



**BOARD OF SUPERVISORS  
AGENDA LETTER**

**Agenda Number:**

**Clerk of the Board of Supervisors**  
105 E. Anapamu Street, Suite 407  
Santa Barbara, CA 93101  
(805) 568-2240

**Department Name:** General Services  
**Department No.:** 063  
**For Agenda Of:** November 5, 2024  
**Placement:** Administrative  
**Estimated Time:** N/A  
**Continued Item:** No  
**If Yes, date from:** N/A  
**Vote Required:** Majority and 4/5ths

**TO:** Board of Supervisors  
**FROM:** General Services Kirk A. Lagerquist, Director (805) 560-1011  
Contact Info: Skip Grey, Assistant Director (805) 568-3083

DocuSigned by:  
*Skip Grey*  
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on behalf of Kirk Lagerquist

**SUBJECT: L.E.D. Lighting and Controls Upgrade Contract and Financing at Foster Road Campus, District 4**

**County Counsel Concurrence**

As to form: Yes

**Auditor-Controller Concurrence**

As to form: Yes

**Other Concurrence:** Risk Management; CEO Budget

As to form: Yes

**Recommended Actions:**

That the Board of Supervisors:

- a) Find, in accordance with Government Code Section 4217.12, that pursuant to an energy audit of the facilities at the County’s Foster Road campus, the anticipated cost to the County for an L.E.D lighting and controls upgrade project at the County’s Foster Road Campus (Project) will be less than the anticipated marginal cost to the County for electricity that would have been consumed in the absence of the Project; that the terms of the Energy Services Contract are in the best interests of the County; that no facility ground lease will be required; and that public notice was given at least two weeks prior to this hearing (Majority); and
- b) Approve, and authorize the Chair of the Board to execute, an Energy Services Contract with Veregy Pacific, LLC in the amount of \$1,359,190 (Energy Services Contract) for final design, construction and startup of L.E.D lighting and controls upgrade at the Foster Road Campus (Santa Maria) (Majority); and
- c) Approve Budget Revision Request BJE-0010040 establishing appropriations of \$1,409,190 in the Utilities Services Fund 1920 for the Energy Services Contract (4/5ths vote); and
- d) Approve and authorize the General Services Director or designee to execute eleven (11) On-Bill Financing Loan Agreements following concurrence from County Counsel, Risk Management, and Auditor-Controller, for financing an On-Bill 0% interest loans from PG&E in the amount of \$970,312.02 with a 10-year term to help fund the L.E.D. lighting and controls upgrade Project; and

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- e) Determine that the project is statutorily exempt from the provisions of CEQA pursuant to California Public Resources Code Sections 15301 (minor alterations to existing facilities) and 15303 (limited construction of small facilities) of Title 14 of the California Code of Regulations and direct staff to file a Notice of Exemption on that basis.

**Summary Text:**

This item is before the Board to seek approval to for a PG&E On-Bill Loan Agreement and enter into an Energy Services Contract with Veregy Pacific, LLC (Veregy), pursuant to California Government Code 4217. The County is pursuing the replacements of all of the interior and exterior lights with cost-effective L.E.D. lighting and controls (2,444 lamps) on the Foster Road campus (Campus). This includes eleven (11) buildings on the Campus at the following addresses in Santa Maria, California: 500, 548, 620, 624B, 624C, 708, 812, 812A, and 912 Foster Road, as well as 4251 and 4263 California Boulevard. As required by Government Code Section 4217.12, the energy savings from this Project are estimated to be greater than the utility costs during the repayment term.

**Background:**

On January 30<sup>th</sup>, 2023 the County performed lighting audits for the County-owned buildings on Foster Road and California Boulevard, funded through The Energy Coalition's Central Coast LEAP (CC-LEAP) program. This involved conducting a detailed, room-by-room lighting audit. Through the program, the County has received an actionable lighting energy project tailored to each building that includes installing new energy efficient lights and lighting control systems. The Project was presented to and approved by the Debt Advisory Committee on January 18<sup>th</sup>, 2024.

The goal is to bring the facilities on the Foster Road Campus closer to achieving Zero-Net Energy (ZNE), add resiliency by reducing dependence on the local utility grid, reduce the County's carbon footprint, and reduce utility and maintenance costs on County facilities. This lighting upgrade is an important step prior to moving forward with a solar photovoltaic array and a possible battery energy storage system that will provide renewable electricity and resiliency to the Campus.

General Services has applied for and received approval from PG&E to participate in PG&E's On-Bill 0% Financing (OBF) program. The OBF program will loan the County \$970,312 for the L.E.D. lighting and controls Project at 0% interest (OBF Loan). The OBF Loan will then be repaid monthly through the County's PG&E bill, with payments matching the monthly energy savings.

Since the OBF program will only cover a portion of the \$1,409,190 needed to fund the entire Project, General Services also received an Energy Efficiency Conservation Block Grant totaling \$231,840 (EECBG Grant) to fund equipment purchases at four of the eleven buildings. In addition, Capital Projects has provided \$157,038 through the Capital Outlay fund 0030 Countywide Energy Reduction Upgrade Project #22008 (General Fund) to support the Project. Lastly, the proposed contractor, Veregy, has committed to file for the IRS 179d Tax Deduction Credit on the County's behalf and will provide \$50,000 to cover the remaining funds needed.

**Fiscal and Facilities Impacts:**

With over 2,400 fluorescent lights replaced, there will be an estimated facilities maintenance savings of approximately \$14,000 per year. This total is not included in the financial analysis below. The OBF Loan is a California State program funded by California utility customers and administrated by the California Public Utilities Commission with the local utility companies (SCE, PG&E, and the Gas Company). There is 0% interest on this unsecured OBF Loan. There is no penalty for early repayment, no-fee financing, and long-term energy savings is used to repay the debt through monthly utility bills over a 10-year period. County Departments occupying these facilities on the Foster Road Campus will not see an increase in their monthly utility bills.

**Fiscal Analysis:**

<b>Funding Sources</b>	<b>Total Funding</b>	<b>Total Principal Portion</b>	<b>Total Interest Portion (10 Years)</b>
0% OBF Loan (10 Yr. Term)	\$970,312	\$970,312	\$0
Energy Efficiency Conservation Block Grant	\$231,840	\$0	\$0
IRS 179d Tax Deduction Credit	\$50,000	\$0	\$0
Capital Outlay Fund (Fund 0030)	\$157,038	\$0	\$0
<b>Total Project Cost</b>	<b>\$1,409,190</b>	\$970,312	\$0
Less IRS 179d Tax Deduction Credit	-\$50,000	\$0	\$0
<b>Total Contract Cost-Veregy Pacific, LLC</b>	<b>\$1,359,190</b>	\$970,312	\$0
<b>Projected Savings</b>			
<i>Estimated 15 Year Utility Savings (assumes 8% annual increase)</i>	<i>\$2,788,143</i>		
<i>Less Total Project Cost</i>	<i>-\$1,409,190</i>		
<b><i>Net Savings First 15 Years of the Project</i></b>	<b><i>\$1,378,953</i></b>		

Total Project cost is \$1,409,190, and includes L.E.D. lights and lighting controls. PG&E’s OBF Program will fund \$970,312 of the Project costs (for the L.E.D. lighting equipment and installation). The EECSBG Grant will fund \$231,840. A \$50,000 credit from the installer using the Inflation Reduction Act Section 179D commercial buildings energy efficiency tax deduction, and the Capital Outlay Fund 0030 Project #22008 Countywide Energy Reduction Upgrades, will fund the remaining cost of the Project. Since the OBF program only covers the installation of the L.E.D. lights, the EECSBG Grant and other funding will pay for the lighting controls and other Project costs that the OBF program will not cover. Overall, this Project is 89% funded by sources other than the General Fund.

Because the OBF Loan proceeds of \$970,312 and the EECSBG funds of \$231,840 are not released until the project is completed, General Services will require advance funding of \$1,202,152 in order to initiate and fund the project. These advance funds are available in the General Fund General County Programs Committed Advance Construction Reserve Fund Balance and will be repaid upon project completion. The attached Budget Revision BJE-0010040 will provide this advance funding for the project.

The annual savings for the first fiscal year of operation will be approximately \$102,686. This represents the annual loan payment needed for the 10-year OBF Loan. While there may be maintenance costs with

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the lighting system, they are expected to be much less than the baseline case (existing fluorescent lighting). Reduced maintenance costs will include the reduction in Facility staff hours changing out lightbulbs as the L.E.D. lights are expected to last 15 years. The OBF Loan payment will be offset by the reduced utility bills and reduced maintenance costs of new lighting equipment. The amount of the utility savings as a result of completing this Project starts at \$102,686 in year one and is expected to increase by 8% annually over the following 15-year period, resulting in a total savings of \$2,788,143. After subtracting the cost of the Project, the net savings for the 15-year period is \$1,378,953 assuming the rate of electricity costs follows an 8% annual increase.

**Key Contract Risks:**

The Energy Services Contract identifies the scope of work that Veregy must achieve in order to receive payment based on hours of work performed and outcomes achieved.

**Special Instructions:**

Provide one original of the Energy Services Contract and a Minute Order to Brandon Kaysen, Energy Manager.

**Attachments:**

1. Energy Services Contract with Veregy Pacific, LLC
2. Local Govt OBF Loan Agreements (11)
3. EECBG Terms and Conditions
4. EECBG Statement of Work
5. CEQA Notice of Exemption
6. Budget Revision Request Budget Revision Request BJE #0010040- 0010040