

Meeting of 2008-2-5 Regular Meeting

MINUTES
LAWTON CITY COUNCIL SPECIAL MEETING
FEBRUARY 5, 2008 6:00 P.M.
WAYNE GILLEY CITY HALL COUNCIL CHAMBER

Mayor John Purcell, Jr. Also Present:
Presiding Larry Mitchell, City Manager
John H. Vincent, City Attorney
Traci Hushbeck, City Clerk

Mayor Purcell called the meeting to order at 6:00 p.m. Notice of meeting and agenda were posted on the City Hall notice board as required by law.

ROLL CALL

PRESENT: Bill Shoemate, Ward One
James Hanna, Ward Two
Janice Drewry, Ward Three
Keith Jackson, Ward Four
Jeff Patton, Ward Six
Randy Warren, Ward Eight (Arrived @ 6:23 p.m.)

ABSENT: Robert Shanklin, Ward Five
Stanley Haywood, Ward Seven

Mayor Purcell requested that item #2 be addressed first by the City Council.

The Mayor and Council convened in executive session at 6:01 p.m. and reconvened in regular, open session at 6:05 p.m. Roll call reflected all members present.

EXECUTIVE SESSION ITEM:

2. Pursuant to Section 307B.4, Title 25, Oklahoma Statutes, consider convening in executive session to discuss a pending lawsuit in the United States District Court of the Western District of Oklahoma, Bobby Pippin vs. City of Lawton, Case No. CIV-07-672-L, and if necessary, take appropriate action in open session. Exhibits: None.

Vincent read the title of item #2.

MOVED by Hanna. SECOND by Drewry, to approve **Res. 08-11** regarding the settlement in the case of Bobby Pippin in the amount of \$8,000 and approve all necessary documents. AYE: Jackson, Patton, Shoemate, Hanna, Drewry. NAY: None. MOTION CARRIED.

BUSINESS ITEM:

1. Consider receiving a report from Chevron Energy Solutions Company (Chevron USA) summarizing the energy audit performed on selected City of Lawton facilities in order to discover energy savings to be used to upgrade city assets and consider taking appropriate action as deemed necessary by Council. Exhibits: Energy Audit Report is on file in the Public Works Administration Office.

Jerry Ihler, Public Works Director, stated in January of 2006, they started talking about looking at firms for an energy performance contract. The purpose of the energy performance contract is to take a look at the City's existing facilities and the various energy aspects of the buildings and see if we can make improvements such as better lighting systems and pay for that system with the amount saved by putting in that new system. He stated they also were asked to look at the water meter system. He stated funds were deferred from the CIP because of the cost of several other projects. He stated they needed to look at some other way to fund the water meter project. Requests for Proposals were sent out to 17 firms in August of 2006 and they received responses from seven firms in October of 2006. Four firms were short listed and the Engineering Selection Committee which included Councilmembers Shoemate, Warren and Drewry conducted interviews of the four firms. The committee selected Chevron Energy Solutions Company to perform an energy audit of our facilities and determine whether or

not there was savings that could be made either for the water meters by installing new meters and having more accurate readings or with lighting and HVAC system. He stated they entered into a contract in May 2007 and since that time Chevron has been working on analyzing the facilities and have come back with a presentation of their findings. Chevron does believe there is a viable project where they can make some improvements to some of our facilities and upgrade our assets and make them pay for themselves through the savings.

Brad Boerger, Regional Director, stated they have been working over the past year and a half to come up with a viable program for an energy and water project that meets the intent of the legislation in terms of funding itself through energy savings. He introduced Neal Craig who is the Senior Project Manager and Lisa Stickler, Project Engineer.

Mr. Boerger conducted a slide presentation (Attached). He stressed that there were no out of pocket expenses by the City of Lawton to move forward with this project. At the end of the contract after 15 years, all of the savings will accrue to the City's benefit. This would allow the City to upgrade facilities and take care of a lot of deferred maintenance problems and improve the water system, at no additional cost to the City other than leveraging existing dollars that have been budgeted. The monies are completely funded through the increased water revenues and decreased energy bills.

Mr. Craig stated they got started working with staff in June 2007 and evaluated the water meters, wastewater treatment plant, city buildings and renewable energy projects such as solar and wind energy. He stated the water meter replacement project is the primary project presented tonight. They went through a rigorous process of testing the existing water distribution system and analyzing the water revenues to determine what kind of potential project they could look at. As they went through that process they ended up making a recommendation of replacing all water meters that were aged 2001 or older. They are talking about replacing 93% of the water distribution system. In addition to replacing the water meters, they are also looking at a Fixed Base Automated Meter Reading System and training and integration with the existing billing system. He stated they recommended going with Badger residential and commercial meters and Hexagram fixed base AMR benefits.

Mayor Purcell suggested Mr. Craig explain what the AMR consists of.

Mr. Craig stated right now the water meter readings are taken manually. There is a hand held system and the crews go out and actually visit each of the meters on a monthly basis to take those readings. In a fixed based AMR system there is actually a transmitter that is located at the water meter that sends a signal to a collector which is strategically located throughout the system. In this particular application they are talking about 53 collectors throughout the city that would receive the signals from those 31,000 water meters. That information is transmitted back to a central computer where the information rolls into the billing system.

Hanna questioned what would happen if a transmitter goes out.

Mr. Craig stated this is all hardware and would have to be repaired.

Hanna questioned if once it is repaired, does it go back and read the meter again.

Mr. Craig stated it picks up the reading out of the existing register.

Ms. Stickler stated they will have the reading from the old transmitter and then they put in the new transmitter and pick up the reading at that time. There may be a day or two missed but that would depend on how long the transmitter was down. They are relatively worry free.

Jackson questioned if this was the same type of system that they originally included in the last CIP program.

Mitchell stated in the last CIP program they just talked about replacing the existing meters.

Mr. Craig stated the second area they looked at was the wastewater treatment plant and they basically came up with three measures that provided a benefit in a cash neutral situation. Those are influent pumping modification, nitrification aeration basin control and replacement of the fine bubble diffusers. This provides the operators with the tools to operate the plant more efficiently in a more optimized manner. He stated they also performed a full energy audit on the city buildings that represented almost 300,000 square feet. He stated they looked at lighting retrofits, building controls, mechanical projects and LED traffic signals. He stated the advantage of the lighting retrofits is that there will be a standardized lighting system in all the buildings so the replacement stock will be the same.

Jackson questioned if they felt it was still cost effective to retrofit the existing T-12 and T-8 luminaires even after the cost of installation and labor.

Mr. Craig stated yes. He stated lighting retrofits are always good projects. It is a significant savings. Payback

period is usually 7-0 years. He stated when they look at T-12 fixtures in addition to just replacing the lamps they also look for opportunities to de-lamp fixtures. For instance in hallways there may be a four lamp fixture and they may come back and put in a two lamp fixture. He stated it may reduce the number of lamps and it is more efficient.

Patton questioned the cost pay off on the building controls. He stated it seems like that is expensive.

Mr. Craig stated it would vary by building. Some buildings in the city were operating 24/7 while the building is unoccupied. Those represent a good opportunity for some pay back.

Patton stated a lot of our buildings are older and less efficient as far as insulation and windows. He questioned if any of these issues were addressed.

Mr. Craig stated those are typically tougher pay back projects because you are usually looking at replacement windows which are very labor intensive.

Patton questioned if this will do any good if you still have those inefficiencies. Is it worth the cost to upgrade things like the heating and air systems.

Mr. Craig stated they evaluate the projects on a stand alone basis and they look at the cost of the system and then associate an energy savings with that retrofit to determine the payback.

Hanna questioned if they had looked at Central Junior High which will be the new city hall.

Mr. Craig stated no, they did not. He stated they are aware that the current city hall and annex will have a change of use.

Mitchell stated when they retrofit Central Junior High they will include energy conservation measures in the project. He stated they will be including all new mechanical equipment.

Mr. Craig stated they looked at a lot of mechanical projects and have chosen three. The first is to convert the duct air handling units to variable air volume at the main library. They are also looking at replacing some packaged units that have been maintenance intensive at Owens Center and Patterson Center. They are also looking at a unique project at the equipment maintenance shop. They are proposing to put in waste oil heaters which actually operate off of used engine oil. He stated the last project they are looking at is something that the City is already working on which is replacing the incandescent traffic signals with LED s. The City is currently replacing those as they fail. They would propose to go through the rest of the city and do a full change out.

Mr. Craig stated for each of these projects they have looked at and calculated the energy savings or additional water revenue. The intent of a performance contract is to guarantee those savings and this is accomplished through a measurement and verification program. The way they monitor the energy savings and revenue is by pre and post measurements of the equipment and they will perform annual testing of the water meters. The water meters will represent the lion s share of the savings. He stated there is always a question of what will happen if the guaranteed savings are not being achieved. They have a staff of over 30 people and that is their full time job to track energy guarantees. They have an account manager who is assigned to the City of Lawton and he generates monthly reports on how they are actually doing relative to how they had forecasted. He stated they try to correct any type of problems before they get too far down the road and if they can t correct the problem Chevron has to write a shortfall check to the City.

He stated by doing this project they are reducing the amount of natural gas and fossil fuels that have to be burned to generate electricity. We will operate equipment more efficiently which will reduce direct and indirect emissions.

Mitchell questioned what the tax credits might look like.

Mr. Boerger stated they are working on a structure for the emission credits but there is not one in the U.S. They can calculate what those would be when they do become tradable.

Mitchell stated there has been a lot of discussion at the federal level about doing an energy grant program. He questioned if this would be a way to enhance the application for those grants.

Mr. Boerger stated this would give us a good base line to start from.

Mr. Craig reviewed the project financial proforma (attached). He stated columns 2 and 3 roll up to column 4 which is basically the funds that are available for the program. Column 5 would be the debt service to pay for the implementation project. Column 6 is the annual measurement and verification fee which is basically the account manager and his team that generate the monthly reports and also the larger component of that is the meter testing

program. The last column is the net savings which is the total program funds less the debt service and measurement and verification that is on an annual basis.

Mayor Purcell stated he does not understand the end statement under #6 of the notes column. He stated it says that the measurement and verification services are not continued after year 7.

Mr. Craig stated that is an error. They go through the entire term.

Hanna questioned if residents will see an increase in any way, such as their water bill.

Mayor Purcell stated no. This will have nothing to do with what we charge, this is internal.

Hanna questioned who will pay for the program. He understands there will be cost savings.

Mitchell stated for the water meters, you save when you don't lose the water and your meters are reading the water use properly.

Hanna questioned how they would deal with undetected leaks.

Mitchell stated the City Council just passed an ordinance to deal with that.

Hanna questioned if the new meters would slow those down.

Mitchell stated they just passed a new CIP program in October where there will be \$5 million to replace a lot of that old outdated water system primarily in the central part of town. The other piece is that they are projecting an increased number of meters each year as the population grows.

Hanna questioned where the money will go that will be saved from the cost of water meter repairs.

Mitchell stated that is factored into this savings.

Patton stated they will be able to leverage and use this to upgrade our facilities. He questioned what kind of benefits we are getting that he could explain to his constituents. We are putting these millions of dollars into this infrastructure and it will basically be paid for by the savings. He questioned if it was the \$16 million.

Mr. Craig stated that \$13.143 million is the implementation cost.

Patton stated they will be able to buy these things without having to come up with \$13 million right out of our pockets.

Mr. Craig stated this is leveraging future savings. This allows you to implement the job now and take advantage of those dollars now versus waiting three or four years to accumulate the dollars.

Jackson questioned the term of the contract.

Mr. Craig stated fifteen years. They are looking at an eighteen month construction period. He stated you start accruing at year sixteen after the whole system is paid off. He stated assuming the life of the meter is 30-40 years, we will carry that million dollars worth of savings out.

Hanna questioned how many years the meters are supposed to last.

Mr. Craig stated they are taking meters out that are 25-30 years old. He stated after the fifteen years, you would then start budgeting and replacing meters so you would not get in a position to have to replace them all at once.

Jackson stated this is a no brainer. We have an opportunity to upgrade systems and get into an energy saving program and possibly save \$800,000 to \$1 million a year.

Mitchell stated that some of the projects we could do on our own, but by doing these through Chevron, we can do more projects and they are basically putting their name on the line too because if we don't hit that projected revenue number, they have the opportunity to write us a check.

Patton questioned what other communities are participating.

Mr. Craig stated that Tyler, Texas, Ponca City and Muskogee are doing water meter/AMR projects.

MOVED by Jackson, SECOND by Hanna, to approve the energy performance program outlined by Chevron Energy

Solutions and authorize staff to finalize the terms and conditions of the lease agreement and the program financing required to implement the energy project. AYE: Patton, Warren, Shoemate, Hanna, Drewry, Jackson. NAY: None. MOTION CARRIED.

Drewry stated that this is very exciting for us to be able to move forward in this manner.

Mayor Purcell stated that thanks need to go the City Manager, Public Works Director and the Finance Director for their hard work.

There being no further business to consider, the meeting adjourned at 6:52 p.m. upon motion, second and roll call vote.

JOHN P. PURCELL, JR., MAYOR

ATTEST:

TRACI HUSHBECK, CITY CLERK