

Legislation Text

File #: 18-0017, **Version:** 1

Summary

To: Mayor Gary H. Katica, and Commissioners
From: JP Murphy, Town Manager
Date: 1/12/2018

Subject:

Consideration of Investment Grade Audit and Guaranteed Savings Performance Contract

Summary:

Investment in facilities is needed as buildings continue to age leading to rising operating expenses. A statutory funding mechanism (Florida Statute 489.145) exists to use the savings associated with utility and maintenance cost reduction in order to secure necessary facilities upgrades.

A Letter of Intent (LOI) with ABM to perform an Investment Grade Audit (IGA) was authorized by the Commission on August 1, 2017. The LOI set the criteria that must be achieved in order for the Town to enter into a Guaranteed Energy, Water and Wastewater Performance Savings Contract.

The results of the Investment Grade Audit are included and a summary will be presented to Commission by ABM for further deliberation.

Previous Commission Action: Approved Letter of Intent on 8/1/2017

Background/Problem Discussion: Generally speaking, energy performance contracting utilizes methods that capitolly purchase energy saving measures coupled with bonded, guaranteed savings. The program then uses the savings to pay for other infrastructure improvements. The process at a very high level is as follows:

- Procurement of Investment Grade Audit (IGA)
- The Town negotiates a Guaranteed Energy Performance Savings Contract
- The Town executes the contract and financing agreement approved by Commission and begins work on ECMs.
- Ongoing Measurement and Verification process begins (M & V)

ABM presented IGA findings to Staff and then to Finance Board. A guaranteed savings solution exists to fund a base scope to upgrade facilities. There are additional capital needs that were also identified that could not be funded from energy savings. The Town has the option to enter into a Guaranteed Energy, Water and Wastewater Performance Savings Contract with ABM for the scope contained in the IGA

The IGA concludes that there is approximately \$20,500 worth of annual energy savings available with the incorporation of all recommended upgrades. In addition, \$44,200 worth of Operation and Maintenance savings are achieved. The base scope has a total capital replacement cost of \$557,505. Overall, ABM will guarantee savings in excess of \$118,676 annually. The combination of a performance service contract and financed capital payment for equipment replacement result in a cumulative 5 year savings of \$6,000 and a 12 year savings of

\$312,947, over current operations. Pages 73-77 of the attached audit illustrate this fully.

When evaluating the effectiveness of the program, one must bear in mind that much of the equipment replacement is replacing future unscheduled and (unfunded) equipment and air conditioners; many of which are already at the end of their useful life.

There is not enough energy savings to fund the original options: roof replacement, the electrical panel replacement and field lighting. However, the town may utilize the funding vehicle to procure and finance the replacement of these items should the Commission choose to include them. The inclusion of the items would also place them under ABM's performance guarantees and continue to provide a single source for maintenance and repair.

Expenditure Challenges The base scope of capital replacement is \$557,505, to provide a net savings of \$867,400 over 12 years. The savings are used to finance the capital payments annually.

Financial Implications: The base scope is budget neutral with a slight savings of approximately \$2,000 annually.

Recommendation: There are total programmatic savings here, but they are minimal. The counterbalance to this is that the base scope addresses capital needs that are not yet funded, and eliminates surprise maintenance issues. I did conduct some present value calculations inclusive of the cost of borrowing and still found the program to provide savings based on the assumptions.

I recommend moving forward with the base scope and adding the roof and electrical panels. However, given the cost of borrowing, The Commission ought to consider utilizing dollars from capital projects to reduce the amount of interest paid. I would recommend the use of \$230,000 to offset the roof and electrical panel capital cost, and only finance the base scope which is budget neutral.

Additionally, the Recreation Center has received a commitment of \$100,000 dollars towards the eventual ball-field replacement. If the Commission would like to move forward now with the replacement of the lighting, this would be an excellent vehicle to attach that project to. Again, consideration should be paid whether to finance or utilize reserve to fund the remainder of the project. (Estimated: \$230,000 for the Ball Fields; \$70,000 for Tennis courts)

Notes for the attached PDF of the Investment Grade Audit;

1. The final scope is still subject to approval from the Town of Belleair and could contain additions (Sport Field Lighting, etc.) or removal based on the direction of Commission.
2. The cash flow contained is also subject to financing rate and terms from the selected lending partner.
3. The Investment Grade Audit will be updated to include any necessary changes prior to inclusion into a Guaranteed Energy Savings Contract.

Proposed Motion Options:

- 1.) I move approval/denial of the ABM Building Services base scope and authorize the Town Manager and Town Attorney to negotiate a Guaranteed Energy Performance Savings Contract with ABM
- 2.) I move approval of the ABM Building Services base scope along with inclusion of electrical repairs and roof replacement, and authorize the Town Manager and Town Attorney to negotiate a Guaranteed Energy Performance Savings Contract with ABM
- 3.) I move approval of the ABM Building Services base scope along with inclusion of electrical repairs:

roof replacement, utilizing \$230,000 or \$XXX,XXX from available Capital Projects Fund balance and authorize the Town Manager and Town Attorney to negotiate a Guaranteed Energy Performance Savings Contract with ABM.

- 4.) I move approval of the ABM Building Services base scope along with inclusion of electrical repairs; roof replacement and ball field lighting replacement and authorize the Town Manager and Town Attorney to negotiate a Guaranteed Energy Performance Savings Contract with ABM
- 5.) I move approval of the ABM Building Services base scope along with inclusion of electrical repairs: roof replacement and ball field lighting, utilizing \$XXX,XXX from available Capital Projects Fund balance and authorize the Town Manager and Town Attorney to negotiate a Guaranteed Energy Performance Savings Contract with ABM