

STUDY SESSION NOTES
CITY OF WHEAT RIDGE, COLORADO
City Council Chambers 7500 W. 29th Avenue

November 3, 2014

Mayor Jay called the Study Session to order at 6:30 p.m.

Council members present: Bud Starker, Kristi Davis, Zachary Urban, Tim Fitzgerald, George Pond, and Genevieve Wooden

Absent: Jerry DiTullio and Tracy Langworthy

Also present: City Clerk, Janelle Shaver; Treasurer, Larry Schulz; City Manager, Patrick Goff; Economic Development Manager, Steve Art; guests and interested citizens

PUBLIC COMMENT ON AGENDA ITEMS

APPROVAL OF AGENDA

1. Solar Garden Discussion -- Patrick Goff

Mr. Goff introduced representatives from SunShare and CEC (Collective Energy Collective -- two competing companies, to make presentations about their solar garden opportunities. Emily Artale from Lotus Engineering was also present with independent analysis of the two offers for City Council to consider.

SunShare -- Mark Benson, senior VP of SunShare

- SunShare is Colorado based, founded in 2011 and is one of the first Community Solar Companies. They won 100% of Xcel 's competitive RFP awards in 2013, including all for Jefferson County.
- Current customers include the cities of Arvada and Westminster, Adams County, and the Green Mountain Water District
- SunShare is partnering with NRG to leverage each other's solar expertise.
- NRG is a Fortune 250 Company dedicated to solar, wind and renewable energy; largest independent power producer in the US; nation's largest sponsor of solar projects; 10,000+ employees; expertise is solar panels and system components.
- SunShare offers two options:
 - 1) Pre-Pay Option
 - \$553,360 up front payment from the City
 - Cost is \$2.67/watt
 - 20 year savings projected to be \$1,641,647
 - Return on investment is 296%
 - 2) \$0 down, Pay-as- you-go Option;
 - No money up front; more typical with cities and school districts
 - Pay as the system produces; City pays \$0.12/kilowatt hour
 - 20 year savings projected to be \$1,062,672

- No investment, so no return on investment
- Mitigating risk:
 - 1) If they don't get up and running the City can get out of the contract and owe nothing.
 - 2) Once operating, if they are down the City doesn't pay SunShare for credits not being received, but would pay Xcel the regular rate.
 - 3) After the 20yr contract starts if the City wants out they will work with the City to transfer our capacity to someone on the wait list.

From Council questions:

- Savings are based on a best estimate of what utility rates will be in the future (estimated to go up 5%). With a 3% increase City would still save \$700,000 over the 20 years.
- The \$0.12 increases at 2.9% per year and will always go up.
- If SunShare cannot provide the energy the City needs, the City would have to use another provider and SunShare would not be responsible for any of those costs.

CEC (Clean Energy Collective) -- Amy Thompson

- CEC is the largest national producer of solar systems. They have 40 producing solar systems online nationwide.
- Current government customers include the cities of Lakewood, Breckenridge and Silverthorne, and Arapahoe and Summit Counties.
- Immediate return on investment (not mid-2015); can begin saving money immediately. CEC's array is up and running; SunShare's has yet to be built.
- The array is already built; located north of Golden
- City owns their panels and can reap gains well past the 20 years; Xcel is obligated to renew the agreement; the panels are built to last well past 20 years. A 50 year total savings could be over \$12M.
- The system would be paid off in 8.5 years.
- 1st year payback is 10.5% maximizing savings, minimizing risk
- Return on Investment (ROI) for 20 years is 200%
- The City will receive ALL of its Renewable Energy Credits – less \$.02/kWh, which goes into the Operations and Maintenance trust fund. There will be no 2.9% escalation rate.
- Financing is available through Alpine Bank; a TABOR compliant Lease to Own; \$0 down; system is purchased over 15 years if financed; 5.25% interest rate.
- The City has already been preapproved; a 10% refundable reservation deposit will hold your spot until you decide.
- \$1,571,802 in savings with the 20 year model (after the purchase is paid off)

From Council questions:

- A portion of the City's REC payments and some of the initial wattage payments in the first 20 years seed a Bankruptcy Remote Account to cover for hail, vandalism, etc. This also covers Operations and Maintenance; if CEC ceases to exist the array would function as its own LLC. This also covers insurance, the land lease and property taxes.

- Obsolescence is expected and when panels are replaced in 25 years they will be replaced with the latest technology.
- The City's highest on-bill meters would be addressed first (ball field lights, AC pumps) to provide the highest credit.

Lotus Engineering -- Emily Artale

Emily had presented to Council in September. She returned to compare the two solar garden offers.

➤ CEC

City owns solar panels

Payment options: one-time *purchase* or \$0 down financing

Provides both a savings stream and an income stream

- Savings come from the bill credits (administered by Xcel), and
- Income from RECs (administered by CEC)

➤ SunShare

City owns electrons

Payment options: one-time *pre-pay* or \$0 down solar services agreement (SSA) i.e. pay-as-you-go

Savings stream from bill credits

Benefits with either company

Both have similar size and bill credit rates

Both have great environmental and financial benefits

Both arrays not located in the City

Both will save the City money

Unique benefits of each model

CEC: *Potential* to receive additional savings after 20 yr contract period (NREL predicts solar systems to last 30 yrs, but could be longer); their solar garden is commercially operational; also earns savings from RECs (guaranteed and fixed)

SunShare: City only pays for electricity generated "pay as you go"

Risks for either model

Neither is 100% guaranteed. Key factors (bill credit rates, consumption, generation and rates) will vary annually and are not guaranteed.

The major financial risk is the variability of bill credit rates (the savings stream) which is regulated by Xcel.

Ms. Artale's Recommendations

- Solar gardens are a great option for the City; there are lots of benefits
- The City can prepare for the risks using the right assumptions and establishing reasonable expectations
- Both companies present lots of benefits and similar risks
- There is no wrong choice; the best option for the City may be a function of the most appropriate business model.

Council questions and discussion followed. Some Councilmembers expressed interest in participating. Finances are a concern.

Mr. Goff summarized: Potentially larger savings over a long period of time = CEC
Pay as you go with less risk = SunShare

Most Councilmembers leaned towards pursuing an arrangement with CEC using the \$0 Down Financing.

Consensus by Councilmember Starker for staff to pursue a \$0 down agreement with CEC based on their proposal.

2. City/URA IGA Renewal ~ Patrick Goff and Steve Art

- The Wheat Ridge Town Center Urban Renewal Plan was adopted in December, 1981. This Intergovernmental Agreement (IGA) establishes various rights and responsibilities of the City and the Urban Renewal Authority related to the commercial area between 38th and 44th on the east side of Wadsworth. The IGA addresses (1) operational assistance and (2) the sales tax increment applicable to the WR Town Center. The 25 year agreement has been extended twice and the share back of the sales tax increment was increased in September, 2011 from 50% to 100%. The IGA expires December 31, 2014.
- The amount currently returned to Urban Renewal is about \$450K a year. That money is used for projects and most recently almost entirely for debt service for the property purchase at 44th & Wadsworth (Town Center Apartments). Other Authority expenses include legal fees, site improvement and ongoing maintenance.
- A portion of the Town Center loan was paid down recently (which decreased the debt service). When the remaining parcels are sold (expected by year's end) there will be no more debt service and URA will not need the full \$450,000.

Mr. Goff advised that it's important to maintain a relationship with Urban Renewal and keep them active. He suggested the City could reduce their funding and recommended the IGA be renewed with the following provisions:

- Urban Renewal Funding no longer be tied to the incremental sales tax from Town Center as it is a cumbersome administrative process.
- The City will provide an annual lump sum of \$300,000 to Urban Renewal for their activities (a decrease of about \$150,000). Urban Renewal will no longer need to reimburse the City for salaries, rents and costs provided by the City (employees, insurance, facilities, services, supplies).
- The Terms of the IGA would be from January 1, 2015 to December 31, 2019.

Discussion followed, centering on the following points:

- Next year the \$300,000 will cover debt service for 38th & Yukon and URA expenses.
- Caveat: If a project arises the URA may come to the City for some loans or cash.

- Discontinuing reimbursement requirements streamlines the process. (We won't be giving them money and then asking for it back.)
- TIF financing projects would still come through the City per state statutes.
- City insurance covers most URA issues.
- As an income stream the URA will continue to receive property tax funds from the WR Cyclery TIF project for the full 25 years even though the sales tax part has been paid off. That money will have to be used in the 38th Ave. corridor.
- Steve Art reminded Council that TIF money has to be invested in the particular area from whence it came. The URA money under discussion tonight can be used elsewhere for other projects.
- This IGA could be amended annually through the budget process.

Councilmember Starker received consensus to approve the IGA as presented with the slight revision in the termination provision.

3. Staff Report(s)

4. Elected Officials' Report(s)

Genevieve Wooden noted the Education Committee met today; they have several projects in the works.

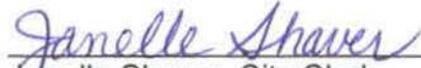
Tim Fitzgerald asked for consensus to proceed with a Code change to consolidate retail MIP applications and medical MIP applications as one application for business license purposes for the purpose of product distribution and manufacture. This would benefit EBBU. He sees this as a technical correction. Mr. Goff said they are currently two separate processes.

Discussion followed. ~ Mrs. Wooden said she is against this because it is making concessions and doing something special for one business. ~ Mr. Goff clarified that the other MIPs did separate applications for each type of license. ~ Ms. Davis would like to discuss this with everything else at the marijuana study session in December. ~ Mr. Urban expressed concerns about combining areas the state maintains as separate, and isn't keen on retroactive action for one business. ~ Mr. Pond agreed with discussing it in December. ~ There was agreement to discuss this at the December 1 study session when the other marijuana regulations are reviewed.

Clerk Shaver explained the cart in the back of the room. It is the equipment that will turn Council Chambers into a Voter Service/Polling Center tomorrow for the election. She encouraged people to vote if they haven't already.

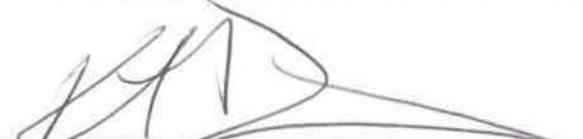
ADJOURNMENT

The Study Session adjourned at 8:36 p.m.



Janelle Shaver, City Clerk

APPROVED BY CITY COUNCIL ON December 8, 2014



Kristi Davis, Mayor Pro Tem