



Legislation Details (With Text)

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Title:	Staff Report to Hold a Public Hearing Pursuant to California Government Code Section 4217.12 to Adopt Certain Findings and Approve an Installation Agreement and a Measurement and Verification Agreement with Climatec, LLC for Energy and Water Savings Projects with Related Improvements to City Facilities (The total cost is \$5,270,455 with funding subject to Municipal Lease, and \$206,986 over 15 years, respectively.)				
Sponsors:	Debbie Pollart				
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Attachments:	1. Attachment A - Installation Agreement with Attachments, 2. Attachment B - Measurement and Verification Agreement, 3. Attachment C - Projects Breakdown, 4. Attachment D - Environmental Benefits, 5. ATTACHMENT E - Estimated Cost Benefit Analysis, 6. PowerPoint				

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Staff Report to Hold a Public Hearing Pursuant to California Government Code Section 4217.12 to Adopt Certain Findings and Approve an Installation Agreement and a Measurement and Verification Agreement with Climatec, LLC for Energy and Water Savings Projects with Related Improvements to City Facilities (The total cost is \$5,270,455 with funding subject to Municipal Lease, and \$206,986 over 15 years, respectively.)

SUMMARY AND RECOMMENDATIONS

Staff recommends that, in accordance with California Government Code section 4217.12, the City Council adopt certain findings and authorize the City Manager to enter into an Installation Agreement and a Measurement and Verification Agreement with Climatec, LLC to implement energy and water efficiency projects and related improvements to various City facilities. The total cost for the Installation Agreement is \$5,270,455, with funding subject to a municipal lease. The total cost of the Measurement and Verification Agreement is \$206,986, spread over 15 years. Projected cost savings resulting from the improvements are estimated to offset the costs of the Agreements and yield a net positive fiscal impact of \$1,173,065 over 15 years.

BACKGROUND

In February 2007 the City Council adopted a goal to reduce carbon emissions to 25% below 2005 levels by 2020. In December 2009, the Council adopted the San Leandro Climate Action Plan; however implementation was delayed due to staffing and budget constraints. Since 2010, extensive energy upgrades at various municipal facilities were implemented with federal stimulus funds (Energy Efficiency Community Block Grant), as well as other federal, state, city, and other resources. This

work included the installation of Building Management Systems (BMS) at major City facilities; conversion of approximately 14% of City high-pressure sodium street lights to LED; interior lighting retrofits at Fire Stations #12 and #13 and to the Boys and Girls Club pool; installation of 'smart' irrigation clocks as part of the Alameda County Measure WW park projects; and construction of two LEED-certified public structures - the Senior Community Center and the Downtown Parking Garage.

In late 2014, the City released RFP #54192 for an "Energy/Water Resources Audit to Identify and Implement Energy and Water Resources Efficiency Improvement Projects". The City received two RFP responses from qualified energy services companies (ESCOs). At the April 6, 2015 Council meeting Climatec was awarded a City-wide Energy/Water Resources Audit Agreement. Climatec, a Department of Energy (DOE) certified ESCO and a member of the National Association of Energy Services Companies (NAESCO), was selected by the City of San Leandro through a competitive RFP process.

Over the next several months Climatec and its solar partner, SunPower, gathered utility data, conducted interviews with various City department heads and stakeholders, performed initial audits of energy and water-using equipment and potential solar photovoltaic (PV) sites. The resulting Feasibility Report contained Climatec's and SunPower's recommendations on a scope of work, estimated costs and savings. The Feasibility Report findings were presented to staff and subsequently to the City Council Facilities and Transportation Committee on September 8, 2015. Climatec and SunPower received feedback from the Committee members on their initial feasibility findings and, based on the Committee's feedback, moved forward with a more detailed assessment, containing final scope of work recommendations, costs and savings. Climatec and SunPower completed their assessment and presented the results to the City Council Facilities and Transportation Committee on December 1, 2015. At that time, the Committee recommended that both the Climatec and SunPower projects should be brought forward for consideration and approval by the City Council.

While the Energy/Water Resources Audit was underway in Spring 2015, the City Council took action to approve a Community Workforce Agreement (CWA) at its June 15, 2015 Council meeting. The CWA supports the City's efforts to increase employment opportunities for workers who reside in San Leandro, to help provide training and apprenticeship opportunities and to promote efficiency of construction operations performed for and within the City of San Leandro. It is important to note that, if approved, the Climatec projects will be the first City construction projects implemented under the terms and conditions of the new CWA. Climatec will competitively bid the projects' implementations and installations to meet State law requirements. Climatec will also comply with State prevailing wage laws.

The solar project proposed by SunPower for the Water Pollution Control Plant will be brought to Council for consideration separately. The unique circumstances, specifically the unresolved issue of whether contaminated dirt will be allowed to remain onsite and be incorporated into the area proposed for solar panels, requires additional geotechnical analysis and approval by the State Water Board before Council consideration can take place. The City is currently in the analysis and approval process.

Analysis

Climatec will provide a performance guarantee for the projects and improvements installed. The

improvements proposed by Climatec include:

- Citywide Street Light Conversion to LED
- Street Light Monitoring and Dimming Controls
- High Efficiency HVAC at City Hall, Main Library and Marina Community Center
- LED Building Interior and Exterior Lighting Fixtures
- Occupancy-based Lighting Controls
- Building Automation System Upgrades
- Weather-based Irrigation Clocks

The Climatec projects target energy and water savings while at the same time addressing longer-term deferred maintenance needs. According to the Measurement and Verification Agreement, these improvements will pay for themselves through various savings combinations including but not limited to savings recovered through reducing energy, water and operating costs, and release of CIP funds.

Climatec and the City will enter into an Installation Agreement (Attachment A) and a Measurement and Verification (Guarantee) Agreement (Attachment B), both of which must be approved in order to proceed with the energy and water-saving improvements. The breakdown of costs for each proposed energy/water-savings project is also provided as Attachment C to this report.

Current Agency Policies

Implementation of the proposed efficiency projects will make significant progress on the City's adopted Climate Action Plan (CAP). Specifically, it will address CAP Goal #6.1, "Increase Energy Efficiency and Renewable Energy Use in City Facilities". The CAP states that "Greenhouse gas emissions related to buildings, streetlights and water/sewage facilities comprise 34 percent of San Leandro's total government operations emissions inventory". As proposed, Climatec's Energy/Water Efficiency Projects will reduce electric consumption by 1,977,391 kWh, and water consumption by 4,872,061 gallons annually (see Attachment D).

Legal Analysis

The City Attorney assisted in the negotiations, review of the draft agreements and finds that the agreements with Climatec meet the City's requirements, such that these agreements are approved as to form.

Fiscal Impacts

The total cost for infrastructure improvements, including taxes and bonds, equals \$5,270,455. Fifteen year lifecycle savings are projected at \$1,173,065, after accounting for the costs of the improvements, which is an average annual savings of \$78,204.

The Measurement and Verification Agreement includes a "Savings Guarantee" under which Climatec warrants that the City will realize energy and water cost savings and utility rebates in excess of the project costs. Should the project fail to realize these savings, Climatec will have the opportunity to take corrective action to bring the improvements into compliance. Should that process also fail to achieve the projected savings, Climatec will be required to pay the City the shortfall amount.

The City has a variety of options to fund these improvements, including Measure HH funds, or issuing debt. Because zero upfront capital from the City is a firm requirement, the Finance Department will issue a RFP for a municipal lease. Lease rates are currently favorable, with an anticipated annual interest rate of 3% or less. The net savings figures indicated above did anticipate a lease arrangement for project implementation, hence the difference in projections shown for lifecycle savings and net savings. Staff notes that the proposed municipal lease agreement will be brought to Council for consideration at a future meeting, and that implementation of Climatec documents is contingent upon the City Council's approval of said lease.

Budget Authority

Due to forecasted water and power savings summarized in Attachment E, debt service and consultant costs totaling approximately \$452,000 per year will be available from accounts currently used for payments to Pacific Gas and Electric (PG&E) and East Bay Municipal Utility District (EBMUD). These adjustments will be discussed when the proposed financing is presented.

ATTACHMENTS

- Attachment A - Installation Agreement
- Attachment B - Measurement and Verification Agreement
- Attachment C - Projects Breakdown
- Attachment D - Environmental Benefits
- Attachment E - Estimated Cost Benefit Analysis

PREPARED BY: Debbie Pollart, Public Works Director