September 1, 2015

Chairman Mary D. Nichols and Executive Officer Richard Corey
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Dear Chairman Nichols and Executive Officer Corey:

We welcome the opportunity to provide comments on the current draft ***Second Investment Plan***. We applaud the approach the state has taken— in particular the move from shovel ready projects to investments that will result in long-term benefits and zero carbon systems, the focus on innovative and integrated systems, and the goal of maximizing the state's investment by leveraging public-private partnerships, financing mechanisms and other existing resources. To that end we offer the following strategies for achieving these critical goals.

1. Create an Integrated Climate Funding Market

In order to meet the state's ambitious greenhouse gas reduction targets we will need to rethink the way local climate change measures are developed and funded. Far from simply asking for a handout, local governments recognize that they also need to diversify their funding sources, maximize project scoping and execution efficiencies, and evolve their approach to implementing projects. Local governments are working to identify innovative ways to invest general fund dollars, use permit fees, pass bond measures, create financing districts and partnering with the private sector to implement their integrated sustainability plans (climate action, energy, sustainable community, and general plans). Moving forward we need a more coordinated and streamlined approach that can leverage public and private funds to better implement strategies over time that achieve state (and local) climate goals. ***By aggregating both state and local resources we can create an Integrated Climate Funding Market— using a performance-based approach— to expedite implementation, reduce administrative redundancies, optimize return on investment and achieve deeper savings*** (Integrated Climate Funding Market concept proposal provided in the appendix).

- **State Resource Aggregation – Create a California Integrated Climate Funding JPA**

Existing community visions (as expressed through climate action plans, sustainable community strategies and general plans) provide a roadmap of integrated measures that help the local jurisdiction reduce greenhouse gas emissions and increase resiliency. This comprehensive vision is then fractured across a number of different local departments to pursue separate state grants that can fund single measures or a component of a larger project. ***Creating an intra-State Joint Powers Authority, or similar mechanism, to pool a small percentage of funding from related grants across State agencies that support sustainable community measures would allow local governments (including cities, counties and special districts) to submit integrated projects with one application***. Such a structure would reduce barriers to entry for many local governments hoping to fund climate action strategies. In addition it would provide flexibility (based on performance) to support and expand cutting edge strategies that do not neatly fit into, or optimally perform, under individual grant programs.

- **Aggregation of Local Resources— Integrated Community Resource Markets**
  At the local level, jurisdictions can be a lot more proactive in "unshelfing" their plans and identifying priority projects that can be bundled for private and public investors creating Integrated Community Resource Markets that provide a more stable and strategic funding environment to implement climate change goals. Potential mechanisms include Joint Powers Authorities, financing districts or pooling regional funds through County Treasurers. Such a pay-for-performance structure would monetize resource savings achieved through community level initiatives such as Property Assessed Clean Energy (PACE) programs or renewable-based electric vehicle charging, and sell the savings to existing and developing markets (including Cap and Trade) that fund energy, greenhouse gas, and water conservation activities. Enabling community funding markets would help to prioritize and integrate projects, leverage diverse funding sources and expedite the implementation of local climate initiatives.

2. Provide Targeted Local Assistance and Workforce Training

To fully realize the goals of the program, we need to close this capacity gap to participate in the GGRF program - especially for the disadvantaged communities who are a primary target of the program. Eliminating barriers for accessing the funds and building the workforce capacity to implement the projects will be critical for long-term success.

- One mechanism for closing this gap is the ***Governor's Initiative CivicSpark Program***, a capacity building program designed to support local climate change initiatives. Launched last year, CivicSpark has supported over 80 local governments around the state on a variety of climate related projects. CivicSpark members are in an ideal position to lend assistance to local governments as they apply for GGRF funding and implement projects. To date, these emerging leaders have successfully supported research, planning and implementation of projects from Eureka to Fresno to San Diego. However not every local government –

particularly underserved ones with the highest need – can participate in this program. Enabling assistance from the state level— by embedding CivicSpark members to provide administrative, technical or implementation support— would streamline the application and reporting process, leverage an existing program to further the reach of the limited GGRF dollars, increase access for disadvantaged communities, strengthen the likelihood of successful implementation and train a future workforce of climate leaders across the state.

California's ambitious environmental goals will require a whole new level of innovation – strategies, technologies and partnerships yet unseen. As a state, California has thrived by advancing environmental goals, developing groundbreaking technology and continuing at the cutting edge of the nation and, in many cases, the world. To foster this level of creativity will require expediting and streamlining implementation while still maintaining transparency, accountability and measurable outcomes in line with state priorities. By working at both the state and local levels to aggregate projects and match funding, and by providing local assistance and workforce training we can create a strategic and sustainable approach to implementing local climate initiatives.

Thank you for your leadership. We welcome the opportunity to provide additional clarification or support development of specific language as desired.

Appendix

Local Government Commission

California Public Utilities Commission

Integrated Climate Funding Market

Local governments— including cities, counties and special districts— have been recognized as instrumental in meeting state climate and energy legislation aimed at reducing greenhouse gas emissions (including Executive Order B-30-15, AB 32, SB 375 and California's Renewables Portfolio Standard). Two-thirds of greenhouse gas emissions are related to the built environment (building energy use and transportation), which is greatly impacted by local policies, programs and land use decisions.

Yet at a time when local governments' role in achieving the State's legislative, executive, and strategic goals is growing in importance they are grappling with a number of challenges that threaten their ability to fulfill this role, including:

1. State and federal aid to California cities is declining, down from 21 percent of a city's budget in 1974–75 to 10 percent today
2. The sales tax base is declining, due to a shift toward a service-oriented economy and increasing Internet and catalog retail sales
3. Decline in property taxes during the recession resulted in substantial staffing cuts that have been much slower to normalize than private sector jobs
4. Limitations on taxes and fees that cities can impose are driven by Prop. 13, Prop. 218 and other state laws
5. Loss of Redevelopment Agencies
6. Infrastructure improvements and maintenance are lagging
7. Local agencies are also faced with unique but substantive exigencies, e.g., drought planning

In order to meet the state's ambitious greenhouse gas reduction targets we will need to rethink the way local climate change measures are developed and funded. Far from simply asking for a handout, local governments are recognizing that they also need to diversify their funding sources, maximize project scoping and execution efficiencies, and evolve their approach to implementing projects. Local governments are now realizing they should be investing general fund dollars, using permit fees, passing bond measures, creating financing districts and partnering with the private sector to implement their integrated sustainability plans (climate action, energy, sustainable community, and general plans). Moving forward we need a more coordinated and streamlined approach that can leverage public and private funds to better implement strategies over time that achieve state (and local) climate goals. **By aggregating both state and local resources we can create an Integrated Climate Funding Market— using a performance-based approach— to expedite implementation, reduce administrative redundancies, optimize return on investment and achieve deeper savings.**

State Resource Aggregation - CA Integrated Climate Funding JPA

Existing community visions (as expressed through climate action, sustainable community and general plans) provide a roadmap of integrated measures that help the local jurisdiction

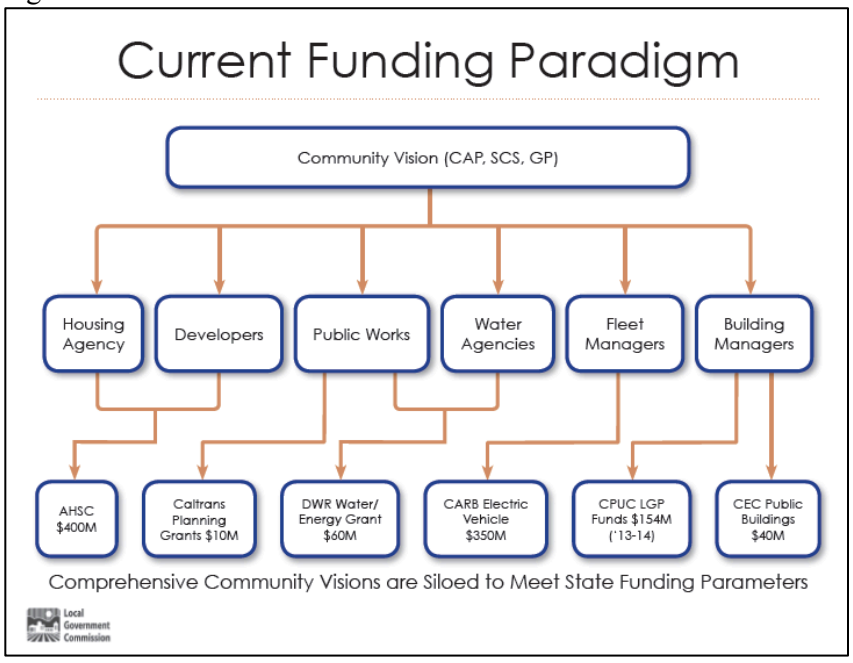
reduce greenhouse gas emissions and increase resiliency. This comprehensive vision is then fractured across a number of different local departments to pursue separate state grants that can fund single measures or a component of a larger project (see Figure 1). Each grant has different criteria, metrics, applications, processes, and timing. This is a compartmentalization framework that commonly discourages uptake, frustrates multi-jurisdictional partnerships, and runs counter to optimal performance and return-on-investment.

The process could be improved to incentivize comprehensive projects that can achieve deeper savings and to expedite local implementation. Cap and trade revenue provides an opportunity to pilot this approach— for the first time state agencies and local applicants alike are focused on a single primary metric— reducing Greenhouse Gas Emissions.

Creating an intra-State Joint Powers Authority and pooling a small percentage of funding from related grants across State agencies that support sustainable community measures (such as the Affordable Housing Sustainable Communities, DWR Water/Energy, CARB low carbon transportation and CEC public building grants) **would allow local governments to submit integrated projects with one application** — such as a energy efficient infill project with multi-modal access, a PEV charging station and low-impact development. Grants would be awarded based on the decisions of the JPA with each agency entitled to a single vote. Local jurisdictions would apply through a streamlined process similar to the UC system, which allows students to apply for numerous UC campuses with one application. **The CPUC is committed to providing resources and supporting the development of a State Funding Platform JPA**.

These measures would reduce barriers to entry for many local governments hoping to fund climate action strategies. In addition it would provide flexibility (based on performance) to support cutting edge strategies that do not neatly fit into, or optimally perform, under individual grant programs.

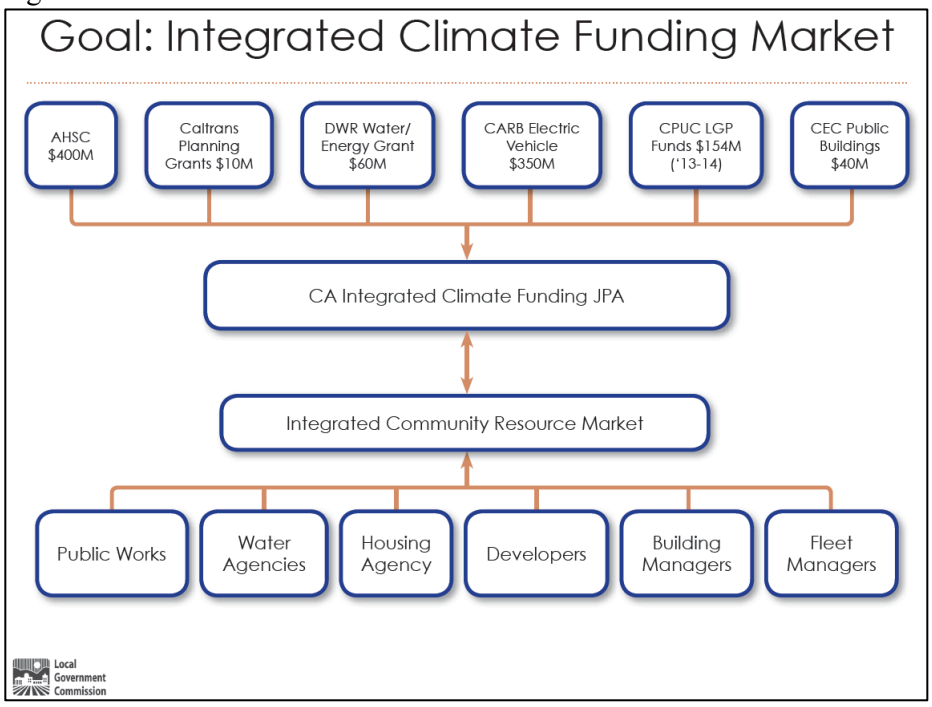
Figure 1.



Aggregation of Local Resources— Integrated Community Resource Market
At the local level, jurisdictions can be a lot more proactive in "unshelfing" their plans and identifying priority projects that can be bundled for private and public investors. This approach could better capitalize on market momentum in areas such as: renewable energy (cost-effective solar installations), energy financing (Property Assessed Clean Energy proliferation and on-bill energy/water financing), smart and resilient electric grid planning and maintenance (driven by data, new technologies, and power plant closures), local government aggregated procurement programs, infill development (forming Enhanced Infrastructure Financing Districts), water conservation (local restrictions and behavioral response), clean transportation (electric vehicles) and shared mobility (e.g. partnering with Lyft, Uber and other ride share services on first mile-last mile connections, carpooling or microtransit).

The connection across these various initiatives would be an Integrated Community Resource Market that provides a more stable and strategic funding environment to implement sustainability goals utilizing market initiatives and public sector funding. The mechanism could be a Joint Powers Authority, financing district or regional funds through County Treasurers. This Market would also facilitate the implementation of these and other initiatives in greater scale by rewarding projects/programs that cover multiple jurisdictions and regions.

Figure 2.

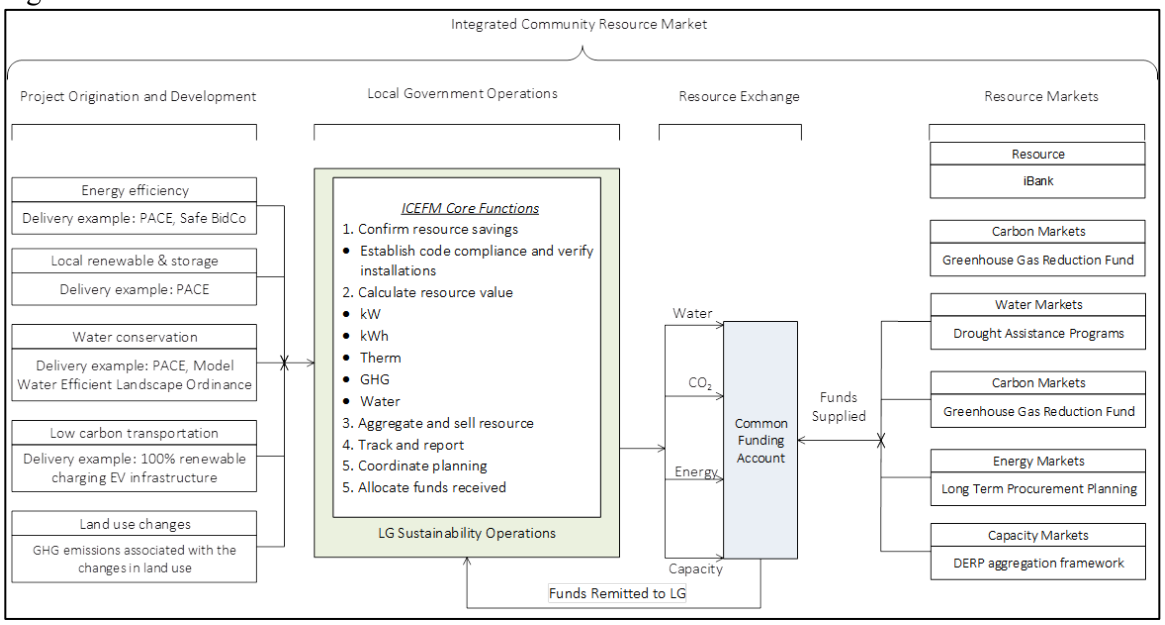


A community resource market would connect market mechanisms that provide funding to local governments based on their activities supporting energy efficiency, renewable energy, and water conservation efforts. These pay-for-performance structures would monetize the resource savings being achieved through community level initiatives such as PACE programs or renewable based EV charging, and sell these resources to existing and developing markets

(including Cap and Trade) that fund energy, greenhouse gas, and water conservation activities (see Figure 3). The community funding market would create and integrate a diverse set of mechanisms that focus on accessing funds that are currently available in California. Funding mechanisms could include, for example:

- A mechanism that grows the widespread implementation of energy efficiency projects installed through government-administered programs and bids into utility resource planning programs.
- A mechanism that monetizes the greenhouse gas savings from renewable projects installed through government administered financing programs and receives revenue for these savings from the Greenhouse Gas Reduction Fund (GGRF).
- A mechanism that monetizes the greenhouse gas savings from electric cars charged with carbon-free electricity furnished through government programs.
- A mechanism that monetizes the carbon and energy savings realized through permanent drought response measures such as xeriscaping, ecosystem services or renewable projects installed through government programs or local ordinances using a market mechanism to access funding through the GGRF and various Drought Assistance Programs.
- A mechanism that monetizes outcomes for greenhouse gas reductions under comprehensive and integrated programs implemented by local government programs such as CCAs or other groups such as JPAs.

Figure 3.



California's ambitious environmental goals will require a whole new level of innovation – strategies, technologies and partnerships yet unseen. California has thrived by advancing environmental goals, developing groundbreaking technology and continuing at the cutting edge of the nation and the world. To foster this level of creativity will require elasticity and flexibility, which can be accomplished while still maintaining transparency, accountability and measurable outcomes in line with state priorities. By working at both the state and local levels to aggregate projects and match funding we can streamline implementation, better leverage private sector investments, and diversify funding mechanisms to create a strategic and sustainable approach to implementing local climate initiatives.