

SONOMA COUNTY ISSUE PAPER – AB 811—Solar Installation Effort

In 2005, recognizing the need to take aggressive steps to help solve the climate crisis, the County of Sonoma and all of its cities jointly pledged to reduce County-wide greenhouse gas emissions (GHG) from all sources to 25 percent below 1990 levels by 2015. Further, the County and the cities have recognized the need for a regional coordination effort to ensure these local efforts and jurisdictions are all supportive and complementary of each other. This coordination is the basis for Sonoma County's Climate Protection Partnership. The Partnership focuses on effectively managing the multiple programs and opportunities associated with GHG reductions regionally, pursuing funding opportunities by taking a joint approach, as well as leveraging and sharing best practices and resources.

One example of a project that fits within this Partnership is an AB 811 program. AB 811 (Levin) provides California counties and cities the ability to finance the purchase and installation of solar panels and other energy efficiency improvements for residential and commercial properties. At its core, AB 811 is a lending program, similar to commercial banking/lending. A local jurisdiction provides money to property owners, who purchase and install energy efficiency technologies, then pay back the loan over time via the property tax billing system. The loans and improvements are tied to the property so individual property owner credit worthiness is less of a concern and this can help keep the interest costs and administrative process more attractive. Moreover, AB 811 creates the additional benefit of protecting or increasing local "green" job opportunities in the current difficult economic climate.

Sonoma County is currently assessing how to implement this program without it negatively impacting the County's financial wherewithal and future debt capacity. In the current economic climate, the County does not have the capability to provide seed money or subsidies from its General Fund to operate an AB 811 program without cutting funding from existing, critical programs such as criminal justice, health and human services, and transportation.

The approach being considered is to borrow from the County Treasury Pool (cash on deposit from County, schools, and special districts) for initial limited financing. This money would, in turn, be loaned to property owners under the program and the difference between the interest rates the County pays to the Treasury and the rate property owners pay to the County only has to be enough to pay for the administration of the program. Unfortunately, without seed money, the amount the County has available for the program would be fairly small. An artificial cap to an effort to reduce green house gases and spur green job creation would exist due to limited resources.

To address this limiting factor and the unfeasibility of the County holding long term debt of this nature, Sonoma County seeks to utilize the bond market as an eventual long term financing mechanism. This tool would be used and would repay the pool, so long as the bond market interest rates are low enough to be competitive. Currently, interest on bonds under this type of program would be considered taxable and those rates are not currently nor historically likely to provide the margin needed for program feasibility. By contrast, tax exempt interest rate bonds would likely create the needed funding capacity for the program to grow beyond its initial small level and allow greater public participation. Increased financing capacity would increase the green job production of the effort as well as greatly enhance the climate protection benefits of the program, the two primary goals of this effort.

Under the existing conditions, the County is in a high-risk situation if it implements this program without seed capital and the use of tax exempt bonds to stimulate this effort. Both of these factors will generate higher interest rate bonds and would jeopardize financing for the program. Due to these financial risks and the significant financial hurdle to initiate this program, Federal funding support would allow for a stronger and more rapid implementation of the County's AB 811 program. In addition, the change of bond status from taxable to tax exempt would help ensure the long term financing viability via the bond market. By enabling home owners and businesses to participate in a broader solar photovoltaic effort, the benefits of federal support, through both initial start up capital as well as the allowance of tax exempt bonds for this effort, would be evident. This program could have the multiple effect of reducing green house gas production, creating good paying "green" jobs, and reducing reliance on fossil fuel based energy production.