

Agenda Report

January 10, 2005

To: CITY COUNCIL
Through: FINANCE COMMITTEE
From: CITY MANAGER

Subject: APPROPRIATE FUNDS TO GAS TURBINE CAPITAL PROJECT
NUMBER 3166 AND TRANSFER FUNDS FROM THE POWER
FUND TO THE CITY'S CAPITAL PUBLIC ART FUND

RECOMMENDATION:

It is recommended that the City Council:

- 1) Approve a journal voucher increasing appropriations for Local Generation Repowering Project, CIP Project Number 3166 by \$620,860 for a new total of \$91,363,860
- 2) Approve a journal voucher transferring \$620,860 from the Power Fund to the City's Capital Public Art Fund

BACKGROUND:

In the fall of 2003, Pasadena Water and Power completed construction and began commercial operation of a power generation facility on the Glenarm site in Pasadena. This new facility is comprised of two gas turbines and was authorized by City Council in FY 2002 under CIP Project Number 3166, "Local Generation Repowering Project", with an initial appropriation of \$74,781,324. Subsequently, the maintenance of the existing GT-1 and GT-2 gas turbines was added to CIP Project Number 3166 and the appropriation was increased to \$90,743,000 to reflect scope changes and the maintenance costs. The purchase and installation of these turbines was based on a financial analysis that compared the cost of purchasing the equipment and the cost of buying electricity on the open market. After identifying all known and estimated costs, it was determined that the cost of buying the equipment would be less than the cost of buying the electricity.

The Project is subject to the City's one percent Capital Improvement Program (CIP) Public Art Program (Program). This information was not included in the original financial analysis. As of November 30, 2004, the remaining appropriation balance for CIP Project

Number 3166 was \$902,049. However these funds have been committed to Sermatech Power Solutions and ARB, Inc. An invoice in the amount of about \$150,000 is expected from Sermatech Power Solutions for services rendered on GT-3 and GT-4 and PWP is due to cover ARB's ten percent retention of about \$700,000 on the GT-3 and GT-4. Thus additional funds must be appropriated to the project in order to comply with the Program.

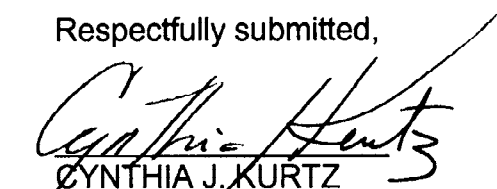
CALCULATION OF ART FEE

The art fee is calculated as one percent of applicable construction costs. These costs exclude such things as architectural costs, costs for fees and permits, and indirect costs, such as interest during construction, advertising and legal fees. The Executive Director for the Arts, in conjunction with the Public Works Director, has determined that 75 percent of the project costs are subject to the art fee. The 75 percent figure represents a formulaic calculation of the project hard costs, thereby exempting soft costs and the maintenance costs relating to the existing GT-1 and GT-2 gas turbines. This results in a fee of \$620,859.93.

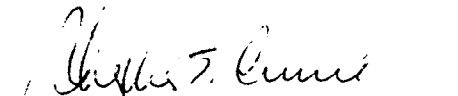
FISCAL IMPACT:

Sufficient funds are available in the unappropriated Light and Power Fund to cover the art fee of \$620,859.93. This cost will be added to the total cost of CIP Project Number 3166, "Local Generation Repowering Project", and will have a negligible impact on the energy rate over the life of the project.

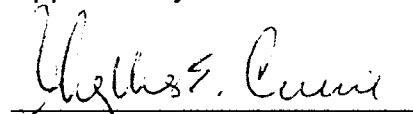
Respectfully submitted,


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