



REQUEST FOR CITY COUNCIL ACTION

MEETING DATE:	August 16, 2017	<input checked="" type="checkbox"/> Motion
DEPARTMENT:	City Administration	<input type="checkbox"/> Resolution
DIVISION:	Administration	<input type="checkbox"/> Ordinance - Introduction
		<input type="checkbox"/> Ordinance - Adoption
		<input type="checkbox"/> Public Hearing

TITLE:

Cooperative Purchase Agreement: Siemens Industry, Inc., Building Technologies Division

SUMMARY RECOMMENDATION:

Authorize the City Administrator to execute an energy performance agreement ("Agreement") with Siemens Industry, Inc., Building Technologies Division (Siemens), using a cooperative purchase agreement with the State of Arizona. The Agreement will increase the energy efficiency of the City's streetlights through the installation of LED lights and new ballasts. The Agreement guarantees the upgrades will save the City more than \$3.85 million over the next 10 years in energy and operational costs. (City Administration) (Greg Wilkinson)

REPORT:

In 2014, the State of Arizona awarded a contract to Siemens and 14 other qualified energy services companies to provide energy performance contracting services to various facilities owned by governmental entities, including municipalities (State Contract). Under the State Contract, municipalities can contract with one of the awarded companies to conduct an audit of the municipality's current energy expenses compared to the proposed upgrades and proceed to implement the upgrades if it would result in significant savings in 15 years or less. This motion authorizes the City to execute an agreement with Siemens to convert the City's streetlights to LEDs, significantly reducing its energy, maintenance, and operational costs over the next 10 years.

Under the State Contract, the City selected three approved companies to perform a free preliminary energy audit of the City's facilities. The City selected Siemens, one of the companies that performed the preliminary audit, to conduct an investment grade audit to determine whether the proposed energy upgrades would produce the contractually required significant savings. Pursuant to Siemens' investment grade audit, converting the City's streetlights to LEDs would cost the City, including the cost of the investment grade audit, \$3,705,848.00. The upgrades would in turn save the City an aggregate of \$5,167,699.00 over the next 10 years by adding rebates received from Arizona Public Services Co. (APS) and saved energy and operational costs. The savings result from the reduced utility rate APS charges for streetlights using LEDs. Because the City's net savings are projected to be \$1,461,851.00 over the next 10 years, the City will realize the significant savings required by the State Contract.

Under the proposed energy performance agreement ("Siemens Agreement"), Siemens will purchase all the equipment and secure all the labor to convert the City's streetlights to LEDs. In addition to the manufacturer's warranty for the equipment, Siemens provides a one-year warranty on labor and for any equipment bearing the Siemens nameplate. After the warranty period, the City will assume

responsibility for the maintenance and operation of the streetlights.

Siemens will also assist the City in providing the necessary data to APS to receive the reduced rate. Siemens, in turn, guarantees the City will save \$3,858,975.00 in energy and operational costs over the 10 years following the installation of the LEDs, thereby recovering the cost of upgrading to LEDs. The guaranteed savings are broken down into annual periods, and if the City's savings for an annual period are less than its guaranteed savings for that annual period, Siemens must pay the City the difference. After the conversion, Siemens is required to provide performance assurance services for 10 years, but the City anticipates cancelling the performance assurance services after the first three years. Although Siemens' guaranteed savings are conditioned on the City receiving the performance assurance services, the City believes that any savings shortfalls will be discovered and resolved prior to the termination of the performance assurance services.

If the City does not proceed with the upgrades or chooses a company other than Siemens to do the upgrades, the City is required to pay Siemens \$98,400.00 for the cost of the investment grade audit.

In conjunction with the upgrades, Siemens will install a device manufactured by anyCOMM Holdings Corporation ("anyCOMM") known as a "node". The node plugs into the photocell socket on streetlights and has lighting control and energy metering capabilities, public safety features, and several additional capabilities. The City will give anyCOMM a nonexclusive use of the City's streetlights through a separate agreement, and anyCOMM will provide the nodes to Siemens to install at the same time that Siemens installs the LEDs.

By approving this motion, the City Council authorizes and directs the City Administrator to execute the attached energy performance agreement with Siemens for the conversion of City's streetlights to LEDs.

The projected 10-year savings is summarized in the table below:

Projected Savings	
Projected Gross Savings Due to Upgrades	\$5,167,699.00
Total Upgrade Cost	\$3,705,848.00
Projected Net Savings	\$1,461,851.00

FISCAL REQUIREMENTS	CITY FUNDS:	\$3,705,848.00	BUDGETED:	\$3,705,848.00
	STATE FUNDS:	\$0.00	AVAILABLE TO TRANSFER:	\$0.00
	FEDERAL FUNDS:	\$0.00	IN CONTINGENCY:	\$0.00
	OTHER SOURCES:	\$0.00 \$0.00 \$0.00	FUNDING FOR THIS ITEM IS FOUND IN THE FOLLOWING ACCOUNT / FUND / CIP: 102-97-77.8140	
	TOTAL:	\$3,705,848.00		
	FISCAL IMPACT STATEMENT:			
ADDITIONAL INFORMATION	SUPPORTING INFORMATION NOT ATTACHED TO THE CITY COUNCIL ACTION FORM THAT IS ON FILE IN THE OFFICE OF THE CITY CLERK: 1. Appendix B and C to Performance Assurance 2. Exhibit E to Performance Contracting Agreement 3. 4. 5.			
	IF CITY COUNCIL ACTION INCLUDES A CONTRACT, LEASE OR AGREEMENT, WHO WILL BE RESPONSIBLE FOR ROUTING THE DOCUMENT FOR SIGNATURE AFTER CITY COUNCIL APPROVAL? <input type="radio"/> Department <input checked="" type="radio"/> City Clerk's Office <input type="checkbox"/> Document to be recorded			
SIGNATURES	CITY ADMINISTRATOR:		DATE:	
	Gregory K. Wilkinson		8/8/2017	
	REVIEWED BY CITY ATTORNEY:		DATE:	
	Richard W. Files		8/8/2017	
	RECOMMENDED BY (DEPT/DIV HEAD):		DATE:	
	WRITTEN/SUBMITTED BY:		DATE:	