

COUNCIL MINUTES

September 21, 2017

The City Council of the City of Mesa met in a Study Session in the lower level meeting room of the Council Chambers, 57 East 1st Street, on September 21, 2017 at 7:31 a.m.

COUNCIL PRESENT

John Giles
David Luna
Mark Freeman
Christopher Glover
Kevin Thompson
Jeremy Whittaker

COUNCIL ABSENT

None

OFFICERS PRESENT

Christopher Brady
Dee Ann Mickelsen
Jim Smith

1-a. Hear a presentation, discuss and provide direction on a solar parasol project at the Mesa Arts Center and placemaking, supplies for the electric utility, and Mesa conservation projects.

Environmental Management and Sustainability Director Scott Bouchie introduced Arts and Culture Director Cindy Ornstein and Energy Resources Coordinator Anthony Cadorin who displayed a PowerPoint presentation (**See Attachment 1**) related to a solar parasol project at the Mesa Arts Center (MAC) and placemaking, supplies for the electric utility, and Mesa conservation projects.

Mr. Bouchie displayed an example of the south parking lot of the MAC and stated that the solar parasol is a 24 foot high structure that covers the parking spaces, drive aisles, and half of the parking lot. (See Page 2 of Attachment 1)

Mr. Cadorin summarized the project and noted that the project will have 512 kilowatts (kW) of solar panels that produces clean renewable energy and is fed directly into the electric utilities grid which reduces the carbon footprint. (See Page 3 of Attachment 1)

Ms. Ornstein highlighted the operational benefits such as a shaded area for 100 vehicles with additional event space for City festivals and MAC events. She noted that all MAC stakeholders supported the project.

Mr. Bouchie explained that the solar parasol project fits in with the Environmental Management and Sustainability department due to the renewable energy program within the department, where staff works with other City department's as well as an energy conservation program. He noted that this solar project is different, due to the fact that the project location is in the City's electric utility, a superstructure, and has a different savings associated from other solar projects. He added that the energy does not displace retail energy from the Salt River Project (SRP) that the

City purchases. He pointed out that the solar energy is disbursed directly into the City's electric grid and then sold to customers.

Mr. Cadarin reviewed the process of purchasing energy supplies through the City's electric utility with the use of Integrated Resource Planning, which is a standard utility planning process. He displayed a chart and commented that the majority of the City's energy comes from five different energy markets. He noted that 20% of the City's energy is through renewable energy sources that come from the Colorado River hydroelectric power and the customer-owned photovoltaics. He stated that the remaining power is purchased by the Western Area Power Administration (WAPA) and that the solar parasol project would offset this electric supply resource. (See Pages 6 and 7 of Attachment 1)

Ms. Ornstein displayed a conceptual view of the solar parasol project which creates an aesthetic element that compliments the surrounding developments. She stated the opinion that the view would invite future developers to consider development along 1st Avenue. In addition, she displayed the conceptual look of the area that include double columns and double inverters to display mesh banners and digital signage. She pointed out that a colored surface parking lot would remove islands and that the east end of the project would include a metal grid for installment of theatrical lighting. She noted that parking lights would be dimmable and colored to create an event environment. (See Pages 8 and 9 of Attachment 1)

Mr. Bouchie reported that the Environmental Management and Sustainability department is proposing a Power Purchase Agreement (PPA) for the delivery of the solar parasol project and noted that Ameresco was awarded the Request for Proposal (RFP). He added that if the City does not produce energy the City will not pay Ameresco, since the City pays for all of the kilowatt hours (kWh) that are produced from the structure. He pointed out that the RFP includes a fixed price over a 25-year period. (See Page 10 of Attachment 1)

In response to questions posed by Councilmember Thompson, Mr. Bouchie responded that the upfront portion the City would be responsible for are the special amenities. He confirmed that Ameresco is responsible for design, construction, operation, and maintenance costs of the solar structure. He noted that the City would have ongoing costs associated with purchasing the energy that is fed into the electric grid. He explained that the City has potential buyouts throughout the 25-year contract or at the end of the contract the City may purchase the structure at a fair market value otherwise, Ameresco would be required to have the site changed back to its original condition.

Mr. Cadarin added that the City would have a minimal upfront cost to interconnect the solar panels to the City's systems.

In response to questions from Councilmember Whittaker, Mr. Bouchie confirmed that the City would have a contractual obligation to purchase the electricity for a set amount of time.

Mr. Cadarin stated that the City will pay more with the Purchase Power Agreement (PPA) (\$128,000) versus the City purchasing energy from rooftop owned solar generation (\$76,000). He pointed out that the department is proposing that \$64,000 be covered by the City's electric utility customers and the remaining \$64,000 to be covered by the City facilities within the electric service territory. He explained that the average cost for a residential customer would be .13 cents per month and \$27 per month for a City commercial customer, however, amounts will vary depending on the size of the facility and the amount of electricity consumed by each customer. (See Page 11 of Attachment 1)

City Manager Christopher Brady explained the options staff considered in order to allocate the costs that included rate payers within the electric utility, creating a higher rate for City municipal users, as well as funds from the MAC.

Ms. Ornstein pointed out that the MAC would absorb the cost for amenities such as the lighting grid, dimmable lighting fixtures, and extra utility outlets. She mentioned that staff will seek a potential donor to offset part of the upfront costs. (See Page 12 of Attachment 1)

In response to a question posed by Councilmember Thompson, Mr. Cadarin confirmed that there is no net metering and that the solar parasol project energy is fed directly into the grid so all customers are affected equally.

In response to a question from Councilmember Freeman, Mr. Brady responded that staff reviewed the possibility of the City purchasing the solar panels which would cost the City approximately \$1.6 million in addition to costs such as bond issuance. He explained that transferring the risk of performance of the facility to a third party has worked well in the past for the City compared to the risk the City would take on, if owned.

Discussion ensued relative to the City purchasing the solar panels versus contracting, Return on Investment (ROI), and costs.

Mr. Brady stated that staff can prepare an analysis for Council on a purchased acquisition versus a PPA.

Further discussion ensued relative to costs per kWh, rooftop solar net metering costs, and risks on purchased rooftop solar panels.

Mr. Bouchie explained that the contracted party has a financial incentive since it is only being paid for the kWh that are produced from the system.

Mayor Giles remarked that technology continually changes and that 25 years is a considerable amount of time and commented whether the financial impact of the changes be placed on a contractor or that the City endure the cost with anticipation that the ROI would improve.

Mayor Giles stated that it is the consensus of the Council for staff to return at a future study session with the comparison analysis.

Mayor Giles asked staff to look into the anticipated effect of the changing technology specifically the replacement of the solar panels prior to 25 years.

Mayor Giles thanked staff for the presentation.

2. Acknowledge receipt of minutes of various boards and committees.

2-a. Housing and Community Development Advisory Board meeting held on May 4, 2017.

2-b. Historic Preservation Board meetings held on June 27 and August 1, 2017.

It was moved by Councilmember Freeman, seconded by Councilmember Thompson, that receipt of the above-listed minutes be acknowledged.

Mayor Giles declared the motion carried unanimously by those present.

Carried unanimously.

3. Information pertaining to the current Job Order Contracting projects.

(This item was not discussed by the Council.)

4. Convene an Executive Session.

Mayor Giles stated that he has received two requests to speak on item 5 and asked the individuals to speak prior to Council convening an executive session

Gary Sievers, a Mesa resident, commented that he is one of the candidates running for the remaining term in District 3. He listed his volunteer service, which includes the Minnesota Assistance Council for Veterans (MACV), announcer for various sports, and Paz de Cristo.

George Tihanyi, a Mesa resident, stated that he lives in Dobson Ranch and that in his opinion Dobson Ranch has qualified, top-notch people, and requested Council to keep that in mind when they select a District 3 Councilmember.

It was moved by Vice Mayor Luna, seconded by Councilmember Glover, that the Study Session adjourn at 8:34 a.m. and the Council enter into an Executive Session.

Carried unanimously.

4-a. Discussion or consultation for legal advice with the City Attorney. (A.R.S. §38-431.03A (3)) Discussion or consideration of employment, assignment, appointment, promotion, demotion, salaries, discipline, dismissal, or resignation of a public officer, appointee or employee of the City. (A.R.S. 38-431.03A (1))

1. District 3 Councilmember selection process and applications review.

At 8:59 a.m., the Executive Session adjourned and the Council reconvened their regular meeting.

5. Discuss District 3 selection process and candidate interview selection.

Mayor Giles announced that Council had come to a consensus on five individuals for the District 3 candidate interview selection and invited the following individuals to the September 28, 2017 Special Council meeting for interviews:

- Christian Stumpf
- Francisco Heredia
- Frank Mizner
- Pablo Felix
- Theresa Ratti

Mayor Giles stated that the five individuals will be contacted by City Management regarding details for the next meeting. He noted that there were over 30 applications and thanked all of the individuals for their submittals. He expressed his gratitude to Council for their diligent time and effort on reviewing all of the applicants.

It was moved by Councilmember Glover, seconded by Councilmember Thompson, that Council interview the five listed individuals for District 3.

Carried unanimously.

6. Hear reports on meetings and/or conferences attended.

There were no reports on meetings and/or conferences attended.

7. Scheduling of meetings and general information.

City Manager Christopher Brady stated that the schedule of meetings is as follows:

Thursday, September 28, 2017, 7:30 a.m. – Special Council Meeting

8. Adjournment.

Without objection, the Study Session adjourned at 9:01 a.m.

JOHN GILES, MAYOR

ATTEST:

DEE ANN MICKELSEN, CITY CLERK

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Study Session of the City Council of Mesa, Arizona, held on the 21st day of September, 2017. I further certify that the meeting was duly called and held and that a quorum was present.

DEE ANN MICKELSEN, CITY CLERK

Solar Parasol at the Mesa Arts Center



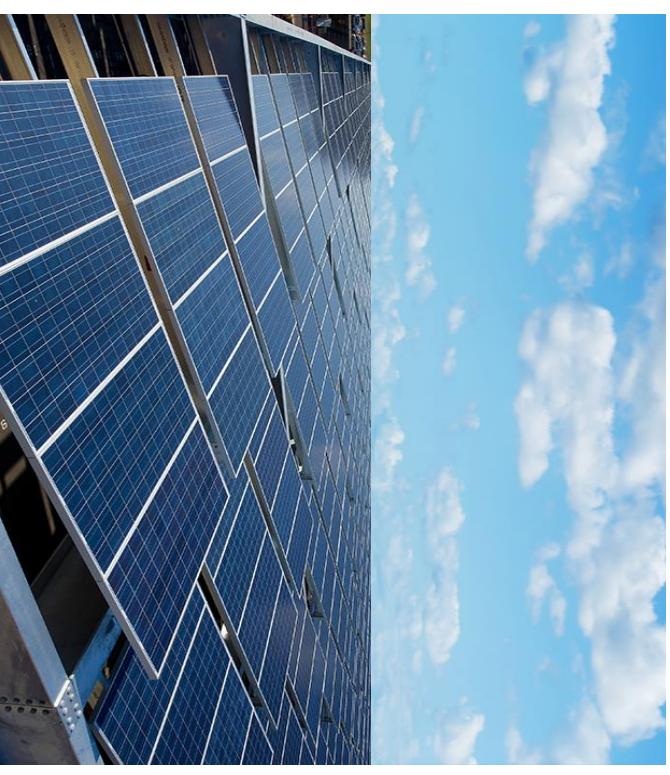
City Council
Presentation
September 2017

Solar Parasol



Project Summary

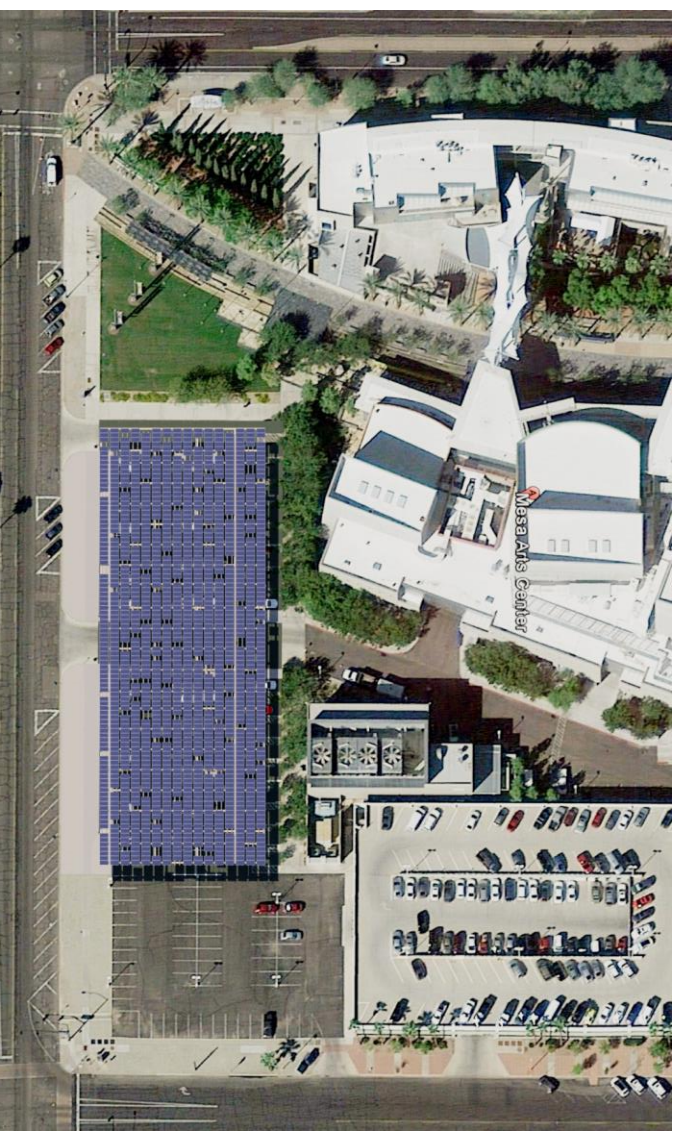
- 874,000 kWh Generated Annually
- Locally Generated Energy
- Adds to Energy Resources Department's Green Portfolio & Local Generation
- Part of the City's Energy Efficiency and Renewable Energy Plan
- Reduces the City's Carbon



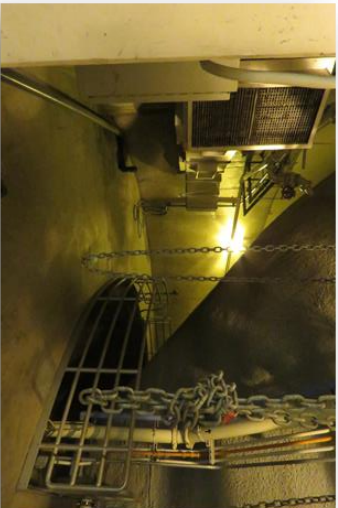
Project Summary

- Placemaking Element
- Community Benefit
- Shaded Event Space
- Shaded Parking Spaces
- Connection to 1st Ave

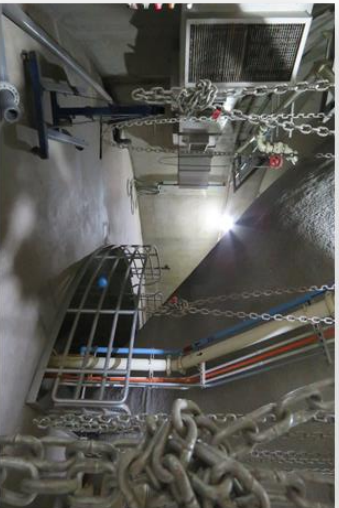
Support from Mesa Arts
Center stakeholders



Energy Conservation/Renewable Energy Program



BEFORE



AFTER

- Annual Savings - Energy Efficiency Projects installed last year: \$80,720
 - *Eg: Northwest Water Reclamation Plant LED's*
- Annual Savings – Solar Energy Generated last year: \$48,270
 - *Eg: Fiesta Police Substation Solar*

Total Energy Efficiency Savings since
2009: \$395,000

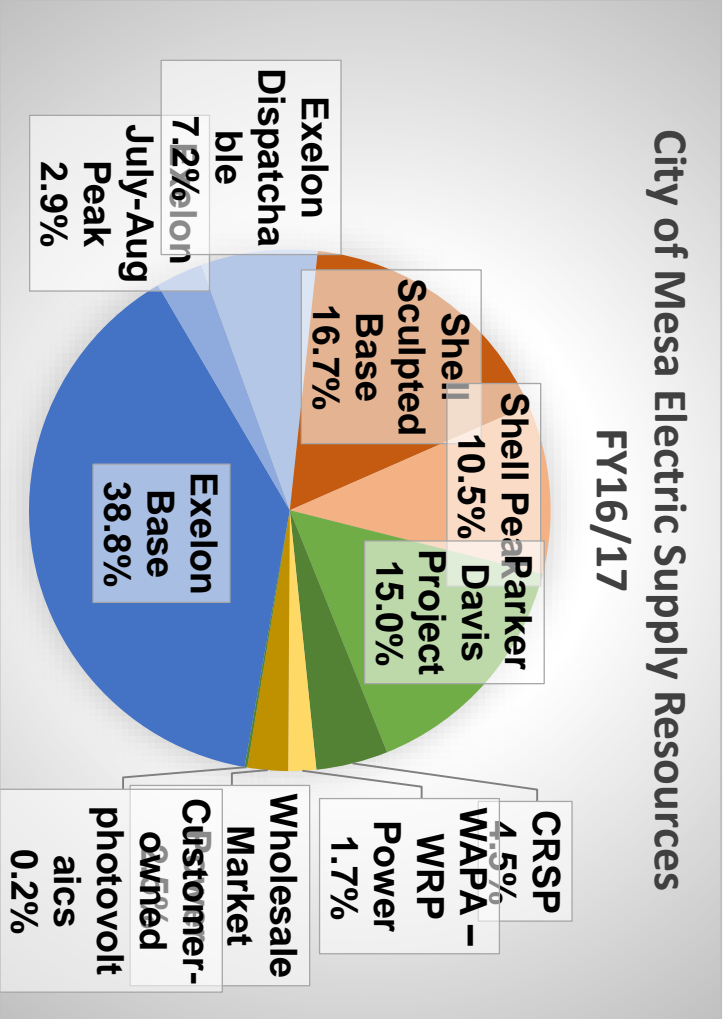
Energy Resources Supply Portfolio

- Integrated Resource Planning: Long-term planning process used to identify and evaluate all resource options based on:
 - Costs
 - Reliability
 - Risks
 - Environmental stewardship
 - Customer feedback
- Energy Supply Procurement:
 - Competitive solicitations
 - Staged, diverse contracts
 - Access most liquid markets
 - Seek qualified, competitive counterparties

Energy Resources Supply Portfolio

Results: Balanced portfolio

- Avoids market price shock
- Encourages competition
- ~20% renewable
- Low cost, high reliability



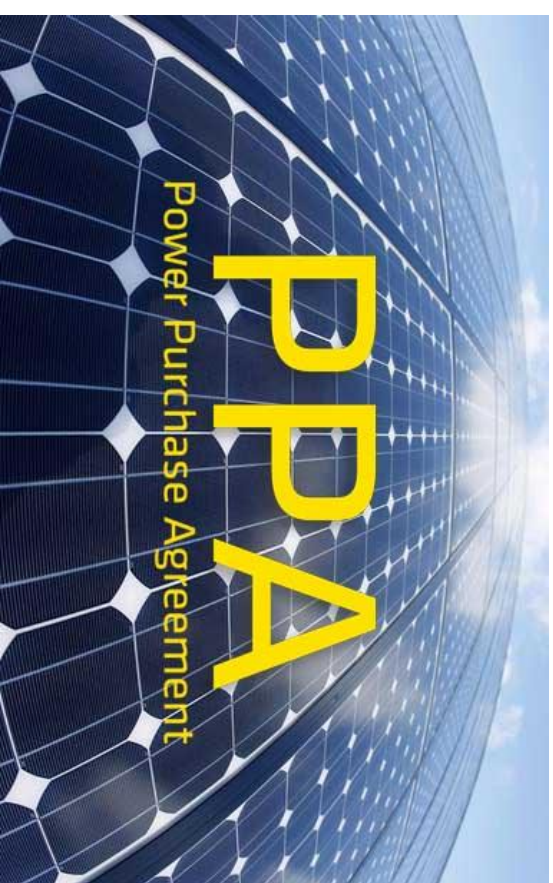
View from the Southwest





Power Purchase Agreement (“PPA”)

- Competitive Solicitation (RFP) issued
- Contract w Ameresco to design, construct, own, operate, maintain the project & guarantee energy production
- City agrees to purchase energy produced at a set price
 - No price volatility - Budget certainty



Funding

Solar Parasol

Power Purchase Agreement: \$128,000 Annual Cost

\$64,000 annual cost covered by

Interdepartmental Electric Energy Cost Adjustment
Factor

\$64,000 annual cost covered

Base Electric Energy Cost Adjustment Factor



Funding

Event Infrastructure & Aesthetics Upgrades

Arts and Cultural Fund

\$12,000 annual cost OR
\$322,577 up front cost



Next Steps

- Council Direction
- Negotiate Power Purchase Agreement (PPA)
- Council Approval of PPA
- Design and Construction

