

CITY COUNCIL STUDY SESSION

TO: Mayor and City Council
FROM: Mari E. Macomber, City Manager
SESSION DATE: October 15, 2012
TIME: 4:30 p.m.
PLACE: City Council Chambers

LOCATION CHANGE: Please note we will be meeting in the Council Chambers to allow for the Tru Leaders group to observe the Study Session.

AGENDA:

- **PERFORMANCE CONTRACTING UPDATE**
- **LIST OF STUDY SESSION TOPICS**
- **REVIEW CEMETERY ORDINANCE**
- **REVIEW FRIENDS OF FOREST LLEWELLYN**
- **REVIEW NEWSLETTER**
- **REVIEW COUNCIL AGENDA**

PERFORMANCE CONTRACTING UPDATE

For the majority of the Council, there appears to be consensus that the project components are necessary, especially the meter replacement, lighting retrofit and City Hall HVAC. What continues to be at question is the process by which we work to implement these projects.

After meeting with the Council on October 1, City staff was asked to gather some additional information concerning the costs to do the projects outside of Performance Contracting. I would point out that the Performance Contracting component includes engineering and assessment work that has been factored into the overall value of the project. For the quote on the water meter replacement and the HVAC component, we are relying on assumptions and variables, basically no guarantee. It was our intention to verbally outline the projects as clearly as possible to the vendors who provided us with estimates.

Before reviewing that date, the following information is intended to clarify some confusion regarding utility rate increases.

Utility Rates:

There has been some confusion about this, the percentage increase was a variable applied by Schneider to calculate revenues based on historical data. Whether or not a rate increase occurs is the decision of the Council. The one guarantee that would come from this project would be that those locations throughout town that are not paying for

the water they use and corresponding sewer service would begin paying for what they have been using making it better for all of the customers in the long run.

Included with this Study Session Packet are two cash flows which show that even without the escalation of the rates included the Base Project is still funded through revenue generation, operational efficiency savings, and energy savings.

Estimates from Other Vendors:

As of this report, we were not able to obtain information for the HVAC and catwalk for City Hall and hope to have this by Study Session time on Monday. We were able to get information on the water meters, which is the most expensive component project.

Water Meters: A representative from RTS Water provided a per meter cost noting that he could only give a ball park estimate and that there were too many variables with too many price options. He estimated that we could expect to pay around \$382 per meter installation.

Using the number of meters in our billing system = 7,453
Times the per unit price estimated by RTS = \$382

The cost to replace the meters would be \$2,847,046.

Finance Director Katie Myers believes this to be high since we are assuming the replacement of all meters and factored in that all meters were located inside a building/house. Not all meters are indoor meters and some meters would only need the drive-by generator. One piece that we do not know is the actual age of the meters.

The Performance Contracting price would be \$3,838,269. According to information received, RTS would make the appointments and integrate our billing system with the new meters, as well as warrant their work and the meter accuracy would be warranted by the manufacturer. The project would take 5-6 months and would include equipment, labor, bonding, insurance, billing interface, and data transfer. At this point, we know that Schneider Electric has completed testing and evaluation of our system. The difference between the two prices would come down to the upfront work that Schneider's has completed in preparation of this project and the guarantee that Schneider is providing in terms of actual costs and revenue generation.

Side note: If the Council were to choose to do the project outside of the Performance Contracting process, a request for bid would need to be developed to clearly outline the services and expectations that would be needed. The City would also need to bid the financing, as it would still require a lease purchase option of some sort since we do not have the cash on hand. Both of these actions would be brought back to the Council.

Interest Rates:

US Bank has put into writing to Schneider Electric that they would be willing to hold the rates until the end of October, provided the City made a commitment to move forward with the project on or before October 26th.

In addition to this information, there is a copy of an email sent to the City Manager from Wayne Blackman, NEMO/SCI CML Business Development Officer and Market President – Kirksville for US Bank. US Bank was the selected financing bank on this project based upon the interest rate provided. US Bank is the only local vendor who submitted a bid. Mr. Wayman who is a local resident and representative of US Bank, wanted to provide information to the City Council after reading about the last discussion of in the newspaper.

He noted that there were no discussions regarding the interest rates and wanted to share that information with the Council.

There are also some responses to the newspaper article that came out after the Council Study Session. And a summary report from Schneider Electric on the value of Performance Contracting.

Recommendation: The question before the Council comes down to the value you place on a guaranteed cost and assurance that the projects will be completed as promised with no change orders, no unforeseen costs, expected generation of revenues, and ultimately the assurance of a turnkey project including financing compared to the cost estimates that we have received from other vendors. The cost of the water meters based on the estimated price from RTS would be about \$1 million less than the Performance Contracting price. This does not factor in the variable on an unknown interest rate.

Council Report: Based on the conversation from the last Study Session and the majority support for moving forward, a Council Report for the Performance Contracting is included. This is provided should you decide to add it to the Agenda for Monday evening. If it is added, it can be added at the end of the Agenda as Item #11.

STUDY SESSION TOPICS

Included with this Report is a list of potential study session topics. We discussed this during the Council Annual Planning meeting but there were no additions made to the list at that time. I believe that Council Member Edge is interested in determining the feasibility of a tourism center along the new Highway 63. This is a topic that could be added and discussed by the Council.

If there are other items this would be a good opportunity to add them so that we can begin planning for the next fiscal year and insuring that they are brought forward for Council discussion.

Recommendation: Please consider bringing up those items of interest that you would like the City Council to discuss and explore further. Items on the list will be plugged into the City Council Study Session schedule.

CEMETERY ORDINANCE

The City has rules and regulations outlined for Forest Llewellyn Cemetery. They have been updated and revised over the years and are found in a brochure that we give out to individuals who are interested in obtaining a plot at the cemetery.

Staff has developed an ordinance that we would like to review with the Council that addresses issues specific to this particular city-owned asset. The intent of the ordinance is to make clear the expectations of the City and assist us in our ability to maintain the cemetery.

Included on page 19 is a draft ordinance for Council consideration. Public Works Director John Buckwalter will review the ordinance with the Council to determine if there is an interest in approving it and establishing these rules for the cemetery.

One provision that is not included in this draft but is standard found in the code concerns the penalty provisions. Our Code outlines the general provisions for violations of any of the codes. That would be our expectation should Council be agreeable with incorporating this into the City Code.

Recommendation: Review the draft ordinance and direct staff as to whether you are in agreement that an ordinance should be established with these requirements and incorporated into the City Code book.

FRIENDS OF FOREST LLEWELLYN

During the Council planning meeting, there was a discussion and interest in moving forward with a Friends of Forest Llewellyn Cemetery. The idea behind this is to develop unified interest in this city-owned land with the ultimate goal of establishing a long range maintenance plan and financial support for the Cemetery. For example: Included in this packet is a tree plan for the Cemetery. This would be something that a committee would review, give feedback to the Council; and help implement.

The Forest Llewellyn Cemetery was approved and accepted as a local historic site by the Kirksville Historic Preservation Commission and the City Council. It was selected for its character, interest and value as part of the development, heritage, and cultural characteristics of Kirksville; and it's identification with a person or persons who significantly contributed to the development of the community, county, state or country. A few of those individuals of historic significance who have been laid to rest here include Jesse Kirk for whom our town has been named and Andrew Taylor Still. The first burial in this cemetery was in 1845.

Included with this Study Session report is a draft of a proposed Friends of Forest Llewellyn Cemetery Committee. This group would be responsible for developing a long range maintenance plan for the cemetery; organizing clean-up events; disseminating information and educating the general public of the significance of the cemetery; identifying and organizing fund raising ideas. Some things the Friends might consider would be tours of the cemetery; horticultural events; flag ceremonies; remembrance events for military including Civil War; Halloween tours; “from here to eternity” run/walk; and at a minimum spring and fall clean-up events.

Recommendation: Review the attached document and make changes giving staff the go ahead to finalize the document and present it for formal approval at a future Council meeting.

NEWSLETTER REVIEW

REVIEW COUNCIL AGENDA

Attachments

- Cash Flows – 1 with increase in rate and 1 – without increase in rate
- Interest Information From Wayne Blackman, US Bank
- Discussion Points
- Schneider Electric Summary
- Study Session List
- Forest Llewellyn Draft Ordinance
- Friends of Forest Llewellyn
- Forest Llewellyn Tree Plan



Original Cash Flow:

Year	Energy Savings	Water Revenue Generation	Sewer Revenue Generation	Operational and Maintenance	Annual Total Benefit	Lease Payment	Net Financial Impact
Year 1	\$15,643	\$141,143	\$108,878	\$78,711	\$344,375	\$527,712	\$183,337
Year 2	\$16,112	\$146,083	\$108,878	\$78,711	\$349,784	\$527,712	\$177,928
Year 3	\$16,596	\$151,196	\$118,676	\$78,711	\$365,179	\$527,712	\$162,533
Year 4	\$17,094	\$156,488	\$129,357	\$78,711	\$381,650	\$527,712	\$146,062
Year 5	\$17,606	\$161,965	\$141,000	\$78,711	\$399,282	\$527,712	\$128,430
Year 6	\$18,135	\$167,634	\$153,689	\$48,711	\$388,169	\$527,712	\$139,543
Year 7	\$18,679	\$173,501	\$167,522	\$48,711	\$408,412	\$527,712	\$119,300
Year 8	\$19,239	\$179,574	\$182,598	\$48,711	\$430,122	\$527,712	\$97,590
Year 9	\$19,816	\$185,859	\$199,032	\$48,711	\$453,418	\$527,712	\$74,294
Year 10	\$20,411	\$192,364	\$199,032	\$48,711	\$460,518	\$527,712	\$67,194
Year 11	\$21,023	\$199,097	\$199,032	\$48,711	\$467,863	\$0	\$467,863
Year 12	\$21,654	\$206,065	\$199,032	\$48,711	\$475,462	\$0	\$475,462
Year 13	\$22,303	\$213,277	\$199,032	\$48,711	\$483,324	\$0	\$483,324
Year 14	\$22,972	\$220,742	\$199,032	\$48,711	\$491,458	\$0	\$491,458
Year 15	\$23,661	\$228,468	\$199,032	\$48,711	\$499,873	\$0	\$499,873
Total	\$290,943	\$2,723,458	\$2,503,824	\$880,665	\$6,398,890	\$5,277,121	\$1,121,769

Estimated Price	\$4,747,668
Financing Term	10
Interest Rate	1.97%

Energy Savings Escalation:	3.00%
Water Revenue Generation	3.50%
Sewer Revenue Generation	9% annually (Year 3 - 9)



Cash Flow without Historical Water Revenue Escalation:

Year	Energy Savings	Water Revenue Generation	Sewer Revenue Generation	Operational and Maintenance	Annual Total Benefit	Lease Payment	Net Financial Impact
Year 1	\$15,643	\$141,143	\$108,878	\$78,711	\$344,375	\$527,712	\$183,337
Year 2	\$16,112	\$141,143	\$108,878	\$78,711	\$344,844	\$527,712	\$182,868
Year 3	\$16,596	\$141,143	\$118,676	\$78,711	\$355,127	\$527,712	\$172,586
Year 4	\$17,094	\$141,143	\$129,357	\$78,711	\$366,305	\$527,712	\$161,407
Year 5	\$17,606	\$141,143	\$141,000	\$78,711	\$378,460	\$527,712	\$149,252
Year 6	\$18,135	\$141,143	\$153,689	\$48,711	\$361,678	\$527,712	\$166,034
Year 7	\$18,679	\$141,143	\$167,522	\$48,711	\$376,054	\$527,712	\$151,658
Year 8	\$19,239	\$141,143	\$182,598	\$48,711	\$391,692	\$527,712	\$136,020
Year 9	\$19,816	\$141,143	\$199,032	\$48,711	\$408,703	\$527,712	\$119,009
Year 10	\$20,411	\$141,143	\$199,032	\$48,711	\$409,297	\$527,712	\$118,415
Year 11	\$21,023	\$141,143	\$199,032	\$48,711	\$409,910	\$0	\$409,910
Year 12	\$21,654	\$141,143	\$199,032	\$48,711	\$410,540	\$0	\$410,540
Year 13	\$22,303	\$141,143	\$199,032	\$48,711	\$411,190	\$0	\$411,190
Year 14	\$22,972	\$141,143	\$199,032	\$48,711	\$411,859	\$0	\$411,859
Year 15	\$23,661	\$141,143	\$199,032	\$48,711	\$412,548	\$0	\$412,548
Total	\$290,943	\$2,117,151	\$2,503,824	\$880,665	\$5,792,583	\$5,277,121	\$515,462

Estimated Price:	\$4,747,668
Financing Term:	10
Interest Rate:	1.97%

Energy Savings Escalation:	3.00%
Water Revenue Generation:	0.00%
Sewer Revenue Generation:	9% annually (Year 3 - 9)

Email received from Wayne Blackman, Market President for our Local US Bank

I recently read an article in the Kirksville Daily titled "Council Split on Water Replacement". The discussion primarily focused on the cost of the Project.

As the only Local Bank to submit a bid on the RFP, I noticed there was no discussion in regard to the interest rate provided on this project. The City of Kirksville completed their due diligence, paid \$90,000 for I presume to be a very reputable firm to provide an energy audit. I also presume that these funds spent with good intentions to move forward with such a project.

Back to the interest rate provided. Rates are at an **ALL TIME LOW**. There is no guarantee where interest rates will be after the Election, which is less than 30 days away. Let's use the \$4,400,000 bid as an example. Below I have indicated two scenarios 1) Interest expense the City of KV has today per RFP and 2) If rates climb "just" one percent (1%). **Believe me when interest rates rise they will rise faster than they fell.**

Scenario #1

Lender Name		US Bank	
Basic Loan Information			
Amount	\$4,400,000.00	Annual Interest Rate	1.87%
Beginning of Loan	111/01/12	Length of Loan, Years	10
		Payments Per Year	1
Payment Information			
Total Payments	10	Calculated Payment	\$486,396.01
		Entered Payment	
Summary Information			
Total Paid	(\$4,863,960.15)	Interest Paid	(\$463,960.15)

Scenario #2

Lender Name		US Bank	
Basic Loan Information			
Amount	\$4,400,000.00	Annual Interest Rate	2.87%
Beginning of Loan	111/01/12	Length of Loan, Years	10
		Payments Per Year	1
Payment Information			
Total Payments	10	Calculated Payment	\$512,279.88
		Entered Payment	
Summary Information			
Total Paid	(\$5,122,798.79)	Interest Paid	(\$722,798.79)

The above example indicates that if interest rates just rise 1%, this would cost the City of Kirksville or citizens of Kirksville an additional \$258,838 (\$722,798 - \$463,960). The City tabling, delaying and re-researching the issue could cost the City more than they expected in the long run.

Keep in mind interest rates are at an **ALL TIME LOW**. The other thought is that the Water Meter

expenses, like everything else will not get cheaper. Corporations, private companies and municipalities have and are completing energy efficient projects Worldwide to save money. This is a step US Bank has already completed in the all their facilities and continues to do so.

I am not a commissioned employee, just concerned.

Wayne L. Blackman
NEMO/SCI CML Business Development Officer
Market President - Kirksville
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U.S. BANCORP made

Responses to information contained in the Kirksville Daily Express Article 10/2/2012

Daily Express Headline: “Projects would cost millions, reduce city’s energy expenses and increase residents’ water bills”

- Project would be fully funded by energy savings and recovered lost revenue. In actuality the project’s plan is not to “increase residents’ water bills,” but to have them pay for what they are using. Our project limits residents’ ability to receive water they are not paying for due to inaccurate meters. In essence, this meter project ensures all residents are fairly billed for the water they are using.
- An average residential water customer would see an increase of \$0.98 per month. This increase accounts for water the customer is currently using but not being charged for due to meter inaccuracy.

Performance-based contractor Schneider Electric, of Columbia, has told the Council it can replace the city’s meters and guarantee annual cost-savings of about \$250,000 for a total project cost of about \$3.8 million.

- This project cost quoted is for the water meters only. Guaranteed annual meter accuracy equals approximately \$250,000 in revenue generation. Including the additional efficiency and maintenance savings, the City will see a total benefit for the water meter replacement project of \$328,732. Schneider Electric projects an actual annual revenue generation equal to \$277,801.

For an additional \$900,000 the city can use those cost-savings to replace its heating, ventilation and air-conditioning system at City Hall, which is also aging and unfeasible to continue repairing, according to city staff.

- The Base Project for a project cost of \$4,747,668 includes the water meter replacement/retrofit and AMR system, city-wide lighting retrofits, city-wide programmable thermostats, City Hall HVAC system replacement, City Hall building controls replacement, and a structural platform for the City Hall. This project will yield additional energy savings for the City. Schneider Electric projects an estimated total benefit to the City of \$344,375 (this includes revenue generation of \$250,000 occurring from guaranteed meter accuracy).
- The current system at the City Hall is beyond simple repair. Based upon our discussions with the City it is difficult to get parts, proper service, and fix issues associated with the system in its present state. For example the building control system parts are no longer in production by the original manufacturer.

Therefore the City has been forced to purchase used parts. Additionally, there is currently no access available to properly maintain and service important components of the HVAC system.

The performance contract would create a 10-year payment plan, with the city paying for the project with its cost-savings and a 3.5 percent increase in water rates annually.

- By shortening the financing to a 10 year term the City is looking at saving significant amount of interest compared to the standard 15 year term generally used with these contracts. Additionally a performance contract provides for lower rates due to the financial backing and guaranteed revenue and energy savings provided by Schneider Electric.

- From a water rate standpoint, the City has had a historic increase in water rates averaging above 5% annually over the past 10 years. This average only takes into account increases in the variable water and sewer rates approved by the City Council during that time. It does not take into account any rate structure changes or increases in the base rate that has also occurred. Additionally, Schneider Electric is not forcing the City into an increase in water rates, but rather showing a realistic projection of water rate escalation based upon historical data. The City is not raising rates to fund the performance contract, but any rate increases over the normal course of business would impact the revenue generated by accurate meters.

To pay for the new water meters, however, water customers would see yet another increase on their bills – possibly a 3.5 percent hike each year for the next decade.

- **Schneider Electric is not proposing any annual increase in water rates to fund the performance contract.** The proposed “Base Project” at \$4,747,668 includes the water meter replacement/retrofit, automatic meter reading system, city-wide lighting retrofit, city-wide programmable thermostats, HVAC replacement at the City Hall, and the structural platform at the City Hall. This project is expected to be fully funded by energy savings, operational efficiency savings, and recovered lost water revenue over a 15 year period. This does not include any escalation applied to the water rates.

- Schneider Electric has shown a historical water rate escalation of 3.5% in cash flows presented to the City. The 3.5% is less than the actual average water rate increase experienced by the City over the last 10 years. It is not Schneider Electric or the City’s intention to increase rates, but wanted to project future costs of water based upon a historical average. **Even with the removal of the water escalation rate the City will still see a positive cash flow for the Base Project over a 10 or 15 year period.**

...Perhaps starting by replacing some of the water meters for the city’s largest water users, and then moving in phases would minimize the cost impact.

- The project proposed by Schneider Electric includes a city-wide automatic meter reading system. **By implementing this system, the City would achieve operational efficiencies of \$67,743 in addition to the \$250,000 + in revenue generation guaranteed from meter accuracy.** If the City were to only a replace a portion of the

City's water meters, they would lose the benefits and operational efficiencies associated with the city-wide automatic meter reading system.

- The \$250,000 + in subsidized revenues caused by inefficient meters is currently coming out of City budgets. These lost revenues cause budget shortcomings and limit the funding available to the City annually for other projects and programs.

This project is aimed at delaying any future rate increases by increasing meter accuracy allowing the City to collect payment for the water being supplied to City residents and businesses.

- ***We expect the City of Kirksville to actually see recovered lost revenues of \$277,801 annually.*** In addition to guaranteed energy savings, Schneider Electric guarantees the accuracy of the water meters installed on our project. The water meter guarantee is associated with an amount of recovered lost revenue.

Schneider Electric is offering a money-back guarantee of 90% of the recovered lost revenue projection which equals \$250,021 annually.

- Implementing the project in small phases will force the City to fund the project directly from the City's budget rather than being financed over a period of time. The City would see a delay in energy savings, operational efficiency savings, and recovered lost water revenue. Small phases would also cause the City to piece-meal the performance of the project, hampering the end result and causing additional issues in ensuring proper performance of the system.
- Schneider Electric takes the headaches and issues out of the project by hiring competent subcontractors, with necessary oversight, to ensure proper installation and commissioning of systems. The value of our process lies in getting these projects done right the first time, with a guaranteed fixed-price contract eliminating change-orders that plague these types of projects.
- The total cost of installation increases when delays happen in construction and implementation of these projects. With a rate increase expected in 2013 and future rate increased due to changes in EPA lead requirements expected in the coming years, a holistic approach will save money in the long-term.
- Financing rates also come into play when delaying or opting to piece-meal these projects for a number of reasons. Current interest rates provided to the City by Schneider Electric's Financial RFP are the lowest in decades. Because of our financial backing and guaranteed savings the rates are below 2% for the City.

Should an alternative project, either internal or external, be considered these rates would not be good to the City as the financial parameters and guarantee would no longer be valid. Going with a more traditional equipment lease will automatically

increase the rate by anywhere between 1-1.5%, combine this with the uncertainty of the November Presidential Election and rates could see an additional increase.

Project History

This project is the culmination of over two years of investigation by City Staff. The City decided to pursue performance contracting as a procurement vehicle for the water meter replacement and facility upgrades projects after conducting initial discussions with three different vendors in the summer of 2010 and preliminary assessments with those vendors in the fall of 2010. The City then embarked on an extensive 9 month Request for Proposals on Qualifications, competitive interview, and selection process, short-listing three firms and eventually selecting Schneider Electric as the most qualified Energy Services Company to partner with for this project. Performance contracts are procured as a professional service through a qualifications based selection. Therefore, all scope items and costing were jointly developed between Schneider Electric and the City over hundreds of hours and more than twenty group meetings. Performance contracting offers the City the assurances and protections of guaranteed energy savings and recovered lost revenue, one company accountability, turn-key project development and delivery, and low financing rates among many other benefits.



Schneider Electric brings significant value to this project, particularly in the form of guaranteed savings and revenue as well as mitigating risk and headaches associated with construction projects. We bring extensive experience in implementing these projects to the City of Kirkville, having completed over 480 nation-wide.

Should the Council decide to pursue a procurement method other than performance contracting, the City would incur additional risk both financially and because of a piecemeal project approach. The following illustrates some additional costs the City should consider when comparing our price to the price of the low-bid water meter installer.

Investment Grade Audit Fee: Part of the performance contracting process is to utilize a financial incentive to ensure clients are serious about moving forward with further development of a project. Schneider Electric utilized a two part IGA process to first review the meter accuracy level and then final development of the scope requested by the City. This fee comes out to \$90,000 that only covers part of the development cost associated with this project and was agreed upon by the City Council at both steps in the process.

Construction Delay: Should the City decide to delay the project or select another avenue outside of performance contracting, the City will be causing a delay in the guaranteed savings provided by Schneider Electric. The delay will be caused by having to go back out to procure bids as required by both State statutes and City policies. Generally this process will cause anywhere between a 6-8 month delay as new specifications will need to be written, bid development time, approval by the City Council to move forward to solicit bids, time for bid preparation, review of bids for accuracy and completeness, approval of contractor by Council, legal review of contract, and final contract signing. This delay could cost the City approximately \$145,833 (\$20,833 in lost monthly revenue generation based upon Schneider Electric's \$250,000 guaranteed savings multiplied by 7 months).

Interest Rate Uncertainty: The current interest rates seen by the City are at historical lows of 1.87% semiannual and 1.96% annual payments. These low rates are certainly in need of consideration when making a decision that will affect the City for a 10-15 year period. By locking in rates at this level and avoiding rate fluctuation that is typically seen after a presidential election, the City will be saving significant interest costs. For example, if the City sees a rate increase of 1% following the election, there would be an increase in interest expense of \$279,777 based upon the Base Project cost of \$4,747,688. (project price including 1.96% interest over 10 years = \$5,274,583 vs. project price including 2.96% interest over 10 years = \$5,554,360; \$5,274,583 - \$5,554,360 = \$279,777).

In addition to an increase in historically low rates, the rate provided by a number of financial institutions is based on a level of guaranteed revenue and energy savings. When a project is coupled with a savings guarantee, most lenders will be able to provide a lower interest rate compared to financing a traditional project without a guarantee. The guaranteed savings and client's credit profile ultimately determine the final rate. The interest rate for a project without guaranteed savings through an Energy Services Company would generally be anywhere between .5-1% higher due to the increased risk level. If you combine this increase with the rate uncertainty due to the election a delay in this contract could add an additional \$142,797 over the term based upon the Base Project (2.96% interest rate from above over 10 years = \$5,554,360 vs. 3.46% interest rate based up a .5% increase due to lack of guarantee over a 10 year term = \$5,697,157; \$5,554,360 - \$5,697,157 = \$142,797).

Materials Cost Increase: Annually material costs increase due to higher cost to produce and provide the materials associated with these projects. The purchase price for the water meters for this project is anticipated to increase at the end of this year by \$88,728. This is an increase of nearly 0.6% in the total meter materials pricing. This increase in materials cost would also be subjected to the same increase in interest costs if the project was delayed or procured through a different method.

Change Orders: Schneider Electric's proposed project is offered as a guaranteed fixed-price contract. This means the City will not be presented with any change orders, unless the scope of work is changed at the



request of the City. An average project using traditional procurement methods experiences 3-10% additional cost in change orders. For a project of \$3,000,000, this would equal \$90,000-\$300,000.

Guarantee: The most important risk mitigation provided by Schneider Electric is a true meter accuracy and energy savings guarantee. Schneider Electric's guarantee ensures the City will see real dollars coming back into your budget to pay for these improvements over a period of time. If a procurement method other than performance contracting is used, the City will not have the assurance of a money-back guarantee when making this important financial commitment.

To highlight the importance of the guarantee provided by Schneider Electric we have included the following chart. This chart shows the impact to revenue if the meter accuracy is off by 1%, 2%, or 5% from projections. As illustrated below this would have a significant impact on the Income for the City. For example if the meter accuracy is off by 2% the annual shortfall for the City would be \$54,991. If the City procures this project through traditional low-bid methods the City would be short these dollars, affecting the overall return on investment for this project. However, Schneider Electric's Guarantee would provide a 15 year net present value (NPV) shortfall check to the City to cover the lost revenue of \$599,329 at 2% off projections.

	Revenue Projections	1% - Projected	2% - Projected	5% - Projected
Annual Guar Rev Increase	\$250,021			
Annual Surplus or Shortfall		-\$13,640	-\$54,991	-\$179,037
NPV Shortfall for full 15 years (amount of Schneider Electric shortfall check)		-\$148,660	-\$599,329	-\$1,951,255

The City started this process two years ago to avoid risk and issues generally associated with construction and infrastructure improvements. Schneider Electric's process to oversee the development, design, implementation, and guarantee savings and revenue to the City provides an assurance of a quality project. Any alternative method will require significant time and resources from City staff. The City would be required to undertake the procurement process again causing significant delays and lack of continuity.

As outlined above there will be additional costs to consider when evaluating our proposal versus that of an alternative method. These costs would be on top of any subcontractor estimates or bids outside of the performance contracting process through Schneider Electric. These costs have been outlined in the following table to consider prior to making any decision.

	Additional Costs:
Investment Grade Audit Fee:	\$90,000
Construction Delay:	\$145,833
Interest Rate Uncertainty (Election Variability):	\$279,777
Interest Rate Uncertainty (Non-guaranteed Increase):	\$142,797
Materials Cost Increase:	\$85,729
Change Orders (7%- the mid-point of the average 3-10% for a \$3M project)	\$210,000
Total Additional Costs:	\$938,136



If the meter accuracy tests less than projected the City would not have the guarantee should you go with an alternative method. If the meter accuracy is off by 2% the City would lose \$589,329 net present value in revenue generation over 15 years.

Total Additional Costs from Above:	\$338,136
Lost Revenue due to Meter Inaccuracy (2% - Projections):	\$589,329
Total Additional Impact:	\$1,537,465

KIRKSVILLE CITY COUNCIL REPORT

Council Meeting Date: October 15, 2012

Agenda Item: 11

Report Prepared by: Mari E. Macomber, City Manager

Recommended Motion: To approve an Agreement with Schneider Electric to complete Performance Contracting Project.

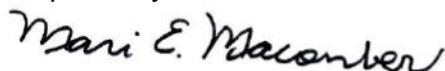
Background: The evaluation process to determine whether to consider performance contracting as an option for the City began in early 2010. After preliminary discussions, the City Council gave staff the go ahead to complete a request for qualifications to select a performance contractor. Through this process the Council selected Schneider Electric. Since their selection, Schneider Electric has completed an investment grade audit to determine if there would be energy savings through. After reviewing the completed audit with Schneider Electric, the Council approved an agreement with Schneider Electric to identify projects to be considered for performance contracting. Due to the work involved, the City committed to \$90,000 for the evaluation and analysis work.

Meetings were held with Schneider Electric and additional information provided to the City Council throughout the process. Several projects were identified including the replacement of water meters throughout the City; replacement of HVAC systems in several buildings; lighting replacements throughout all city buildings and several specific projects for both the airport and the aquatic center. The Council discussed reducing the projects down to including the lighting retrofit for the city buildings; the HVAC system for City Hall including a catwalk structure and meter replacements at a cost of \$4.7 million. The original \$90,000 commitment is included in the total price.

Council evaluated completing the projects as stand-alone projects with variable costs and potential change orders versus the performance contracting approach which would require Schneider Electric to oversee and make sure the projects are turn-key.

Fiscal Impact: The City will be committing to annual payments of \$527,712 for ten years with funds coming from the utility receipts. The interest rate on this project is at 1.87%. The project provides the City with a money-back guarantee of 90% of the recovered lost revenue projection which equals \$250,021 annually.

Respectfully submitted,



Mari E. Macomber
City Manager

FUTURE STUDY SESSION TOPICS

- Utility Rates – November 1
- Utility Billing Ordinance Revisions – November 1
- Budget Review – November 19
- Business License Ordinance Review – November 19
- Stormwater Projects – December 3
- Wastewater Treatment Plant – December 3
- Incubator Concept for EDA
- Downtown Cafes – use of City sidewalks
- Community Web Portal
- Citizen Communication
- Financial Advisory Committee
- Community Betterment Committee
- 2013 Street Projects
- 2013 Capital Project Update
- Review of Financial Policies
- Design Guidelines
- Sign Code Ordinance
- Review Comprehensive City Plan
- Tourist Center on Highway 63
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BILL NO. _____

ORDINANCE NO. _____

AN ORDINANCE ESTABLISHING RULES AND REGULATIONS FOR THE OPERATION AND CARE OF THE FOREST-LLEWELLYN CEMETERY, AND AMENDING CHAPTER 7 – CEMETERIES, OF THE CITY CODE OF THE CITY OF KIRKSVILLE, MISSOURI.

BE IT ORDAINED by the City Council of the City of Kirksville, MO, that Rules and Regulations are hereby established for the Forest-Llewellyn Cemetery located in Kirksville, Missouri.

Section 1. That Chapter 7 – Cemeteries, of the City Code of the City of Kirksville be amended by adding the following:

Article I. IN GENERAL

Forest-Llewellyn Cemetery lies between Osteopathy and Centennial Streets, Missouri and Washington Streets, and is owned and maintained by the City of Kirksville.

1. Definitions

- A. Burial Lot – Eight (8) graves in a lot size of approximately 18 feet x 20 feet. Exceptions are lots where a hill or other limiting natural feature restricts the lot size.
- B. Burial Space – A single grave will be allowed in a burial space.
- C. Marker - A permanent, one-piece granite, marble or bronze grave memorial that is installed flush with the ground or raised above the ground indicating the name(s) of the deceased and date(s) of birth and death as a means of marking a burial place.
- D. Military Markers – Flat, upright or bronze niche markers provided by the Department of Veterans Affairs for an eligible veteran.

2. Purchase of Spaces and Lots

- A. The City Clerk is hereby authorized to sell burial lots and spaces in Forest-Llewellyn Cemetery to be used for the burial of the remains of human beings and for no other purposes.
- B. Cost – The cost for a burial lot, burial space and perpetual care will be set by approval of the City Council.

3. Interment

- A. Certificate of Ownership – Prior to a burial, a Certificate of Ownership shall be acquired from the Office of the City Clerk at City Hall after payment for the requested burial space.
- B. Interments - The number of burials on any grave space shall be as follows: one traditional (casket/vault) and one cremain; or two cremains on a burial space.
- C. Inurnments – Cremains inurned on an existing burial space containing a casket/vault must be placed at the foot of the grave. Burial of cremains in other areas of the Cemetery may be considered on a case-by-case basis.
- D. Grave Openings – Grave openings and closings shall be the responsibility of the funeral director in charge of arrangements. The funeral director shall contact the City Clerk prior to any openings in the Forest-Llewellyn Cemetery.
- E. Eggert Addition – Spaces for burial are available in the Eggert Addition only.

4. Ownership

- A. A Certificate of Ownership will be issued to the purchaser by the City Clerk after payment has been made for burial space. No burial space ownership change shall be made without written proof of requested transfer from the purchaser to the City Clerk by the purchaser.
- B. No purchaser of any burial space in the Forest-Llewellyn Cemetery shall sell or transfer the same or any part thereof to any private party.

5. Markers

The space available for a marker is five (5) feet. A one (1) foot base should be allowed between the head of the grave and the marker.

- A. Material of Markers – All markers shall be first- quality granite, marble or bronze. No foot markers shall be allowed unless otherwise stated.
- B. Prohibited Materials – Markers made of concrete, artificial stone, wood, tin or iron shall not be permitted. The only exception shall be the temporary markers placed by the Funeral Directors for the purpose of identifying the interment.
- C. Installation – Only licensed monument dealers/builders, City employees or City-approved agents shall install or erect monuments and markers in the Cemetery.

- D. Damaged or Deteriorated – When any monument or marker becomes unsightly, damaged or deteriorated, the City shall do what it can within the resources available to have the monument or marker repaired or removed.
- E. Cremation Markers –If the cremain is inurned at the foot of the grave, a foot marker will be allowed, so long as all rules and regulations are followed for a traditional burial space.
- F. Military Markers – The City will adhere to the Department of Veterans Affairs standards for all federally supplied markers.

6. Decorations

- A. Flowers - Flowers (fresh/artificial) will be allowed at anytime on a burial space, except when otherwise prohibited.
- B. Winter Decorations - Winter decorations consisting of wreaths and headstone sprays are allowed from November 1 to April 1.
- C. Flags – Flags may only be placed at burial spaces by military officials and/or their agents.
- D. Permitted – Vases on a marker, shepherd hooks placed in the ground against the marker and statues of a size that can be placed fully on the marker are the only other decorations allowed at a burial space.
- E. Prohibited – Unless otherwise stated, all other decorations will be prohibited including, but not limited to: Solar lights, statues, figurines, vases, pottery, ceramics, wind chimes, decorative rocks, wood chips, landscape timbers, furniture, Christmas trees, ornaments, trinkets, adornments, borders, flag poles and banners.

Flowers placed on a burial space for Memorial Day and Independence Day must be removed after two weeks of each holiday, or they will be discarded by the City. Flags will be removed by the City after two weeks of the Memorial Day observance, unless a flag is damaged whereupon it will be removed immediately.

7. Plantings

The planting of one (1) Peony may be allowed on either side of the marker. Prior to planting, approval must be obtained from the Public Works Director.

8. Trust Fund

All revenue derived from lot sales, perpetual care fees and donations will be deposited in the Cemetery Trust fund, with only interest earned on said funding being used for the operation and care of the Cemetery.

Individual donations are tax deductible under Sec 170 of the IRS Code.

Section 2. The provisions of this Ordinance shall be included and incorporated in the Code of Ordinances of the City of Kirksville, Missouri, as an addition or amendment thereto, and shall be appropriately renumbered to conform to the uniform numbering system of the Code.

Passed by the City Council and signed by the Mayor this _____ day of _____, 2012.

Richard L. Detweiler, Mayor

ATTEST:

Vickie Brumbaugh, City Clerk

FRIENDS OF FOREST LEWLEYN CEMETERY

Kirksville's Forest Llewellyn Cemetery represents the social, political, cultural and military history of our great City. Monuments serve as both the repository of the past and the inspiration for the future. Cemeteries give us the ability to move forward while remembering those who have made our way possible. They also offer endless opportunity for historical, artistic, architectural and genealogical pursuits.

There is a great need for funding to help restore and preserve the Forest Llewellyn Cemetery. The ravages of time, weather and, unfortunately, occasional vandalism topples monuments, collapses tombs and wreaks havoc on the cemetery. Repairs are very expensive and little maintenance to this part of the cemetery has taken place due limited funds, and there is no shortage to the number of repairs that are needed.

The Friends of Forest Llewellyn Cemetery is founded to assist in the restoration and preservation of Forest Llewellyn Cemetery. As a member of this organization, members are expected to prioritize priority renovations establishing long range maintenance plans to repair broken monuments, damaged statuary, and collapsed tombs; replace dead trees; renovate the entryway into the Cemetery.

The Friends of Forest Llewellyn Cemetery will work with Kirksville City staff and other community organizations to ensure that our Cemetery is preserved for the education and appreciation of future generations.

The Friends of Forest Llewellyn Cemetery will develop and disseminate educational information to the general public generating both an awareness and appreciation for the historical significance of this local landmark.

The Friends of Forest Llewellyn Cemetery will identify and establish fund raising events and activities that will be outlined in an annual calendar of events.

Forest Llewellyn Statement Purpose

To initiate the preservation and cleanup of a neglected and underfunded Cemetery; and to assist in the beautification, rehabilitation, and/or attempt to restore, and maintain, the markers, stones and history of former residents' final resting places.

Membership

Appointment to the Friends of the Forest Llewellyn Cemetery will be made by the Mayor with consent of the City Council. No membership limits will be established.

Staff support will be provided by the City Manager, City Clerk and Public Works Director.



TREE PLAN FOR FOREST-LLEWELLYN CEMETERY
 Kirksville, Missouri September 2012 Scale 1" = 50'



- EXISTING TREE
- EXISTING FLOWERING TREE
- EXISTING FUTURE TREE
- EXISTING TREE - REMOVE
- NEW TREE
- NEW FLOWERING TREE
- NEW FUTURE TREE