



Meeting Date: April 8, 2026

TOWN OF MORAGA

STAFF REPORT

To: Honorable Mayor and Councilmembers

From: Nate Levine, Interim Public Works Director/Town Engineer Katie Bruner, Administrative Services Director

Subject: Town Facilities Energy Reliability Project– Proposed Agreement, Recommended Financing, and Project Budget

RECOMMENDATION

Conduct the Public Hearing and adopt a Resolution:

1. Determining that the anticipated cost to the Town of the Town Facilities Energy Reliability Project is less than the projected energy utility costs to be consumed by the Town over the useful life of the project, as required by California Government Code Section 4217;
2. Authorizing the Town Manager to finalize and execute the proposed agreement with Excite Energy for the Town Facilities Energy Reliability Project, for a project cost of \$890,066, with a 10% contingency for a total not-to-exceed amount of \$979,073, including minor non-substantive revisions as approved by the Town Manager and Town Attorney;
3. Authorizing the Town Engineer to execute change orders within the contingency;
4. Authorizing a 0%, 20-year internal loan from the Palos Colorados Fund to the General Fund in an amount not to exceed \$675,000;
5. Appropriating an additional \$545,000 for CIP 23-108 (Town Facilities Energy Reliability) for a total project budget of \$1,740,000; and
6. Finding the proposed project is categorically exempt from CEQA pursuant to CEQA Guidelines Sections 15301 (Class 1 – Existing Facilities) and 15303 (Class 3-New Construction or Conversion of Small Structures).

BACKGROUND

The Town has been evaluating energy reliability improvements for key municipal facilities in response to repeated PG&E Public Safety Power Shutoff (PSPS) events and other outages, as well as the Town's need for improved backup power and continuity of operations.

On [March 11, 2026](#), the Town Council received a project update, reviewed project alternatives, and selected Option 3 – Generators + Solar as the preferred project direction for the Town Facilities Energy Reliability Project. Under that option, the Town will install new backup generators at Town Hall, the Corporation Yard, and the Library, along with solar improvements at Town Hall and the Library. Staff was directed to continue working with the selected vendor to refine the scope, schedule, and contract terms, and to return to the Town Council with a proposed agreement for consideration.

Since that meeting, staff has worked with Excite Energy to refine the proposed project scope, implementation approach, and contract terms. Staff has also continued to evaluate project financing options, including external and internal financing.

DISCUSSION

The purpose of this item is to conduct the public hearing required under California Government Code Section 4217, consider approval of the proposed agreement with Excite Energy for the Town Facilities Energy Reliability Project, and provide direction regarding the project financing approach.

Since the March 11, 2026, Town Council meeting, staff has worked with Excite Energy to refine the proposed agreement, confirm the project scope, and evaluate implementation and financing options for the Town's preferred project direction, Option 3 – Generators + Solar.

The proposed agreement (Attachment C) reflects the project scope that staff believes best balances resiliency, site compatibility, and financial performance. Compared to the broader microgrid concepts previously evaluated, this refined approach reduces project complexity while still addressing the Town's primary backup power needs and providing utility cost savings.

This item is also being presented under Government Code Section 4217, which allows the Town to enter into an energy service contract if the Town Council finds, at a duly noticed public hearing, that the anticipated cost of the project is less than the projected energy utility costs that would be consumed by the Town over the useful life of the project. The required public hearing is part of this agenda item.

Following the recent rain event on April 1, 2026, Town staff identified a roof leak at Town Hall and subsequently reviewed the available roof history. That review indicated that the Town Hall roof is older than previously understood, has exceeded its useful life, and will need to be replaced before the solar panels are installed. While estimates to repair the roof are being obtained, staff has conservatively estimated needing an additional \$75,000 for the roof replacement.

Financing Options

CIP 23-108 was authorized in the Town's Fiscal Year (FY) 2025-26 and FY 2026-27 Capital Budget, with a total project budget of \$1,195,000. Project funding sources include American

Rescue Plan Act (ARPA) funds, Measure J, Measure K, Government Impact Fees, and Public Education Government Access (PEG) funds. With the revised project scope no longer placing solar panels at Council Chambers, staff does not recommend using the \$130,000 in PEG funds authorized in FY 2025-26. This leaves \$1,065,000 in available project funding. With a revised total project cost of **\$1,740,000**, a financing gap of **\$675,000** remains.

Staff has evaluated both external financing and internal Town financing for the project. After discussions with several loan agents, current loan rates range from 4.5% to upwards of 6%, plus origination costs, and the process would add time, costs, and administrative complexity to project delivery. With an internal loan from the Palos Colorados Fund, Town Council would set the repayment terms. Alternatively, Town Council could choose to use General Fund Reserves or Palos Colorados Funds for this project and not issue an internal loan.

The table below compares the total cost and annual payment for a \$675,000 20-year loan. Staff assumes that the Federal Investment Tax Credit (FITC) Direct Pay the Town will receive, in the amount of \$148,494, will be used as an early loan payment.

	Internal Loan 0%	Internal Loan 2%	External Loan 5.65%
Loan Amount	\$675,000	\$675,000	\$675,000
Origination Costs	\$0	\$0	\$75,000 - \$100,000
Term	20 years	20 years	20 years
FITC Direct Pay	\$148,494	\$148,494	\$148,494
Annual Payment	\$26,325	\$43,053	\$58,850
Total Payments	\$675,000	\$861,054	\$1,176,990

Staff recommends an interest-free, 20-year internal Town loan from the Palos Colorados Fund to the General Fund for funding this project. The Palos Colorados Fund has an audited fund balance of \$2,785,733 as of June 30, 2025. Staff believes this approach provides the most practical path forward because it avoids unfavorable external borrowing terms, simplifies implementation, and allows the Town to move more efficiently toward construction. Additionally, an internal loan would be the payment of last resort, allowing staff to only finance the portion of the project costs that are actually incurred. An internal loan will also not reduce the Town's future bonding capacity should a need for debt issuance be identified in the future.

Loan terms and an amortization schedule for a 0%, 20-year internal loan is included as Attachment B.

Projected Savings

Government Code Section 4217 requires that the anticipated cost of the project is less than the projected energy utility costs that would be consumed by the Town over the useful life of the project. Projected project savings incorporate the cost of financing, energy costs, and operations and maintenance expenditures less annual project energy savings and the \$148,494 FITC the Town will receive for this project.

Total projected savings over a 20-year period are projected as follows for the following financing scenarios:

	Internal Loan 0%	Internal Loan 2%	External Loan 5.65%
20-Year Projected Savings	\$400,918	\$250,390	-\$65,546

FISCAL IMPACT

Staff recommends Council appropriate an additional \$545,000 for CIP 23-108 for a total project budget of \$1,740,000. The total project budget consists of:

- \$890,066 for the Excite Energy contract;
- \$375,000 for separate Town Hall parking lot work;
- \$125,000 in Town-incurred costs outside the Excite contract (e.g., tree trimming, project support, and other contract services). This total includes the Clean Coalition contract amendment that is being presented as a separate staff report on the 04/08/26 agenda;
- \$172,300 in staff and consultant costs expended to-date;
- \$102,634 for project contingencies;
- \$75,000 for 329 Rheem Roof Replacement.

Funding sources for CIP 23-108 include ARPA funds, Measure J, Measure K, Government Impact Fees, and PEG funds, as well as the recommended internal loan from the Palos Colorados Fund to the General Fund, as detailed in CIP Project page, Attachment D.

The Town currently has approximately \$880,000 in remaining CIP funding for this overall effort. Because the total project cost exceeds the currently available CIP budget, staff recommends funding the project through an internal Town loan from the Palos Colorados Fund to the General Fund of up to \$675,000. Under this approach, available CIP funds would be used for a portion of the overall project cost, with the remaining amount financed internally over a 15-year period. As shown in the loan terms, Attachment B, the Town's Federal ITC Direct Pay of \$148,494 would be used as part of the loan payment in year 2, with all other loan payments around \$26,325 per year.

In issuing a 20-year, interest free loan, the Town's General Fund would not receive approximately \$23,000 per year in interest, assuming a 3.5% interest rate.

CEQA COMPLIANCE

The proposed project is categorically exempt from CEQA pursuant to CEQA Guidelines Section 15301 (Class 1 – Existing Facilities), which applies to the repair, maintenance, and minor alteration of existing public facilities involving negligible or no expansion of use and Section 15303 (Class 3-New Construction or Conversion of Small Structures), which applies to the construction and location of limited numbers of new, small facilities or structures; installation of small new equipment and facilities; and the conversion of existing small structures from one use to another where only minor modifications are made in the exterior of the Structure including but not limited to utility extensions and accessory structures. The project consists of improvements to existing Town facilities, including generator and related electrical upgrades and limited solar improvements. Staff has also determined that and Section 15303 (Class 3-New Construction or Conversion of Small Structures), which applies

to the construction and location of limited numbers of new, small facilities or structures; installation of small new equipment and facilities; and the conversion of existing small structures from one use to another where only minor modifications are made in the exterior of the Structure including but not limited to utility extensions and accessory structures. The project consists of improvements to existing Town facilities, including generator and related electrical upgrades and limited solar improvements. Staff has also determined that none of the exceptions to categorical exemptions set forth in CEQA Guidelines Section 15300.2 apply.

ALTERNATIVES

1. Direct staff to return with additional analysis; or
2. Make revisions to the recommendations and provide direction to staff.

NEXT STEPS

Upon approval of the proposed Resolution, staff will:

1. Finalize and execute the agreement with Excite Energy.
2. Complete the internal loan and project funding setup.
3. Coordinate final project sequencing and schedule (Attachment E) with Excite Energy.
4. Complete remaining implementation tasks needed to move the project into construction.

ATTACHMENTS

[Attachment A - Draft Resolution - Energy Generation Project](#)

[Attachment B - Palos GF Loan Terms](#)

[Attachment C - Energy Solutions Draft Agreement](#)

[Attachment D - Revised CIP Project Sheet](#)

[Attachment E - Proposed Project Schedule](#)

[Addendum - Redlined Version of Original Staff Report](#)

[Addendum to Attachment A - Revised Draft Resolution](#)

[Addendum to Attachment B - Revised Palos GF Loan Terms](#)

[Addendum to Attachment C - Draft Agreement](#)

[Addendum to Attachment D - Revised CIP Project Sheet](#)

[Addendum - Public Comment Received](#)