

Memorandum 11-007 Energy Audit City Facilities Progress Report and Funding Recommendations

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MEMORANDUM 11-007

TO: Walt Wrede, City Manager

FROM: Carey Meyer, Public Works Director

DATE: January 4, 2011

RE: Energy Audit – City Facilities
Progress Report – Funding Recommendations

The City Council in November informally approved continued evaluation (through 90%) of all recommended energy savings improvements to City facilities. At the completion of the 90% audit (January 2011), staff promised to evaluate additional funding sources; make recommendations and draft ordinances that would provide resources necessary to complete all recommended energy efficiency improvements. This memo provides these promised recommendations.

Background: As authorized by the City Council, Public Works has been coordinating the evaluation of energy use at sixteen City facilities to identify cost effective improvements that could be made to reduce energy usage. The Council has approved the acceptance of a Alaska Energy Authority energy efficiency improvement grant in the amount of \$227,800 and has created a revolving loan account with an additional \$315,000; providing a total of \$542,800 to evaluate and implement energy efficiency improvements. The audit is expected to cost approximately \$26,000, leaving \$516,000 to complete improvements utilizing established funding.

Siemens Industry, Inc. was selected (through the RFP process) as the most qualified firm to complete this energy use evaluation and began work in September. Siemens has completed the facility evaluations, prepared a 90% audit report and has identified potential projects that would reduce energy costs. The cost of and the annual energy cost savings for each potential facility improvement measure (FIM) has been estimated. A total of approximately \$1.4M worth of potential improvements has been identified. These FIM's have been prioritized based on a cost/benefit analysis and simple payback evaluation (in years).

Attached is a list of recommended improvements that have attractive payback schedules. The list is broken down into three cost columns; Column 1 showing the improvements that can be accomplished within the AEA grant funding; Column 2 showing projects that can be accomplished using the current energy improvement revolving loan fund; and Column 3 showing those that would require some additional funding.

An additional \$340,000 (plus a reasonable contingency) would be necessary to complete energy efficiency improvements not within the available grant or revolving loan funding. The Sewer Treatment Plant lighting upgrades/motor efficiency improvements and the Raw Water Pump Station motor efficiency improvements could be funded through the Water/Sewer Reserve account. The Fish Dock Crane improvements and a portion of the Harbor lighting upgrades could be funded through the Harbor Reserve account.

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The additional improvements could also be funded through an expansion of the City's energy efficiency revolving loan fund. These improvements could also be financed through loans (various sources available); with loans being paid back through the revolving loan account.

Public Works and Port/Harbor believe that these are beneficial cost savings improvements that can be funded through our reserve accounts and do not justify borrowing money to complete. We would expect that the reserve accounts would be repaid in the same manner as the revolving loan fund.

The Finance Department suggests that the additional funding needed to complete the additional work come from the enterprise funds, but that these monies should be transferred from the reserve accounts into the revolving loan fund. This would simplify the cost accounting effort and reinforce the original purpose of the revolving loan fund. The revolving loan fund was created in part by contributions from the enterprise reserve account funds. Of the \$315,000 currently in the revolving fund; \$177,950 was transferred from the Water/Sewer Reserve and \$48,620 came from the Port and Harbor Reserve.

Recommendations: The City Council deliberate and pass an ordinance authorizing funding for all of the energy savings improvements identified in the Siemens Energy Audit in the amounts and from the accounts shown below:

Amount Revenue Source Acct #

\$ 227,800 AEA Grant 151-718
\$ 315,000 Energy Revolving Loan Fund 620-375
\$ 184,700 Harbor Reserve Account 456-380
\$ 173,000 Water Sewer Reserve Account 256-378
\$ 900,500

The ordinance should authorize the transfer of the above described Harbor and Water/Sewer Reserve funds to the Energy Revolving Loan Fund; and authorize the City Manager to execute all documents necessary to complete the design and construction of the recommended energy savings improvements in accordance with the agreement between the City and Siemens Industry, Inc.

Related Ordinances **Memorandum - Related Ordinances:** [Ordinance 11-02 \(S\)\(A\) Transfer of Harbor and Water/Sewer Reserve Funds to Energy Revolving Loan Fund for Implementation of Energy Conservation Measures](#)

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