PORTERVILLE CITY COUNCIL AGENDA
ADJOURNED MEETING - JULY 9, 2007
CITY HALL MIKKABI CONFERENCE ROOM
291 NORTH MAIN STREET, PORTERVILLE
MONDAY - 5:30 P.M.

Roll Call:  Council

Pledge of Allegiance led by Council Member Eddie Hernandez
Invocation

ORAL COMMUNICATIONS

SCHEDULED MATTER
1. Project Proposal for Infrastructure and Operational Enhancements
   Re: Review and discussion of the project proposed by Johnson Control regarding energy
   conservation measures.

ORAL COMMUNICATIONS

ADJOURNMENT to the Council Meeting of July 10, 2007 at 6:00 p.m.

In compliance with the Americans with Disabilities Act and the California Ralph M. Brown Act, if you need special assistance to participate in this meeting, or to be able to access this agenda and documents in the agenda packet, please contact the Deputy City Clerk at (559) 782-7464. Notification 48 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting and/or provision of an appropriate alternative format of the agenda and documents in the agenda packet.
SUBJECT: PROJECT PROPOSAL FOR INFRASTRUCTURE AND OPERATIONAL ENHANCEMENTS

SOURCE: Administrative Services

COMMENT: Johnson Controls conducted a preliminary energy use analysis of the City's infrastructure systems in August 2005, the prospective results of which led the City to enter into a Project Development Agreement with Johnson Controls in August 2006 to design a project which would provide the City with guaranteed water and energy savings. The project proposed by Johnson Controls would be implemented at City facilities, and would include Indoor Lighting Retrofits, HVAC Improvements, and HVAC Controls Improvements.

Johnson Controls proposes this project on the basis of performance contracting, whereby the project would be self-funding through savings that would exceed the project cost (including financing interest). Johnson Controls has defined the project cost at $1,371,524, precipitating a debt service of $1,669,971 in a 15-year payback, in addition to $705,491 in Johnson Controls service costs required to maintain the annual savings guarantee. Johnson Controls estimates that the City would save almost $100,000 over the 15-year project period. Greater savings could be realized should the City vacate the Johnson Controls annual service contract given the project performs as designed and expected. Should the City not proceed with the proposed project, the City would need to remit the amount of $62,000 to Johnson Controls for their expenses in designing the project.

Due to the significant expense involved in the project's debt service, it was determined that the proposed project should be considered as an aspect and in context of the 2007-2008 budget. A concern of the City is that initially, the cost of the debt service will be more evident than the savings and would require the City to allocate additional funds to meet the debt service payments. However, the proposed project provides the opportunity for the City to invest in infrastructure renewal and hedge against increasing energy costs.

RECOMMENDATION: That the City Council provide direction to staff as to whether to proceed with the project proposed by Johnson Controls.
City of Porterville

Base Cash Flow

(Draft: March 4, 2007)

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</thead>
<tbody>
<tr>
<td>Total Project Cost:</td>
<td>$ 1,371,524</td>
<td></td>
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<td></td>
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<tr>
<td>Rebate:</td>
<td>$ 29,000</td>
<td></td>
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<tr>
<td>Capital Cost Avoidance:</td>
<td>$ 201,287</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Energy Savings</td>
<td>$ 81,168</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Operational Savings:</td>
<td>$ 22,760</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Total Savings Over Term:</td>
<td>$ 2,458,676</td>
<td></td>
<td></td>
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<tr>
<td>Rate of Financing:</td>
<td>4.5%</td>
<td></td>
<td></td>
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<tr>
<td>Term of Financing:</td>
<td>15 Years</td>
<td></td>
<td></td>
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<tr>
<td>Annual Utility Rate Increase:</td>
<td>5.0%</td>
<td></td>
<td></td>
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<tr>
<td>Annual Operational Savings:</td>
<td>5.0%</td>
<td></td>
<td></td>
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<tr>
<td>Annual Service Cost Increase:</td>
<td>3.0%</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Total Cash Flow:</td>
<td>$ 83,214</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Simple Payback:</td>
<td>13.20 Years</td>
<td></td>
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</tbody>
</table>

SAMPLE CASH FLOW ANALYSIS

<table>
<thead>
<tr>
<th>Year</th>
<th>Annual Energy Savings</th>
<th>Annual Operational Savings</th>
<th>Annual Program Savings</th>
<th>Annual Program Cost</th>
<th>Annual Service Cost</th>
<th>Annual Cash Flow</th>
<th>Cumulative Cash Flow</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>81,168</td>
<td>22,760</td>
<td>103,928</td>
<td>104,373</td>
<td>35,000</td>
<td>(35,445)</td>
<td>(35,445)</td>
</tr>
<tr>
<td>2009</td>
<td>85,226</td>
<td>25,093</td>
<td>109,124</td>
<td>104,373</td>
<td>36,050</td>
<td>(31,299)</td>
<td>(66,744)</td>
</tr>
<tr>
<td>2010</td>
<td>89,488</td>
<td>26,348</td>
<td>120,310</td>
<td>104,373</td>
<td>37,132</td>
<td>(26,924)</td>
<td>(93,668)</td>
</tr>
<tr>
<td>2011</td>
<td>93,962</td>
<td>27,665</td>
<td>126,325</td>
<td>104,373</td>
<td>38,245</td>
<td>(22,309)</td>
<td>(115,977)</td>
</tr>
<tr>
<td>2012</td>
<td>98,660</td>
<td>27,665</td>
<td>132,641</td>
<td>104,373</td>
<td>39,393</td>
<td>(17,441)</td>
<td>(133,418)</td>
</tr>
<tr>
<td>2013</td>
<td>103,593</td>
<td>29,048</td>
<td>139,273</td>
<td>104,373</td>
<td>40,575</td>
<td>(12,306)</td>
<td>(145,724)</td>
</tr>
<tr>
<td>2014</td>
<td>108,773</td>
<td>30,501</td>
<td>146,273</td>
<td>104,373</td>
<td>41,792</td>
<td>(6,892)</td>
<td>(152,616)</td>
</tr>
<tr>
<td>2015</td>
<td>114,212</td>
<td>32,026</td>
<td>153,549</td>
<td>104,373</td>
<td>43,046</td>
<td>(1,182)</td>
<td>(153,798)</td>
</tr>
<tr>
<td>2016</td>
<td>119,922</td>
<td>33,627</td>
<td>161,226</td>
<td>104,373</td>
<td>44,337</td>
<td>4,839</td>
<td>(148,595)</td>
</tr>
<tr>
<td>2017</td>
<td>125,918</td>
<td>35,308</td>
<td>169,288</td>
<td>104,373</td>
<td>45,667</td>
<td>11,186</td>
<td>(137,773)</td>
</tr>
<tr>
<td>2018</td>
<td>132,214</td>
<td>37,074</td>
<td>177,752</td>
<td>104,373</td>
<td>47,037</td>
<td>17,877</td>
<td>(119,895)</td>
</tr>
<tr>
<td>2019</td>
<td>138,825</td>
<td>38,927</td>
<td>186,640</td>
<td>104,373</td>
<td>48,448</td>
<td>24,931</td>
<td>(94,964)</td>
</tr>
<tr>
<td>2021</td>
<td>153,054</td>
<td>42,917</td>
<td>205,770</td>
<td>104,373</td>
<td>51,399</td>
<td>40,200</td>
<td>(22,399)</td>
</tr>
<tr>
<td>2022</td>
<td>160,707</td>
<td>45,063</td>
<td>216,059</td>
<td>104,373</td>
<td>52,941</td>
<td>48,456</td>
<td>26,057</td>
</tr>
</tbody>
</table>

Total $ 1,920,231 $ 538,445 $ 2,458,676 $ 1,669,971 $ 705,491

1. Simple Payback: 13.20
2. ROI: 8%
3. NPV (15yrs) : ($4,775)

City of Porterville
Sample Cash Flow

[Graph showing annual cash flow for each year from 2008 to 2022, with labels for savings, cost, and cumulative cash flow.

Legend: Savings, Cost, Cumulative Cash Flow]
PROJECT DEVELOPMENT AGREEMENT

BETWEEN

The City of Porterville
291 N. Main St.
Porterville, CA 93257

AND

Johnson Controls, Inc.
12393 Slauson Ave.
Whittier, CA 90606

The purpose of this Project Development Agreement (PDA) is to confirm the intent of Johnson Controls, Inc. and the City of Porterville (Customer) to develop a City-wide Energy Retrofit/Revenue Enhancement Performance Contracting Program. This agreement serves as the basis for the PDA scope, the obligations of parties, the financial metrics to be met, the intended outcomes and timeline.

1. Scope of Work

It is the Parties’ mutual understanding that this Project Development Agreement will:

- Provide for the development of Facility improvements at all of the Customer’s facilities that will fund themselves out of energy and operational savings and/or projected revenue increases over a period not to exceed 15 years.

  Attachment 1 includes a preliminary list of those Improvements that will be developed.

- Provide a final financial Project pro forma wherein Johnson Controls will deliver the following results using mutually agreed upon economic assumptions from this assessment.

  Required Financial Criteria:
  A. Financing provided to support full capital requirements
  B. As a base option, the Project Developed under this agreement will pay for itself in 15-years with annual savings greater than or equal to $110,000 per year.
  C. Procurement and financing consistent with requirements of Government Code 4217

2. Guarantee

Johnson Controls, Inc. will guarantee units of energy saved. Johnson Controls and the City of Porterville will mutually agree upon the base cost per utility and whether to apply an annual escalation factor over the term of the contract. If there is a energy savings shortfall, subject to the Customer’s instruction, Johnson Controls will offer a variety of options: install additional measures equal to the shortfall amount, upgrade existing measures, write a check to the customer, or provide services-in-kind for the mutually agreed upon shortfall amount.

3. Records and Data

During the Study, Customer will furnish to Johnson Controls, upon its request, accurate and complete data concerning current costs, budgets, facilities requirements, future projected loads, facility operating requirements, etc. Johnson Controls will provide a separate document with the required information and Customer shall make every effort to provide that information within seven (7) work days of request.

4. Preparation of Implementation Contract

Along with the other Scope of Work required under this Agreement, Johnson Controls will develop the framework of the subsequent Implementation Agreement. This Agreement shall be co-developed by Johnson Controls and Customer during the PDA. This document will vary dependant on the Customer desired structure, but where possible shall be standardized Johnson Controls document for most expedient delivery.

This document is proprietary and confidential to Johnson Controls, Inc.
5. Price and Payment Terms

In consideration of engineering services, Customer agrees to pay to Johnson Controls the sum of $62,000 within 60 days after the delivery to the Customer of the documentation described under paragraph 1 of this Agreement. However, Customer will have no obligation to pay this amount if:

1. Johnson Controls and the Customer enter into the Implementation Agreement (outlined in Section 3) within 60 days after the delivery to the Customer of the documentation described under paragraph 1 of this Agreement. Costs for the Study will be transferred to the total cost of the implementation Contract and will be subject to the payment terms outlined in the Contract.
2. The project fails to meet the Financial Criteria as described in Section 1.

6. Indemnity

Johnson Controls and the Customer agree that Johnson Controls shall be responsible only for such injury, loss, or damage caused by the intentional misconduct or the negligent act or omission of Johnson Controls. Johnson Controls and the Customer agree that the Customer shall be responsible only for such injury, loss, or damage caused by the intentional misconduct or the negligent act or omission of the Customer. To the extent permitted by law, Johnson Controls and the Customer agree to indemnify and to hold each other, including their officers, agents, directors, and employees, harmless from all claims, demands, or suits of any kind, including all legal costs and attorney’s fees, resulting from the intentional misconduct of their employees or any negligent act or omission by their employees or agents. Neither Johnson Controls nor the Customer will be responsible to the other for any special, indirect, or consequential damages.

7. Confidentiality

To the extent allowed by law, this agreement creates a confidential relationship between Johnson Controls and the Customer. Both parties acknowledge that while performing this Agreement, each will have access to confidential information, including but not limited to systems, services or planned services, suppliers, data, financial information, computer software, processes, methods, knowledge, ideas, marketing promotions, current or planned activities, research, development, and other information relating to the other party ("Proprietary Information"). Except as authorized in writing both parties agree to keep all Proprietary Information confidential. Johnson Controls may only make copies of Proprietary Information necessary for performing its services. Upon cessation of services, termination, or expiration of this Agreement, or upon either party’s request, whichever is earlier, both parties will return all such information and all documents, data and other materials in their control that contain or relate to such Proprietary Information.

8. Timeline

It is the intent and commitment of all parties identified in this Agreement to work diligently, and cause others under their direction to work diligently toward meeting the following timeline:

- Signed Project Development Agreement (PDA): 09/01/06
- Johnson Controls completes Project Development, and provides firm costs and savings: 11/01/06
- Finalize Agreements and begin Implementation: 02/01/07
- Anticipated Completion and System Operation initiated: Approximately 12 to 18 months from actual implementation

This document represents the business intent of both parties and should be executed by the parties who would ultimately be signatory to a final agreement.

JOHNSON CONTROLS, INC.

By:  CLAUDIO ANDRETTA  
Signature: [Signature]  
Title: REGIONAL SOLUTIONS MGR  
Date: 08.29.06

CITY OF PORTERVILLE

By: Cameron Hamilton  
Signature: [Signature]  
Title: Mayor  
Date: August 17, 2006
This Project Development Agreement will provide a detailed analysis to include Preliminary Design Engineering and Guaranteed Savings / Revenue Enhancement Strategies, for the following seven (7) improvement measures as identified in the preliminary analysis presented on May 22, 2006, and others as may be identified in the detailed analysis:

**Base Option:**

1. Waste Treatment Plant -  
   **Scope of Work:**  
   - Retrofit selected existing lighting systems.  
   - Performance monitoring and reporting.

2. Water Pumping Stations-  
   **Scope of Work:**  
   - Design and Engineering  
   - Supply and install all lighting systems  
   - Commissioning of all systems  
   - Performance monitoring and reporting

3. Street, Safety, and Recreational Park Lighting Retrofit-  
   **Scope of Work:**  
   - Implement leading technology for Street lighting offering significant savings  
   - Implement leading technology for Park lighting offering significant savings

4. Indoor Lighting Retrofit-  
   **Scope of Work:**  
   - Replacement of all existing T12 fluorescent fixtures with T8 lighting  
   - Magnetic ballasts will be replaced with electronic units  
   - Installation of compact fluorescent lamps  
   - Installation of occupancy sensors where applicable

5. HVAC Retrofits Improvements-  
   **Scope of Work:**  
   - Design and Engineering  
   - Supply and install all lighting systems.  
   - Commissioning of all systems.  
   - Performance monitoring and reporting.
6. HVAC Controls Enhancements-
   Scope of Work:
   - Provide and install new DDC controls
   - Provide two classes of training for two people as selected by owner, to be conducted at the Johnson Controls Training Institute in Cypress, CA.
   - Provide all required startup, testing, checkout, commissioning for a complete and proper operational system. Provide on-site training for engineering staff on systems and controls.

7. Renewable Energy Supplemental Power Systems
   Scope of Work:
   - Develop self generation capabilities for the City to include Photovoltaic (Solar) capabilities.