

CITY OF LOS ANGELES  
CALIFORNIA

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July 23, 2012

Duplicate

Honorable Herb J. Wesson, Jr.  
President  
Los Angeles City Council  
Room 430, City Hall

**PROVIDING FOR THE FINANCIAL SUSTAINABILITY OF THE  
GREEN RETROFIT PROGRAM FOR CITY-OWNED FACILITIES**

Your Council requested a report on recommendations to support the financial sustainability of a green retrofitting program for City-owned facilities. The Council direction also included a request to include a possible draft ordinance to establish a Special Revenue Fund to achieve this objective. (See attached.)

**Background:** In 2011-12, the Council authorized the City to issue up to \$12 million in Qualified Energy Conservation Bonds (QECBs) to fund a three-year program to retrofit 52 City buildings (C.F. 10-1348). The City buildings selected are expected to experience a 20 percent reduction in energy consumption after conservation work is completed. This reduction will be verified by a comparison of the baseline energy consumption prior to the retrofit work to the current energy consumption of each building.

In 2009, the Department of General Services (GSD) received \$13 million in ARRA Energy Efficiency Conservation Block Grant (EECBG) funding to complete 33 projects, eight of which are for Recreation and Parks Facilities. These projects are completed, and the City's energy consumption was reduced by an estimated 412,000 kilowatt hours (KWH).

**Future Sustainability:** A Green Retrofit program is basic to offsetting the impact of higher energy costs. Without the projects implemented to date, the City's General Fund energy costs would be higher than the \$36 million currently budgeted for this purpose.

Implementing a sustainable Green Retrofit program requires reliance on a mix of strategies to ensure funding is available for the long-term. These funding strategies include:

- **Additional QECBs:** In 2010, the City received an allocation of up to \$39.8 million for the issuance of QECBs. Of this amount, \$12 million was issued to fund a three-year program to retrofit 52 City buildings as previously noted. The balance of \$27.8 million can be issued to fund future retrofit projects as approved by the Mayor and Council.



- **Additional DWP Loans:** DWP loans continue to be available for financing energy efficiency projects. Beginning in 2001, the Mayor and the Council authorized GSD to enter into loan agreements with the DWP to borrow funds for energy efficiency projects (C.F. 01-0223). This program resulted in the completion of over 250 energy conservation projects, which reduced energy consumption by approximately 20 million KWH annually. Most of these DWP loans were paid back through the savings generated by these energy efficiency projects.
- **Additional California Energy Commission (CEC) Loans:** GSD continues to apply for CEC loans to implement energy efficiency projects at City facilities. In February 2010, the Mayor and the Council authorized GSD to apply for and accept loans up to \$3 million from the State (C.F. 09-2979). So far, GSD has completed eight lighting projects, resulting in approximately 187,000 KWH savings per year.
- **Researching Other Funding Opportunities:**
  - The Mayor's Office is working on developing a financial strategy, which will identify other grants and private financing to continue to retrofit City properties.
  - There may be opportunities for grants or funding allocations through the Public Utilities Commission (PUC). The Local Government Sustainable Energy Coalition led by the County of Los Angeles and other municipalities is proposing that the PUC create retrofit grants for municipalities.
  - GSD recently applied for a grant from the Port of Long Beach to fund qualified project and will continue to take advantage of any other funding opportunities.
- **Plowing Savings Into Future Retrofit Projects:** The City's Green Building Retrofit and Workforce Program Advisory Council supports the use of a special fund to capture savings from energy and water retrofit programs which, in turn, will be used to finance new projects. The purpose of the fund will be to provide from continual reinvestment of savings from energy and water retrofit programs.

An existing fund, the Energy Conservation Loan Program Fund (Ordinance No. 174068, Chapter 132, Division 5 of the Los Angeles Administrative Code), may be amended to achieve this objective. This Fund was created to allow the City to receive, retain and disperse loan or other monies from the Department of Water and Power for the purchase and installation of energy efficiency measures in City facilities.

Under the proposed amended ordinance, the following major provisions will be in place:

- The name of the fund will change to the Green Retrofit Program Fund (Fund).
- The scope of the Fund will be broadened to include any income received for the purchase, installation, and monitoring of energy efficiency, water conservation and other environmentally sustainable measures in City facilities.
- All interest and other earnings, including savings that result from completed energy and water conservation projects, will be attributed to the Fund and devoted to the purpose of the Fund. Any surplus funds available at the close of the fiscal year will remain in the fund to ensure the future sustainability of energy and water conservations projects.

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- The General Manager of GSD is authorized to make expenditures consistent with the purpose of the Fund. Expenditures will include the transfer of expenditures incurred and/or paid by other Funds administered by GSD.
- The General Manager of GSD will be required to report annually to the Mayor and Council on energy efficiency, water conservation and other environmentally sustainable projects implemented and associated savings and to recommend new projects to continue and sustain the Program.

With the exception of the Fund, the strategies discussed above are being implemented. The amendment of the Energy Conservation Loan Program Fund is a policy decision which requires Mayor and Council approval.

### **Recommendation**

Should the Mayor and Council wish to enact the proposed amendment to the Energy Conservation Loan Program Fund discussed above, the following actions must be taken:

Request the City Attorney to draft the necessary ordinance changes to effectuate the amendment of the Green Retrofit Program Fund substantially as proposed in the attached draft ordinance.

If you have any questions, please contact Valerie Melloff at (213) 928-9586.



Tony M. Royster  
General Manager

Enclosure

Draft Amendment  
July 19, 2012

Existing Ordinance No. 174068, Chapter 132, Division 5 of the Los Angeles Administrative Code provides that the City may borrow funding from the City's Department of Water and Power for the purchase and installation of energy efficiency and conservation measures in City buildings and facilities. This amendment will allow for the inclusion of water efficiency, other conservation and environmental sustainability measures, a financial accounting of energy savings, ensure loan accounting and repayment, and provide for the future sustainability of efficiency and conservation programs from any and all sources of funding.

Chapter 132, Division 5 of the Los Angeles Administrative Code, is amended to provide for a Green Retrofit Program Fund.

THE PEOPLE OF THE CITY OF LOS ANGELES DO ORDAIN AS FOLLOWS

Section 1. Chapter 132, Division 5 of the Los Angeles Administrative Code, is hereby amended to read:

Chapter 132

GREEN RETROFIT PROGRAM FUND SEC. 5.532 Creation and Administration of the Fund

- a. There is hereby created and established in the Treasury of the City of Los Angeles a special fund to be known as the "Green Retrofit Program Fund" hereinafter referred to in this Chapter as the "Fund."
- b. The purpose of the Fund shall be for the receipt, retention and disbursement of grant and other monies and property accepted from persons or entities or otherwise received by the City for the purchase, installation and monitoring of energy efficiency, water conservation and other environmentally sustainable measures in City buildings and facilities.
- c. All interest and other earnings, including energy and water rebates and incentives attributable to this program in the Fund shall be credited to the Fund and shall be devoted to the purposes thereof. For the purpose of this section, earnings shall include cost savings that result from completed energy and water conservation and remediation projects.
- d. The Fund shall be administered by the General Manager of the Department of General Services, or his or her designee, hereinafter referred to in this Chapter as the "General Manager." Expenditures therefrom shall be authorized by the General Manager consistent with one or more provisions of Los Angeles City Ordinance No. 180633, to fund the cost of purchasing, installing and monitoring energy efficiency, water

conservation and other environmentally sustainable measures in City buildings and facilities. For the purposes of this section, expenditures shall include the transfer of expenditures incurred and/or paid by any other Funds administered by the Department of General Services. The General Manger shall from time to time report cost savings to the Mayor and City Council. In consultation with the Director of the Green Retrofit Program and Green Building Retrofit and Workforce Program Advisory Council, the General Manager will provide recommendations to the Mayor and Council for conservation programs and projects with the intention of continuing and sustaining conservation projects in the City.

- e. All revenues and expenditures of the Green Retrofit Program shall be accounted for in the Fund. The General Manager shall report to the City Council regarding and identifying all revenues and expenditures of the Fund, as well as the purposes for which the expenditures were made. Each report shall cover a fiscal year and shall be submitted within 60 days after the close of the fiscal year.
- f. At the close of the fiscal year, surplus money remaining in the fund shall remain in the Fund and shall not revert to the Reserve Fund to ensure the future sustainability of energy and water efficiency and other environmentally sustainable conservation projects.

Sec. 2. The City shall certify to the passage of this ordinance and cause the same to be published in some daily newspaper printed and published in the City of Los Angeles.

I HEREBY, CERTIFY that the foregoing ordinance was passed by the Council of the City of Los Angeles at its meeting of

City Clerk

By  
Deputy

City Attorney  
By  
Deputy City Attorney

File No.