



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:** October 2, 2018  
**Placement:** Administrative  
**Estimated Time:** N/A  
**Continued Item:** No  
**If Yes, date from:** N/A  
**Vote Required:** Majority

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**TO:** Board of Supervisors  
**FROM:** General Services Janette D. Pell, Director (805) 560-1011  
Contact Info: Skip Grey, Assistant Director (805) 568-3083  
**SUBJECT:** Resolution to Apply for California Energy Commission Loan for Energy Services Contract for Betteravia Campus and Fire Station 12; 2<sup>nd</sup> and 5<sup>th</sup> Districts

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**County Counsel Concurrence**

As to form:

**Auditor-Controller Concurrence**

As to form:

**Other Concurrence:** Risk Management

As to form:

**Recommended Actions:**

That the Board of Supervisors:

- a) Adopt a Resolution authorizing the Director of General Services, to apply for an energy efficiency loan from the California Energy Commission (CEC) to implement energy efficiency improvements in an amount not to exceed \$3,000,000.00; and
- b) Direct staff to engage the Debt Advisory Committee (DAC) for possible financing options to fund the balance of the project, and return to Board at a future date to consider approving that financing and the execution of a contract with Endelos Energy; and
- c) Determine that the proposed resolution does not constitute a "Project" within the meaning of the California Environmental Quality Act pursuant to 14 CCR § 15378(b)(4) (Government funding mechanisms or other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant impact on the environment) and 15378(b)(5) (Organizational or administrative activities of governments that will not result in direct or indirect changes in the environment) and direct staff to file a Notice of Exemption on that basis.

**Summary Text:**

On May 8, 2018, the Board of Supervisors directed staff to engage the Debt Advisory Committee (DAC) for possible financing options for a renewable energy and energy efficiency upgrade project at the Betteravia Campus (2115-2125 CenterPoint Parkway, Santa Maria, California and 511 E. Lakeside Parkway, Santa Maria, California) and Fire Station 12 (5330 Calle Real, Goleta, California 93110). On August 13, 2018 the DAC directed staff to apply for an energy efficiency loan up to \$3,000,000 from the CEC. This board letter seeks approval to apply for a CEC loan and return to the DAC to seek direction on financing the remainder of the project. The total capital cost of the project is \$4,540,520.00. Should the County be approved by the CEC for \$3,000,000.00 of California Energy Efficiency Financing, the remainder of the project will likely be financed using PG&E's On-Bill Financing (OBF) Program (\$800,000.00), and the issuance of Certificates of Participation (C.O.P.s) or other municipal debt financing for the balance (see fiscal section below for details).

**Background:**

On May 2, 2017, the Board of Supervisors directed General Services to return within 90 days with possible future renewable energy and energy efficiency projects. On July 18, 2017, the renewable energy systems project was presented to the Board as a potential project under the Santa Barbara County Future Renewable Energy Report. At that time, the Board directed General Services to solicit proposals on County owned facilities for renewable energy systems that would offset electricity use and thereby reduce costs over time to the County. On September 1, 2017, the County solicited proposals for the installation of renewable energy systems as well as recommendations for energy efficiency measures to help reduce the cost of utilities used by the County. Responses were received, and evaluated and scored by a committee. A vendor, Endelos Energy, was selected. Endelos Energy is a local vendor and intends to utilize 12 additional local subcontractors in the execution of this contract.

On May 8, 2018, the report regarding a proposal from Endelos Energy for final design, construction and startup of renewable energy systems, energy conservation measures, and equipment upgrades at the Betteravia Campus (Santa Maria) and Fire Station 12 (Calle Real, Goleta), was presented to the Board. The Board directed staff to engage the DAC for possible financing options to fund the project, and return to Board at a future date to consider approving financing, and an agreement for completing the project. On August 13, 2018 the proposal from Endelos Energy was presented to the DAC. The DAC directed staff to present the project to the Board of Supervisors and seek authorization to present a resolution for CEC loan application.

The County plans to reduce its carbon footprint and reduce costs paid for electricity, gas, and water, and upgrade outdated maintenance equipment. There are two elements to the project; energy efficiency upgrades to the buildings' systems and adding renewable energy components. The renewable energy systems portion of the project includes the following:

- Installation of photovoltaic systems on newly constructed carports at the Betteravia Campus
- Installation of photovoltaic systems on the roof of Fire Station 12
- Installation of battery storage systems (Non-toxic and non-hazardous recyclable materials)
  - Warranty is 10 years with 98% efficiency

The energy efficiency projects, including LED lighting, HVAC components and control upgrades are intended to shrink the energy load of our buildings by allowing the County to maximize the percentage of clean, renewable power generated on-site for the least cost.

**History**

On March 17, 2009, the Board adopted Resolution 09-059, which committed the County to take immediate, cost effective and coordinated steps to reduce the County’s collective GHG emissions. The goal is to protect the community from the effects of climate change and implement programs to comply with the State of California’s greenhouse gas reduction goals. The County has made great policy strides toward achieving this goal and some notable milestones are listed below:

- Benchmarking Policy - County Board adopted April 2, 2013
- Energy Action Plan - County Board adopted April 2, 2013
- Utility Manager System - County Board presented April 2, 2013
- Zero Net Energy Resolution - County Board adopted March 4, 2014
- Commissioning Policy - County Board adopted January 20, 2015
- Energy Efficiency Standards Policy - County Board adopted August 30, 2016

**Fiscal and Facilities Impacts:**

With over 2,200 lights (long life LED) and other equipment being replaced in this project, there will be an estimated facilities maintenance savings of approximately \$4,000.00 per year.

**Fiscal Analysis:**

<b><u>Funding Sources</u></b>	<b><u>Current FY Cost:</u></b>	<b><u>Annualized On-going Cost:</u></b>	<b><u>Total One-Time Equipment Cost</u></b>
General Fund State			\$ 4,407,555.00
Fire District Fees			\$ 132,865.00
Other:	\$ -	\$ 441,934.00	
Total *	\$ -	\$ 441,934.00	\$ 4,540,420.00

\*Note: The listed total equipment cost of \$4,540,420.00 is the principal only and does not include finance costs which, over the life of the loan, could range from \$0.5M to \$1.9M. The annualized on-going cost of \$441,934.00 is the maintenance cost on the system plus the estimated maximum interest payment.

**Narrative:**

If approved, the California Energy Commission (CEC) Energy Conservation Assistance Act, 1% interest rate loan for up to \$3 million will be the bulk of the financing for this project. In addition, it is anticipated that PG&E’s On-Bill Financing (OBF) Program will be utilized for the LED lighting portion of this project. Funds borrowed through this program are interest free. The remainder of the funds will be secured through C.O.P. or other municipal debt sources as directed by the DAC.

Possible Loan Type	Potential Loan Amount	Possible Interest Rate	Interest Cost-Low	Interest Cost-High
CEC	\$ 3,000,000	1.0%	1%	5%
On-Bill Financing	800,000	0.0%	0%	5%
COP or other	740,420	5.0%	5%	5%
<b>Total Financing</b>	<b>\$ 4,540,420</b>	<b>Overall Rate:</b>	<b>1.48%</b>	<b>5%</b>

The annual cost for the first fiscal year of operation will fall somewhere between \$349,000 and \$442,000 (assuming a possible interest rate of anywhere between 1.5% - 5% depending on the type and blend of financing). This includes the bond interest costs, and maintenance costs on the solar array (\$11,070.00 annually). This cost will continue for 15 additional years with repayment of the \$4.5 million bond financing. The bond payment will be offset by the reduced utility bills and reduced maintenance costs of new building equipment as well as rebates for the battery system and lighting. The analysis assumes that utility rates will increase at 3% over the life of the project and the solar panels will have a degradation rate of 0.25% each year.

The final interest rate will be contingent on the ultimate terms of the approved debt financing. An interest rate on the low end would have a total financing cost of \$0.5 million while an interest rate on the high end would have a total financing cost of \$1.9 million. These financing costs are in addition to the total capital project costs of \$4,540,420.00. This range will have a net positive cash flow result in 12 to 14 years, assuming projected energy savings, as well as financing and capitalization assumptions, are met.

**Key Contract Risks:**

If financing is approved and the contract is eventually executed, the agreement with Endelos identifies milestones and deliverables associated with each phase of the project, therefore there are limited risks as invoicing is directly tied to fulfilling the contract requirements.

**Special Instructions:**

Provide a copy of the minute order to Roy Hapeman, County Energy Manager.

**Attachments:**

1. Resolution Authorizing Application for an Energy Efficiency Loan
2. CEQA Notice of Exemption

**Authored by:**

Roy Hapeman, County Energy Manager, General Services, (805) 568-3070