

Climate Action Plan: Development of an Initial Five-Year Financial Outlook

Environment Committee, Item 8

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Independent Budget Analyst





Overview

IBA was asked to develop a short-term financial outlook for the CAP

- While the CAP matched proposed goals/actions with specified targets/outcomes, it does not provide annual implementation detail on project timing/costs
- In response to the request, we have developed an initial five-year outlook for CAP related expenses that could be identified from FY 2019 - 2023
- Several limitations were encountered during the development of the Outlook; recommendations are offered in the report to overcome these limitations for future Outlooks

Background - State Targets

In 2005, Gov. Schwarzenegger signed an Executive Order establishing green house gas (GHG) reduction targets for the State

- Statewide GHG reduction target of 1990 levels by 2020 and 80% below 1990 levels by 2050; mid-term goal of 40% by 2030
- Lead agency, California Air Resources Board (CARB), developed a Scoping Plan which recommended local governments to establish a GHG reduction target of 15% below then-current levels by 2020
- CARB subsequently recommended local governments to calculate “mid-term” reduction targets to ensure they would meet the reduction trajectory set by statewide goals

Background – City Targets

In 2015, City adopted the CAP which identifies strategies and actions to support the City achieving established State emission targets

- CAP establishes GHG reduction targets of 15% by 2020, 40% by 2030, and 50% by 2035 below 2010 base year levels

GHG Emissions Reduction Targets (MT CO ₂ e)					
	State/City Emission Targets		CAP Implementation Projections		
Timetable	State/City % Emission Reduction Targets	Resulting Emission Targets	GHG Emission Projections if No CAP Action	Projected City Emission Reductions due to CAP Actions	Projected City Emission Levels After CAP Actions
2010 Baseline	N/A	12,984,993	12,984,993	N/A	12,984,993
2020	15%	11,037,244	14,124,690	4,330,946	9,793,744
2030*	40%	7,790,996	15,856,604	8,276,804	7,579,800
2035*	50%	6,492,497	16,716,020	10,428,926	6,287,094

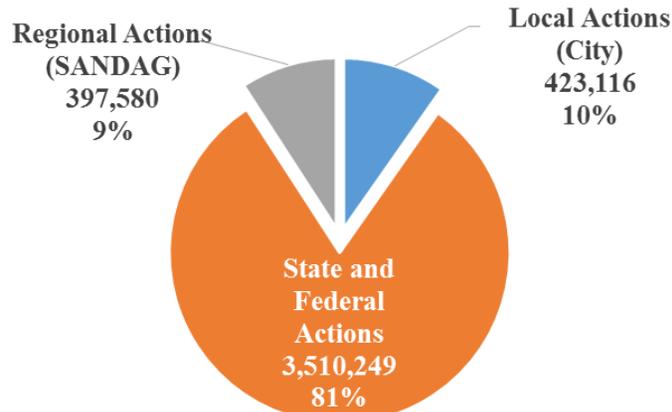
(*) Emission reduction targets for 2030 and 2035 established by the City for the CAP.

CAP Emission Reductions by Agency

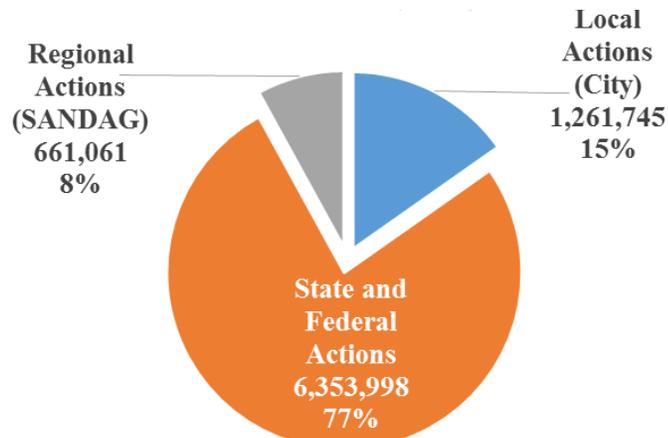
CAP identifies multiple actions to be undertaken by local (City), regional (SANDAG), and State and Federal agencies to achieve reduction targets

GHG Reductions by Agency

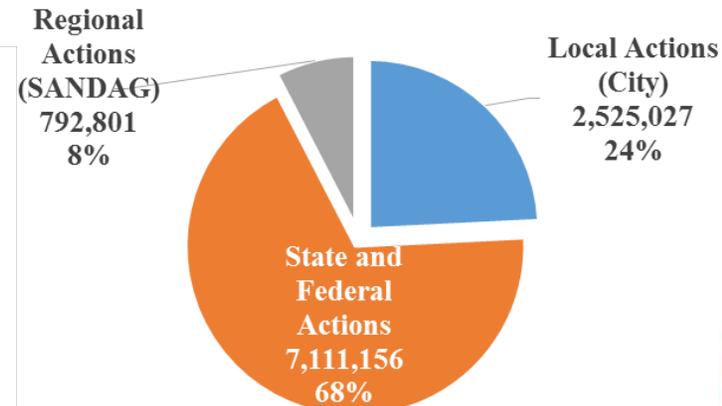
2020 Target



2030 Target



2035 Target



CAP Emission Reductions by Agency

State and federal agency actions are projected to result in a majority of the targeted emission reductions, particularly in the early target dates

- Several of the City actions, require in-depth planning and lengthy implementation periods, resulting in City actions having larger impacts during later phases
- City will continue to support State and Federal efforts through the Mayor's office and professional lobbyists

CAP Overview

CAP is an organized plan of identified actions that contribute directly or indirectly to the reduction of GHG emissions

- Actions are categorized under five key overarching strategies
- Three implementation phases
 - Phase 1: 2016-2017
 - Phase 2: 2018-2020
 - Phase 3: 2021-2035
- CAP does not include potential costs or funding mechanisms for identified actions



CAP Strategies

Strategy 1: Energy & Water Efficient Buildings

Goals: Reduce residential building consumption, establish a residential energy conservation ordinance, and reduce water consumption

Strategy 2: Clean & Renewable Energy

Goals: Achieve 100% renewable energy by 2035, convert City passenger fleet to zero emission, convert municipal packers/vehicles to low emission fuel (compressed natural gas)

Strategy 3: Bicycling, Walking, Transit & Land Use

Goals: Increase mass transit, commuter walking, and bicycling; and reduce miles traveled by vehicle

Strategy 4: Zero Waste

Goals: Divert solid waste from the landfills and capture methane from Wastewater Treatment

Strategy 5: Climate Resiliency

Goal: Increase urban tree canopy coverage

CAP Outlook

Goal was to identify and forecast costs for CAP related programs/projects planned to occur in the five years beyond the FY2018 base year

- In preparing the CAP Outlook, our office reviewed:
 - FY 2017 and FY 2018 departmental budget
 - Mayor's FY 2018-2022 and FY 2019-2023 Financial Outlooks
 - FY 2019-2023 Capital Infrastructure Planning Outlook
 - FY 2018 CAP budgeted expenses from Sustainability webpage



CAP Outlook

Projected Expenditures by Department

Department	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Economic Development	\$58,315	\$0	\$0	\$0	\$0	\$0
Environmental Services	\$15,949,998	\$4,100,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000
Park and Recreation	\$1,623,029	\$230,802	\$380,558	\$526,838	\$673,117	\$819,396
Public Utilities	\$101,533,466	\$100,813,740	\$584,718,693	\$402,988,052	\$5,506,313	\$0
Transportation & Storm Water	\$10,874,202	\$5,100,000	\$200,000	\$200,000	\$200,000	\$200,000
TOTAL	\$130,039,010	\$110,244,542	\$588,299,251	\$406,714,890	\$9,379,430	\$4,019,396

Projected Expenditures by CAP Strategy

Strategies	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Strategy 1 - Efficient Buildings	\$27,521,444	\$0	\$0	\$0	\$0	\$0
Strategy 2 - Clean/Renewable Energy	\$1,230,000	\$0	\$0	\$0	\$0	\$0
Strategy 3 - Transit & Land Use	\$10,166,702	\$5,100,000	\$200,000	\$200,000	\$200,000	\$200,000
Strategy 4 - Zero Waste	\$12,778,313	\$3,100,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
Strategy 5 - Climate Resiliency	\$78,342,551	\$102,044,542	\$586,099,251	\$404,514,890	\$7,179,430	\$1,819,396
TOTAL	\$130,039,010	\$110,244,542	\$588,299,251	\$406,714,890	\$9,379,430	\$4,019,396

Limitations for Further Development

Limited cost and timeframe information hindered our ability to develop a comprehensive Outlook

1. Difficult to project revenue for CAP programs/projects given specific/dedicated revenue sources have not yet been identified
2. No comparable short-term CAP financial plans from other municipalities/agencies
3. City's fiscal projections (i.e., Financial/Capital Outlooks) do not break out potential CAP related expenses
4. Existing City strategic plans often lack two key fiscal planning elements: (1) implementation timeline; and/or (2) projected costs

Conclusion

Recommendations to strengthen financial information that could be presented in future outlooks

1. Inclusion of CAP related expenses with the Five-Year Outlook as a separate attachment
2. Request the inclusion of implementation timelines (short- and long-term) and cost estimates in future strategic plans
3. Continued development of performance measures for CAP related programs/projects