



# REPORT TO COUNCIL

## City of Sacramento

915 I Street, Sacramento, CA 95814-2604  
www.CityofSacramento.org

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Consent  
January 12, 2010

Honorable Mayor and  
Members of the City Council

**Title: Resolutions Authorizing the Lead Collaborative Entities to Apply for State Energy Program Funds on Behalf of the City of Sacramento**

**Location/Council District:** Citywide

**Recommendation:** Adopt a **Resolution** 1) authorizing the County of Sacramento to apply for up to \$1.3 million in State Energy Program funding for Assembly Bill (AB) 811 projects on behalf of the City; and b) if recommended for funding, authorizing the County of Sacramento to accept a grant award on behalf of the City and to enter into all necessary contracts and agreements, and amendments thereto, on its behalf to implement the grant; and 2) Adopt a **Resolution** 1) authorizing Sacramento Municipal Utility District (SMUD) to apply for up to \$20 million in State Energy Program funding for residential energy efficiency rebates on behalf of the City; and 2) if recommended for funding, authorizing SMUD to accept a grant award on behalf of the City and to enter into all necessary contracts and agreements, and amendments thereto, on its behalf to implement the grant.

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

**Presenters:** Not applicable

**Department:** General Services

**Division:** Office of the Director

**Organization No:** 13001021

### **Description/Analysis**

**Issue:** As part of the American Recovery and Reinvestment Act of 2009 (ARRA), the California Energy Commission is providing up to \$95 million in State Energy Program (SEP) competitive funds for programs focused on existing residential and commercial building energy and water efficiency retrofits. This funding is available to local jurisdictions, non-profits and private organizations. These groups were

encouraged to create partnerships and apply for program funding under a competitive solicitation process for three different program areas: the California Comprehensive Residential Building Retrofit Program; the Municipal and Commercial Building Targeted Measure Retrofit Program; and the Municipal Financing Program.

City staff has been working on a statewide collaborative application for the Municipal Financing Program category of SEP funding. The County of Sacramento volunteered to be the lead applicant for this application. Therefore, this report recommends that City Council adopt a resolution, as required by the California Energy Commission, to allow the County of Sacramento to apply for this funding on behalf of the City. All other collaborative members are bringing similar resolutions to their legislative boards. Represented within the collaborative are 14 counties, 160 cities, California Communities (a joint powers agency sponsored by the California State Association of Counties and the League of California Cities), Renewable Funding (a private company), and Ecology Action (a non-profit). The total funding amount being requested is \$16.5 million. Exhibit A, on page eight, identifies the uses of the funding. If the application is awarded funding, approximately \$1.3 million will be allocated to the Sacramento and Yolo County regions for AB 811 program outreach, marketing, and training.

In addition, City staff has participated in a regional collaborative application led by SMUD for the Comprehensive Residential Building Retrofit Program category of SEP funding. Therefore, this report recommends that City Council adopt a resolution, as required by the California Energy Commission, to allow SMUD to apply for this funding on behalf of the City. Represented within the collaborative are the City of Sacramento, County of Sacramento, City of Rancho Cordova, City of Folsom, City of Elk Grove, City of Citrus Heights, and City of Galt. The funding request for this application will be approximately \$20 million. If funding is awarded, it will be spent within SMUD customer territory and will fund performance-based rebates, Home Energy Rating System Phase II (HERSII) testing, marketing, administration, contractor training, coordination with a proposed AB811 program, and partnering with the Sacramento Housing and Redevelopment Agency's Neighborhood Stabilization Program, and Community Resource Project's weatherization program. With SEP funding, SMUD expects to reach about 15,000 homes, leverage \$83 million, and create approximately 911 jobs.

Both applications were due December 21, 2009, and notice of award is expected on February 11, 2010.

**Policy Considerations:** The City has partnered on both of the State Energy Program applications described in this report. If the applications are successful, the funding will be spent to promote and implement energy efficiency in residential and commercial property as well as AB 811. Energy efficiency and AB 811 go hand in hand and are consistent with the City Council's strategic priorities as well as the Sustainability Master Plan.

**Environmental Considerations:**

**California Environmental Quality Act (CEQA):** Approval of the program for financing energy efficiency, energy conservation, renewable energy, and other energy related projects and activities authorized by ARRA is not a “project” under CEQA, because the program does not involve any commitment to a specific project which may result in a potentially significant physical impact on the environment, as contemplated by Title 14, California Code of Regulations, Section 15378(b)(4).

SMUD has determined that approval of the residential energy efficiency projects are “projects” under CEQA that are exempt under CCR Class 1A (§15301) and Class 22A (§15322), because the projects affect existing facilities or are educational or training programs involving no physical changes.

**Sustainability Considerations:** If awarded SEP funding, residents in the City will have access to funding that will help them reduce their energy bills as well as reduce their greenhouse gas emissions.

**Rationale for Recommendation:** Over the past two months, City staff has been working on collaborative applications for SEP funding because it presents the most competitive option for bringing funding to the City. As a result, the application process requires that members of the collaborative provide resolutions authorizing the lead applicant to apply on its behalf.

Both applications are consistent with and support the City Council direction of developing and implementing an AB 811 program. Over the past six months, City staff has been working on the development of an AB 811 program. As demonstrated in an economic analysis<sup>1</sup> commissioned by the regional partnership, AB 811 has tremendous economic stimulus potential. The analysis indicates that one percent participation countywide in an AB 811 program would create up to 700 jobs, \$170 million in economic output, \$30 million in employee compensation, and \$10 million in state and local tax generation.

**Financial Considerations:** This report does not result in any financial impact to the City’s General Fund.

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

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<sup>1</sup> The economic analysis was completed by the Center for Strategic Economic Research, an economic research and consulting group affiliated with the Sacramento Area Commerce and Trade Organization (SACTO).

Respectfully Submitted by: PEPPER JENSEN  
For Yvette Rincon  
Sustainability Program Manager

Approved by: Reina J. Schwartz for 2  
Reina J. Schwartz  
Director, Department of General Services

Recommendation Approved:

Cassandra H.B. Jensen  
for Ray Kerridge  
City Manager

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**Attachment 1**

**Background**

On July 21, 2008, AB 811 was signed into law, amending Chapter 29 of Part 3 of Division 7 of the California Streets and Highways Code, to provide California counties and cities with a new authority to help property owners finance energy improvements on their property. Specifically, AB 811 authorizes the establishment of contractual assessment districts to finance energy efficiency and/or distributed renewable energy generation improvements (i.e. solar panels) that are permanently fixed to residential or commercial real property. Participation is voluntary and property owners who participate would repay the assessments on their property tax bills over a specified length of time. If the property owner sells the property, the assessment balance is transferred to the next owner. This type of program eliminates the need for a property owner to provide the upfront costs for energy improvements, which can serve as a barrier for some property owners. There are two California jurisdictions that are implementing these types of AB 811 contractual assessment programs. The City of Palm Desert started its program in August 2008 and Sonoma County (with all its incorporated cities opting into the County's program), started its program in March 2009. The City and County of San Francisco, the Association of Bay Area Governments, and several southern California jurisdictions are in the process of developing their own AB 811 programs. The City of Berkeley was the first to create a property tax based program. However, its program is not an AB 811 program but a Mello-Roos program.

SMUD recently administered an online survey for its customer base that tested the concept of an AB 811-type program within its service area. Nearly 5,000 SMUD customers responded to the survey, and 43 percent of those customers expressed interest in property tax-based financing of energy improvements to their home. The SMUD survey results provide an early indication of potential market penetration, but market changes and final program details may affect consumer attitudes and purchase behavior.

As part of ARRA, the City is authorized to receive \$4,708,000 in federal grant funds from the Energy Efficiency and Conservation Block Grant Program. On November 24, 2009, the City Council approved the Energy Efficiency and Conservation Strategy for this grant that earmarked \$740,000 of the grant funding for the development of a Regional AB 811 program. The County of Sacramento has also allocated a portion of its EECBG funds towards AB 811 program development.

In addition, the United States Department of Energy has allocated \$226 million in ARRA funds to the California Energy Commission (CEC) for the SEP. Up to \$95 million in SEP funds will be made available to local jurisdictions, through a competitive proposal process, for energy efficiency retrofit programs such as an AB 811 program. The current guidelines for this funding indicate that jurisdictions that have established or are on their way to establishing a regional AB 811 program will be more favorably evaluated on their proposals. In addition, applications that can provide leverage funding to the program will also be evaluated more favorably.

**Attachment 2**

**RESOLUTION NO. 2010-XXXX**

**Adopted by the Sacramento City Council**

**January 12, 2010**

**AUTHORIZING THE COUNTY OF SACRAMENTO TO APPLY FOR STATE ENERGY PROGRAM FUNDS ON BEHALF OF THE CITY OF SACRAMENTO**

**BACKGROUND**

- A. The City recognizes that it is in the interest of the regional, state, and national economy to stimulate the economy; create and retain jobs; reduce fossil fuel emissions; and reduce total energy usage and improve energy efficiency within our jurisdiction.
- B. State Energy Program (SEP) funds are available through the California Energy Commission for grants to eligible local governments for energy efficiency, energy conservation, renewable energy, and other energy related projects and activities authorized by the American Recovery and Reinvestment Act of 2009 (ARRA).
- C. SEP allows for cities, counties, or groups of cities and counties in California to apply for SEP funds on behalf of eligible local governments.
- D. The City is eligible for funding under the California Energy Commission's SEP.
- E. The City is proposing to collaborate with the County of Sacramento to implement a program for financing the energy efficiency, energy conservation, renewable energy, and other energy related projects and activities authorized by ARRA, which program is described in Exhibit A for the purpose of qualifying for SEP funds from the California Energy Commission.
- F. The City has considered the application of the California Environmental Quality Act (CEQA) to the approval of the program for financing energy efficiency, energy conservation, renewable energy, and other energy related projects and activities authorized by ARRA described in Exhibit A.

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

- Section 1. In compliance with CEQA, City Council finds that the approval of the program for financing energy efficiency, energy conservation, renewable energy, and other energy related projects and activities authorized by ARRA described in Exhibit A is not a "project" under CEQA, because the

program does not involve any commitment to a specific project which may result in a potentially significant physical impact on the environment, as contemplated by Title 14, California Code of Regulations, Section 15378(b)(4)).

Section 2. City Council authorizes the County of Sacramento to apply for up to \$1.3 million in State Energy Program funding for Assembly Bill 811 projects on behalf of the City.

Section 3. If recommended for funding, City Council authorizes the County of Sacramento to accept a grant award on its behalf and to enter into all necessary contracts and agreements, and amendments thereto, on its behalf to implement and carry out the program for financing the projects described in Exhibit A.

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Exhibit A: Collaborative Proposal Summary Pgs. 8-10

**Exhibit A**

California Energy Commission State Energy Program  
CaliforniaFIRST Collaborative Proposal  
Summary of Proposal Scope & Budget Framework

**Description of Program Proposal**

Under the lead applicant, Sacramento County, the 14 counties eligible to participate in the pilot stage of the CaliforniaFIRST Program are collaborating on a proposal to the California Energy Commission State Energy Program for a grant of up to \$16.5 million. The grant funds will be used to offset initial fees associated with bond issuance, start-up costs for the 14 counties and all incorporated cities, an interest rate buy-down, local marketing/education/training/outreach, local coordination, and grant administration to support the launch of the CaliforniaFIRST municipal financing program.

**CaliforniaFIRST Program County Participants and Proposal Collaborators**

- |            |                   |               |           |
|------------|-------------------|---------------|-----------|
| ✓ Alameda  | ✓ Sacramento      | ✓ San Mateo   | ✓ Ventura |
| ✓ Fresno   | ✓ San Benito      | ✓ Santa Clara | ✓ Yolo    |
| ✓ Kern     | ✓ San Diego       | ✓ Santa Cruz  |           |
| ✓ Monterey | ✓ San Luis Obispo | ✓ Solano      |           |

**Budget Basics**

**1. CaliforniaFIRST financing costs and fees (~\$6M)**

Guided by California Communities and the CaliforniaFIRST Program Administrator Renewable Funding, this program element will:

- buy-down the interest rate on the initial round(s) of projects financed by the CaliforniaFIRST Program,
- cover fixed costs associated with initial bond counsel; bond disclosure, fiscal agent and bond rating,
- cover legal and validation costs, and
- cover the deployment of technology (web portal) to support local programs.

**2. Grant/Contract Administration & Steering Committee Liaison: (~\$2.0M)**

On behalf of the applicant agency, grant/contractor administration duties include gathering relevant reporting information from all partner jurisdictions and CaliforniaFIRST, financial oversight and invoicing, contract administration, tracking, monitoring, and oversight of deliverables. In addition, the grant administrator will serve as the partner liaison between all participating steering committees to maintain coordination and consistency on the local marketing efforts between parties as well as provide marketing and contract technical assistance, training, and advice to participating agencies. The Grant Administrator will also coordinate local efforts with those programs funded under the California Comprehensive Residential Building Retrofit Program.

**3. Regional Program Coordination & Marketing: (~\$8.0M)**

In line with the overall project goals, funding has been budgeted on a regional basis to each of the six primary program regions in the following amounts, based on total number of Counties:

- Capitol Region (Sacramento/Yolo): \$1,300,000
- Central Valley Region (Fresno/Kern): \$1,150,000
- Bay Area Region: (Alameda/San Mateo/Santa Clara/Solano): \$2,300,000
- North Central Coast Region: (Monterey/Santa Cruz/San Benito): \$1,725,000
- South Central Coast Region: (Ventura/San Luis Obispo): \$1,150,000
- Southern California Region: (San Diego): \$575,000.

This final program element serves to provide each region with the resources necessary to help facilitate the rapid adoption of energy efficiency and renewable energy generation system installations throughout the target area by connecting property owners to any and all available on-the-ground or proposed resources, and

services, providing a streamlined framework for easy navigation, reduced out-of-pocket expenses, and overall increased cost effectiveness for both participants and the program overall. The focus of the program will be to create region-wide (or county-wide, where appropriate) cooperative project design, implementation, marketing, and coordination to maximize economies of scale, take advantage of overlapping markets, and ultimately allow each dollar to go further to benefit all parties.

**Financing Costs and Fees**

**A. Financing Costs**

As Program Administrator of the California Communities CaliforniaFIRST Program, Renewable Funding will coordinate and provide program administration, financing, and legal services to support a robust statewide municipal financing program. Specific financing costs are concentrated at the start of the program and result in increased fees to a program participant, and therefore a higher effective interest rate. In order to lower the interest rate, the SEP funds will be used to cover bond disclosure counsel, bond rating fees, and a bond fiscal agent. In addition, a direct interest rate buy-down will be employed to achieve a bond rate that is equivalent to an A-rated bond, which is likely to be the bond rating later in the program.

**B. Set-up Fees**

A funding request equivalent to the city and county set-up fees will be included in the proposal. The costs for initial legal work and validation proceedings will be covered by this request. Additionally, the costs of establishing county web portals, importing local assessor's data, and maintaining the website will be part of this funding request.

**Suggested Major Marketing Program Coordination & Marketing Program Elements**

**A. Agency Coordination / Steering Committee Participation**

In recognition of the additional coordination time required to get new programs off the ground, individual counties may elect to include a modest amount of staff time for agency representatives to participate in the program steering committee and other activities to drive marketing program design, educational/marketing material development, form and protocol development, etc. By investing this time at the onset, we are able to develop a self-sustaining program for the long term. County agencies (that is, auditor/tax collector/controller) will receive a small percentage, incorporated into each loan, to cover regular ongoing program administration costs associated with maintaining the tax roll and collecting annual assessments in years beyond the grant term. Some jurisdictions may instead wish to contribute this time as project leveraged funds/resources to increase overall program cost effectiveness based on their individual needs and resources. Regional partnership may also elect to use a portion of the resources from this program element toward informal or formalized staff/personnel training within their jurisdictions.

**B. Education / Outreach/ Marketing**

Successful program adoption requires thoughtful design, convenient procedures, and a robust program education component to encourage and energize program participation. Achieving this goal, the project team will create clear, consistent, and thematic program branding imagery, educational and recruitment tools such as program brochures. The program will be supported by the CaliforniaFIRST web portal and links to new and existing partner and complementary websites, frequently asked questions, applications, and/or other program materials. In addition, the project will engage a wide-stretching network of partners to promote, recruit, and disseminate program information utilizing existing mechanisms of door-to-door outreach, community event tabling, workshops and presentations, or other appropriate energy efficiency and complementary program participation activities. Major elements might include:

- ✓ Outreach Promotional Materials: Brochures, Door-hangers, Postcard Mailers, Bill Inserts, etc.
- ✓ Program Marketing Advertisements: Print Ads, Radio/TV Ads, PSA Production
- ✓ Promotional Outreach Events, Trade Shows or Community Workshops
- ✓ Homeowner/Business/Contractor/Staff Training Seminars
- ✓ Sustainability Site Signage
- ✓ Green Building and/or LEED Certification Technical Assistance

**C. Community Coordinator / Partner Liaison / Supplies**

The community coordinator is envisioned to serve as the single point regional program coordinator to unify, inform, collaborate, and engage all program-parties in relation to local coordination and marketing efforts; respond to public inquiries; facilitate the education, outreach, marketing, recruitment; and promote program adoption by the target community. In addition the coordinator is responsible for coordinating with the grant administrator, tracking/reporting necessary progress and metrics, meeting/exceeding grant milestones and targets, incorporating required complementary program components, and working with CaliforniaFIRST to assure QA/QC measures are applied to all participating properties. Specific tasks will be driven by the overall project goals as well as the specific needs of each region and may include:

- ✓ **Coordination** with Grant Administrator/Steering Committee Liaison
- ✓ **Marketing Coordination** with CaliforniaFIRST Municipal Finance District
- ✓ **Facilitation** of local Regional Steering Committee Members and Partners
- ✓ **Assist** with Implementation Strategy, Documents, Procedures & Protocols Development
- ✓ **Guide** Promotion, Marketing, Education, Recruitment & Program Information Dissemination
- ✓ **Link** Program Participants to Regional Energy Efficiency & Complementary Programs
- ✓ **Connect** to Concurrent Complementary Workforce Development Training/Graduates
- ✓ **Administer** Regional Program Budget, Competitive Bidding, Other Program Transparency Reqs
- ✓ **Track** and/or compile, Monitor & Evaluate Program Progress, Energy Savings, GHG Reductions Achieved, Partner Leveraged Funds and Ancillary Environmental Benefits

**Sample County Budget**

A sample budget based on the above framework is provided below. Please note that these amounts are subject to change based on the actual needs of each participating jurisdiction as well as feedback obtained regarding funder and partner thresholds for competitiveness.

<i>Component</i>	<i>% Overall</i>	<i>Gross Benefit Per County</i>	<i>Net Benefit Per County</i>
1. CaliforniaFIRST Costs & Fees	39% <sup>A</sup>	\$ 428,571.43	-
2. Grant Administration & Technical Assistance	10%	\$ 107,142.86	-
3A. Steering Advisory Committee	10%	\$ 115,000.00	\$ 115,000.00
3B. Education, Outreach, Incentives, Marketing	23%	\$ 258,750.00	\$ 258,750.00
3C. Community Coordination	18%	\$ 201,250.00	\$ 201,250.00
<b>Total</b>	<b>100%</b>	<b>\$ 1,110,714.29</b>	<b>\$ 575,000.00</b>

**Grant Development Team:**

- **County of Sacramento**—Lead Agency (Applicant), will oversee grant writing, provide final edits and required signatures, and submit finalized proposal on behalf of entire collaborative team based on the approved proposed program scope and budget framework
- **Ecology Action**—Partner Grant Writer (Lead on Marketing), will develop narrative based on proposed program scope and budget framework, especially as it pertains to local coordination and marketing project administration, marketing/contract technical assistance, regional coordination, and marketing, to meet all grant requirements and maximize proposal competitiveness.
- **Renewable Funding**—Partner Grant Writer (Lead on Finance), will develop narrative based on proposed program scope and budget framework, especially for CaliforniaFIRST Program finance-related program elements, to meet all grant requirements and maximize proposal competitiveness.

**RESOLUTION NO. 2010-XXXX**

**Adopted by the Sacramento City Council**

**January 12, 2010**

**AUTHORIZING SACRAMENTO MUNICIPAL UTILITY DISTRICT TO APPLY FOR STATE ENERGY PROGRAM FUNDS ON BEHALF OF THE CITY OF SACRAMENTO**

**BACKGROUND**

- A. The City recognizes that it is in the interest of the regional, state, and national economy to stimulate the economy; create and retain jobs; reduce fossil fuel emissions; and reduce total energy usage and improve energy efficiency within our jurisdiction.
- B. State Energy Program (SEP) funds are available through the California Energy Commission's SEP Program for grants to eligible local governments for cost-effective energy efficiency projects.
- C. The SEP Program allows for public agencies or non-profit entities to apply for SEP funds on behalf of eligible local governments.
- D. The City is eligible for SEP funding under the California Energy Commission's SEP Program.
- E. The City is proposing to collaborate with Sacramento Municipal Utility District (SMUD) to implement the energy efficiency projects described in Exhibit A for the purpose of qualifying for SEP funds from the California Energy Commission.
- F. The City has considered the application of the California Environmental Quality Act (CEQA) to the approval of the energy efficiency projects described in Exhibit A.

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

Section 1. In compliance with CEQA, City Council accepts SMUD's findings that the approval of the energy efficiency projects described in Exhibit A are "projects" under CEQA that are exempt under CCR Class 1A (§15301) and Class 22A (§15322), because the projects affect existing facilities or are educational or training programs involving no physical changes.

Section 2. City Council authorizes SMUD to apply for up to \$20 million in State

Energy Program funding for residential energy efficiency rebates on behalf of the City.

Section 3. If recommended for funding, City Council authorizes SMUD to accept a grant award on behalf of the City and to enter into all necessary contracts and agreements, and amendments thereto, on its behalf to implement and carry out the projects described in Exhibit A.

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Exhibit A: SMUD/Sacramento Regional Energy Alliance Statement Pg. 13

**Exhibit A**

**SMUD STATE ENERGY PROGRAM PROPOSAL**

The Sacramento Municipal Utility District (SMUD), representing the Sacramento Regional Energy Alliance, a consortium of local governments, educational institutions, other non-profit and private companies, proposes to expand its Home Performance program to retrofitting and/or providing Home Energy Rating System Phase II (HERSII) audits to 15,150 homes over the next two years. The program aims to transform the Sacramento home performance marketplace and provide a model for other cities to follow. SMUD will request \$20,000,000 in State Energy Program grant funding for performance-based rebates, HERSII testing, marketing, administration, contractor training, coordination with a proposed AB811 program, and partnering with the Sacramento Housing and Redevelopment Agency's Neighborhood Stabilization Program, Community Resource Project's weatherization program and Consol's neighborhood program.

In the event that SMUD is awarded SEP funding for the California Residential Retrofit Program, SMUD will implement the Home Performance Program to bring energy efficiency retrofits to homes in Sacramento. Also, in the event of an SEP award, the City will be actively involved in the program by providing leveraged funds and in-kind marketing support at total value of \$908,000.

