



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: June 7, 2011
Placement: Departmental
Estimated Tme: 30 minutes
Continued Item: No
If Yes, date from:
Vote Required: Majority for Recommendations
A through D; 4/5 for
Recommendation E

TO: Board of Supervisors
FROM: General Services Bob Nisbet, Director (560-1011)
Contact Info: Paddy Langlands, Assistant Director (568-3096)
SUBJECT: Photovoltaic Solar Project at Calle Real Campus, Second Supervisorial District

County Counsel Concurrence

As to form: Yes

Other Concurrence: Risk Management

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions:

That the Board of Supervisors:

- A. Award, and authorize the chair to execute, an Energy Service Agreement with Endelos Energy Incorporated (a local vendor) in the amount of \$5,015,661 for final design, construction and startup of a one megawatt (MW) solar facility at the Calle Real Campus upon return of the contractor's executed documents, and the review and approval of the County Counsel, Auditor-Controller and Risk Manager or their authorized representatives. Award of the contract is pursuant to Government Code Section 4217.10 et seq., which provides for the award of an energy service contract by a public agency upon making a finding that the alternative energy system will offset existing energy costs;
- B. Approve the Final Mitigated Negative Declaration (MND) and adopt the mitigation measures with their corresponding monitoring requirements contained in the MND. Adopt the findings for the Calle Real Photovoltaic Solar Energy Project specified in Attachment A of this board letter;
- C. Find, as required by Government Code Section 4217.12, that the anticipated cost to the County for electrical energy provided by the Energy Service Contract will be less than the anticipated marginal cost to the County of thermal, electrical, or other energy that would have been consumed in the absence of the Contract, and that no facility ground lease will be required.

- D. Approve the project and direct staff to find an alternate funding source if the application for Qualified Energy Conservation Bonds are unsuccessful and return to the Board of Supervisors for approval; and
- E. Approve the attached budget revision to account for preliminary expenditures to date.

Summary Text:

The County is pursuing the installation of a one MW photovoltaic system to reduce dependence on the national electrical grid, reduce the County's carbon footprint and, over time, reduce electrical costs on the Calle Real Campus in Santa Barbara.

A Request for Proposals was sent out for a one MW solar system proposals requesting the following three financing options: 1) Power Purchase Agreement (PPA), 2) Leasing and 3) Direct Purchase. The nine responses were evaluated and it has been determined that Endelos Energy Inc. (a local vendor) was the lowest qualified responsive bidder.

The project was presented to the Debt Advisory Committee (DAC) on April 25, 2011 and the DAC's recommendation was that the direct purchase method of acquisition was the most beneficial and directed the department of General Services to make an application for "Qualified Energy Conservation Bonds" (QECB) as the most advantageous financing option to fund the project. This was done with the approval of the Board resolution on May 9, 2011 and an application was submitted to California Debt Limit Allocation Committee (CDLAC) on May 20, 2011. In the event of QECB's are not awarded, Recommendation D authorizes staff to pursue alternate funding sources to finance the project and return to the Board for approval.

Background:

At Board direction, proposals were received for a one MW photovoltaic (PV) system on the Calle Real Campus to offset electricity use and thereby reducing costs over time to the County. The PV solar project was first presented to the Board of Supervisors on July 13, 2010 as a potential project as part of the Sustainability Action Plan. On August 10, 2010 the Board of Supervisors authorized the General Services Department to solicit proposals for the PV solar project on the Calle Real Campus. The PV solar project involves the construction and operation of a photovoltaic system on a hillside site adjacent to the County Jail at 4434 Calle Real in Santa Barbara. The PV solar project objectives are to reduce the County's carbon footprint and reduce costs paid for electricity over time through use of solar power.

The project will generate approximately one MW of electricity to help power the County Jail facility and other nearby County facilities (Sheriff Administration, 911 Call Center, Public Health Hospital, Public Health Administration, Mental Health Hospital, Mental Health Administration, Agriculture Commission, Environmental Health, Veteran Hospital, Elections Office, Clerk Recorder Assessor). Approximately 4,500 individual solar panels will be installed on a portion of the hillside behind (to the northeast of) the existing County Jail.

Pursuant to the California Environmental Quality Act (CEQA), County Planning and Development publicized a Draft Mitigated Negative Declaration in January, 2011 with respect to the environmental impacts of the project. Notifications were mailed to the surrounding neighbors and the appropriate agencies. After receiving public comments, a Final Mitigated Negative Declaration was completed, and certified by the Planning and Development Department on April 5, 2011. A presentation was made to the Planning Commission April 6, 2011. On May 11, 2011 the Santa Barbara Planning Commission made a determination that the project is in conformance with the County’s General Plan in accordance with government code 65402. The revised final Mitigated Negative Declaration can be accessed through the following link: <http://www.countyofsb.org/g/default.aspx?id=32174>. The recommended mitigation measures will be implemented on the PV solar project.

Funding mechanisms reviewed included long term power purchases and various debt service alternatives for system ownership. These alternatives were presented to the Debt Advisory Committee (DAC) on April 25, 2011. The recommended funding mechanism includes California Public Utilities Commission (CPUC) time sensitive rebates (contingent on this contract being signed and sent to the CPUC by June 10, 2011) of \$1.7 million through Southern California Edison Electric (SCE), and an application was submitted for funding using a bond issuance through Qualified Energy Conservation Bond (QECCB), which may be used by local governments to finance energy projects. The amount of funding sought is \$5,500,000 to cover the costs of design, environmental documentation, studies, procurement, installation and bond issuance costs.

Performance Measure:

Reduce the County’s dependence on the national grid, reduce carbon footprint and reduce electrical utility costs over time.

Fiscal and Facilities Impacts:

Budgeted: No

Fiscal Analysis:

<u>Funding Sources</u>	<u>Current FY Cost:</u>	<u>Est. Annualized On-going Cost:</u>	<u>Total One-Time Project Cost</u>
Capital Outlay	\$50,000		
Utility ISF		\$429,535	
QECCB			\$5,500,000
Total	\$50,000	\$429,535	\$5,500,000

Narrative:

The project will be financed by approximately \$5.5 million in QECB financing. The projected utility savings and rebates from SCE over the life of the project will offset the costs of financing (interest expense) and operations and maintenance expense.

The current estimated present value of the savings of the project is \$2.2 million. The structure of the project and related financing defers the County's return on investment until year 16 of the project. As a result, the General Fund may have to advance the Utility Internal Service Fund cash flow in certain years. This amount was calculated using several assumptions:

- A present cost of \$0.13 kilowatt hour savings and a 4% inflation factor for electricity. The actual costs of electricity are affected by both inflation and current usage patterns. The County also anticipates receiving a \$0.19 rebate per kilowatt hour produced for the first 5 years of the project.
- A 2.1% rate of interest. This financing is only available via an anticipated allocation from the CDLAC program managed by the California State Treasurer.

If the County is unable to achieve the financing terms outlined in the assumptions above, the project will return to the Board for direction on next steps.

\$6.8 million savings is anticipated over a 30 year period. A budget revision will be brought to the Board in a separate action to move the debt proceeds to the budget.

Staffing Impacts:

Legal Positions:
0

FTE's:
0

Special Instructions:

Direct the Clerk of the Board to forward one (1) copy of the certified minute order and one (1) copy of the agreement to Roy Hapeman in the General Services Department.

Attachments:

- 1) Contract Summary
- 2) Energy Service Contract
- 3) Solar Financing Analysis (Power Point Presentation)
- 4) Budget Revision

Authored by:

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

1.0 CEQA FINDINGS

1.1 CONSIDERATION OF THE NEGATIVE DECLARATION AND FULL DISCLOSURE

The Board of Directors has considered the Mitigated Negative Declaration (MND) together with the comments received and considered during the public review process. The MND reflects the independent judgment and analysis of the Board of Directors that environmental review has been completed in compliance with CEQA, and is adequate for this proposal.

1.2 FINDING OF NO SIGNIFICANT EFFECT

On the basis of the whole record, including the negative declaration and comments received, the Board of Directors finds that through feasible conditions placed upon the project, the significant impacts on the environment have been eliminated or substantially mitigated and there is no substantial evidence that the project will have a significant effect on the environment.

1.3 LOCATION OF DOCUMENTS

The documents and other materials which constitute the record of proceedings upon which this decision is based are in the custody of the County energy manager located in General Services at 1105 Santa Barbara Street, 2nd Floor, Santa Barbara, California 93101 and Clerk of the Board of Directors located at 105 East Anapamu Street, Santa Barbara, CA 93101.

1.4 ENVIRONMENTAL REPORTING AND MONITORING PROGRAM

Public Resources Code Section 21081.6 and CEQA Guidelines Section 15091(d) require the adoption of a reporting or monitoring program for the changes to the project that it has adopted or made a condition of approval in order to avoid or substantially lessen significant effects on the environment. The approved project description and mitigation measures, with their corresponding monitoring requirements, are hereby adopted as the reporting and monitoring program for this project. The monitoring program is designed to ensure compliance during project implementation.