

CITY OF EL PASO, TEXAS
AGENDA ITEM DEPARTMENT HEAD'S SUMMARY FORM

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07 AUG 20 PM 2:53

DEPARTMENT: Financial Services

AGENDA DATE: 8/28/07

CONTACT PERSON/PHONE: Carmen Arrieta-Candelaria (541-4293)

DISTRICT(S) AFFECTED: All Districts

SUBJECT:

A resolution that the City Manager be authorized to submit an application to the Texas LoanSTAR Program for a Loan from available state funding in an amount not to exceed Five Million Dollars (\$5,000,000.00) for Proposals to be selected by the City. Further, the City Manager is hereby authorized to execute any and all necessary documents and/or agreements resulting from approval of the application.

BACKGROUND / DISCUSSION:

Discussion of the what, why, where, when, and how to enable Council to have reasonably complete description of the contemplated action. This should include attachment of bid tabulation, or ordinance or resolution if appropriate. What are the benefits to the City of this action? What are the citizen concerns?

On the August 14th agenda for City Council is a energy-performance contract to be recommended for award to Johnson Controls, Inc. Such contract allows Johnson Controls, Inc. to conduct assessments that may result in identifying capital improvements that can be made to significantly reduce the City's energy consumption in areas such as lighting and HVAC. Once these projects are identified, they will be recommended for funding. This resolution will allow City staff to apply and obtain a loan from the State of Texas - State Energy Conservation Office which allows municipalities to apply and obtain loans for these type of projects through its Texas LoanSTAR (loans to Save Taxes And Resources) Program at a reasonable interest rate for up to a maximum term of ten (10) years. The City would like to apply for a loan in order to finance the projects and then pay for the principal and interest with the savings from the implementation of the projects.

PRIOR COUNCIL ACTION

Has the Council previously considered this item or a closely related one?

Council has approved loans from the State Infrastructure Bank for bridge improvements. This is similar in nature to the SECO funding.

AMOUNT AND SOURCE OF FUNDING:

How will this item be funded? Has the item been budgeted? If so, identify funding source by account numbers and description of account. Does it require a budget transfer?

Up to a \$5million loan will be requested from SECO; principal and interest payments will be paid for out of the general fund appropriations. Little to no budgetary impact if loan payments are to be made from the anticipated reductions in energy expenditures.

BOARD / COMMISSION ACTION:

Enter appropriate comments or N/A

N/A

*****REQUIRED AUTHORIZATION*****

LEGAL: (if required) _____ **FINANCE:** (if required) _____

DEPARTMENT HEAD: Carmen Arrieta-Candelaria
(Example: if RCA is initiated by Purchasing, client department should sign also)

Information copy to appropriate Deputy City Manager

APPROVED FOR AGENDA:

CITY MANAGER: _____

DATE: _____

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RESOLUTION

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WHEREAS, on August 14, 2007, the City of El Paso (the "**City**") approved an energy performance contract with Johnson Controls, Inc. to provide an assessment of City Facilities and proposal for implementing projects to complete energy-saving improvements (the "**Projects**"); and

WHEREAS, the City desires to identify and select those Projects that are, at the City's sole discretion, most beneficial and advantageous to the City; and

WHEREAS, such Projects will save the City money through reduced utility expenditures; and

WHEREAS, the State Energy Conservation Office of the State of Texas allows municipalities to apply and obtain loans for these type of Projects through its Texas LoanSTAR (loans to Save Taxes And Resources) Program at a reasonable interest rate for up to a maximum term of ten (10) years (the "**Loan**"); and

WHEREAS, the City desires to apply for such Loan in order to finance the selected Project(s) and proposes to pay for the Loan out of projected savings realized by the improvements made.

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF EL PASO:

THAT, the City Manager is hereby authorized to submit an application to the Texas LoanSTAR Program for a Loan from available state funding in an amount not to exceed Five Million Dollars (\$5,000,000.00) for Projects to be selected by the City. Further, the City Manager is hereby authorized to execute any and all necessary documents and/or agreements resulting from approval of the application.

[Signature page to follow]

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RESOLUTION

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Signature page

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ADOPTED this ____ day of _____, 2007.

CITY OF EL PASO

John Cook
Mayor

ATTEST:

Richarda Duffy Momsen
Municipal Clerk

APPROVED AS TO FORM:

APPROVED AS TO CONTENT:



Bertha A. Ontiveros
Assistant City Attorney



Carmen Arrieta-Candelaria
Financial Services

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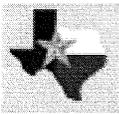
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The Texas LoanSTAR (loans to Save Taxes And Resources) Program was initiated by the Texas Energy Office in 1988 and approved by the U. S. Department of Energy (DOE) as a statewide energy efficiency demonstration program. The funding source is petroleum violation escrow funds (PVE) from the federal government. LoanSTAR is unique in a number of ways (including the acronym for its name, since its origins are in the Lone Star State). The size, \$98.6 million, makes it the largest state-run building conservation program in the United States. The loans are targeted for public buildings, including state agencies, school districts and local governments.

LoanSTAR uses a revolving loan mechanism, which will allow it to continue indefinitely and benefit many generations of future Texans. LoanSTAR was initiated as a statewide demonstration project, which mandated the State Energy Office to provide more oversight and documentation on the program. The quality control on all phases of LoanSTAR has made it one of the most successful and best-documented building energy efficiency programs, state or federal, in the United States. In order to comply with the mandate, the State Energy Office developed program procedures and guidelines to allow the LoanSTAR Program to not only prove that the financed energy retrofits would pay for themselves, but also to demonstrate that the actual energy savings were being exceeded by over 20% of the originally estimated savings. Included as part of the quality controls for the program were:

1. development of LoanSTAR technical energy assessment report guidelines;
2. training of energy engineering consulting firms on audit techniques and the LoanSTAR guidelines;
3. development of protocols to have each LoanSTAR project metered and monitored to track pre- and post-retrofit energy consumption; and,
4. creation of methods of analyzing energy savings from retrofits.

As a result of quality controls such as good audit guidelines, training, metering and monitoring, follow-up with agencies to ensure the retrofits were working properly, and building commissioning assistance for improved operation and efficiency, the measured LoanSTAR savings exceeded audit estimates of energy savings. Few energy efficiency programs can make this claim. The initial loans (1989-1994) were made for a period of four years with program paybacks averaging 3.4 years. In

1995 the State Energy Office received approval from DOE to remove the "demonstration" label for LoanSTAR.

There have been several changes in the LoanSTAR Program since inception. Initially, loans had to pay back within four years and all major projects had to be metered and monitored for savings verification. In 1995 the loan period was lengthened to eight years and metering and monitoring became an option for the loan recipient with the cost allowed to be rolled into the loan. In 2001 the pay back period extended once again to the current 10 year maximum loan term.

Performance Contracting and Water Conservation

In 2001 SECO received DOE approval for LoanSTAR to finance Energy Saving Performance Contracts (ESPC) and for water conservation retrofits to be included as part of a LoanSTAR project. With this approval, loan recipients can now choose between traditional design/bid/build or design/build retrofits, and water conservation projects may be included as part of the LoanSTAR loan.

LoanSTAR Funded Projects

The LoanSTAR Program has been and continues to be extremely successful. Currently, and for the first time since program inception, the LoanSTAR Program has expended all available funds for new loans and has requests of over \$20 million dollars waiting for funding. As of April 2006, LoanSTAR has funded a total of 187 loans of which 17 were to state agencies, 46 to institutions of higher education, 36 to local governments, 78 to independent school districts and 10 to county hospitals.

LoanSTAR Energy and Emissions Savings

As a result of the 187 funded projects, the LoanSTAR Program has achieved cumulative energy savings of over \$199 million dollars and has had a significant impact on environmental pollutants such as nitrogen oxides (NOx), carbon dioxide (CO2), and sulfur dioxide (SO2). These LoanSTAR funded projects have prevented the release of 7,073 tons of NOx, 2.1 million tons of CO2, and 4,788 tons of SO2. With the cumulative energy savings achieved to date and as new loans are funded, the LoanSTAR Program is expected to save Texas taxpayers over \$250 million in energy savings over the next 20 years as it continues to help public facilities become more energy efficient.

Local Governments Technical Assistance

Local Governments Technical Assistance provides personalized on-site technical assistance to political subdivisions, including local governments and municipalities, particularly those affected by the Texas Emissions Reduction Plan and Energy Management Plan. Technical assistance includes free Preliminary Energy Assessment (PEA) Reports which identify system and equipment replacement projects, along with installation cost estimates, estimated energy and cost savings, and payback analyses for each recommended project. Local Governments Technical Assistance also works with the local government representative on how to move forward with the implementation of the recommended projects. To date a total of 34 PEAs have been conducted with potential annual energy savings of

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\$2.9 million.

Texas/Mexico Small Schools Grant Project

The Texas/Mexico Small Schools Grant project provides energy efficiency grants of up to \$50,000 to schools along the Texas/Mexico border that will allow schools to install simple energy efficient projects such as air conditioning and high efficient lighting. The implementation of these projects will significantly improve air quality and classroom lighting, which ultimately leads to a better learning environment for the students. Grants have been awarded to 12 school districts with estimated annual savings of \$78,275.00.

LoanSTAR Technical Guidelines

The LoanSTAR Program requires that a Detailed Energy Assessment Report be prepared according to the following LoanSTAR Technical Guidelines in order to qualify for a LoanSTAR loan: [LoanSTAR Technical Guidelines](#).

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Energy Efficiency Recognition

The Texas Comptroller of Public Accounts and The State Energy Conservation Office have implemented a program to recognize public institutions for their efforts to reduce energy consumption and improve air quality, while saving tax dollars.

A public institution can be nominated by a third party or self-nominated. To nominate a public institution, submit this [Energy Efficiency Nomination form](#) to provide contact information and a brief narrative describing the institution's projects and efforts. Recognition will be granted based on the submission. After the nomination has been reviewed and approved, the public institution will receive a letter and a certificate recognizing their efforts. If you have questions regarding this program, please [email](#) Glenn Jennings.

Lightening Up

**Texas State Comptroller Fiscal Notes
May 2005**

An article on the Texas Health and Human Services Commission's success in dramatically cutting energy costs through the installation of energy-efficient lighting; low-flow faucets; toilets and shower heads; and centralized climate controls that let maintenance workers adjust temperatures at any one of the campus' 21 buildings.

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Send comments, questions, and suggestions to [website manager](#).

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