

Item Title: Resolution for Wake County Public School System Performance Contracting

Specific Action Requested:

That the Board of Commissioners adopts the resolution stating its intent not to reduce appropriations to the Board of Education based on a reduction of energy costs due to the Energy Saving Agreement

Or

Defers the item to the next regular meeting for a second reading.

Item Summary:

Purpose: In order for the Board of Education to engage in performance contracting for energy cost saving facility improvements, the Local Government Commission requires the Board of Commissioners adopt a resolution stating it will not reduce utility appropriations to the Board of Education.

Background: Performance Contracting is a method of financing, designing and building major projects that have a return on investment in avoided utility costs. It provides a way to replace obsolete and inefficient equipment using guaranteed utility savings to pay for the project. Per G.S. 143-64.17, local governmental units are authorized to engage in performance contracting for facility improvements.

In December 2015, the Board of Education issued an RFP to select an Energy Services Company (ESCO) to explore projects that could be delivered through performance contracting. In February 2017, the Board of Education approved an agreement with Ameresco, Inc. to perform an investment grade audit to assess the feasibility of using performance contracting for improvements at 12 schools. The audit is complete and the next steps are for WCPSS to secure financing from a lender and enter into an Energy Services Agreement with Ameresco, Inc. to perform the improvements. On May 15, 2018, the Board of Education gave approval to school staff to issue an RFP for financing.

In order for WCPSS to secure the financing, a resolution from the Board of Commissioners stating that it will not reduce utility appropriations over the term of the contract is required. This ensures achieved cost savings can be used to pay off the loan. This board action satisfies the requirement. The Board of Education approved the resolution at their regular meeting on May 15, 2018. County staff have reviewed this request and recommend it for approval.

Board Goal: This action supports routine County business.

Fiscal Impact: This action does not require any additional County funding.

Additional Information:

Proposed Facility Improvements

The chart below shows the proposed facility improvements by school.

Energy Conservation Measures (ECMs)	Interior Lighting Upgrades	Exterior Lighting Upgrades	Water Conservation	Upgrade Building Automation Systems	HVAC Improvements	Boiler Replacement	Variable CHW Pumping Upgrades	Cooling Tower VFDs	Demand Control Ventilation	Air Handling Unit Replacement
	1	2	3	4	5	6	7	8	9	10
Athens Drive HS	X	X	X	X	X		X		X	
Barwell Road ES	X	X	X	X					X	
Brier Creek ES	X	X	X	X						
Broughton HS	X	X	X	X					X	X
Cary HS	X	X	X	X			X			
Combs ES	X	X	X	X					X	
East Millbrook MS	X	X	X	X	X					
Herbert Akins ES	X	X	X	X						
Knightdale HS	X	X	X	X						
Lead Mines ES	X	X	X	X						
N Garner MS	X	X	X	X						
Rand Road ES	X	X	X	X		X		X	X	

Financial Details

The total financed cost of the project would be \$7.2 million over a term of fifteen years. Guaranteed annual savings totaling \$691,100 would be used to pay off the financed cost of the improvements. Energy consumption is projected to decrease 22 percent across the 12 schools included in the agreement.

Financial Details		Guaranteed Energy Savings	
Total Financed Cost	\$7,157,100	Electricity (kWH)	7,209,480
Guaranteed Annual Savings	\$691,100	Natural Gas (Therms)	37,000
Project Finance Term	15 Years	Fuel Oil (Gallons)	9,400
*Estimated Finance Rate	3.85%	Water (kGals)	5,600
		Total Energy (MMBtu)	28,700

Additional Information On Performance Contracting

The major stages of the Energy Performance Contracting process include

1. RFP: Request for Proposals
2. IGA: Investment Grade Audit – Survey of Facilities
3. ESA: Energy Services Agreement
4. Construction Acceptance
5. Performance Period with Annual Reconciliation of specific performance measures

Key benefits to working with an ESCO include improved building performance, options for project financing and risk management as well as access to expertise in this field of energy savings, new equipment and training with little to no upfront cost. Performance contracts can apply to an individual building, campuses or entire portfolios of buildings.

This method of project delivery is commonly used in K-12 public school systems in North Carolina as well as Community Colleges and Major Universities.

Staff members from The North Carolina Department of Environmental Quality – NCDEQ have been valuable participants with Wake Schools during this process providing expertise and general oversight.

Staff Comments

Over the past twenty four months, County staff has collaborated with school system staff on performance contracting and the economic benefits derived from using this project delivery method to procure new energy saving building systems without the need for new funds and recommends adoption of the resolution as presented.

Attachments:

1. Resolution