



**STAFF REPORT**  
**3/24/2021**

**TO:** Honorable Mayor and City Council Members

**FROM:** Maritza Martinez, Public Works Director

**SUBJECT:** Authorize the City Manager to execute a Project Development Agreement with Johnson Controls Inc. to develop an Energy Efficiency Project for street lighting and sports field lighting.

**STAFF RECOMMENDATION:**

Authorize the City Manager to execute a Project Development Agreement with Johnson Controls Inc. to develop an Energy Efficiency Project for street lighting and sports field lighting.

**BACKGROUND:**

Two firms completed an energy efficiency audit on various aspects of the City’s facilities and lighting. These two firms were AMB Industries Inc. and Johnson Controls Inc. Both companies evaluated the following city building/infrastructure to identify potential energy efficiency improvement projects: street lighting retrofits, parks lighting retrofits, interior/exterior lighting retrofits for city buildings, HVAC replacements, HVAC/lighting controls standardization. Below is a summary of the findings by both companies. The energy savings estimated by Johnsons Controls Inc. (JC) is substantially higher than the estimated savings from AMB Industries Inc. (AMB); JC estimates total annual savings of \$339,321 while AMB estimates total annual savings at \$71,784.

<b><u>Project Scope</u></b>	<b><u>Annual Savings AMB</u></b>	<b><u>Simple Payback AMB</u></b>	<b><u>Annual Savings JC</u></b>	<b><u>Simple Payback JC</u></b>
Street Lighting & Sport Field Lighting Retrofit	\$ 50,615.00	Not Avail Until IGA/Letter of Intent	\$ 176,801.00	6.33
Rooftop HVAC/HVAC Controls/Interior and Exterior Lighting	\$ 21,169.00	Not Avail Until IGA/Letter of Intent	\$ 162,520.00	7.48
	\$ 71,784.00		\$ 339,321.00	

## **DISCUSSION/ANALYSIS:**

To further develop these identified projects the next steps at this time would be to: 1) shelve these improvements for a later time or 2) enter into a Letter of Intent/Project Development Agreement which would fully develop each project the City decides to proceed with and provide final engineering and recommend financing mechanisms for each improvement. Due to the significant increase in savings identified by JC, staff recommends entering into a Project Development Agreement with JC for the following improvements 1) street lighting retrofit and 2) sport field lighting retrofit. The street light retrofit project would upgrade the city's street lighting fixtures from high-pressure sodium (HPS) to light-emitting diode (LED). The sport field lighting retrofit would similarly upgrade the existing sports lighting to LED. The preliminary cost for these two projects is \$1,795,885; over a 25-year period, the City is estimated to realize \$4.42 Million of positive cash flow based on energy and operational savings.

Both firms require the City pay consultant fees if the firm selected is able to identify a revenue neutral project during the "Project Development Agreement" Phase and the City decides not to proceed further (into construction phase). If JC is able to develop the recommended projects into a revenue neutral project and the City does decide to proceed with the constructing these improvements the engineering fees would be included in the total project costs financed. If the City decides not to move the developed projects into construction, JC's walk away cost is \$60,000.

## **FISCAL IMPACT:**

Should the Council decide to proceed with the Project Development Agreement, the project's engineering costs would have financial impacts on the City's General Fund to the extent they are part of total project costs. If the final project engineering and financing reports are completed and the City moves these projects into construction then the engineering costs (\$100,000) will be rolled into the total project costs financed.

However, if the City chooses not to move the projects into construction the total engineering fees the City would be required to pay JC is \$60,000. These funds will need to be paid by the general fund. Consistent with the terms of the Project Development Agreement, if the Council approves execution of this Agreement an appropriation of these costs will be made in the City's General Fund (101).

JC provided preliminary cost saving estimates developed from a review of the City's current utility costs and anticipated reduced energy consumption of retrofitted fixtures. Based on these estimates it is likely that the final engineering for the projects will provide favorable results. If the Council decides to then move the projects identified into construction, the City will need to execute a lease agreement with annual lease payments of approximately \$150,000 per year for 15 years (depending on interest rates at the time of the agreement). Preliminary lease terms have been reviewed by the Finance Department and were determined to be favorable in relation to the City's investment return rate.

Attachment: Project Development Agreement