

Green Financing

by Tim Seufert, NBS Managing Director

Recent developments in financing solar and energy efficiency projects

The “green revolution” has come to public finance. This article reviews a number of options for your City, District, or local agency to pursue to foster investment in renewable energy (solar) and energy efficiency projects. Some of the tools are familiar, but there have been recent changes and new developments. This evolution will surely continue.

The primary tools in this discussion, in no particular order, are as follows:

- Assessment Districts
- Community Facilities Districts
- Rebate programs (local, plus State and Federal incentives)
- Voluntary donation programs
- Grants and other sources

Assessment Districts and Community Facilities Districts:

Assembly Bill 811, effective July 21, 2008 as an urgency bill, amended the 1911 Act, Chapter 29, to allow for contractual assessments that will finance renewable energy source and energy efficiency improvements for already-developed residential, commercial, industrial, or other real property. Contractual assessments are basically special assessments levied by contract between a local agency and a property owner. Under this model, a local agency forms an assessment district (which may be limited or jurisdiction-wide in scope) and, with a property owner’s consent, levies assessments on a property to finance improvements made to that property. To get started, the local agency shall pass a Resolution of Intention that states that this assessment program is for the public good and benefit. This Resolution shall specify, among other things, the boundaries of the area in question, the types of improvements allowed, and the financing program. The financing program may include the issuance of 1911 or 1915 Act bonds, or use of some other financing tools.

Public finance professionals in California are promoting an alternative legal approach through Assembly Bill 1709. This Bill was vetoed by the Governor in the “veto flurry” in the Fall of 2008, but efforts are being made to re-introduce AB 1709 in January 2009 as an urgency measure. The successor to AB 1709 would amend the Mello-Roos Community Facilities Act of 1982 to allow Community Facilities Districts (“CFDs”) to levy special taxes to finance renewable energy and energy efficiency improvements to private property. This will add additional capability to the existing and already-flexible CFD

Quote

“I should love to satisfy all, if possibly I can; but in trying to satisfy all, I may be able to satisfy none. I have, therefore, arrived at the conclusion that the best course is to satisfy one’s own conscience and leave the world to form its own judgment, favorable or otherwise.” Mohandas K. Gandhi

law. Note that the City of Berkeley pioneered the CFD solar model by using its status as a charter city to adopt a special tax ordinance based on the CFD law. AB 1709 is modeled on Berkeley’s special tax ordinance.

There are a few significant differences between AB 811 (contractual assessments) and AB 1709 (CFD special taxes). First, AB 811 is limited to developed property, while AB 1709 would also allow financing of renewable energy and energy efficiency improvements for new development. Second, AB 811 is only available to cities and counties, while AB 1709 would be available to all local agencies. Third, the CFD law (AB 1709) has proven to be a more flexible financing tool than the 1911 Act (AB 811), which may be important as local agencies, public finance professionals and the lending community begin to explore the rapidly-changing area of renewable energy financing. Finally, AB 1709 (which would allow the annual levy of a special tax to pay bonded indebtedness issued to finance renewable energy and energy efficiency improvements) may be less problematic with respect to existing home mortgages than AB 811 (which levies the entire principal amount of the assessment at the time the contractual assessment is established).

Both the CFD (AB 1709) and Assessment (AB 811) routes offer two primary benefits because:

- The obligation to repay the cost of the renewable energy and energy efficiency improvements will be on the property tax bill. It will not be “due on sale” of the benefited property (which is the case with traditional equity lines of credit) and the lender will have a “super lien” on the benefited property that is equal to the lien of general ad valorem property taxes; and

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Tap Deeper into the Tourism Market

The economy may not be robust, but the business of tourism in California seems to be doing well. Travel spending in 2007 generated \$2.2 billion in local taxes and \$3.6 billion in state taxes. Is your local economy getting all it can out of this trend?

For more information on the economic impact of the tourism industry, visit the California Travel & Tourism Commission at www.visitcalifornia.com.

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- Renewable energy and energy efficiency improvements may be financed without a significant down-payment.

Chris Lynch, of the bond counsel firm Jones Hall, who authored Berkeley's special tax ordinance and helped Assemblyperson Loni Hancock write AB 1709, believes the biggest hurdle to public financing of renewable energy and energy efficiency improvements to private property is not legal but financial: "Because bonds issued for this purpose will not be tax-exempt, it remains to be seen whether local government will be able to offer a financing program that is economically superior to financial products available from the private sector."

Rebates and Incentives: As part of the Governor's \$3.3 billion Million Solar Roofs Program, the State of California has a rebate program, known as the California Solar Initiative ("CSI"). A typical residential solar installation can currently receive a rebate of up to \$4,750 for the installation of 2.5 kW system. For more information, please see <http://www.gosolarcalifornia.ca.gov>. Note that the Federal government also has a tax credit program of 30% of the system cost to incent such investment. As part of the Economic Stabilization Act of 2008, this federal tax credit was extended until 2016 and the previous residential cap of \$2,000 was eliminated effective January 1, 2009.

To leverage private investment, the City and County of San Francisco implemented an incentive program on

July 1, 2008 for residential, non-profit, and commercial solar installations. A homeowner can apply and receive between \$3000 and \$6000 for a 1.5kW or larger system. The initial funding in the amount of \$3 million is being provided by the San Francisco Public Utilities Commission's Sustainable Energy Account. For further information, go to <http://sfwater.org/home.cfm> and click on the GoSolarSF links.

Grants and Voluntary Programs: Some cities are providing for voluntary contributions, via their utility bills for example. Residents may donate any amount to fund solar and energy efficiency programs within their communities, particularly for schools, low-income applications, and non-profit organizations.

Grant funding can come from a plethora of sources. PG&E, for example, has given significant grants to fund solar installations at schools and non-profit housing facilities. Further information is available at <http://www.pge.com/giving/>.

These avenues and others will surely evolve over time. The good news is that you can start now and foster investment that will save money, reduce pollution and our environmental footprint, and help diversify our sources of energy. Those three goals are certainly worthy of our time and efforts.

We will post updates to this article at www.nbsgov.com on our Publications page as this evolves.

Upcoming Conferences

Municipal Management Association of Northern CA (MMANC) Winter Forum
January 22, 2009
Waterfront Hotel, Jack London Square, Oakland, CA

International Downtown Association (IDA) Annual Conference
January 31 - February 1, 2009
Astor Crowne Plaza Hotel, New Orleans, LA

League of CA Cities
City Managers Department Meeting
February 4 - 6, 2009
Hyatt Regency Hotel, Monterey, CA

California Society of Municipal Finance Officers (CSMFO) Annual Conference
February 18 - 20, 2009
Westin Hotel, San Francisco, CA
NBS is a conference sponsor and is also co-hosting a party with BLX and De La Rosa & Co. See ad next column.

League of CA Cities
City Attorneys Continuing Education
February 25, 2009
Renaissance Montura Hotel, Los Angeles, CA

League of CA Cities
Public Works Institute & Mini Expo
March 25 - 27, 2009
Monterey Convention Center, CA

California Associated School Business Officials (CASBO) Annual Conference
April 7 - 8, 2009
San Diego Convention Center, CA

California Municipal Treasurer's Association (CMTA) Annual Conference
April 20 - 24, 2009
Wyndham Hotel, Palm Springs, CA

CSMFO : 2009
san francisco, ca

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Governor Signs SB 375

Saying that it was the “sequel” to AB 32, Gov. Arnold Schwarzenegger signed SB 375 (Steinberg) into law on Tuesday, Sept. 30. The League supported this legislation because it addresses implementation of the 2006 Global Warming Act. Most importantly, Sen. Steinberg’s bill assures that the decisions about how to achieve greenhouse gas emissions from cars and light trucks will remain in the hands of locally elected officials.

In addition, SB 375 will lead to greater efficiency in government because it aligns what could have been three separate planning processes—one for transportation, one for housing, and one for reducing greenhouse gas emissions—into a single process. This will provide more certainty for General Plans and assures better coordination between state agencies.

SB 375 provides relief from the California Environmental Quality Act (CEQA) for residential projects that are consistent with the regional plan to achieve greenhouse gas reductions. The bill also amends the housing element law, extending the amount of time that the state must approve most local housing elements from five-to-eight years.

Because SB 375 is so complex, the League has prepared a technical overview of the bill to help city local officials understand its scope. This paper is available on the League of California City’s website: www.cacities.org

Legislative Updates

AB 1709: This bill was vetoed by the Governor in the “veto flurry” in the Fall of 2008, but efforts are being made to re-introduce AB 1709 in January 2009 as an urgency measure. The successor to AB 1709 would amend the Mello-Roos Community Facilities Act of 1982 to allow Community Facilities Districts (“CFDs”) to levy special taxes to finance renewable energy and energy efficiency improvements to private property. This will add additional capability to the existing and already-flexible CFD law. Note that the City of Berkeley pioneered the CFD solar model by using its status as a charter city to adopt a special tax ordinance based on the CFD law. AB 1709 is modeled on Berkeley’s special tax ordinance.

AB 3030: This approved bill authorizes an agency providing water, sewer, or refuse collection service to adopt a schedule of fees or charges that allows automatic adjustments to pass through increases in wholesale charges for water or adjustments for inflation. Any such schedule of fees or charges may not exceed a period of 5 years and proper notice, protest, and hearing procedures are required.

Menifee Becomes California’s 480th City

The City of Menifee officially became California’s 480th city on October 1, 2008, and became Riverside County’s 26th city. The City of Menifee offers views of rolling hills and scenic vistas of the San Jacinto and San Bernardino Mountains. The City of Menifee spans nearly 50 square miles with a population of approximately 60,000.

NBS Fact: Out of the 480 cities in California, NBS has had the opportunity to work with one-third of them! Thank you for your continued support and loyalty.

Five Simple Ways to Get Hybrid-Like Mileage Out Of Your Clunker, by SustainLane Staff

Even as sleek, clean tech cars hit the market, you won’t necessarily have the funds to hot-foot it to the nearest dealership and snatch one up. Our friends at Ecomoder.com suggest more than a hundred things you can do to get hybrid-like mileage out of your car.

Here are our five favorites:

Whatcha gonna do with all that junk inside your trunk? Clean it out! As it turns out, that load isn’t riding for free. It takes energy to cart those old books and camping gear around.

You may look hip and on-the-go with that Thule ski rack on your roof, but if you’re not using it, better remove it. You’ll significantly increase your fuel economy by decreasing aerodynamic drag caused by your rack.

No more McDonald’s drive-thru, No more Starbucks drive-thru either. It’s best to avoid these windows altogether, as they lead to excessive idling.

Let your hair blow all around, but only at lower speeds. When open – and when traveling at higher speeds – sunroofs significantly increase aerodynamic drag and decrease fuel economy.

‘Warming-Up’ the engine. When you start your engine in the driveway in order to warm it up on cold days, you’re getting approximately zero miles per gallon.

Carbonfund.org

Our support of Carbonfund.org helps us fight global warming through innovative projects like the Tensas River reforestation in Louisiana to absorb carbon dioxide, and truck stop electrification that has enabled truckers to reduce tailpipe emissions, saving a gallon of diesel per hour.

No Better Sacrifice - Team NBS 2008 3-Day Breast Cancer Walk, San Diego

Team NBS 2008 for the San Diego 3-Day Breast Cancer Walk grew to a group of ten amazing women who dedicated and sacrificed their time and personal lives to raise \$22,641 towards the cure. In such a hard economic time, Team NBS developed creative ways to meet their team’s monetary goals. Fundraising consisted of a night of Bunco, selling shirts and other apparel at fairs and trade shows, as well as sending letters to local companies for corporate sponsorships. The team thanks their corporate sponsors for all their support.



1st Row: Linda Connard 2nd Row: Jennifer Nichols, Heather Roth, Stephanie Parson, Stacey Taylor: 3rd Row: Tiffany Ellis, Kristin Harvey, Sue Tyau, Alisa Halmanski and Raychel Olsen.

Linda Connard, a member of Team NBS and also employee of NBS stated, “As an 18 year breast cancer survivor, I am living proof of the importance of research and development. This was an amazing chance for me to return the gift of life to others. I will never forget the sites and sounds of 5,500 walkers, crew and the sideline supports.”

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NBS would like to wish you a New Year of peace and happiness.

Thank you for your continued support and loyalty.

Are your revenues on life support?

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- User Fees
- Regulatory Fees
- Development Impact Fees

Contact Jeanette Hahn at jhahn@nbsgov.com or 800.676.7516.

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