



# Memorandum

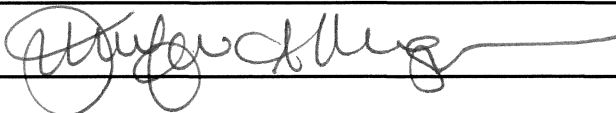
**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Lee Wilcox

**SUBJECT:** SEE BELOW

**DATE:** December 11, 2019

Approved

 Date 12/18/19

**SUBJECT: AMENDMENT TO THE AGREEMENT BETWEEN THE CITY OF SAN JOSE AND CRUZ STRATEGIES, LLC FOR STATE LEGISLATIVE ADVOCACY SERVICES**

## **RECOMMENDATION**

Adopt a resolution authorizing the City Manager to execute the First Amendment to the Agreement for Consultant Services with Cruz Strategies, LLC that includes:

- (1) Additional lobbying services obligations for Cruz Strategies, LLC including lobbying services relating to Public Safety Power Shutoff events and advancing energy resiliency;
- (2) Increase the total compensation paid for state legislative advocacy services from \$480,000 to \$570,000 for the period of July 1, 2019 to June 30, 2021 (an additional \$5,000 per month for the remaining 18 months of the contract), subject to the appropriation of funds; and
- (3) Increase the contract amount for the one-year option to extend the Agreement from July 1, 2021 to June 30, 2022 to provide ongoing services from \$240,000 to \$300,000 (an additional \$5,000 per month), subject to the appropriation of funds.

## **OUTCOME**

An amendment to the Agreement for Consultant Services between Cruz Strategies, LLC and the City of San José will provide additional services including representation for Public Safety Power Shutoff events and legislative and regulatory ideas around electricity restructuring. This representation will allow the City to have a direct voice with any proposed Public Safety Power Shutoff and electric utility restructuring actions at the state level which will advance the City's legislative priorities around those issues

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## **BACKGROUND**

On June 26, 2019, the City and the firm of Cruz Strategies, LLC entered into a new agreement for state legislative advocacy services.

On June 25, 2019, the City Council adopted principles that guide advocacy on restructuring California's electric power system and legislative and regulatory engagement. On October 9, 2019 and October 26, 2019 Pacific Gas and Electric (PG&E) conducted two Public Safety Power Shutoff events in parts of San José. On October 23, 2019, the Rules and Open Government Committee considered Mayor Liccardo's memo on "Public Safety Power Shutoffs: Making San José Grid-Resilient" that proposed several additional items for advocacy around Public Safety Power Shutoff events, including better communication and data from PG&E, expanding funding for microgrids and distributed resources, and eliminating barriers to other models of electricity distribution.

At the November 19, 2019 City Council meeting, the Council approved additional resources for the Community Energy Department to carry out work related to electricity restructuring, including two additional full-time positions to advance regulatory and legislative policy and address the energy resiliency and rapidly changing market challenges that have developed over the past year.

## **ANALYSIS**

The City experienced two PG&E Public Safety Power Shutoff events in October 2019. These events impacted an estimated 20,000 customer accounts in the City on October 9, 2019 and 7,800 customer accounts in the City on October 26, 2019. The scope and scale of these Public Safety Power Shutoff events have prompted serious conversations at the state level about greater public oversight from the California Public Utilities Commission and renewed calls for other utility restructuring reforms.

Given the changing energy market, new policy direction from the Mayor and Council in response to PG&E's Public Safety Power Shutoff events, the City is proactively pursuing multiple strategies to advance energy resiliency. These strategies include playing a lead role on transitioning PG&E to a customer-owned utility, increasing funding and removing barriers to microgrids, removing barriers to municipalization, and efforts to improve PG&E communication and mitigate the negative impacts of Public Safety Power Shutoff events. The strategies have increased the regulatory and legislative workload above what staff originally anticipated and will require additional services to advocate on legislation in these spaces. The City is also sponsoring SB 378 (Wiener) on Public Safety Power Shutoff events and is actively exploring sponsoring additional legislation.

In light of the increased workload from additional activities around Public Safety Power Shutoff events and rapidly evolving conversations around electricity restructuring, the Administration is

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proposing a contract amendment to increase the current monthly retainer of \$20,000 for state legislative advocacy services by \$5,000 for a total of \$25,000 per month. This amendment would increase the compensation under the contract by an amount not to exceed \$90,000 (an additional \$5,000 per month for the remaining 18 months) for the remaining term of the Agreement (through June 30, 2021) thereby increasing the total contract amount from \$480,000 to \$570,000 for the entirety of the term of the contract (July 1, 2019 through June 30, 2021). This amendment would also proportionally increase the compensation for City's discretionary option period (July 1, 2021 through June 30, 2022) from \$240,000 to \$300,000 (an additional \$5,000 per month for the 12-month option period).

### **CONCLUSION**

The amendment to the Cruz Strategies, LLC agreement will allow the City to increase its direct voice on any proposed Public Safety Power Shutoff events and electric utility restructuring actions at the state level and will advance Council's legislative priorities around those issues.

### **EVALUATION AND FOLLOW-UP**

The Administration will continue to advance the City's legislative program and will provide regular reports on the City's legislative positions and activities.

### **CLIMATE SMART SAN JOSE**

The recommendation in this memo aligns with one or more Climate Smart San José energy, water, or mobility goals.

### **PUBLIC OUTREACH**

This Administration will post this memorandum on the City's Council Agenda website for the January 7, 2020 Council Meeting.

### **COORDINATION**

The Administration coordinated this memo with the Community Energy Department, the City Attorney's Office, and the City Manager's Budget Office.

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**COMMISSION RECOMMENDATION/INPUT**

No commission recommendation or input is associated with this action.

**COST SUMMARY/IMPLICATIONS**

The increase in total compensation for state legislative advocacy services for Public Safety Power Shutoff events and advancing energy resiliency (an additional \$5,000 per month) will be funded by the Community Energy Department's Non-Personal/Equipment budget for advocacy. A total of \$90,000 will be funded from the Non-Personal/Equipment Budget in the San José Clean Energy Fund for the period of January 1, 2020 to June 30, 2021. In the event the one-year option to extend the contract is exercised for the period of July 1, 2021 to June 30, 2022, an additional \$60,000 will be funded from the Community Energy Department's Non-Personal/Equipment Budget in the San José Clean Energy Fund.

**BUDGET REFERENCE**

The table below identifies the fund and appropriation to fund the contract amendment recommended as part of this memo memorandum.

<b>Fund #</b>	<b>Appn #</b>	<b>Appn. Name</b>	<b>Total Appn</b>	<b>Amt. for Contract</b>	<b>2019-2020 Adopted Operating Budget Page</b>	<b>Last Budget Action (Date, Ord. No.)</b>
501	0782	Community Energy Department Non-Personal/Equipment	\$8,787,801	\$90,000	X-79	06/18/2019 Ord. No. 30286

**CEQA**

Not a Project, File No. PP17-002, Consultant services for design, study, inspection, or other professional services with no commitment to future action.

/s/

LEE WILCOX

Chief of Staff, City Manager's Office

For questions, please contact Bena Chang, Director of Intergovernmental Relations, 408-975-3240.