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## Staff Report

Item # 4

**To:** Lemoore City Council  
**From:** Lauren Apone, Administrative Analyst   
**Date:** April 11, 2013  
**Subject:** Public Hearing - Chevron Energy Solutions Solar Project -  
Energy Service Contract – Incurrence of Debt

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### Discussion:

The Chevron Energy Solutions solar proposal has been discussed at length at previous Council meetings. Links to all of the staff reports in date order are below. We are not planning on reviewing the entire scope of the project again unless Council has any questions or concerns.

[http://www.lemoore.com/agendas/2012/sep18/data/9\\_18\\_12\\_item\\_5\\_1.pdf](http://www.lemoore.com/agendas/2012/sep18/data/9_18_12_item_5_1.pdf)

[http://www.lemoore.com/agendas/2012/oct2/data/10\\_2\\_12\\_item\\_6\\_1.pdf](http://www.lemoore.com/agendas/2012/oct2/data/10_2_12_item_6_1.pdf)

[http://www.lemoore.com/agendas/2013/mar19/data/3\\_19\\_13\\_ss\\_item\\_2.pdf](http://www.lemoore.com/agendas/2013/mar19/data/3_19_13_ss_item_2.pdf)

[http://www.lemoore.com/agendas/2013/apr2/data/4\\_2\\_13\\_ss\\_item\\_2.pdf](http://www.lemoore.com/agendas/2013/apr2/data/4_2_13_ss_item_2.pdf)

### Scope Changes:

There have been a few changes to the scope of the project since our last Council Meeting. The Mayor has requested the following changes be made to the project. The watertight aspect of the solar shade structure added during the last meeting has been removed due to the high price tag of \$50,000. The additional inverter warranty (increasing the warranty from 15 years to 20 years) we previously spoke about purchasing has been removed to save approximately \$80,000. Chevron has also reduced their price by an additional \$30,000 in addition to the \$200,000 reduction they made just prior to the last Council Meeting. The price of the entire project is now \$12,890,000.

In addition, staff has worked with the Blair, Church, and Flynn, the engineer for the Canal Project and CMC parking lot in order to determine how the parking lot will function with the existing canal remaining above ground until 2015, when our grant funds for the canal project are available. A drawing is attached.

The limiting factors are the existing location of the canal and the existing entrance off of Cinnamon Drive. The new parking lot will have 144 usable stalls and will only have one entrance until 2015. An additional 15 stalls are available but will not be striped as such until the new entrances are added. Until the canal can be relocated underground, the traffic will need to be temporarily diverted with delineators to the southeast corner of the parking lot in order to avoid traffic conflicts. Once the canal is underground, we can simply restripe to gain 15 more parking stalls and, if desired, add additional asphalt to

gain an additional 33 stalls. All grading and plans for this parking lot will be completed with this expansion in mind.

Funding:

Staff has extensively analyzed the funding options and is recommending a 15-year Lease Purchase arrangement that has been discussed previously. Chevron has secured financing for this project at 2.97% as previously discussed. This will be a bank qualified bond. Bank qualified bonds require that the City issue no more than \$10 million in tax exempt securities in a calendar year in exchange for a lower interest rate. After speaking with the Finance Director, there is no immediate need to issue debt in the remainder of this calendar year.

The total project cost is \$12,890,000. The following is the breakdown of the money needed for the projects from each fund and the fund balances, along with any surpluses or shortfalls that need addressing.

<u>Fund</u>	<u>Project Cost</u>	<u>Fund Balance (6/30/13)</u>	<u>Shortage/Surplus</u>
Water	\$9,783,053	Operating: \$512,780	(\$9,462,884)
Sewer	\$2,483,695	Operating: \$2,209,460	(\$323,534)
General	\$ 623,252	Operating: \$5,134,348	\$4,498,825

Suggested Funds to borrow from if Council desires:

WWTP Set Aside	\$4,475,869
General Fund Operating	\$4,498,825

Staff recommends that Council use the available operating balances in the Sewer and General Funds to fund those portions of the project. This will ensure that the project cost to be financed stays below the required \$10 million. Additionally, staff recommends that Council consider borrowing from the WWTP Set Aside fund and/or General Fund to further reduce the amount the City needs to finance for this project. The balances in these funds are currently earning very little interest (0.3%) and even though we have secured a very attractive interest rate for the financing, the interest we are earning is still less than the interest we would be paying. If the Council wishes to borrow from any other funds, a repayment schedule will be prepared to ensure these funds will be made whole.

A representative from Chevron will not make a presentation on Tuesday evening but will be available to answer any questions Council may have. We will again separate this project into Item A including all sites excluding Well 12, and Item B which is Well 12 only to accommodate for Mayor Pro Tem Wynne’s conflict with the Well 12 site. The attachments are as follows:

- Attachment 1: Proposed Parking Lot Layout
- Attachment 2: Cash Flow Analysis – Item A
- Attachment 3: Site by Site Analysis – Item A
- Attachment 4: Cash Flow Analysis – Item B
- Attachment 5: Site by Site Analysis – Item B
- Attachment 6: Cash Flow Analysis – Entire Project (for discussion under Item B)
- Attachment 7: Site by Site Analysis – Entire Project (for discussion under Item B)

Two public hearings have been noticed for Tuesday evening. One is for the approval of this project and the other for the incurrence of debt. The approval of this project has been delayed at the advice of our City Attorney due to some CEQA requirements that have not yet been met. Staff is not anticipating any problems with CEQA, but CEQA determinations must be made prior to the award of the project. As such, we recommend that Council open the public hearings, accept testimony, and then continue the public hearings until the May 7, 2013 meeting when we anticipate the project will be ready for approval.

**Budget Impact:**

The price tag on the entire solar project is now \$12,890,000. \$9,783,053 will be paid out of the Water Fund, \$2,483,695 out of the Sewer Fund, and \$623,252 out of the General Fund. The savings over 30 years are expected to be \$44.8 million to the above funds.

**Recommendation:**

That the City Council should open the public hearings, accept testimony, and continue the public hearings until May 7, 2013.