

W. J. O. A.

Memorandum Date: April 23, 2008
Order Date: May 7, 2008

TO: Board of County Commissioners

DEPARTMENT: Management Services

PRESENTED BY: David Suchart, Director

AGENDA ITEM TITLE: ORDER/In the Matter of Awarding a Contract for Lane County Adult Corrections Performance Contracting Program to McKinstry as the Energy Services Company (ESCO) during Phase 1.

I. MOTION:

Move Approval of Order 08- \In the Matter of Awarding a Contract for Lane County Adult Corrections Performance Contracting Program to McKinstry as the Energy Services Company (ESCO) during Phase 1.

II. AGENDA ITEM SUMMARY:

The Lane County Adult Corrections (LCAC) Heating Ventilation Air Conditioning (HVAC) systems have been in operation for thirty years. Some of the original engineering assumptions are no longer operational (well water), and some systems (steam) may no longer be reliable in the future. A strategic plan for upgrading and implementation of energy saving systems is essential. While concerns about the systems have been discussed since the early 1990s, it was balanced against other operational requirements. Also it is only recently that a viable financing proposal has been available.

III. BACKGROUND/IMPLICATIONS OF ACTION:

A. Board Action and Other History

In 2004, at the request of the Jail Commander, Management Services met with corrections facilities staff to discuss various options for upgrading the HVAC systems in the main facility. The estimated cost was thought to be greater than \$1 million and, given the nature of a corrections facility, it was considered critical to ensure round the clock operation.

One proposed consideration for financing was the use of energy saving performance contracting. Performance contracting is a method to purchase energy efficient improvements in buildings. There are three features of this methodology that address the need to replace old inefficient equipment in an environment where there is a lack of funds:

A single procurement is used to purchase a complete package of services in which one contractor (the ESCO) is accountable for guaranteed maximum pricing, energy savings, and systems performance.

Project financing of the entire project costs, which are offset by annual energy savings, so no up front money is needed.

An energy savings performance contract is designed to pay for itself.

The concept was brought to the Facilities Committee and approved for a pilot project at LCAC. The project was put on hold during the DOMC remodel. An RFP was developed in late 2007 and sent out for response in January 2008.

B. Policy Issues

Performance Contracting has been in use since the 1970s. This method has been utilized by many school districts, local municipal, and State governments with the need for efficient energy systems and a lack of available capital funds, which has made it both useful and popular. The State of Washington has had an elaborate system for cooperation between the State and local government and schools. The Oregon Department of Energy has recently begun promoting it.

C. Board Goals

Protecting the public's assets by maintaining, replacing, or upgrading the County's investments in systems and capital infrastructure, and identifying ways to improve space and facilities conditions to better serve citizens, insure the adequate maintenance of existing infrastructure, and provide an environment conducive to high employee productivity, as outlined in the Goals and Strategy B.1.d. of the County's Strategic Plan, will be served by the completion of these projects.

D. Financial and/or Resource Considerations

Given the County's financial condition, utilization of a process that could utilize current revenue streams without effecting operations should be

given consideration as a method for replacement of aging equipment and taking advantage of newer technologies such as solar.

The basic premise is that after completion of Phase 1, which is an audit of current systems, the ESCO will provide an analysis of improvements that will save energy costs. That savings is used to pay for the improvements. It will also be financed in part with incentives from utilities, the Energy Trust of Oregon, and from State of Oregon Business Energy Tax Credits. The ESCO is responsible for documenting both the revenue and expenditure stream and ensuring the payoff, which is generally ten to fifteen years.

E. Analysis

The County received four proposals, and three of those firms were interviewed. The selection panel made up of staff from Management Services and Corrections unanimously selected McKinstry as best able to meet the criteria, including the team that would work with the County through the whole process if that is the direction taken.

There are several phases in the process, and at the end of each the decision is made to proceed or to terminate the process. Phase 1 has no cost to the County. Additional phase expenditures are handled as a part of the financing project. Beyond Phase 1 the County would be responsible for recovering the cost to the ESCO for termination, thus the first phase is important as the step that identifies costs and savings.

The basic outline of the phases is as follows:

Phase 1 Technical Energy Audit – A menu of measures are explored and the County selects measures to pursue to a final project.

Phase 2 Project Development Plan – Develops final guaranteed maximum pricing and savings.

Phase 3 Design and Construction – Project is constructed and commissioned.

Phase 4 Measurement & Verification – Annual savings are verified and the ESCO funds any shortfalls for each year of the contract.

During Phase 4 the ESCO becomes responsible for guaranteeing the savings.

F. Alternatives/Options

1. Accept the recommendation to contract with McKinstry to implement Phase 1.
2. Reject the recommendation. Alternative means will have to be found to upgrade the systems.

IV. TIMING/IMPLEMENTATION

Finalize contract with McKinstry and begin the Phase 1 Technical Energy Audit. This should be completed by the middle of August 2008. If the recommendation is to proceed, that recommendation along with the audit will be brought back to the Board. If there are not enough savings at LCAC to proceed, one option is to perform a similar audit of the PSB/Courthouse. The results of the combination of facilities will also be brought back to the Board before proceeding.

V. RECOMMENDATION

Proceed with Phase 1.

VI. FOLLOW-UP

Upon adoption by the B/CC, contracts will be prepared for signature by the County Administrator.

VII. ATTACHMENTS

Board Orders

IN THE BOARD OF COUNTY COMMISSIONERS OF LANE COUNTY,
OREGON

ORDER NO. 08-) IN THE MATTER OF AWARDED A
) CONTRACT FOR LANE COUNTY ADULT
) CORRECTIONS PERFORMANCE
) CONTRACTING PROGRAM TO MCKINSTRY
) AS THE ENERGY SERVICES COMPANY
) (ESCO) DURING PHASE 1

WHEREAS, Lane County has need for upgrading and replacing its HVAC systems at the Adult Corrections facility, and

WHEREAS the project has complexities due to phasing and maintaining tenant operations, and

WHEREAS, all respondents were evaluated and interviewed pursuant to the RFP by an evaluation team, and

WHEREAS, the evaluation team has recommended the firm of McKinstry, and

WHEREAS, the initial contract shall be developed with a fixed fee of \$0 for the first phase, with amendments being negotiated for all future phases, now, therefore,

IT IS HEREBY ORDERED that the firm of McKinstry is hereby awarded the contract for Energy Services Company services for the Lane County Adult Corrections, and

IT IS FURTHER ORDERED that the County Administrator is delegated authority to execute such a contract.

Dated this 7th day of May 2008.

Faye Stewart, Chair
Board of County Commissioners

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Date 4/24/08
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OFFICE OF CLERK