



Office of the Mayor

CONSENT CALENDAR

December 18, 2007

To: Members of the City Council

From: Mayor Tom Bates

Subject: Mayor's Office Funding for Berkeley Carbon Offset Study

RECOMMENDATION:

Authorize the payment of \$500 from the Mayor's discretionary budget to Kyoto USA/ Sequoia Foundation to help fund the hiring of a consultant to conduct a feasibility study on a local Berkeley carbon offset program.

BACKGROUND:

The City of Berkeley, its residents, and its non-profit stakeholders have initiated a comprehensive set of initiatives to implement Measure G. This effort, to reduce Berkeley's carbon footprint dramatically, is resulting in a groundbreaking national model for local climate change action.

Among the initiatives, the various stakeholders have considered creating a local carbon emissions offset credit program, in order to better connect the purchase of offset credits to local community benefits. In this way, the process of reducing emissions through offset actions becomes a local, visible process, so that the purchaser of the credit can experience tangible outcomes of his/her purchase.

This approach may also bring many additional benefits to the climate change equation, including additional funding streams for much-needed local investments in capital improvements to increase energy efficiency. The localization of the process will also demonstrate keeping Berkeley's dollars in the local economy.

In order to describe and test the local offset program, Kyoto USA and its partners have identified the need to prepare an economic analysis. This scope of work is to prepare a Market Analysis and Economic Benefits Study for the proposed Local Offset Credit Program. Essentially, this work will make the 'business case' for implementing the program.

The \$500 in funding will be used to help cover costs of this analysis. There are a number of other funders, including the University of California, Berkeley.

FISCAL IMPACTS: \$500 from the Mayor's office budget. No impact on the General Fund.

CONTACT PERSON: Mayor Tom Bates, 981-7100.

ATTACHMENTS:

- 1 Resolution
2. Letters from BAE and Kyoto USA

RESOLUTION NO AUTHORIZING THE EXPENDITURE OF SURPLUS FUNDS
FROM THE OFFICE EXPENSE ACCOUNTS OF THE MAYOR AND
COUNCILMEMBERS FOR A GRANT TO PROVIDE PUBLIC SERVICES FOR A
MUNICIPAL PUBLIC PURPOSE

WHEREAS, Mayor Tom Bates has surplus funds in his/her office expenditure account (budget code 010-0101-410-3015); and

WHEREAS, a California non-profit tax exempt corporation "Sequoia Foundation" seeks funds in the amount of \$5000.00 to fund a carbon offset feasibility study; and

WHEREAS, the provision of such services fulfills the municipal public purpose of helping to develop a potential funding stream to implement Measure G.

NOW THEREFORE BE IT RESOLVED by the Council of the City of Berkeley that the City Manager is authorized to execute a contract with the Sequoia Foundation in the not to exceed amount of 500.00 to fund a portion of the Berkeley Carbon Offset Program feasibility study.



September 30, 2007

Mr. Tom Kelly
Kyoto USA
Via Email: Tom Kelly [kyotousa@sbcglobal.net]

Dear Tom:

This letter provides you with a proposal to conduct the Berkeley Local Offset Program Market and Economic Benefits Analysis.

We are excited about doing this work, and look forward to helping you secure funding and completing the study.

Please let me know if you have any questions or comments.

Sincerely,

Janet Smith-Heimer, M.B.A.
Managing Principal, BAE

Introduction

The City of Berkeley, its residents, and its non-profit stakeholders have initiated a comprehensive set of initiatives to implement Measure G. This effort, to reduce Berkeley's carbon footprint dramatically, is resulting in a groundbreaking national model for local climate change action.

Among the initiatives, the various stakeholders have considered creating a local carbon emissions offset credit program, in order to better connect the purchase of offset credits to local community benefits. In this way, the process of reducing emissions through offset actions becomes a local, visible process, so that the purchaser of the credit can experience tangible outcomes of his/her purchase. This approach may also bring many additional benefits to the climate change equation, including additional funding streams for much-needed local investments in capital improvements to increase energy efficiency. Beneficiaries envisioned for the local offset program include the Berkeley Unified School District, local non profit affordable housing developers, and other non profits engaged in a variety of local programs. The localization of the process will also demonstrate keeping Berkeley's dollars in the local economy (an argument used in Berkeley repeatedly, even though it is difficult to demonstrate for many types of investments).

In order to describe and test the local offset program, Kyoto USA and its partners have identified the need to prepare an economic analysis. This scope of work is to prepare a Market Analysis and Economic Benefits Study for the proposed Local Offset Credit Program. Essentially, this work will make the "business case" for implementing the program.

Part 1: Overview of Market Demand and Community Needs

This part of the study will provide an overview, based on other published reports and data, of the demand for offset credits and the options currently available to Berkeley residents/businesses. This section will also summarize the likely local demand for a local offset program.

This part of the study will also profile four selected potential beneficiaries of the offset funds, showing how local, community-based organizations and agencies could benefit from direct capital dollars to improve energy efficiency and greening of their activities.

Task 1: Market Size Analysis

This first task will seek to describe and quantify in approximate terms, the current demand for credits from Berkeley residents and businesses.

BAE will describe the offset credit programs which are currently available and emerging throughout the country, primarily as introductory background information as well as to set the stage for the need to demonstrate a local process.

BAE will also review the literature to develop an approximate benchmark of per capita purchase of global warming credits, based on the size of the industry today. The objective is to develop a conclusion regarding the amount of money likely to be generated by a local offset credit program today and in the near term future as the concept becomes established.

Task 2: Profile of Potential Local Beneficiaries

This task will review four potential local beneficiaries as examples of how the dollars raised from the offset program would help to reduce energy consumption through capital investments. The examples will be profiled based on interviews with the organizations as well as review of capital costs of recent pilot initiatives (e.g., solar installation at BUSD elementary school). The potential beneficiaries will include the Berkeley Unified School District, a local affordable housing developer (either Resources for Community Development or Affordable Housing Associates), and a social service provider to be determined. The profiles will include examples of solar installation to reduce energy, green building practices, and transportation services which can benefit from changes in gas consumption. A fourth example will incorporate local food systems, another major potential greenhouse gas reduction process directly related to consumption.

Task 3: Overview of Local Offset Program

This task will combine the findings from Task 1 (local demand) and Task 2 (local beneficiaries) to describe how a Local Offset Program would work. This task will include description of limiting transaction costs by administering the program efficiently online, and by using an existing local non-profit administrator.

Part 2: Economic Benefits of the Berkeley Local Offset Program

This part of the study will use a simple economic benefits methodology called RIMS II, which is a set of countywide “multipliers” available from the federal Bureau of Labor Statistics, to estimate direct, indirect, and induced economic benefits of local investment in global warming reduction.

This task will also list the more qualitative benefits of the program, including demonstration of local dollars invested (and kept) in the local economy, how tangible benefits will stimulate local purchases of credits, reductions in anxiety because action can be demonstrated nearby, and how UC Berkeley may both contribute and benefit from this initiative.

Task 4: Economic Benefits Estimate

BAE will obtain and utilize the RIMS II economic multipliers to estimate the direct, indirect, and induced economic effects of investing local credit dollars into community-based projects. This estimate will be described in narrative and chart formats to illustrate the outcomes to the lay public.

Task 5: Additional Community Benefits

This task will describe the potential additional community benefits of demonstrating global warming reduction by investing locally in community development and educational facilities. This section will describe the actual energy cost reductions in general terms, as well as the benefits such as those described above (e.g., local action, demonstrable results, educational benefits, etc.).

Task 6: Prepare Report

BAE will produce a professional report describing the findings from the above tasks, suitable for wide distribution and online posting. The BAE report will include photographs of Berkeley locations, graphs and tables to demonstrate its findings. We anticipate preparing an approximately 15 page report, as well as a 2 to 4 page summary.

BAE will prepare a draft report and provide it to Kyoto USA and the funder for review and comment. BAE will respond to a single round comments/revisions, and provide a final report.

Schedule and Fees

Schedule

BAE will complete the above tasks within five weeks of contract authorization to proceed. BAE will require that the funding (see below) is secured prior to commencing our work.

Budget

BAE would normally charge \$15,000 or more for the above scope of work. Due to the critical nature of the work and the groundbreaking aspects of profiling the nation's first local offset credit program, we will reduce this fee by 50 percent to \$7,500.

In exchange for the fee reduction, BAE reserves the right to use the report in its marketing materials and on its own website, as well as use by the client.

KYOTOUSA

U.S. Cities and Their Citizens Working Together to Address Global Warming



Mayor Tom Bates
City of Berkeley
2180 Milvia Street
Berkeley, CA 94704

October 16, 2007

Dear Mayor Bates,

I am writing to request the City of Berkeley's financial support for a feasibility study that will determine the viability and structure of a "community offset fund". The fund would enable local projects that would reduce greenhouse gas emissions – consistent with the voters' response to Measure G encouraging the City to reduce its greenhouse gas emissions by 80% by 2050. Contributions from local institutions, agencies, businesses, residents, and grant makers would be the source of the funding.

Bay Area Economics has provided a proposal that describes the parameters of the study (attached). The proposal is still being discussed with local stakeholders. The final elements of the study will be determined once those discussions are concluded and we have reached a general agreement among the stakeholders. Those stakeholders include the University, the City of Berkeley, KyotoUSA, and the Ecology Center. Our final discussions should take place during the week of October 22.

BAE estimates the full cost of the study to be \$15,000; however, they have agreed to conduct the study for \$7,500. We have raised \$3,500 to date, leaving a balance of \$4,000 to raise before the study can be initiated. Once initiated, the study should be conducted over a 5 week period. The City's sponsorship of this study is encouraged and welcomed. The City's contribution will be acknowledged in the final report, press releases, and the KyotoUSA website.

BAE will be hired by the Sequoia Foundation, KyotoUSA's fiscal sponsor (tax exempt ID is 33-0100208). Although I will maintain primary contact with BAE during the study period, I will keep all the sponsors updated on its progress. The results of the study will be provided to the City for its use and will also be distributed widely so that it can be used by other jurisdictions who may find its findings useful.

If you need additional information on the proposed study, please don't hesitate to contact me. My thanks to you and the City of Berkeley for considering this request.

Sincerely,


Tom Kelly
Director

cc: Cisco DeVries, City of Berkeley
Martin Bourque, Ecology Center
Janet Smith-Heimer, Bay Area Economics
John Petterson, Sequoia Foundation