

**CITY OF OAKLAND PARK, FLORIDA  
CITY COMMISSION AGENDA ITEM REPORT**

**AGENDA ITEM NO. 10**

MEETING DATE: 11/15/2017

<b>PREPARED BY:</b>	Albert Carbon, Director Public Works	<b>DEPARTMENT HEAD</b> <b>APPROVAL:</b>	PUBLIC WORKS
	Andrew Thompson, Director Financial Services		

**SUBJECT:** Approval of an Energy Savings Performance Contract with Energy Savings Group, LLC (ESG)

**1. BACKGROUND/HISTORY**

Due to lack of time, this item was moved from the November 1, 2017, Commission meeting to the November 15, 2017, meeting for Commission consideration.

**Issue Statement:** In June of 2016, the City Commission received a presentation from staff on a preliminary plan to consider an Energy Savings Performance Contract with an Energy Savings Company (ESCO). Staff then prepared and released a request for proposal for qualified energy savings companies. A selection committee reviewed the responses and found Energy Savings Group (ESG) to be the most responsive and responsible proposer. The City has worked with ESG, a state-approved energy savings company, to develop a Chapter 489-qualified project to replace the City's existing water meter infrastructure with new technology that is projected to decrease water use and increase accuracy.

**Recommended Action:** The City Commission approve a resolution authorizing staff to enter into a Guaranteed Energy Saving Performance contract with Energy Savings Group, LLC (ESG).

The Energy Savings Company (ESCO) becomes the project developer that provides energy solutions, including designs and implementation, of energy savings projects. The savings in energy costs are used to fund the capital investments over the term of the contract. The ESCO guarantees the savings and becomes responsible for anticipated shortfalls. Any excess in savings remain the property of the City.

On November 2, 2016, Commission approved a performance-based contract between the City and ESG. After approval, ESG began a formal investment grade audit and reported the results to Commission on May 3, 2017. Based on the results of their audit, it was determined that the proposed project for water meter replacement with advanced metering infrastructure (AMI) technology would be the most financially viable project.

The project was contemplated as part of the FY 2018 budget's development, presented in June and July as a component of the Capital Improvement Program. In September, the City Commission adopted the FY 2018 budget and recommendations for the ESCO project and external financing were approved as part of this adoption.

**2. CURRENT ACTIVITY**

An RFP for a bank loan at parity with the City's existing water and sewer bonds was issued in August. JPMorgan Chase was recommended by the selection committee and a 15 year loan with a fixed 2.02% interest rate was brought forward to the Commission as an ordinance on first reading on October 4, 2017 and for second reading and final approval on October 18, 2017. Funding occurred on October 19, 2017.

As discussed in prior Commission meetings, the ESCO project is focused on the implementation of advanced metering infrastructure, or "smart meters." Benefits of the project include:

- Replacement of 8,500 existing meters with new smart meters providing real time, remote data usage with two-way communication
- Improved billing accuracy
- Enhanced operational efficiency, reducing manual reading costs
- Reduced risk by way of check valves to prevent water and foreign materials from infiltrating the city lines
- Water conservation through real-time data providing leak detection alerts

The Guaranteed Energy Saving Performance contract is attached to this agenda item. A detailed overview of the scope of work is included in the agreement as Exhibit A.

After approval of the Agreement, ESG will prepare a detailed schedule including a public outreach program. The public outreach for residents will provide understanding on the meters, benefits and installation project. During the process, ESG will conduct training for City staff on the smart meter system. The Meter installation will begin in early 2018 and is anticipated to take between 18 to 24 months to be fully operational, including software testing and dual reading of meters (physical and electronic).

### **3. FINANCIAL IMPACT**

The project cost is \$6,465,296, funded by debt proceeds. In addition to these project costs, additional recurring costs exist, including debt service, measurement & verification, and the support fees for the Badger Metered Solutions platform. These costs are all considered against the benefits of the capital cost avoidance, increased operational efficiencies, and revenue improvements due to improved meter accuracy.

A detailed analysis of the total project financials, as forecasted, is included in the pro forma attached as Exhibit A. As shown therein, the net project cash flow is expected to be \$4,966,841 for the 15 year period. With the exception of the initial implementation year, during which the City will make debt service payments, every active year has a positive projected cash flow in excess of \$200,000.

ESG will conduct an annual measurement and verification of savings in accordance with the terms of the agreement. Should the measurement and verification demonstrate that the projected meter accuracy benefits are below those levels established in the agreement, ESG will be responsible for differential between the guaranteed savings and the actual savings. Measurement and verification details are shown in Exhibit B of the Agreement.

### **4. RECOMMENDATION**

Staff recommends that Commission approve a resolution authorizing staff to enter into a Guaranteed Energy Saving Performance contract with Energy Savings Group, LLC (ESG).

#### **ATTACHMENTS:**

[Resolution](#)

[Pro Forma](#)

[Guaranteed Energy Saving Performance Contract](#)