

SANTA FE COUNTY

BOARD OF COUNTY COMMISSIONERS

STUDY SESSION

June 19, 2009

Michael Anaya, Chair – District 3
Harry Montoya, Vice Chair – District 1
Kathy Holian – District 4
Liz Stefanics – District 5
Virginia Vigil – District 2

SANTA FE COUNTY

SPECIAL MEETING

BOARD OF COUNTY COMMISSIONERS

June 19, 2009

This study session on renewable energy improvement assessments of the Santa Fe Board of County Commissioners was called to order at approximately 9:08 a.m. by Chair Mike Anaya, in the Santa Fe County Commission Chambers, Santa Fe, New Mexico.

Roll call indicated the presence of a quorum as follows:

Members Present:

Commissioner Mike Anaya, Chair
Commissioner Harry Montoya, Vice Chair [9:12 arrival]
Commissioner Kathleen Holian
Commissioner Liz Stefanics
Commissioner Virginia Vigil

Members absent:

[None]

Chairman Anaya welcomed those present and asked them to introduce themselves.

III. Approval of the Agenda

Commissioner Holian moved approval of the agenda as published and Commissioner Vigil seconded her motion. The motion passed by unanimous 4-0 voice vote. [Commissioner Montoya was not present for this action.]

IV. Discussion and Direction for Consideration of Renewable Energy Improvement Financing District in Santa Fe County

CHAIRMAN ANAYA: Commissioner Stefanics.

COMMISSIONER STEFANICS: I just wanted to let you know that I might be called out to another board meeting. The RTD is having a special board meeting and I might be called for a vote. I just want people to know if I leave if it's for that purpose.

CHAIRMAN ANAYA: Okay. No problem.

COMMISSIONER HOLIAN: Thank you, Mr. Chair. I would like to thank you all for being here and I would especially like to thank Mr. Sedillo for being here, representing

Senator Bingaman, and I'd also like to especially thank Paul Gutierrez for being here. We are here this morning to talk about what it would take to implement in Santa Fe County Senate Bill 647, which is the Renewable Energy Finance District Act, and House Bill 572, the Solar Energy Improvement Special Assessment Act.

As I see it, there's three different parts to actually accomplish the implementation. There's the legal structure part of it. There's determining the details of what the programs are actually going to look like. And then there's the financing part of it. This morning Peter Franklin and Sam Gill will touch on all three of these areas, but I think they'll be mostly concentrating on the legal structure that we need to put in place, as well as some of the program elements that we're going to have to decide on.

I wanted to just make a few comments about the similarity and differences between the two bills. I think it's important that we understand what we can leverage in implementing these two bills from one to the other, and it's also important to understand the differences between the two of them because of the fact that I believe they really cannot be enacted in one ordinance. They really do require two different procedures to put them in place. Oh, and I notice that Representative Egolf is here. I really want to thank you for coming.

I have to say that Representative Egolf and Senator Wirth have been attending lots and lots of meetings and they have really done a lot of work in making sure that these bills are going to get implemented and implemented right.

So the most important thing as far as the similarities between the two bills is that they both provide funds up front for renewable energy projects. Now, the Senate bill has to do with renewable energy in the sense of solar, geothermal and wind, whereas the House bill just concentrates on solar energy. Another very important similarity between the two bills is that the payments on the special assessments are made in the same manner and at the same time as property tax payments. There are a lot of other similarities but I think as we go through the packet here we'll start – I don't want to belabor the points now. We'll start looking at the details later.

As far as the differences, I think that the most important thing to concentrate on is that the way these special assessments are financed is very different between the two bills, and that is the primary reason that we really can't have one ordinance that will cover the implementation of both bills. We have a lot of details to work out and I think at the end we need to have a discussion about next steps, where we go from here, to keep this effort rolling. But at this point I'd like to turn it over to Peter Franklin and Sam Gill to go through the packet they have put together which is quite comprehensive and impressive. Thank you.

CHAIRMAN ANAYA: Thank you, Commissioner.

PETER FRANKLIN: Thank you, Commissioner Holian, Mr. Chair and Commissioners. We are here today to talk about both Senate Bill 647 and House Bill 572. I think what we'll do is start out with Senate Bill 647, mostly because that's what we started with in the written materials, and it does in some ways amount to a somewhat more involved approach than the approach under House Bill 572, but – well, we'll just get into what the similarities and differences are in some detail here.

The County is authorized under Senate Bill 647 to form a renewable energy financing district. In a nutshell, that would involve the County Commission adopting a resolution of intent describing what the district is intended to do, what types of improvements it's intended to finance, and a number of details, and indicating what the boundaries of the district are. Now, the district can be countywide. In order to include the incorporated municipalities, being the City of Santa Fe and the Town of Edgewood, we would need the consent of the governing body of the City of Santa Fe, the City Council, and the Town Council in Edgewood.

COMMISSIONER MONTROYA: And Espanola?

MR. FRANKLIN: And Espanola. I'm sorry. Espanola always throws me, because isn't it partly in Rio Arriba? That's an unanswered question as to whether we could include the portion of Espanola that actually lies within Rio Arriba County. We'd have to take a look at that and we have not yet done that, Commissioner.

So one of the – if you look in the written materials you'll see that step 1 is to determine whether the district will include incorporated areas of the county or the unincorporated area only. And although we didn't say so in this paragraph, which describes that process, one thing that we would recommend at this point is that if the Commission believes that people within the City of Santa Fe, the City of Espanola, the Town of Edgewood would like to participate in this, that the BCC, in the intent resolution, declare its intent to include property within those incorporated municipalities, but subject to the consent of the city councils and the governing bodies of those municipalities. And basically, what that would amount to as a procedural matter is that we would either want to get that consent prior to the ordinance creating the district formally, or, if for some reason we hadn't gotten that consent by the time people within, let's just say the City of Santa Fe, want to join in the district, at that point we'd need to have a process for getting the consent of those governing bodies to the inclusion of those parcels.

The next step in the process would be to develop an application for property owners to join the district. And you'll see that we have attached a form, I think it's Attachment 2 in the materials, a proposed form of application. It's actually quite simple. Well, it's quite simple to put the application down; it may not be all that simple to fill out, but we've tried to keep it as simple as we could and track the statutory requirements. But basically in this application a property owner would need to list the names of the record owners of the parcel. This is Attachment 2 to the materials and I don't know if we have these page-numbered, which is not convenient. It's after the bill itself. That's correct.

This application requires the information that SB 647 lists as necessary to apply for inclusion, so we have contact information, the street address or other way of describing the location of the real property, which at least in rural Santa Fe County is not always a street address, a legal description of the real property, which would probably be included as an attachment rather than trying to write out a metes and bounds description, and a listing of the mortgage lender and other lien holders that would show up in a title report for the property. Although the application is simple enough, this is something that will require some doing by

a property owner. Basically the property owner is going to have to have a relatively recent title report to provide some of the information required by this application. And that's probably going to be necessary for the County to understand whether it is dealing with somebody who's really the record owner of the real property or not. But we can discuss all that.

The second part of the application is to provide a description of the renewable energy equipment to be installed. The estimated cost of the equipment, whether there is a requested vendor or installer, and if there is, if there's a proposed contract to provide the improvements.

Part three of the application is a certification by the applicant that the property owner has provided accurate information concerning the ownership of the property owner's right to apply as the property owner. And the last part of it is an acknowledgement that if the application is accepted the real property will be included in the district, there will be a special assessment imposed to petition to pay the renewable energy improvement cost and related costs. We can talk about what related costs are. Am I getting too technical here?

COMMISSIONER HOLIAN: I just wanted to ask a question.

MR. FRANKLIN: Sure.

COMMISSIONER HOLIAN: When we complete this agreement, is that like we have absolutely committed ourselves to doing this? Or that we actually will provide the funding or something like that for the renewable energy? Or is this just really a commitment that we go on to the next step in the application process to make sure that everything is in order? How much of a commitment is it at this point?

MR. FRANKLIN: Well, this is just the application. So merely accepting the application and reviewing it doesn't commit the County to do anything. But the application leads to an agreement, and essentially what the agreement says – the agreement leads to the next step as you put it. The agreement says that the property will be included and an assessment will be imposed, but the assessment would be imposed only if there is an ability to use that assessment to then secure a loan, either in the form of a bond issue secured by a number of separate assessments and parcels, or what I think Representative Egolf and we have been talking about as a micro-bond, which would essentially be a loan to that parcel or secured by a single parcel. It would happen to be in the form of a bond but that's really form over substance.

But in fact the imposition – the way assessment districts work in general is that until financing is actually lined up the County would not record an assessment lien until it's clear that the assessment lien will secure a line of financing, because that would operate as a cloud on title and we wouldn't – that would not be a good thing.

COMMISSIONER STEFANICS: On that point, in the RPA meeting the other evening, we were talking about our bonding capacity for capital, and it actually dealt with renovation and energy. And Steve's not here, but he's going to be doing a memo for us and I'm wondering whether our own bonding could be used as a pool of financing for this. If we're going to be pulling back the dollars. And I know that Victor's not smiling yet.

MR. FRANKLIN: Neither is your bond counsel, Commissioner.

COMMISSIONER STEFANICS: But if we're going to be pulling back the money, whether or not we could be using our own bonding capacity, because we learned the other night that we could bond up to \$9 million a year. But I'm not sure this would qualify because it's private policy. So I would ask our counsel to look at that when he does that. He's doing a memo for us anyway on that.

MR. FRANKLIN: Mr. Chair, Commissioner Stefanics, Steve Ross and I have talked a little bit about the bonding capacity issue you're speaking of and I think that's referencing largely the capital outlay gross receipts tax, just by the \$9 million figure you're mentioning. And that income, that revenue stream and I believe any other tax revenue stream that the County has probably cannot be used in the manner you're talking about, really because of the anti-donation clause. Mainly. Now, there may be some limited exception under – if we're talking about providing improvements which relate to affordable housing.

COMMISSIONER STEFANICS: Well, the reason I brought that up, and I probably agree with you off the top of my head that it's not a government owned property, etc. but when you talk about the assessment would be used to secure a loan my red flag went up for every homeowner out there. What kind of loan they would end up with, what kind of interest, what kind of payment, etc. So we would want to be wary for the consumer as we discuss this.

MR. FRANKLIN: Commissioner, that's actually coming up in our presentation. We will talk about it. I can't tell you right now that we have specific answers to that but I think we agree strongly with the concern you're raising. And whether the financing comes in the form of more individual loans or in effect, loans pooled into a bond issue, either way that concern is a legitimate concern and has to be.

COMMISSIONER STEFANICS: And before I miss the thought, I'm going to put this out for Representative Egolf. What you could do at the legislature is you could create a piece of the Housing Trust Fund to be available for these loans for renewable energy. Thank you. I'll stop there.

MR. FRANKLIN: Mr. Chair, Commissioners, just to close the loop on where we started with this, the application would lead to an agreement concerning inclusion of real property in the district. A form of that agreement is attached as Attachment 3. It's the next thing that you'll see after the form of application. To be honest, this agreement is just slightly over a page and I think we probably have some work to do to turn it into a more detailed, appropriate kind of agreement for inclusion in the district. And specifically to address the issue that we're talking about, which is, well, the property is included in the district. It would become subject to an assessment but if financing for some reason can't be obtained which has terms that both the property owner and the County feel are reasonable we probably need some provision for releasing that property from the district or in any case not having an assessment lien recorded in the title of the property.

We do address a method, we propose a method for giving the property owner a later chance to sort of give a thumbs up or a thumbs down to inclusion of the property in this process and we'll get to that hopefully pretty soon. If you go back to the memo, which is in

the front of all this, the third step that we've identified in putting a district in place is to develop guidelines for district implementation. And to some extent that's what we're starting with today is an effort to develop some guidelines. The statute itself requires guidelines that identify the types of improvements that would be eligible, a form of agreement for being included in the district, documentation of the owner's contract or agreements for purchase and installation of renewable energy improvements prior to the property being included if the owner actually has an arrangement like that coming in. We think the County ought to consider additional guidelines for adding parcels to the district, sort of on a rolling or ongoing basis, developing a list of approved vendors, developing a list of approved lenders, and I would add to that approved financing terms, at least parameters for approved financing terms.

So one of the things there – for example, financing secured by an assessment, at least in my limited experience and Sam, you may be able to add something to this, I don't think we would want to see adjustable rate financing in the context of an assessment. I think the assessment has to be an established amount, collectible on an annual basis, and we don't want to be dealing with adjustable interest rates that make that jump up and down, even if – and there will be some lenders or some finance people who would say, well, you know, overall it's still a better deal if you do something on an adjustable rate basis over the term of the financing. I think typically that doesn't work well for an assessment district financing. Sam, do you have –

SAM GILL: Yes, I would just add to that, I think administratively it's a lot cleaner if you just set up – you get your fixed rate over the amortized period of time and you just carry it out that way and administratively you don't run into near the problems you do – and my understanding also is that the delinquency rates and things like that are much better if you just go with a more standard form of finances.

CHAIRMAN ANAYA: Commissioner Vigil.

COMMISSIONER VIGIL: Peter, my question to that would be administratively, would it be appropriate to look at a listing of approved lenders for this program?

MR. FRANKLIN: Mr. Chair, Commissioner Vigil, ideally, yes. We need to give some thought to how to develop a list of approved vendor's. In Representative Egolf's bill there's actually a statutory requirement that the Financial Institutions Division of Regulation and Licensing certifies a lender extending the loan. We don't have a similar requirement under the statutory scheme but we could certainly try to give some thought to what types of lenders would be appropriate for this program and perhaps what types we want to avoid. One way to do that is to try to come up with some basic parameters for the financing itself: interest rates not to exceed, x, fixed rate only, 20-year terms. And that may weed out a lot of people who would otherwise be wanting to participate as lenders in this program. But that's an area we need to put some work into to try to think about.

COMMISSIONER VIGIL: Thank you, Mr. Chair.

CHAIRMAN ANAYA: Peter.

MR. FRANKLIN: So the fourth step I've already alluded to, which is the

adoption of an intent resolution. The statute specifies the information, the provisions that have to be included in the intent resolution. You'll see those on page 3 of the memo. The purpose for which the district is formed, that the district includes only property for which the owner has executed an agreement to be included in the district, and for you Commissioners who have been on the BCC for longer than just this last year, let me draw a comparison between this and the public improvement district statute in which an agreement to be included is not part of that picture. You do need to have a vote but if you have a 75 percent supermajority vote the 25 percent who voted against it still get included.

That's not the case in this type of district. Every property that's included in the district and that has an assessment consents to that assessment and consents to that inclusion. So this is strictly a voluntary process by the property owner.

The resolution also needs to identify the process by which a property owner can execute an agreement to include the property in the district. It needs to include a description of the specific types of renewable energy improvements eligible for financing, a statement that inclusion of the property in the district will result in the imposition of special assessments on the property to pay the costs of the renewable energy improvements, the financing and administrative fees. Administrative fees would be fees imposed by the County to recover its costs of including the assessment in the property tax bill. The Treasurer was frowning at me for a moment, but we can talk about how that process would work also.

VICTOR MONTOYA (County Treasurer): [inaudible]

MR. FRANKLIN: Mr. Chair, Mr. Treasurer, I think that's a very good point. The money can be collected up front. The issue we're going to run into is do we have enough participants in the program to start out. If we have 15 property owners we can collect an administrative fee from them upfront, but – well, it may be enough for you to hand bill them the assessments but it's probably not enough to do some kind of software change in your billing system to add an amount in. But we can discuss that.

The resolution also needs to include a provision describing the method of calculating the amount of the special assessment and manner of collection, a description of the standards and requires – ore really a statement that standards and requirements will be set by the district board for renewable energy improvements.

Those are the substantive requirements. You'll see that we have a form of intent resolution attached as Attachment 4. Did everybody find that?

MR. MONTOYA: Mr. Chair, I just wanted to ask a question here before. Could the valuation on the property be increased by the Assessor as a result of solar installations and thereby increasing property taxes?

MR. FRANKLIN: Well, Mr. Chair, Mr. Treasurer, I think that's possible. As I understand it assessed valuation lags quite a bit behind actual market value because of the cap on annual increases in assessed value. So in other words, because of that cap in general assessed value is usually 85 to 90 percent of actual fair market value. So I'm guessing it would not add much, if any.

MR. MONTOYA: Well, the reason I ask is that you have this tax lightening

issue, so anybody buying the property from a former owner who has the solar installation would thereby increase quite a hefty increase as a result of this, wouldn't they?

MR. FRANKLIN: Well, I don't know. I guess, Mr. Chair, Mr. Treasurer, I don't know how hefty it would be. I think we're talking about improvements generally speaking in the \$25,000 to \$40,000 or \$50,000 range. For a house with an assessed value of \$150,000, that's a big jump. For a house in the \$400,000 to \$500,000 range it's fairly minimal. I agree with you that it would be an issue at the time the house is sold, but these improvements add value to the house as well as assessed value. They are presumably a desirable feature of the house.

So the resolution of intent is basically the BCC's first official action towards creating the district. And it essentially lays out what the district is supposed to do and sets a date for a hearing on an ordinance. The ordinance formally establishes the district. And it can either set a specific date providing for the publication of title and summary of the ordinance, and then a hearing date, or it can basically say that there will be a hearing of the ordinance and notice of the hearing, or title and general summary will be published at least two weeks ahead of time. By not being specific that would give County staff and consultants and so on time to develop some more of the policies and aspects of this which will be useful at the time the County formally adopts the ordinance.

CHAIRMAN ANAYA: Commissioner Holian.

COMMISSIONER HOLIAN: Thank you, Mr. Chair. So that was sort of my question. This intent resolution as included in here is complete, is fairly complete. We wouldn't have to work out the details of the program before we pass the intent resolution, is my question.

MR. FRANKLIN: Mr. Chair, Commissioner Holian, that is correct. And to be honest, we probably have enough information even to adopt the ordinance at this point. What we don't have enough information to do is tell applicants when they come in what the terms of the financing is going to be, so in that sense, I would certainly – I think both Sam and I would feel that it would be appropriate to have that information better developed at the time the district is really up and ready to go. But legally it's not required. Legally we can draft – we can draft anything. We can provide mechanisms even in the ordinance for ascertaining those details at a future time.

And so now we're getting into, well, as a practical or matter of community relations or even political considerations, is it appropriate to even have a district created where you still don't really know who the lenders are or the terms on which they're willing to lend. Maybe yes, maybe now.

MR. GILL: And sort of the other thing, along with the lenders is sort of establishing guidelines as far as the vendors and the requirements of what kind of product is going to be installed, who's going to be installing it and what are the qualifications. Ideally, you want to have a program set up which is as efficient as possible. So that's kind of the other thing that's a little bit unknown at this time is we'll take a little bit further investigation as far as determining who's out there to install this stuff, how much is it going to cost, how

efficient is it. Because the other thing is presumably you want to install something that's efficient and the property owners are going to have to justify levying this special assessment in order to see some kind of either economic or social return as far as actually joining, applying to be in the program, and then installing the solar on the roof.

MR. FRANKLIN: I think that's actually a really important point. I think it's in everyone's interest to make sure that any improvements that are financed through a mechanism that's created by the County actually work the way they're supposed to and that we don't have, for example, a lot of claims – any claims, hopefully – by property owners, claims that you would ordinarily see in any sort of remodeling of a house or anything like that. You do want to make sure that we're dealing with licensed contractors and people who are qualified to do this type of work.

The next step that we've identified in the memo is the formation hearing. As I mentioned a minute ago, the intent resolution provides that a formation hearing will be held, perhaps schedule it for a specific date, and the formation hearing basically consists of hearing from members of the public, perhaps members from the industry and the financing community. They can provide written or oral testimony or other evidence in support of or opposing the formation of the district. We're not sure why anyone would oppose the formation of the district, but we haven't had the in-depth discussion those different stakeholders. It's possible banks could have some concerns about a district being formed. We really don't know.

Following the formation hearing the BCC, if it determines that the interest, convenience or necessity of the property owners in the proposed district and the citizens of Santa Fe County would be served by creating the district the BCC would adopt a formation ordinance. We have a form of the ordinance attached as Attachment 5. It really sort or duplicates a lot of the information in the intent resolution, but really, by the time the ordinance is adopted we would want to have the final forms of the type of application that the County wants to see, a final form of the agreement for inclusion of property in the district, and then the identification of a mechanism by which property will be included in the district in the future.

And the way we see that, and this is not provided for very specifically in the statute, but one way to do this and a way that we think would work is for the County on a periodic basis to adopt a resolution including new property in the district, property whose owners have requested inclusion, and identifying the assessment amount for each property to be imposed on that property. And so this ordinance would be adopted and then over the next year or two years, perhaps every month, maybe on a quarterly basis, the BCC would consider adopting a resolution identifying property that has been requested for inclusion and that has gotten far enough through the process where we know the assessment amount. In other words, each property owner would have identified at that point what improvements it wants, what the costs of the improvements would be, and hopefully the County at that point would have identified a financing source to lend the money for those improvements.

Now, if we get 200 people signed up in the first three months of this program we

would probably look at trying to issue a bond, secured by the assessments on those 200 parcels, to finance the improvements for those parcels. If we got five people we would probably be looking at placing micro-bonds with a lender, one for each of those parcels. We'll just have to see what the demand is, and we'll have to see what the lenders are –

CHAIRMAN ANAYA: Commissioner Vigil.

COMMISSIONER VIGIL: Peter, question with that. Is this a bond that would have to be approved by referendum?

MR. FRANKLIN: Commissioner Vigil, no.

COMMISSIONER VIGIL: It would be a revenue? What kind of bond?

MR. FRANKLIN: Well, it's technically an assessment bond, and the revenue is the revenue generated by the assessments. In a sense the referendum you're talking about is supplied by the property owners agreement to be assessed.

COMMISSIONER VIGIL: Would we have to go through a public process as another step for enacting that bond?

MR. FRANKLIN: No, Commissioner Vigil, the public process would be adopting the resolution, including those parcels. It would have to be done at a public meeting, but it would be including those parcels by resolution based on the request of those property owners to be included.

COMMISSIONER VIGIL: Thank you.

CHAIRMAN ANAYA: Commissioner Holian.

COMMISSIONER HOLIAN: Thank you, Mr. Chair. You mentioned that the Board of County Commissioners would have to make the determination as to whether people would be included in the districts. But it talks about the formation of a special board to oversee it. Would it actually be that board that made the determination?

MR. FRANKLIN: I don't believe so. I believe it is the Board of County Commissioners that makes the determination of what property is included in the district. We'll get to the composition of the district board in a few moments, but the board may be the BCC. That's one possibility. I think if we have City of Santa Fe, City of Espanola, Town of Edgewood property included, they may want representation on the board as well.

So basically, we've just covered steps 6 and 7. Step number 8 is to determine the details of the special assessments bonds, and that sounds simple enough, but in fact that's going to depend on a number of things that we just don't have enough information about right now, primarily how many property owners are included, what the size of the total financing is, and what is available in the financial markets as a source of financing. In general, special assessment district bonds, public improvement district bonds, other kinds of bonds secured by real property or by taxes on real property that then have a lien on the real property – it's kind of interesting. General obligation bonds, as you know are secured by real property taxes, and general obligation bonds are probably the most highly rated form of municipal debt there is. But because this is such a much smaller universe of borrowers – we're talking about 200 people versus – or maybe we're talking about 1,000 people even – versus 140,000 in the county population. Land secured bonds are typically not investment

grade. They are – I don't want to call them junk bonds, but that's what people would call them.

Typically this type of – well, let me say this. City of Rio Rancho, City of Albuquerque, the special assessment district financing that those two cities have done in the last ten years has mainly been placed either with the New Mexico Finance Authority or RUS. Or maybe just the Finance Authority.

COMMISSIONER VIGIL: What's RUS?

MR. FRANKLIN: RUS is the Rural Utility of Service of the United States Department of Agriculture, which is another sort of highly subsidized source of public financing for certain types of things. Right now, the Finance Authority doesn't have policies in place to purchase this type of debt but I'm guessing they would be interested in doing it.

So I think what we're probably looking at is either a fund – Representative, what's the name of the fund? Renew Fund?

REPRESENTATIVE EGOLF: Renewable Funding is the –

MR. FRANKLIN: There are certain special types of funds out there that are interested in investing specifically in this type of debt. That's one source of financing. Another source is potentially trying to privately place this type of debt with a bank. And we just don't know yet what the likely sources are. I think a special fund specifically oriented towards this type of debt is definitely a place to start looking. We do need to be concerned, as Commissioner Vigil and Commissioner Stefanics raised, we need to be concerned with what types of terms are available and make sure those are reasonable terms. What we don't want are financing terms that put an unreasonable burden on the property owner.

So we've got to determine details of special assessment bonds and we have two little paragraphs here and we could have just put we don't know much about this yet and that would have been an equally accurate statement.

Step 9 is to, once the details of the assessment bonds are known, is to impose the special assessment. And what that amounts to, we would expect to do this in the resolution adding the property to the district. And what this basically consists of is recording an assessment lien in the real property records of the County and stating the amount of the assessment and the manner in which it is collected, and what happens if the assessment is not timely paid.

The tenth step is to pay the costs of the renewable energy improvements. Now, this is simple enough. I think questions have come up about whether the property owner would receive the money directly and then pay the vendor, and we don't think that's how the process would ordinarily work. We think we would have either a trustee or a depository bank that would act as the disbursement agent. The money would be deposited to a – you could call it a program account – an account, construction account. If we're talking about 200 participating property owners there would be sub-accounts for each individual parcel, indicating what the amount to be disbursed is. They would have all this in an agreement with the property owner.

CHAIRMAN ANAYA: Commissioner Holian.

COMMISSIONER HOLIAN: Thank you, Mr. Chair. Would it be possible to make the payments to the installers in installments? The reason that I ask that is that one concern of the installers is the equipment for renewable energy itself is quite expensive so they have to put a lot of money up front to buy the solar panels that they're going to install. So would it in principle be possible to, say, pay them for the equipment part first, after they purchase that, and then pay the remainder of the balance after the work is done?

MR. FRANKLIN: Mr. Chair, Commissioner Holian, we need to look at whether the procurement code applies to these types of districts. If it does, there is a provision in the procurement code that prohibits the payment of public funding, which technically this is, in advance or receiving delivery of goods or services. If that applies, probably the vendor would be required to deliver the solar panels or the hardware to the site prior to receiving payment for the hardware. If it doesn't apply I think it's still probably worth looking at how to make sure on behalf of the property owner that the payments are in effect progress payments made in arrears for goods or services actually provided to the property as opposed to up front. That's my opinion; that's not – unless the procurement code applies, I think typically in bond-funded projects, funding is released on a progress basis after goods and/or services have been provided. That's another area where sitting down with the renewable energy provider people is something we need to do and something – we need to work through that issue.

So in any case, what we're looking for in step ten is basically to put a process in place that would say how proceeds of the financing would be paid out for renewable energy installations.

In step 11, we're talking about paying debt service on district bonds, and basically that would come from the assessment revenue collected by the Treasurer. If the Treasurer is the paying agent the Treasurer would make payments directly to either the bond-holders or the lending bank, whichever it is. And that would be another thing we'd want to talk about with the Treasurer. I think there are some other district features here that we could talk about. I want to be brief about that so that Sam can get to the discussion of the Solar Energy Improvement Special assessment Act, because I'm getting worn out from talking.

The district board can initially be appointed for up to six years. I believe after six years there's supposed to be an election. However, the Commission can continue governance beyond six years if it chooses to. As I alluded to earlier, depending on whether we have participation from the cities – let's say we don't. Let's say this is just an unincorporated county district only. We would probably recommend that either the BCC act as the district board, appoint itself as the district board, or appoint one or two Commissioners and some staff people as the members of the governing board. I don't know that the governing board has a lot to do in these districts, because I think that the inclusion of property is a County decision. But if there are sort of ongoing – if there's an evolution of standards for either the financing or the vendor side of the equation, that would be something the district board would be involved in.

As we talked about, if the City of Santa Fe, Espanola, Edgewood, if they want to

participate, I would image they might want representation on the board as well and that would be something that could be worked out, an intergovernmental agreement. Questions?

CHAIRMAN ANAYA: Okay, Sam. Go ahead.

MR. GILL: Mr. Chair, members of the Commission, we'll now turn to the Solar Energy special assessment Act which is House Bill 572. And we have the pleasure of having Representative Egolf here and I'd like to just give him the opportunity if he would just to give sort of an overview of the bill.

CHAIRMAN ANAYA: Representative, thanks for being here.

REPRESENTATIVE EGOLF: Mr. Chair, thank you for having me. It's nice to be here. Sorry I was a little late. So House Bill 572 would be about a week to ten days before the legislature started. The goal in doing it is to basically displace coal-fire generated electricity with solar-generated electricity. That's the main purpose of this bill and also to allow a much broader range of people, the property owners, to finance their solar systems. In working with Senator Wirth we conceived that the House Bill would be used primarily to be able to allow private financing to be used for the installation and use of solar systems, so First National Bank of Santa Fe or LANB, or any of our local banks, for renewable funding would make funding available. The loans would be made to property owners and those loans would be paid back through the property tax collection mechanism.

The Senate bill would make possible bonding, so that's why it includes provision for a district board with bonding authority and as you'll hear in a second, what we heard there's about 11 or 12 steps in the Senate bill and there's four or five steps in the House bill. It's much more streamlined in the House bill because it doesn't contemplate the issuance of government bonds. The goal is to make buying a solar system like buying a car, where you'd go in, you get your financing and the payments for that solar system would be made through your property tax bill. There's why there's a lot fewer steps. I think that's probably where we're going. I carried – some of you in the audience might now know, I carried the Senate bill in the House for Senator Wirth and he carried the House bill for me in the Senate, and so the idea I think, Commissioner Holian was mentioning this as I walked in, the idea is to make both of these options, hopefully, available. The important thing I think to keep in mind is that funding options that might make sense today are unlikely to make sense two years from now. Just imagine if we'd been sitting here [inaudible] the possibilities for financing would have been much broader and since then we've had our second great depression in the United States, or the first great recession. So things change a lot in a short period of time and I'm very hopeful that we'll have some options that are available and out there.

Especially, one point I'd like to make, and thank you for indulging me, there is an uncertainty about how many people are going to be participating and one of the chief benefits of the Senate bill is that is there's an option to float bonds to support the installation. If we don't have the critical mass of participants – I think we will but if we don't, it will be hard to issue those bonds. And we may use as a crutch or a bridge mechanism private lending from a local or national financial institution to get the systems installed. All I know is I'm seeing a lot of solar installers here. I'm hearing a lot that people aren't making the installations

because they're waiting for something to start happening, so I think it's really important to get something in place so we can start getting the solar installers working.

So thank you for having me. I appreciate the opportunity to speak a little bit and I look forward to hearing what the lawyers have to say about it.

CHAIRMAN ANAYA: Thank you, Representative. Sam.

MR. GILL: Mr. Chair, members of the Commission, again, this bill is a little bit different from the Senate bill in that it's limited strictly to photovoltaic and solar thermal solar systems, and those systems have to be installed on a residential or commercial property within the county. Again, this is sort of a more streamline approach. As we see in step one, sort of the first step for the County is again, to just develop the forms and the necessary documentation. The bill requires essentially the County Treasurer to approve a written application by a property owner, which is similar to the other bill in that there will be some sort of application which will probably look similar to the application for the Senate bill.

Additionally, the County Treasurer must approve a written certification by the property owner that the improvements are eligible solar improvements and they comply with the guidelines established by Energy, Minerals and Natural Resources Department. As far as a legal step, this is sort of one of the delays in utilizing this source of financing in that it is – we are waiting for Energy, Minerals and Natural Resources. They are in place [inaudible]

REPRESENTATIVE EGOLF: We use these regulations, we refer to these regulations and statutes, Mr. Chair, because under the state tax rebate and credit programs for solar installation, they are approved through the Energy, Minerals and Natural Resources Department, so they promulgated regulations to make sure that people are getting rebates for systems that are legitimate, that are properly installed and designed, etc. So those regulations are in place [inaudible] So we use the same process [inaudible]

COMMISSIONER VIGIL: Mr. Chair.

CHAIRMAN ANAYA: Commissioner Vigil.

COMMISSIONER VIGIL: Does that mean that there has to be some kind of a permitting process through Energy and Natural Resources? Or does it mean that somebody has to provide oversight to make sure it's complied with?

REPRESENTATIVE EGOLF: The regulations says eligible solar systems contain x, y, z components of a certain type of design, and I think they're supposed to be tagged that they're eligible [inaudible]

MR. GILL: Right. There's another act which provides a tax credit for the investment and installation of renewable improvements, solar improvements specifically. Actually, I didn't realize that they were using the same certification process, but there is an application which is actually cited here at the back, which we'll get to that when I talk about the state tax incentives. But they would be, under the SESA, they would have to go ahead and get that certification and the County Treasurer then has to approve that.

Additionally, they will need written documentation of the proposed financing agreement and they must do that by establishing the following, which include the financing will be provided by an entity that's been certified by the Financial Institutions Division of

Regulations and Licensing Department as a solar energy improvement financing institution. And this is something that we are still waiting on and that determination will need to be made before any financing can be done under this act. Peter, myself and Representative Egolf met with them recently and so steps are being taken to sort of get that certification from them and determine what a solar energy improvement financing institution will be.

MR. FRANKLIN: I believe, you two guys can correct me if I'm not recalling this right, but I think Financial Institution Division said that they are currently ready, willing and able to approve any FDIC insured bank as a qualified renewable energy financing institution.

REPRESENTATIVE EGOLF: That's right. That's part of the regulation. There's a third category and we're trying to decide [inaudible]

MR. GILL: One of the significant differences under this bill is that the financing for the solar improvements must be for an amount that's not more than 40 percent of the assessed value of property according to the current County property tax records. That's sort of just one significant thing. That's another thing that needs to be certified by the County Treasurer or approved by the County Treasurer.

Again, the County Treasurer will also provide some guidance in the way that a property owner may pre-pay and remove the assessment lien on the property. That's something we do similar in regular special assessment districts. Normally there's sort of a pre-pay period which allows people to pay for the entire improvement up front in cash if they want to do that without subjecting their property to a lien. So that's another option under this bill which the County Treasurer is directed in taking some action.

The County Assessor will need to verify ownership and non-delinquency on the property to be improved. And then point three there, the agreement, essentially the financing agreement is between the County Treasurer and the solar energy improvement financing institution. And again, as Peter mentioned, those generally right now will be considered FDIC banks and there's been some talk about bringing in other entities which may be able to finance these improvements.

MR. MONTROYA: Mr. Chair, on that question, have you discussed this with any of our local banks or the New Mexico Bankers Association? Because we met with them yesterday, Commissioner Holian and myself and some other people, other bankers and lenders. I'm not sure that they're all that supportive of it and I just wondered if you've met with them at all?

MR. FRANKLIN: Mr. Chair, Treasurer, we have not yet had any formal or informal meetings with lenders or with local banks and that's one of the things – I think there are two major sort of consensus building efforts that need to be made really for both of these programs, one being meeting with the financing community to see what will work for them and what really are the sticking points, and the other being the improvement vendors and providers to find out sort of what their issues are and what they need to make these programs work from their standpoint.

MR. GILL: Mr. Chair, members of the Commission, sort of along our big

bullet point step two, again, it's what we've been talking about, identifying a solar financing institution, and again, that sort of one of the unknowns right now and will take some investigation, is talking to local banks and finding out if this is a type of financing that they're willing to do.

CHAIRMAN ANAYA: Commissioner Holian.

COMMISSIONER HOLIAN: Thank you, Mr. Chair. Would it be possible if we were writing the ordinance to implement this to just start with FDIC institutions and then add institutions as we go along?

MR. GILL: Yes. I think that once the Regulation and Licensing comes out with an actual statement that it is in fact FDIC banks, once they make that ruling then FDIC banks would be included. In our conversations with them, that's what they do is they oversee things, so they have certify that. As far as certifying other institutions like Renew Fund and those types of institutions, they may or may not be hesitant as far as coming to that conclusion and certifying that type of entity.

COMMISSIONER HOLIAN: But we could just start with what we can and then add.

MR. GILL: Right. Right. And they seemed again, according to our meeting, they seemed very comfortable with FDIC banks.

MR. FRANKLIN: Mr. Chair, Commissioner, I think probably what we would do in the ordinance for this program is just indicate that any lender that is certified by the Financial Institutions Division would be acceptable to the County. It's a little bit duplicative since you have to have that state approval in any case. I don't know why the County would have a narrower definition of who's acceptable than the Financial Institutions Division, but the Treasurer – you may know something I don't.

MR. GILL: Mr. Chair, members of the Commission, again, once you sort of set and have your solar financing institutions then it's just a matter of determining the amount of the assessment, which is again, based on the value of the improvements as installed by the vendors. The disbursement of proceeds, under step 4 here, will be disbursed by the County Treasurer and will include an administrative fee to the County for running the program.

Step 5 then is just to collect and remit the assessments, which again will be similar to the other bill in which you're just collecting the assessments, developing procedures for delinquencies, collection of delinquencies and those things. The maximum County administration fee, just another added point here is cannot exceed ten percent of the total financing amount for district projects. We would probably expect it to be quite a bit less than that. And that really is sort of the quick and easy version of SESA and again, sort of the streamlined approach. And we'll stand for any questions.

CHAIRMAN ANAYA: Any questions of Sam from the Commission?

COMMISSIONER MONTOYA: Mr. Chair.

CHAIRMAN ANAYA: Commissioner Montoya.

COMMISSIONER MONTOYA: So I want to try and walk through this process so I can find a line for this. I go get the paperwork, get the form, fill it all out, take it

to the Treasurer, then to the Assessor, and then to the bank?

MR. FRANKLIN: Mr. Chair, Commissioner Montoya, I think probably under this program – this isn't legally required, but I think more likely you'd go to the bank first or you'd go to your solar energy contractor first. You'd get a proposed contract, and then you'd take the contract to the bank and you'd say I want to finance this and I want to do it through this program that the County has set up. And then the bank would say, okay – and this is something that needs to be worked out between the County and banks, and I'm not sure whether that's one, two, five or the entire universe of banks. I think probably what the County needs to do is develop a form of agreement with a couple local banks that it does business with or has familiarity with and use that as the starting point.

And so either the owner would come – I'm going to modify what I just said. Either the property owner would come to the County with an agreement that the bank has already approved, or would get a form of agreement that the County has worked out with some banks from the County, from the Treasurer, and take it to one of those banks and say I'd like to do this this way.

COMMISSIONER MONTOYA: So why wouldn't I just go directly to the bank, instead of having to go through this process?

MR. FRANKLIN: Well, that's a good question. Why don't we let Representative Egolf talk about that?

REPRESENTATIVE EGOLF: That's an excellent, excellent question. And the reason is you go to a bank if you want to get a second mortgage or a home equity line of credit or just a straight loan to do an installation like this, the term of the loan, in terms of the number of years, is going to be too short in order to make the installation make sense on a monthly basis for somebody that's on a budget. So if you can get a ten-year loan on a \$35,000 system your monthly payment on that loan is going to be far greater than the electricity bill you've given up. So on a month to month basis using a traditional loan you're spending more money every month than you used to be spending. That's one.

So by extending loans over a 20 to 25-year period you reduce your monthly payment substantially. So you get very close so that your monthly payment on that loan is very close to, equal to, or in some case less than the electricity bill you've given up, so now you're saving money every month by doing this.

The other reason that the program is really critical is if you have a system – let's say the \$40,000 system you're putting on your house. The national average is that people are in their homes around six years before they sell and move. So if you buy a \$40,000 system, if you get a loan that loan is going to be paid when you sell that house before you're going to pay it off before. So you're going to be paying 100 percent of the value of a system that really should be amortized over a 25-year period and you're going to pay at six. So you're going to pay 100 percent of the system in six years.

With this program, if you're in the program for six years, you make six years worth of payments and the purchaser of the home starts making the payments when they move in. So you're paying for the value that you're getting, and the person that purchases your home or

your commercial property is paying for the value that they are getting, because it's an annual assessment secured by the property that runs with the property.

And so when it comes to the bottom line issues that our constituents are all facing, this starts to make a lot of sense by financing it in this way. One, because your monthly payment is hopefully equal to or less than the electricity bill you're no longer paying. Two, you're only paying for the system for the number of years that you're in that home, so that's a huge benefit for doing it this way. And then three, the first person to install it gets all of the up front tax benefits that are given by the state and federal government. If you're a PNM customer, which is not 100 percent of the people in the county, obviously, but if you're a PNM customer you get 13 cents per kilowatt-hour of all the electricity you generate, even if you consume all that electricity. There's a 13 cent per kilowatt hour REC payment, and you also benefit from net metering.

So when you factor in all the financial incentives and the payments from PNM, by financing over 20 to 25 years, you're really starting to show that this makes not just good environmental sense and good sense from a renewable energy standpoint, but most importantly it's starting to make sense to the monthly budgets of the families that we're representing.

COMMISSIONER MONTOYA: Okay. So then in terms of the scenario with the County involved, who assumes the risk then for the debt. I think it's being assumed that because people pay their property tax and so far they have been, what happens if they start defaulting? Does the County assume the debt?

MR. FRANKLIN: No. Mr. Chair, Commissioner Montoya, under neither program would responsibility for paying either the bonded indebtedness or any loan debt may fall on the County. The only source of payment of principal and interest under either of these programs are the assessments imposed against the property. If the assessments become delinquent and stay delinquent eventually the lien of the assessment would be foreclosed. The property would be sold and out of the proceeds, out of the sale proceeds, the assessment lien would be paid off.

REPRESENTATIVE EGOLF: May I just add a tiny point to that. It's important to note that in at least the House bill and maybe in the Senate bill, the lien issue made some folks nervous during the session and so we made it explicit in the House bill that the lien is only one year's assessment. So let's say over a 25-year period, the cost of the system, interest and everything, the total cost of the loan is \$50,000 over 25 years. It's a \$2,000 annual assessment, so the lien is going to be only \$2,000. So that's the most that would ever go delinquent in one year. So the lien is not the entire \$50,000. It's only that one year's assessment. And we felt that it was far, far less likely that anyone would – first of all, it's totally voluntary. So the property owner is asking for this. So nothing is being imposed on anybody. They're saying, please, let me participate so that I can do this. So the voluntary nature is really critical.

Two, because of the size of the lien we felt that it was far less likely that there would be foreclosure on property due exclusively to this renewable energy assessment. Solar energy

assessment because of the size. So those were two provisions that we included in the bill to make those concerns less powerful.

COMMISSIONER MONTOYA: Okay. Then, Mr. Chair, I take it that that ten percent for administrative fee is to cover some of our overhead costs?

MR. MONTOYA: I don't know anything about the amount of the fee, Commissioner. Nobody asked me about how much to charge or what the maximum should be. But I am concerned about the meeting with the lenders yesterday. They're very concerned about market values and they talked about, for an example, they believe – at least in my opinion – they believe that this program is designed to help people who have homes that are valued at under half a million dollars. But in this climate, I guess market values have gone down, and they gave an example yesterday of at least one property that was being refinanced that dropped from \$495,000 to \$400,000. So their big concern, as I understand it, is that market loan to value and how much money – they want to be protected.

And then the other problem is the lien. As I understand it, the one year that Representative Egolf explained, they would be in third position. So it would be property taxes first and I can't remember the other one. My mind is going right now. But it seemed to me that they were very concerned as to how they were going to make this work. So they're still looking at all the different options that are available. But right now the biggest thing is the appraisal values are not coming in like they used to in the past, and that's because of the market the way it is.

COMMISSIONER MONTOYA: Mr. Chair, have we then done some sort of an analysis in terms of cost that that this should have on staff. And I guess the ten percent would be determined by the participation – 200 or 2,000. Have we done any of that?

ROMAN ABEYTA (County Manager): Mr. Chair, Commissioner Montoya, Duncan's memo [*Exhibit 1*] that he provided today, he kind of gets that started, but after today's meeting, if the Board gives us direction to consider these programs and to start looking further into it that would be the next step. We would then sit down, myself, Peter Franklin, Legal, Finance, ASD, and we would start taking a look at what the fiscal impact to the County is going to be. And not just the Treasurer and Assessor. They'll be included in that, but also the other staff that it's going to take to implement this program or programs.

COMMISSIONER MONTOYA: Thank you, Mr. Chair.

REPRESENTATIVE EGOLF: Just one clarification, Mr. Chair. At least in the House bill, the lien is explicitly stated that it is "co-equal" with all property tax liens. And so it's in first position. The lien under the House bill is a first position lien, co-equal with property taxes and I think some of the concerns that the banks are expressing – this is early in the process and I'm sure that if I get one bank to come in and say that they're lending, others will follow. So that is maybe my job is to show the Commission that there are folks that are going to be willing to do this. I'll try and sort that out.

But this is not, I don't think it's accurate to think of this as a loan. Not from bank's – it is a loan but it's treated as an assessment. The County does assessments like this often. Paving districts is a perfect example. A paving district, if the Commission chooses these

programs can be run exactly as paving districts are run. The only difference being that in a paving district the properties are contiguous. In this program the properties would be non-contiguous. In paving districts people are assessed on their property to pay for the roads right in front of their houses. That's done often. So that may be a good way to think about this. It's a special assessment paving district.

COMMISSIONER MONTROYA: Mr. Chair, on that point. Brian, some of those paving districts, it's occurred that residents are not aware they're being assessed until they get their tax bill. Is that going to occur?

REPRESENTATIVE EGOLF: Absolutely not, because, Mr. Chair, that absolutely will never occur because of the application process that starts to fund it. So you come to the County and say please include my property and you go through the application process under either the Senate or the House bill. Not only are you aware, you're the one, as the property owner, not only are you aware, you're initiating the process. Under either bill, no assessments are ever levied unless they're asked to be levied. A paving district, you've got to have a super-majority to include the 25 percent that don't want to go along. They have to be included anyway. Never going to happen under this. It's entirely optional, voluntary.

COMMISSIONER MONTROYA: Okay. Thank you.

CHAIRMAN ANAYA: What if the property sells? That goes with the property, so the new owner will see that and he'll know?

REPRESENTATIVE EGOLF: Yes, and Mr. Chair, that's one of the good things about the liens being recorded is that they will then show up on a title search, so when the property is transferred the purchaser is made aware, or the property is conveyed, that this assessment has been levied. If it's a home, and they go to look at the house they'll see the solar system is there. Hopefully they would see that the solar system is there, but if somehow they miss it and if the seller doesn't disclose it, which they would because it's going to improve the value of their home, it will still show up on the title search when the property is sold. So there's full disclosure on both sides.

CHAIRMAN ANAYA: Thank you. Commissioner Stefanics.

COMMISSIONER STEFANICS: Thank you, Mr. Chair. The question I have is, on page 9 it indicated the County cannot establish additional criteria for participation of property owners under the act. Would that preclude us from only allowing entrance into this program once a year? And I'm asking that probably for ease of administration.

MR. FRANKLIN: Mr. Chair, Commissioner Stefanics, I'm not sure. Let us think about that.

COMMISSIONER STEFANICS: Any maybe it would be more often, but I'm thinking that if the Assessor and the Treasurer have to collect, that there has to be some systematic method for them to include it for the payments. And we're going to – we just passed a resolution, or was it an ordinance – that allows property taxpayers to pay over ten months. And for something to come in the middle of that payment cycle it's really going to mess things up – record keeping and things like that. So my question is more about can we impose some administrative requirements, not delimiting the program but in terms of

administration?

MR. FRANKLIN: Mr. Chair, Commissioner Stefanics, I think the answer to that has got to be yes. The program inevitably, under both programs the County and the County Treasurer in particular under Representative Egolf's bill are required to do a bunch of things, and those things have to occur in real time and there has to be a method for doing those things along with the rest of the business that the County has to conduct. So my strong feeling is that yes, there can be reasonable administrative requirements imposed to implement both these programs that would give the County the ability to have some review time for applications, have a period for accepting applications, have a period for acting on the applications. Whether that is once a year or once a quarter or once a month, I guess I'm not sure but it seems to me that those are things that are in the discretion of the County, notwithstanding this language. I don't think that's criteria for participation that we're talking about.

COMMISSIONER STEFANICS: Okay. And Mr. Chair, I'd like to probably ask staff this. We're only talking about the Treasurer. In our system does the Assessor – even though the statute only talks about the Treasurer, does our Assessor have any role in this?

MR. ABEYTA: Mr. Chair, Commissioner Stefanics, yes, because of the Notice of Values that he generates. And then plus he'll also have to verify that the applicant is a property owner, is a taxpayer.

COMMISSIONER STEFANICS: Well, and so that takes me back to my original question of the timing, because of the notices that are sent out.

MR. ABEYTA: Mr. Chair, Commissioner Stefanics, exactly. We would probably want to coordinate it with that timing so that we're not sending notices every month, every two months, or every time somebody comes in.

COMMISSIONER STEFANICS: Thank you.

COMMISSIONER VIGIL: Mr. Chair, along those lines, and maybe I'm making an assumption there that isn't correct, but wouldn't our Clerk also be a participant in this, if in fact we went out to elect the board within the district, if that's the option that was taken? Is it the Clerk that would run that election?

MR. FRANKLIN: Mr. Chair, Commissioner Vigil, that is also a good question. Both statutes provide for – no, I'm sorry. We're only talking about the district statute. The statute doesn't specify how the election is to be held, and when we've done special district elections for other – that are not countywide or municipality-wide, there are a number of different ways to go. The Clerk could do it. It could be done as a mail ballot only election. That's probably what we would recommend. And it really – there isn't a legal answer to that question. It's really what the most practical way to get it done would be.

CHAIRMAN ANAYA: Victor.

MR. MONTOYA: Going back to what Commissioner Stefanics was saying, we did implement this program of ten installment payments. I don't know if there is interest among the Commission to let anybody that wants to get onto this solar financing pay in the same way but I don't think that the statute, and I'm not an attorney, but the statute doesn't

address solar improvements so I don't know that they could piggy-back on this thing, because it's clearly related only to taxes. So that is an issue also, in terms of when we start the program. Right now, by statute, I'm required to send out the tax bills every year on November 1st. So we would have to, probably, if it's timed the same way so that I would be collecting in semi-annual installments, set it up the same way, but I don't know. I think that's another legal issue that has to be addressed.

REPRESENTATIVE EGOLF: Mr. Chair, I have to leave. I have to be in Albuquerque in an hour to speak to a group down there. I wanted to thank you with a lot of solar leadership here on behalf of me and Senator Wirth. I want to thank you and the entire Commission, especially Commissioner Holian who has been working so hard, and Duncan, who's out of the room. Commissioner Montoya, thank you for coming. It's really fantastic to see this moving forward and I think this has the potential to really make a difference in showing other counties, other states that this can be done in a way that's easy and affordable and simple to do. I want to thank Peter for all the work he's but in.

COMMISSIONER MONTOYA: I have one question before you leave. What amount of interest do you think is going to be generated in terms of interest in this, because obviously you've got to have some sort of –

REPRESENTATIVE EGOLF: I've had about 3,000 emails where people have contacted me saying, where do I sign up? I'm ready to start. I will sign up and I will do it on the first day that it's available. I know from experience in other areas that have done this – Berkeley and Palm Desert – Duncan can probably speak to Boulder, Colorado. The first I think \$9 million that was set up in Berkeley in six minutes for people that were wanting to participate. They know it was six minutes because that's how long it took to fill out the online application. Then they offered another \$25 million I think and that was also fully committed. I think there's a huge demand and one thing to keep in mind is there's about 900 to 1,000 solar systems installed right now in New Mexico and it's taken us 30 years to get that far. I think we may get, once this is implemented in our four largest counties I think we'll get – one estimate looked at 4,000 systems, the demand for 4,000 systems to be installed in the first 12 months.

So I think there's going to be a huge explosion, but I don't think it's going to be an overwhelming number. I think we might 200 or 300 people or 200 or 300 property owners that want to do this in Santa Fe at that outset. So I don't think it's right that there's going to be a crushing administrative burden at the outset. And there's also people and organizations that have done this very expertly elsewhere. This renewable funding has gone into Berkeley and they're not providing the funding in Berkeley, they're just providing the administrative front and back office, websites, software suites, just sort of the administrative mechanisms to make this work and they're getting paid out of the loan proceeds. They can come in and just do it on a turn-key basis and it's very easy for you.

But I think there's going to be good demand. Another main reason we want to do this is to get plumbers, electricians and carpenters to work installing these systems. So I think there's going to be a good, healthy demand but I certainly don't think it's going to be

overwhelming or crushing just because when you think there's only 1,000 systems installed right now, so if we had 100 percent increase in one year, that's 1,000 systems statewide out of the four biggest counties. Santa Fe is about 25 percent of population, so maybe 200 properties in a year in Santa Fe, so I don't think that's overwhelming in terms of the numbers, but it's significant. So that's my guess. And I would like to sign up. I'll be number one. I'll start filling out the application here.

Again, thank you. This is really tremendous to see and I look forward to working more with Commissioner Holian and Duncan and everybody else in the next few months. Thank you.

CHAIRMAN ANAYA: Thank you, Representative. Thanks to the Senator too for pushing this forward and we have a lot to iron out but I'm sure we can take care of it. Commissioner Stefanics.

COMMISSIONER STEFANICS: Thank you, Mr. Chair. Duncan, have you looked at the capacity for how many homes could be accomplished in a year?

DUNCAN SILL (Economic Development): Mr. Chair, Commissioner Stefanics, this is part of the analysis that we will be pursuing. We held a stakeholder meeting with the installers to ask that same question, and I think a lot of the information right now at least in very general terms, what Representative Egolf alluded to, that number, upwards of 200 is probably a realistic estimation at this point. I've been also talking with other regions in the country including Boulder County which has a sort of similar progression with this type of development and get some sense of what they're looking at right now. So I will have updated information as it becomes available. I'm hoping to do that analysis here within a short period of time.

COMMISSIONER STEFANICS: Well, I think that we do need that analysis and the reason is that if we don't have enough suppliers then we should be working with the Chamber of Commerce, the Economic Development District, whoever we need to to encourage that. But my information right now is that one project can take several weeks to accomplish. And if that's the case and we have limited numbers of companies that are in our area dedicated to this my concern would be that we have a great show and nowhere to go with it. Thank you.

CHAIRMAN ANAYA: Commissioner Holian.

COMMISSIONER HOLIAN: Thank you, Mr. Chair. Just in answer to that, I talked to one of the solar installation companies that I happen to know the owner personally, and he said that he thought that they could field 20 teams of installers essentially immediately for doing solar photovoltaic installations. And you figure one team can do an installation in let's say three weeks. So that sort of gives you a ballpark. But that's just one company.

CHAIRMAN ANAYA: Okay. Thank you. The presentation's over, right? I'm going to open it up for some comments from the public. I'd like to get out of here by 11:00. Is there anybody that would like to say a few words? And you can come up here to the microphone.

COMMISSIONER VIGIL: Mr. Chair, while they're coming up, for the

Commission, I would just throw this out there, because there are two separate bills, and I try never to look at either/or situations. Is one of the decisions the Commission is going to have to make is if we move forward, if we move forward, or as I would like to think, as we move forward with this, to really move forward with just one of these bills, implementing them. Can we do a hybrid of this? Is that what the intent would be?

MR. FRANKLIN: Mr. Chair, Commissioner Vigil, I think the BCC could move forward with either or both of these programs. There are some pros and cons to each one. The one thing I would probably feel less comfortable with is trying to do a hybrid because I think there are separate statutory programs and it's not really a –

COMMISSIONER VIGIL: I guess I used the term hybrid by saying we implement both. But I used the term hybrid because the administrative component to this, it's probably not the appropriate term.

MR. FRANKLIN: Well, there's definitely overlap between the two from a County administration standpoint. It's not 100 percent overlapping. There has to be some separate procedures for each program, and we haven't really dug into the extent to which we could have sort of a common application. We could certainly have a common list of vendors and lenders – it's nice that they rhyme – for both programs. I'm guessing some of what the Treasurer's office has to do can be boiled down into a single set of procedures, but not completely.

If the Treasurer is paying a lender directly on the one hand under Representative Egolf's bill and is the paying agent for a bond secured by a number of separate assessments under Senator Wirth's bill, those things are going to have to be kept track of separately. But there is some overlap, as I say.

COMMISSIONER VIGIL: Thank you, Mr. Chair.

CHAIRMAN ANAYA: Okay, sir, if you'd state your name.

RANDY SADEWIC: My name is Randy Sadewic. I'm a co-owner of Positive Energy in Santa Fe, and thanks for this meeting, Mr. Chair and Commissioners. I just have three points or comments and some questions. The first is, during this transition, this entire process, people are pausing, customers are pausing and they want to know what's going to happen before the buy a system. And it was phrased in the previous meeting that if it is possible to have some retroactive date where this could apply so that people who do want to go ahead with the system then could fall under this program afterwards. In that case they could pay for the system and have to be reimbursed directly. So that's one question.

And I think what we saw when the gross receipts tax bill passed in 2007, it was passed effective July 1st and it was March when everyone found out about it, our business had to stop for about two months. We couldn't finish any installations because people were saving thousands of dollars. So we didn't recover through the end of the year. It took us about six months to deal with that late transition. So it's a serious issue to consider.

And then there's the cycle time for this process. Typically banks have two to three weeks of cycle time and I would hope the County would set some sort of goal for this process, so it could be expected that it would take a certain amount of time and we'd know

what that was.

And then the final question or comment is I did have a specific customer who said he's going to wait for this period. He's an elderly person, he's never going to be able to get his money back and this is a perfect program for him. But when he gets in the program he's going to want to know the terms. So knowing the terms earlier in the process will definitely help the process along or at least some boundary conditions that would allow them to know that, okay, this is what it's going to cost me and I can figure out if this is a good deal for me or not. So those are my three questions.

CHAIRMAN ANAYA: Thank you, Randy. We're not going to comment on those but we've got them written down and we'll look into those. Next.

MICHAEL STEWART: Thank you for this meeting and for your work. I'm Michael Stewart. I'm with 310 Solar. For me the most critical thing is to back up the very first thing that Randy said, which is that the sooner the Commission is able, I don't know how this might or might not be possible, but if the Commission is able to make a statement that as long as you bought your system July 1, 2009, or later – whatever. Choose some date and be able to put it out to the world that you will not be excluded from this program it will help everybody a lot because we're hearing a lot of people saying we don't want to buy right now because we know this is all coming. So if they could be included retroactively that would be really critical. Thanks very much.

CHAIRMAN ANAYA: Thank you, Michael.

CHRISTA ELWICK: Thank you very much. My name is Christa Elwick. I own my own home and I would describe myself as land-rich and cash-poor. And my question is is how can people like myself be involved and not only help the environment but actually make money by being like mini-solar farms, so that I could invest my retirement funds into more solar panels than we use and feed it back into PNM and actually have a monthly income from it. And that's my question because it's important and I was just wondering how this would work.

CHAIRMAN ANAYA: Thank you, Christa.

DAVID VAN WINKLE: My name's David Van Winkle. I'm the chair of the northern New Mexico group of the Sierra Club. First of all I'd like to thank you very much for taking up this issue in a very expeditious manner, and I think we heard here today the importance of this is very important for the growth of solar to this community, and Commissioner Montoya brought up the issue of why do we need this versus just getting a loan. And I was talking to a person the other day who said, well, I know I'm going to sell my house in four years. And he told me all these great benefits but I'm going to sell it in four years. With this type of legislation you can pass that on to the next buyer. And he goes, Oh, I'm now going to go put solar in because of this kind of process. So I think this capability is very important, and as mentioned earlier by Representative Egolf, solar is essentially free now, because if you look at all the benefits in terms of net metering, the 13 cent REC, versus the amount of money you have to pay on a loan, it's free, compared to what you currently pay.

And so what I'd like to see in a few years and to capture the imagination of the community is an aggressive goal and that aggressive goal for the Santa Fe County area? 10,000 installations. Thank you.

CHAIRMAN ANAYA: Thank you, David. One more speaker. Go ahead.

GARY ANDERSON: Thank you for having this meeting. My name is Gary Anderson with Windsun New Mexico. My concern is that we applied for a wind generator to be installed on our own property the first Tuesday of January. We did not get the County permit until the Friday before Memorial Day. We cannot have this happen. We have to have the County move along with these types of permits so that the people can actually install the systems in a relatively short amount of time. Thank you.

CHAIRMAN ANAYA: Thank you, Gary. Okay, I want to turn it over to Commissioner Holian for the wrap-up.

COMMISSIONER HOLIAN: Thank you, Mr. Chair. I want to just talk very briefly about next steps, but first, I would really like to thank Duncan Sill and also Tina for all the work that they have done already in compiling information, putting together meetings, and I was just thinking to myself that if we could somehow harness Tina energy we would really have all of our problems solved. She really has done a great job.

We have already been taking some of the next steps in that Duncan and I and Tina have had a meeting with the installers, where they expressed some of the concerns that you heard here today. We've also met with the financial community and I have to say they're a tough crowd but that's okay. They ask the hard questions and we need to answer those questions. My proposal is – well, first of all, I feel that we do need to move forward on implementing the intent resolution as well as working out the details of the implementation. What I propose is that we create a small committee with one or two of us Commissioners and appropriate staff to start fleshing out the details of the implementation – all the questions that you heard raised here today. Just actually start looking at the specifics of how we might implement this program.

We also need to work with our staff on the financial analysis to how it financially impacts the Assessor, especially the Treasurer, and the County itself. Also I would like to work on bringing the intent resolution forward, perhaps by our BCC meeting at the end of July. I don't think that we have to have all of the specifics worked out before we actually pass the intent resolution.

And then, as the committee goes forward and starts fleshing out details, that we start meeting with City personnel, for example the City Manager for Santa Fe City, Edgewood, and Española to see whether – to get their feedback, their concerns and to hopefully bring them in on the process of being part of this. So that's my proposal at this point.

CHAIRMAN ANAYA: So is there a motion to move forward with the intent resolution. Commissioner Stefanics, then Commissioner Montoya.

COMMISSIONER STEFANICS: I have a question. I can move the motion for discussion purposes but my question really has to do with do we want to pursue both of them or do we want to pursue the second? For some reason, as we went through this, the second

sounded much easier for the County to implement. So I wanted to like just have some clear thought about whether or not we really want to do both of them or start with one or whatever.

CHAIRMAN ANAYA: Commissioner Holian,

COMMISSIONER HOLIAN: I could comment on that. I think that in fact that's one thing that the committee should look at first of all is whether we want to try to move forward on both of them or just one of them.

COMMISSIONER STEFANICS: Okay, well, I would ask that have the motion be a little different then, because the language around the intent resolution, etc. was really related to Senator Wirth's, and so if there was a motion to move ahead with a resolution on the intent, I could support that. I just want to be careful that we not say that we're going to do something that we decide –

COMMISSIONER VIGIL: Perhaps, Mr. Chair, on that point. Perhaps maybe the motion should be specific to coming forth with a recommendation based on the committee that you're proposing. And maybe that motion would be a more clear next step. And then that committee would be able to propose and perhaps make recommendations and answer the questions as to whether or not we should move forward with any resolution. So I think the motion would be, and I'm happy to make it. I move that we move forward establishing a committee to evaluate and review and make recommendations to the Board of County Commission on whether or not we should move forward with any legislative action on this. I hope we do, but that would be what the motion would say.

COMMISSIONER STEFANICS: I'll second.

CHAIRMAN ANAYA: There's a motion and a second. Any discussion?

COMMISSIONER MONTOYA: Mr. Chair.

CHAIRMAN ANAYA: Commissioner Montoya.

COMMISSIONER MONTOYA: What's the timeline on this? Commissioner Holian, what would be the timeline? We go to committee and it could be six months or a year. What's our anticipated deadline?

COMMISSIONER HOLIAN: Well, of course the two bills become effective July 1st, and I also definitely it's my philosophy that we take our time and create programs that are going to work. This is complex, it's groundbreaking, and we do want to make sure that we put in place a program that is going to really, truly work and benefit our community and be a model, in fact. But I think that if we start off with just a committee to explore whether we should do this, everything will take a little bit longer and so on. And so I would hope that we would have a recommendation at least on whether we should move forward and perhaps which bill, or whether we should actually move forward simultaneously on both bills by, say, the BCC meeting in early July and move from there, at least at that point. July 14th.

COMMISSIONER VIGIL: Would that be sufficient time for the committee, do you think?

COMMISSIONER HOLIAN: Oh, yes.

COMMISSIONER STEFANICS: That's acceptable to me.

COMMISSIONER VIGIL: I was just going to suggest that I would be happy

to amend my motion to include the deadline for recommendation for the July 14th meeting.

COMMISSIONER STEFANICS: And I'll second that.

CHAIRMAN ANAYA: Any further discussion on the amendment?

The motion passed by unanimous [5-0] voice vote.

CHAIRMAN ANAYA: Thanks for coming to this special meeting.

COMMISSIONER VIGIL: I think we need to vote on the motion now.

The motion passed by unanimous [5-0] voice vote.

V. Adjournment

Chairman Anaya declared this meeting adjourned at 11:08 a.m.


Approved by:

Board of County Commissioners
Mike Anaya, Chairman

ATTEST TO:

VALERIE ESPINOZA
SANTA FE COUNTY CLERK

Respectfully submitted:


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