CITY OF COMMERCE
AGENDA REPORT

TO: Honorable City Council

FROM: City Manager

SUBJECT: Approval of an Energy Services Contract with Syserco Energy Solutions, Inc. (SES) for City-Wide Facility Energy Efficiency and Solar Photovoltaic Installation at Teen Center Pursuant to California Government Code Section 4217

MEETING DATE: July 14, 2026

RECOMMENDATION

It is recommended that the City Council upon conclusion of a Public Hearing adopt a resolution that does the following:

1. Finds that the cost to the City to implement the energy conservation measures described in the Syserco Energy Solutions, Inc. (SES) proposal attached herein will be less than the anticipated marginal cost to the City of thermal, electrical, or other energy that would have been consumed by the City in the absence of those purchases; and
2. Finds that the project is categorically exempt from the California Environmental Quality Act (CEQA) under CEQA Guidelines Section 15301 (Existing Facilities) and Section 15303 (New Construction or Conversion of Small Structures); and
3. Approves the Energy Services Contract with SES in a form approved by the City Attorney in a fixed amount of $1,796,450 and authorizes the City Manager to negotiate and finalize the final terms of the agreement and all associated documents on behalf of the City; and
4. Authorizes up to 15% ($269,468) of the construction cost in contingencies for unforeseen conditions; and
5. Authorizing up to 10% ($206,592) of the total construction and contingencies costs for construction management, and inspection; and
6. Allocates funding in the amount of $2,272,510 to cover the total cost of the Project; and
7. Authorizing to proceed with construction management and inspection service, pursuant to the existing on-call consultant services.

BACKGROUND:

The State of California has instituted aggressive regulatory mandates targeting energy efficiency and environmental sustainability, notably Assembly Bill 2208, which phases out traditional linear fluorescent and compact fluorescent lighting. Concurrently, public agencies are balancing volatile grid utility rates while trying to capture finite depleting federal incentives, such as the direct-pay Investment Tax Credit (ITC) expanded under the Inflation Reduction Act.

To address these operational mandates and infrastructure needs, SES conducted a comprehensive Investment Grade Audit (IGA) of identified City facilities. The audit established a historical energy consumption baseline, evaluated structural capabilities, and designed targeted Energy Conservation Measures (ECMs) to maximize energy efficiency, stabilize utility operational expenses, and ensure statutory compliance.

California Government Code Sections 4217.10 through 4217.18 authorize a public agency to enter into an energy services contract on a design-build basis without a traditional competitive design-bid-build solicitation, provided that the agency holds a public hearing with a minimum of a two-week public notice and determines that the financial savings from the contract exceed its implementation costs. The notice of public hearing was published on July 1, 2026 (Attachment 2). This project meets and exceeds these statutory requirements.

DISCUSSION:

The comprehensive, design-build energy services project consists of two primary ECMs implemented across seven (7) key City facilities:

1. <u>ECM 5.01: Building Lighting Upgrade & Controls</u>
    a. <u>Scope</u>: Full-scale retrofitting or replacement of 1,945 existing legacy fixtures (including linear T8 fluorescent tubes and compact fluorescent pin lamps) with high-efficiency LED technology and upgraded localized controls.
    b. <u>Sites Impacted</u>: Brenda Villa Aquatic Center (623 fixtures), City Hall (754 fixtures), Senior Center (251 fixtures), Camp Commerce (194 fixtures), Teen Center (82 fixtures), Emergency Operations Center (37 fixtures), and the Electrical Building (4 fixtures).
    c. <u>Operational Benefit</u>: Resolves maintenance cycles by utilizing extended lamp lifetimes, improving localized light production and uniformity, and ensuring strict compliance with AB 2208 environmental mandates.

2. <u>ECM 11.01: Install Solar Photovoltaic (PV) System</u>
    a. <u>Scope</u>: Engineering, procurement, construction, and interconnection of a rooftop-mounted solar PV array.
    b. <u>Site Impacted</u>: The Teen Center (5107 Astor Ave., Commerce, CA 90040).
    c. <u>Educational Component</u>: Installation of a public-facing energy production display monitor inside the Teen Center lobby to track real-time clean generation performance and environmental metrics.

The total design-build cost is $1,796,450. However, the City is expected to capture following federal direct-pay tax incentives and specialized geographic bonuses, significantly decreasing the net cost:

- Gross Project Cost: $1,796,450
- Estimated Federal Investment Tax Credit (30% Base): ($121,042)
- Estimated Domestic Content Bonus Credit (10%): ($40,347)
- Estimated Energy Community Bonus Credit (10%): ($40,347)

- Expected Net Project Cost to City: $1,594,714

The engineered scope of work delivers electricity reductions across the facilities, totaling 244,795 kWh/year in electric energy savings. This equates to immediate, year-one operational benefits:

- Annual electric utility cost savings: $61,126 / year
- Annual Operations & Maintenance (O&M) savings: $23,268 / year
- Total combined annual year-one savings: $84,394 / year

Over a 30-year operational lifecycle for the solar and a 20-year lifecycle of the LED lighting, factoring in a conservative 5% compound annual utility rate escalation from Southern California Edison (SCE), the cumulative energy cost savings is projected to reach $2,187,900. Therefore, the total economic savings generated by the project comprehensively outweigh the contractual price, fulfilling the statutory mandate of CA GC 4217.12.

The Project scope, equipment quantities, and energy savings calculations contained within the SES proposal are based on facility information, site observations, utility data, and audit information available at the time of proposal preparation, including audit data originating from 2021 facility assessments.

Following contract award, SES will perform a detailed, post-award, field verification to confirm existing conditions, equipment inventories, operating conditions, and site accessibility prior to procurement and installation activities. Because facility conditions may have changed since the original audit was completed, adjustments to the proposed scope of work may be necessary. Examples may include equipment already replaced, modified facility conditions, inaccessible areas, or other changes identified during the verification process.

If material differences are identified that affect the proposed scope, project cost, or projected energy savings, SES will review the findings collaboratively with the City of Commerce and process any necessary scope revisions or change orders as appropriate. City staff and SES will work closely throughout the verification and installation process to ensure the final project scope accurately reflects current facility conditions while maintaining the overall intent of the project.

Approval of this energy services contract will enable the City of Commerce to modernize seven facilities, fulfill state-mandated lighting directives, lower greenhouse gas emissions by 163 metric tons of CO_2 annually, and achieve predictable long-term utility cost control.

Staff recommends that the City Council conduct the public hearing, adopt the requisite statutory findings, and authorize the City Manager to approve the attached contract with SES.

FISCAL IMPACT

Approval of the proposed agreement authorizes a contract in the amount of approximately $2.3 million. The proposal estimates approximately $84,000 in annual utility and maintenance cost savings and projects approximately $2.2 million in cumulative savings over a 30-year period. These projected savings are based on assumptions regarding facility conditions, building occupancy, utility rates, and other variables. As such, actual savings may differ from those projected and would be realized gradually over the life of the improvements rather than immediately. And, because the projected savings and total project costs are dependent on these future assumptions and conditions, the City's actual financial return on investment cannot be guaranteed. Additionally, the proposal's financial analysis assumes the availability and receipt of certain tax credits, rebates, and other incentives. To the extent those rebates or incentives are reduced or unavailable, the City's net project cost could increase.

The proposal also includes numerous assumptions, exclusions, and responsibilities that could result in additional project costs beyond the initial contract amount, including permitting requirements, utility or electrical upgrades, ADA compliance, hazardous materials, and other unforeseen site conditions. Moreover, SES will perform a post-award field verification that may result in revisions to the project scope, contract price, or projected savings if existing conditions differ from those assumed during project development. Any additional costs would require identification of an appropriate funding source and approvals required under the City's purchasing policy and budget requirements.

Staff anticipates funding this project with Measure PC revenues. Because approximately $2.9 million in future Measure PC revenues may already be committed toward the temporary structure at Bristow Park (on today's agenda), approval of this project would further encumber future Measure PC revenues and is expected to result in a temporary negative cash position within the Measure PC Fund until sufficient tax revenues are collected. While future Measure PC revenues are anticipated to offset these expenditures over time, the City may need to identify temporary financing or alternative cash flow strategies to fund both commitments prior to the receipt of the revenues.

The total project cost, including construction management, inspection and contingencies, is $2,272,510.

The following is a summary of the project cost:

Construction cost	$1,796,450
Construction contingencies (15%)	$269,468
Subtotal	$2,065,918
Construction management, and inspection (10%)	$206,592
Total Project Cost	**$2,272,510**

ENVIRONMENTAL

The project is determined to be categorically exempt from environmental review under the California Environmental Quality Act (CEQA) Guidelines:

- Section 15301 (Class 1, Existing Facilities): Pertains to interior and exterior alterations involving retrofitting of mechanical/electrical systems and interior building configurations (applicable to the city-wide LED upgrade project).
- Section 15303 (Class 3, New Construction or Conversion of Small Structures): Pertains to the installation of small utility structures and accessory rooftop solar

arrays on existing commercial facilities (applicable to the Teen Center rooftop PV array).

ALTERNATIVES:

1. Approve recommendation
2. Reject recommendation
3. Provide staff with further direction

RELATIONSHIP TO STRATEGIC GOALS:

This agenda item relates to the 2016 Strategic Plan, Infrastructure and Facilities:

Guiding Principle 4: Develop and invest in infrastructure and beautification projects that support economic growth

Recommended by: Shahid Abbas, Director of Public Works
Fiscal Impact reviewed by: Alvaro Castellon, Director of Finance
Approved as to form by: Noel Tapia, City Attorney
Respectfully submitted by: Ernie Hernandez, City Manager

ATTACHMENTS:

1. Resolution and Energy Services Contract
2. Notice of Public Hearing