

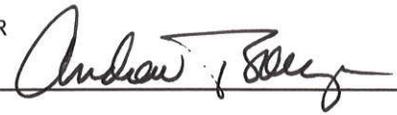
AGENDA ITEM NO. 9:30 am C

COUNCIL MEETING: May 21, 2009

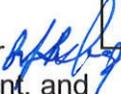
APPROVED BY \_\_\_\_\_

DEPARTMENT DIRECTOR \_\_\_\_\_

CITY MANAGER \_\_\_\_\_



May 21, 2009

**FROM:** KEITH BERGTHOLD, Interim Director   
Planning and Development Department, and

JOSEPH W. OLDHAM, Interim Sustainability Manager   
Sustainable Fresno Division, Planning and Development Department

**SUBJECT:** ADOPT A RESOLUTION AUTHORIZING THE INTERIM PLANNING AND DEVELOPMENT DIRECTOR TO APPLY FOR AND RECEIVE \$4,603,600 IN ENERGY EFFICIENCY AND CONSERVATION BLOCK GRANT FUNDING FROM THE DEPARTMENT OF ENERGY FOR THE SUSTAINABLE FRESNO ENVIRONMENTAL AND RENEWABLE RESOURCE CENTER PROGRAM

**RECOMMENDATIONS**

1. Staff recommends that the City Council adopt a resolution authorizing the Interim Planning and Development Director to apply for and receive \$4,603,600 in Energy Efficiency and Conservation Block Grant (EECBG) funding from the Department of Energy for the Sustainable Fresno Environmental and Renewable Resource Center Program.

**EXECUTIVE SUMMARY**

The City of Fresno has a unique opportunity to provide local and regional leadership for a demonstration of how to translate environmental quality goals and resource sustainability constraints into competitive economic advantage by implementing the Sustainable Fresno Division of the Planning and Development Department. Sustainable Fresno will focus on developing and launching new energy and water efficiency, conservation, innovation and financing programs, and related new planning policies and codes that increase and reserve resources for continued and sustainable economic growth while concurrently achieving important air quality and climate stability goals contained in AB 32, SB 375, and the Fresno 2025 General Plan and forthcoming amendments. Sustainable Fresno programs will include:

- New State-of-the Art Green Building, Zoning, and Form-Based Codes, and Resource Efficient Land Use Plans and Policies supported by Development Permit Streamlining;
- Metro Scale Energy and Water Efficiency Education, Auditing and Retrofit Programs;
- Renewable Energy Project Design, Grant Seeking, Permitting, Deployment and Management Support;
- Green Jobs and Contractor Training with Fresno Workforce Connection, Business, Labor and Community;
- Sustainable Fresno Website Tools - Education - Standards - Measurement - Reporting and Accountability;
- Sustainable Fresno Revolving Loan Bank for Metro Scale Energy and Water Efficiency Improvement Financing;
- Sustainable Fresno Surcharge PLUS Energy and Water Urban Growth Capacity Reservations;
- All Supported by and Supporting of - Interagency, Business, Labor, & Community Partnerships for Alignment of Goals, Strategies and Implementation.

Initial Sustainable Fresno funding will come from Energy Efficiency and Conservation Block Grant (EECBG) - formula funding - from the U.S. Department of Energy (DOE) of \$4,603,600 to be obligated in 18 months and expended over three years. Additional grants from federal and state agencies will be aggressively sought to supplement and complement initial EECBG formula funding. Long-term sustainable program funding is contingent upon the performance of Sustainable Fresno programs and is proposed to come from program management and operation fees related to interdepartmental, interagency and private sector consulting on renewable resource projects and programs, administration and management fees from the proposed Sustainable Fresno Revolving Loan Bank, and a proposed Sustainable Fresno Surcharge to be implemented through utility rates for energy and water use to support Sustainable Fresno programs that factually save energy and water resources for customers and for the continued growth the Fresno urban area.

Sustainable Fresno will initially employ up to 24 City Staff members – the vast majority of which will come from enterprise divisions of the Planning and Development Department now suffering significant revenue reductions from the lower development application and building permit processing fees received as a result of the 2008-2009 economic crisis and building activity down turn. These knowledgeable and talented staff will help launch and operate Sustainable Fresno, but also be available to move back into key enterprise positions once the economy recovers and adequate staffing demand and enterprise operational funding levels are reestablished. Some Sustainable Fresno staff positions will likely only last the initial three years, and those needed for the longer-term aspects of the program will be recruited from the Fresno community at large and trained as part of the Green Jobs Training Partnership proposed with the Fresno Workforce Connection, Business, Labor, and Community interests, allowing City Staff to be replaced as they are needed elsewhere.

The approval of Staff Recommendations contained in this staff report is highly time sensitive both in terms of acquiring funding from DOE, and more critically, in terms of getting started as soon as possible implementing programs that achieve both the green house gas emission reduction levels necessary to comply with AB32 and SB375 and position Fresno for economic growth. City Staff working with consultants have determined that Fresno must reduce overall greenhouse gas emissions by over 53,000 metric tons annually for the next eleven years in order to meet 2020 reduction goals of AB 32. (See chart in Background Section for reduction levels by sector). Further, consultants and advisors assisting City Staff and also working with staff from the DOE suggest that first-submitted applications with accompanying Energy Efficiency Conservation Strategies (EECS) like Fresno's will be first-reviewed and approved for advance of block grant funds to the City. With approval by City Council of both Staff Recommendations, the City of Fresno can submit on May 22, 2009 to DOE, which will be ahead of the deadline and the unprecedented bulge of similar EECBG submissions by all 50 states and the 2,800 other city and county jurisdictions in the U.S. eligible for EECBG formula grants

## **BACKGROUND**

As noted above, the City of Fresno has a unique opportunity to provide local and regional leadership for a demonstration of how to translate environmental quality goals and resource sustainability constraints into competitive economic advantage by implementing the Sustainable Fresno Division of the Planning and Development Department. The translation to be sought is part of a new national and global awareness of the changing sources and new tools needed for reliable economic growth and how these must consider and integrate goals for air quality, climate stability, and more innovative energy and water resource solutions. A new conception of the entire urban area of Fresno and all its stakeholders as a competitive economic enterprise is required, as Fresno, Inc. for example, with a balance sheet of diverse assets that can either be assumed constant and taken for granted, or acknowledged, measured, better managed, and continually upgraded to provide the basis for consistent competitive advantage and economic success in an increasingly dynamic and insecure world. There are many interdependent asset categories represented on the balance sheet of Fresno, Inc.: human, community, cultural, historic, knowledge, financial, buildings, landscapes, natural, environmental, energy resource-based, and more. Sustainable Fresno will focus on the key resource

assets of energy and water and their relationship to continued economic growth based upon the following premises.

The Future Pace of Economic Growth is Contingent on Adequate Supplies and Reasonable Prices of Energy and Water: The reality and pace of future economic growth and development in Fresno, the San Joaquin Valley, and many other cities in California and the U.S., will be highly contingent upon the availability of adequate supplies and competitive pricing of energy and water.

Efficiency, Conservation, and Innovation Programs Can Increase Supply, Moderate Relative Price, and Allow Adequate Resource Budgets for Continued Economic Growth: Available supplies of energy and water needed for future economic growth and development can be increased, and likely relative increases in resource prices can be moderated, through broad-based efficiency, conservation, and innovation programs aimed at producing measurable resource savings, reserves, and new alternative and renewable supplies to meet required energy and water demand for economic growth and related consumption in existing and new residential, commercial, industrial and institutional buildings and landscapes.

Large Scale Resource Efficiency, Conservation, Innovation and Financing Programs Can Motivate Substantial Job Creation, Local Sales, and Even New Manufacturing: Consistent programmatic efforts focused upon achieving the economic benefits of energy and water efficiency, conservation, and innovation - paired with metropolitan scale resource efficiency auditing of existing residential, commercial, industrial, and institutional buildings and landscapes, plus new green building and development codes applied to new development and major renovations, and increased deployment of renewable energy systems, all connected with new, high-capacity public and private financing tools and resources, will directly and indirectly generate substantial new investment, economic growth, job creation and development. Such growth and development will be based upon new jobs created to perform retrofits and new installations, and increased locally directed sales and distribution of energy and water efficient and renewable energy materials, appliances, equipment and fixtures.

A Truly Green Fresno is a Very Attractive Place for Investment, Work, and for Living: A truly Green Fresno, one that accountably translates environmental quality goals and resource sustainability constraints into substantive and sustainable economic growth, will be more attractive to and better able to accommodate and grow new and desirable green industries, businesses, enterprises, and even manufacturing, and to grow, attract, and retain the critical class of creative economy entrepreneurs, professionals, and knowledge workers needed for sustainability.

The assumptions above are based upon the efficacy of resource efficiency, conservation, and innovation as substantiated in comprehensive studies and reports from many sources over the past two decades and particularly by recent reports from the Rocky Mountain Institute: Assessing the Electric Productivity Gap and U.S. Efficiency Opportunity, January 2009 (<http://ert.rmi.org/files/documents/CGU.RMI.pdf>); and by the business-based international consulting group, McKinsey and Co: Pathways to a Low-Carbon Economy, January 2009 ([http://assets.wwf.org.br/downloads/pathwaystolowcarboneyconomy\\_fullreport.pdf](http://assets.wwf.org.br/downloads/pathwaystolowcarboneyconomy_fullreport.pdf)). For example, according to these reports energy efficiency and conservation are primary categories of green house gas abatement opportunity and the lowest cost options for substantially reducing our country's energy demand, use and need for new power plants while maintaining 2.5% annual average economic growth rates. In other words, we can be efficient, conserve, reduce green house gas emissions, make positive contributions to a low-carbon future, and still have very positive economic growth. Water and energy demand issues are inextricable linked, and it is confirmed that water efficiency and conservation not only contribute to less energy demand, but also create a lower cost option for an expanded resource budget for future growth and development in need of water.

The Planning and Development Department has worked in collaboration with the Department of Public Utilities, the General Services Department, the Information Services Department, and the Finance Department to develop the goals and programs of Sustainable Fresno, which is designed to be an extension of the Fresno

Green Program, and to accelerate the transformation of the City of Fresno and the Fresno Metropolitan Area into a measurably sustainable and competitive enterprise by 2025. These goals include:

1. City-Wide Energy Efficiency and Conservation Goal: Achieve a measurable 30% reduction in energy demand and usage in all new development and within the existing built environment by 2025;
2. City-Wide Renewable Energy Deployment Goal: Achieve a measurable 30% proportion of energy demand and usage from renewable energy sources in all new development and within the existing built environment by 2025;
3. City-Wide Water Efficiency and Conservation Goal: Achieve a measurable 50% reduction in water demand and usage in all new development and within the existing built environment by 2025;
4. City-Organizational Energy Efficiency and Conservation Goal: Achieve a measurable 30% reduction of peak energy usage by City of Fresno operations through energy efficiency upgrades, load shifting, and conservation measures by 2025;
5. City-Organizational Renewable Energy Deployment Goal: Achieve a measurable 50% of energy usage by City of Fresno operations from renewable sources by 2025; and
6. City-Organizational Water Efficiency and Conservation Goal: Achieve a measurable 50% reduction in water demand and usage in all City of Fresno operations by 2025.

On March 26, 2009 the U.S. Department of Energy announced direct allocations of American Recovery and Reinvestment Act funding through the Energy Efficiency and Conservation Block Grant (EECBG) program to larger cities across the United States. The allocation for the City of Fresno is \$4,603,600 with the funding to be used for specific eligible activities as defined under the Energy Independence and Security Act (EISA) of 2007. In order to receive this funding, the City of Fresno must develop and be prepared to implement an approved Energy Efficiency and Conservation Strategy (EECS) and submit this plan along with a funding request to the Department of Energy by June 25, 2009. Approval of a three year spending plan is required by the Department of Energy within 18 months of award of the grant funding. Obligating program staffing with employees versus consultants or contractors requires a resolution by City Council to accompany the City's application and EECS.

The approval of authorization to apply for EECBG formula funds and the related three (3) year spending plan is highly time sensitive. The new DOE-EECBG "stimulus driven" program is 10 or more times the size and complexity of any previous DOE programs, involves thousands of applicants across the U.S. from all 50 states, and DOE is just now in the process of gearing up staffing and consulting capacities to accept, review, and approve applications and EECS plans for funding. The Planning and Development Department's enterprise budget contingencies for FY10 include timely receipt of EECBG funds as soon after July 1, 2009 as possible, thus highlighting the need for timely review and approval by DOE. Consultants and advisors assisting City Staff and also working with staff from the DOE suggest that first-submitted applications with accompanying Energy Efficiency Conservation Strategies (EECS) like Fresno's will be first-reviewed and approved for advance of block grant funds to the City. With approval by City Council of both Staff Recommendations on May 21, 2009, the City of Fresno will be prepared to submit the next day on May 22, 2009 to DOE, which will be ahead of the deadline and the unprecedented bulge of similar EECBG submissions by all 50 states and the 2,800 other city and county jurisdictions in the U.S. eligible for EECBG formula grants.

The Sustainable Fresno Environmental and Renewable Resource Center will perform the following seven (7) eligible activities with funding from the EECBG over the next three years:

1. Sustainable Fresno Center will be interagency in scope and function combining, business, labor, and community partnerships for alignment of goals, strategies and implementation of Fresno's environmental and resource goals. The creation of this organization and its subsequent climate stability goals and strategies is the first activity to be funded with the EECBG funds. This funding is listed as eligible activity #1 in Sec 544 of EISA, and will account for 19% of the total EECBG funding.
2. Sustainable Fresno Center will require technical assistance to perform all the tasks presented above. In particular, these consulting services will support the Sustainable Fresno Center in the development of the Sustainable Fresno Website, and in the monitoring, verification, and reporting of the resource reductions achieved by the Center's activities. This funding is listed as eligible activity #2 in Sec 544 of EISA, and will account for 11% of the total EECBG funding.
3. This key Sustainable Fresno program area will be responsible for performing over 7,000 energy and water conservation audits per year over an initial three year period on residences, businesses, and institutions within the Fresno Metropolitan Area. Sustainable Fresno will seek partnerships with other public agencies and Pacific Gas and Electric (PG&E) programs focusing upon weatherization and efficiency retrofits in order to produce coordinated, complementary, and leveraged results. The goal of this program is to reduce the consumption and as a result the relative cost for energy and water throughout the Fresno Metropolitan Area and to demonstrate measurable resource savings that can become the basis for negotiating reserve capacities with PG&E and the City Department of Public Utilities to accommodate future energy and water resource needs required for continued economic growth, urban development, and fiscal sustainability. This funding is listed as eligible activity #3 in Sec 544 of EISA, and will account for 27% of the total EECBG funding.
4. California Assembly Bill 811 allows for the creation of assessment districts to finance energy efficiency improvements. The Sustainable Fresno Center will examine this type of bond financing mechanism in order to establish the Sustainable Fresno Revolving Loan Bank. The bank will be a revolving and expanding loan pool for making loans to eligible families and businesses installing renewable energy, energy efficiency, and water efficiency systems. The bank will allow a contractual assessment on property taxes for 20 years to pay off such loans. City bond issuance would primarily fund the revolving loan pool as now proposed by other jurisdictions in California. Sustainable Fresno would also recruit additional loan financing pool partners such as pension funds and local banks seeking secure and predictable lending and investment opportunities. Such a financing mechanism will dramatically increase the affordability of expensive systems by stretching payments over 20 years which is much longer than the typically short seven year amortization periods now available. The attractiveness of these arrangements is further enhanced by allowing payments to run with the property so that new owners will automatically assume uncompleted payment obligations. A Sustainable Fresno Revolving Loan Bank will substantially increase the scale of renewable energy and water efficiency improvement activity and the resulting benefits for families and businesses while also creating significant local equipment sales and new equipment installation jobs. This funding is listed as eligible activity #4 in Sec 544 of EISA, and will account for 3% of the total EECBG funding.
5. Sustainable Fresno will create a retrofit program with specific energy efficiency packages based on an entire community assessment. By leveraging the scale of the program, costs are reduced there is the possibility to get additional financial support to provide low, fixed pricing for predetermined Good, Better, Best retrofit packages. Completing this activity will be a recruitment and training effort of local workers. By combining this program with the Sustainable Fresno Revolving Loan Bank, the homeowner will see positive cash flow from day one. Local jobs will be created (one local job for every 16.6 homes retrofitted), a significant reduction in greenhouse gases can be tracked, and the program can be sustainable after the stimulus money dissipates. This funding is listed as eligible activity #6 in Sec 544 of EISA, and will account for 24% of the total EECBG funding.

6. Although the City of Fresno updated its General Plan in 2002 with many smart growth and resource conservation goals and policies - The City's zoning code which serves to implement the General Plan has not been comprehensively updated since the 1960s and is not informed by nor consistent with more contemporary and up-to-date form-based, green, and resource efficiency oriented development standards. Economic, fiscal, environmental, energy and water sustainability for Fresno will require new and more specific land use plans, policies, building and development codes that incorporate cutting-edge green development and revitalization criteria and contain energy and water efficiency, conservation, and innovation design standards that also serve to meet recently enacted California green house gas reduction goals. This funding is listed as eligible activity #8 in Sec 544 of EISA, and will account for 10% of the total EECBG funding.
7. The Sustainable Fresno Center will assist all departments and especially the General Services Department, the Departments of Public Utilities and Public Works, Fresno Area Express (transit systems), Airports, and Planning and Development with all planning, partnerships, financing, permitting, implementation, administration, learning, and dissemination of learning and benefits from renewable energy. Acting as a project research, development, coordination and management center for renewable energy deployment in the Fresno Metropolitan Area, Sustainable Fresno will not only assist City departments involved in renewable energy, but help public agencies, businesses, labor, and community interests achieve economically competitive and regionally complementary project designs, funding, implementation, management, marketing, documentation and reporting. The purpose of this program area would be broad-based and integrated deployment that achieves and leverages local and regional renewable energy resources and goals. This funding is listed as eligible activity #8 in Sec 544 of EISA, and will account for 6% of the total EECBG funding.

The Sustainable Fresno Environmental and Renewable Resource Center Program has been reviewed by the San Joaquin Valley Clean Energy Organization, Pacific Gas and Electric, HUD, Fresno Housing Authority, and the San Joaquin Valley Air Pollution Control District. The model for the energy efficiency audit program and the estimated results from the Sustainable Fresno program are based on results achieved over the past three years from a smaller scale program operated by PG&E. Sustainable Fresno will leverage programs operated by PG&E and others to achieve a quantum expansion of energy efficiency gains for the community and add metro-scale water conservation.

The community economic benefit from the implementation of the Sustainable Fresno Environmental and Renewable Resource Center Program over the next three years is that an estimated 3,000 new jobs will be created. Because of the work accomplished by the program over the next three years, homeowners and businesses will realize an estimated cumulative savings of \$600 Million in water and energy costs over the next 20 years, even if the program stops adding new energy and water retrofit units.

City Staff working with consultants have determined that Fresno must reduce overall greenhouse gas emissions by over 53,000 metric tons annually (per year savings needed) for the next eleven years in order to meet 2020 reduction goals of AB 32 and sustain economic growth. The total greenhouse gas emission profile for the city is shown in the chart below.

(Values Listed are in Metric Tons of Carbon Annually)

	Baseline Emissions	2020 Target	2025 Target	Per Year Savings
Electricity and Natural Gas Use	1,710,000	1,453,500	1,197,000	23,318
Gasoline and Diesel Consumption	2,220,000	1,887,000	1,554,000	30,273

The environmental benefit from implementation of the program is an estimated cumulative savings over 10 years of 541,586,250 kilowatt hours of electricity, or enough electricity to power 49,235 homes; a reduction of 132,689 tons of greenhouse gases (GHG); and a reduction of 895 tons of ozone-forming criteria pollutants which will be essential in achieving the overall GHG reductions necessary to sustain growth and new development. Further reductions in transportation fuel use will be achieved through Sustainable Fresno Center's work in advanced planning to support transit oriented development, Bus Rapid Transit corridors, renewable and alternative fuel development, and walkable and bikable community design.

Staff recommends that the City Council adopt a resolution authorizing the Interim Planning and Development Director to apply for and receive \$4,603,600 in Energy Efficiency and Conservation Block Grant (EECBG) funding from the Department of Energy for the Sustainable Fresno Environmental and Renewable Resource Center Program and,

**FISCAL IMPACT**

\$4,603,600 from the U.S. Dept. of Energy - Energy Efficiency and Conservation Block Grant (EECBG) formula funding – will be added to the Planning and Development Department's budget over the next three years to accomplish Sustainable Fresno program goals. Using EECBG funds as leverage and match, additional grants from federal and state agencies will be aggressively sought to supplement and complement initial EECBG formula funding. Long-term sustainable program funding is contingent upon the performance of Sustainable Fresno programs and is proposed to come from program management and operation fees related to interdepartmental, interagency and private sector consulting on renewable resource projects and programs, administration and management fees from the proposed Sustainable Fresno Revolving Loan Bank, and a proposed Sustainable Fresno Surcharge to be implemented through utility rates for energy and water use to support Sustainable Fresno programs that factually save energy and water resources for customers and for the continued growth the Fresno urban area. All EECBG and other federal and state grant funds applied for and won, and Sustainable Fresno program management, operation, administration and performance fees generated, serve to reduce and/or offset funding required by the department from the City of Fresno General Fund and other local sources in order to continue to employ knowledgeable and talented City Staff and to cover related departmental expenses needed to accomplish important energy and water efficiency, conservation and innovation goals for the City and region.

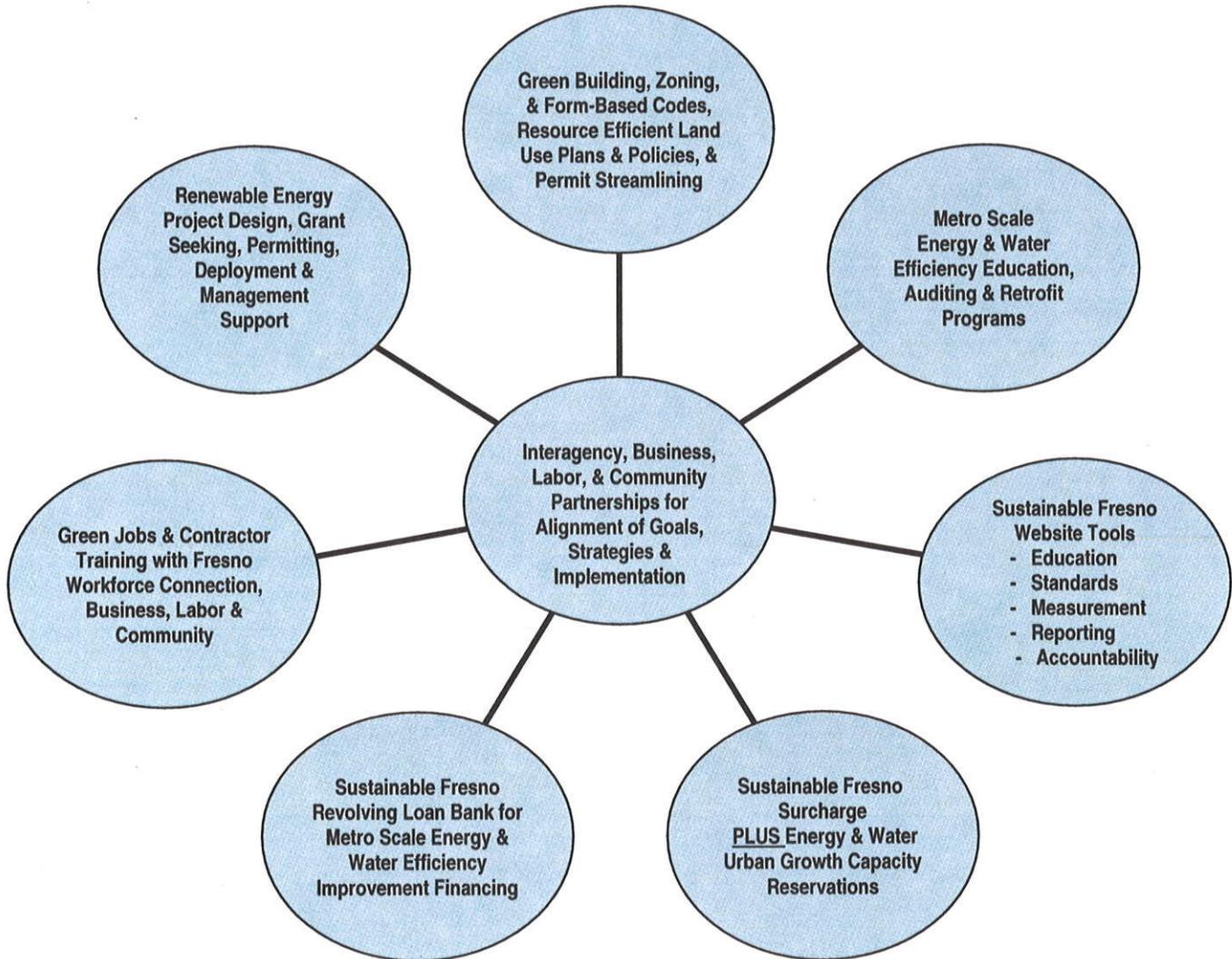
**Attachments:** Sustainable Fresno Program Activity Diagram  
 Resolution authorizing EECBG application and receipt of grant funding

# ***Sustainable Fresno***

***Environmental and Renewable Resource Center***

*City of Fresno Planning and Development Department*

## ***Initial Sustainable Fresno Center Programs***



RESOLUTION NO. \_\_\_\_\_

A RESOLUTION OF FRESNO CITY COUNCIL APPROVING THE APPLICATION FOR AND ACCEPTANCE OF UP TO \$4,603,600 IN ENERGY EFFICIENCY AND CONSERVATION BLOCK GRANT FUNDS FROM THE U.S. DEPARTMENT OF ENERGY AND AUTHORIZING EXECUTION OF DOCUMENTS

Sustainable Fresno Environmental and Renewable Resource Center

WHEREAS, the American Recovery and Reinvestment Act of 2009, Public Law 111-5, appropriates funding for the Department of Energy (DOE) to issue/award formula-based grants to states, U.S. territories, units of local government, and Indian tribes under the Energy Efficiency and Conservation Block Grant (EECBG) Program to implement projects and programs to reduce total energy use, reduce fossil fuel emissions, and improve energy efficiency in building and other appropriate sectors.; and

WHEREAS, the DOE's authorization for this program is set forth in Title V, Subtitle E of the Energy Independence and Security Act (EISA) of 2007; and

WHEREAS, EECBG projects will be funded, in whole or in part, with funds appropriated by the American Recovery and Reinvestment Act of 2009, Pub. L. 111-5, (Recovery Act or Act); and

WHEREAS, the City of Fresno has been allocated \$4,603,600 in EECBG Funding; and

WHEREAS, the procedures established by the DOE require the City to certify by resolution authorization for proposal submittal and Program participation; and

WHEREAS, the City will enter into an agreement with the DOE for the grant funded Program/Project.

NOW, THEREFORE, BE IT RESOLVED THAT THE COUNCIL OF THE CITY OF FRESNO HEREBY:

1. Approves proposal submittal and acceptance of up to \$4,603,600 in grant funding for the Sustainable Fresno Environmental and Renewable Resource Center Program/Project(s) contingent upon grant funds being available, and Program/Project participation, subject to constitutional and local law requirements, annually allocated and available City funds, and this resolution; and

2. Certifies that the City has reviewed, understands and, to the extent consistent with all constitutional and local law requirements and this resolution, agrees to the provisions contained in the EECBG Program Guidelines; and

3. Appoints the Interim Planning and Development Director, as agent of the City of Fresno, to conduct all negotiations, execute and submit documents including, but not limited to,

