



Date: March 11, 2025

Honorable Mayor and Council Members:

Author and title: Erin Brewster, Sustainability Program Manager

Title: **Funding for Heat Pump Air Conditioning Consultant**

Jen Callaway, Town Manager

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**Recommended Action:** (1) Authorize a budget amendment to use of up to \$29,000 in FY 24/25 funds from the Sustainability Designation for CIP C2422: CEC Building Decarbonization Grant. (2) Approve contract award for consultant support to develop a heat pump air conditioning incentive program and authorize the Town Manager to execute a contract with Infrastructure Improvement, Inc., for \$29,000.

**Discussion:** On November 12, 2024, the Town Council directed staff to engage a consultant to (a) develop a residential heat pump air conditioning incentive program, (b) analyze potential policy options for a heat pump air conditioning requirement for single-family homes in Truckee and present recommendations to the Town Council for consideration, and (c) integrate heat pump air conditioning training into contractor education programs. Staff issued a Request for Proposals on January 9, 2025, for consultant support in developing these heat pump air conditioning initiatives.

When the Town Council directed staff to proceed with these initiatives, staff anticipated that the consultant costs of up to \$85,000 would be fully covered by a Local Government Building Decarbonization Challenge grant from the California Energy Commission (CEC). While the Town does have an executed grant agreement with the CEC, this grant program is supported by federal funds from the Department of Energy. Staff was recently notified by the CEC that payments for approved projects under this grant did not clear the federal payment system and are likely impacted by a federal executive order pausing funding allocated by the Infrastructure Investment and Jobs Act. It is unknown at this time whether this funding will be released. Accordingly, staff is requesting to use Town Sustainability Designation funding for this contract in order to continue with development of the heat pump air conditioning incentive program. If the CEC is ultimately allowed to proceed in disbursing funds for the grant, the Town can submit these costs for reimbursement.

The Town received a response to the RFP from Infrastructure Improvement, Inc., a veteran-owned company based in Folsom, CA. Infrastructure Improvement, Inc., has experience designing and installing HVAC systems, conducting energy modelling for buildings, and advising on state codes and standards. Infrastructure Improvement plans to partner with an HVAC contractor that has extensive experience in installation of residential heat pump systems to advise on design of the incentive program. Staff recommends contracting with Infrastructure Improvement, Inc. with a not-to-exceed cost of \$29,000 for development of a heat pump air conditioning incentive program.

While the RFP did include both development of an incentive program and a heat pump air conditioning reach code, staff recommend moving forward with a contract for only the incentive and contractor education portions of the scope at this time. The total estimated cost for this reduced scope of work will not exceed \$29,000, with the exact amount depending on contract negotiations for the reduced scope of work. No proposals were received from consultants with prior experience conducting cost-effectiveness studies for or developing a local amendment to the California Energy Code, which has

very specific requirements. Town staff were informed by one potential proposer that all the consultants they typically sub-contract with for reach code support were fully booked for 2025 due to the upcoming statewide code changes, which will be released in mid-2025 and take effect January 1, 2026. Staff recommend re-releasing an RFP for the reach code development scope of work in 2026 when these consultants will have greater availability.

In addition, a bill introduced to the California legislature could impact the Town's ability to adopt a reach code. If adopted, Assembly Bill 306 would prohibit local jurisdictions from adopting any new amendments to the California Building Standards Code applying to residential buildings after June 1, 2025, unless they are (1) substantially equivalent to changes or modifications adopted by the jurisdiction prior to January 1, 2025, (2) deemed by the California Building Standards Commission as necessary emergency standards to protect health and safety, or (3) related to home hardening for fire safety. This would prohibit the Town from adopting a reach code or any other green building code amendment until 2031. Delaying development of a reach code will also avoid the potential scenario of investing Town funds in development of a building code amendment that cannot be adopted.

The heat pump air conditioning incentive program and reach code development is one of six projects that were included in the scope of work for a \$700,000 grant from the CEC. The others are (1) development of an equitable funding strategy for building decarbonization measures, (2) development of a municipal electric vehicle charging infrastructure plan, (3) developing a scope of work for municipal facility decarbonization upgrades, (4) developing an energy resilience plan for the Truckee community, and (5) extended training for local contractors on cold-climate building decarbonization. While the Town has a grant agreement with the CEC that was executed in December 2024, funding is contingent on the CEC receiving funds from the Department of Energy. Given the uncertainty over whether this program will remain funded, alternative funding sources may need to be identified to support these projects. As the next Council Priorities Workplan and FY 25/26 budget are developed, the Town Council can assess the funding needs of these projects alongside other potential workplan items.

**Priority:**

<input type="checkbox"/> Enhanced Communication	<input checked="" type="checkbox"/> Climate and Greenhouse Gas Reduction	<input type="checkbox"/> Housing
<input type="checkbox"/> Infrastructure Investment	<input type="checkbox"/> Emergency and Wildfire Preparedness	<input type="checkbox"/> Core Service

**Fiscal Impact:** If approved, this would allocate up to \$29,000 from the Sustainability Designation to CIP C2422 for FY 24/25 that were previously budgeted to come from a grant source. If CEC grant funding is released, these costs may be reimbursable as originally anticipated, and Sustainability Designation funding will no longer be required. Staff will include funding for a future reach code development contract in the proposed FY 25/26 CIP budget.

**Public Communication:** Agenda posting.

**Attachments:** None.