

2012 Council Study Issue

ESD 12-02 Sustainability Demonstration Fund**Lead Department** Environmental Services**History** **1 year ago** None **2 years ago** None**1. What are the key elements of the issue? What precipitated it?**

This study issue was initiated by the Sustainability Commission. The Commission recommended a study issue to explore the legal, financial, policy and regulatory issues in establishing a Sustainability Demonstration Fund (Fund) for environmental projects in the public and private sector.

The Fund is intended to be a revolving loan fund and used to demonstrate that sustainable projects are economically advantageous and savings can be used to fund additional sustainability projects for additional economic benefit. The Fund would be created from cost savings realized from energy savings projects such as the LED streetlight conversion project, which is expected to save over \$150,000 in energy costs in the first year. The intent of the Fund is to use realized savings to support sustainability projects that demonstrate the economic and environmental benefits of "going green" and conserving on future energy use. A minimum of the first two years of a project's cost savings would be placed in the Fund. From then on, the project's loan amount would be paid back into the fund over a fixed period (to be determined by staff), until the project's cost is repaid.

The study will:

- Recommend appropriate project payback periods for the loaned funds based on staff-developed criteria
- Identify the necessary measurement components in order to measure the savings realized before and after a project's start and completion
- Identify and develop guidelines for funds to be repurposed as the Fund is not intended to accrue indefinitely.

The priority focus of the study is to examine various options for a revolving loan program to fund City projects, with a secondary focus identifying the options to provide a similar type of program for privately funded projects.

2. How does this relate to the General Plan or existing City Policy?**Policy 7.1.3 Environmental Procurement****POLICY PURPOSE:**

The City of Sunnyvale finds that the preservation of natural resources, reduction of energy use and pollution, reduction of solid waste, and minimization of impact on the environment from City activities benefits all occupants of the City. It is the purpose of this policy to:

1. Help the City meet its current needs without compromising the ability of future generations to do the same.
2. Identify a simple, concise, environmentally sound, and cost-effective approach to environmental purchasing that all departments and divisions can easily implement.

Policy 7.1.1 Fiscal — Long Range Goals and Financial Policies**LONG RANGE GOALS**

III. To design and maintain capital improvements to assure cost efficiency, accomplish City goals and

- policies, and focus on prevention so as to minimize or reduce future operating costs.
- VI. To undertake full cost accounting for all City services to facilitate accurate resource allocation decisions and fee recovery.
- V. To fund only those programs and projects which are consistent with the General Plan and which are anticipated to most cost-effectively implement the Plan.

Policy 3.5.1 Energy

- Support installation of cost-effective energy efficiency measures in municipally owned buildings and facilities

3. Origin of issue

Board or Commission Sustainability Commission

4. Staff effort required to conduct study Minor

Briefly explain the level of staff effort required

Staff effort is believed to be minimal to study the creation and support of a Sustainability Demonstration Fund.

5. Multiple Year Project? No **Planned Completion Year** 2012

6. Expected participation involved in the study issue process?

Does Council need to approve a work plan? No

Does this issue require review by a Board/Commission? Yes

If so, which? Sustainability Commission

Is a Council Study Session anticipated? Yes

7. Briefly explain if a budget modification will be required to study this issue

Amount of budget modification required

Explanation

8. Briefly explain potential costs of implementing study results, note estimated capital and operating costs, as well as estimated revenue/savings, include dollar amounts

Are there costs of implementation? Yes

Explanation

The fund would be created and supported as a result of savings from various sustainability projects that are implemented due to their cost saving potential and subject to existing financial management protocols. The City's current practice is to use savings to reduce the General Fund structural deficit. The intent of the Fund would be to enable cost savings reinvestment into sustainable projects as a mechanism to increase cost savings through accelerated implementation. Delaying payback to the General Fund by reinvesting would positively impact the structural deficit by accelerating the rate of savings through realized opportunity costs. For example, it is estimated that the conversion of all City streetlights to LED would yield an annual savings of over \$367,000 in energy costs, annually. The estimated cost of replacing the remaining street lights to LED is \$1.9 million. If the savings is allowed to be reinvested until project completion, the time needed for a return on investment (ROI) would be significantly reduced. With an ROI of 10 years, the City would save approximately \$3.6 million over the last 10 years of the 20 year budget and \$367,000 annually thereafter under current conditions. The actual net impact would be greater due to reduced maintenance and operational expenditures expected for the technology. The Fund would provide a

mechanism to reduce lost opportunity costs through reinvestment in projects that provide a ROI. Once established, minimal operating costs would be needed to administer the fund within the Finance Department.

9. Staff Recommendation

Staff Recommendation Drop

If 'Support', 'Drop' or 'Defer', explain

Staff recommends dropping this study issue. It is a practice of the City to evaluate sustainability projects on a life-cycle basis. With the City's 20-year budgeting process and the focus of the new Environmental Services Department, projects that show a long term positive benefit will be considered for funding. Establishing this fund would create additional process requirements to administer the fund. The existing process will allow staff to achieve goals by focusing on identifying sustainability projects.

Reviewed by



Department Director

11-16-11

Date

Approved by



City Manager

11-16-11

Date