



# STAFF REPORT – CITY COUNCIL MEETING

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April 05, 2023

**TO:** Honorable Mayor and City Council Members

**FROM:** Emily Sinkhorn, Director of Environmental Services

**PREPARER:** Brigitte Price, Administrative Specialist

**DATE:** March 27, 2023

**TITLE:** **Adopt Resolution No. 223-45, a Resolution of the City Council of the City of Arcata Authorizing Approval to Apply for the California Energy Commission 1% Interest Loan and Find the Project Exempt from CEQA Pursuant to California Code of Regulations, Title 14, Section 15301.**

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## **RECOMMENDATION:**

It is recommended that the Council:

- 1) Adopt Resolution No. 223-45, A Resolution of the City Council of the City of Arcata Authorizing Approval to Apply for the California Energy Commission 1% Interest Loan; and
- 2) Find the project is exempt from CEQA pursuant to California Code of Regulations, Title 14, Section 15301.

## **INTRODUCTION:**

The City Council and City Environmental Services Department have identified several goals and priority projects to mitigate and adapt to the impact of climate change. To further these goals, this resolution would authorize the City to apply to the California Energy Commission for a 1% interest loan up to \$576,356.00 to install a roof-mounted solar photovoltaic array and retrofit 137 lighting fixtures at the Arcata Community Center.

## **BACKGROUND/DISCUSSION:**

On December 21, 2022, the City Council adopted Resolution No. 223-25 authorizing approval to apply for a \$480,297.00 1% Interest Loan from the California Energy Commission (CEC) to install a roof-mounted solar photovoltaic array and retrofit 137 lighting fixtures at the Arcata Community Center. Since then, the CEC has updated their guidance on loan applications, enabling the City to apply for additional funds if needed.

While the project scope remains the same as what was proposed in December 2022, authorizing additional loan funding will provide the City with contingency funding for any cost escalations or unforeseen circumstances that may arise.

The City Council and Environmental Services Department have identified several goals and priority projects to mitigate and adapt to the impact of climate change. Some of these include:

- City Council allocated \$500,000 American Rescue Plan Act (ARPA) funds to Climate Change Adaptation Measures, including facility upgrades to reduce energy use and greenhouse gas emissions from use of City facilities.
- City Council Policy Objectives include promoting efficient use of energy and use of renewable energy in buildings, facilities, and infrastructure in Arcata.
- City Council Priority Projects for 2022/2023 fiscal year include finalizing and monitoring ARPA funds set aside for climate change and local emission reduction measures.
- The City of Arcata's Department Goals for Energy and Climate include continuing to decarbonize City facilities, including fuel-switching, energy efficiency upgrades, solar installation, and battery back-up projects; as well as advancing energy upgrades to the Arcata Community Center.

City staff began working with Redwood Coast Energy Authority's (RCEA) Public Agency Solar Program to identify opportunities to advance decarbonization goals for City facilities in January 2020. As part of this work, RCEA performed an analysis of the energy consumption, efficiency opportunities, and solar photovoltaic (PV) installation opportunities at the Arcata Community Center. The results of the attached Solar Feasibility Analysis concluded that the most technically and economically viable projects include interior and exterior lighting efficiency upgrades and a roof mounted solar PV installation. Combined with efficiency measures, a solar PV array could offset approximately 100% of the current electric consumption of the meters located at the Community Center, including the Sports Complex, Maintenance Shop, and parking lot lights.

To fund these improvement projects, the City could apply for the California Energy Commission (CEC) 1% interest loan available to qualified renewable energy projects through the Energy Conservation and Assistance Act (ECAA). Environmental Services staff reviewed the parameters of the loan with the City's Finance Director in October 2022. Should the City choose, it could pay down the loan prior to its amortization period using a portion of the ARPA funds allocated to climate change adaptation measures. Alternatively, the City could continue to set aside ARPA climate change adaptation funds for additional fuel switching and efficiency projects at City facilities.

#### **ENVIRONMENTAL REVIEW (CEQA):**

If approved, the activities funded by the loan are statutorily exempt based on Public Resources Code section 21080.35 and categorically exempt based on CEQA guidelines sections 15301 as minor alterations to existing facilities that involve no expansion of an existing or former use at the site and 15303 as the installation of small new equipment on small structures.

#### **BUDGET/FISCAL IMPACT:**

The CEC's ECAA loan is a 1% loan for a total of \$576,356.00. The loan amortization is based the estimated savings from the energy projects that it funds. The payback period begins one year after project completion. Because the loan is paid for by the annual energy savings to the City, the loan is cost neutral and functions similar to an "on-bill" finance program. Based on the Solar Feasibility Assessment, the simple payback period is 13.6 years. Should the City choose, it could pay down the loan prior to its amortization period.

Additionally, under the provisions of the Inflation Reduction Act, tax-exempt entities will be eligible for a direct payment in lieu of a tax credit worth 30% of the total solar array costs. While this is not a component of the loan application, it will help to off-set cost impacts associated with construction of the solar array.

**ATTACHMENTS:**

- A. Sample Loan Application (DOCX)
- B. Arcata Community Center Solar Feasibility Study (PDF)
- C. Resolution 223-45 ECAA Loan App (PDF)