



Local
Government
SUSTAINABLE ENERGY
Coalition

Importance of Supporting Local Government Action in Implementing Climate Protection and Sustainable Energy Policies

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Prepared by the Local Government Sustainable Energy Coalition (LGSEC), a statewide membership group of the leading cities, counties, and local non-profit organizations actively engaged in implementing state climate policies through local coordination. The LGSEC Governing Board includes Los Angeles County (chair), City of San Jose, and City of Santa Monica. LGSEC charter, accomplishments, and full membership is found at: www.lgsec.org

For more information contact:

Howard Choy, Sustainability Director, County of Los Angeles, and Chair, LGSEC Board,
HChoy@isd.lacounty.gov, 323/204-6134

Jody London, Regulatory Consultant, jody_london_consulting@earthlink.net, 510/459-0667

Executive Summary

- **Under new legislative, regulatory, and policy initiatives, local governments are poised to play a key leadership role to ensure the State achieves its ambitious energy and environmental goals in the most cost-effective manner.**
- **Federal and state budget realities, the end of American Recovery and Reinvestment Act (ARRA) funding, and uncertainty over legislation governing ratepayer-funded energy efficiency program dollars pose a significant threat to innovative local government initiatives critical to supporting State CO2 reduction goals.**
- **Local communities will bear the direct environmental and economic impacts of climate change. To effectively mitigate these impacts, a new paradigm for collaboration among local governments, State agencies, and investor-owned utilities is required so that available resources are strategically directed at regional priorities for sustainable solutions that simultaneously support State goals.**
- **Under this new paradigm for collaboration, modifications to the administration of the Public Goods Charge Energy Efficiency Program, the California Public Utilities Commission Long-Term Procurement Plan, the state's Cap and Trade regulations, and the California Energy Commission's federal and state grant funds—all of which are programs that could capitalize on the capacity and unique role of local governments—must be addressed immediately.**
- **This new paradigm should also include immediate discussion on new legislation, regulatory programs, and state and local policies that must begin now to ensure timely, enlightened, and farsighted decisions. Local governments must have a place at the table to directly contribute their vast knowledge and capability for attaining comprehensive, long-term results.**

I. OVERVIEW

Assembly Bill 32, Senate Bill 375, Cal Green, and other legislative and regulatory actions in California have set the stage for local governments to play a leadership role in implementing energy and climate protection initiatives. Local governments have already embarked on ambitious energy efficiency and climate protection projects such as: benchmarking Greenhouse Gas (GHG) emissions; developing Climate Action Plans (CAPs); and developing innovative energy efficiency and transportation emission reduction projects. Meeting the mandates of California's ambitious environmental goals is dependent upon empowering local governments to continue to pursue innovative solutions and to expand the capacity and reach of their efforts

This paper outlines the critical role that local governments must play, the barriers they have faced, and the tools they will need to become effective working partners with the State in achieving our mutual goals for environmental and economic sustainability.

II. LOCAL ACTION: A VITAL PART OF STATEWIDE SUCCESS

Local governments have the most direct connection to residential and business constituencies and the most experience with implementing programs and policies at the grass-roots level. They also are at "ground zero" when their communities and infrastructure are impacted by natural disasters and man-made environmental threats. Consequently local governments must be viewed as the State's major allies in effecting long-term progress toward sustainable energy and climate protection solutions.

Local governments are legally responsible for implementing a number of local, regional, and State mandates related to land use and transportation, integrated resources management, air quality, energy efficiency codes and standards and green building practices. For example, cities and counties:

- Own buildings, facilities and infrastructure such as street lighting, auditoriums, vehicle fleets, water distribution systems and wastewater treatment plants, all of which consume large quantities of stationary and mobile source energy
- Manage solid waste collections, landfills, and waste reprocessing facilities which are major potential sources of GHG emissions
- Have significant purchasing power and are able to exert market influence on the availability of environmentally preferable options for vehicles, equipment, building materials, mechanical systems and other technologies
- Set local land use and transportation policies, determine where development will be located and regulate the mix of property uses allowed
- Operate public transit systems and transit/transportation infrastructures
- Adopt and enforce building codes which impact the energy efficiency and renewable energy profile of residential and commercial buildings

- Regulate vehicle parking, traffic circulation and the design and condition of streets and roadways
- Integrate community development block grants from the federal Department of Housing and Urban Development into comprehensive municipal programs that provide low-income housing and other assistance
- Have direct, comprehensive access to political leaders, residents, business owners and other constituents throughout their jurisdictions

Over the years California's local governments have demonstrated considerable and impressive success in changing and adapting to respond to critically important statewide and regional environmental policy mandates. For example, local governments have achieved close to 60% average solid waste diversion rate in response to the requirements under Assembly Bill 939. In response to air quality improvement mandates, they have designed and implemented programs to reduce vehicle miles travelled, reduced single occupant vehicle trips, procured alternative fuel vehicles and initiated other programs and policies. They have addressed the State's precarious water situation by creating and carrying out comprehensive water efficiency, water quality and water reuse programs. In addition to responding to State mandates, many local governments in California have been recognized nationally for their leadership in the adoption and implementation of more stringent green construction codes and standards that result in a less carbon intensive built environment.

III. NEW OPPORTUNITIES TO SUPPORT STATE GOALS

Currently local governments are utilizing Federal Stimulus funds, Public Goods Charge funds, and their own local resources to implement cutting-edge and community-scale energy and climate action plans. They have also spearheaded the formation of regional and statewide partnerships (such as Energy Upgrade California) that bring together individual cities and counties, Councils of Government, regional government associations, State agencies, investor-owned utilities, municipal utilities, and others.

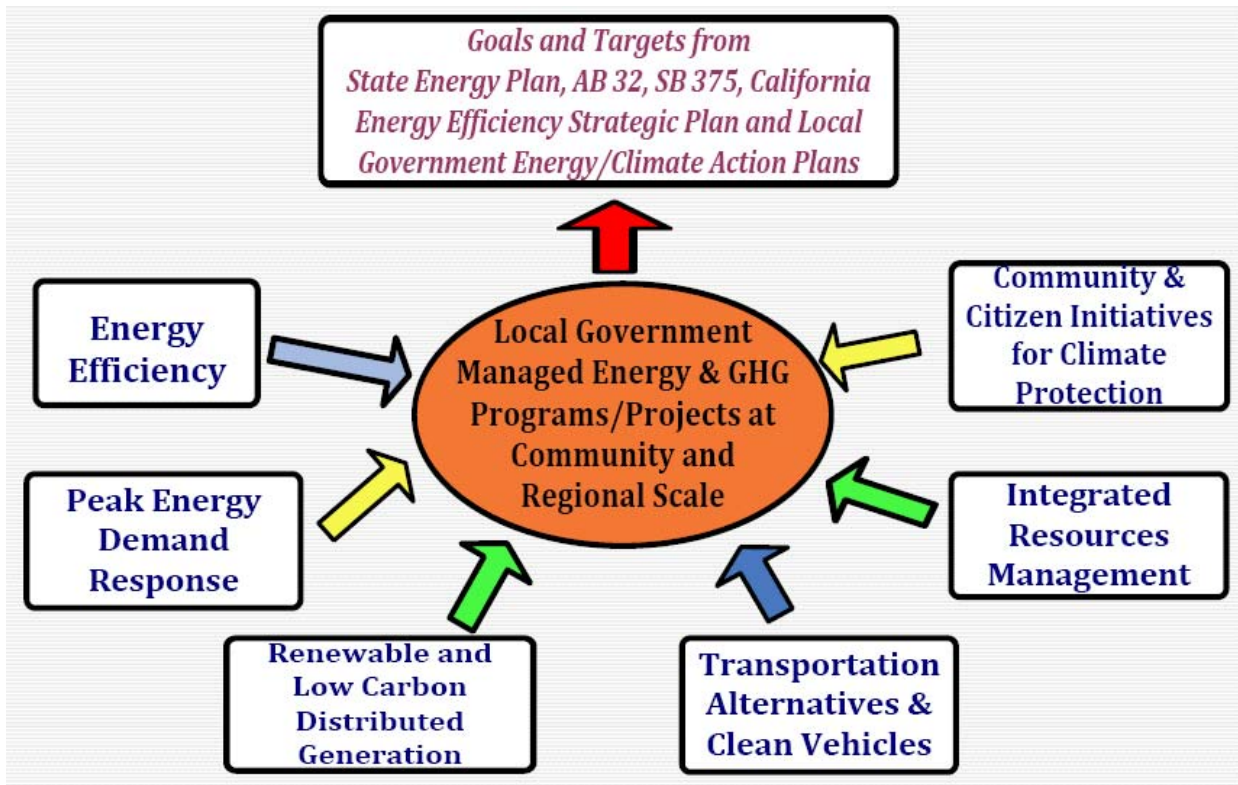
These new local government-led partnerships are capable of formulating and launching energy programs that are more comprehensive and achieve much broader customer participation than has been the case with the traditional, business-as-usual approaches. Additionally, the framework of these programs provides critically important economies of scale. Local governments are well positioned to further leverage available local and State resources to provide more cost-effective integrated regional program implementation.

A. Importance of a Comprehensive Approach

Much of the success of local government GHG reduction initiatives is attributable to the implementation of solutions that are tailored to a city's or a county's specific geographical, political, ecological, and economic context, as well as the unique demographic profile and needs of its citizens. Approaches based on a "one size fits all" mentality, as is the case with many standard programs operating today, are far less effective. The long-term and sustainable progress that individual cities and counties are making has also been catalyzed by innovative ways of leveraging technical and financial resources, and better access to detailed baseline data through strategic partnerships. Simply put, it is not viable for cities and counties to pursue piecemeal responses to GHG reductions. Rather, local governments must create city-wide and county-wide climate protection strategies that examine and address all the sectors and all the activities within their communities. Local governments, therefore, exert tremendous influence over a range of issues and policies that will have a decisive effect on achieving California's AB 32 and Energy Plan goals.

The accompanying graphic illustrates the key drivers for local government action and illustrates the comprehensive context that impels strategic local government planning related to GHG and energy goals. Ultimately, the State reaps the benefits of this collective action along with a vast number of local communities—an ideal formula for a win-win situation.

Local Government Comprehensive Planning Model



These most recent efforts have largely been launched through funding from the American Recovery and Reinvestment Act. Unless the U.S. Congress votes to extend ARRA funding, most of these programs will sunset in 2012. In the meantime, local governments and the State must work together to prevent backsliding, and to ensure that local CAPs, energy management strategies, transportation plans, and other initiatives continue and become even more effective.

IV. LOCAL GOVERNMENT OPPORTUNITIES TO HELP ACHIEVE STATE OBJECTIVES

The enormity and the immediacy of the tasks facing state and local authorities is simply daunting. From the perspective of local governments currently active in implementing energy and climate protection programs, successfully achieving California's goals will require a shift in the present paradigm governing how decisions are made on the design, funding, and administration of programs. The decision making processes in place do not allow direct engagement with policy makers by local governments. Modifications to the system could allow for more regional coordination to better leverage resources and develop consistent strategies and implementation plans. Large cities and counties can

lead these efforts. Similar efforts to explore support through various funding sources could also be considered if local governments had a seat at the table.

Below a number of specific programs currently operating throughout the state are discussed, along with suggestions for overcoming some of the challenges they face.

Climate Action Plans

Cities and counties are assuming a strong leadership role and are formulating individual and regional strategies for feasible GHG reduction solutions within their communities. Doing so requires access to shared technical expertise, access to detailed energy utilization data from investor owned utilities, and up-to-date information on pertinent case studies of successful programs operated by proactive local governments both within and outside of California. By necessity, cities must implement comprehensive and integrated GHG reduction strategies because they are typically responsible for a diverse palette of resource management and infrastructure construction and maintenance services within their communities.

In the absence of transparent access to data and technical support from the investor-owned utilities and other key stakeholders, local government progress can be severely hampered. A truly collaborative alliance between State agencies, newly empowered local governments, and investor-owned utilities can be a powerful and effective strategy to accelerate the timeline for reaching California's GHG and energy reduction goals while simultaneously providing substantial and direct local economic benefits to communities throughout California.

SUGGESTED ACTION:

It is time to define the necessary structural relationships, and put in place the underpinning funding sources, for such collaboration to function properly moving forward.

Ratepayer-Funded Energy Efficiency Programs

For a number of years, public agencies across the state have been engaged in energy efficiency programs with their local investor-owned utilities. Many programs have been limited to upgrades to municipal buildings, while others have extended to the private sector, particularly small businesses.

While energy efficiency is the cornerstone of strategic energy planning, it is just one component. Local governments must advance policies and programs that emphasize comprehensive, integrated approaches to climate protection including renewable energy options, distributed generation, alternative fuel vehicles, and related initiatives.

Under current processes, an integrated approach is essentially prohibited; in addition, the programs for local governments are needlessly complex and consequently excessively costly to implement. Local governments, as the equivalent of third-party contractors, are restricted to budgets and activities allowed by their respective investor-owned utility administrators.

SUGGESTED ACTION:

Decisions on resources from the California Public Utilities Commission (CPUC) and California Energy Commission (CEC) should include local government partners so that they can be effectively leveraged to directly support shared purchasing and replacement efforts at the local level. There is no need to build in overhead, administrative, and other non-productive charges that currently accrue to investor-owned utilities for public sector improvements that benefit ratepayers and taxpayers; mutual benefits need to be factored into reasonable changes, possibly new legislation.

Local Codes and Standards

Local governments throughout California are on the front line developing and implementing “reach” building codes, including innovative point-of-sale upgrade requirements or other ownership milestones. Local governments are also spearheading implementation of enhanced building permit and inspection processes that improve energy code compliance, are creating sophisticated GIS based data systems (like solar mapping), and are embracing building benchmarking and rating systems and disclosure requirements. In addition, local governments have proposed both sector-targeted as well as community-wide energy efficiency initiatives that hold the promise of significant reductions in energy usage. However, these local government efforts receive insufficient, sporadic financial support from existing utility-administered programs.

SUGGESTED ACTION:

The current method of supporting the development of local codes and standards through a joint, investor-owned utility configuration needs to be assessed and revised. Local governments should be able to leverage their unique position and continue to build competency and program delivery capacity. Access to energy data is one of the areas to be closely addressed to enable local governments to design and implement cutting-edge sustainable energy efforts.

Energy Upgrade California

A number of local government jurisdictions in California are key partners in Energy Upgrade California (EUC) – the statewide residential whole-house energy retrofit program – and have committed tens of millions of dollars in Stimulus Funding and local resources to implement it. These partnerships are possible because of the balanced resources that support them, channeled in parallel through both local governments and the investor-owned and public utilities. Key program components include workforce

development, marketing and outreach, and innovative financial incentives for property owners. Under current allocation rules for existing state energy programs and absent additional federal funding, the role of these local governments in EUC will mostly end when the Stimulus grants terminate in late 2012.

SUGGESTED ACTION:

It is clearly in the interests of State and local authorities to find alternative funding to continue the work begun with Energy Upgrade California. The active and engaged local governments should be called upon, along with other key participants, to devise a vibrant partnership model to continue progress towards the long-term success of Energy Upgrade California.

Property Assessed Clean Energy (PACE) Financing

California cities and counties have developed the financial and legal framework for Property Assessed Clean Energy (PACE) financing programs that will cover both residential and non-residential retrofits. The authority for these programs rests entirely with the local governments. California was on track to implement the largest set of PACE programs in the country before ill-conceived actions by the Federal Housing Finance Administration (FHFA) temporarily ended residential PACE programs pending the success of litigation or legislative remedies. Non-residential property PACE programs are also being developed and are currently unaffected by FHFA's actions.

SUGGESTED ACTIONS:

1. The State could revive residential PACE programs by passing legislation authorizing residential PACE that allows a property tax lien that is subordinate to a first mortgage.
2. Although some State grants are currently assisting in the development of these programs, direct future funding as well to assist jurisdictions in creating and administering PACE programs would significantly bolster the prospects for the long-term success of these retrofit programs.

V. RECOMMENDED NEXT STEPS

California must institute coordinated and in-depth discussions at the State level to galvanize this local government momentum and take advantage of the timely opportunities outlined in this paper. The goal of these discussions must be to build truly impactful strategic partnerships between local governments, the State, and energy utilities to implement holistic and more cost-effective programs that achieve broad community energy efficiency, distributed renewable generation, and comprehensive greenhouse gas reductions. Specific areas of discussion should include, and not be limited to:

- Dialogue at the highest level. This is the most immediate next step. The Local Government Sustainable Energy Coalition is poised to bring local government leadership together with state officials, elected officials, and commissioners to reach viable and constructive processes.
- Leveraging regional energy offices. Opportunities for local action to complement the direction of Governor Brown to return more control to local government level will be optimized with the creation of a strong connection between regional energy offices. Currently, there are more than a dozen regional offices taking shape in the form of councils of governments (COGs) and joint powers authorities (JPAs). The regional energy office is a well-proven model in California, and if supported statewide would provide the most effective programs and independent, accountable results. These local offices link their member agencies together for successful deployment of programs, shared data, and energy efficiency in public agencies. Resources from the CPUC and CEC can be effectively leveraged to these regional energy offices. This would require a redirection of funds by the state to local offices. Among the benefits of this approach is lower cost to ratepayers.
- Meaningful dialogue between the State and local governments. Local governments and regional energy offices provide the leadership and partnerships that will help advance goals and meet long term energy needs for economic development and security. Local governments must be invited to dialogue with state elected officials and commissioners appointed at the highest level to bridge understanding of the roles each can play. Under the present regulatory process, the voice of local governments has been filtered out. Direct dialogue is essential and may be more effective than the current process.
- Re-tooling resource planning programs. State energy regulators manage a number of programs that allocate resources, including the Public Goods Charge energy efficiency and research and development programs, long-term resource procurement plans for investor-owned utilities, cap and trade to reduce GHG emissions, and federal and State funds managed by the CEC. Within these programs there are opportunities to better and more directly empower local governments.