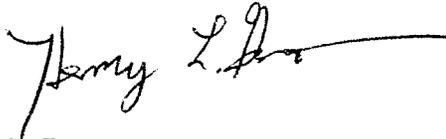


M E M O

Date: September 5, 2008

To: Executive Board

From: Henry L. Gardner
Executive Director



Subject: **Executive Director's Report**

Budget Update

Sixty-seven days after the constitutional required budget adoption and no State budget. None is on the horizon. There is no proposal made by the Governor, Assembly or Senate (Democratic or Republican) that has the necessary two-thirds vote. There will be no budget unless a handful of Republicans in both the Assembly and the Senate agree to any of the proposals that have been made, including the one by the Governor. This stalemate sets the record for budget adoption.

The impacts on local governments have not yet been too severe. Local governments will receive \$4.3 billion in September, with or without a budget. CalWorks, K-12 schools, State civil service employees and Medi-Cal will all receive payments in September, totaling more than \$15 billion. Those not faring well are Medi-Cal providers, K-12 schools categorical programs, mental health, vendors, developmental services regional centers, community colleges, Cal-Grants (college financial aid), Legislator's pay, and Legislative staff pay. These add up to more than \$23 billion.

So far, there have been no direct impacts on ABAG. We have a number of State funded programs, but virtually all of these are from bond funds or other restricted funds, not affected by the general fund shortfalls. We could experience a cash flow problem if processing grant funds is impacted by staff reductions or other cutbacks in program areas where these programs are administered. We believe we have sufficient funds to continue our programs for two months. By then if there is no State budget, carrying out our responsibilities for the State for the programs we administer will be the least of the State's problems.

California Air Resources Board (CARB) Climate Change Draft Scoping Plan

In concert with our regional partners of the Joint Policy Committee (JPC), we submitted comments to Chairman Mary Nichols of the California Air Resources Board (CARB) regarding their Climate Change Draft Scoping Plan. In short, we commented that all of our agencies are working assertively to address issues of climate change and greenhouse gas emissions.

Incentives must be directed to those jurisdictions that support and implement sustainable land use projects. It is our opinion that the Draft Scoping Plan does not go far enough in implementing AB 32. Accordingly, we recommended that the plan provide a clear



distinction between Local Actions and Regional Targets; separate local government actions related to non-land use and land-use related climate change actions; provide incentives for sustainable land use to move beyond minimum reductions and accelerate land use changes and greenhouse gas reductions; establish reduction ranges as the spread between the minimum levels required to achieve the 2020 GHG target and the “aspirational” levels needed to accelerate progress related to the State’s 2050 target; and articulate the potential connection between the Draft Scoping Plan and SB375. We provided a detailed explanation of our reasoning for each of these recommendations.

SFEP Awarded Green Infill – Clean Stormwater Grant Program

Green Infill – Clean Stormwater is a newly awarded grant program to ABAG from US EPA. ABAG received \$996,495, which will be supplemented by partner agency matches of \$2,480,500. The partners are as follows: the Cities of Hercules and Pinole who will restore their downtown wetlands and creek, respectively; Earth Team, an environmental education nonprofit program in Western Contra Costa County, will teach children about ecology and how to be wetlands stewards; and San Francisco Estuary Institute which will develop monitoring tools to measure the success of San Mateo County’s nascent Green Streets and Parking Lots Program.

Green Infill – Clean Stormwater links two important regional programs: San Francisco Estuary Project’s Comprehensive Conservation and Management Plan and FOCUS, a regional incentive-based development and conservation strategy for the Bay Area. SFEP and ABAG staff will manage the grant, and work with partners to promote green infrastructure projects around the region’s Priority Development Areas.

ABAG Energy Watch

ABAG Energy Watch, a local government partnership between ABAG and Pacific Gas and Electric, has provided technical assistance towards the completion of over 100 energy efficiency projects across 33 agencies. Installed projects represented 5,800,000 kWh in annual energy savings by the end of July, and savings are expected to triple over the next five months as over 100 more projects are completed. Once completed, these projects will save local governments approximately \$2.6 million per year and reduce greenhouse gas emissions by 8.5 million pounds of CO₂e¹ per year. Project types include lighting and HVAC retrofits, retro-commissioning services, and computer power management. Energy Watch has also carried out demonstrations of advance lighting technologies (i.e., LED) for street lights and parking garages. ABAG Energy Watch assists local governments achieve energy and cost savings in public facilities as well as create agency-wide and community-wide energy savings through energy efficiency policies and programs. ABAG Energy Watch serves Bay Area cities, counties, and special districts.

ABAG Energy Watch is working with the San Francisco Bay Area Rapid Transit District (BART) to implement energy efficiency improvements in coordination with a solar energy project. ABAG Energy Watch assisted BART in coordinating a green finance firm to establish a power purchase agreement (PPA). Under the PPA, BART will pay for electricity produced by the Photovoltaic (PV) system, which is owned and maintained by the developer. The PPA will allow BART to use solar power without the capital outlay or debt associated with purchasing a PV system; instead, BART can treat solar energy procurement as an operational expense. Energy efficiency supports this effort by reducing the size of the system, and thereby improving the terms of the PPA.

ABAG Financial Services

Financings delivered by ABAG and its affiliated entities since my last report include:

- \$4,500,000 in Variable Rate Demand Multifamily Housing Revenue Bonds on behalf of the **City and County of San Francisco** for acquisition, rehabilitation, and preservation of the affordable status of the 82-unit Reardon Heights Apartments;
- \$22,500,000 in Variable Rate Demand Revenue Bonds for the Branson School in **Marin County**, for construction of new facilities;
- \$22,710,000 in Revenue Bonds on behalf of the **City and County of San Francisco** for capital projects being undertaken by On Lok Senior Health Services;
- On behalf of the **County of Santa Clara**, \$5,526,000 in Multifamily Housing Revenue Bonds for construction of the 28-unit Belovida Senior Apartment Complex in the **City of Santa Clara**; and,
- \$41,405,000 in State-Insured Revenue Bonds for Construction of the Institute on Aging, an outpatient medical facility in **San Francisco**.

