



REPORT TO COUNCIL City of Sacramento

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Staff Report
May 22, 2009

Honorable Mayor and
Members of the City Council

Title: Grant: Federal Energy Efficiency and Conservation Block Grant Funding

Location/Council District: Citywide

Recommendation: 1) adopt a **Resolution:** a) authorizing the application and acceptance of a 2009 Federal Energy Efficiency and Conservation Block Grant (EECBG) from the U.S. Department of Energy in the amount of \$4,708,000 to install energy efficiency improvements in City facilities, residential, and commercial facilities and fund the development of City's Climate Action Plan, Green Building Taskforce, and a Sacramento Regional Assessment Financing program; b) approving the establishment of a grant project; and c) establishing revenue and expenditure budgets in the amount of \$4,708,000; and 2) adopt a **Resolution** committing \$585,781 of EECBG funds to the La Valentina development project subject to La Valentina securing a state grant (Proposition 1C) award.

Contact: Yvette Rincon, Senior Management Analyst, 916-808-5827

Presenters: Reina J. Schwartz, Director, Yvette Rincon, Senior Management Analyst, 916-808-5827

Department: General Services

Division: Office of the Director

Organization No: 13001021

Description/Analysis

Issue: The American Recovery and Reinvestment Act of 2009 appropriated \$3.2 billion for the Energy Efficiency and Conservation Block Grant (EECBG) Program, most of which (over \$2.7 billion) will be distributed through formula grants on a per capita basis. The balance includes nearly \$455 million for competitive grants, which will be awarded through a separate Funding Opportunity Announcement (FOA) coming soon. The City has been allocated

\$4.7 million in EECBG funding. This report recommends that City Council approve the overall EECBG application, authorize submittal of the grant application to the Federal Department of Energy (DOE) by June 25, 2009, and authorize acceptance of \$4,708,000 in EECBG funds.

The EECBG requires applicants to obligate funds within 18 months and spend all funds within 36 months, use the funds to create and/or retain jobs, reduce energy use and greenhouse gas emissions, and improve energy efficiency. In addition, DOE provided grant principles that include: prioritizing energy efficiency, investing funds in programs and projects that create and/or retain jobs and stimulate the economy while meeting long term energy goals, maximizing benefits over the longest possible terms, to the extent possible develop programs and strategies that will continue beyond the funding period and target programs and projects that leverage funds with other public and private resources.

The City will receive fifty percent of the grant funds 60 days after the application is submitted, or at end of August /early September. The remainder of the funds will be released to the City after the City demonstrates 3-6 months of progress toward creating jobs and reducing energy use. For this reason, it is critical that the City fund projects that are ready to go and can demonstrate progress within the 3-6 month timeframe.

Based on the requirements and principles of the EECBG, staff recommends a spending plan that is a balance of the City leading by example, providing education and financial support to residents and businesses to implement energy efficiency, and creating long-term programs that will help the City, residents, and businesses meet local, regional, and State greenhouse gas reduction goals. Staff's recommended plan reduces energy use for city facilities, commercial facilities, and residents' homes, reduces greenhouse gas emissions, creates jobs, leverages funds, and funds the development of long-term programs that will sustain the jobs created. A more detailed description of the programs can be found in the background section of this report (Attachment 1).

The EECBG funding staff is recommending to commit to the La Valentina development project is subject to La Valentina securing a Proposition 1C grant. If La Valentina does not secure a Proposition 1C grant, staff recommends that the \$585,781 be reprogrammed for use in the Sacramento City Energy Efficiency Retrofits for Facilities program.

Policy Considerations: Staff's recommended application for the \$4.7 million in EECBG funds is consistent with Mayor and Council's Sustainability Master Plan goals. The list of recommended programs and projects in the application are a balance of leading by example, providing the community with resources to do their part for the economy and in reducing their own energy use, and planning for

the future. Staff worked closely with Sacramento Municipal Utility District (SMUD) and the County of Sacramento to come up with a regional energy efficiency plan that works for the community, the city, and the region.

Commission/Committee Action: Not applicable

Environmental Considerations:

California Environmental Quality Act (CEQA):

Under the California Environmental Quality Act (CEQA) guidelines, continuing administrative activities do not constitute a project and are therefore exempt from review.

Sustainability Considerations: The recommended plan and strategy are consistent with the Sustainability Master Plan (SMP), 2009 Sustainability Implementation Plan, and the 2030 General Plan. The EECBG plan funds energy efficiency in city facilities, the regional green building, public education and outreach, and the Climate Action Plan, all programs/projects that have been previously approved by Mayor and Council via the SMP, 2009 Sustainability Implementation Plan, and the 2030 General Plan.

Rationale for Recommendation: Staff's recommendation is consistent with Mayor and Council adopted Sustainability Master Plan goals. Four of the recommended programs/projects have already been approved by Mayor and Council through the 2009 Sustainability Implementation Plan and the 2030 General Plan. Programs related to the Sustainability Implementation Plan include energy efficiency for City facilities, Climate Action Plan, Public Education and Outreach, and the Green Building Taskforce. Finally, staff's recommendation meets all the EECBG requirements, principles, and required outcomes. The plan reflects a regional approach to meeting energy efficiency reductions and in meeting our local, regional and state targets for greenhouse gas reductions.

Staff worked closely with SMUD, Sacramento County, Community Resources Project, SHRA, and others, to determine the best balance of programs and projects. SHRA will receive funds to improve low income homes including the energy efficiency of homes. The Community Resource Project will receive approximately \$7 million to retrofit low income residents' homes in Sacramento City and County. Staff's recommended plan represents a balance of the City leading by example, providing education and financial support to residents and businesses to implement energy efficiency, and creating long-term programs that will help our the City, residents, and businesses meet local, regional, and State green house gas reduction goals.

Financial Considerations: The City has been allocated \$4.7 million in Energy Efficiency and Conservation Block Grant funding. There is no impact to the General

Fund as a result of this grant and there is no requirement for matching with City funds. To receive the funds the City must submit an application to the Department of Energy on or before June 25, 2009. Once the application is approved by DOE, which we expect will be 60 days after the application is submitted, 50 percent of the funding will be made available to the City. The City must demonstrate progress in creating jobs and reducing energy use for 3-6 months before we receive the remaining first fifty percent of the funding.

Emerging Small Business Development (ESBD): No goods or services are being purchased as a result of this report.

Respectfully Submitted by: 
Yvette Rincon
Senior Management Analyst

Approved by: 
Reina J. Schwartz
Director, Department of General Services

Recommendation Approved:


Ray Kerridge
City Manager

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Background

Energy Efficiency and Conservation Strategy (Application Requirement)

The Energy Efficiency and Conservation Block Grant requires applicants to submit an Energy Efficiency and Conservation Strategy. The City of Sacramento's Energy Efficiency and Conservation Strategy (EECS) is based on a policy framework established in two key planning documents: the City's Sustainability Master Plan (SMP) and the Sacramento 2030 General Plan (2030 GP).

On December 18, 2007, City Council adopted Resolution No. 2007-944 identifying goals and targets for Energy Independence; Climate Protection; Urban Design, Land Use, Green Building and Transportation; and other relevant focus areas that contribute to overall reduction in energy use through greater efficiency. Specific goals and targets in the SMP's Energy Independence focus area provide the primary framework for the EECS and are consistent with the overall purpose and core principles of the EECS Program.

SMP Energy Independence Goals:

1. Significantly reduce the use of fossil fuels.
2. Improve the availability of locally and regionally produced renewable energy.
3. Improve energy efficiency.
4. Reduce peak electrical demand.
5. Provide long term affordable and reliable energy that has no price volatility.
6. Replace or renovate obsolete energy or resource inefficient infrastructure (buildings, facilities, systems, etc.).
7. Encourage and recruit green technology companies to locate in the City.

SMP Energy Independence Targets:

1. Work to maximize local and regional renewable energy production with the goal that fifty percent of the energy (electricity, natural gas, motor fuels) consumed within the Sacramento Area Council of Governments (SACOG) region be produced within the SACOG region.
2. By 2020, city operations will be substantially fossil free (electricity, motor fuels).
3. By 2030, energy consumption (electricity, natural gas, motor fuels) of City facilities on a unit basis will be 25% less than the baseline year of 2005.
4. By 2030, energy consumption (electricity, natural gas, motor fuels) per capita for the Sacramento community will be reduced by 25% relative to 2005.
5. By 2030, peak electrical demand of City facilities as measured by annual load factor (energy consumed divided by peak summer electrical demand) will be 75%.
6. By 2015, the SACOG region will have added 20,000 new jobs to the renewable/clean energy sector.

The 2030 GP, adopted in March 2009, is a comprehensive citywide plan that guides future growth and development. The 2030 GP reflects or incorporates many of the SMP goals and targets related to energy efficiency, conservation and overall sustainability, and it also identified additional policies and implementation programs that expanded on the SMP's broad goals and targets.

City Of Sacramento Plan for the Energy Efficiency and Conservation Block Grant

Staff's recommended spending plan for the \$4.7 million EECBG moves the City toward reaching its Sustainability Master Plan goals and the 2030 General Plan goals. The spending plan is a balance of the City leading by example, providing education and financial incentives to residents and businesses to implement energy efficiency, and creating long-term programs that will help the City, residents, and businesses meet local, regional, and State greenhouse gas emission reduction goals.

Sacramento City Energy Efficiency Retrofits for Facilities - \$2,514,219

Staff recommends using approximately \$2.5 million to fund energy efficiency retrofits for City facilities. The Department of General Services has already begun the process of reviewing City facilities and has a list of projects that can be completed within the required timeframe. This project will result in the creation of approximately 33.7 jobs, \$430,000 in annual energy savings dollars, and 4.1 million kWh and therms in annual energy saved (electricity and gas).

City Facilities – Pannell Community Center, Clunie Community Center, Central Library, Parking Garage, and Convention Center.

Green Development Projects - \$585,781

Staff recommends a \$585,781 grant for the La Valentina development project, which is subject to La Valentina being awarded Proposition 1C funds. If La Valentina is not awarded a Proposition 1C grant, staff recommends that these funds be added into City energy efficiency retrofits. The La Valentina project is a transit oriented development comprised of 81 affordable apartments and ground floor commercial. The entire development will be designed to achieve LEED silver for Homes certification and will provide sustainable housing, commercial uses, and a transit venue. The grant funds will be used to offset the cost for the LEED project components.

Sacramento Community Climate Action Plan Development - \$200,000

Staff recommends \$200,000 for development of the City of Sacramento *Community Climate Action Plan* (CCAP). The CCAP will provide a comprehensive plan for reducing greenhouse gas (GHG) emissions consistent with the City's goals established in the Sustainability Master Plan and the 2030 General Plan. The CCAP will include a GHG reduction target, strategies and specific actions for reducing municipal operations and community-wide greenhouse gas (GHG) emissions. In addition, the CCAP will position the City to compete for energy conservation and air quality grant funding, and strategically identify areas in which to direct funds. Finally, it will help the City prepare for the pending changes to the State regulatory environment; pursuant to Global Warming Solutions Act of 2006 (AB32) and SB 375.

Regional Green Building Taskforce - \$100,000

Staff recommends \$100,000 for staff time for implementation of a Regional Green Building Taskforce. The City and County will be jointly participating and funding the taskforce to make recommendations on regional green building requirements.

Public Outreach and Education - \$100,000

Staff recommends \$100,000 for public outreach and education. This funding will be used to educate the public about the opportunities for SMUD incentives created by the Sacramento Regional Energy Alliance. In addition, we will be educating the public on the federal tax credits available for solar and energy efficiency. Finally, we will educate the public of the work the City will be doing with the stimulus funds. This could be a combination of staff time and/or consultant work.

Sacramento Regional Assessment Financing Program Development (AB 811) - \$100,000

Staff recommends \$100,000 for the development of a regional assessment financing program. This program would include a countywide special financing district which would provide a financial tool for residents to implement energy efficiency and solar improvements in their homes. The program would allow residents to pay for energy efficiency and solar improvements via an assessment on their property taxes. This program would leverage a tremendous amount of funds, create jobs, and reduce energy use on a regional level. This program is a critical component in ensuring that the jobs created by the stimulus funds are sustained over the long-term.

The City has formed a partnership to work on this program at a regional level. The partnership includes SMUD, Sacramento County, Community Resource Project, and Valley Vision. At this point the City and County have decided to jointly dedicate EECBG funds to set up the financing district countywide and develop the program requirements. It is reasonable to believe that our other partners may contribute funds as well.

Staff is also seeking approval to submit a joint application with our regional partners to the California Energy Commission (CEC) and the U.S. Department of Energy (DOE) for funding to seed the program, provide incentive funds to spur the level of market penetration and job creation needed, and for job training to ensure the workforce is in place and prepared to take on the work this program will generate. At the time this report was written the guidelines for both the CEC and DOE funding had not been released, however, staff believes that this will be an acceptable application for the funds.

Sacramento Regional Energy Alliance - \$908,000

Staff recommends \$908,000 for focused and enhanced rebates to City residents for residential and commercial energy efficiency retrofits. SMUD has developed the Sacramento Regional Energy Alliance which is a regional energy efficiency partnership between local jurisdictions, educational institutions, other agencies and SMUD. The partnership will work to reduce energy use in the residential and commercial sectors

and create sustainable jobs. The Partnership has developed a strategy that includes opportunities for all residents and businesses to install energy efficiency measures through incentives at levels appropriate to their individual situations and potential energy savings. This approach includes conducting a comprehensive energy audit, determining an energy efficiency rating of the home or business, developing a list of the most cost effective energy efficiency measures to install, providing rebates for measures installed and educating residents and business owners on financing opportunities. This strategy leads to smart investments in homes and businesses that will create jobs, reduce energy use and bills, and put money back in peoples' pockets. This proposal will reach approximately 3,000 homes and businesses, leverage SMUD's \$8 million program, create approximately 115 jobs, and save residents up to \$337,500 annually in savings from energy efficiency.

Grant Administration - \$200,000

At this time staff recommends \$200,000 for grant administration. This will be for the staff time required to provide quarterly reports, annual reports, reporting on specific metrics for each activity, tracking expenses by activity, and abiding by the Davis Bacon Act requirements. The U.S. Department of Energy will award the City 50 percent of the funding 60 days after we submit our application and will award the remaining 50 percent after we demonstrate progress in reducing energy and creating jobs. It is critical that we establish the proper reporting and accounting system to secure all the grant funding as well as report out on the use of the funds.

RESOLUTION NO. 2009-XXXX

Adopted by the Sacramento City Council

May 22, 2009

AUTHORIZING THE ACCEPTANCE AND EXECUTION OF A 2009 FEDERAL ENERGY EFFICIENCY AND CONSERVATION BLOCK GRANT WITH THE U.S. DEPARTMENT OF ENERGY IN THE AMOUNT OF \$4.7 MILLION

BACKGROUND

- A. The American Recovery and Reinvestment Act of 2009 appropriated \$3.2 billion for the Energy Efficiency and Conservation Block Grant (EECBG) Program, most of which (over \$2.7 billion) will be distributed through formula grants on a per capita basis.
- B. The City has been allocated \$4.7 million in EECBG funds.
- C. The City must submit an application for the \$4.7 million in EECBG Funds on or before June 25, 2009.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. The City Manager or the City Manager's designee is hereby authorized to submit an application to the U.S. Department of Energy (DOE) for \$4.7 million, to accept the funding, and execute an agreement with DOE for the Energy Efficiency and Conservation Block Grant funding.
- Section 2. Establishment of an Energy Efficiency and Conservation Block Grant project is hereby approved.
- Section 3. The City Manager or the City Manager's designee is authorized to establish revenue and expenditure budgets for the grant project in the amount of \$4.7 million.

RESOLUTION NO. 2009-XXXX

Adopted by the Sacramento City Council

May 22, 2009

AUTHORIZING THE COMMITMENT OF \$585,781 TO LA VALENTINA IN AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 ENERGY EFFICIENCY AND CONSERVATION BLOCK GRANT FUNDING

BACKGROUND

- A. The American Recovery and Reinvestment Act of 2009 appropriated \$3.2 billion for the Energy Efficiency and Conservation Block Grant (EECBG) Program, most of which (over \$2.7 billion) will be distributed through formula grants on a per capita basis.
- B. The City has been allocated \$4.7 million in EECBG funds.
- C. The City will commit \$585,781 in EECBG funds to the La Valentina project, if this project is awarded Proposition 1C grant funding.
- D. The La Valentina project is a transit oriented development comprised of 81 affordable apartments and ground floor commercial. The entire development will be designed to achieve LEED silver for Homes certification and will provide sustainable housing, commercial uses, and a transit venue. The grant funds will be used to offset the cost of the LEED project components.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. The City Manager or the City Manager's designee is hereby authorized to commit \$585,781 to La Valentina, subject to the project being awarded Proposition 1C funds. If the project is not awarded Proposition 1C funds, the EECBG funding will be reprogrammed into the Sacramento City Energy Efficiency Retrofits for Facilities program.