

City of Brisbane

Agenda Report

TO: Honorable Mayor and City Council

FROM: Fred Smith via Clay Holstine, City Manager

DATE: Meeting of February 16, 2010

SUBJECT: Authorization to join the CaliforniaFIRST energy retrofit financing program, authorize Sacramento County to apply for grant funds to defray set up costs and approve Brisbane's membership in the California Statewide Communities Development Authority.

CITY COUNCIL GOALS:

- No. 8, To develop plans and pursue opportunities to protect natural resources.
- No. 10, To promote intergovernmental opportunities that enhances services and/or reduces cost of operations and services to city residents

PURPOSE: If the Sacramento County grant application is funded, these resolutions will, at no cost to the City, enable residential, commercial and industrial property owners in Brisbane to participate in a contractual assessment district that will finance water and energy efficiency and renewable energy retrofit projects. Repayment would occur by means of assessments on the benefitting owners' property tax bills.

RECOMMENDATION:

1. Open the public hearing, receive comments and close the public hearing.
2. Adopt Resolution No. 2010-08, authorizing the City of Brisbane to join the CaliforniaFIRST program; authorizing the California Statewide Communities Development Authority to accept applications from property owners, conduct contractual assessment proceedings and levy contractual assessments within the territory of the City; and authorizing related actions.
3. Adopt Resolution No. 2010-09, authorizing the lead collaborative entity to apply for funds on behalf of the local governmental jurisdiction.
4. Adopt Resolution No. 2010-10, approving, authorizing and directing execution of an amended and restated joint exercise of powers agreement relating to the California Statewide Communities Development Authority.

BACKGROUND:

Since last year, the City staff has been participating in a committee comprised of the County of San Mateo and the 20 cities in the County to develop a coordinated County- or region-wide program to facilitate an energy conservation and renewable energy retrofit program. This committee, which is chaired by the County, is called the Residential Energy Action Program (REAP). The committee has explored a number of alternative existing and conceptual programs determine how to best serve the needs of the County and utilize our resources most effectively. Existing programs such in the City of Berkeley or Sonoma County that utilize assessment district financing were found to offer the most promising model. The committee also studied other related issues such as uniform standards for audits and retrofits, quality assurance and workforce development.

Last fall, the committee became aware that a statewide agency was putting together a pilot retrofit financing program called CaliforniaFIRST and that San Mateo County had the opportunity to become one of the participating counties.

DISCUSSION:

The CaliforniaFIRST Program is a Property Assessed Clean Energy (PACE) finance program. PACE programs allow property owners within participating regions to finance the installation of energy and water improvements on their home or business and pay the amount back as a line item on their property tax bill. The CaliforniaFIRST Program is sponsored by the California Statewide Communities Development Authority (California Communities), a joint powers authority (JPA) of California counties and cities, in partnership with bond underwriters Renewable Funding and the Royal Bank of Canada (RBC) Capital Markets.

Pursuant to AB 811, the State of California's Clean Energy Municipal Financing Law signed into law last year, property owners may finance energy efficiency and renewable energy projects that are permanently affixed to the property. Recent legislation, AB 474, expanded the Program's reach to include the financing of water efficiency projects. Eligible projects under the CaliforniaFIRST Program may include but are not limited to air sealing, wall and roof insulation, energy efficient windows, tankless water heaters, photovoltaic (solar electricity), and low-flow toilets. Appliances are not eligible.

A participating local government must adopt a resolution adopting the program in order for local property owners to apply for financing. Renewable Funding is currently working with California Communities to launch the initial pilot program. Fourteen out of the 58 California counties, including San Mateo County, are participating. Within the County of San Mateo all 20 Cities, including Brisbane, have submitted conditional letters of commitment, subject adoption of a resolution by their City Councils, to participate in the program.

Participation in the pilot program offers a range of benefits including initial interest rate buy-down, regional marketing efforts, consolidated validation proceedings, local

technology set ups, and reduced buy-in and administration costs. The cost per agency is determined by population and Brisbane's cost would be \$10,000. However, Brisbane is part of a consortium of cities and counties that is applying for a grant from the California Energy Commission's (CEC) State Energy Program (SEP) that would offset this \$10,000 participation fee. Sacramento County, as the lead agency, is submitting the grant application on behalf of the participating agencies to provide funding for the program participation.

In the event that the Grant is not awarded, Brisbane can either choose to continue in the pilot program and find another funding source to pay for the participation fee or pull out of the pilot program entirely. The City can withdraw from the CaliforniaFIRST Program at any time by passing a resolution rescinding the authorization.

City of Brisbane's responsibility will be to help guide program development and implementation in our jurisdiction and throughout the region by serving on the appropriate County-wide steering committee, which will coordinate with state level CaliforniaFIRST partners. City staff will also conduct our own outreach and provide information about the program to our community.

Since California Communities will be the lead agency for the CaliforniaFIRST pilot program, Brisbane will need to become a member of this JPA if it wishes to participate. California Communities was formed by the League of California Cities and the California State Association of Counties and its membership is comprised of California cities and counties. One of the JPA's primary functions is to use economies of scale to put together pooled bond issues to finance local community development and capital improvement projects.

The way the program will work is a property owner who chooses to participate will submit an application through California Communities. If the improvements comply with the program guidelines, the cost of those improvements will be levied as a "contractual assessment" on the owner's property. The assessments will be used by California Communities to finance the issuance of bonds which will pay the cost of the improvements. The additional property tax payments levied will repay the bonds over a ten, fifteen or twenty year period. Renewable Funding LLC and RBC Capital Markets will provide the administration and underwriting for the program.

Although the actual guidelines are still in development with the CEC, the applicant can chose a default energy retrofit package complete with the of the air sealing of their home, proper insulation throughout the house, adequate ventilation, and proper sizing and installation of an energy efficiency heating and ventilation system. Another option may include a custom approach that would need to be prepared by the homeowner and approved by the California Communities.

Participating in the CaliforniaFIRST Program offers specific benefits to the property owner. These benefits include:

- Only property owners who choose to participate in the program will have assessments imposed on their property.

- In today's economic environment, there may not be attractive private enterprise alternatives for property owners to finance renewable energy/energy efficiency/water efficiency improvements.
- Even if there were private enterprise alternatives, most private loans are due on sale of the benefited property, which makes it difficult for property owners to match the life of the repayment obligation with the useful life of the financed improvements. Under the CaliforniaFIRST Program, the assessment obligation will transfer with the property upon sale.
- The property owner may choose to pay off the assessments at any time, subject to applicable prepayment penalties.
- By virtue of regional aggregation provided by the CaliforniaFIRST Program, small projects, both residential and commercial, can have access to the municipal bond market, which may produce a lower borrowing cost.

The benefits to the City of Brisbane include:

- As in conventional assessment financing, the City is not obligated to repay the bonds issued by California Communities or to pay the assessments levied on the participating properties.
- California Communities handles all assessment administration, bond issuance and bond administration functions. A participating City can provide financing of renewable energy, energy efficiency and water efficiency improvements to property owners through the CaliforniaFIRST Program - thereby meeting its policy and environmental goals - while committing very little staff time to administer the program.

Adoption of three resolutions is required in order for Brisbane to participate. The first proposed resolution (No. 2010-08) authorizes California Communities to accept applications from owners of property within the City of Brisbane for municipal financing of renewable energy, energy efficiency and water efficiency improvements through the CaliforniaFIRST Program. It also authorizes California Communities to conduct assessment proceedings and levy assessments against the property of participating owners within our boundaries. It also authorizes miscellaneous related actions and makes certain findings and determinations required by law. California Communities will undertake a judicial validation proceeding as part of its initiation of the CaliforniaFIRST Program. Attached to this resolution is a "Form of Resolution of Intention to be adopted by California Communities". This is the resolution that California Communities will pass to handle the assessments on our behalf. It is for informational purposes and does not require action by the Brisbane Council.

The second resolution (No. 2010-09) is a resolution to authorize Sacramento County to submit a collaborative application on the City's behalf to the CEC for up to \$16.5 million in SEP funds for the program for financing energy efficiency, energy conservation, renewable energy, and other energy related projects and activities authorized by American Recovery and Reinvestment Act of 2009. If funded, the grant will fully pay the startup costs required for participation by the City in the CaliforniaFIRST program. A detailed summary of the proposed scope and budgetary framework is attached to the resolution.

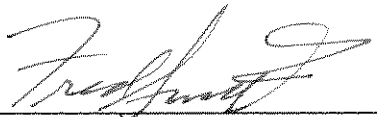
The third resolution (No. 2010-10) is a resolution authorizing execution of the attached Joint Exercise of Powers Agreement for Brisbane to join the California Communities JPA. Membership is a condition of participation in the CaliforniaFIRST pilot program.

FISCAL IMPACT/FINANCING ISSUES:

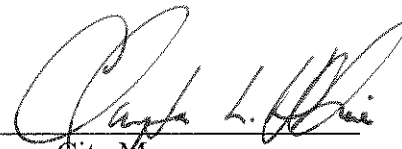
If Sacramento County is awarded the CEC SEP Grant, there will be no fiscal impact for participating in the CaliforniaFIRST Program. If the grant is not approved, staff will bring back a recommendation to either proceed with the program by allocating other moneys for the startup costs or pass a resolution rescinding the authorization to join the CaliforniaFIRST Program.

MEASURE OF SUCCESS:

Owners of residential and commercial properties in Brisbane will be able to utilize a new and more efficient and economical financing mechanism to improve the energy efficiency of their properties and reduce the community's level of greenhouse gas emissions.



Department Head



City Manager

ATTACHMENTS:

1. Proposed Resolution No. 2010-08 - Resolution to commit to the CaliforniaFIRST program.
2. Proposed Resolution No. 2010-09 – Resolution to Authorize Sacramento County to apply for SEP funds
3. Proposed Resolution No. 2010-10 – Resolution Authorizing City of Brisbane membership in California Communities.
4. Proposed Amended and Restated Joint Exercise of Powers Agreement Relating to the California Statewide Communities Development Authority
5. CaliforniaFIRST Program Report (Informational)

RESOLUTION NO. 2010-08

RESOLUTION AUTHORIZING THE CITY OF BRISBANE TO JOIN THE CALIFORNIAFIRST PROGRAM; AUTHORIZING THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY TO ACCEPT APPLICATIONS FROM PROPERTY OWNERS, CONDUCT CONTRACTUAL ASSESSMENT PROCEEDINGS AND LEVY CONTRACTUAL ASSESSMENTS WITHIN THE TERRITORY OF THE CITY; 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 Brisbane; 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 “ROP”), a copy of which is attached hereto as Exhibit A, and the territory within which assessments may be levied for the CaliforniaFIRST Program shall include all of the territory within the City’s official boundaries of record “Proposed Boundaries”; and

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

WHEREAS, the CaliforniaFIRST Pilot Program is a completely voluntary program and at any time the City decides to withdraw from the CaliforniaFIRST Program it need only pass a resolution rescinding the authorization; and

WHEREAS, concurrent with this effort the City is in a consortium of cities that are pursuing a grant from the CEC to cover the application and related costs associated with the CaliforniaFIRST Pilot program which will offset said fees; and

WHEREAS, if said CEC grant is not awarded to the City of Brisbane to cover the application and related costs of the CaliforniaFIRST Pilot Program then the City may appropriate other funds to cover said costs or chose to withdraw its participation at not cost to the City; and

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

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

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

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

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

(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 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 Economic and Community Development Director and/or his designee are hereby designated as the contact persons for California Communities in connection with the CaliforniaFIRST Program.

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

Section 6. Upon award of the CEC SEP Grant Application the appropriate officials and staff of the City are hereby authorized and re-directed said grant proceeds to pay California Communities a fee in an amount not to exceed \$15,000, which California Communities will use to pay for the costs of implementing the CaliforniaFIRST Program in the City, including the payment of legal costs incurred in connection with judicial validation of the CaliforniaFIRST Program.

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

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

* * * *

PASSED AND ADOPTED at a regular meeting of the City Council of the City of Brisbane held on the 16th day of February, 2010, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

W. Clarke Conway, Mayor

ATTEST:

Sheri Marie Spediacci, City Clerk

EXHIBIT A

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

RESOLUTION NO. ____

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

COUNTY OF _____

WHEREAS, the California Statewide Communities Development Authority ("California Communities") is authorized under the authority granted California Communities pursuant to Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California in accordance with Chapter 29 of Part 3 of Division 7 of the Streets & Highways Code of the State of California ("Chapter 29") to authorize assessments to finance the installation of distributed generation renewable energy sources, 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.

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

RESOLUTION NO. 2010-09

**RESOLUTION AUTHORIZING THE LEAD COLLABORATIVE ENTITY
TO APPLY FOR FUNDS ON BEHALF OF THE LOCAL
GOVERNMENTAL JURISDICTION**

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

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

WHEREAS, the City of Brisbane 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 by the City Council of the City of Brisbane as follows:

Section 1: The City Council hereby finds that adoption of this Resolution and other energy related projects and activities authorized by ARRA described in Exhibit A is not a "project" under the California Environmental Quality Act, 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)).

Section 2: The City of Brisbane authorizes Sacramento County to submit a collaborative application on its behalf to the California Energy Commission for up to \$16.5

million in SEP funds for the program for financing energy efficiency, energy conservation, renewable energy, and other energy related projects and activities authorized by ARRA described in Exhibit A.

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

* * * *

PASSED AND ADOPTED at a regular meeting of the City Council of the City of Brisbane held on the 16th day of February, 2010, by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

W. Clarke Conway, Mayor

ATTEST:

Sheri Marie Spediacci, 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: (~\$1.5M)

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 four 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
- Central Coast Region: (Monterey/Santa Cruz/San Benito/San Luis Obispo): \$2,300,000
- Mid Coast Region: (Ventura): \$575,000
- 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
Total	100%	\$ 1,110,714.29	\$ 575,000.00

Grant Development Team:

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

RESOLUTION NO. 2010-10

**RESOLUTION APPROVING, AUTHORIZING AND DIRECTING EXECUTION
OF AN AMENDED AND RESTATED JOINT EXERCISE OF POWERS
AGREEMENT RELATING TO THE CALIFORNIA STATEWIDE
COMMUNITIES DEVELOPMENT AUTHORITY**

WHEREAS, the City of Brisbane, California (the “City”), has expressed an interest in participating in the economic development financing programs (the “Programs”) in conjunction with the parties to that certain Amended and Restated Joint Exercise of Powers Agreement Relating to the California Statewide Communities Development Authority, dated as of June 1, 1988 (the “Agreement”); and

WHEREAS, there is now before this City Council the form of the Agreement; and

WHEREAS, the City proposes to participate in the Programs and desires that certain projects to be located within the City be financed pursuant to the Programs and it is in the public interest and for the public benefit that the City do so; and

WHEREAS, the Agreement has been filed with the City, and the members of the City Council of the City, with the assistance of its staff, have reviewed said document;

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE
CITY OF BRISBANE AS FOLLOWS:**

Section 1. The Agreement is hereby approved and the Mayor or the City Manager or designee thereof is hereby authorized and directed to execute said document, with such changes, insertions and omissions as may be approved by said Mayor or City Manager, and the City Clerk or such Clerk’s designee is hereby authorized and directed to affix the City’s seal to said document and to attest thereto.

Section 2. The Mayor, the City Manager, the City Clerk and all other proper officers and officials of the City are hereby authorized and directed to execute such other agreements, documents and certificates, and to perform such other acts and deeds, as may be necessary or convenient to effect the purposes of this Resolution and the transactions herein authorized.

Section 3. The City Clerk of the City shall forward a certified copy of this Resolution and an originally executed Agreement to:

Angie Sessions
Orrick, Herrington & Sutcliffe LLP
400 Capital Mall, Suite 3000
Sacramento, California 95814

Section 4. This resolution shall take effect immediately upon its passage.

* * * *

PASSED AND ADOPTED at a regular meeting of the City Council of the City of Brisbane held on the 16th day of February, 2010, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

W. Clarke Conway, Mayor

ATTEST:

Sheri Marie Spediacci, City Clerk

**AMENDED AND RESTATED
JOINT EXERCISE OF POWERS AGREEMENT
RELATING TO THE CALIFORNIA STATEWIDE COMMUNITIES
DEVELOPMENT AUTHORITY**

THIS AGREEMENT, dated as of June 1, 1988, by and among the parties executing this Agreement (all such parties, except those which have withdrawn in accordance with Section 13 hereof, being herein referred to as the "Program Participants"):

WITNESSETH

WHEREAS, pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State of California (the "Joint Exercise of Powers Act"), two or more public agencies may by agreement jointly exercise any power common to the contracting parties; and

WHEREAS, each of the Program Participants is a "public agency" as that term is defined in Section 6500 of the Government Code of the State of California, and

WHEREAS, each of the Program Participants is empowered to promote economic development, including, without limitation, the promotion of opportunities for the creation or retention of employment, the stimulation of economic activity, and the increase of the tax base, within its boundaries; and

WHEREAS, a public entity established pursuant to the Joint Exercise of Powers Act is empowered to issue industrial development bonds pursuant to the California Industrial Development Financing Act (Title 10 (commencing with Section 91500 of the Government Code of the State of California)) (the "Act") and to otherwise undertake financing programs under the Joint Exercise of Powers Act or other applicable provisions of law to promote economic development through the issuance of bonds, notes, or other evidences of indebtedness, or certificates of participation in leases or other agreements (all such instruments being herein collectively referred to as "Bonds"); and

WHEREAS, in order to promote economic development within the State of California, the County Supervisors Association of California ("CSAC"), together with the California Manufacturers Association, has established the Bonds for Industry program (the "Program").

WHEREAS, in furtherance of the Program, certain California counties (collectively, the "Initial Participants") have entered into that certain Joint Exercise of Powers Agreement dated as of November 18, 1987 (the "Initial Agreement"), pursuant to which the California Counties Industrial Development Authority has been established as a separate entity under the Joint Exercise of Powers Act for the purposes and with the powers specified in the Initial Agreement; and

WHEREAS, the League of California Cities ("LCC") has determined to join as a sponsor of the Program and to actively participate in the administration of the Authority; and

WHEREAS, the Initial Participants have determined to specifically authorize the Authority to issue Bonds pursuant to Article 2 of the Joint Exercise of Powers Act ("Article 2") and Article 4 of the Joint Exercise of Powers Act ("Article 4"), as well as may be authorized by the Act or other applicable law; and

WHEREAS, the Initial Participants desire to rename the California Counties Industrial Development Authority to better reflect the additional sponsorship of the Program; and

WHEREAS, each of the Initial Participants has determined that it is in the public interest of the citizens within its boundaries, and to the benefit of such Initial Participant and the area and persons served by such Initial Participant, to amend and restate in its entirety the Initial Agreement in order to implement the provisions set forth above; and

WHEREAS, it is the desire of the Program Participants to use a public entity established pursuant to the Joint Exercise of Powers Act to undertake projects within their respective jurisdictions that may be financed with Bonds issued pursuant to the Act, Article 2, Article 4, or other applicable provisions of law; and

WHEREAS, the projects undertaken will result in significant public benefits, including those public benefits set forth in Section 91502.1 of the Act, an increased level of economic activity, or an increased tax base, and will therefore serve and be of benefit to the inhabitants of the jurisdictions of the Program Participants;

NOW, THEREFORE, the Program Participants, for and in consideration of the mutual promises and agreements herein contained, do agree to restate and amend the Initial Agreement in its entirety to provide as follows:

Section 1. Purpose.

This Agreement is made pursuant to the provisions of the Joint Exercise of Powers Act, relating to the joint exercise of powers common to public agencies, in this case being the Program Participants. The Program Participants each possess the powers referred to in the recitals hereof. The purpose of this Agreement is to establish an agency for, and with the purpose of, issuing Bonds to finance projects within the territorial limits of the Program Participants pursuant to the Act, Article 2, Article 4, or other applicable provisions of law; provided, however that nothing in this Agreement shall be construed as a limitation on the rights of the Program Participants to pursue economic development outside of this Agreement, including the rights to issue Bonds through industrial development authorities under the Act, or as otherwise permitted by law.

Within the various jurisdictions of the Program Participants such purpose will be accomplished and said powers exercised in the manner hereinafter set forth.

Section 2. Term.

This Agreement shall become effective as of the date hereof and shall continue in full force and effect for a period of forty (40) years from the date hereof, or until such time as it is terminated in writing by all the Program Participants; provided, however, that this Agreement shall not terminate or be terminated until the date on which all Bonds or other indebtedness issued or caused to be issued by the Authority shall have been retired, or full provision shall have been made for their retirement, including interest until their retirement date.

Section 3. Authority.

A. CREATION AND POWERS OF AUTHORITY.

(1) Pursuant to the Joint Exercise of Powers Act, there is hereby created a public entity to be known as the "California Statewide Communities Development Authority" (the "Authority"), and said Authority shall be a public entity separate and apart from the Program Participants. Its debts, liabilities and obligations do not constitute debts, liabilities or obligations of any party to this Agreement.

B. COMMISSION.

The Authority shall be administered by a Commission (the "Commission") which shall consist of seven members, each

serving in his or her individual capacity as a member of the Commission. The Commission shall be the administering agency of this Agreement, and, as such, shall be vested with the powers set forth herein, and shall execute and administer this Agreement in accordance with the purposes and functions provided herein.

Four members of the Commission shall be appointed by the governing body of CSAC and three members of the Commission shall be appointed by the governing body of LCC. Initial members of the Commission shall serve a term ending June 1, 1991. Successors to such members shall be selected in the manner in which the respective initial member was selected and shall serve a term of three years. Any appointment to fill an unexpired term, however, shall be for such unexpired term. The term of office specified above shall be applicable unless the term of office of the respective member is terminated as hereinafter provided, and provided that the term of any member shall not expire until a successor thereto has been appointed as provided herein.

Each of CSAC and LCC may appoint an alternate member of the Commission for each member of the Commission which it appoints. Such alternate member may act as a member of the Commission in place of and during the absence or disability of such regularly appointed member. All references in this Agreement to any member of the Commission shall be deemed to refer to and include the applicable alternate member when so acting in place of a regularly appointed member.

Each member or alternate member of the Commission may be removed and replaced at any time by the governing body by which such member was appointed. Any individual, including any member of the governing body or staff of CSAC or LCC, shall be eligible to serve as a member or alternate member of the Commission.

Members and alternate members of the Commission shall not receive any compensation for serving as such but shall be entitled to reimbursement for any expenses actually incurred in connection with serving as a member or alternate member, if the Commission shall determine that such expenses shall be reimbursed and there are unencumbered funds available for such purpose.

C. OFFICERS; DUTIES; OFFICIAL BONDS.

The Commission shall elect a Chair, a Vice-Chair, and a Secretary of the Authority from among its members to serve for such term as shall be determined by the Commission. The Commission shall appoint one or more of its officers or

employees to serve as treasurer, auditor, and controller of the Authority (the "Treasurer") pursuant to Section 6505.6 of the Joint Exercise of Powers Act to serve for such term as shall be determined by the Commission.

Subject to the applicable provisions of any resolution, indenture or other instrument or proceeding authorizing or securing Bonds (each such resolution, indenture, instrument and proceeding being herein referred to as an "Indenture") providing for a trustee or other fiscal agent, the Treasurer is designated as the depository of the Authority to have custody of all money of the Authority, from whatever source derived.

The Treasurer of the Authority shall have the powers, duties and responsibilities specified in Section 6505.5 of the Joint Exercise of Powers Act.

The Treasurer of the Authority is designated as the public officer or person who has charge of, handles, or has access to any property of the Authority, and such officer shall file an official bond with the Secretary of the Authority in the amount specified by resolution of the Commission but in no event less than \$1,000. If and to the extent permitted by law, any such officer may satisfy this requirement by filing an official bond in at least said amount obtained in connection with another public office.

The Commission shall have the power to appoint such other officers and employees as it may deem necessary and to retain independent counsel, consultants and accountants.

The Commission shall have the power, by resolution, to the extent permitted by the Joint Exercise of Powers Act or any other applicable law, to delegate any of its functions to one or more of the members of the Commission or officers or agents of the Authority and to cause any of said members, officers or agents to take any actions and execute any documents or instruments for and in the name and on behalf of the Commission or the Authority.

D. MEETINGS OF THE COMMISSION.

(1) Regular Meetings.

The Commission shall provide for its regular meetings; provided, however, it shall hold at least one regular meeting each year. The date, hour and place of the holding of the regular meetings shall be fixed by resolution of the Commission and a copy of such resolution shall be filed with each party hereto.

(2) Special Meetings.

Special meetings of the Commission may be called in accordance with the provisions of Section 54956 of the Government Code of the State of California.

(3) Ralph M. Brown Act.

All meetings of the Commission, including, without limitation, regular, adjourned regular, special, and adjourned special meetings shall be called, noticed, held and conducted in accordance with the provisions of the Ralph M. Brown Act (commencing with Section 54950 of the Government Code of the State of California).

(4) Minutes.

The Secretary of the Authority shall cause to be kept minutes of the regular, adjourned regular, special, and adjourned special meetings of the Commission and shall, as soon as possible after each meeting, cause a copy of the minutes to be forwarded to each member of the Commission.

(5) Quorum.

A majority of the members of the Commission which includes at least one member appointed by the governing body of each of CSAC and LCC shall constitute a quorum for the transaction of business. No action may be taken by the Commission except upon the affirmative vote of a majority of the members of the Commission which includes at least one member appointed by the governing body of each of CSAC and LCC, except that less than a quorum may adjourn a meeting to another time and place.

E. RULES AND REGULATIONS.

The Authority may adopt, from time to time, by resolution of the Commission such rules and regulations for the conduct of its meetings and affairs as may be required.

Section 4. Powers.

The Authority shall have any and all powers relating to economic development authorized by law to each of the parties hereto and separately to the public entity herein created, including, without limitation, the promotion of opportunities for the creation and retention of employment, the stimulation of economic activity, and the increase of the tax base, within the jurisdictions of such parties. Such powers shall include the common powers specified in this

Agreement and may be exercised in the manner and according to the method provided in this Agreement. All such powers common to the parties are specified as powers of the Authority. The Authority is hereby authorized to do all acts necessary for the exercise of such powers, including, but not limited to, any or all of the following: to make and enter into contracts; to employ agents and employees; to acquire, construct, provide for maintenance and operation of, or maintain and operate, any buildings, works or improvements; to acquire, hold or dispose of property wherever located; to incur debts, liabilities or obligations; to receive gifts, contributions and donations of property, funds, services and other forms of assistance from persons, firms, corporations and any governmental entity; to sue and be sued in its own name; and generally to do any and all things necessary or convenient to the promotion of economic development, including without limitation the promotion of opportunities for the creation or retention of employment, the stimulation of economic activity, and the increase of the tax base, all as herein contemplated. Without limiting the generality of the foregoing, the Authority may issue or cause to be issued bonded and other indebtedness, and pledge any property or revenues as security to the extent permitted under the Joint Exercise of Powers Act, including Article 2 and Article 4, the Act or any other applicable provision of law.

The manner in which the Authority shall exercise its powers and perform its duties is and shall be subject to the restrictions upon the manner in which a California county could exercise such powers and perform such duties until a California general law city shall become a Program Participant, at which time it shall be subject to the restrictions upon the manner in which a California general law city could exercise such powers and perform such duties. The manner in which the Authority shall exercise its powers and perform its duties shall not be subject to any restrictions applicable to the manner in which any other public agency could exercise such powers or perform such duties, whether such agency is a party to this Agreement or not.

Section 5. Fiscal Year.

For the purposes of this Agreement, the term "Fiscal Year" shall mean the fiscal year as established from time to time by the Authority, being, at the date of this Agreement, the period from July 1 to and including the following June 30, except for the first Fiscal Year which shall be the period from the date of this Agreement to June 30, 1988.

Section 6. Disposition of Assets.

At the end of the term hereof or upon the earlier termination of this Agreement as set forth in Section 2 hereof, after payment of all expenses and liabilities of the Authority, all property of the Authority both real and personal shall automatically vest in the Program Participants and shall thereafter remain the sole property of the Program Participants; provided, however, that any surplus money on hand shall be returned in proportion to the contributions made by the Program Participants.

Section 7. Bonds.

The Authority shall issue Bonds for the purpose of exercising its powers and raising the funds necessary to carry out its purposes under this Agreement. Said Bonds may, at the discretion of Authority, be issued in series.

The services of bond counsel, financing consultants and other consultants and advisors working on the projects and/or their financing shall be used by the Authority. The fees and expenses of such counsel, consultants, advisors, and the expenses of CSAC, LCC, and the Commission shall be paid from the proceeds of the Bonds or any other unencumbered funds of the Authority available for such purpose.

Section 9. Local Approval.

A copy of the application for financing of a project shall be filed by the Authority with the Program Participant in whose jurisdiction the project is to be located. The Authority shall not issue Bonds with respect to any project unless the governing body of the Program Participant in whose jurisdiction the project is to be located, or its duly authorized designee, shall approve, conditionally or unconditionally, the project, including the issuance of Bonds therefor. Action to approve or disapprove a project shall be taken within 45 days of the filing with the Program Participant. Certification of approval or disapproval shall be made by the clerk of the governing body of the Program Participant, or by such other officer as may be designated by the applicable Program Participant, to the Authority.

Section 8. Bonds Only Limited and Special Obligations of Authority.

The Bonds, together with the interest and premium, if any, thereon, shall not be deemed to constitute a debt of any Program Participant, CSAC, or LCC or pledge of the faith and credit of the Program Participants, CSAC, LCC, or the

Authority. The Bonds shall be only special obligations of the Authority, and the Authority shall under no circumstances be obligated to pay the Bonds or the respective project costs except from revenues and other funds pledged therefor. Neither the Program Participants, CSAC, LCC, nor the Authority shall be obligated to pay the principal of, premium, if any, or interest on the Bonds, or other costs incidental thereto, except from the revenues and funds pledged therefor, and neither the faith and credit nor the taxing power of the Program Participants nor the faith and credit of CSAC, LCC, or the Authority shall be pledged to the payment of the principal of, premium, if any, or interest on the Bonds nor shall the Program Participants, CSAC, LCC, or the Authority in any manner be obligated to make any appropriation for such payment.

No covenant or agreement contained in any Bond or Indenture shall be deemed to be a covenant or agreement of any member of the Commission, or any officer, agent or employee of the Authority in his individual capacity and neither the Commission of the Authority nor any officer thereof executing the Bonds shall be liable personally on any Bond or be subject to any personal liability or accountability by reason of the issuance of any Bonds.

Section 10. Accounts and Reports.

All funds of the Authority shall be strictly accounted for. The Authority shall establish and maintain such funds and accounts as may be required by good accounting practice and by any provision of any Indenture (to the extent such duties are not assigned to a trustee of Bonds). The books and records of the Authority shall be open to inspection at all reasonable times by each Program Participant.

The Treasurer of the Authority shall cause an independent audit to be made of the books of accounts and financial records of the Agency by a certified public accountant or public accountant in compliance with the provisions of Section 6505 of the Joint Exercise of Powers Act. In each case the minimum requirements of the audit shall be those prescribed by the State Controller for special districts under Section 26909 of the Government Code of the State of California and shall conform to generally accepted auditing standards. When such an audit of accounts and records is made by a certified public accountant or public accountant, a report thereof shall be filed as public records with each Program Participant and also with the county auditor of each county in which a Program Participant is located. Such report shall be filed within 12 months of the end of the Fiscal Year or Years under examination.

Any costs of the audit, including contracts with, or employment of, certified public accountants or public accountants in making an audit pursuant to this Section, shall be borne by the Authority and shall be a charge against any unencumbered funds of the Authority available for that purpose.

In any Fiscal Year the Commission may, by resolution adopted by unanimous vote, replace the annual special audit with an audit covering a two-year period.

The Treasurer of the Authority, within 120 days after the close of each Fiscal Year, shall give a complete written report of all financial activities for such Fiscal Year to each of the Program Participants to the extent such activities are not covered by the reports of the trustees for the Bonds. The trustee appointed under each Indenture shall establish suitable funds, furnish financial reports and provide suitable accounting procedures to carry out the provisions of said Indenture. Said trustee may be given such duties in said Indenture as may be desirable to carry out this Agreement.

Section 11. Funds.

Subject to the applicable provisions of each Indenture, which may provide for a trustee to receive, have custody of and disburse Authority funds, the Treasurer of the Authority shall receive, have the custody of and disburse Authority funds pursuant to the accounting procedures developed under Section 10 hereof, and shall make the disbursements required by this Agreement or otherwise necessary to carry out any of the provisions or purposes of this Agreement.

Section 12. Notices.

Notices and other communications hereunder to the Program Participants shall be sufficient if delivered to the clerk of the governing body of each Program Participant.

Section 13. Withdrawal and Addition of Parties.

A Program Participant may withdraw from this Agreement upon written notice to the Commission; provided, however, that no such withdrawal shall result in the dissolution of the Authority so long as any Bonds remain outstanding under an Indenture. Any such withdrawal shall be effective only upon receipt of the notice of withdrawal by the Commission which shall acknowledge receipt of such notice of withdrawal in writing and shall file such notice as an amendment to this Agreement effective upon such filing.

Qualifying public agencies may be added as parties to this Agreement and become Program Participants upon: (i) the filing by such public agency of an executed counterpart of this Agreement, together with a certified copy of the resolution of the governing body of such public agency approving this Agreement and the execution and delivery hereof; and (ii) adoption of a resolution of the Commission approving the addition of such public agency as a Program Participant. Upon satisfaction of such conditions, the Commission shall file such executed counterpart of this Agreement as an amendment hereto, effective upon such filing.

Section 14. Indemnification.

To the full extent permitted by law, the Commission may authorize indemnification by the Authority of any person who is or was a member or alternate member of the Commission, or an officer, employee or other agent of the Authority, and who was or is a party or is threatened to be made a party to a proceeding by reason of the fact that such person is or was such a member or alternate member of the Commission, or an officer, employee or other agent of the Authority, against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with such proceeding, if such person acted in good faith and in a manner such person reasonably believed to be in the best interests of the Authority and, in the case of a criminal proceeding, had no reasonable cause to believe the conduct of such person was unlawful and, in the case of an action by or in the right of the Authority, acted with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.

Section 15. Contributions and Advances.

Contributions or advances of public funds and of the use of personnel, equipment or property may be made to the Authority by the parties hereto for any of the purposes of this Agreement. Payment of public funds may be made to defray the cost of any such contribution. Any such advance may be made subject to repayment, and in such case shall be repaid, in the manner agreed upon by the Authority and the party making such advance at the time of such advance.

Section 16. Immunities.

All of the privileges and immunities from liabilities, exemptions from laws, ordinances and rules, all pension, relief, disability, workers' compensation, and other benefits which apply to the activity of officers, agents or employees of Program Participants when performing their

respective functions within the territorial limits of their respective public agencies, shall apply to them to the same degree and extent while engaged as members of the Commission or otherwise as an officer, agent or other representative of the Authority or while engaged in the performance of any of their functions or duties extraterritorially under the provisions of this Agreement.

Section 17. Amendments.

Except as provided in Section 13 above, this Agreement shall not be amended, modified, or altered except by a written instrument duly executed by each of the Program Participants.

Section 18. Effectiveness.

This Agreement shall become effective and be in full force and effect and a legal, valid and binding obligation of each of the Program Participants at 9:00 a.m., California time, on the date that the Commission shall have received from each of the Initial Participants an executed counterpart of this Agreement, together with a certified copy of a resolution of the governing body of each such Initial Participant approving this Agreement and the execution and delivery hereof.

Section 19. Partial Invalidity.

If anyone or more of the terms, provisions, promises, covenants or conditions of this Agreement shall to any extent be adjudged invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, each and all of the remaining terms, provisions, promises, covenants and conditions of this Agreement shall not be affected thereby, and shall be valid and enforceable to the fullest extent permitted by law.

Section 20. Successors.

This Agreement shall be binding upon and shall inure to the benefit of the successors of the parties hereto. Except to the extent expressly provided herein, no party may assign any right or obligation hereunder without the consent of the other parties.

Section 21. Miscellaneous.

This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

The section headings herein are for convenience only and are not to be construed as modifying or governing the language in the section referred to.

Wherever in this Agreement any consent or approval is required, the same shall not be unreasonably withheld.

This Agreement is made in the State of California, under the Constitution and laws of such state and is to be so construed.

This Agreement is the complete and exclusive statement of the agreement among the parties hereto, which supercedes and merges all prior proposals, understandings, and other agreements, including, without limitation, the Initial Agreement, whether oral, written, or implied in conduct, between and among the parties relating to the subject matter of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and attested by their proper officers thereunto duly authorized, and their official seals to be hereto affixed, as of the day and year first above written.

Program Participant:

[SEAL]

By _____

Name:

Title:

ATTEST:

By _____

Name:

Title:



Founding Co-Sponsors:



CaliforniaFIRST Program Report

County of _____
(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 Institute¹ ("BPI"), Home Performance with Energy Star² ("HPwES") or Home Energy Rating System³ ("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 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:

¹ 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/>

² 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

³ 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/>.

- 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.
- l. 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:

Name:	Daniel B. Harrison
Title:	Administrative Director
Phone:	(916) 658-8267
Email:	dharrison@cacities.org
Address:	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