



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kerrie Romanow
Margaret McCahan

SUBJECT: SEE BELOW

DATE: September 14, 2018

Approved

Date

9-19-18

**SUBJECT: CLIMATE PROTECTION GRANT WITH BAY AREA AIR QUALITY
MANAGEMENT DISTRICT**

RECOMMENDATION

- (a) Adopt a resolution authorizing the City Manager to negotiate and execute the Climate Protection Grant with the Bay Area Air Quality Management District to accept funds in the amount of \$325,000 through October 31, 2020; and
- (b) Adopt the following 2018-2019 Appropriation Ordinance and Funding Sources Resolution amendments in the General Fund:
 - (1) Increase the estimate for Revenue from Local Agencies by \$150,000; and
 - (2) Establish a new appropriation to the Environmental Services Department within City-Wide Environmental & Utility Services for Climate Protection Grant in the amount of \$150,000.

OUTCOME

Approval for the negotiation and execution of the Bay Area Air Quality Management District (BAAQMD) Climate Protection Grant agreement ("Agreement") will allow the City to accept \$325,000 over the next two years to implement: a mobile, zero net carbon (ZNC) building demonstration project; a ZNC education, outreach, and training program; and, a heat pump water heater (HPWH) incentive program for existing residential homes in San José through October 31, 2020.

BACKGROUND

In 2016, San José was the only California city selected to receive a City Energy Project (CEP) grant and began work in 2017 on a suite of energy efficiency policies and programs primarily geared toward the large commercial building sector. The outreach and education initiative supported by the CEP grant has included the following ZNC activities: educational workshops and a workshop with industry experts and stakeholders to inform the City's next steps to further enable local compliant buildings. The initiative also planned to include a ZNC demonstration project informed by the workshop.

On February 27, 2018, City Council unanimously adopted Climate Smart San José. This climate action plan outlines nine strategies and identifies 24 tracking metrics to reduce community-wide greenhouse gas (GHG) reductions in alignment with the Paris Climate Agreement goals. The plan includes Strategy 2.2 to “Make Homes Efficient and Affordable for Our Residents”, which is linked to metrics and is intended to significantly increase the number of ZNC and all-electric homes in San José.

Since 2004, the City of San José has been a Local Government Partner with PG&E, leading Santa Clara County’s small- and medium-sized business and public sector energy efficiency programs. Funding for program activities is derived from the Public Goods Charge, directed by the California Public Utilities Commission, and administered by the state’s investor-owned utilities (including PG&E). To date, the City’s focus has been on offering energy audits and upgrades, technical assistance, and county-wide education, outreach, and marketing regarding energy efficiency services through Silicon Valley Energy Watch (SVEW). SVEW funds have been allocated to further support CEP and Climate Smart San José activities.

In May 2018, the City applied for the BAAQMD Climate Protection Grant to implement: a mobile, ZNC building demonstration project; a ZNC education, outreach, and training program; and a HPWH incentive program for existing residential homes. The activities in the City’s BAAQMD grant proposal were intended to: reduce GHG emissions from existing buildings; increase the knowledge-base of contractors, residents, and community members regarding the benefits of ZNC buildings, energy efficiency, and electrification; and accelerate the transformation towards residential electrification and ZNC buildings. The City was notified in June 2018 that it was awarded a \$325,000 grant for the proposed activities.

ANALYSIS

City Council approval of the recommendations will allow for the City to execute the BAAQMD Agreement. The BAAQMD grant will support both immediate- and long-term energy savings, electrification, and ZNC building goals as identified in Climate Smart San José via implementation of the following grant activities:

1. Mobile, ZNC building demonstration project including interactive, educational energy-efficiency, electrification, and ZNC features such as induction stovetops, battery storage, and renewable power.
2. ZNC education, outreach, and training program including:
 - a. Creation of a Climate Smart Leaders Program to incentivize and recognize residents for activities related to outreach and/or implementation of ZNC building projects.
 - b. A variety of professional trainings and/or community workshops to encourage the understanding and uptake of ZNC and electrification technologies.
 - c. A ZNC home outreach campaign including an educational video and activities targeted to reach low-income communities in San José.

3. HPWH incentive program, with 20 percent of the incentives set aside for low-income households, offering up to \$5,000 to approximately 65 existing residential homes to cover equipment, labor, and related infrastructure costs for heat pump water heaters.

Through the BAAQMD grant, the City would be able to fund a portion of existing City staff positions in the Environmental Services Department, including the Climate Smart Deputy Director, Sustainability and Compliance Division Program Manager, and an Environmental Service Specialist, to support work through the term of Agreement ending on October 31, 2020. In addition, current CEP, SVEW, and Climate Smart San José funds will be leveraged for staffing, trainings, and outreach, to further support the grant programs.

City staff would work closely with Silicon Valley Clean Energy and the Bay Area Regional Energy Network on execution of the HPWH incentives program since those entities also received BAAQMD grant awards for related activities. Staff will coordinate with both relevant internal departments and external stakeholders to ensure successful design and execution of the BAAQMD grant programs.

EVALUATION AND FOLLOW UP

Staff will provide progress updates on the BAAQMD grant as part of the semi-annual Climate Smart San José updates to the Transportation and Environment Committee and City Council. The funding for future fiscal years (i.e., 2019-2020 and 2020-2021) will be recognized as part of the respective fiscal year budget processes.

PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website for the October 2, 2018, City Council meeting.

COORDINATION

This memorandum has been coordinated with the City Attorney's Office.

COST SUMMARY/IMPLICATIONS

The total grant agreement amount of \$325,000 supports program activities through October 31, 2020 (i.e., into 2020-2021), including approximately \$40,000 in funding for a portion of existing staff positions in the Environmental Services Department. Existing Climate Smart General Fund and Silicon Valley Energy Watch appropriations will also be leveraged to support the successful execution of the grant deliverables. Grant funding in the amount of \$150,000 is recommended to be recognized in 2018-2019. The remainder of the grant funding is anticipated to be budgeted as part of the annual budget process as follows: \$163,000 in 2019-2020 and \$12,000 in 2020-2021, subject to City Council appropriation of funding in the future years.

BUDGET REFERENCE

The table below identifies the fund and appropriations to fund the agreement recommended as part of this memorandum.

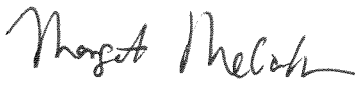
Fund	Appn #	Appn Name	Current Appn	Recommended Budget Action	2018-2019 Proposed Operating Budget Page*	Last Budget Action (Date, Ord. No.)
001	NEW	Climate Protection Grant	N/A	\$150,000	N/A	N/A
001	R090	Revenue from Local Agencies	\$14,183,953	\$150,000	VI – 1	6/19/2018, Ord. No. 78693

* The 2018-2019 Operating Budget was adopted on June 19, 2018

CEQA

Not a project, File NO. PP17-003, Agreements/Contracts (New or Amended), resulting in no physical changes to the environment.

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KERRIE ROMANOW
Director, Environmental Services


MARGARET MCCAHAN
Budget Director

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I hereby certify that there will be available for appropriation in the General Fund in the Fiscal Year 2018-2019, monies in excess of those heretofore appropriated there from, said excess being at least \$150,000.

A handwritten signature in cursive script, reading "Margaret McCahan".

MARGARET MCCAHAN
Budget Director

For questions, please contact Cyndy Comerford, Climate Smart Deputy Director, at (408) 975-2548.