



BOARD OF SUPERVISORS **Agenda Number:**
AGENDA LETTER

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: March 17, 2020
Placement: Administrative
Estimated Time: N/A
Continued Item: No
If Yes, date from: N/A
Vote Required: 4/5

TO: Board of Supervisors
FROM: General Services Janette D. Pell, Director (805) 560-1011
Contact Info: Skip Grey, Assistant Director (805) 568-3083
SUBJECT: **Renewable Energy Systems Financing at Santa Barbara County Betteravia
Campus; District 5**

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Other Concurrence: Risk Management

As to form: Yes

Recommended Actions:

That the Board of Supervisors:

- a) Authorize the Chair of the Board to execute a loan agreement and promissory note (Attachment 1), and related documents in the amount of \$2,736,751.00, an increase of \$614,221.00 from the prior authorized amount of \$2,122,530.00 approved by the Board on November 19, 2019, for an Energy Efficiency 1% interest loan with a 10-year term from the California Energy Resources Conservation and Development Commission for the Betteravia Campus renewable energy project; and
- b) Find that the recommended action is not a project under the California Environmental Quality Act (CEQA) pursuant to sections 15378(b)(4) and 15378(b)(5) of the CEQA Guidelines, because they consist of administrative and fiscal activities of government that will not result in direct or indirect physical changes in the environment.

Summary Text:

Loan documents prepared by the California Energy Commission for the Betteravia Solar project were recently received by the County and reflect the full available loan amount, which is \$614,221 more than previously approved by the Board in November 2019. The amount previously approved was based on the CEC loan amount the County will need to fund the project and did not reflect the full loan proceeds available to the County for this borrowing since an On Bill Financing arrangement was put into place for

the additional project costs. Rather than request that the CEC re-work the documents to reflect the lower loan amount for the County, which could take up to six months or more to accomplish, we are asking the Board to authorize the Chair to execute the documents at the higher amount than was previously approved. This administrative action will expedite the progress on this important County project, with the understanding and assurance that the full amount of the available CEC loan will not be accessed beyond what is needed and what has been documented to complete this project.

Background:

The County is pursuing the installation of solar parking, LED lighting and other energy improvements at the Betteravia Campus and Fire Station 12 in Goleta. On November 19, 2019, the Board of Supervisors approved the project and related financing consisting of 0% On Bill Financing (OBF) in the amount of \$614,221 from PG&E, and a 1% California Energy Resources Conservation and Development Commission (California Energy Commission or CEC) loan in the amount of \$2,122,530. Subsequent to the Board’s approval in November, 2019 the CEC loan documents were delivered to the County with a higher amount (\$2,736,751). This is the amount that the County originally applied for with the CEC in the event the \$614,221 OBF loan was not approved. The PG&E OBF loan has now been approved. Requesting that the CEC modify the loan documents to reflect the lower amount of \$2,122,530 previously approved by the Board, could take six months or more and would be detrimental to the Betteravia project’s timeline. Therefore, recommendation a) above asks the Board to approve the Chair to sign the CEC loan documents with the higher amount of \$2,736,751 with the assurance that borrowings on the loan will not exceed the amount needed for the project of \$2,122,530. This is further controlled by the fact that the CEC will only distribute the loan proceeds on a reimbursement basis, based on invoices submitted by the County for work completed on the project.

Fiscal and Facilities Impacts:

With over 2,200 lights (long life LED) being replaced in this project, there will be an estimated facilities average maintenance savings of approximately \$14,000 per year, which will help to offset the additional maintenance cost of maintaining the solar array.

Fiscal Analysis:

	Total Funding	Total Principle Portion	Total Interest Portion (10 Years)
General Fund	\$1,600,000	-	-
1% CEC Loan (10 Yr. Term)	\$2,218,823	\$2,122,530	\$96,293
0% OBF Loan (10 Yr. Term)	<u>\$614,221</u>	\$614,221	\$0
Total Project Cost	\$4,433,044		
Estimated 15 Year Utility Savings	<u>\$5,146,438</u>		
Net Savings First 15 Years of the Project	\$713,394		

Narrative:

Annualized additional maintenance costs in the table above include the cost of maintaining the solar array. Funding for this project includes a 10-year term California Energy Commission (CEC) Energy Conservation Assistance Act, 1% interest rate loan for a total cost of borrowing of \$2,218,823 (principal and interest), which will fund the solar components of the project.

In addition, PG&E’s On-Bill Financing (OBF) Program will be utilized for the LED lighting portion of this project. This is a 10-year payback term and funds borrowed through PG&E’s program are interest-free. The remainder of the funds will be from the General Fund (\$1.6 million) and will fund the battery system and other miscellaneous costs.

<u>Funding Source</u>	<u>Amount</u>	<u>Project Component Funded</u>
CEC 1% Loan	\$2,218,823 ¹	Solar Panels and Mounting
PG&E On-Bill Financing	\$ 614,221	LED Lights and Controls
General Fund	<u>\$1,600,000</u>	Battery System, Misc. and Contingency
Total Financing	\$4,433,044	

- 1) Amount includes principal (\$2,122,530) plus interest.

The annual cost for the first fiscal year of operation will be approximately \$294,304. This includes the CEC loan principal repayment and financing costs (\$221,882), the annual payback of the On-bill PG&E program (\$61,422), and maintenance costs on the solar array (\$11,000). This cost will continue for 10 additional years with repayment of both the CEC and OBF loans. The loan payment will be offset by the reduced utility bills and reduced maintenance costs of new lighting equipment as well as rebates for the battery system and lighting. The amount of the utility savings and rebates averages \$373,000 annually over the 10 year period. Depreciation charges (net of rebates) will be billed to user departments to recapture the original cost of the eligible project assets over the estimated useful lives of those assets, as well as allowable financing costs (interest) charged to users as those costs are paid and incurred. 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.

Key Contract Risks:

The Independent Contractor Agreement identifies the scope the consultant must achieve in order to receive payment-based hours of work performed and outcomes achieved.

Special Instructions:

1. Provide two originals of the Energy Conservation Assistance Act Loan Agreement and Promissory Note and a Minute Order to Roy Hapeman, Energy Manager.

Attachments:

1. Energy Conservation Assistance Act Loan Agreement and Promissory Note
2. November 19, 2019 Board Letter