



REPORT TO COUNCIL

City of Sacramento

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Staff Report
November 24, 2009

Honorable Mayor and
Members of the City Council

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

Location/Council District: Citywide

Recommendation: Adopt a **Resolution:** 1) amending the spending plan for the Energy Efficiency and Conservation Block Grant funding; 2) establishing the Federal Energy Efficiency capital improvement project (C13001600) with a \$1.91 million revenue and expenditure budget; 3) establishing the Federal Energy Efficiency Grant Project (G13000050) with a \$2.798 million revenue and expenditure budget; 4) adding a 1.0 limited term full-time equivalent (FTE) Associate Mechanical Engineer to the Department of General Services to manage the energy efficiency retrofits for City facilities; and 5) establishing reimbursements from C13001600 to the Department of General Services for the costs associated with the 1.0 limited term FTE for the term of the project.

Contact: Yvette Rincon, Sustainability Program Manager, 916-808-5827

Presenters: Yvette Rincon

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).

The City has been allocated \$4.7 million in EECBG funding and on May 22, 2009 City Council adopted Resolution No. 2009-319 authorizing submission of an application for, and acceptance of, the funding. On November 9, 2009, staff received notification that the funding was approved.

This report recommends reprogramming a portion of the EECBG funds for the following reasons: 1) one of the initial projects (the La Valentina development project) no longer needs EECBG funding; 2) energy efficiency retrofits in City facilities will be installed by City staff; 3) there is an opportunity to opt into a statewide AB 811 program and therefore a need to provide local customer service for AB 811; and 4) updated cost estimates on some of the planning projects.

Some of the major changes to the EECBG spending plan include:

- funding an LED street lighting pilot project;
- funding a small business energy efficiency pilot program;
- funding a full time limited-term employee for three years to manage and implement internal energy efficiency improvements in City facilities and manage an energy efficiency revolving loan fund;
- increasing the funding for the AB 811 program to cover city staff time and education and outreach for the program; and
- increasing the funding for the Climate Action Plan.

Policy Considerations: The recommended reprogramming of the City's EECBG funds is consistent with City Council's Sustainability Master Plan goals. The recommended reprogramming continues the balance of leading by example, provides the community with resources to do its part for the economy and to reduce its 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 CEQA guidelines, continuing administrative activities do not constitute a project and are therefore exempt from review.

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

Rationale for Recommendation: The recommendations in this report are consistent with City Council's adopted Sustainability Master Plan goals. Four of the recommended programs/projects have already been approved by the City 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, the recommendations meet all the EECBG requirements, principles, and required outcomes. The plan reflects a regional approach to meeting energy efficiency reductions and in meeting 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. 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 the City, its residents, and businesses meet local, regional, and state greenhouse gas reduction goals.

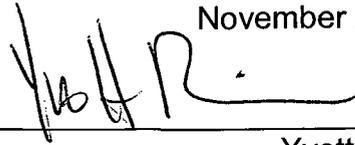
Financial Considerations: The City has been allocated \$4.7 million in Energy Efficiency and Conservation Block Grant funding. There is no impact to the General Fund as a result of this grant and there is no requirement for matching with City funds.

This report recommends establishing the Federal Energy Efficiency capital improvement project (C13001600) with a \$1.91 million revenue and expenditure budget, and the Federal Energy Efficiency Grant Project (G13000050) with a \$2.798 million revenue and expenditure budget to implement the projects identified in Attachment 1. In addition, this report recommends adding a 1.00 limited term FTE Associate Mechanical Engineer to the Department of General Services to manage the energy efficiency retrofits in City facilities. It is anticipated that this position will be needed for a three-year term. The cost of this position will be fully offset by reimbursements from C13001600.

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

November 24, 2009

Respectfully Submitted by:



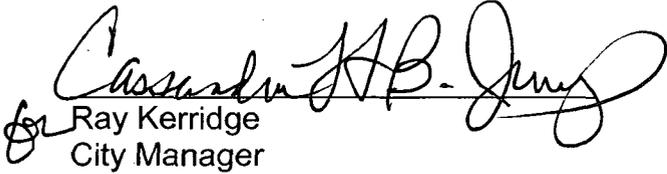
Yvette Rincon
Sustainability Program Manager

Approved by:



Reina J. Schwartz
Director, Department of General Services

Recommendation Approved:



Ray Kerridge
City Manager

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Attachment 1

Background

On May 22, 2009, City Council adopted Resolution No. 2009-319 authorizing submission of an application for the City's \$4.7 million Energy Efficiency and Conservation Block Grant allocation. On November 9, 2009, staff received notification that the funding was approved. Due to changes in projects from the time of City Council approval, staff is recommending the changes reflected in the table below.

Project	Current Allocation	Recommended Allocation
Federal Energy Efficiency Capital Improvements		
Energy Efficiency Retrofits for Facilities	\$2,514,000	\$1,810,000
LED Street Lighting Pilot Project	\$0	\$100,000
Federal Energy Efficiency Grant Projects		
Climate Action Plan	\$200,000	\$250,000
Regional Green Building Taskforce	\$100,000	\$100,000
Public Outreach and Education	\$100,000	\$100,000
Regional Assessment Financing Program	\$100,000	\$740,000
Regional Energy Alliance	\$908,000	\$908,000
Grant Administration	\$200,000	\$200,000
Small Business Energy Efficiency Pilot Project	\$0	\$500,000
La Valentina	\$586,000	\$0
Total	\$4,708,000	\$4,708,000

**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 EECBG 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, its residents, and businesses meet local, regional, and state greenhouse gas emission reduction goals. Staff is recommending the following spending plan:

Federal Energy Efficiency Capital Improvements (C13001600): A capital project will be used to deliver improvements to City owned facilities/assets and will include the following improvements:

- Sacramento City Energy Efficiency Retrofits for Facilities - \$1,810,000
Staff recommends using approximately \$1.8 million to fund a limited term position to manage energy efficiency retrofits for City facilities and to fund the actual improvements. Approximately, \$1 million will be used to create a revolving loan program whereby the energy savings from the improvements will be used to pay back the cost of the improvement. The Department of General Services will set up the revolving loan to be able to continue to have a sustained source of funds to continue this type of work for the City. The energy efficiency projects over the next three years will be for Pannell Community Center, Clunie Community Center, Central Library, and Plaza Parking Garages. The other \$800,000 will be used for staff time, replacing old energy management controls, and software needed for monitoring and verifying energy savings.
- LED Street Lighting Pilot - \$100,000
Staff recommends \$100,000 for an LED street lighting pilot project. This project proposes to retrofit ornamental and mast-arm street lights in the Central Business and Midtown areas with energy-efficient light-emitting diode (LED) lamps. By replacing existing high-pressure sodium lamps with LED, the City expects to reduce energy consumption by 50 watts per light during a typical 10-hour on-time each day. The total energy savings is expected to be 180 KWH per light annually. The goal of this project is to demonstrate that LED is more energy efficient and cost effective. The City is also hoping to motivate the LED industry to develop LED products compatible with existing historical/ornamental street lights. This style of street light is the most dominant design used throughout the City. It is estimated that the City owns and operates over 30,000 ornamental street lights. If all of these lights are retrofitted with LED lamps, the estimated energy savings may be up to 5.4 million KWH annually, yielding a potential annual cost savings of over \$500,000. In addition, the City owns over 10,000 mast-arm street lights that may contribute another \$125,000 of annual cost savings.

Federal Energy Efficiency Grant Project (G13000050): A grant project will be used to administer the City's energy efficiency programs under the EECBG and includes the following components:

- Sacramento Community Climate Action Plan Development - \$250,000
Staff recommends \$250,000 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 the 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 jointly participate and fund 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) - \$740,000
Staff recommends \$740,000 to cover a portion of City staff time over three years as well as program staffing and education and marketing of the AB 811 program. This program is a voluntary special financing district which would provide loans to 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 at a regional level for this program. The partnership includes SMUD, Sacramento County, City of Folsom, City of Citrus Heights, City of Rancho Cordova, City of Galt, Yolo County, and City of Davis and Valley Vision. This group will leverage its EECBG funds to cover a year's worth of program staffing and education and outreach for the program. In addition, this group along with 11 other counties and cities within those counties

will compete for additional stimulus funding to cover an addition 1-2 years worth of cost.

- 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, 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.

- Small Business Energy Efficiency Pilot Program - \$500,000

Staff recommends \$500,000 for a Small Business Energy Efficiency Pilot Program. SMUD will develop a pilot program that will target small businesses within the City of Sacramento for comprehensive and cost-effective energy efficiency upgrades, including lighting retrofits, refrigeration and HVAC improvements, vending machine controls, and other efficiency measures. This program will offer turnkey services to small business customers, from the initial energy audit to product installation. Rebates will ensure that the energy efficiency measures are cost-effective for the customer, and SMUD will offer financing for any remaining out-of-pocket costs.

The \$500,000 in EECBG funds allocated to this program will fund rebates, energy audits and project development, customer education, benchmarking assistance, and the oversight and inspection of retrofit jobs. SMUD will leverage its existing staff resources to oversee the program, provide additional quality control, and collect program data for ARRA reporting requirements. SMUD will also provide financing for projects through its existing loan program. If the pilot program proves successful, SMUD could fund the continuation of this program through its energy efficiency budget.

SMUD estimates that the pilot program will be able to provide energy efficiency improvement for 75 - 125 small businesses in the City of Sacramento. The small business retrofit program can additionally be targeted to redevelopment areas within the City of Sacramento. Small businesses that participate in this program can expect immediate savings on their energy bills – anywhere from 20-30%. With SMUD financing, these businesses can see a positive cash flow from day one, with no capital outlay. The pilot program is expected to save approximately 2.4GWh and 0.3MW.

RESOLUTION NO. 2009-XXXX

Adopted by the Sacramento City Council

November 24, 2009

AUTHORIZING AMENDING THE SPENDING PLAN FOR THE 2009 FEDERAL ENERGY EFFICIENCY AND CONSERVATION BLOCK GRANT, ESTABLISHING CAPITAL IMPROVEMENT AND GRANT PROJECTS, ADDING A 1.0 LIMITED TERM FTE, AND ESTABLISHING A REIMBURSEMENT BUDGET FOR THE FTE

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 awarded \$4.7 million in EECBG funds.

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

- Section 1. The spending plan for the Energy Efficiency and Conservation Block Grant funding is amended as set forth in Exhibit A incorporated into this resolution.
- Section 2. The Federal Energy Efficiency capital improvement project (C13001600) with a \$1.91 million revenue and expenditure budget is hereby established.
- Section 3. The Federal Energy Efficiency Grant Project (G13000050) with a \$2.798 million revenue and expenditure budget is hereby established.
- Section 4. A 1.00 limited term full-time equivalent (FTE) Associate Mechanical Engineer is hereby added to the Department of General Services to manage the energy efficiency retrofits for City Facilities.
- Section 5. A reimbursement budget from C13001600 to the Department of General Services is hereby established for the costs associated with the 1.0 limited term Associate Mechanical Engineer FTE for the term of the project.

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Exhibit A

Summary of EECBG Program Funding

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