



County of Monterey

Item No.

Board Report

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Legistar File Number: RES 24-202

December 03, 2024

Introduced: 11/26/2024

Current Status: Agenda Ready

Version: 1

Matter Type: BoS Resolution

- a. Receive a presentation from staff on potential solar projects at Natividad Medical Center at 1441 Constitution Blvd., the ITD building at 1590 Moffett St., and the County Administrative buildings at 168 W. Alisal St. and 142 W. Alisal St. and options to move forward;
- b. Adopt a Resolution making certain findings in accordance with California Government Code Sections 4217.10 et seq. and authorize the Contracts Purchasing Officer, or designee, to enter into an Energy Services Contract with ENGIE Services U.S. Inc. to implement the solar projects at the ITD building at 1590 Moffett St., and the County Administrative buildings at 168 W. Alisal St. and 142 W. Alisal St. for a cost not to exceed \$8,806,635 and complete the proposed energy-related improvements to County facilities;
- c. Adopt a Resolution making certain findings in accordance with California Government Code Sections 4217.10 et seq. and authorize the Chief Executive Officer of Natividad Medical Center, or designee, to enter into an Energy Services Contract with ENGIE Services U.S. Inc. to implement the solar project at Natividad Medical Center at 1441 Constitution Blvd., for a cost not to exceed \$19,394,418, and complete the proposed energy-related improvements to County facilities;
- d. Authorize non-standard indemnification and insurance provisions in those documents;
- e. Designate \$8,806,635 from unassigned fund balance (BSA 001-3101) for the energy efficiency and solar project (404-3200-PFP057-8564) at 168 W Alisal and 1590 Moffett Street, increasing appropriations in 001-1050-8038 and operating transfer out and appropriations and operating transfer into the Capital Projects Fund (404-3200-PFP057-8564);
- f. Direct staff to initiate a Request for Proposals for financing with the County's fiscal advisors to fund the solar energy project at Natividad Medical Center for a financed amount of \$18,487,683; and,
- g. Provide direction to staff.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Receive a presentation from staff on potential solar projects at Natividad Medical Center at 1441 Constitution Blvd., the ITD building at 1590 Moffett St., and the County Administrative buildings at 168 W. Alisal St. and 142 W. Alisal St. and options to move forward;
- b. Adopt a Resolution making certain findings in accordance with California Government Code Sections 4217.10 et seq. and authorize the Contracts Purchasing Officer, or designee, to enter into an Energy Services Contract with ENGIE Services U.S. Inc. to implement the solar projects at the ITD building at 1590 Moffett St., and the County Administrative buildings at 168 W. Alisal St. and 142 W. Alisal St. for a cost not to exceed \$8,806,635 and complete the proposed energy-related improvements to County facilities;
- c. Adopt a Resolution making certain findings in accordance with California Government Code Sections 4217.10 et seq. and authorize the Chief Executive Officer of Natividad Medical Center, or

- designee, to enter into an Energy Services Contract with ENGIE Services U.S. Inc. to implement the solar project at Natividad Medical Center at 1441 Constitution Blvd., for a cost not to exceed \$19,394,418, and complete the proposed energy-related improvements to County facilities;
- d. Authorize non-standard indemnification and insurance provisions in those documents;
 - e. Designate \$8,806,635 from unassigned fund balance (BSA 001-3101) for the energy efficiency and solar project (404-3200-PFP057-8564) at 168 W Alisal and 1590 Moffett Street, increasing appropriations in 001-1050-8038 and operating transfer out and appropriations and operating transfer into the Capital Projects Fund (404-3200-PFP057-8564);
 - f. Direct staff to initiate a Request for Proposals for financing with the County's fiscal advisors to fund the solar energy project at Natividad Medical Center for a financed amount of \$18,487,683; and,
 - g. Provide direction to staff.

SUMMARY:

On August 13, 2024, the Board of Supervisors directed staff to work with ENGIE Services U.S. Inc. (ENGIE), to prepare solar energy projects for the Board to consider at Natividad Medical Center (NMC) at 1441 Constitution Blvd., the Information Technology Department (ITD) building at 1590 Moffett St., and the County Administrative buildings at 168 W. Alisal and 142 W. Alisal (Government Center). As discussed during that meeting, the County aims to have the projects operational by April 15, 2026, to benefit under the Net Energy Metering 2.0 solar pricing scheme. Staff has continued to develop these projects with ENGIE, KNN Public Finance (KNN), ARC Alternatives (ARC), and various County stakeholders.

Staff are returning to the Board of Supervisors to present an update on the finances of the proposed project. The projects costs as determined by ENGIE are \$18,134,700 for NMC, \$5,242,600 for the Government Center, and \$3,297,100 for ITD. Additional costs included in the analysis provided by KNN include testing and special inspections, accessibility upgrades, and third-party verification costs for project totals of \$18,487,700 for NMC, \$5,333,000 for the Government Center, and \$3,357,400 for ITD. The recommended 5% contingency and costs for Public Works, Facilities, and Parks (PWFP) staff time was not included in these analyses, which can be found attached to this report for each site. Including the 5% contingency and PWFP brings project costs to \$19,394,400 for NMC, \$5,600,100 for the Government Center, and \$3,527,100 for ITD. If all three projects were to be financed under the same scenario, the most beneficial debt structure is a 20-year term direct purchase with ascending debt service. The cumulative estimated net-present value (NPV) for this project is \$5,519,000 with gross energy savings of an estimated \$21,011,000.

The physical solar layouts can be seen in the attached document Solar Layouts 11/7/2024. Across all three sites, these projects will provide 3.7MW of solar power, twenty-six dual port level 2 electric vehicle charging stations (EVCS), 2 dual port Level 3 EVCS, and 48 electric vehicle (EV) capable charging stations at Natividad Medical Center. This number of EVCS was decided to meet code requirements, prepare for County-wide EV adoption, and to take advantage of the economic efficiencies of installing EVCS while necessary concrete and electrical work is taking place for the solar carports.

DISCUSSION:

The planned solar systems will consist of solar carport and rooftop arrays of the following sizes in

direct current power: 543kw at the Government Center at 168 and 142 W. Alisal offsetting approximately 26% of annual electricity consumption, 448 kW at the ITD building at 1590 Moffett St. offsetting approximately 72% of annual electricity consumption, and 2,721 kW at Natividad Medical Center offsetting approximately 33% of annual electricity consumption. This electricity offset would reduce County greenhouse gas emissions by 632 metric tons of carbon dioxide equivalent over the project's first year of operation. The systems must also include the installation of EVCS to comply with code requirements. The EVCS would require payment to use. This revenue is included in KNN's financial analyses attached to this report.

EVCS code requirements are split between the number of parking spaces with installed EVCS and "EV capable" parking spaces. "EV capable" is a readiness provision wherein electrical raceways, panel space, and conduit are provided to make future EVCS installation easier. In general, it is much more cost effective to install EVCS during a solar carport project because much of the underground infrastructure work needs to be done as part of the carport project, and so the EVCS installation is only a marginal cost increase compared to a stand-alone project. To assist departments to comply with the County's adopted Clean Vehicle Purchasing Policy, (Legistar ID 22-823), and to meet County greenhouse gas reduction goals in the upcoming Municipal Climate Action Plan, the Government Center and ITD building are designed to provide installed EVCS for the full amount of required parking spaces. Foregoing the "EV capable" space option will provide 8 dual port level 2 EVCS at the Government Center and 6 level 2 EVCS at the ITD building. These chargers at the Government Center will provide a key first step in enabling County staff to adopt EVs. Extra conduit will be provided in the southern parking lot arrays to allow for future EVCS installation under the carport arrays. The EVCS at the ITD building are sufficient for ITD to fully transition all department vehicles domiciled at that location to electric vehicles.

Staff have also worked with ENGIE to install two dual port level 3 fast charger EVCS at the Government Center that have been procured as part of the Rural Electric Vehicle grant program in 2023 through a grant with FreeWire Inc as the lead applicant. These chargers were intended to be installed at the Monterey County Free Libraries in Castroville and San Lucas. Unfortunately, FreeWire Inc. declared bankruptcy before these projects could be completed. Staff identified the solar project at the government center as an opportunity to cover unfunded installation costs for these chargers in a larger project that generates savings and provide the County with necessary electric vehicle fast charging. These chargers are intended to be available to the public to generate revenue, public access could be restricted in the future to best meet County fleet needs.

Natividad Medical Center staff have opted to meet code minimum requirements of 12 installed level 2 dual port EVCS and 48 EV capable parking spots due to the sheer number of parking spots affected. Staff have coordinated to site these chargers to be the most advantageous to hospital staff and visitors.

Financial Discussion:

KNN performed a financial analysis of these projects based upon the energy savings analysis by ARC and the data provided by ENGIE. All scenarios used a discount rate of 4% consistent with the other KNN analysis recently seen by the Board of Supervisors on November 12, 2024. An Energy Tool Base whitepaper found that from 2014-2023, PG&E commercial rates increased by a compound annual growth rate of 5.2%. Commercial energy prices have spiked in PG&E territory over the last

decade, as much as 65% cumulatively or a compound annual growth rate of 5.2%, primarily due to wildfire and bankruptcy costs. According to PG&E staff, their goal is to flattening rate increases to 5% or lower over the next three years. With this information in mind, staff from the County Administrative Office and NMC have found the 5.2% energy escalation rate to be appropriate for this report.

The projects costs as determined by ENGIE are \$18,134,700 for NMC, \$5,242,600 for the Government Center, and \$3,297,100 for ITD. Additional costs included in the analysis provided by KNN include costs for testing and special inspections, accessibility upgrades, and third-party verification costs for project totals of \$18,487,700 for NMC, \$5,333,000 for the Government Center, and \$3,357,400 for ITD. ARC Alternatives provided an analysis of the energy savings that the proposed equipment would produce using hourly load profiles of historic County utility usage, which accounts for variances in average weather patterns. This energy savings analysis was used by KNN in the financial analyses for each site attached to this report. These analyses show that the most beneficial debt structure is a 20-year term direct purchase with ascending debt service. The cumulative estimated net-present value (NPV) for this project is \$5,519,000 with gross energy savings of an estimated \$21,011,000 using the 5.2% escalation rate discussed above. These analyses omitted costs the 5% contingency from these costs due to the complexity of individual loan service terms being able to finance contingency budgets. Including the 5% contingency and PWF staff time brings project costs to \$19,394,400 for NMC, \$5,600,100 for the Government Center, and \$3,527,100 for ITD.

Additionally, NMC staff prefer to prioritize a direct purchase debt option that maximizes flexibility to pay back debt earlier than the 20-year loan term and to not include the 5% contingency in the financing Request-for-proposals package (RFP). The financial models have also accounted for the 10-year useful life of the EVCS, which are modeled to amortize over 10 years instead of over the full 20-year term for the rest of the solar infrastructure. The revenue calculations for the EVCS include a \$/kwh rate of \$.3884 for NMC and ITD. The Government Center EVCS are modeled to charge \$.4274/kwh, which is the rate needed to make these chargers cost-neutral for the County. The County does not have an existing policy regarding EVCS charging costs for County departments and members of the public. This is an item that will have increasing importance as the County manages the rollout of EVCS.

OTHER AGENCY INVOLVEMENT:

Staff have collaborated with Natividad Medical Center, the District Attorney's Office, Monterey County Free Libraries, and the Information Technology Department, and Contracts Purchasing on this project. Staff coordinated with Public Works, Facilities, and Parks to discuss physical aspects of the projects with stakeholder departments. County Counsel has reviewed and approved as to form. On August 13, 2024, the Board of Supervisors directed staff to continue to develop this project for consideration with ENGIE. On November 13, 2024, the Capital Improvements Committee received a presentation on the physical and facility aspects of the project and recommended that the item be considered by the Board of Supervisors. Staff went to the Debt Advisory Committee on November 21, 2024, to consider budgetary and financial implications of this project. Staff went to the Budget Committee on November 25, 2024, and were recommended to advance this item to the Board of Supervisors.

FINANCING:

The project costs provided by ENGIE for each site are \$18,134,700 for NMC, \$5,242,600 for the Government Center, and \$3,297,100 for ITD. The cumulative estimated net-present value (NPV) for this project is \$5,519,000 with gross energy savings of an estimated \$21,011,000 using the 5.2% escalation rate discussed above. Including the 5% contingency, special inspection fees, PWF staff time, and third-party review fees, this brings project costs to \$19,394,400 for NMC, \$5,600,100 for the Government Center, and \$3,527,200 for ITD. However, ENGIE has volunteered to reduce County budgetary needs by taking on the costs for the first \$320,706 of any change orders for the projects at the Government Center and ITD. This maintains a 5% contingency amount of \$426,985 while reducing the County's budgetary responsibility to \$106,279. To implement this project, staff recommend that the County work with KNN Financials to issue an RFP for financing of the NMC solar system for all costs described above except the 5% contingency for a total of \$18,487,683. Staff recommends that the solar project for the Government Center and ITD be paid using \$8,806,635 unassigned fund balance, which is the total project cost of \$5,600,100 for the Government Center and \$3,527,200 for ITD less ENGIE's contribution of \$320,706 for the contingency budget. ENGIE's contribution to the contingency budget for the Government Center and ITD projects allows both projects to be funded by the unassigned fund balance. This project is eligible to receive a minimum of \$6,964,382 from the Inflation Reduction Act Investment Tax Credit Direct Pay process. ENGIE estimates that the required accessibility upgrades will cost \$255,000 across all three sites if code exemptions discussed in the Capital Improvements Committee are granted, but these costs will not be known until the final engineering and permit stage of the project.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

This item supports the County's municipal climate action goals.

Mark a check to the related Board of Supervisors Strategic Initiatives

- Economic Development
- Administration
- Health & Human Services
- Infrastructure
- Public Safety

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Attachments:

- Solar Layouts 11/7/2024
- KNN Analysis Government Center
- KNN Analysis ITD
- KNN Analysis NMC
- ARC Alternatives Power Purchase Agreement Analysis
- Solar Total Capital Cost Build Up 5% Contingency
- Draft 4217 Resolution ENGIE
- Draft 4217 Resolution ENGIE Exhibit A

Energy Services Contract NMC
Energy Services Contract ITD and Government Center