRST Program only after the city has adopted a resolution asking California Communities to offer the CaliforniaFIRST Program within its boundaries.
- b. The subject property may be used for residential, commercial or industrial purposes. If the subject property is used for residential purposes, the property owner(s) do not have to occupy the subject property as their primary residence.
- c. The contractual assessments levied pursuant to an Assessment Contract will constitute a senior lien on the related property, which means pre-existing private liens, such as purchase money mortgages, will be subordinate to the contractual assessment lien. Owners of residential properties (including owners of individual condominiums and townhouses) must, at a minimum, notify their pre-existing private lenders in writing of the proposed contractual assessment lien, unless otherwise provided by applicable law. Owners of residential properties will be required to obtain the consent of their lenders if their mortgage documents required consent. Owners of properties that are not residential properties (which may include owners of multi-unit residential properties) must receive written consent from their pre-existing private lenders. Property owners are responsible for complying with consent if it is required by the mortgage documents. California Communities will provide property owners with lender notification and consent forms.
- d. All owners of the fee simple title to the subject property must sign the Program Documents, as described in the CaliforniaFIRST Program Terms. Therefore, before submitting an initial application, applicants must ensure that all owners of the fee simple title to the subject property wish to participate in the Program on the terms set forth in the CaliforniaFIRST Program Terms.
- e. All participating properties will be required to meet local, state and federal program requirements and guidelines, including those described in "Loading Order Process" above.
- f. California Communities reserves the right to waive the energy efficiency audit requirement for buildings seeking water efficiency improvements only. However, such projects may be required to provide similar audit or project technical analysis documentation in order to verify the expected benefits of the project.
- g. Property owners will be required to participate in appropriate state incentive programs. For example, property owners planning to finance the installation of a solar PV system will be required to participate in the CSI program with respect to the subject property. Property owners will also be required to participate in similar incentive programs for solar thermal (hot water) systems and home energy efficiency retrofits.
- h. The property owners(s) must agree to participate in surveys and CaliforniaFIRST Program evaluations directed by California Communities. In addition, property owners will be required to sign a waiver allowing the CaliforniaFIRST Program to collect utility usage data as appropriate to comply with state and federal reporting standards.
- i. The property owner is highly encouraged to participate in a workshop about or on-line review of the CaliforniaFIRST Program before deciding whether to participate. All property owners will be required to read and acknowledge their agreement to the CaliforniaFIRST Program Terms before applying.
- k. California Communities will review all applications to ensure that the proposed Authorized

Improvements, the subject property, the property owners and the contractors meet CaliforniaFIRST eligibility requirements. At the completion of installation of the Authorized Improvements, property owners will be required to submit a set of project verification documents. Verification forms may include but are not limited to a customer sign-off form, final invoices from contractor(s), building permit(s), and rebate documents before financing is available. Details on the verification documents can be found in the CaliforniaFIRST Program Terms.

- i. The property owner(s) must not have declared bankruptcy in the past 7 years.
- j. The property owners must be current in the payment of all obligations secured by the subject property, including property taxes, assessments and tax liens, within the past 3 years (or since ownership commenced, if it has been less than 3 years). California Communities may review public records, including the County real property records, to verify compliance with this requirement. Certain allowances may be made for property tax payment delays that do not reflect financial distress. Commercial properties that are currently appealing a property tax assessment will be reviewed and eligibility will be determined on a case-by-case basis.
- k. There must be no notices of default or foreclosure filed against the subject property within the last 5 years (or since ownership commenced, if less than 5 years). California Communities reserves the right to deny a reservation and a request for funding to a property owner if any other property it owns has been subject to foreclosure in the past 5 years. However, a property with a notice of default or foreclosure may be allowed to participate in the CaliforniaFIRST Program if it receives consent from the property's current lender(s).
- l. The property owners must not have involuntary liens other than a tax or assessment lien with respect to which the property owner is current in payment, defaults or judgments applicable to the subject property in excess of \$500. California Communities may review public records, including the county real property records and court documents, to verify compliance with this requirement. A property owner with an involuntary lien of greater than \$500 may be allowed to participate in the CaliforniaFIRST Program if it can demonstrate an acceptable reason for the lien, default or judgment and a path for resolution. A commercial property with an involuntary tenant's lien will be reviewed and eligibility will be determined on a case-by-case basis.
- m. The "private loan to value ratio" must be 80% or less based on (i) private property debt including mortgages and (ii) the assessed value of the property and/or the average market value of comparable properties. If the private loan to value ratio is only met with respect to the assessed value or the average market value of comparable properties, but not both, California Communities may request additional information before ruling on the application. If the title search does not provide adequate information to calculate the private loan to value ratio, the property owner will also be asked to provide a current mortgage statement reflecting the outstanding balance and any payment delinquencies. Lender consent to participation can allow for waiver of the private loan to value ratio requirement. This ratio may be adjusted in order to comply with state and federal requirements.
- n. The "public loan to value ratio" must be 10% or less based on (i) the CaliforniaFIRST assessment and overlapping special assessments and special tax debt and (ii) the assessed value of the property and average market value of comparable properties. If the public loan to value ratio is only met with respect to the assessed value or the average market value of comparable properties, but not both, California Communities may request additional information before ruling on the application.
- o. Because the CaliforniaFIRST Program involves issuance of bonds by California Communities, California Communities is concerned that property owners who participate in the program will pay their assessments in full on a timely basis. Therefore, California Communities reserves the right to request additional information.

## E. Eligible Costs

The CaliforniaFIRST program may finance the costs of installing Authorized Improvements, audit costs and application fees. All local and state rebates must be deducted from the financed amount prior to approval. The federal Income Tax Credit value may be included in the financed amount.

## F. Eligible Contractors

Contractor eligibility is being standardized throughout the country, and the CaliforniaFIRST Program will comply with applicable state and federal laws.

**Renewable Energy; Energy Efficiency.** The CaliforniaFIRST Program requires contractors installing energy efficiency measures to meet the eligibility requirements of the pending CPUC statewide energy efficiency rebate program. The current draft requirements include BPI certification, HPwES certification, and/or a HERS II rating.

Contractors installing solar PV and/or SWH must meet the eligibility requirements of the CSI. Other renewable energy technologies must be installed by licensed contractors who qualify for other state rebate programs such as the Self Generation Incentive Program and/or Emerging Renewables Program.

**Water Efficiency.** The CaliforniaFIRST Program is currently developing the eligibility criteria for contractors installing water conservation measures. At a minimum, contractors must be properly licensed and abide by the codes and standards of the local building department.

# IV. Financing of the CaliforniaFIRST Program

## A. Minimum and Maximum Financing Amounts

**Maximum Financing Amount for the CaliforniaFIRST Program.** The maximum aggregate dollar amount of the principal component of contractual assessments to be levied under the CaliforniaFIRST Program for the County is \$1 billion.

**Minimum Financing Amount for each Property.** The minimum installation cost that can be financed is \$5,000.

**Residential Properties.** Residential properties are eligible for financing up to the lesser of (i) \$75,000 or (ii) 10% of the assessed and/or market value of the property. For this purpose, residential properties include detached single-family homes, duplexes, triplexes, quadplexes, townhouses, twin homes, and multi-family and tenancy in common properties with up to four units.

**Non-residential Properties.** Non-residential properties are eligible for financing up to 10% of the assessed and/or market value of the property. For this purpose, non-residential properties consist of commercial, industrial, large multi-family, community facilities, and non-profit-owned properties. Large multi-family properties are defined as those that contain five or more units.

## B. Financing Structure

California Communities will finance the installation of Authorized Improvements using three different financing structures at the County level, as described below. In order to provide the lowest possible interest rates through credit diversification, California Communities will purchase bonds issued for each county's CaliforniaFIRST program and issue bonds to the public bond market on a statewide basis.

The CaliforniaFIRST Program may utilize three different bond structures to finance the installation of Authorized Improvements in the County. In all three cases, bonds will be issued to finance the installation of Authorized Improvements for a specific list of properties in the County and debt service on the bonds will be secured by and payable from contractual assessments paid by participating properties in the County. The interest rate on bonds issued for the CaliforniaFIRST Program will be reflected in the amount of the



contractual assessments paid by property owners.

- Microbonds: "Micro-bonds" are bonds issued to finance the installation of Authorized Improvements for one or a limited number of properties. These bonds will be purchased by Renewable Funding and will be remarketed by RBC Capital Markets to the public bond market when a significant number of micro-bonds have been issued. The interest rate on micro-bonds will be set daily or weekly. The interest rate on bonds issued for the CaliforniaFIRST Program will be reflected in the amount of the contractual assessments paid by property owners, and, with micro-bonds, the contractual assessments will be fixed for the duration of the repayment period in the Assessment Contract. Property owners may drop out of the program up to the time the lien is placed on the home without penalty beyond the cost of the application fee.
- Pooled bond: "Pooled bonds" are bonds issued to finance the installation of Authorized Improvements for a large group of properties. Pooled bonds will be sold to the market on a quarterly or more frequent basis depending upon the demand for financing by property owners in the County. In order to facilitate pooled bond financings, Assessment Contracts will be signed by property owners prior to issuance of the pooled bonds. The contractual assessments will reflect a not-to-exceed interest rate on the pooled bonds. No bonds will be issued if the not to exceed interest rate would be exceeded. If a property owner withdraws from the CaliforniaFIRST program after the Assessment Contract has been signed and/or pooled bonds have been issued, the property owner must pay the costs associated with removing the lien, including the administrative, financing, and pre-payment costs.
- Stand-Alone: Large commercial projects may be eligible for a stand-alone bond issuance dependent on the size and type of project. Banks and other financing partners may be utilized to provide funding for these projects. Under this approach, California Communities will issue a bond and the bank or other financing partner will purchase the bond.

In the pilot stage of the CaliforniaFIRST program, it is anticipated that both residential and non-residential properties will utilize the pooled bond approach.

### C. Financing Process

The process for property owners to receive financing through the CaliforniaFIRST Program is designed to be straightforward.

- **Education.** Property owners visit the dedicated website to: learn about the program, the financing terms and other details; read the terms and conditions; and find approved contractors and improvements. Property owners must determine that they will meet the eligibility requirements.
- **Application.** Property owners apply on-line for a funding reservation from the CaliforniaFIRST Program and pay a non-refundable application fee. Applications will include a proposed project and contractor bid. Property owners must electronically agree to the CaliforniaFIRST Program Terms as part of the application.
- **Review and Approval.** California Communities performs title work to confirm ownership, screens for unpaid taxes or other delinquent property-based debt, applies loan-to-value metrics, and evaluates the proposed project. California Communities will approve an application only after confirming that the property meets the underwriting criteria, loading order process, and other CaliforniaFIRST Program requirements.
- **Reservation.** If their application is approved, property owners then receive a reservation for funding. In a micro-bond approach, the property owner then proceeds with installation of the Authorized Improvements and requests funding when the property has met all the applicable requirements for funding. The property owner will sign the Assessment Contract and the lien of the contractual assessment will be placed on the property at this time. In a pooled bond approach, property owners sign the Assessment Contract and the lien of the contractual assessment will be placed on the property when the funding reservation is approved. However, property owners must wait to receive a Notice to Proceed before beginning the work on their property in order to make certain bond issuance is successful. Property owners have at least six months after receiving the Notice to Proceed to install their renewable energy, energy efficiency or water efficiency

improvements and return to the website to request payment. Residential properties are eligible for reservation extensions. The fee for reservation extension will be defined in the CaliforniaFIRST Program Terms.

- **Installation.** A qualified installer must complete the installation of Authorized Improvements on the property. See “Eligible Contractors” above.
- **Evidence of Compliance; Funding.** After the property owner has provided all required documentation and met all applicable CaliforniaFIRST Program requirements, California Communities will release funds to the property owner. The property owner must make a funding request and submit all required documents within a minimum of 180 days of application approval for residential projects and within the determined reservation period set at application approval for non-residential projects.
- **Repayment.** The property owner will be expected to pay the contractual assessment installments in the amounts and at the times specified in the Assessment Contract.

Applications from property owners for financing will be considered based on a first-come–first-served basis. If a request from a property owner for financing would cause the CaliforniaFIRST Program to exceed the authorized amount, then the last property that caused the authorization amount to be exceeded will be ineligible for financing. All applications receive a time stamp in order to allow for first-come–first-served priority.

#### **D. Interest Rate**

Market conditions will determine the interest rate on bonds issued to finance the CaliforniaFIRST Program.

#### **E. Administrative Costs**

The costs of administering the CaliforniaFIRST Program will be financed through city/county set-up fees, participant application fees, and an administrative component of the contractual assessment installments.

Application fees for property owners will not exceed \$300. On-going administrative fees will not result in an increase to the aggregate interest rate reflected in the contractual assessment installments of more than 1%.

Energy efficiency improvements installed by a contractor without BPI or HPwES certification and without a HERS II evaluation will be subject to an additional fee to cover increased quality assurance requirements. The anticipated fee for an energy efficiency improvement installed without BPI, HPwES or HERS II will not exceed \$100.

The fee charged by the County for the collection of the contractual assessment installments on the County property tax bill and the cost of recording the various notices in the real property records will be included in each property’s contractual assessment. California Communities has consulted with the County and determined that the fee charged by the County for the collection of the contractual assessment installments on the County property tax bill will not exceed 3% of each annual installment.

#### **F. Other Financed Amounts**

The costs of issuing bonds will be financed through the contractual assessments. California Communities estimates that the costs of issuance will not exceed 5% of the cost of installing the Authorized Improvements.

The contractual assessments may also finance a debt service reserve fund to pay debt service on the bonds in the event of contractual assessment installment delinquencies. Debt service reserve funds will typically be equal to approximately 10% of the principal component of the contractual assessment.

In addition, because there is a July 1 deadline for placing the contractual assessments on the County property tax bill, contractual assessments may also finance the first year’s installments if the deadline cannot be met.

## G. Prepayment

The assessment may be prepaid, in whole or in part, at any time upon the payment of the unpaid principal component of the assessment, the accrued but unpaid interest component of the assessment through the prepayment date and a prepayment premium in the amount set forth in the Assessment Contract. The premium may vary based upon the timing of the prepayment.

## V. Public Agency Official

California Communities will, from time to time, authorize certain representatives to execute Assessment Contracts on its behalf; the current authorized representative is:

<b>Name:</b>	Daniel B. Harrison
<b>Title:</b>	Administrative Director
<b>Phone:</b>	(916) 658-8267
<b>Email:</b>	dharrison@cacities.org
<b>Address:</b>	1400 K Street, Suite 400 Sacramento, CA 95814

## VI. Changes to the Report

California Communities may make changes to this Report and the CaliforniaFIRST Program documents from time to time in its absolute discretion. No such changes will affect the amounts payable by a property owner under an existing Assessment Contract.

## VII. Appendices and Exhibits

Exhibit A: Assessment Contract – Agreement to Pay Assessment and Finance Improvements

Exhibit B: Boundary Map – Territory of contractual assessments (not included)

Exhibit C: Draft CaliforniaFIRST Program Terms (not included)

Exhibit D: Draft CaliforniaFIRST Program Authorized Improvements

**AGREEMENT TO PAY ASSESSMENT AND FINANCE IMPROVEMENTS**

**CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY  
CALIFORNIAFIRST  
(COUNTY OF \_\_\_\_\_)**

This AGREEMENT TO PAY ASSESSMENT AND FINANCE IMPROVEMENTS (this "**Agreement**") is made and entered into as of this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between the California Statewide Communities Development Authority, a joint exercise of powers authority (the "**Authority**"), and the record owner(s) (the "**Property Owner**") of the fee title to the real property identified on Exhibit A (the "**Property**").

**RECITALS**

**WHEREAS**, the Authority is a joint exercise of powers authority the members of which include numerous cities and counties in the State of California; and

**WHEREAS**, the Authority has established the CaliforniaFIRST program (the "**CaliforniaFIRST Program**") to allow the financing of certain renewable energy, energy efficiency and water efficiency improvements that are permanently fixed to real property (the "**Authorized Improvements**") through the levy of contractual assessments pursuant to Chapter 29 of Division 7 of the Streets & Highways Code ("**Chapter 29**") and the issuance of improvement bonds under the Improvement Bond Act of 1915 (Streets and Highways Code Sections 8500 and following) (the "**1915 Act**") upon the security of the unpaid contractual assessments; and

**WHEREAS**, Chapter 29 provides that assessments may be levied under its provisions only with the free and willing consent of the owner of each lot or parcel on which an assessment is levied at the time the assessment is levied pursuant to a contract between the property owner and the public agency; and

**WHEREAS**, the Authority has conducted the proceedings required by Chapter 29 with respect to the territory within the boundaries of the County of \_\_\_\_\_ (the "**County**"); and

**WHEREAS**, the Property is located in the boundaries of [the City of \_\_\_\_\_ (the "**City**")][the County], and the [City/County] has consented to (i) owners of property within its jurisdiction (the "**Participating Property Owners**") participating in the CaliforniaFIRST Program and (ii) the Authority conducting assessment proceedings under Chapter 29 and issuing bonds under the 1915 Act to finance the Authorized Improvements; and

**WHEREAS**, pursuant to Chapter 29, the Authority and the Property Owner wish to enter into a contract pursuant to which the Property Owner would agree to pay an assessment in order to finance the installation on the Property of the Authorized Improvements described in Exhibit B (the "**Improvements**") and the Authority would agree to provide financing, all on the terms set forth in this Agreement;

**NOW, THEREFORE**, in consideration of the foregoing and the material covenants hereinafter contained, the Property Owner and the Authority formally covenant, agree and bind

themselves and their successors and assigns as follows:

## AGREEMENT

**Section 1. Purpose.** The Property Owner and the Authority are entering into this Agreement for the purpose of financing the installation of the Improvements identified on Exhibit B on the Property.

**Section 2. The Property.** This Agreement relates to the real property identified on Exhibit A. The Property Owner has supplied to the Authority current evidence of its ownership of fee title to the Property and possesses all legal authority necessary to execute this Agreement on behalf of the Property Owner.

**Section 3. Agreement to Pay Assessment; Prepayment; Non-Completion Assessment.**

(a) Payment of Initial Assessment. The Property Owner hereby freely and willingly agrees to pay the initial assessment set forth on Exhibit C (the “**Initial Assessment**”). Except as otherwise set forth in this Agreement, the Initial Assessment will be paid in the installments set forth on Exhibit C.

(b) Payment of Non-Completion Assessment. The Property Owner hereby freely and willingly agrees to pay the additional assessment (the “**Non-Completion Assessment**”; together with the Initial Assessment, the “**Assessment**”) identified on Exhibit A in the event that, following issuance of bonds by the Authority to finance installation of the Improvements, the Property Owner fails to install the Improvements in compliance with the CaliforniaFIRST Program rules or otherwise fails to meet the conditions established by the Authority for financing through the CaliforniaFIRST Program. The Property Owner acknowledges that the purpose of the Non-Completion Assessment is to provide for redemption of the related bonds. The Property Owner further acknowledges that the Non-Completion Assessment will be levied in full by the Authority as set forth in Section 5898.30 of Chapter 29 in the first fiscal year in which the Authority is able to cause the Non-Completion Assessment to be placed on the County property tax roll.

(c) Prepayment of the Assessment. The Assessment may be prepaid, in whole or in part, at any time upon the payment of (a) the whole or a portion of the unpaid principal component of the Assessment, (b) the accrued but unpaid interest component of the whole or applicable portion of the unpaid principal component of the Assessment through the prepayment date, (c) a prepayment premium in the amount set forth on Exhibit A and (d) the reasonable costs of the Authority related to such prepayment.

(d) Absolute Obligation. The Property Owner hereby agrees that the Assessment will not be subject to reduction, offset or credit of any kind in the event that the bonds secured thereby are refunded or for any other reason.

**Section 4. Collection of Assessment; Lien.** The Assessment, and the interest and penalties thereon as a result of a delinquency in the payment of any installment of the Assessment, shall constitute a lien against the Property until they are paid and shall be collected and shall have the lien priority as set forth in Chapter 29.

The Property Owner acknowledges that if any Assessment installment is not paid when

due, the Authority has the right to have the delinquent installment and its associated penalties and interest stripped off the secured property tax roll and immediately enforced through a judicial foreclosure action that could result in a sale of the Property for the payment of the delinquent installments, associated penalties and interest, and all costs of suit, including attorneys' fees. The Property Owner acknowledges that, if bonds are sold to finance the Improvements, the Authority may obligate itself, through a covenant with the owners of the bonds, to exercise its foreclosure rights with respect to delinquent Assessment installments under specified circumstances.

**Section 5. Financing of the Improvements.**

(a) Agreement to Finance Improvements. The Authority hereby agrees to use the Assessment to finance the Improvements, including the payment of the Authority's reasonable costs of administering the CaliforniaFIRST Program.

(b) Assessment Installments. The Property Owner agrees to the issuance of bonds by the Authority to finance the installation of the Improvements. The interest rate used to calculate the Initial Assessment installments set forth on Exhibit C is identified on Exhibit A. If the Authority determines in its reasonable discretion that the Initial Assessment installments may be reduced because the applicable interest rate on the bonds issued to finance installation of the Improvements is lower than the interest rate specified in Exhibit A, then the Authority may substitute a revised Exhibit C for the attached Exhibit C, shall provide a copy of such revised Exhibit C to the Property Owner and shall cause a notice of such revision to be recorded in the office of the County Recorder.

**Section 6. Term.** Except as otherwise set forth in this Agreement, this Agreement shall expire upon the final payment or prepayment of the Assessment.

**Section 7. Recordation of Documents.** The Property Owner hereby authorizes and directs the Authority to cause to be recorded in the office of the County Recorder the various notices and other documents required by Chapter 29 and other applicable laws to be recorded against the Property.

**Section 8. Notice.** To the extent required by applicable law, the Property Owner hereby agrees to provide written notice to any subsequent purchaser of the Property of the obligation to pay the Assessment pursuant to this Agreement.

**Section 9. Waivers, Acknowledgment and Agreement.** The Property Owner hereby waives its right to repeal the Assessment by initiative or any other action, or to file any lawsuit or other proceeding to challenge the Assessment or any aspect of the proceedings of the Authority undertaken in connection with the CaliforniaFIRST Program. The Property Owner hereby agrees that the Property Owner and its successors in interest to fee title in the Property shall be solely responsible for the installation, operation and maintenance of the Improvements. The Property Owner hereby acknowledges that the Property will be responsible for payment of the Assessment regardless of whether the Improvements are properly installed, operated or maintained as expected.

The Property Owner hereby agrees that the Authority is entering into this Agreement solely for the purpose of assisting the Property Owner with the financing of the installation of the Improvements, and that the Authority and [the City/County] have no responsibility of any kind for, and shall have no liability arising out of, the installation, operation, financing, refinancing or

maintenance of the Improvements. Based upon the foregoing, the Property Owner hereby waives the right to recover from and fully and irrevocably releases the Authority, the [City/County] and any and all agents, employees, attorneys, representatives and successors and assigns of the Authority and the [City/County] from any and all losses, liabilities, claims, damages (including consequential damages), penalties, fines, forfeitures, costs and expenses (including all reasonable out-of-pocket litigation costs and reasonable attorney's fees), relating to the subject matter of this Agreement that the Property Owner may now have or hereafter acquire against the Authority, the [City/County] and any and all agents, employees, attorneys, representatives and successors and assigns of the Authority or the [City/County].

To the extent that the foregoing waivers and agreements are subject to Section 1542 of the California Civil Code or similar provisions of other applicable law, it is the intention of the Property Owner that the foregoing waivers and agreements will be effective as a bar to any and all losses, liabilities, claims, damages (including consequential damages), penalties, fines, forfeitures, costs and expenses (including all reasonable out-of-pocket litigation costs and reasonable attorney's fees), of whatever character, nature and kind, known or unknown, suspected or unsuspected, and Property Owner agrees to waive any and all rights and benefits conferred upon the Property Owner by the provisions of Section 1542 of the California Civil Code or similar provisions of applicable law. Section 1542 reads as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

By initialing below, the Property Owner agrees to waive the provisions of Section 1542 in connection with the matters that are the subject of the foregoing waivers and releases.

Property Owner's Initials: \_\_\_\_\_

The waivers, releases and agreements set forth in this Section 9 shall survive termination of this Agreement.

**Section 10. Indemnification.** The Property Owner agrees to indemnify, defend, protect, and hold harmless the Authority, the [City/County] and any and all agents, employees, attorneys, representatives and successors and assigns of the Authority or the [City/County], from and against all losses, liabilities, claims, damages (including consequential damages), penalties, fines, forfeitures, costs and expenses (including all reasonable out-of-pocket litigation costs and reasonable attorney's fees) and any demands of any nature whatsoever related directly or indirectly to, or arising out of or in connection with, (i) the Assessment, (ii) the financing by the Authority of the Improvements, (iii) the Improvements, (iv) or any other fact, circumstance or event related to the subject matter of this Agreement, regardless of whether such losses, liabilities, claims, damages (including consequential damages), penalties, fines, forfeitures, costs and expenses (including all reasonable out-of-pocket litigation costs and reasonable attorney's fees) accrue before or after the date of this Agreement.

The provisions of this Section 10 shall survive the termination of this Agreement.

**Section 11. Amendment.** Except as set forth in Section 5(b), this Agreement may be modified only by the written agreement of the Authority and the Property Owner.

**Section 12.** Binding Effect; Assignment. This Agreement inures to the benefit of and is binding upon the Authority, the Property Owner and their respective successors and assigns.

The Authority has the right to assign any or all of its rights and obligations under this Agreement without the consent of the Property Owner. The obligation to pay the Assessment set forth in this Agreement is an obligation of the Property and no agreement or action of the Property Owner will be competent to impair in any way the Authority's rights, including, but not limited to, the right to pursue judicial foreclosure of the Assessment lien or the right to enforce the collection of the Assessment or any installment thereof against the Property.

**Section 13.** Exhibits. The Exhibits to this Agreement are incorporated into this Agreement by this reference as if set forth in their entirety in this Agreement.

**Section 14.** Severability. If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, such holding will not invalidate or render unenforceable any other provision of this Agreement.

**Section 15.** Corrective Instruments. The Authority and the Property Owner agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required in order to carry out out the expressed intention of this Agreement.

**Section 16.** Governing Law; Venue. This Agreement is governed by and construed in accordance with the laws of the State of California. Any legal action brought under this Agreement must be instituted in the Superior Court of the County of Sacramento, State of California; provided, however, actions to foreclose delinquent installments of the Assessment will be instituted in the superior court of the County or as otherwise provided by law.

**Section 17.** Counterparts. This Agreement may be executed in several counterparts, each of which is an original and all of which constitutes one and the same instrument.



IN WITNESS WHEREOF, the Authority and the Property Owner have caused this Agreement to be executed in their respective names by their duly authorized representatives, all as of the date first above written.

**CALIFORNIA STATEWIDE COMMUNITIES  
DEVELOPMENT AUTHORITY**

By: \_\_\_\_\_

Its: \_\_\_\_\_

The following are the authorized signatories of the Property Owner:

Name: _____ By: _____ Its: _____	Name: _____ By: _____ Its: _____
Name: _____ By: _____ Its: _____	Name: _____ By: _____ Its: _____

**EXHIBIT A**

Agreement Number: \_\_\_\_\_

Property Owner: \_\_\_\_\_

\_\_\_\_\_

Property (APN/Legal Description): \_\_\_\_\_

\_\_\_\_\_

Prepayment Premium: \_\_\_\_\_

Interest Rate Used to Calculate Initial Assessment Installments (prior to issuance of Bonds): \_\_\_\_\_

\_\_\_\_\_

Non-Completion Assessment: An amount equal to \_\_\_\_\_% of the Initial Assessment identified on Exhibit C

**EXHIBIT B**  
**IMPROVEMENTS**

The Improvements are described on the attached documentation.



[Attach notary pages]

PROOF OF PUBLICATION

LEGAL NEWSPAPER NOTICES

PLANNING COMMISSION/CITY COUNCIL  
PROJECT NOTICING

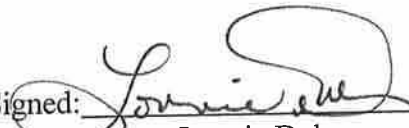
Newspaper: Tribune

Date of Publication: December 8, 2009

Hearing Date: December 15, 2009  
(City Council)

Project: California FIRST Program

I, Lonnie Dolan, employee of the Community Development Department, Planning Division, of the City of El Paso de Robles, do hereby certify that this notice is a true copy of a published legal newspaper notice for the above named project.

Signed:   
Lonnie Dolan

forms/newsaffi.691

**CITY OF EL PASO DE ROBLES**  
**NOTICE OF PUBLIC HEARING**

NOTICE IS HEREBY GIVEN that on December 15, 2009, a public hearing will be held with respect to the proposed participation by the El Paso de Robles "City" in the CaliforniaFIRST Program of the California Statewide Communities Development Authority. Participation in the CaliforniaFIRST Program will enable property owners to finance renewable energy, energy efficiency and water efficiency improvements on their property through the levy of contractual assessments pursuant to Chapter 29 of Division 7 of the Streets & Highways Code ("Chapter 29") and the issuance of improvement bonds under the Improvement Bond Act of 1915 (Streets and Highways Code Sections 8500 and following) upon the security of the unpaid contractual assessments. Chapter 29 provides that assessments may be levied under its provisions only with the free and willing consent of the owner of each lot or parcel on which an assessment is levied at the time the assessment is levied.

The hearing will commence at 7:30 PM, or as soon thereafter as the matter can be heard, and will be held at City Hall / Library Conference Room, 1000 Spring Street, Paso Robles, California. Interested persons wishing to express their views on the participation in the CaliforniaFIRST Program and the financing of renewable energy, energy efficiency and water efficiency improvements as described above will be given an opportunity to do so at the public hearing or may, prior to the time of the hearing, submit written comments to 1000 Spring Street, Attention: City Clerk.

Dated: December 8, 2009

CITY OF EL PASO DE ROBLES  
Dennis Fansler  
City Clerk  
December 8, 2009 6859187