COUNTY OF SONOMA

575 ADMINISTRATION
DRIVE, ROOM 102A
SANTA ROSA, CA 95403

SUMMARY REPORT

Agenda Date: 8/22/2023

To: Sonoma County Board of Supervisors
Department or Agency Name(s): County Administrator Office, Public Infrastructure
Staff Name and Phone Number: Christine Condon 565-2125; Yulis Ayton, 707-565-3468
Vote Requirement: 4/5th
Supervisorial District(s): Third

Title:

9:35 A.M. Energy and Resiliency Upgrades to the Santa Rosa Veterans Memorial Building Using the Pacific Gas and Electric Company's Sustainable Solutions Turnkey Program

Recommended Action:

A) Conduct a consolidated public hearing for the hearings required under Government Code sections 4217.12 and 4217.13, to present evidence, consider findings and receive public comment regarding the proposed Energy Conservation Services Contracts and the related Facility Financing Contract for certain energy efficiency, renewable energy generation, and energy storage improvements at the Santa Rosa Veterans Memorial Building; and

B) Adopt a Resolution making specified findings under Government Code Section 4217 et seq. and authorizing the following:
   i) The proposed Energy Conservation Services Contract with Pacific Gas and Electric Company under the Sustainable Solutions Turnkey program, in an amount not to exceed $3,243,290 for certain energy conservation services, facilities, and measures, including all design and implementation thereof, at the Santa Rosa Veterans Memorial Building; and
   ii) A related Facilities Financing Contract, in an expected amount of $2,865,224, pending receipt of a final financing term sheet, and in no event to exceed $3,281,660; and

C) Delegate authority to the Director of Public Infrastructure to negotiate and execute the Energy Conservation Services Contract, the Facilities Financing Contract, and all related instruments necessary for the Services and facility improvements under those agreements, in form approved by County Counsel; and

D) Determine and find that the proposed energy services, facilities, and measures are categorically exempt under the California environmental Quality Act (CEQA).

(4/5th Vote Required) (Third District)

Executive Summary:

The County of Sonoma engaged the Pacific Gas and Electric Company (PG&E) Sustainable Solutions Turnkey (SST) program through a Master Services Agreement in July of 2021 to evaluate County buildings and propose a scope of work for equipment and other retrofits that improves energy efficiency and provides resiliency upgrades to meet the County's Strategic Plan goals of making County facilities carbon free and resilient. In February of 2022, your Board approved $1,771,230 from the Climate Resilience Fund (CRF) for energy and resiliency upgrades to the Santa Rosa Veterans Memorial Building (Veterans Building), based on a preliminary

evaluation of facility needs. Because of this, the Veteran's Building was among the first Investment Grade Audits (IGAs) of building energy use performed under the SST program. From those assessments, a list of energy resiliency and other energy upgrades were prioritized. The recommendations included changes in energy use scheduling that will yield an annual savings of $125,000. The energy improvements identified include:

1. Carport Solar Photovoltaic (PV) Array 110.7 kW;
2. Battery Energy Storage System (BESS) & Microgrid to provide emergency backup power; peak load shifting to save electricity demand charges; and improved electric grid stability;
3. HVAC replacement and decarbonization/electrification, including replacing the aged natural gas hot water boiler serving auditorium with an electric heat pump, and adding 3 mini-split heat pumps to high occupancy front offices;
4. Comprehensive LED lighting retrofit;
5. Building Management System (BMS) upgrade with direct digital controls for HVAC, lighting, solar PV, BESS and emergency generator systems; proposed BMS meets SPI specifications for future building management systems for all County facilities;
6. Analyze and align time of energy use at the Central Mechanical Plant (CMP) with current time-of-use tariffs; monitor, verify, and adjust energy scheduling for optimization.

Cost of Proposed Upgrades

The SST program costs for equipment, installation, and project management are $3,243,290. In addition, Sonoma County Public Infrastructure (SPI) staff costs to oversee the project will be $303,430, for a project installation cost of $3,546,720. This cost would be funded in part by $1,771,230 in Climate Resilience Funds (CRF) awarded by your Board in February, 2022. Staff proposes to finance the remaining costs of $1,775,490 through the SST program using a Tax-Exempt Lease Purchase Agreement (TELP), which under current terms at 4.54% would entail an estimated $81,600 in capitalized interest (that would be financed) and financing costs of $1,008,134 over the 20-year life of the TELP lease. Total costs with financing for this package therefore would be $4,636,454.

The financing package was approved by the County's Debt Advisory Committee, which also identified alternatives for consideration. If the SST TELP loan is not elected, your board could identify other funding for the gap, such as use of General Fund Contingencies or reprograming of funds from other approved expenditures. These options are further described below. Regardless, a budget adjustment will be necessary under either scenario, which will be brought before your Board at Consolidated Budget Adjustments to formalize the needed adjustments and in final amounts. For purposes of action today in authorizing such funds and amounts to be used a 4/5th vote is required.

Climate Action and Resiliency Division (CARD) staff identified and reserved incentives of $588,410 that will be reimbursed to the County in the first four years of the project.[1]
To contract using the SST program for the proposed energy services and installation of the conservation measures, a public hearing must be held in accordance with the requirements of Government Code Sections 4217.12 et seq. A hearing also is required for approval of related facility financing agreements, in accordance with the requirements of Government Code Sections 4217.13 et seq. Under those provisions of the Government Code, local agencies are exempted from standard procurement requirements and can enter into contracts for certain energy related projects and related financing, provided the contract is considered at a duly noticed public hearing where specified findings and determinations are made. Notices for the required hearing were published on August 8, 2023. The two required public hearings may be consolidated into a single hearing.

Discussion:

Santa Rosa Veterans Memorial Building

The Santa Rosa Veterans Memorial Building is 40,225 sq ft. facility, built in 1948. The Building contains an assembly hall used for concerts, events, and public gatherings as well as additional facilities and rooms. Along with being a resource for the Veteran community, the facility rents out various rooms, including a club room, dining room with a stage, commercial kitchen, auditorium, and other multipurpose rooms of various sizes. In addition to rentable spaces there are 10 offices, a dressing room, numerous storage areas, a maintenance shop, mechanical equipment mezzanine and a mechanical / electrical basement.

In addition to regularly scheduled meetings and events, the County uses the Building as an emergency center and community gathering place. It provides the community a safe place in the event of power outages, natural disasters, and extreme weather events. Currently the facility lacks centralized air conditioning, which prevents it from being used as a cooling center during extreme heat events, however this use is also anticipated if mechanical cooling is installed.

Existing Building Energy Infrastructure Conditions

Existing equipment and infrastructure at the Building are old and inefficient. The appliances using the highest amount of energy at the facility (either through electricity or natural gas use) are the heating boiler, duct furnaces, domestic water heaters, and interior lighting. The natural gas-fired boiler, furnaces, water heaters, and cooking equipment in the kitchen consume well over half of all energy supplied to the site.

Interior lighting consumes the most electricity at the site. Interior lights at the Building are primarily 28-Watt T8 fluorescent fixtures with electronic ballasts. Incandescent and compact fluorescent (CFL) lamps are also present in some areas. All interior lighting is controlled with

[1] Pending SST financing program finalization, it is possible that the incentive amount is reduced by 15%. For purposes of the calculations and analysis required by Govt. code section 4217 et seq., the reduced amount ($500,149) has been assumed. Should that 15% reduction not be required, even greater savings will be realized.

manual controls (switches). The high ceilings in the auditorium make the lighting costly to maintain, requiring a lift to replace lamps.

The Building's spaces are heated by a variety of natural gas heating systems. The auditorium utilizes a natural gas heating boiler, while the remainder of the spaces utilize natural gas duct furnaces. A few of the offices have installed window-mounted air conditioners, but beyond that there is no mechanical cooling in the building. The boiler is 17 years old, nearing the end of its expected useful life, and is rated at 81% efficiency.

This Building's electrical service is backed up by a 100 kW natural gas generator and an automatic transfer switch to provide emergency power during an outage. The existing generator and the main switchgear were replaced in 2021 and will remain in place.

The building management system (BMS) allows for automatic and remote control of the Building's heating and ventilation systems. The existing BMS consists of obsolete, proprietary controls for the HVAC system that the County no longer uses for other existing and new facilities and systems.

PG&E Sustainable Solutions Turnkey Program

PG&E operates the SST program, a "one-stop solution" that identifies, prioritizes, funds, and implements energy efficiency, energy generation, energy storage, and water conservation services and measures for medium and large customers, including local governments. SST energy services and upgrades include lighting, HVAC, controls, renewable energy, batteries, microgrids, EV chargers, water efficiency, and other measures. In addition to carrying out project assessments and audits, SST brings together financing options, including zero interest utility on-bill financing, low-interest loans, available rebates, incentives, tax credits, and combines these with County funds earmarked for these types of capital improvements. The financing covers the cost of construction, including permits, fees, inspections, and amortizes the initial costs of the investment grade audits. Different financing options are available for different projects based on a defined set of criteria; based on the specifics of the projects considered in this item, the tax-exempt lease financing package is the option available (this is discussed in greater detail, below).

In October of 2021, the County approved a Master Services Agreement with PG&E for the first phase of the SST program, which is performing Investment Grade Audits (IGAs) of energy use and infrastructure at 84 facilities in the County's real estate portfolio. These IGAs develop a comprehensive profile of building energy use, equipment life, and emissions; energy upgrade options and emissions savings; costs and the economic return on investment associated with the upgrades. The IGAs are performed by PG&E's subcontractor, Willdan Group (Willdan), which was selected through PG&E's competitive bidding process. The Veterans Building was among the first County facilities audited; findings from the rest of the County-wide auditing will be presented to your Board by the end of 2023.

SST Program Audit and Recommendations

Willdan audited the Veterans Building and the central mechanical plant (CMP) at the county campus in late 2022, and identified opportunities to improve energy efficiency, resiliency, and facility performance, and reduce energy costs, through the implementation of a comprehensive turnkey improvement project. Staff of SPI and CARD reviewed the IGA prepared by Willdan and selected energy measures for priority, based on expected performance and cost, projected payback period, reduction of carbon and other emissions, and maximizing service to the community, especially veterans and residents needing respite during emergencies, power outages, and extreme weather.

The upgrade measures presented here include:

1. Carport Solar Photovoltaic (PV) Array
    - Install 110.7 kW Solar PV solar canopy carport structure
    - The scope of the Carport Solar Photovoltaic (PV) array includes installing EV capable infrastructure; the underground raceway (the conduit or pipe that future wiring can be pulled through) and panel capacity to support future installation of Level 2 chargers. Trenching in the parking lot will be required to install the electrical raceway and conduit for the Solar PV array. Installing the EV raceway while the trenching for the Solar PV canopy is open will significantly reduce costs to install EV charging stations in the area under the PV solar carport canopy structure in future. Installation of car chargers requires additional funding and would not be installed at this time.
    - Legacy Net Energy Metering (NEM) 2.0 rates have been secured to optimize the payback period for the investments; the interconnection application was submitted before NEM 2.0 sunset deadline of April 14, 2023
2. Battery Energy Storage System (BESS) & Microgrid
    - 80 kW/210 kWh Battery Energy Storage System (BESS) to provide: emergency backup power; peak load shifting to save electricity demand charges; and improved electric grid stability
3. HVAC replacement and decarbonization/electrification
    - Replace natural gas hot water boiler serving auditorium with electric heat pump
    - Add 3 mini-split heat pumps to high occupancy front offices
4. Comprehensive LED lighting retrofit
5. Building Management System (BMS) that meets Sonoma County Public Infrastructure specifications for future building management systems for all County facilities
    - Direct digital controls for HVAC, lighting, solar PV, BESS and emergency generator systems
6. Energy Scheduling at the Central Mechanical Plant (CMP)
    - Analyze and align time of chiller operation and energy use at the CMP with current time-of-use tariffs.
    - Monitor, verify, and adjust energy scheduling for optimization.

<u>Project Costs, Funding, and Incentives and Savings</u>

The cost analysis below includes all proposed elements of the project, the CRF funds awarded for all elements, and the total of all rebates and incentives identified. It includes project oversight and contingencies for SPI staff time, and financing costs if the entire project is financed. Your Board may elect to proceed with only part of the proposed project, or to finance only a portion of the project. Certain project elements must be done together to meet code requirements or to claim rebates and incentives, however, and Attachment 7 provides analysis of the costs of viable element groupings.

• Comprehensive LED lighting retrofit	$57,667
• Carport Solar Photovoltaic (PV) Array 110.7 kW	$494,571
• HVAC replacement and decarbonization/electrification	$522,359
• Battery Energy Storage System (BESS) & Microgrid	$298,239
• Building Management System (BMS) upgrade	$231,260
• Analyze and align CMP time of energy use	incl. in SST IGA
• Monitor, verify, and adjust for optimization	$45,000
• Permits, licenses, sub risk, and contingencies	$267,411
• Contractor labor and management	$592,503
• Contractor overhead	$320,321
• Contractor profit	$123,201
• SST Program fee	$290,753
Subtotal = SST Costs	*$3,243,290*
• SPI staff oversight and contingencies	$303,430
Subtotal = SST + SPI Costs	*$3,546,720*

Funding sources that have been identified include climate resiliency funds assigned by the Board previously. Additionally, rebates will offset costs, however these will be received after work is completed so initial funding will need to be allocated to initiate the project.

• Climate Resilience Fund award (February 1, 2022)	($1,771,230)
• Self-Generation Incentive Program (SGIP)[2] related to the BESS	($122,400)
• Inflation Reduction Act (IRA) Local Government Investment Tax Credit Direct Pay Option[3]	($466,010)
Subtotal = Awards + Incentives	*($2,359,640)*
Net Project Cost w/o financing	***$1,187,080***

[2] With prior Board approval in June of 2020, Energy and Sustainability staff applied for and secured SGIP incentive funds through an administered lottery process. Incentive funds are reserved for the Santa Rosa Veteran's location for up to $170,000 towards the cost of a 210 kWh capacity battery energy storage system located on-site.

[3] Program guidelines for the Inflation Reduction Act (IRA) Local Government Investment Tax Credit Direct Pay Option have not been finalized and may require a discount of up to 15% where the qualifying project is financed.

Total Needed for initial award ***$1,775,460***

Staff are recommending funding this program through the SST program that allows for financing. The County would be financing $1,857,090, including capitalized interest, over 20 years through a TELP Agreement. At the current terms (which will be finalized upon approval of the project by your Board) the indicative interest rate is 4.54%, with annual lease payments of $143,261 (principle + interest) and the cost of this financing is $1,008,134. The funds to pay for the lease come from the energy costs avoided and the incentives reimbursed. From a budgeting perspective, lease payments will be made from incentive funds received and from the General Fund allocated for Countywide utilities expenses programmed in the Public Infrastructure Energy budget beginning in FY 2024/25. It may be possible to reduce total finance charges over the life of the borrowing by utilizing rebates to make early payments on principal. As such the estimates below represent a high estimate of financing costs that might be accrued over 20 years.

- Capitalized Interest $81,600
- Finance charges $1,008,134

Total = SST + SPI + Financing **$4,636,454**

The costs for the upgrades have increased compared to the costs for which your Board awarded CRF funds in February, 2022. Cost increases to the project from the original scoping are due primarily to 1) change in scope due to addition of other technology, and addition of SPI oversight and contingency costs; 2) refinement in cost estimates from preliminary energy assessment to investment grade audit; and 3) construction and materials cost increases from 2020/21 to 2023.

In December 2020 had a preliminary evaluation done at the Veterans Building through BayREN public building Zero Net Energy (ZNE) a technical assistance program. That evaluation provided the basis for the upgrades proposed for the Climate Resilience Fund, including estimated costs. The pricing estimates in the report were approximate, rough order of magnitude costs and the report noted that construction costs fluctuate with the economy, costs of raw materials and other factors. Since that time, through the SST program IGAs, fixed and firm pricing has been provided for the project and there have been changes to the scope of work. The dramatic increases in equipment pricing since those initial estimates, and the project scope changes are the source of the majority of the cost increase for the project. In addition, the original project proposals did not allocate costs for project oversight by staff, then in General Services and now in SPI; the revised project costs include that allocation.

As part of the SST energy audits, the IGA engineers additionally identified an opportunity to save at least $125,000 annually in electrical energy and demand charges. The analysis showed that the schedule for the chiller operation at the central mechanical plant had not been updated after the utility peak period times had been changed by the utility in April 2021. The central plant is now being rescheduled to shut off and use thermal ice storage during the peak demand period between 3:45 and 9:15 pm, avoiding the high peak electric energy and demand charges. Utility data collected by the engineers since the change was implemented has confirmed the long-term projected savings.

Financing Terms and Alternatives

Of the total project costs, $1,775,490 does not have designated funding. Staff have identified two (2) options to address that funding gap:

1) Finance the project through the SST program.
2) Fund up front through the use of General Fund Contingencies or reprograming funds from other approved expenditures, or use General Fund Contingencies to buy down some portion of the loan.

Alternatively, the board may elect not to move forward with all or part of the project at this time, however this is likely to result in an increase in project costs and the risk of losing reserved incentives should the Board look to move forward with the project in the future. Attachment 7 describes alternative project packages and associated costs.

While the SST program offers a range of financing, the payback period associated with this package (i.e. the length of time it will take for the energy savings to offset costs) is too long to utilize some of the options. Specifically, zero interest utility on-bill financing is not available for this project. This is because that option is only available for energy efficiency projects/measures that have a payback period of less than 10 years, whereas the proposed packages for this project include not only energy efficiency but decarbonization and resiliency measures, i.e., the BESS and heat pumps to provide mechanical cooling resulting in longer-term payback periods.

The financing option with the lowest interest rate and that is available for projects of this size with the most favorable terms is the TELP.

In a TELP loan-lease (the “Lease”), the lender-lessor leases the financed equipment to the County, and the County then would then make installment payments for its use and possession of the equipment. The proposed lender for the Project is Hannon Armstrong Sustainable

Infrastructure Capital, Inc. (HASI), national firm that specializes in financing energy transition projects under the SST program. The amount to be financed, including Capitalized Interest and without buying down any of the financing, is $1,857,090. The Lease Term is two hundred forty-nine (249) months, consisting of a 14-month construction period plus 235 months of amortization with a final maturity date of May 1, 2044. The lease payments will be semi-annual. The interest rate of 4.54% was quoted for the project on July 19, 2023 and will be re-evaluated and locked in when the updated term sheet is signed pending Board approval of pursuing financing. The estimated annual lease payments are $143,261. If the reimbursed incentives are allocated across the life of the lease and added each year to the value of the energy saved in that year[4], the energy savings + incentive increment will cover the lease payment for that year. The sum of the savings over the lease term plus the incentives reimbursed equal $5,511,054. The sum of the lease payments over the full term is $2,865,224. From a budgeting perspective, lease payments will be made from incentive funds received and from the General Fund allocated for Countywide utilities expenses programmed in the Public Infrastructure Energy budget beginning in FY 2024/25.

This financing package was presented to the County's Debt Advisory Committee (DAC) at two meetings on July 14 and July 31. At the first meeting the DAC requested that the County's Debt Advisor, KNN, explore alternate financing possibilities in order to understand the competitiveness of the SST proposal. KNN identified possible alternative financing through a different lender, which quoted an indicative rate of 4.35%, which would yield a marginal cost savings of roughly $32,000 over the life of the loan. The Board could adopt a future financing resolution to allow staff to pursue alternative financing. KNN noted that the time needed to secure the alternate financing could extend beyond the price guarantee window, which could result in a cost increase that is greater than the marginal cost savings from the lower indicative rate. In balance, KNN advised, and the DAC concluded, that your Board could reasonably elect to finance through the SST program.

An alternative option, if the Board desires to move forward with the project at this time, would be for the Board to allocate available funding to pay for the project in full up front. One option would be the use of General Fund Contingencies, however this approach carries risk as it would commit a significant portion of Board contingencies early in the year, when unforeseen events may occur that will require use of these funds. Another available option is the Deferred Maintenance Fund, which currently has a balance of $50 million. This source is not

[4] The value of the energy saved is based on an assumed escalation rate for energy costs of 5%. Other agencies participating in the SST program have used rates between 3% and 7%. The County's actual observed rate has been 8.25% over the last 10 years.

recommended, however, as it is earmarked for the County Center replacement project, which is scheduled to return to the Board in Fall 2023.

Key Risks and Opportunities

1. Should your Board choose to finance the project, your Board may consider the risks associated with utilizing long term financing (over 20 years) for the purchase and installation of equipment, which as an asset has a limited life. In evaluating the project elements, Willdan provided estimated useful life for each element based on data and conclusions from the U.S. Department of Energy, and the National Renewable Energy Laboratory. The Type B LED Lighting, the Battery Energy Storage System, and Heat Pump HVAC all have an expected useful life of 20 years. The Building Management system has an expected life of 25 years, and the Carport Solar Array has an expected useful life of 35 years. These estimates are guidance, however, and not guarantees; any individual unit may have a different actual useful life.

2. The energy related cost savings for the project may be overstated. The cost savings are based on an escalation rate for energy prices of 5%. This rate is understood to be conservative when compared to the actual escalation rate observed for the energy prices to the County from 2009 to 2022, which was an average annual escalation of 8.25% (for B20 rates, exclusive of tariffs and time-of-use). Data evaluated for rates used by other jurisdictions shows a range between 3% and 7%. Future increases in energy costs could, however, be less than 5%, in which case the savings would also be less.

3. Your Board could elect to fund the balance of the project costs through General Fund contingencies. Doing so would mean less contingencies available for other projects or emergent needs.

4. Should your Board elect not to fund all or part of the project at this time, the projects costs are expected to increase, at which point the project may no longer meet the criteria necessary to proceed under the SST program (see the discussion of findings, below). Depending on the delay until the project (or elements of the project) are brought forward again, the incentives and rebates (currently totaling $588,000) may no longer be available. These are offered for a limited time, or in some cases the County has secured reservations that may only be held for a limited time.

5. Should your Board decide not to pursue energy resilience and/or upgrades at the Santa Rosa Veterans Hall Building, some of the equipment slated for replacement in these projects will require significant maintenance or replacement during what would have been the life of the projects. In addition, the Building will remain without air

conditioning (restricting its use as a cooling center during extreme heat events) unless a separate air conditioning unit is purchased and installed. The forgone costs of the equipment maintenance and replacement, and purchase and operation of air conditioning, were not considered as part of these projects, so those costs are not known. The CRF awards of $870,000 (Energy Resilience) and $901,230 (Energy Upgrades) would then revert to the CRF.

Project Emissions Reductions

The energy upgrades in this Project are estimated to generate or save a total of 157,920 kWh of electricity each year, and 1,770 therms of natural gas. The CO2e savings are projected to be 34,550 lbs annually, or taking about 3.5 passenger vehicles off the road. The energy upgrades will save 860,350 lbs over the life of the equipment. Although the CMP scheduling change saves considerable cost, it does not change actual energy use and so does not contribute to energy savings or CO2e reductions.

Additional Project Benefits

The project will significantly improve the ability of the Building to provide climate resilient services to the community. It has been over 12 years since any major energy efficiency upgrades were performed in any County-owned buildings and new technologies are available that will significantly improve the efficiency of building systems. The new heat pump heating and cooling system will increase the year-round functionality of the Building and enable it to serve as a cooling center during extreme heat events. The solar PV with battery storage microgrid will allow the facility to operate as a fully powered island during loss of grid power. For increased resilience, the existing natural gas generator will be configured to charge the battery when the solar PV system is not generating to allow for continuous operation even during extended power outages. The new Building Management System (BMS) will allow for automatic and remote management of facility systems and will be programmed to manage battery operation during normal electric grid operation to reduce demand charges and energy costs by charging the battery with the solar electric system when rates are lowest and using the stored energy from 4-9PM, during peak when energy is most expensive. The BMS will control the BESS and other energy systems to switch to emergency back-up mode during power outages.

Adjustments to the Projects Awarded Under the CRF

On February 1, 2022, your Board approved two projects related to the Santa Rosa Veteran's Building, to be funded with a total of $1,771,230 in CRF funds. The projects were originally evaluated for the CRF funding award using the Climate Action, Resilience and Equity (CARE) scoring framework that was developed to assess the extent to which a project advances your

Board's climate, resilience, and equity policy priorities, the goals of the Strategic Plan, and strategically leveraging outside funding and other opportunities. The scope of the projects was altered following more detailed, investment-grade energy audits of the building that identified physical constraints and additional needs. Because the upgrades were originally allocated CRF funding by your Board based on competitive scoring, CARD staff reviewed the changed scope of the project. The review determined the changes did not materially affect the score under the CARE scoring framework, and the changes were approved by former CAO Bratton. For more information please see Attachment 8.

Government Code Sections 4217.10 to 4217.18

Public Resources Code Section 25008 establishes the policy of the State "to promote all feasible means of energy and water conservation and all feasible uses of alternative energy and water supply sources." To that end, Government Code Sections 4217.10 to 4217.18 allow local governments and public agencies to develop energy conservation, cogeneration, and alternate energy supply sources at their facilities if the governing body determines, in a public hearing, that it is in the best interests of the agency, and if certain findings are made.

To pursue an energy services contract under the Government Code allowance, your Board must make the following finding: That the County cost of the proposed energy and conservation services and measures is less than the anticipated costs for energy that otherwise will be consumed by the County, and that the terms of the Contract are in the best interests of the County. For facility financing under the Government Code allowance your Board must make the following finding: That funds for the repayment of the financing and/or the cost of design, construction, and operation of the energy conservation facility, are projected to be available from funding that otherwise would have been used for purchase of energy in the absence of the energy conservation facility. Staff reviewed the energy savings and costs, as well as the annual TELP lease payments under the proposed financing model and determined that the conditions for both findings are satisfied. Attachment 9 documents the analysis.

For these reasons, your Board may make the findings that (1) the total energy savings are greater than the total costs over the life of the project, and that the project and contract terms are in the best interests of the County, and (2) funds for the repayment of the financing are projected to be available from funding that otherwise would have been used for purchase of electrical, thermal, or other energy in the absence of the project.

Environmental Analysis

The Project has been reviewed and analyzed for environmental impacts by appropriate county staff. The Project consists of upgrades to and within existing county building facilities, with little to no change or expansion of use of the Building. The carport solar improvement would consist of an accessory structure to the existing parking lot and other existing site conditions. The Project accordingly is categorically exempt under the California Environmental Quality Act (CEQA), including pursuant to CEQA Guidelines 15303 (minor, new, limited construction or equipment) and 15311 (accessory structures to existing facilities).

Strategic Plan:
This item directly supports the County's Five-year Strategic Plan and is aligned with the following pillar, goal, and objective.

> **Pillar:** Climate Action and Resiliency
> **Goal:** Goal 3: Make all County facilities carbon free, zero waste and resilient
> **Objective:** Objective 1: Design or retrofit County facilities to be carbon neutral, zero waste and incorporate resilient construction techniques and materials.

Also supports the Climate Action and Resiliency pillar, Goal 3, Objective 3: Invest in County owned facilities, establishing carbon eliminating microgrid technology and improving energy grid resilience to reduce the impact of power loss during power shutdowns and natural disasters (floods, fires, earthquakes), prioritizing critical infrastructure such as command and communications facilities. This item also directly addresses the Resilient Infrastructure Pillar, Goal 2: Invest in capital systems to ensure continuity of operations and disaster response, Objective 2: Invest in electric power resiliency projects at County facilities, including Veteran's Buildings, used for evacuation sites, warming/cooling centers, or as alternate work facilities for delivery of critical services.

Prior Board Actions:
2/1/2022 - Board Update: Legislative Affairs, Strategic Plan and Climate Action & Resiliency
4/20/2021 - Update on the County Participation in PG&E Sustainable Solutions Program Energy Services and Self Generation Programs
6/9/2020 -Application for the Self Generation Incentive Program and Payment of the Application Deposit

FISCAL SUMMARY

Expenditures	**FY 23-24 Adopted**	**FY24-25 Projected**	**FY 25-26 Projected**
Budgeted Expenses	$1,771,230		
Additional Appropriation Requested	$2,865,224		

Total Expenditures	**$4,636,454**		
Funding Sources			
General Fund/PG&E Settlement - CRF	$1,771,230		
State/Federal			
Fees/Other	$2,865,224		
Use of Fund Balance			
Contingencies			
Total Sources	**$4,636,454**		

Narrative Explanation of Fiscal Impacts:
The CRF funds approved in February 2022 totaled $1,771,230 for two projects at this site. The County's capital contribution from the Climate and Resiliency Funds available for construction costs for the Santa Rosa Veterans Building projects is $1,467,800 with the remainder of $303,430 going towards Public Infrastructure's Capital Projects staff costs and contingencies. An additional $1,775,490 of funding is needed to complete this project. As discussed above, this funding could come in the form of a lease through the SST program or through an allocation of General Fund Contingencies or other resources. The eligible rebates and credits of $588,410 will offset the costs, but they require the County to float the dollars and will be reimbursed after the project is completed. These incentives, added to the expected annual savings in energy will fully offset the cost of the lease payments that repay the debt. From a budgeting perspective, lease payments will be made from incentive funds received and from the General Fund allocated for Countywide utilities expenses programmed in the Public Infrastructure Energy budget beginning in FY 2024/25. Costs above assume a total up-front cost for the project, including financing. Annual payments under the financing model are estimated at $143,261 per year for 20 years.

Staffing Impacts:			
Position Title (Payroll Classification)	**Monthly Salary Range (A-I Step)**	**Additions (Number)**	**Deletions (Number)**

Narrative Explanation of Staffing Impacts (If Required):
N/A

Attachments:
Att 1 Resolution Approving the Agreement for Energy Conservation Services with PG&E
Att 2 Investment Grade Audit Report – Santa Rosa Veterans Building_without_appendices
Att 3 2022 Executed Work Order for Investment Grade Audits in County Facilities
Att 4 2021 Executed Master Services Agreement with PG&E
Att 5 Santa Rosa Veterans Building Implementation Work Order (draft attached)
Att 6 Presentation
Att 7 Alternative Scenario Cost Analysis
Att 8 Climate Resilience Fund Analysis
Att 9 Government Code 4217 Analysis

Related Items "On File" with the Clerk of the Board:
Investment Grade Audit Report – Santa Rosa Veterans Building_with_appendices