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City of Duluth Communications Office

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SUBJECT: JCI Failing to Keep its Promise to Duluth Taxpayers

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JCI failing to keep its promise to Duluth taxpayers

In 2006, Johnson Controls Inc. presented a proposal to the City that “guaranteed” \$6.2 million in cost savings and emissions reduction as a result of proposed improvements to the steam plant in Canal Park. JCI promised that the improvements would be made “at no cost” to the City or the rate payers of the Steam Co-op. Now, three years into the agreement, the project is proving to be a failure and the guarantees made are not being honored.

“JCI made a guarantee to the residents of Duluth, and I expect them to live up to their promises. I’m tired of their corporate lawyers, their delay tactics, and a seeming unwillingness to acknowledge the failure of this project. Their performance has been so inadequate that the only honorable step would be to immediately reconcile with the taxpayers of Duluth and the Steam Co-op by making payments for the embarrassing shortfalls in projected cost and emissions reductions,” said Mayor Don Ness.

The City had been attempting to work with JCI to settle these matters but has been rebuffed after numerous delays and legal wrangling. The City has spent two years in litigation with JCI and tens of thousands of dollars on legal fees and engineering consultants. The next scheduled arbitration is not until April 2011.

“Every day that we spend in litigation is an additional expense to the taxpayers who were promised that this project would be “at no cost” to the city and the rate payers of the Steam Co-op ,” said David Montgomery, the City’s Chief Administrative Officer. “We have made good faith settlement proposals to JCI that shows the City’s willingness to make meaningful accommodations to resolve this dispute. JCI has refused to budge and continues the same delay tactics at a significant cost to taxpayers.”

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