



24-2181

DATE: February 6, 2024 (Item No. 19)

TO: Board of Supervisors

FROM: Paul Lorenz, Chief Executive Officer, Santa Clara Valley Healthcare
Jeffrey D. Draper, Director, Facilities and Fleet

SUBJECT: Energy Efficiency Efforts

RECOMMENDED ACTION

Under advisement from June 12, 2023 (Item No. 26): Receive report from Santa Clara Valley Healthcare and the Facilities and Fleet Department relating to recommendations for fund sources to implement the second phase of energy efficiency efforts at County hospitals.

FISCAL IMPLICATIONS

There are no fiscal implications associated with acceptance of the report. If the County were to decide to move forward with the energy efficiency projects under consideration, this would likely take the shape of an upfront capital investment followed by a reduction in ongoing energy costs. The use of cash to invest in more efficient equipment would lower our interest income, but the efficient equipment would reduce energy costs. We would move forward only if this were expected to be a favorable trade-off.

The County could, alternatively, contract with an energy services company (ESCO) to finance these investments and repay them out of a portion of the energy savings. This would mean effectively borrowing from the ESCO, and the cost to the County would be in the form of payments to the ESCO rather than foregone interest income.

REASONS FOR RECOMMENDATION AND BACKGROUND

At the June 12, 2023, Board of Supervisors (Board) Budget Hearing (Item No. 26), at the request of Supervisor Lee, the Board directed Santa Clara Valley Healthcare (SCVH) and the Facilities and Fleet Department (FAF) to provide a report relating to recommendations for funding sources to implement the second phase of energy efficiency efforts at County hospitals by the mid-year budget review.

Currently, the necessary funding for energy efficiency projects at the County hospitals remains to be identified. Following the County's established capital request process, FAF submitted a capital request to implement \$8.7 million in lighting and energy efficiency measures at the County hospitals in early November 2023. The project scope includes the energy measures identified in the 2023 Hospital Energy Audit Report with the lowest paybacks (calculated as time to recover project cost through utility cost savings). The overall

payback for the energy measures included in the capital request is approximately 13 years. The request is currently under review by the County Executive Office (CEO) in collaboration with FAF. The FY24-25 Capital Improvement Program is currently being developed along with the FY24-25 Recommended Budget, and the energy efficiency capital project request will be evaluated alongside all other countywide capital requests throughout this process. However, given the current budget outlook, it is unlikely funding will be available for new capital initiatives.

If the project does not secure funding through the FY 24-25 capital budget process, there is a potential alternative through third-party financing. Under a third-party financing model, the Energy Services Company (ESCO) would provide upfront financing for the project and the County would repay the ESCO over a 10 or 15-year term using the realized energy cost savings. Preliminary discussions have taken place with the Office of Budget and Analysis (OBA) regarding this option. However, it's important to note that OBA currently views third-party financing as less favorable due to high-interest rates. The preference is to fund projects through capital funds, as demonstrated by the County's recent ESCO projects.

While the funding situation is yet to be finalized, FAF remains committed to exploring viable options and working collaboratively to ensure the successful implementation of the efficiency measures at Valley Medical Center, St. Louise, and O'Connor Hospital campuses.

At the May 26, 2023, Finance and Government Operations Committee (FGOC) meeting (Item No. 7), FGOC received a report from FAF relating to energy audit efforts at O'Connor Hospital, St. Louise Regional Hospital, and Santa Clara Valley Medical Center.

CHILD IMPACT

The recommended action would have a positive impact on children and youth through the **Youth Feel Valued by the Community** indicator as the implementation of renewable energy resources helps to create a healthier environment and sustainable future for children and youth in the community.

SENIOR IMPACT

The County's practice of conserving energy through reduced demand and the use of renewable energy sources would have a positive impact on seniors by creating a healthier environment for seniors in the community.

SUSTAINABILITY IMPLICATIONS

The County's investment in energy efficiency and reduced pollution emissions from government operations has positive sustainability implications by conserving non-renewable resources and creating a healthy environment that supports social equity and a vibrant economy.

STEPS FOLLOWING APPROVAL

Notify George Hurrell at SCVH and Andy Walker at FAF.

ATTACHMENTS:

- 107388-1267-A457824 Energy and Water Efficiency Ops
- 109977-1267-A479916 Appropriation Modification for Energy Audits at County Hospitals Project
- 111148-1267-A490040 Update on Energy and Water Efficiency Opportunities at County Hospitals
- 115607-1267-A516627 Update on Energy Efficiency Opportunities at County Hospitals