THE CITY OF SAN DIEGO

REPORT TO THE CITY COUNCIL

DATE ISSUED: April 13, 2010 REPORT NO: 10-055

ATTENTION: Council President and City Council

SUBJECT: San Diego Clean Generation Program Administration Agreement

REQUESTED ACTION:

Authorize the use of Energy Efficiency and Conservation Block Grant funds in an amount not to exceed $992,390 and the CPUC/SDG&E Partnership grants funds in the amount of $130,000 for development, program start up and direct implementation cost and related agreements associated with establishing a renewable energy, energy efficiency and water conservation financing program for the Residents of the City of San Diego.

Authorize City Council to enter into an Agreement with Renewable Funding LLC. for the purpose of providing program administration in an amount not to exceed $625,890 over five years; assisting property owners in the City of San Diego to finance renewable energy, energy efficiency improvements and water conservation measures through loans that would be repaid on a property owner's tax bill.

BACKGROUND:

In December 2008, the Mayor Jerry Sanders announced that the City would pursue a Property Assessed Clean Energy program mechanism to assist property owners in the City of City Diego to finance renewable energy, energy efficiency improvements and water conservation measures through loans that would be repaid by special assessments on a property owner's tax bill. Examples of these improvements include: Insulation, heating and cooling systems, whole house fans, hot water heaters, windows, doors, pool pumps and solar thermal water systems, Solar (photovoltaics), wind, hydrogen as well as drought tolerant plants, reclaimed water systems and water efficient irrigation.

DISCUSSION Of ADMINISTRATION AGREEMENT:

Shortly after the Mayor's announcement in December 2008, City staff prepared and issued a Request for Qualification (RFQ) in February of 2009. Nine (9) teams responded to the RFQ and each team was interviewed and ultimately three (3) teams were selected to respond to the City's Request for Proposal (RFP). The RFP was issued in May of 2009. Between June and August 2009, the proposals were reviewed and the three remaining teams were interviewed. In September 2009, the City's Purchasing and Contracts Department issued a letter of intent to

negotiate an agreement with Renewable Funding LLC. Renewable Funding is partnering with the California Center for Sustainable Energy to provide Program Administration Services.

Key Roles and Responsibilities:

Renewable Funding, LLC.: Will be responsible for providing financing directly to City of San Diego property owners in an amount up to $20 Million, subject to completion of the financing documents. The details of Renewable Funding's Finance Agreement are still in development and will be before City Council in May 2010.

The California Center for Sustainable Energy (CCSE): Will be responsible for the program administration and is a subcontractor to Renewable Funding LLC. CCSE will act as the single point of contact for all property owners interested in applying for the program. Currently, the California Center for Sustainable Energy's role in the community is to help educate home owners and help them to make informed decisions relating to the installation of energy efficiency and renewable energy improvements for their homes. Additionally, CCSE is the administrator for the California Solar Initiative (CSI), solar incentive program in the San Diego Gas and Electric territory. The City will not have an agreement with the California Center for Sustainable Energy.

North American Development Bank (NADB): Is a bank jointly chartered by the United States and the Mexican Governments pursuant to treaty. The bank's purpose is the provide funding for infrastructure projects, including renewable energy and energy efficiency projects, within 100 kilometers north and 300 kilometers south of the U.S. - Mexico border. Details regarding the relation between Renewable Funding and the North American Development Bank will be before City Council in May 2010.

Other Relevant Agreements:

The following agreements are also associated with the creation of the district to be known as the City of San Diego Renewable Energy, Energy Efficiency, and Water Conservation Improvement District No1.: These contracts will be executed separately and are not a part of Administration Agreement approval with Renewable Funding LLC.

The City Debt Management Department selected a "Special Tax Consultant" from the City's as-needed list of Special Tax Consultants to provide special tax consulting services and related annexation services associated with the district to be known as the City of San Diego Renewable Energy, Energy Efficiency, and Water Conservation Improvement District No1.

Additionally, the City Attorney's Office issued a Request for Proposal to hire special council to work on the formation of the financing district. The firm selected to work on this effort is Stradling Yocca Carlson and Rauth, a firm with expertise in the formation of various financing districts. This will be before City Council sometime in May 2010.

In late September, Mayor Sanders established a Clean Generation Program Working Group to make policy recommendations to the Mayor on issues related to the design of the San Diego

Clean Generation Program. During its three meetings throughout October of 2009 the working group provided valuable recommendations which the Mayor has used to develop the Clean Generation Program.

In November of 2009, both Mayor's staff and staff from the City's Environmental Service Department's - Energy, Sustainability and Environmental Protection Division conducted a series of public meetings to allow property owners the opportunity to provide input into the program design. Many of those initial ideas have been incorporated into Renewable Funding's scope of administrative services which are designed to provide a well balanced program to help ensure the success of the program and to provide an extensive outreach program to property owners and contractors wanting to participate in the program.

Since December 2009 until present, City staff, including members from the Mayor's office, the Environmental Services Department and the City Attorney's office, have been working on the development of the program's Administration Agreement, Financing Agreements, and Formation of the District along with many other elements necessary to create a financing program for Residents of the City of San Diego.

DISCUSSION OF DISTRICT FORMATION:

Through a separate action, a Noticed Public Hearing is set for April 27, 2010, at which the City Council is anticipated to consider adoption of a Resolution establishing City of San Diego Renewable Energy, Energy Efficiency, and Water Conservation Improvement District No. 1 (the "District"), a Resolution declaring the necessity to incur bonded indebtedness within the proposed District, and an Ordinance authorizing the levy of special taxes within the District.

FISCAL CONSIDERATIONS:

Once the financing and Administration program is established and approved, property owners, will be repsonsible for cost associated with annexing their property into the district and fees associated with applying for the loan. Initially, property owners will have out of pocket fees totaling $300. The remaining fees associated with processing their loan and annexation of their property into the district will be capitized into the property owners interest rate.

It is anticipated the initial proposed program startup and direct implementation costs for establishing the program including the cost associated with education and outreach efforts, cost associated with formation of the district and City's cost associated with the development of the program, are estimated to be $1,122,390. In order for the program to be cost neutral to the City's general fund, it will be necessary to use EECBG funds and CPUC funds.

The breakdown of the startup and direct implementation costs for the program are as follows:

	EECBG GRANT FUNDS	CPUC GRANT FUNDS
Renewable Funding and Subcontract to CCSE	$603,890	$22,000
City Staff Program Development and Administration	$267,000	$108,000
David Taussig & Associates Inc.	$21,500	
Stradling, Yocca, Carlson and Rauth	$100,000	
Total Estimated Cost of Startup & Direct Implementation	$992,390	$130,000

City Staff is recommending that the proposed program remain cost neutral to the City and that the startup and direct implementation cost be funded using a portion of the City's allocation of Energy Efficiency Conservation Block Grant (EECBG) "Residential Retrofit" program in an amount not to exceed $992,390 and grant funds awarded to the City from CPUC/SDG&E Partnership Program in the amount of $130,000 for a total not to exceed $1,122,390 in grant funds.

The remaining balance of EECBG funds from the "Residential Retrofit" will be used to provide grants for energy audits, up to $500 per property.

ENVIRONMENTAL IMPACT:
This activity is not a project and is therefore not subject to CEQA per CEQA's guidelines section 15060 (c) (2).

PREVIOUS COUNCIL and/or COMMITTEE ACTION:
On October 28, 2009, a report was presented to Natural Resources and Cultural Committee; ITEM-9. SUB ITEM b. "AB 811 Action Timeline/District Formation" as an informational item for the purpose of reporting on the development and progress of the San Diego Clean Generation Program. Informational Item Only - No Action Taken.

On December 9, 2009, a report was presented to Natural Resources and Cultural Committee; Item – 10: A report from the Environmental Services Department regarding the Clean Generation Program. ACTION: Motion by Councilmember DeMaio, Second by Councilmember Lightner, to accept the staff recommendation and to place this as a standing item on the NR&C agenda. Direct the City's Attorney's office to work with the Green Energy/Good Jobs Alliance.

On February 2, 2010, City Council Agenda Item 330; Introduction of Ordinance (O-2010 -52) to Amend of the San Diego Municipal Code (SDMC); Charter 6, article 1by adding Division 26 titled, "Renewable Energy, Energy Efficiency and Water Conservation Improvements and Equipment Financing Program. Unanimous approval; 2 councilmember's not present.

On February 24, 2010, a report was presented to Natural resources and Cultural Committee; Item 8: Clean Generation Program; ACTION: Informational Only. No action taken.

On March 23, 2010, City Council Agenda Items 330a and 330b; Resolution 305716; Adopted (R-2010-640); Authorizing the intention to establish City of San Diego renewable Energy, Energy Efficiency and Water Conservation Improvement District No. 1 and; Adopted (R-2010-650); Authorizing the intention to incur bonded indebtedness with respect to the City of San Diego renewable Energy, Energy Efficiency and Water Conservation Improvement District No. 1. Unanimous approval; all present.

EQUAL OPPORTUNITY CONTRACTING:
Agreements associated with this project will be subject to the City's Equal Opportunity Contracting (San Diego Ordinance No. O-18173, Sections 22.2701 through 22.2708 and Non-Discrimination in Contracting Ordinance (San Diego Municipal Code Sections 22.3501 through 22.3517)

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:
Public outreach was performed through a series of public meetings in November so property owners would have an opportunity to provide input into the program design. Additionally Mayor Sanders established a Clean Generation Program Working Group to make policy recommendations to the Mayor on issues related to the design of the San Diego Clean Generation Program. During its three meetings throughout October of 2009 the working group provided valuable recommendation which the Mayor has used to develop the Clean Generation Program.

KEY STAKEHOLDERS AND PROJECTED IMPACTS:
The City of San Diego and property owners in the City of San Diego.

for

Chris Gonaver
Environmental Services Director

David Jarrell
Deputy Chief of Public Works