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BOARD OF SUPERVISORS
COUNTY OF VENTURA
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800 SOUTH VICTORIA AVENUE, VENTURA, CALIFORNIA 93009

September 9, 2008

Board of Supervisors
800 S. Victoria Ave.
Ventura, CA 93009

SUBJECT: CONCEPTUALLY SUPPORT IMPLEMENTATION OF AN AB811 PROGRAM AND DIRECT THE CEO TO RETURN WITH IMPLEMENTATION STEPS CONSISTENT WITH THE RECOMMENDED GUIDELINES

RECOMMENDATION:

1. Conceptually support formation of a County AB 811 funding program.

2. Direct the CEO to consult with County Counsel and the Auditor on implementation of an AB 811 funding program for alternative energy and energy conservation in the unincorporated area and return to the Board with implementation steps.

3. Extend an invitation to cities to discuss with the county the possibility of the county providing some incentives to the cities to create their own AB 811 programs.

4. Research potential private funding and grant sources to support this program.

5. As starting guidelines for the county's lending program consider:
   a. temporarily capping the county's loaning of funds at 3% of the county's reserves
   b. capping the loan payback period to 15 years
   c. Charging rates and/or fees that make the program overall revenue neutral for the county

FISCAL IMPACT: No appropriation necessary at this time. If a program is implemented, costs could be recovered.

Recycled Paper

DISCUSSION:

Recently approved as an urgency measure, AB 811 authorizes local governments to provide loans to property owners for installation of alternative energy systems and energy conservation measures with the funding to be recovered through a voluntary tax assessment over a period of up to 20 years. The intention of the bill is to reduce the up-front and ongoing costs of installing alternative energy systems and energy conservation measures that are permanently affixed to the property. Existing law already enables local governments to offer funding for other improvements through the Improvement Act of 1911 and its provisions for contractual assessments.

With the County's financing capacity, it may prove practical to offer this form of financing to property owners, and in so doing aid in the fight against global warming and diminish the need for new power plants. At this stage, the Board directs the CEO to prepare a basic study that addresses: how the County might fund the program and the steps that would be involved, an estimate of initial and on-going staff time and County expense, how responsible lending and borrower performance can be assured, and an estimate of how the loan rate and terms that the County could offer would compare with home equity loans assuming full cost recovery of County costs, and how the County might aid cities in offering this program to city property owners. This effort would involve consultation with County Counsel, the Auditor, the Finance Committee, and city officials. Preliminary discussions with County Counsel indicate that borrowing from County reserves, such as the General Fund fund balance would be permissible as a result of AB 811. We would need to establish an appropriate limit on this county lending, such as the recommended cap of 3% of the reserve.

AB 811 was initiated to enable implementation of this type of loan program. AB 811 authorizes the use of voluntary assessment financing for all types of properties, including residential, commercial, and industrial. The taxpayers are protected against default, as the loan is repaid through a tax assessment that is collected in the same manner as other property taxes until paid off, regardless of whether the property changes hands.

Making the loan repayment part of the property tax bill makes the loan more secure and may encourage a variety of funding sources to become available at lower interest rates for the homeowners.

With the recent tightening of the private mortgage lending market, this program may provide an even greater contribution to assisting Ventura County property owners reduce global warming, improve their properties, and reduce their energy expenditures. We would also direct the CEO to explore the possibility of encouraging cities to adopt AB 811 programs by potentially offering partial incentive financing to city residents with majority matching funds provided by the city.

The Improvement Act of 1911 specifies the following steps in formation of an assessment program:

1. Adoption of a resolution of intention. The resolution of intention shall include a statement that the County proposes to make contractual assessment financing available to property owners, shall identify the kinds of projects which may be financed, shall describe the boundaries of the assessment area, describe the proposed financing arrangements, state the date and time of a public hearing on district formation, and direct an appropriate County official to prepare a report.
2. After the resolution's adoption the follow-up report shall include all of the following:
   (a) A map showing the boundaries of the territory within which contractual assessments are proposed to be offered.
   (b) A draft contract specifying the terms and conditions that would be agreed to by a property owner within the contractual assessment area and the county.
   (c) A statement of county policies concerning contractual assessments including all of the following:
   (1) Identification of types of facilities, distributed generation renewable energy sources, or energy efficiency improvements that may be financed through the use of contractual assessments.
   (2) Identification of a city official authorized to enter into contractual assessments on behalf of the county.
   (3) A maximum aggregate dollar amount of contractual assessments.
   (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 the county 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. 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 the county.
   (e) A report on the results of the consultations with the county auditor's office or county controller's office concerning the additional fees, if any, that will be charged to the city or county for incorporating the proposed contractual assessments into the assessments of the general taxes of the city or county on real property, and a plan for financing the payment of those fees.

The County's costs of formation of the assessment program, including preparation of the report, as well as the costs of providing the loan funding, would be fully recoverable through the property assessments.

Please join us in initiating this pro-active response to global warming, AB 32, and property owner's desires to do their part to reduce energy use. By collaborating with cities, Ventura County would become a leader in the State in pursuing this type of program.

Cordially,

Steve Bennett
Supervisor, First District

Linda Parks
Supervisor Second District