

TO: Thomas Frutchey, City Manager
FROM: Dick McKinley, Public Works Director
SUBJECT: HVAC and Lighting Project - Siemens
DATE: September 6, 2016

Needs: For the City Council to hold a public hearing and consider selecting Siemens, Inc. as the energy services provider pursuant to Government Code section 4217.12, and adopting a resolution directing the City Manager to enter into a Letter of Intent and such other documents as necessary to achieve energy savings.

- Facts:
1. It is the policy of the State of California and the intent of the State Legislature to promote all feasible means of energy conservation and all feasible uses of alternative energy supply sources.
 2. The City does not have the in-house expertise to redesign our HVAC and lighting systems to take full advantage of all of the latest energy conservation programs. Of the several companies that provide such assistance, the City has selected Siemens as being best able to assist the City. Siemens has provided the City with analysis showing the financial and other benefits of entering into the Letter of Intent and related agreements, which analysis is attached hereto as Exhibit A and made part hereof by this reference.
 3. Siemens will conduct an engineering and financial analysis of upgrading the HVAC and Lighting systems at four City facilities—City Hall/Library, Public Safety Center, Centennial Park/Gym, and Senior Center—and propose an agreement whereby Siemens will complete the upgrades, provide financing (at City's option), use available PG&E financial programs, and provide a mechanism for the City to pay Siemens from the energy savings over a 15-year period.
 4. CEQA provides exemptions, including energy savings projects.
 5. The City will save significant amounts through reduced energy costs after paying Siemens, and will save significant maintenance and repair costs for a number of years because of replacing outdated equipment and fixtures with new equipment and fixtures. In addition, the City and the users of City facilities will benefit from updated HVAC and lighting capabilities.

Analysis &

Conclusion: The City has the opportunity to achieve significant financial savings by entering into the Letter of Intent and related agreements with Siemens for the HVAC and Lighting project at four City properties, as well as to use better

environmental technology. Because Siemens will finance, design and construct the HVAC and Lighting installations, and guarantee the cost savings to the City, there is very little risk to the City. If after the financial and engineering analysis and Siemens produces an agreement that meets the project objectives, the City will have the option to proceed with the project, or to not proceed and pay Siemens for the analytical work at a cost of \$60,000.

Policy

Reference: Government Code section 4217.12. Adopted City Budget for 2016/17 and 2017/18.

Fiscal

Impact: There is no fiscal impact for the Letter of Intent on its own. There can be impacts, however, if the City decides not to pursue the project at a later date. Can be significant positive fiscal impacts for upgrading the HVAC and Lighting systems at four City facilities.

- Options:
- A. Approve Resolution 16-XXX selecting Siemens as the City's energy services company pursuant to Government Code section 4217.12 and authorize the City Manager to execute a Letter of Intent with Siemens for the HVAC and Lighting project;
 - B. Authorize the City Manager to make minor changes in the Letter of Intent, consistent with Council policy, if these changes benefit the City.
 - C. Amend, modify, or reject the above option.

Attachments:

1. Resolution
2. Siemens PowerPoint
3. Siemens Letter of Intent

RESOLUTION NO. 16-XXX

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASO ROBLES
MAKING FINDINGS ON ENERGY SAVINGS AND
DETERMINING OTHER MATTERS IN CONNECTION WITH
ENERGY SERVICE AGREEMENTS

WHEREAS, it is the policy of the State of California and the intent of the State Legislature to promote all feasible means of energy conservation and all feasible uses of alternative energy supply sources; and

WHEREAS, the City desires to reduce the steadily rising costs of meeting the energy needs at its facilities; and

WHEREAS, the City proposes to enter into related contract documents with Siemens, Inc. ("Siemens") for facilities at the City's real property sites, pursuant to which agreements Siemens will design, construct, and install on City property heating/ventilation/air conditioning (HVAC) and lighting equipment (HVAC and Lighting project), which will reduce energy consumption and costs for the sites on which such facilities are located;

WHEREAS, Siemens has provided the City with initial analysis showing the financial and other benefits of entering into the agreement and the Letter of Intent, which analysis is attached hereto as Exhibit A and made part hereof by this reference; and

WHEREAS, Exhibit A includes data showing that the anticipated energy savings to the City for the equipment will be sufficient for the City to pay all costs to Siemens with additional energy savings remaining; and

WHEREAS, the City proposes to enter into the Letter of Intent and related contract documents, subject to such changes, insertions or omissions as the City Manager reasonably deems necessary following the City Council's adoption of this Resolution; and

WHEREAS, pursuant to Government Code section 4217.12, this City Council held a public hearing, public notice of which was given two weeks in advance, to receive public comment; and

WHEREAS, the Letter of Intent and agreement are in the best interests of the City; and

WHEREAS, the City's proposed approval of the HVAC and Lighting project is a "Project" for purposes of the California Environmental Quality Act ("CEQA"); and

WHEREAS, the Guidelines for CEQA, California Code of Regulations Title 14, Chapter 13 ("State CEQA Guidelines"), exempt certain projects from further CEQA evaluation, including the following: (1) projects consisting of the new construction or conversion of small structures ("Class 3 Exemption"; Cal. Code Regs., tit. 14, § 15303); (2) projects consisting of the construction or placement of minor accessory structures to existing facilities ("Class 11 Exemption"; Cal. Code Regs., tit. 14, § 15311); and (3) projects consisting of minor additions to existing schools ("Class 14 Exemption"; Cal. Code Regs., tit. 14, § 15314), and the Project is categorically exempt under one or more of such exemptions; and

WHEREAS, the Project does not involve any of the following and so is eligible for a categorical exemption as described above under State CEQA Guidelines section 15300.2:

- (a) the cumulative impact of successive projects of the same type in the same place, which over time are significant;
- (b) an activity where there is a reasonable possibility that the activity will have a significant effect on the environment due to unusual circumstances;
- (c) a project that may result in damage to scenic resources, including but not limited to, trees, historic buildings, rock outcroppings, or similar resources, within a highway officially designated as a state scenic highway;
- (d) a hazardous waste site that is included on any list compiled pursuant to Section 65962.5 of the Government Code; and
- (e) a project that may cause a substantial adverse change in the significance of a historical resource; and

WHEREAS, Public Resources Code, section 21080.35 (added by Stats.2011, c. 469 (S.B.226), § 3), statutorily exempts from CEQA evaluation the installation of a solar energy system, including associated equipment, on the roof of an existing building or at an existing parking lot; and

NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS:

SECTION 1. 1. The terms of the Letter of Intent and related agreements are in the best interests of the City.

2. In accordance with Government Code section 4217.12, and based on data provided by Exhibit A, the City Council finds that the anticipated cost to the City for electrical energy saved by the HVAC and Lighting project will be less than the anticipated savings to the City net of payments to Siemens.

3. The City Council hereby approves the Letter of Intent and related agreements in accordance with Government Code section 4217.12.

4. The City Manager is hereby authorized and directed to negotiate any further changes, insertions and omissions to the Letter of Intent and related agreements as he reasonably deems necessary, and thereafter to execute and deliver the Letter of Intent and related agreements following the City Council's adoption of this Resolution. The City Manager is further authorized and directed to execute and deliver any and all papers, instruments, opinions, certificates, affidavits and other documents and to do or cause to be done any and all other acts and things necessary or proper for carrying out this resolution and said agreements.

5. The Project is hereby found to be exempt from the requirements of CEQA pursuant to the Class 3, Class 11 and Class 14 Exemptions, as described above.

6. The Project is hereby found to be exempt from the requirements of CEQA pursuant to Public Resources Code, section 21080.35 (added by Stats.2011, c. 469 (S.B.226), § 3), as described above.

7. The City Manager or his designee is hereby authorized to file and process a Notice of CEQA Exemption for the Project in accordance with CEQA and the State CEQA Guidelines, and the findings set forth in this resolution.

PASSED AND ADOPTED by the City Council of the City of Paso Robles this 6th day of September 2016
by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

Steven W. Martin, Mayor

ATTEST:

Kristen L. Buxkemper, Deputy City Clerk



SIEMENS

City of Paso Robles

Energy Efficiency and Modernization Project

Ernest Kim
Sirisha Nerella

Business Development Manager
Senior Energy Engineer



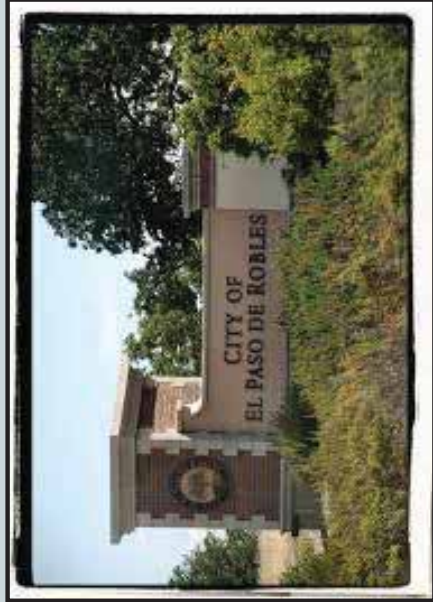
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Agenda



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City of Paso Robles

- Challenges
- Self Funded – Concept
- Prelim Assessment
- Focus Areas for Detailed Study
- Schedule and Next Steps

Your Challenges: Resources, Equipment, Mandates



Energy & Environmental Solutions



Utility Rates

- Unpredictable Rate Escalation
- Limited Leverage with Utility Negotiations

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Aging
Infrastructure

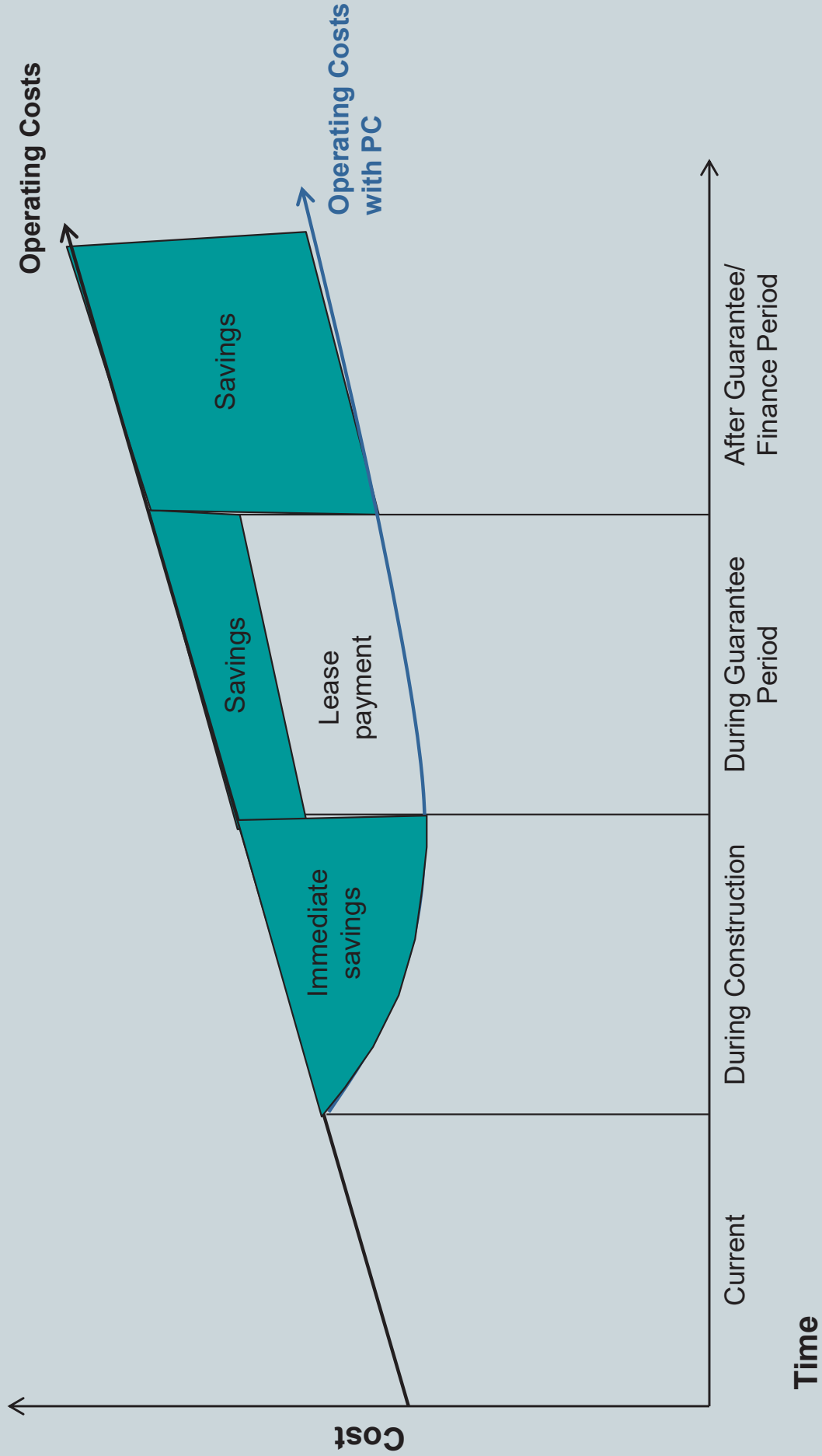
- Equipment Failures
- Deferred Maintenance



Sustainability
Goals/Mandates

- Energy Efficiency
- Reduce Carbon Footprint

Understanding the Performance Contract Cash Flow



Prelim Assessment

SIEMENS

- Utility data analysis
- Walk thru
- Examine equipment
- Cash flow and financial viability



Interior Lighting



Agenda Item No. 16

Energy Conservation Measures

Interior Lighting

- Lighting Upgrades and Controls
 - T-8 Fluorescent
 - 18W LED
 - LED life of 15yrs
 - No harmful waste

Benefits

- Save energy
- Reduce maintenance
- Improve visibility for employees

Outdoor Lighting

SIEMENS



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Energy Conservation Measures

Exterior Lighting

- High Pressure Sodium – Orange Color
- More energy efficient LED lighting will lower the electrical utility costs
- Replacing 250W with 75W
- Better quality and more even lighting

Heating/Air Conditioning and Ventilation



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Agenda Item No. 16

Site	Upgrade	Count	Unit
City Hall Library	Package Unit Replacement	30	Ton
City Hall Library	Chiller Replacement	100	Ton
City Hall Library	Boiler Replacement	1	Boiler Replacement
City Hall Library	Controls Upgrade	1	Front End
Centennial Park / Gym	Package Unit Replacement	42	Ton
Centennial Park / Gym	Controls Upgrade	1	Front End
Senior Center	Package Unit Replacement	TBD	TBD
Safety Building	Retro Commission	1	Fan Coil Units

- Energy savings
- Improve comfort
- Reduce maintenance

PGE | Siemens Partnership

SIEMENS



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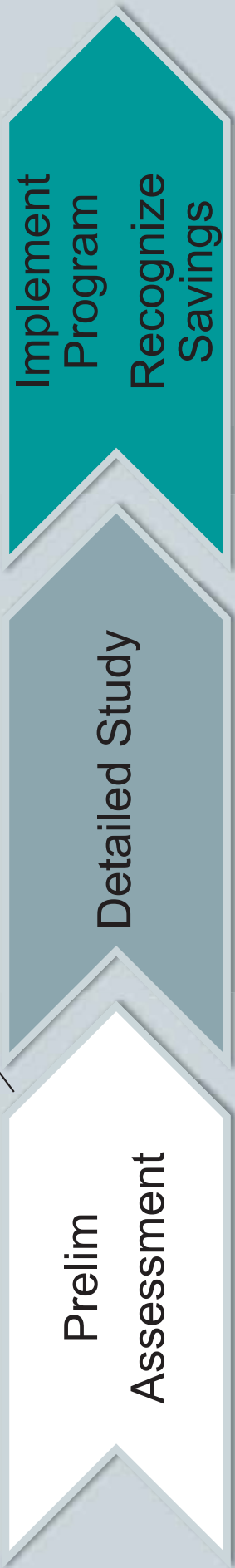


PGE Programs

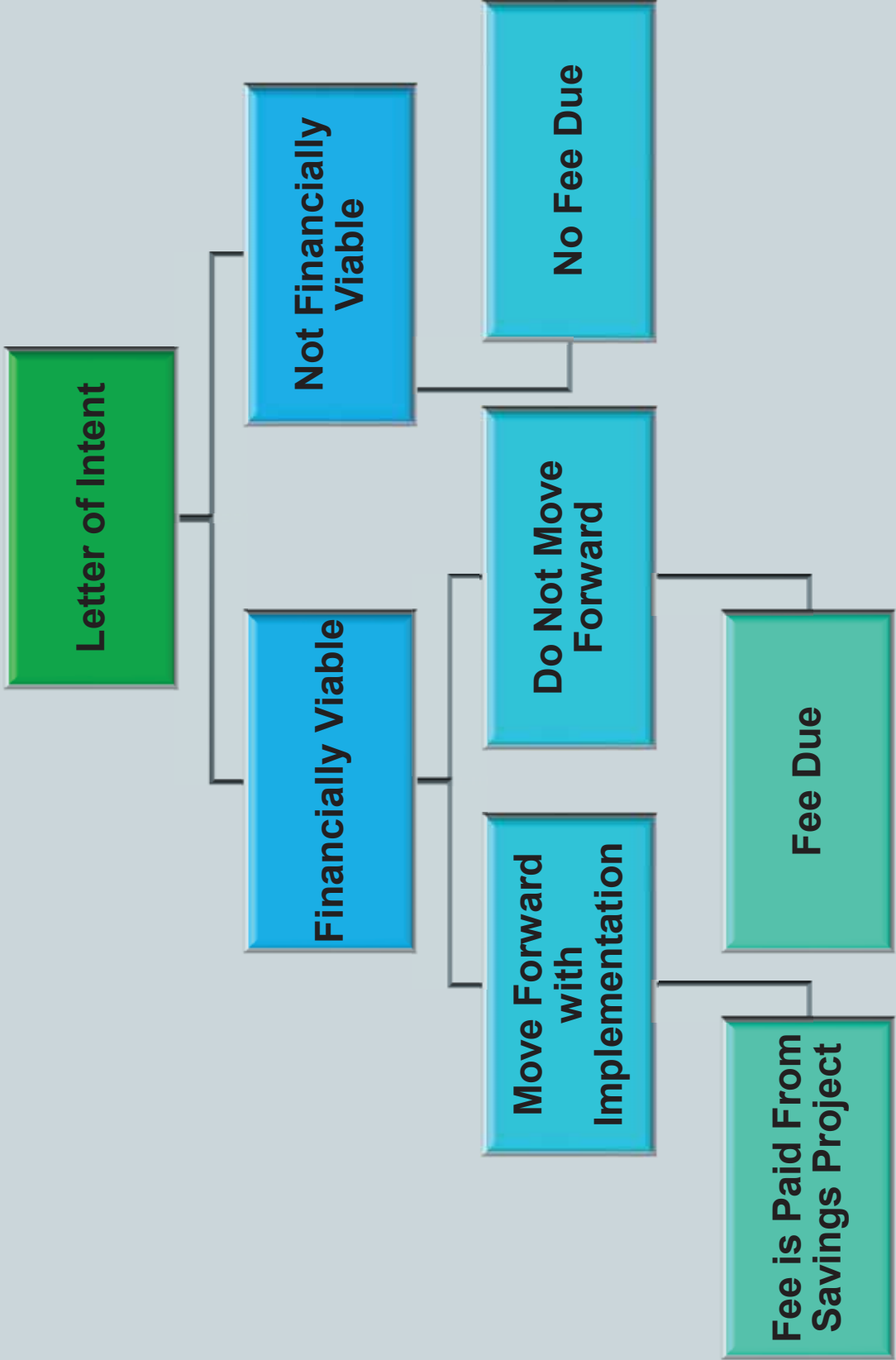
- On Bill Financing
 - 0% Loan
 - Paid thru energy efficiency savings
- Customized Rebates
 - Up to \$0.15 / kWh

Next Step – Letter of Intent

Letter of Intent



Program Development



The District's Siemens Team

Local Resources – 200 professionals

- Andy, P.E. – Sr. Ops Manager
- Prashanth – Ops Manager
- Shaun – Procurement
- Steve C. – Project Manager
- Sirisha – Sr. Engineer
- Steve P. – Sr. Project Developer
- Ernest – Business Development
- Mike – Zone Sales Manager

Global Resources – 360,000 professionals

- 168 years of Innovation
- Centers of Excellence



Proven Track Record in California

City of Riverside - \$22,000,000 Total Saved

City of Santa Ana - \$750,000 Total Saved

City of Pomona – \$5,832,000 Total Saved

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County of Merced - \$14,000,000 Total Saved

City of El Segundo - \$249,000 Total Saved

City of Camarillo - \$1,701,000 Total Saved

City of Costa Mesa - \$1,339,000 Total Saved

Questions?

SIEMENS

Energy & Environmental Solutions



Unique Customer Benefits

Improved Comfort

Operational Efficiency

Reduced Maintenance

GHG Reduction

Sustainability



August 5th 2016

Siemens Industry, Inc.
Building Technologies Division
Energy & Environmental Solutions
Attention: Ernest Kim
6141 Katella Blvd.
Cypress, CA 90630

Re: Letter of Intent and Approval to Proceed with Investment Grade Audit

Dear Mr. Ernest Kim:

City of Paso Robles (“Paso Robles”) intends to contract with the Building Technologies Division of Siemens Industry, Inc. (“Siemens”) to implement a performance contracting project to improve its infrastructure and operational efficiencies (“Project”). The Project will be comprised of a variety of facility improvement measures (“FIMs”) to be assessed through an investment grade audit (“Audit”).

The Audit will be performed at the following location(s):

- City Hall/Library
- Senior Center
- Centennial Park / Gym
- Public Safety Building

The Audit will evaluate the following systems: Lighting, HVAC, & Controls.

The purpose of the Audit will be to identify opportunities to: Reduce operating and utility costs; replace or upgrade existing equipment; improve facility infrastructure; enhance revenue; and reduce Paso Robles’ carbon footprint.

In order to accomplish the Audit, Paso Robles shall provide Siemens the following data (if not already provided): Three-year history of utility bills (electric, gas, water, etc.); maintenance and operational costs for addressed systems; access to facilities and design drawings; audited financial statements for the past three years; and a point of contact for the Audit team.

The objectives of the Project to be assessed during the Audit (Objectives) are as follows: Improvements feasible within existing budgets (e.g. energy, O&M, capital cost avoidance) pursuant to California Government Code, Title I, Div. 5, Ch. 3.2, §4217.10, et. Seq.

Paso Robles and Siemens will cooperate to finalize the technical, legal and financial components of the Project, and Paso Robles will pursue financing for the Project, possibly with assistance from Siemens. Paso Robles also will prioritize the FIMs to be implemented, and Siemens will use the results of the Audit as the basis for a draft Performance Contracting Agreement (“Agreement”).

Siemens and Paso Robles jointly commit to provide the necessary resources and information in order to meet the following Project development schedule:

Milestone	Target Completion Date
Council Agenda	September 6 th 2016
City Manager	September 7 th 2016
Kick Off Meeting	September 12 th 2016
Deliver Investment Grade Audit and Proposal	November 2016
Finish Negotiating Agreement	December 2016
Council Approval	January 2017
Execution of Agreement	January 2017

If Siemens is unable to produce an Agreement that meets the above Objectives, then it shall receive no payment for its efforts to develop the Project. However, if Siemens presents an Agreement that meets the above Objectives, and the parties, after conducting negotiations in good faith, do not, for any reason, execute the Agreement within sixty (60) days of presentment of the Audit, the City of Paso Robles agrees to pay Siemens a termination fee of **\$60,000** (Sixty thousand dollars and no cents) within thirty (30) days of invoice. Alternatively, if Siemens provides an Agreement which meets the Objectives defined above, and the parties execute the Agreement, then the costs associated with the Audit will be incorporated into the price of the Agreement.

On behalf the City of Paso Robles, this Letter of Intent is approved as of the date above.

Sincerely,

Signed

Print

Title