

January 13, 2026

To: Honorable Mayor and Members of the San Diego City Council

Subject: Climate Advisory Board Recommendations on **ESPC Portfolio 1**

The **City of San Diego Climate Advisory Board (CAB)** appreciates the opportunity to provide advisory input on **Energy Savings Performance Contract (ESPC) Portfolio 1**, as presented to the CAB's CRIB Committee on December 12, 2025.

ESPC Portfolio 1 proposes a performance-based financing model that allows the City to **implement energy retrofits at 40 existing City facilities with no upfront capital cost**, with project financing repaid over time through guaranteed energy and operational cost savings. As proposed, the portfolio would **fully electrify more than half of these facilities**.

The CAB supports the City's use of ESPCs as an effective and fiscally responsible mechanism to advance municipal decarbonization, improve facility performance, and implement the City's Climate Action Plan and Zero Emissions Municipal Buildings & Operations Policy.

The Climate Advisory Board respectfully **recommends** that the City Council:

1. **Approve ESPC Portfolio 1 as proposed**, recognizing that timely approval is necessary to preserve eligibility for federal Investment Tax Credit incentives and that further revisions could jeopardize those benefits.
2. **Provide project selection transparency to support equity and public trust**, by requesting information on which ESPC Portfolio 1 facilities are located within Communities of Concern and how project selection criteria affected equity outcomes at a high level. This should include a brief explanation of how the portfolio was narrowed from the initially identified \$154 million in viable projects to the \$111 million Portfolio 1 scope, and how equity considerations were reflected in those prioritization decisions.
3. **Request an explanation for why this construction contract does not fall under the city's Project Labor Agreement**, and what steps could be taken to include this type of work in the future. And for ESPC Portfolio 1, request a report out on what **outreach was done to local trades and SLBE**, and what was selected.
4. **Request an accounting of the remaining energy retrofits needed at existing City facilities** to meet ZEMBOP and Climate Action Plan targets, including how those remaining needs are expected to be addressed over time.

The CAB commends City staff for advancing this portfolio and encourages continued, transparent use of ESPCs to accelerate progress toward the City's long-term climate commitments.

Respectfully,

City of San Diego Climate Advisory Board

cc:

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