



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: August 14, 2012

TO: Mayor and Councilmembers

FROM: Facilities Division, Public Works Department

SUBJECT: Introduction Of Ordinance To Approve An On Bill Financing Agreement For The Los Banos Boiler Replacement Project

RECOMMENDATION: That Council:

- A. Introduce, and subsequently adopt, by reading of title only, An Ordinance of the Council of the City of Santa Barbara Approving and Authorizing the Public Works Director to Execute An On Bill Financing Loan Agreement in the Amount of \$53,032.83 with Southern California Gas Company for the Acceptance of Loan Funds To Assist in the Replacement of Pool Heaters at the Los Banos Del Mar Pool; and
- B. Increase Appropriations and Estimated Revenues by \$60,234.83 in the Intra-City Services Fund which includes \$53,032.83 in loan funds as well as a \$7,202 energy credit from Southern California Gas Company.

DISCUSSION:

In 2011, City staff identified the archaic boilers used for heating pool water at the Los Banos Del Mar Pool (Los Banos) as a priority project. The existing boilers were 30 years old and had reached the end of their useful life. Consequently, more efficient boilers were identified and installed in June of 2012.

In order to assist in the financing of this project, staff explored the option of using On Bill Financing (OBF) available through the Southern California Gas Company (SCG). After performing an analysis of energy savings, SCG deemed that the City qualified for \$53,302.83 in OBF.

The OBF is a zero percent interest loan with a term of ten years; hence, it is a way to mitigate high capital costs when implementing cost-saving energy efficiency projects. The City will repay the loan through realized savings on the monthly bills that result from the installation of the more energy efficient boilers. The ability to take advantage of this financing mechanism will allow the City to recover the costs already incurred for this project and therefore enabling the funds to be available for other energy efficiency and conservation projects.

BUDGET/FINANCIAL INFORMATION:

The total project cost for the boiler replacement project was \$69,734.83. SCG has studied the energy savings potential of the project and has determined that the City qualifies for \$53,032.83 in loan funding through OBF. This will result in a monthly payment of \$441.94 over the ten-year agreement period, which will be offset by the savings estimated for the new boilers. In addition, SCG is awarding the City an incentive of \$7,202 for the project, which is not required to be repaid. In the end, the City will have been reimbursed for all but \$9,500 of the \$69,734.83 project cost. If the Agreement is approved, SCG will write the City a check for the allotted amount.

SUSTAINABILITY IMPACT:

The new boilers at Los Banos will result in an estimated 6,567 Therm savings annually. This will be a significant annual reduction in the energy used to heat the pool water. The boilers will also decrease greenhouse gas emissions due to increased system efficiency.

PREPARED BY: James Dewey, Facilities and Energy Manager/AP/mh

SUBMITTED BY: Christine F. Andersen, Public Works Director

APPROVED BY: City Administrator's Office