

COUNCIL WORK MINUTES
OCTOBER 2, 2013

The City Council held a meeting on Wednesday, October 2, 2013, at 5:45 p.m., in the Council Chambers, 10 North Main Street, Cedar City, Utah.

MEMBERS PRESENT: Mayor Joe Burgess; Councilmembers: Ron Adams; Nina Barnes; John Black; Paul Cozzens; Don Marchant.

STAFF PRESENT: City Manager Rick Holman; City Attorney Paul Bittmenn; City Engineer Kit Wareham; Finance Director Jason Norris; City Recorder Renon Savage; Fire Chief Paul Irons; Police Chief Robert D. Allinson; Airport Manager Russ Volk; Leisure Services Director Dan Rodgerson.

OTHERS: Terry Irons, Melodie Jett, Tom Jett, Bev Burgess, Maile Wilson, Kevin Childs, Mark Cram, Scott Jolley, Cooper Jolley, Fred Rowley, Weslie Graham, Colby Lyons, Christine Workman, Dutch Workman, Briana Callies, Suzanne Callies, Dallas Jolley, James Thompson, Weston Bettridge, Brakkon Garrett, Layne Bishop, Tiana Slack, Kaylie Bolton.

ENERGY PERFORMANCE PROPOSAL – MARK CRAM/RICK HOLMAN:
Rick – he works with Siemens Industries, one of few private companies that engage in energy performance audits. They have done work around the State, some staff has listened to his proposal and we felt it would be good for the Council to hear his presentation.

Mark Cram - I have had the opportunity since 2010, legislation was passed about this method of procurement and how financing works. As I have traveled through the State and met with 80% of the cities and town as well as counties throughout the State, many of you have things in common. The presentation is attached as Exhibit "A". State statute say there must be positive cash flow and make it budget neutral. If you engage us we will guarantee savings, if not we will make up the difference to you financially. All risk is made to Siemens. The goal is to reduce your costs. If we move forward we will provide a no cost feasibility study, the result would be a presentation of findings from the feasibility study. Everything you need to make a financial decision would be presented to you. If you agree to move forward the money spent would roll into the investment audit. Black – what is the general length of term? Mark – typically it is less than 60 days, the audit is a 60%, 70% and 90%. We just entered an agreement with Washington City and their construction duration is about 9 months. It can go from 6 months to a year. We will provide an annual performance report. Tax exempt municipal leasing we do an RFP to several banking institutions and they lend the funds, you pay that back when the savings are made and you have the money to pay. It does not affect the ability to bond. Typically the savings is paid within 15 years, the State allows 20 years. Cozzens – the water project, irrigation controllers, John Black and I set on the Iron County Water Conservancy District, we just created a board and they have done some audits to get a feel of the conservation, do you get involved with the controllers? Mark – yes, we are in

the process of doing that with Salt Lake City. They are retrofitting in the cemetery right now. Cozzens – the two audits they did there was some real interest in looking into them. Marchant – there is room for improvement in these areas. Rick – we own the water, so maybe some other jurisdictions the entities are paying the water and so they are paying for the savings. Mark – Washington City owns the Electric Company, so we just figured the savings. If you move forward we provide a letter of understanding explaining the project. Cozzens – back to lighting issues with the LED cans, do you incorporate the rebates from Rocky Mountain Power? Mark – yes we identify those for you. Barnes – do you have a formula of the payback, higher ed has a 3 year payback. Marc – we see 10 – 15 years. The challenge you face is it is easy to find the low hanging fruit, our goal is to dig deeper, but you direct the term, typically we find the comfort level is 10-15 years. We are reviewing a portion of the Salt Lake Golf Courses to shift from culinary to secondary water, those savings will go to improve infrastructure at one golf course. Because it is so weighted with infrastructure they are considering going out to 20 years. Black – you mentioned the company would go out with RFP's, we have a sentence in our information that says you will be the contractor of the retrofitting improvements. Mark – we would be the general contractor and we would find the sub-contractors. Cozzens – do you have competition, MA946, Honeywell, Johnson Controls, Train, Chevron, Resto Amaresco. All of us that have been pre-approved are required to submit a quarterly report to the State procurement office, and we have been the only active service company in the State of Utah for the past 10 quarters. Mayor – what would be the cost to get to the savings? Mark – the park project in Salt Lake is \$6.2 million, Washington City \$1.5 million. Street lighting was about \$400,000. If you are spending a million and save 20% and do a 10 year project you have \$2 to spend in projects. Mayor – if we go to the second phase, what would we pay? Mark – the smallest projects we have done around \$10,000, Washington was \$50,000. It is very in-depth. Cozzens – a building like this where would you start? Mark – we are product agnostic, we would tie the projects together.

Black – I chatted with Kent Peterson with the School District, we should take a look at them also. Mayor – 2.5 years ago I had a company go over it with us, I had also talked with Kent Peterson, and they would have better numbers now. Barnes – Dave Tanner could also be a resource.

CONSIDER A T-HANGAR LEASE – MARK ALLEY/RUSS VOLK: Russ – we had a vacancy in a city owned T-hangar, we were approached by an individual. The Board felt it was worth considering him to lease the space on a one year period. Consent.

CONSIDER A CONTRACT BETWEEN CEDAR CITY CORP. AND STRAIGHT STRIPE – RUSS VOLK: Russ – we came before you on a State grant for pavement preservation. We contracted Creamer and Noble to bid the pavement preservation. Straight Stripe came in as low bid, the consultant is recommending a contract be awarded for fog sealing and restriping. If we get approval we will do the fog sealing on Oct 12th with a temp painting on the 19th with a permanent paint in the spring. Black – I have one concern, I have a problem with a blanket approval of change orders. Russ – whenever the engineer did the original estimate on the project, it came in at \$220,000; the State gave us the

\$220,000 to accomplish the work. We came before you with the Airport consultant Contract and went through the bid process and when we added the two items the total sum of what was approved came to \$200,019. We want to use the extra \$19,000 to continue the work and get more done. Mayor – we have unit prices so you want to increase that? Russ – yes the quantity on the unit price. Mayor – we didn't think we would have enough money to do the extra work. Black – does that change the scope of the bid? Paul – it is in the purchasing policy, allowing the staff to make a change order for \$3,000 or less if under budget. When changes it would add more units. Black – we don't run the risk to a legal challenge? Paul – we have used this process a few times such as the sewer line replacement project. Marchant – not spending more than was allocated. Black – the money we have available we want more. Paul – the more doesn't get rebid, we have used the practice to stretch what we get. Mayor – we have done this a lot in public works projects. Russ – we wouldn't exceed the \$220,000 for the entire project. I did get permission from the Utah Division of Aeronautics to use the extra money to do extra work, if we don't use it the money goes back to the State.

Cozzens – they purchased Gordon Paving and they have done work for me and they are very competitive.

CONSIDER A CHANGE ORDER TO THE CONTRACT BETWEEN CEDAR CITY CORP. AND STRAIGHT STRIPE – RUSS VOLK: This was presented with the above item.

CONSIDER AN INTERLOCAL AGREEMENT FOR AN IRON COUNTY TOURISM GRANT – DAN RODGERSON: Dan – we have had these before, this is for the Golf Course, and we have it perceived as great for tourism. It is for \$7,400. Consent.

CONSIDER A \$1.1 MILLION COOPERATIVE SOUTH INTERCHANGE AGREEMENT WITH UDOT – KIT WAREHAM: Kit – this involves that when we made a presentation to the UDOT Commission we told them the City would scrape \$1.1 million the project was to be for 2021. They took us up on that and they have funded \$10 million. The Commission at that time decided not to phase the project and it will begin April 2014 and complete November of 2014. They are asking for our contribution to the project. We have been putting money away for this, we were going to put \$100,000 a year, currently we have \$450,000 and another \$150,000 toward that in this budget year. If we get that \$150,000 before we have to pay this in March, it will leave us ½ million to come up. They have offered a loan, previous loans are .75% and we will bring you another agreement on that loan. If you approve this it would be contingent upon getting the loan from UDOT for the \$500,000. Cozzens – can we use impact fees? No. Black – the \$1.1 million was going to be for landscaping. Kit – originally it wasn't but they said we may be able to use that. It doesn't look like we will get the full landscaping, they have rolled in the painting of the signal lights and poles, painting of concrete, existing and new and as fist alternates the City sign on the exits and also some decorating gabion baskets and the landscaping, but we won't know until March. They have also put in the fencing for the livestock trail, and it will be decorative fencing.

**CONSIDER AN AMENDMENT TO THE FINANCIAL SERVICES
AGREEMENT WITH ZIONS BANK PUBLIC FINANCE – PAUL BITTMENN:**

Paul – every few years we go out for bid for financial services. Jonathan Ward of Zions Bank Public finance has been doing that, it expired in July; we want to extend his contract to the end of the calendar year and then rebid. Consent.

FY 2013-14 BUDGET REVISION – JASON NORRIS: Jason – we have general fund, special revenue and enterprise fund. We do have a few new items, 26 the increase to the nitrate plant; we discussed the UDOT funding for block wall on Cove Drive; the task force is a grant we administer, they had a decrease of \$8,400 in their grant we may see additional changes to some of our Federal Grants and Build America Bonds, it is too soon to know, we will have to follow up with that later. We have a SAFER grant increasing that by \$45,000, but we will see if it is cut back. The main item is we were not able to secure RAP Tax funding for the parking lot across from the Park, we are asking for \$45,000 of capital improvement funds to pave the parking lot. Mayor – we had \$70,000 to buy the home, tear it down and we had \$24,000 left and we were going to spend that money to get it ready, but determined we wanted to pave the lot where the old Park & Rec building was. We have some money to put back in, but we want \$45,000 to asphalt the parking lot. There is a larger need with the new playground. Black – we agreed to let the carnival stage there, will the asphalt be a problem. It might be. Barnes – I have to bring up angle parking, why not put more angle parking. Chief – I would like to see the parking lot in first and see if there is a need. Barnes – it is great to have all the traffic.

Mayor – we have cut in the trail on the east side of town. Cozzens – when will the two bridges be in? Kit – we will try to get them in the winter so we can pave in the spring. Cozzens – at the bottom of the trail where the culvert is how does it cut in? Kit - it will stay on the east side of the culvert and there will be another bridge. It is all within a city road right of way. It will go to the west of the wash and into the park. Barnes – kudos to staff, they made it affordable, engineering, public works.

Mayor – back to the parking lot, the City staff can do that if they have time to get it ready.

ADJOURN: Councilmember Barnes moved to adjourn and move into a special meeting at 6:40 p.m.; second by Councilmember Adams; vote unanimous.

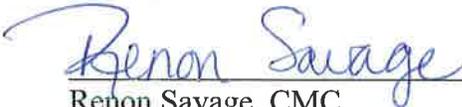

Renon Savage, CMC
City Recorder

EXHIBIT "A"
OCTOBER 2, 2013

Energy Project
Performance Contracting

*Cedar City
October 2, 2013*

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Agenda

- Energy Project Performance Contracting Overview
 - Description
 - Process
 - Retrofit Performance Objectives
 - Guaranteed Performance Start to Finish
- HB 116 Legislation Overview
- Financing Overview
 - Sources
 - Opportunities
- Project Types
- Next Steps

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Your Challenges: Resources, Equipment, Mandates

- Capital Budget Constraints
▪ Operating Budgets remain flat
- Aging Equipment
▪ Equipment Failures
▪ Higher Energy and Repair Costs
- City is continually striving for efficient buildings and operations

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Potential Improvements

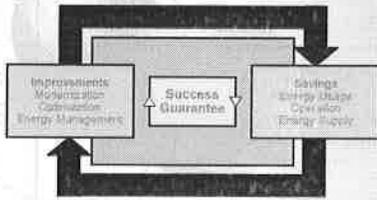
- Public Works Building
- Aquatic Center
- Parks/Golf Course Irrigation – Water Controls
- Street Lighting Upgrade
- Fire Stations
- City Office/Police Station
- Waste Water Treatment Plant
- Airport Terminal
- Heritage Center
- City Library

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Guaranteed Performance-based Solutions – Address Your Challenges

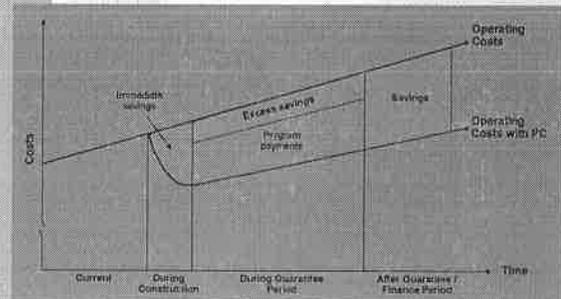
- Make facility & infrastructure improvements
- Reduce energy use and associated expenses
- Your energy savings finance your improvements
- Siemens guarantees savings



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Siemens Energy, Inc. - Building Technologies

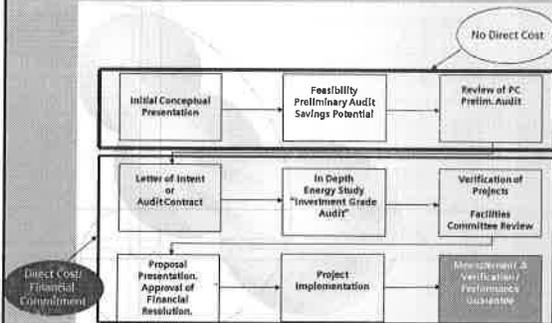
Understanding the Performance Contract Cash Flow



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Siemens Energy, Inc. - Building Technologies

Performance Contracting Process



Siemens Energy, Inc. - Building Technologies

Retrofit Performance Objectives

- A means of maximizing building performance**
 - Reduction of O&M costs
- A means of partnering**
 - With contractors and financial institutions
- A means of procurement**
 - Siemens works on customers' behalf
 - Design/Build vs. Design/Bid/Build
- A means of restoration**
 - Mechanism for facility and technology infrastructure upgrades and modernizing without capital outlay

Siemens Energy, Inc. - Building Technologies

Guaranteed Performance Contracting Services – Start to Finish

- Audits and baseline development
- Guaranteed retrofit performance contract
- Contract management
- Engineering management
- Construction management
- Measurement and verification
- Annual performance reporting

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Source: Energy, Inc. - Building Technologies

House Bill 116 and Performance Contract Highlights

- Authorizes political subdivisions to enter into energy performance/services agreements with pre-qualified ESCO's (Energy Service Companies)
- Increases/improves energy efficiency within facilities
- Enables a process of auditing, reporting, procuring and executing identified Energy Efficiency Measures
- Utah State Division of Purchasing in conjunction with State Division of Facilities and Construction Management pre-qualified ESCO's through an RFP process
- ESCO may execute "replacement in like kind" which typically does not require extensive engineering/permitting
- ESCO may also provide engineering services to meet requirements of the local Authority Having Jurisdiction

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Source: Energy, Inc. - Building Technologies

Traditional and Non-Traditional Funding Sources

- Tax exempt municipal leasing
- Revenue generating bonds
- State of Utah EPC Revolving Fund
- Bond/capital infusion

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Source: Energy, Inc. - Building Technologies

Retrofit Categories and Project Types

- | | |
|--|--------------------|
| ▪ Lighting Projects | |
| ▪ Interior Lighting Retrofit | Short term payback |
| ▪ Exterior Lighting Retrofit | Medium |
| ▪ Parking Lot Lighting Retrofit | Medium |
| ▪ Street Lighting Retrofit | Medium |
| ▪ Water Projects | |
| ▪ Interior Water Consuming Devices | Short |
| ▪ Irrigation – Controllers, Heads, In-ground systems | Medium |
| ▪ Water Meter Upgrades – Wireless | Medium |
| ▪ HVAC Projects | |
| ▪ Insulation/Weatherization | Medium |
| ▪ Motor Upgrades | Medium |
| ▪ Commissioning | Short |
| ▪ Boiler/Chiller Retrofit | Long |
| ▪ Variable Frequency Drives | Short |
| ▪ HVAC Retrofit/Renovation | Medium |
| ▪ Building Automation | Medium |

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Source: Energy, Inc. - Building Technologies

Next Steps

- No cost preliminary feasibility study
- Identify potential opportunities
- Determine highest priority opportunities
- Other?

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Siemens Energy, Inc. - Safety Technology

Questions?

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Siemens Energy, Inc. - Safety Technology