

# STAFF REPORT

## City of Lancaster

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Date: August 10, 2010

To: Mayor Parris and City Council Members

From: Robert W. Greene, Director, Parks, Recreation and Arts Department

Subject: **Energy Services Upgrades with Johnson Controls, Inc.**

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### **Recommendation:**

Appropriate \$1,358,800 in American Recovery & Reinvestment Act funds to account 383-11EE001924 and increase estimated revenues in account 383-3402702 by the same amount. Appropriate \$3,277,660 in lease proceeds to account 101-11EE001924, and increase estimated revenues in account 101-3650101, Other Financing Sources.

### **Fiscal Impact:**

It is estimated that over the fifteen (15) year term of the contract the City will save a net estimated \$430,000 in energy costs. In addition, the City will receive \$4.6 million in new infrastructure improvements as identified in the agreement. This will be accomplished by the following means:

1. Approximately \$1.4 million will be received in ARRA funding and the remaining \$3.2 million will be secured through low interest leases either through the California Energy Commission or an operating lease.
2. Johnson Controls, Inc. will facilitate the implementation and completion of these projects.
3. The total projected energy savings over the term of the project is anticipated to be approximately \$5.71 million. The City will then compensate JCI and repay the financing through the City's projected energy cost savings in the approximate amount of \$5.28 million over the term of the project.

### **Background:**

At the December 8, 2009 meeting, the City Council approved the contract with Johnson Controls, Inc. (JCI) to facilitate energy savings projects throughout many City facilities and parks. This project includes: renovation / replacement of the HVAC System at Lancaster City Hall and various projects at City facilities and parks including: interior & exterior lighting upgrades; water conserving low flow plumbing devices and fixtures; irrigation weather station installations; and solar water heating.

Lancaster has been awarded \$1,358,800 in American Recovery and Reinvestment Act funds for the purpose of energy efficiency retrofit projects. The balance of the project cost will be financed through a combination of low interest loans through the California Energy

Commission (CEC) and a low interest lease. Staff is working with the CEC to determine the exact amount of their participation, and will come back to the Council at a future meeting once the terms of the financing have been finalized.

BW:jzs