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COMMITTEE MEMORANDUM

TO: Mayor Matti Herrera Bower and Members of the City Commission

FROM: City Manager Jorge M. Gonzalez

DATE: September 9, 2009

SUBJECT: **REPORT OF THE FINANCE AND CITYWIDE PROJECTS COMMITTEE MEETING OF August 24, 2009.**

OLD BUSINESS

1. Review and Discussion of the Ameresco final report and list of energy savings projects.

ACTION

The Committee recommended:

- ***Energy Conservation Measure (ECM) 1 - Facility Lighting and Lighting Control Upgrades; ECM 3 - Domestic Water Conservation; ECM 5 - HVAC Controls; ECM 7 - Geothermal Cooling – Police Station; ECM 10 - Power Transformer Replacement; ECM 6a - Geothermal Cooling – Convention Center; ECM 6b - Chiller Plant Optimization; ECM 6c - District Cooling Plant***
- ***Neighborhoods/Community Affairs Committee discuss ECM 4 - Irrigation Water Conservation: Scalping Plant***
- ***Ameresco to include a schedule of savings achieved per year for the City when they present to the Commission.***
- ***Ameresco share information with staff on the selected bidders and if the lowest and best bidder bidder, based on Ameresco's determined criteria for qualifications, was not selected, bring item back to commission for discussion if the price differential between low bid and the contract desired is over by two (2) percent, with a \$10,000 minimum threshold on contract pricing.***
- ***Ameresco include local bidders***
- ***not doing ECM 8 – Ice Arena Cooling Savings and ECM 12 – Renewable Energy – Scott Rakow Center due to the payback period.***

The Committee asked the Finance Department to give Ameresco the anticipated water rate increases given to the City by the County and that Ameresco rework their model to include these rate increases.

Assistant City Manager Robert Middaugh presented the item and gave a brief synopsis of the memo. Mr. Middaugh then went on to introduce John Plack from Ameresco who is the consultant for the project.

Agenda Item CGH

Date 9-9-09

Chairman Saul Gross asked if there are additional electrical costs for cooling the water to travel from the convention center to City Hall. Mr. Plack stated that these costs are factored into the models and that there may be a slight increase in the temperature of the water as it travels to City Hall but would not significantly impact the electrical cost. Commissioner Jerry Libbin asked at what distance the cost efficiency would be lost. Mr. Plack stated that it would be limited to the immediate area. Commissioner Deede Weithorn asked if the one-to-two (1-2) degree change in water temperature is an average of the change or is consistent regardless of weather conditions. Mr. Plack stated that it is fairly consistent regardless of weather conditions and the more water that travels the smaller the change in temperature.

Chairman Gross asked Public Works Director Fred Beckmann if staff had verified the calculations made by Ameresco. Mr. Beckmann stated that staff has not verified the information and would look to hire a consultant to help verify when the final audit report is received.

Chairman Gross asked if water rate increases were factored in to the model. Mr. Plack stated that a twenty (20) percent increase was included for the first year and escalations of five (5) percent for each of the following years were factored into the model. The Committee asked the Finance Department to give Ameresco the anticipated water rate increases given to the City by the County and that Ameresco rework their model to include these rate increases.

Commissioner Libbin asked if ECM 4 - Irrigation Water Conservation: Scalping Plant was included on the list. Mr. Plack said that it was not on the list for discussion today but it could be added. Commissioners Weithorn and Libbin stated that the neighborhood was in favor of the scalping plant. The Committee recommended sending it to the Neighborhoods/Community Affairs Committee to discuss ECM 4 - Irrigation Water Conservation: Scalping Plant and asked staff to continue to work on the project and to start the community outreach process as soon as sufficient information is available to do so. Mr. Middaugh indicated that the project was still being worked on and was only delayed at this point to allow more complete information to be developed both to present to the community and to the Commission.

Chairman Gross expressed his concern over the approximate twenty-six (26) year payback for ECM 6a – Geothermal Cooling – Convention Center. Commissioner Weithorn stated that she believes that as the cost of water continues to rise it will make the payback time shorter and is in favor of it. The Committee asked Ameresco to include a schedule of savings achieved per year from not having to install cooling towers at various locations when they present this item to the Commission. Mr. Plack indicated that the column on the far right of the spreadsheet illustrated some of the avoided costs and that it would be updated for the final presentation.

Mr. Plack explained that \$500,000 was added as a place holder/allowance to the cost of ECM 5 – HVAC Controls for Ameresco to design a system to replace the Variable Air Volume (VAV) boxes at City Hall and adequately heat and cool the building.

Chairman Gross asked what the process would be once everything was approved. Mr. Plack explained that once a list of ECMs were approved, Ameresco would deliver supporting documents/detail to substantiate the numbers/costs reported to the City in approximately four (4) days. Chairman Gross asked how projects would be bid. Mr. Plack stated that projects are competitively bid to pre-qualified contractors but it is not an open/public bidding process. Chairman Gross asked if written bids from contractors

were already obtained and if there were three (3) bidders for all projects. Mr. Plack stated that Ameresco does have some written bids that they will share with the City and three (3) bids were not obtained on some projects. Mr. Plack explained, for example, that on ECM 1 – Facility Lighting and Lighting Control Upgrades Ameresco has national contracts with lighting manufacturers where typically the pricing cannot be matched by local bidders. As for labor on a project such as ECM 1, Mr. Plack explained that there are lighting contractors that do “production” work and have a unique skill set to be able to work on “production” quantities that local contractors do not have. Therefore, Mr. Plack stated, there are a limited number of contractors that are not necessarily local contractors that Ameresco would go to. Chairman Gross stated that if projects were competitively bid, typically in today’s market costs have come down. Commissioner Libbin asked if the City has the option to say what is bid locally. Mr. Plack stated that because Ameresco has a financial obligation to deliver savings to the City, the lowest bidder is not always awarded the contract; it has to be who will deliver the best value. Commissioner Weithorn stated that the City doesn’t always choose the lowest bidder but chooses the lowest and best bidder. Discussion ensued. Alex Tachmes, of Shutts & Bowen, confirmed that in the nature of the contract with Ameresco, as it is their money that will serve as the guarantee, Ameresco must be able to make the decision on what contractor to use. The Committee agreed and acknowledged that an open public bid process is not appropriate in this nature of contract and also agreed that Ameresco absolutely needed to determine the contractor qualifications, but did wish to know if there was a choice of a vendor that was not the lowest price. The Committee recommended that Ameresco include local bidders and the Commission approves the bidder if the lowest bidder was not selected. The Committee recommended that a two (2) percent, with a minimum of \$10,000, variance be allowed on contract pricing for Ameresco and the Administration.

Chairman Gross moved the conversation to financing. Mr. Plack stated that the structure used in the model was a proposed tax-exempt lease finance. Kimberly Albertson, Ameresco Finance Manager, discussed the financing assumptions made in the presentation. Conversation ensued.

The Committee recommended not doing ECM 8 – Ice Arena Cooling Savings and ECM 12 – Renewable Energy – Scott Rakow Center due to the payback period. . The Committee agreed that the Ice Arena project was better to be included in a future renewal and replacement budget.

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