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Staff Report for Presentation on Staff's Recommendation for Climatec Energy Services to Perform Energy/Water Resources Audit and Efficiency Projects

BACKGROUND

In December of 2009 the City adopted a Climate Action Plan (CAP), with a vision to guide San Leandro towards a sustainable future that reduces greenhouse gas emissions from current levels, while promoting economic prosperity for present and future generations.

For the CAP's database year of 2005, the City's measurable municipal operations, which are made up of municipal buildings, fleet, streetlights, water/sewage operations, and municipal waste, constituted less than one percent of San Leandro's total emissions. The CAP noted that while this percentage is on the low end of the typical range, and that actions to reduce municipal energy use may have a limited impact on San Leandro's overall community emissions levels, municipal actions can help reduce operation costs and have symbolic value by demonstrating leadership that extends beyond the magnitude of emissions actually reduced.

Also in 2009, the City received \$732,400 as an Energy Efficiency and Conservation Block Grant (EECBG) from the Department of Energy, via the 2007 Energy Independence and Security Act. The 3-year grant funding was divided amongst energy-saving/upgrade programs that were made available to residents and businesses, as well as municipal energy upgrade projects including street lights conversion to LED and building controls retrofits. It is noted that due to the limitation in grant funding, only approximately 14% of the City's street lights were converted to LED, and only the larger/public use City buildings received the building controls retrofit.

In January of this year, the Public Works Department issued a Request for Proposals (RFP 54192) for an energy/water resources audit and efficiency projects. The objectives of the project are: 1) to first identify through a citywide audit, and then 2) implement a comprehensive package of energy and

water savings measures and related City infrastructure improvements with zero capital outlay from the City that will pay for themselves over time from cost savings, and continue to reduce costs to the City once paid for; and finally 3) to implement additional programs and ongoing program funding that further the goals of the City's Climate Action Plan at no initial capital cost to the City. The ultimate goal for the City is to have the services and capital improvements financed through an energy performance and/or water use contract(s) which can accomplish the following:

- Achieves significant long-term cost savings through reduced energy and water use, and related operating cost savings;
- Achieves an annual guarantee for cost savings for each year of the contract;
- Turn-key project design and implementation of improvements and updates to the City's infrastructure;
- Upgrades old and/or inefficient systems;
- Maintains consistent and reasonable levels of occupant comfort;
- Maintains building functionality and compatibility with existing equipment;
- Improves utilization of technology to achieve optimum performance and savings;
- Provides additional benefits that directly result from energy related services and capital improvements, reduced maintenance needs, improved indoor air quality, building improvements, etc.;
- Minimizes financial and technical risk to the City;
- Provides training to employees on maintenance and repair of equipment and controls;
- Provides funding solutions; and
- Provides on-going annual metrics for use in reporting on the City's Climate Action Plan.

Three energy consultant firms attended the informational pre-proposal meeting, with two firms ultimately submitting responsive proposals to the RFP. Both firms indicated that the cost for the audit would be subsumed into future projects should the City move forward with implementation, however Climatec's cost for preparation of the audit, which would be borne by the City should future projects not be implemented, was half of that indicated by the other firm. Other factors relating to staff's recommendation include: a detailed and tailored response to the City's RFP; presentation of information in a user-friendly, non-technical manner; and positive feedback from identified references, both in terms of implementation of projects, as well as achievement or surpassing of projected energy savings. Per Climatec's proposal, their projects are currently producing over \$250 million in life cycle savings, have achieved 122% of energy savings projections, and have never had an energy savings shortfall.

Fiscal Impact

The cost for the initial audit allows, under the City's Purchasing Guidelines, for the City Manager to enter into a Non-Professional Services Agreement (amount does not exceed \$25,000).

The energy/water resources audit, which is the only financial commitment being made with this agreement, would be paid for by the Buildings Maintenance fund (with direct payment only required should the City not move forward with an energy or water efficiency project). Assuming a future efficiency project does move forward, the cost for the audit would be subsumed into the financing arranged for that particular project. Future projects, which would be arranged under separate contracts due to the variation in funding mechanisms, will follow the City's Purchasing Guidelines, which currently requires Council approval for project costs greater than \$50,000.

Budget Authority

There is a sufficient balance in 687-18-001 to cover the cost of the audit, should the City not move forward with implementation of an efficiency project.

Next Steps

Staff anticipates the following steps once an NPSA has been entered into:

- Citywide audit performed by Climatec, which will produce a list of potential energy/water saving projects. Report to include:
 - Financial analysis including utility rebates, incentive monies & potential funding solutions
 - Cost, savings, and payback projections
 - Cash flow analysis
 - Implementation timeline
- Return to Council for input on prioritization of projects on list
- City to negotiate and enter into separate construction/financing agreements with Climatec on individual projects

ATTACHMENT

None.

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