



Council Agenda Report

Item 6a

Department: Administration
Cost Center: 1005
For Agenda of: 2/4/2025
Placement: Business
Estimated Time: 45 Minutes

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SUBJECT: LEAD BY EXAMPLE 2025-29 WORK PROGRAM

RECOMMENDATION

1. Adopt a Draft Resolution entitled, "A Resolution of the City Council of the City of San Luis Obispo, California, approving the Lead by Example 2025-29 Work Program"; and
2. Authorize staff to apply for grants, rebates, and incentives that fund implementation of the Lead by Example 2025-29 Work Program, authorize the City Manager to execute related agreements and documents, and direct revenues from these sources to related Lead by Example projects.

POLICY CONTEXT

- [Conservation and Open Space Element of the General Plan:](#)
 - Policy 2.2.1 (Atmospheric Change) - City actions shall seek to minimize undesirable climate changes and deterioration of the atmosphere's protective functions that result from the release of carbon dioxide and other substances.
 - Policy 2.2.5 (Model City) – The City will be a model of pollution control efforts. It will manage its own operations to be as pollution free as possible. The City will work with other agencies and organizations to help educate citizens in ways to prevent air pollution
- [Land Use Element of the General Plan:](#)
 - Policy 9.4 (Climate Action Plan) - The City shall maintain and implement its Climate Action Plan to reduce community and municipal GHG emissions consistent with State laws and objectives.
- [2023-25 Financial Plan Climate Action Major City Goal:](#)
 - Action 4.5.e - Initiate an update to the Lead by Example plan to inform the 2025-27 Financial Plan as called for CAP Lead by Example task 1.1.A and Lead by Example Plan Administrative Action 1.
- [Resolution 11159 \(2020 Series\)](#) adopted the Climate Action Plan for Community Recovery with the goal of community carbon neutrality by 2035 and a sub-goal of carbon neutral municipal operations by 2030.

- [Resolution 11263 \(2021 Series\)](#) adopted the Lead by Example Plan with a goal of carbon neutral municipal operations by 2030 and Administrative Action 2, which directs action to, “monitor and report implementation to City Council on a regular basis.”
- [Resolution No. 11381 \(2022 Series\)](#) reaffirmed the City’s community climate action goals and created a work program for fiscal years 2023-27, including Leadership 1.1.A, which directs staff to, “Implement the 2023-25 actions in the Lead by Example municipal carbon neutrality plan and complete a focused plan update for 2025-30.”

REPORT-IN-BRIEF

The City has an adopted goal of achieving carbon neutral municipal operations by 2030. Council adopted the City’s first work program to make progress towards this goal via the Lead by Example Plan in 2021 (referred to as “2021 LBE”). This Lead by Example 2025-29 Work Program (referred to as “2025 LBE”) is the first plan update. Since 2021, the City has made significant progress towards its 2030 goal and has brought in over \$15.5 million dollars in outside grants, rebates, and incentives for Lead by Example implementation.

Building off the 2021 LBE, the 2025 LBE provides a series of actions to continue reducing greenhouse gas emissions from municipal operations during the 2025-27 and 2027-29 Financial Plans. This allows the plan to closely align LBE tasks with budgeted resources. The City’s budget development occurs via a separate process and inclusion of any projects or programs in the City’s budget are ultimately subject to Council approval. Tasks are presented below to support budget deliberations and do not pre-emptively approve or otherwise imply that they are automatically included in future budgets.

The 2025 LBE includes an updated greenhouse gas inventory that incorporates Utilities Department fleet vehicle emissions and presents the first quantified inventory of direct emissions resulting from the treatment of wastewater. At full implementation, staff estimates that the actions in the 2025 LBE would lead to an 84% reduction in greenhouse gas emissions by 2030 relative to 2022.

DISCUSSION

Background

In August 2020, City Council adopted the Climate Action Plan for Community Recovery via Resolution R-11159 (2020 Series). During plan development, the City Council, community members, and key stakeholders shared that the City of San Luis Obispo should play a highly visible climate action leadership role in its own municipal operations. Of the six pillars of thematic focus in the community CAP, the first pillar is ‘Lead by Example’, which focuses on addressing emissions from municipal operations. When City Council adopted the goal of communitywide carbon neutrality by 2035 as part of the CAP, Council also adopted a goal of carbon neutral municipal operations by 2030.

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In July 2021, Council adopted Lead by Example: A Plan for Carbon Neutral Municipal Operations (referred to as “2021 LBE”), which identified goals, objectives, and actions for achieving the City’s 2030 municipal operations carbon neutrality goal. The 2021 LBE addressed greenhouse gas emissions from four sectors (building and facility energy, fleet, employee commute, and solid waste) and included the sequestration benefits from a fifth sector (natural solutions). The 2021 LBE also included information about sectors whose emissions were not quantified (procurement, budgeting, and finance, as well as water and wastewater assets managed by the Utilities Department).

This Lead by Example 2025-29 Work Program (provided as Attachment A and referred to as “2025 LBE”) is the first plan update since the adoption of the inaugural 2021 Lead by Example Plan. Building on the 2021 LBE, the 2025 LBE includes:

- An updated greenhouse gas emissions inventory that incorporates Utilities Department fleet vehicle emissions.
- Specific greenhouse gas emissions reduction actions to be completed during the 2025-27 and 2027-29 Financial Plans.
- The first quantified inventory of direct emissions resulting from the treatment of wastewater.

The 2025 LBE was developed and completed entirely by a group of staff members known as the “Green Team”. The Green Team is a cross-departmental collaborative body of over 36 staff members convened to help guide the City’s approach to achieving carbon neutral municipal operations. The Green Team allows staff from each department to participate in the planning and implementation of emissions reduction measures to achieve an all-City approach to municipal carbon neutrality.

The 2025 LBE continues the City’s approach to carbon neutral municipal operations, which is based on access to clean electricity, reducing energy use where possible, replacing fossil fuel vehicles, appliances, and equipment with electric alternatives, empowering employees to choose low-carbon commutes, diverting organic waste away from the landfill, and expanding nature-based climate solutions across the City and broader San Luis Obispo Greenbelt to draw down carbon. The 2025 LBE also provides strategies to reduce energy use and direct emissions from the treatment of water and wastewater.

Key Findings

Based on the work completed for the 2025 LBE, staff have identified three key findings:

1. *The City is making significant progress towards its 2030 Goal.* Despite a global pandemic, related inflation, and multiple climate change induced disasters, the City has made a serious effort to achieve the ambitious 2030 goal and to date has brought in over \$15.5 million dollars in outside grants, rebates, and incentives for Lead by Example implementation. If the City were to fully implement the 2025 LBE, it is projected to achieve an 84% reduction in emissions by 2030 relative to 2022. The City can continue to push towards 100% as new funding sources and technologies emerge.

2. *Challenging obstacles are in the path to carbon neutrality.* These obstacles include fossil fuel assets with a long remaining operational life (e.g., the gas powered heating components of the HVAC systems at Fire Station 1, the Utilities Administration Building, and the Parks and Recreation Administration Building are less than five years old), limited market availability for certain types of electric vehicles and equipment (e.g., there are currently no all-electric compact pickup trucks on the market), and challenges associated with voluntary behavior change related to commute and solid waste disposal.

3. *Emerging technologies and funding sources are on the horizon.* While the current projections based on full Lead by Example implementation push achievement of the carbon neutrality goal into the mid-2030s, rapid advances in technology and new funding sources may emerge and fast-track implementation. To uphold the City’s commitment to its 2030 climate neutrality goal, City Council and staff from all departments will need to continue serving as a leaders and innovators though the end of the decade and beyond.

Lead by Example Sectors

Lead by Example is organized around a total of seven emissions sectors. These sectors account for most of the emissions caused by the City’s daily business activities. Figure 1 provides the name of each sector, and the goal statements associated with each sector (carried forward from the 2021 LBE).

Figure 1. Lead by Example Sectors and Goal Statements



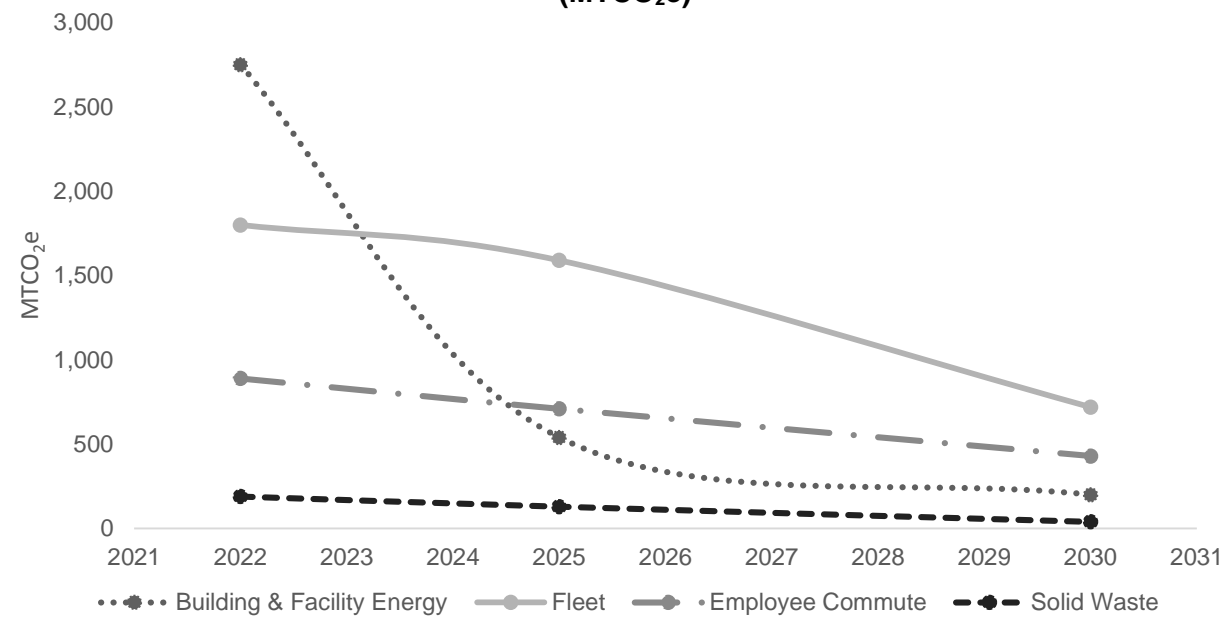
Lead by Example 2030 Forecast

The 2025 LBE includes an updated greenhouse gas emissions inventory for each of the quantifiable sectors (buildings and facility energy, fleet, employee commute, solid waste, and natural solutions) and a forecast that estimates each sector’s emissions at full plan implementation. Table 1 provides the inventoried and forecasted emissions by sector, and Figure 2 illustrates reductions in emitting sectors through 2030.

Table 1. Municipal Operations 2022 GHG Emissions Inventory and Lead by Example Forecast, 2025-2030 (MTCO₂e)

Sector	2022	2025	2030	% Change, 2022-2030
Building & Facility Energy	2,750	540	200	-93%
Fleet	1,800	1,590	720	-60%
Employee Commute	890	710	430	-52%
Solid Waste	190	130	40	-79%
Natural Solutions	-290	-390	-510	76%
Total	5,340	2,580	880	-84%

Figure 2. Municipal Operations GHG Emissions Inventory Forecast by Sector, 2022-2030 (MTCO₂e)



As reported above, at full implementation, the combined reductions from the 2025 LBE actions are expected to result in an 84% reduction in 2030 relative to 2022. Sector specific reductions include:

1. *Building & Facility Energy* – The 2025 LBE is projected to result in a steep 93% reduction in building and facility emissions via the completion of electrification projects that will replace the City’s biggest users of natural gas, paired with Central

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Coast Community Energy's (3CE) progress toward providing carbon neutral electricity by 2030. The remaining forecasted emissions are from several natural gas appliances that are expected to be operational through the early 2030s. 3CE offers 100% carbon-free electricity through its 3C-Prime program for an additional cost. While 3C-Prime can lower emissions immediately, 3CE's standard electricity service is expected to be carbon free by 2030 and thus result in the same annual reductions in 2030. As a result, 3C-Prime does not change Lead by Example's 2030 reduction estimates.

2. *Fleet* – The 2025 LBE forecasts a 60% emissions reduction in the fleet sector as fossil fuel vehicles are retired and replaced with electric vehicles. Many of the remaining fossil fuel vehicles are expected to transition to electric vehicles as they reach retirement age after 2030.
3. *Employee Commute* – Due to increases in the number of City employees, many of whom live outside the City, emissions from this sector increased 18% from 2019-23. The City has less ability to influence commuting habits (especially for employees living outside of the City) and therefore the forecast projects a more modest, although highly impactful 52% reduction due to a future educational campaign paired with improved policies, programs, and incentives.
4. *Solid Waste* – The 2025 LBE is projected to reduce waste emissions from landfilled organic waste by 79% through improved waste infrastructure across City facilities and employee education.
5. *Water and Wastewater* – The 2025 LBE will reduce energy demand at the Water Treatment Plant (WTP), reduce the incoming volume of sewage and related emissions at the Water Resource Recovery Facility (WRFF), and encourage innovation to reduce biogas emissions.
6. *Natural Solutions* – The 2025 LBE is projected to sequester over 510 tons of carbon on an annual basis by 2030 through increased regenerative grazing, tree planting, and the application of compost to agricultural lands in the San Luis Obispo Greenbelt.
7. *Procurement, Budget, and Finance* – While activities related this sector are not directly quantified in the Lead by Example greenhouse gas inventory, by 2030 the City will continue to integrate climate considerations into the way it spends money, funds internal projects and programs, invests, selects various materials and products, and enters vendor contracts.

Grant Funding for the Lead by Example 2025-29 Work Program

Staff anticipates an ongoing robust state grant funding environment available to assist with implementation of the 2025 LBE. Procurement Action 1.1 in the 2025 LBE directs staff to “Pursue grant funding, government incentives, rebates, tax credits and other external funding to further Lead by Example actions.”

Financial Management Manual Section 740 (Grant Management Policy) identifies Council as the responsible entity for approving all grant applications in excess of \$5,000. In adopting the 2022 Climate Action Plan Update, Council delegated this authority to the City Manager for grants that implement the Climate Action Plan. Staff's recommendation includes language in the adopting Resolution for the 2025 LBE (Attachment B) that clarifies that this delegated authority also applies to grants, rebates, and incentives that implement Lead by Example. The resolution also directs grant revenues from these sources to Lead by Example projects and programs.

Next Steps

Pending Council approval, the Green Team will work collaboratively to appropriately resource and implement the Work Program over the 2025-27 and 2027-29 Financial Plans. As discussed in the Fiscal Impacts section, the capital and operational costs to implement the 2025-27 portion of the 2025 LBE will be included in the proposed budget and implementation of the plan will be influenced by if and how those funding levels are altered.

Previous Council or Advisory Body Action

- August 2020 – Council adopted [Resolution 11159 \(2020 Series\)](#), which approved the Climate Action Plan for Community Recovery with the goal of community carbon neutrality by 2035 and a sub-goal of carbon neutral municipal operations by 2030.
- July 2021 – Council adopted [Resolution 11263 \(2021 Series\)](#), which approved the Lead by Example Plan with a goal of carbon neutral municipal operations by 2030 and Administrative Action 2, which directs staff to, “monitor and report implementation to City Council on a regular basis.”
- December 2022 – Council adopted [Resolution No. 11381 \(2022 Series\)](#), which reaffirmed the City's climate action goals and created a work program for fiscal years 2023-27, including Leadership 1.1.A, which directs staff to, “Implement the 2023-25 actions in the *Lead by Example* municipal carbon neutrality plan and complete a focused plan update for 2025-30.”
- June 2023 – Council adopted the [2023-25 Financial Plan Climate Action Major City Goal 4.1.i](#), which directs staff to initiate an update to the *Lead by Example* plan to inform the 2025-27 Financial Plan as called for by CAP Lead by Example task 1.1.A and Lead by Example Plan Administrative Action 1.

Public Engagement

- Sustainable SLO: Since January 2024, the City has been conducting an educational outreach campaign to highlight Lead by Example work efforts and their benefits to the community. As part of this campaign, the City applied the “[Sustainable SLO](#)” graphic mark to electric fleet vehicles and buses, waste and recycling bins, and water fountains, among other things, and shared educational content through social media, local news outlets, emails, and the City's website. The City also hosted or promoted over a dozen community events highlighting Lead by Example initiatives.

- Good Morning SLO: Staff presented at Good Morning SLO about the Lead by Example 2025-29 Work Program on November 27th, 2024.
- Open City Hall: Staff released a public review draft of the Lead by Example 2025-29 Work Program for community input on Open City Hall from December 10th through December 18th, 2024. This feedback opportunity was announced over social media, e-news release, and the City's website. Open City Hall topic had 119 visitors and 25 total statements. Community feedback included support for opting up to 3CPrime, constructing microgrids, requiring staff and contractors to use electric lawn and garden equipment, providing more resources for employees to bike and/or drive EVs to work, and advancing zero-waste municipal operations. Community members also expressed concern about the cost of implementation and the limited impact of San Luis Obispo's efforts on a global problem, as well as a desire to focus more on climate resilience.
- Green Team Working Groups: Robust internal staff engagement occurred via sector-specific Green Team working groups, each of which met several times throughout 2024.

CONCURRENCE

There is concurrence from the Utilities Department, Public Works Department, Parks and Recreation Department, Information Technology Department, Human Resources Department, and Community Development Department in the approach to achieving Council's carbon neutral City operations goal. The Green Team, which includes staff from every department in the City, co-developed the 2025-29 Work Program and provided final review of the plan.

ENVIRONMENTAL REVIEW

Pursuant to the California Environmental Quality Act (CEQA), the City prepared, circulated for public review, and on August 19, 2020, adopted an Initial Study/Negative Declaration (IS/ND) (EID-0275-2020) that addressed the environmental impacts of implementing the City of San Luis Obispo 2020 Climate Action Plan for Community Recovery. This Plan established a community-wide target of carbon neutrality by 2035, adopted sector specific goals, and provided foundational actions to establish a trajectory towards achieving those goals. The Climate Action Plan for Community Recovery is a Qualified Greenhouse Gas (GHG) Emissions Reduction Plan to reduce GHG emissions within its jurisdictional boundary to meet and exceed state targets consistent with CEQA Guidelines Section 15183.5 for year 2030 and includes CEQA GHG Emissions Thresholds and Guidance.

Lead by Example (LBE) is a measure and supportive action within the scope of the project covered by the already adopted IS/ND for the 2020 Climate Action Plan for Community Recovery and includes quantified actions to address emissions that were accounted for in the community inventory and forecast. On the basis of substantial evidence in the light of the whole record, the City Council determined that the 2021 LBE did not trigger any of the conditions of CEQA Guidelines §15162 (subsequent EIRs and negative declarations), no new significant impact on the environment would occur and no new mitigation measures were required, and no further environmental analysis was required.

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The 2025 LBE does not introduce any new projects or programs that would change this determination, but rather, provides additional guidance and detail regarding the goals and objectives originally envisioned in the 2020 Climate Action Plan for Community Recovery. The 2025 LBE work program identifies projects recommended for inclusion in the City's 2025-27 and 2027-29 Financial Plans, but does not authorize implementation of any specific projects. Consistent with the adopted Negative Declaration for the Climate Action Plan for Community Recovery, plans or projects identified in the 2025 LBE would be subject to a project-level CEQA determination during the design phase. Any specific projects identified in the 2025 LBE would either qualify for an exemption from environmental review or be subject to project-level environmental analysis and public circulation and review.

Therefore, similar to the findings that were made upon approval of the 2021 LBE, staff recommends that the City Council find that the approval of the 2025 LBE would not trigger any of the conditions of CEQA Guidelines §15162 (subsequent EIRs and negative declarations), no new significant impact on the environment would occur, no new mitigation measures are required, and no further environmental analysis for approval of the 2025 LBE is required because:

- No substantial changes are proposed in the project which will require major revisions of the previously adopted Negative Declaration due to the involvement of new significant environmental effects or a substantial increase in the severity of previously identified effect; and
- No substantial changes will occur with respect to the circumstances under which the project is undertaken which will require major revisions of the previous Negative Declaration due to the involvement of new significant environmental effects or a substantial increase in the severity of an identified effect; and
- No new information of substantial importance, which was not known and could not have been known with the exercise of reasonable diligence at the time the previous Negative Declaration was adopted, shows that the project will have one or more significant effects not discussed in the previous Negative Declaration or that any previously examined effect would be more severe than shown in the previous Negative Declaration.

FISCAL IMPACT

Budgeted: Yes
 Funding Identified: Yes

Budget Year: 2024-25

Fiscal Analysis:

Funding Sources	Total Budget Available	Current Funding Request	Remaining Balance	Annual Ongoing Cost
General Fund	\$	\$	\$	\$
State				
Federal				
Fees				
Other:				
Total	\$	\$	\$	\$

City Council’s adoption of the 2025 LBE would have no direct fiscal impact, in and of itself. The existing budget for 2024-25 will continue to be used for implementation of the 2023-25 Major City Goal for Climate Action, Open Space & Sustainable Transportation, which reflects the 2021 LBE.

As discussed above, the 2021 LBE provides direction to return with this update ahead of the 2025-27 Financial Plan, and this is meant to inform the deliberative process being undertaken as part of the 2025-27 Financial Plan. The City’s budget development occurs via a separate process and inclusion of any projects or programs in the City’s budget are subject to Council approval. Tasks are presented in the 2025 LBE to support budget deliberations and do not pre-emptively approve or otherwise imply that they are automatically included in future budgets. While some of the tasks in the 2025 LBE will be completed with already budgeted staff time, staff will include budget proposals for the capital projects (e.g., facility electrification, electric vehicles, electric vehicle charging, etc.) in the in-progress 2025-27 Financial Planning process. Specific funding levels will be determined through the Capital Improvement Program (CIP) and Financial Plan development process.

The actions in the 2025 LBE present an ambitious yet practical work program whose reductions in total are expected to result in an 84% reduction in operational greenhouse gas emissions. The 2025 LBE actions, evaluated at full implementation, set the ceiling that is likely viable given available resources. Should 2025 LBE actions with capital or operational costs not be funded in the 2025-27 or 2027-29 Financial Plans, or in some cases delayed to later years, this would result in a lower emissions reduction.

ALTERNATIVES

1. ***Council could provide additional strategic direction to staff regarding Lead by Example implementation.***
2. ***Council could request more information, suggest substantial changes, or otherwise request that Lead by Example: A Plan for Carbon Neutral City Operations be presented for adoption at a later date.***
3. ***Council could take no action and direct staff to pursue other initiatives.*** This action is not recommended by staff because the Lead by Example 2025-29 Work Program was developed in direct response to community prioritization of climate action and previous City Council commitments.

ATTACHMENTS

A - Lead by Example 2025-29 Work Program

B - Draft Resolution adopting the Lead by Example 2025-29 Work Program