



**City Manager's Report**  
**November 14, 2017, City Council Meeting**  
**Prepared by: Dave Warren, Director of Finance**  
**Item #: 8.4**

**Subject:** Adopt a resolution:

1. Approving an addendum to the scope of work with Government Financial Strategies, Inc. for a not to exceed amount of \$14,731.25 for financial advisor services associated with the financing of the energy and water savings projects being developed by Johnson Controls, Inc. (JCI); and
2. Authorizing the Director of Finance to execute the same; and
3. Approving a \$2,480 budget appropriation from the General Fund Contingency for Unforeseen Expenditures for the JCI Step 2 Agreement (CIP #416051); and
4. Approving a \$12,251 budget appropriation from the Sewer Enterprise Fund Contingency for Unforeseen Expenditures for the JCI Step 2 Agreement (CIP #416053).

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**Background:**

At its meeting held on September 8, 2015, the City Council approved a professional services agreement with Government Financial Strategies, Inc. (GFS) to perform financial advisor services for the City. The City Council approved a scope of work with GFS for a not to exceed amount of \$23,000 to analyze the financial feasibility of the energy and water savings projects being developed by Johnson Controls, Inc. (JCI) at its meeting held on December 8, 2015. Staff is recommending the City Council approve an addendum to the original scope of work with GFS for a total amount of \$14,731.25 to assist staff with securing and implementing the financing necessary to construct the energy and water savings projects.

**Discussion:**

At its meeting held on November 24, 2015, the City Council authorized the City Manager and the City Attorney to negotiate an agreement for Step 2 with JCI. GFS performed some initial financial analysis of the selected energy and water savings projects from JCI's Preliminary Report. The original scope of work allowed GFS to continue its financial analysis as JCI refined its project cost estimates and operational saving assumptions for each of the identified projects. GFS has thoroughly reviewed several scenarios and reiterations JCI's project cost and operational saving estimates and prepared the associated analysis. GFS also looked at several financing instruments including California Energy Commission (CEC) loan program, capital leases, Certificates of Participation (COP), and the Clean Water State Revolving Fund Loan (CWSRF) program. GFS also analyzed several financing structures utilizing the said financing instruments. These factors resulted in GFS having to perform much more financial analysis than originally estimated which exceeded their original scope of work by \$2,981.25.

On March 28, 2017, the City Council held a special Financing Workshop where financing options and analysis, that were prepared by GFS, were presented. The City Council also approved a performance agreement with JCI during its regular meeting held on the same date.

The City is now in the process of securing financing for all of the projects included in the JCI performance agreement, most notably the solar array project at the Water Reclamation Facility (WRF). For example, the City is actively applying for a CWSRF with 50% loan forgiveness for the WRF solar array project. In order to secure and implement the necessary financing, the City will need GFS continued assistance. GFS has proposed an addendum amount of \$14,731.25 to cover the \$2,981.25 shortfall mentioned above and the remaining work necessary to finance the JCI projects. The work performed by JCI would continue to be on a time and materials basis and could be limited at any time.

### Options:

1. Adopt the resolution approving the addendum to the scope of work with GFS as presented.
2. Adopt a resolution approving an addendum with GFS with different terms.
3. Adopt the resolution approving the addendum with GFS up to the \$2,981.25 overage amount.
4. Do nothing.

### Cost:

The cost of the proposed addendum to the scope of work with GFS is for a not to exceed amount of \$14,731.25.

### Budget Impact:

At its meeting held on December 8, 2015, the City Council approved a \$23,000 budget appropriation for the JCI Step 2 Agreement project (CIP #41605). Staff is recommending the following budget appropriations to cover the cost of the proposed addendum with GFS:

<b>Fund</b>	<b>Adopted Budget</b>	<b>Proposed Budget</b>	<b>Increase/( Decrease)</b>
Water Enterprise Fund Contingency for Unforeseen Expenditures	\$ 10,839	\$ 10,839	\$ -
Sewer Enterprise Fund Contingency for Unforeseen Expenditures	7,443	19,694	12,251
General Fund Contingency for Unforeseen Expenditures	4,718	7,198	2,480
<b>Total</b>	<b>\$ 23,000</b>	<b>\$ 37,731</b>	<b>\$ 14,731</b>

To date, the project has encumbered the following costs:

<b>Description</b>	<b>Amount</b>
Government Financial Strategies, Inc. (Original Scope of Work)	\$ 23,000
Government Financial Strategies, Inc. (Proposed Addendum)	14,731
<b>Total</b>	<b>\$ 37,731</b>

As you can see, the \$37,731 in project encumbrances, including the \$14,731 addendum with GFS, is within the project budget.

**Recommendation:**

Adopt a resolution:

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M. Cleve Morris, City Manager

  
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