

**City of Phoenix
General Obligation Bond Committee
Environment & Sustainability Subcommittee
Summary Minutes
Monday, September 12, 2022**

City Council Chambers
200 W. Jefferson St.
Phoenix, Ariz.

Subcommittee Members Present

Ms. Ginger Torres, Chair
Mr. Gene D'Adamo
Mr. Pat Edwards
Mr. Ian O'Grady
Ms. Lisa Perez
Ms. Shannon Scutari
Mr. Dan Stellar
Mr. Colin Tetreault
Ms. Serena Unrein

Subcommittee Members Absent

None

1. CALL TO ORDER

Chair Ginger Torres called the Environment and Sustainability Subcommittee to order at 9:00 a.m. with committee members Gene D'Adamo, Pat Edwards, Ian O'Grady, Lisa Perez, Dan Stellar, Colin Tetreault, and Serena Unrein present. Committee member Shannon Scutari arrived at 9:05 a.m.

2. REVIEW AND APPROVAL OF THE AUGUST 22, 2022 MEETING MINUTES

Committee member Tetreault made a motion to approve the minutes of the August 22, 2022 Environment and Sustainability Subcommittee meeting. Committee member Edwards seconded the motion, which passed unanimously, 9-0.

3. INTRODUCTORY REMARKS

Chair Torres discussed public feedback and support for proposed projects. She also reminded members that a list of projects ranked in priority order was due to the Executive Committee by the last subcommittee meeting and should consider projects with safety concerns a higher priority. She mentioned that staff had developed an option to help members rank projects. She further mentioned that a public hearing for the Executive Committee had been scheduled for September 14 at 6:00 p.m., and subcommittee members should not attend due to open meeting law requirements.

4. CAPITAL NEEDS AND PRIORITIZATION AND EVALUATION PROCESS

Chair Torres introduced staff to present additional material requested from the previous meeting.

Deputy City Manager Karen Peters introduced Deputy Budget and Research Director Chris Fazio, Acting Assistant City Attorney David Benton, Public Works Director Joe Giudice, Chief Sustainability Officer Mark Hartman, and Heat Response and Mitigation Director David Hondula.

Mr. Giudice provided further information on the three prioritized projects and the three future programs and their related co-benefits.

Mr. Hartman provided additional information on electric vehicle (EV) charging infrastructure and transportation electrification actions.

Mr. Hondula presented information on heat, trees, health, and equity in the City.

Ms. Peters concluded the presentations and opened the floor for questions from subcommittee members.

Chair Torres thanked staff for the additional information.

Chair Torres opened the floor for public comment.

Acting Assistant City Attorney David Benton explained the rules for public comment.

Dan Penton spoke in favor of adding the Heat Resiliency program to the prioritized projects.

Kirin Goff expressed support for adding the Heat Resiliency program to the prioritized needs and using other funding sources for the existing prioritized needs.

Vania Guevara spoke in favor of switching the future capital needs with the prioritized needs and expressed opposition to funding for fuel tank replacements.

Chaz Salazar expressed opposition to funding for fuel tank replacements and funding allocated to the Police Department. He expressed support for cool corridors, trees, electric vehicles, and associated infrastructure.

Chair Torres concluded public comment and thanked all who participated.

Chair Torres opened the floor for comments from subcommittee members and reminded them that staff would explain an option for the prioritized ranking method.

Chair Torres stated the top environmental issues of the members and public included air quality, water, and heat preparedness while addressing equity. She asked about which heat resiliency and solar projects were currently funded outside of the bond program.

Committee member Tetreault requested additional follow-up on whether other funding mechanisms, such as energy savings contracts, were being explored to fund HVAC and other energy efficiency projects.

Ms. Peters explained staff had explored that question and that the Budget and Research and Finance Departments recommended bond funding for the energy efficiency and water savings projects. She noted, however, that staff was open to other funding and was actively investigating options.

Mr. Fazio explained that although the recommendation was to use GO bond funding, alternate methods could be explored in parallel.

Ms. Peters introduced Deputy Finance Director Kim Grant to discuss energy savings contracts (ESCO).

Ms. Grant explained that ESCOs had been explored in the past, but bond rates were very low and less expensive due to the City's high credit rating. She noted ESCOs were also a form of debt and impacted the City's overall debt capacity. She explained that, based on these considerations, staff recommended GO bond funds but that ESCOs could still be considered.

Ms. Peters stated that the City was open to other funding methods but also took into account staff's concerns with the other methods.

Committee member Tetreault requested a deeper level of analysis on ESCOs, including which ones were considered in the past.

Chair Torres affirmed support for investigating other funding methods and alternative technologies, in the hope that existing funds could be utilized for other projects.

Committee member Scutari requested more information on the return on investment from trees and bioswales regarding water savings, heat mitigation, energy savings, and community health benefits.

Mr. Hondula explained staff was working with other organizations to factor in all costs for a successful tree canopy and to refine the current estimate. He added that some benefits, such as shade, were difficult to measure, but that he would provide a visual for the next meeting.

Committee member Scutari requested a presentation on how bioswales and other environmental projects increase quality of life and improve water savings, heat mitigation, and energy savings.

Mr. Hondula stated staff could provide the information.

Chair Torres requested material on unfunded heat relief projects, including transit-oriented shade corridors, green infrastructure, and low impact development projects.

Mr. Hondula replied the Street Transportation Department had projects in the Cool Corridors program ready for implementation over several years and additional funding would accelerate the timeline.

Committee member O'Grady asked about heat pump estimates and commented that federal funds could apply. He also stated that green banks could save money for short-term projects such as HVAC replacements, rather than longer-term GO bond funding. Committee member O'Grady wanted to ensure the City was utilizing all federal funds allowed for the EV transition, including funding matches. He also asked how the tank replacements fit into the EV transition. Committee member O'Grady further inquired if brownfields existed where fuel tanks were buried and if they required remediation. He questioned if this process qualified as operational more than remediation and should be in another subcommittee.

Ms. Peters stated that staff would research the information for the next meeting.

Chair Torres recapped Committee member O'Grady's questions. She also requested additional information on the EV conversion process and asked whether the City should continue with fossil fuel storage tanks or convert to EV now.

Committee member O'Grady asked about alternative methods to refuel existing gas vehicles instead of a new fuel tank.

Committee member Edwards asked that future presentations incorporate return on investment to justify the prioritized needs to the community. He asked if other funding would be used to replace the fuel tanks and chillers if not funded through the bond program.

Mr. Fazio explained that alternative funding mechanisms existed, but that they compete against other major maintenance equipment that was at end of life, which could delay their replacement.

Committee member Edwards expressed support for projects reflecting environment and sustainability that voters would support.

Chair Torres thanked Committee member Edwards for the reminder of the committee's mission.

Vice Chair Stellar requested information on ongoing and future heat mitigation and solar projects in the City. He also requested additional data on sustainability and benefits to residents on the prioritized projects. He asked if an alternative short-term method existed in lieu of fuel tanks.

Mr. Giudice mentioned a leak was recently discovered in another tank not in the prioritized list, with the same age and consistency as those in the list, and that risk of failure was definite. He added the full environmental impact was unknown until the tank was removed and evaluated.

Vice Chair Stellar asked if the impact was operational or environmental.

Mr. Giudice stated the tank would need to be removed and studied first before the environmental impact was known but that there were environmental risks.

Chair Torres asked if liability would be met if both tank removal and EV fleet transition were funded.

Ms. Peters asked for clarification on the question.

Chair Torres clarified by asking if remediation included the removal of the tanks and if the cost was included in the funding.

Ms. Peters confirmed it did include removal and was included in the total cost.

Chair Torres asked if liability is met by including funds for removal or is there no leakage if tanks don't contain fuel.

Mr. Giudice explained that regulatory obligations required inoperative tanks be removed and studied within a year or less, which would require immediate funding by diverting resources from other projects.

Chair Torres asked if the tanks could be removed now and if the City could transition to an EV fleet within the five-year bond program.

Ms. Peters responded that police vehicles could not transition to a full EV fleet within the next five years and that in the interim fossil fuels were needed, which would be provided by the tanks requested.

Chair Torres asked how long it would take police vehicles to transition to an EV fleet, and she requested other short-term options for fuel tank replacements.

Committee member Unrein asked how many trees the Heat Resiliency project would achieve out of the 460,000 trees needed for the City. She also stated that the Heat Resiliency project should be a current rather than future need.

Mr. Hondula stated he believed the project would cover a small fraction of the trees needed. He further mentioned that the City's public spaces for possible planting areas were small. He noted that he could provide more information at the next meeting.

Committee member Unrein stated that would be helpful and commented that the replacement of fossil fuel tanks seemed contradictory to the subcommittee's goal.

Chair Torres asked if bond funds could be used for public-private partnerships.

Ms. Peters asked Mr. Fazio to respond but stated that the use of public dollars for private benefit was a legal question and depended on the partnerships.

Mr. Fazio stated that a GO bond program would need to consider three areas, including gift clause issues, City ownership of the asset, and any contractual issues. He stated it was a probability but unknown if it could be executed.

Chair Torres asked Mr. Hondula to provide any current public-private partnership projects that could fit into the project scope for the next meeting.

Committee member D'Adamo commented that tank replacements were a current necessity and, if replaced now, could allow inclusion of additional projects in the next bond program.

Committee member Perez stated that tank replacements were not focused on the environment but agreed they were a necessity. She also asked if all follow-up items could realistically be provided at the next meeting.

Ms. Peters replied that if the data exists, the information could be provided by the next meeting.

Committee member Perez asked Mr. Hartman if he was confident that federal funding would help achieve fleet electrification goals by 2030.

Mr. Hartman responded that the biggest unknown came from heavy duty vehicles, including whether electric or hydrogen was needed. He noted pilot programs were underway, which would provide better insight by the next bond election. He also followed up on Committee member O'Grady's question that utility funds could cover the majority of matching funds for EV charging stations for both City facilities and communities.

Committee member Perez thanked staff for the new and follow-up information.

Mr. Hartman pointed out when identifying all the capital projects needed at park locations and public works facilities totaling \$40 million, the equipment replacements, tank replacements, and HVAC upgrades were most practical for a bond program and most relevant for this committee, while the other identified projects were funded through energy efficiency community block grants.

Chair Torres agreed that the prioritized projects allowed the City to continue operations, but she would like to ensure that all other funding options were exhausted to allow the reallocation of savings to future needs projects.

Chair Torres asked if any members had additional questions.

Committee member Tetreault asked that a blended approach be used when evaluating the prioritized capital projects, which considers alternative funding, community impacts, and co-benefits.

Committee member O'Grady commented that although required maintenance must happen, it was important to keep up with EV technology by investing in current equipment.

Chair Torres turned the floor over to staff to discuss the ranking methodology option.

Mr. Fazio gave a presentation on the project ranking method and noted the Executive Committee and Council would continue to receive feedback from the public throughout the year. He stated the subcommittee had two more meetings to finalize their recommendations. Mr. Fazio presented a facilitated ranking option, which included a survey for each member to rank projects in priority, identify whether to increase or reduce funding on any project, and to determine which projects should move forward, unless the subcommittee members already knew which projects they would like to advance.

Chair Torres inquired if all projects needed to be identified by today.

Mr. Fazio replied projects could be determined by the end of the third meeting, but identifying them early provided extra time for deliberations.

Chair Torres indicated more data from staff was needed before projects could be ascertained.

Committee member Tetreault requested more analysis on the soft benefits and other financing structures before the projects were established, but he supported the online tool as a starting point for ranking.

Chair Torres indicated that, after hearing staff responses to follow-up requests at the next meeting, the committee could then define projects. She asked how the range of projects were determined and if specific heat resiliency projects were needed to add to the Heat Resiliency category.

Ms. Peters clarified that since the Heat Resiliency project was a program, it did not need specific projects to elevate its ranking.

Chair Torres asked if the immediate solar projects requested would be presented as a package.

Ms. Peters responded that definitive costs and operations-related information would need to be provided first before a project could be ranked and recommended to the Executive Committee and that it may be problematic to add if definitive information was not known.

Committee member Scutari asked if a general range of costs could be estimated for a bioswale installation at a transit station to better understand the feasibility of the project. She also commented that a public-private partnership may involve gifting the right-of-way cost to the public.

Committee member D'Adamo clarified whether two project groups would be looked at, with one containing the existing prioritized and future projects, and another listing newly proposed projects.

Chair Torres responded that the committee was asking how newly proposed projects could be added to the prioritized ranking.

Committee member D'Adamo asked if solar projects could be added under the Heat Resiliency program.

Chair Torres stated she believed they could but asked staff to clarify.

Ms. Peters stated that a low-impact development project, such as a bioswale installation, could be incorporated into the Heat Resiliency program by reallocating funds, but a solar project or program would need significant information before it could be considered.

Chair Torres requested more information on the City's existing solar feasibility studies, as well as federal funding data from the Inflation Reduction Act for public solar projects by the next meeting. She also asked for more information on brownfield projects.

Committee member O'Grady asked if funding was reallocated from other projects to EV transition, would it speed up the transition.

Mr. Hartman responded that specific EV projects and their pool of funds could be identified if it would help.

Committee member O'Grady stated it would be very helpful.

Mr. Giudice followed up by saying that insufficient data on EV fleet transition was a major reason why the project was not placed on the prioritized list and still poses a problem. He stated, however, that staff could attempt to estimate the cost solely using city funds.

Committee member O'Grady requested a conservative estimate assuming nothing changes.

Committee member D'Adamo clarified with Chair Torres if the committee was asking staff to provide more information on solar to then add the project or only requesting that bioswales be included under the Heat Resiliency program. He stated concern about adding a new project since staff follow-ups were already numerous.

Chair Torres agreed and asked if solar could fit in the existing programs.

Ms. Peters stated no but deferred to Mr. Fazio for clarification.

Chair Torres then asked if solar was studied as part of the capital needs study but was left off the project list.

Mr. Fazio stated that adjusting the scope of one project would allow for the addition of solar.

Chair Torres reminded members that the ranking order process was an option and believed the committee majority would like to use the process.

Committee member Tetreault wanted to clarify if each member's prioritized choices would be public record.

Mr. Fazio stated that their feedback would be aggregated into summary level data but individual responses were considered public record.

5. FUTURE AGENDA ITEMS

Chair Torres asked members if they had any other requests for future agenda items.

There were no requests.

6. ADJOURNMENT

Chair Torres thanked staff, committee members, and the public; reminded the audience of the upcoming public hearing; and noted that more information could be found at phoenix.gov/bond. She indicated the next subcommittee meeting was scheduled for September 22 and if any member had a conflict to notify staff.

Chair Torres adjourned the meeting at 10:59 a.m.