



**BOARD OF SUPERVISORS
AGENDA LETTER**

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: Community Services
Department
Department No.: 057
For Agenda Of: April 22, 2014
Placement: Administrative
Estimated Time:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

FROM: Department Herman Parker, Community Services Director (805) 568-2467
Director(s)
Contact Info: Angela Hacker, emPowerSBC Program Manager (805) 568-3515

SUBJECT: Amendment to the emPower Residential Energy Improvement Loan Loss Reserve and Program Agreements with CoastHills Federal Credit Union

County Counsel Concurrence

As to form: Yes

Other Concurrence:

As to form: Risk Management

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions:

That the Board of Supervisors:

- A. Approve and authorize the Chair of the Board to execute the emPower Santa Barbara County Residential Energy Improvement Loan Program: Program Agreement Amended and Restated ("Program Agreement") (Attachment A), and the emPower Santa Barbara County Residential Energy Improvement Loan Program: Energy Improvement Loan Loss Reserve Agreement Amended and Restated ("LLR Agreement") (Attachment B) between the County of Santa Barbara and CoastHills Federal Credit Union;
- B. Subject to concurrence by the Auditor-Controller, County Counsel, and Risk Management, approve and authorize the County Executive Officer or designee to execute all follow on approvals required by the Program Agreement and LLR Agreement;
- C. Determine that the approval and execution of the Program Agreement and the LLR Agreement is not the approval of a project that is subject to environmental review under the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15378(b)(4), finding that the Program Agreement and LLR Agreement are the creation of government funding mechanisms or other government fiscal activities, which do not involve any commitment to any

specific project which may result in a potentially significant physical impact on the environment, and direct staff to file a Notice of Exemption (Attachment C).

Summary Text:

emPower is the County's voluntary building efficiency program, launched in November 2011. Using market-based solutions, emPower is designed to stimulate the local economy and reduce energy consumption by helping private property owners complete energy improvements. As directed by the Board on September 4, 2012, staff identified two additional funding opportunities to sustain and enhance the program beyond current funding expiration as well as expand the emPower model into Ventura and San Luis Obispo Counties. On June 25, 2013, the Board authorized agreements between County and the Southern California Gas Company ("SoCalGas") and between County and the County of Los Angeles. These funding awards provide additional loan loss reserve credit enhancement funds to enhance emPower's existing financing program, which is designed to help CoastHills Federal Credit Union ("CoastHills") offer attractive, unsecured loans to eligible residents undergoing energy improvement related improvements. CoastHills will work with Ventura County Credit Union ("Ventura") to originate and service loans to eligible residents south of Gaviota. The recommended actions include approval of the amended Program Agreement and LLR Agreement, which allow for loan program expansion and enhancements as summarized below.

Background: *

On April 9, 2011, the Board authorized execution of agreements with CoastHills and directed emPowerSBC to establish a \$1 million loan loss reserve ("LLR") and associated accounts held at CoastHills in Santa Barbara County's name, with grant funds awarded by the US Department of Energy (DOE). The LLR was designed to pay for 90% of CoastHills' or Ventura's loss in the event of a loan default, up to 5% of the total outstanding loan portfolio balance. Considered a credit enhancement, the LLR supports private capital made available by CoastHills and Ventura to finance eligible residential energy efficiency projects with attractive interest rates, terms, underwriting criteria and conditions. In November 2011, CoastHills and Ventura began offering unsecured loans of \$1,000 - \$25,000 at interest rates starting at 5.90% with repayment terms not to exceed 15 years depending on the needs and financial qualifications of the loan applicants.

Based on its innovative program design, the County was offered additional funding contracts. On June 25, 2013, the Board approved two funding contracts totaling \$5.25 million to continue the emPower program and expand the service model to the Tri-County region. The funding for these two contracts was provided by the California Energy Commission (CEC) through Los Angeles County (\$1.55 million through March 31, 2017) and the Public Utilities Commission (PUC) through Southern California Gas Company (\$3.7 million through March 31, 2015 unless extended) in alignment with the State's goal of lowering energy use in buildings. These two funding contracts support the expansion of existing emPower services to Ventura County and San Luis Obispo County, including access to emPower financing.

The Board received an implementation plan and presentation on June 25, 2013, which explained how the two new funding sources will be used to build upon the emPower model to serve San Luis Obispo and Ventura Counties. The Tri-County model is intended to maximize current programmatic and marketing infrastructure (e.g., financing agreements, workflows, branding, advertising, etc.), while minimizing administrative redundancies. The plan was designed to attract more program participation

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both from regional building professionals as well as approximately 135,000 owners of single family, owner-occupied homes over 25 years old throughout the Tri-County. A quadrupled target market is expected to help emPower generate greater local desired outcomes related to traditional energy consumption and job creation. This implementation plan resulted from close coordination with San Luis Obispo and Ventura Counties staff. Accordingly, Santa Barbara County emPower staff will centrally administer and oversee program operations and expansion, including continued administration of its financing program operated with CoastHills in accord with the Program Agreement and LLR Agreement.

Staff recommends authorizing the execution of the amended Program Agreement (Attachment A) and LLR Agreement (Attachment B), which are much like the original 2011 loan loss reserve and program agreements with CoastHills. The following outlines the program enhancements included in the amended Program and LLR agreements:

- Addition of two new and segregated sources of loan loss reserve credit enhancement (LLR) funding
 - o \$1 million from CEC
 - o \$1 million from PUC
- Expansion of the service boundaries to eligible customers in the Tri-County region (Santa Barbara County, San Luis Obispo County and Ventura County)
- Loan program improvements designed to increase loan uptake
 - o Interest rate buy down (IRBD) pilot: reprograms \$200,000 of DOE LLR funding to offer limited time reduced interest rate
 - o Progress payment option: CoastHills will allow contractors to receive one progress payment before project completion to assist with cash flow issues
 - o Pre-payment reamortization option: CoastHills will allow borrowers to apply a loan pre-payment in order to reamortize their loan amount and lower their monthly payment
 - o Other eligible project options: emPower has the option to make new energy efficiency measures that meet funding source requirements eligible for financing
- Other minor modifications to clarify and update the agreements.

Risk Assessment:

The LLR and Interest Rate Buy Down credit enhancement funds are held in segregated accounts under the County's name at CoastHills. Funds are only paid to CoastHills or from a reserve account in the event of a loss resulting from a borrower's default on an eligible loan. The County accepted responsibility for compliance with funding source requirements when it executed the funding source agreements. As administrator of the financing program, the County continues to be responsible for complying with all funding source requirements. CoastHills is responsible for any breach or violation of the Program or LLR Agreement. Staff will monitor on a monthly basis CoastHills' reports and account statements to determine if CoastHills is complying with the terms and performing its obligations under the Program and LLR Agreements, including the requirements for the disbursement of funds to CoastHills from the reserve accounts.

Fiscal and Facilities Impacts:

A budget revision approved on November 12, 2013 allowed for the acceptance of the LLR credit enhancement funds.

Fiscal Analysis:

The emPowerSBC program is currently externally funded by contracts from the United States Department of Energy and the PUC via Southern California Gas Company and the CEC via Los Angeles County. The County's executed agreements with SoCalGas and Los Angeles County include loan loss reserve credit enhancement funding to support enhanced and expanded emPower financing services as outlined in this Board Agenda Letter. Unused PUC LLR funds are subject to return to the PUC and are therefore not accounted for as program income and expense, but will be recorded on the balance sheet.

<u>Funding Sources</u>	<u>Current FY Cost</u>	<u>Annualized On-Going Cost</u>	<u>Total One-Time Project Cost</u>
General Fund	0	0	0
State	0	0	1,000,000
Federal	0	0	0
Fees	0	0	0
Other: PUC		0	\$1,000,000
Total	\$ 0	\$ -	\$ 2,000,000

Special Instructions:

Please send two copies of the signed Program and LLR Agreements and minute order to Angela Hacker.

Attachments:

Attachment A: Program Agreement

Attachment B: LLR Agreement

Attachment C: CEQA Notice of Exemption

Authored by:

Angela Hacker, emPowerSBC Program Manager