



Council Agenda Report

Item 5e

Department: Administration
Cost Center: 1005
For Agenda of: 7/6/2012
Placement: Consent
Estimated Time: N/A

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SUBJECT: APPROVE ON-BILL FINANCING APPROACH FOR LIGHTING RETROFITS

RECOMMENDATION

1. Authorize the City Manager to execute PG&E On-Bill Financing Agreements; and
2. Adopt a Resolution entitled, "A Resolution of the City Council of the City of San Luis Obispo, California, making findings on energy savings and determining other matters in connection with Energy Efficiency Retrofits"; and
3. Delegate signatory authority to the City Manager to execute a contract to the satisfaction of the City Attorney with Electricraft Inc. to provide the lighting retrofit work.

DISCUSSION

Background

In August 2020, City Council adopted the Climate Action Plan for Community Recovery (CAP), which establishes a community-wide goal of carbon-neutrality by 2035. A central pillar of the CAP is a commitment to achieve carbon neutral city operations by 2030. Facility energy use is one of the largest sources of greenhouse gas emissions from City operations, and energy efficiency retrofits support Council's goals by reducing facility electricity use and corresponding greenhouse gas emissions.

Climate Action is again set as a Major City Goal for the 2021-23 Financial Plan by City Council, affirming its importance as a continued priority. Historically, the City has been supportive of energy efficiency. The City's 2018 Fiscal Health Response Plan (FHRP) committed to "new ways of doing business," including a commitment to energy efficiency and investments in sustainable infrastructure with short-term paybacks on investment. The FHRP identified \$293,000 in savings as the result of energy efficiency and other resource consumption reduction. The City continues to pursue new ways to "Lead by Example" and reduce operational costs and greenhouse gas emissions.

Proposed Project with Central Coast LEAP

In 2020, the City completed lighting retrofits at both Palm Street parking garages and in June of 2021, completed a lighting retrofit at the final downtown garage on Marsh Street. The three projects were originated through a relationship with SLO EnergyWatch Partnership in collaboration with PG&E. SLO EnergyWatch was funded through California Public Utility Commission (CPUC) energy efficiency funds and provided resources to local governments to achieve energy efficiency projects. As the statewide local implementer of CPUC program landscape has changed, SLO EnergyWatch has been disbanded and the services relevant to this report are now administered by Central Coast Leap (CCLEAP).

The City of San Luis Obispo enrolled in CCLEAP to access no-cost project management services for energy efficiency projects. CCLEAP conducted a review of several facilities and an onsite energy audit of City Hall and Fire Station #1 in December 2020. Based on the audit, CCLEAP proposed an interior lighting retrofit project for both facilities. This multi-benefit project would realize cost and energy savings, and decrease maintenance costs, while helping achieve the City's climate action goals by reducing greenhouse gas emissions by nearly 60 metric tons annually.

CCLEAP's project proposal is included in Attachment C. Under the proposal, the contractor would replace a total of 477 existing fixtures with LED fixtures (260 at City Hall and 217 at Fire Station #1). All existing controls would remain, and additional controls would only be added where specifically required by California Title 24.

Like the successfully completed garage retrofit projects, the projects presented for approval in this report would comply with all Pacific Gas and Electric (PG&E) On-Bill Financing requirements and would be funded through Pacific Gas and Electric On-Bill Financing (OBF). CCLEAP has submitted an OBF application to PG&E for the project on behalf of the City and the OBF application has subsequently been approved and is provided for execution as Attachment A. OBF is a financing mechanism provided by PG&E that allows the City to receive a 0% loan for energy efficiency projects. The City amortizes the debt using monthly bill savings achieved through the project. During the payback period, the City's bill would appear unchanged. Upon full payback, the City's energy bill will reflect the savings.

Government Code 4217.10-4217.18

Like the three garage lighting projects mentioned above, this project is exempt from certain City procurement protocols due to its consistency with California Government Code Section 4217.10, et seq, which authorizes public agencies to solicit proposals from qualified vendors and to award a contract on the basis of the experience of the firm, the type of technology employed by the firm, the cost to the local agency, and any other relevant considerations, provided that the projects deliver net cost savings to the public agency and the contract terms are in the best interest of the City. Since the project has a simple payback period of less than ten years (see Fiscal Impact, below), the project saves energy, and therefore under Government Code 4217, may pursue a streamlined procurement process.

To obtain a cost estimate to apply for OBF, staff received quotes from two vendors, Lee Wilson Electric and Electricraft. These quotes were used to file the OBF application with PG&E. Both vendors were then invited to a site walk-through to gather more detailed information to revise their quotes for accuracy. Following the site walk-through, Electricraft Inc., was selected to implement the project.

Previous Council or Advisory Body Action

- *2021-23 Financial Plan.* In June of 2021, Council adopted the 2021-23 Financial Plan, which includes the project proposed in this report.
- *Climate Action Plan for Community Recovery.* In August of 2020, Council adopted the Climate Action Plan for Community Recovery, which include a goal of carbon neutral municipal operations by 2030. The lighting retrofits as proposed in this report are consistent with that goal.
- *Lighting Retrofit.* In August 2018, Council approved an on-bill financing agreement with PG&E and a resolution making findings required by Government Code Section 4217 to complete lighting retrofits at the City's parking garages. The lighting retrofits have been completed.

Policy Context

The proposed project is consistent with the 2021-23 Financial Plan and the Climate Action Plan for Community Recovery. Extensive engagement was completed as part of the 2021-23 Financial Plan and this item was included as a result of that process.

Public Engagement

The project appears in the 2021-23 Financial Plan which was adopted on June 1, 2021 via an extensive public engagement effort.

CONCURRENCE

This report was completed in collaboration between Administration and Public Works.

ENVIRONMENTAL REVIEW

The proposed lighting retrofit project is categorically exempt from environmental review per CEQA Guidelines section 15301, Existing Facilities, and would not involve an expansion of use of existing City facilities or result in any significant effects on the environment. Further, the project would result in a beneficial effect on the environment by reducing greenhouse gas emissions by 60 metric tons annually.

FISCAL IMPACT

Budgeted: Yes

Funding Identified: Yes

Budget Year: 2021-22

Fiscal Analysis:

Funding Sources	Total Budget Available	Current Funding Request	Remaining Balance	Annual Ongoing Cost
General Fund	\$15,000	\$7,590.07	\$7,409.93	\$
State				
Federal				
Fees				
Other:PG&E OBF		\$188,813.00		
Total	\$	\$196,403.07	\$4,594.93	\$

Should Council direct the City Manager to finalize and execute the contract with Electricraft Inc. using OBF, payback of the remaining loan amount will be realized in the facility's utility bill based on the savings calculated. The loan amount would be paid directly from PG&E to Electricraft Inc. for the work completed. Once the loan amount is paid off via the utility bill, savings will be realized from then forward.

\$15,000 has been allocated for the project as part of the FY 2021-22 Budget and would be used for an initial project buydown total of \$7,590.07. The buy down is necessary due to OBF terms that require every individual project in an application package have a simple payback period of ten years or less. City Hall's payback period is slightly longer and thus requires the buy down. However, the Fire Station 1 payback period is shorter and even with the City Hall buy down, the net lifetime savings assessment for the projects as a single portfolio indicates a simple payback period of 9.94 years. As currently estimated, once the payback period of 9.9 years has concluded, the project would save the General Fund an estimated \$19,637 per year in electricity costs alone.

The following tables explain the discrepancies in the approved loan amounts (Attachment A) and the actual project costs (Attachment C). Due to time constraints, the loan package was submitted prior to final project cost being known. The City and CCLEAP submitted a conservative higher project cost to ensure that sufficient funds were available for the project. Electricraft's bid came in lower than the amount requested and therefore the required "Buy Down" amount is only \$7,590.07 and the PG&E loan amount is \$188,813.00.

Approved Loan Amount Based on Original Estimate

	City Hall	Fire Station 1	Total
PG&E Approved Loan Amount	\$98,580.93	\$90,335.66	\$188,916.59
"Buy Down" Assumption	\$15,745.40	\$0.00	\$15,745.40
Total Available	\$114,326.33	\$90,335.66	\$204,661.99

Revised Project Costs Based on Final Proposal

	City Hall	Fire Station 1	Total
PG&E Approved Loan Amount	\$99,864.00	\$88,949.00	\$188,813.00
"Buy Down" Assumption	\$7,590.07	\$0.00	\$7,590.07
Total Cost	\$107,454.07	\$88,949.00	\$196,403.07
Estimated Annual Cost Savings	\$19,637.00		
Simple Payback (Years)	9.94		
Projected Net Cash Flow	\$111,752.00		

ALTERNATIVES

1. *The Council could pursue an alternative contractor for installing lighting retrofits.*
2. *The Council could pursue an alternative financing mechanism for funding lighting retrofits.* This is not recommended as there are no known 0 percent interest loans currently available, nor is there the necessary additional approximately \$188,000 additional funds available in the 2021-23 Financial Plan to directly pay for the project.
3. *The Council could choose not to pursue lighting retrofits at this time.*

ATTACHMENTS

- A – PG&E On-Bill Financing Agreement
 B – Draft Resolution making findings related to Government Code Section 4217
 C – CC-LEAP City Hall and Fire Station #1 Project Proposal