



County of Yolo

www.yolocounty.org

To: The Chair and Members of the Board of Supervisors

Regular-General Government # 21.

Board of Supervisors

General Services

Meeting Date: 02/11/2020

Brief Title: Trane, Inc. - Energy Conservation Performance Contract

From: Kevin Yarris, Director, General Services

Staff Contact: Tonia Murphy, Fiscal Administrative Officer, General Services, x4830

Subject

Hold a public hearing to consider approval of an Energy Services Agreement with Trane U.S., Inc. in the amount of \$10,065,791 and certain related actions, including adoption of a resolution setting forth certain findings required by Government Code Section 4217.10 et seq. for energy related improvements and delegate authority to the Director of General Services to execute any necessary change orders in consultation with County Counsel, subject to limits in California law and contingent upon the availability of project funding. (No general fund impact) (Yarris)

Recommended Action

- A. Hold a public hearing and consider approval of (1) an Energy Services Agreement with Trane U.S., Inc. ("Trane") in the amount of \$10,065,791 (Attachment A), subject to any minor final edits approved by the County Counsel in consultation with the General Services Director, and (2) a resolution setting forth certain findings pursuant to Government Code Section 4217.10 et seq., that are necessary for execution of the agreement (Attachment B); and
- B. Delegate authority to the Director of General Services, in consultation with County Counsel, to execute any necessary change orders subject to limits in California law and contingent upon the availability of project funding.

Strategic Plan Goal(s)

Operational Excellence
Sustainable Environment

Reason for Recommended Action/Background

The county owns and operates numerous facilities throughout the county. Facility equipment is upgraded as one-time funds allow, however, over time those needs have out-paced existing funds resulting in infrastructure becoming more obsolete and inefficient as we continue to use it well past its useful life. As a result, the county has explored options that not only address our infrastructure needs, but also address our climate action and sustainability goals.

In December 2017, the county issued a Request for Qualifications for Energy Conservation Performance Contracting. After reviewing seven submissions, the county selected Trane, Inc. Subsequently, Trane Inc. reviewed county facilities and utility costs, including the county's solar program, in great depth with the goal to identify energy and water savings opportunities. There was no cost for this initial assessment. On 8/24/2018, Trane presented its preliminary findings to a leadership team of county staff for review. Subsequently, Trane presented its findings to the Board Committee on Capital Investment on 11/18/2018.

In early 2019, the county requested a peer review from the Western Cooling Efficiency Center (WCEC) out of UC Davis on the assumptions and recommendations Trane had presented the county. On 3/21/2019, WCEC submitted its review and with minimal changes, the WCEC supported Trane's recommendations.

On June 4, 2019, the Board authorized Trane to proceed with a deeper analysis of its preliminary recommendations and develop an investment grade audit that includes the true project costs and savings. On October 24, 2019, Trane presented its findings and final recommendations to county staff. Those recommendations included replacing 255 heating and cooling units (HVAC), nearly 10,000 interior and exterior lights, and almost 600 water-saving plumbing fixtures throughout our facilities. Further, Trane recommended a new battery storage system be installed at our three largest solar installations: Monroe, Grasslands and Cottonwood. The purpose of the batteries is to combat the effect of the upcoming energy rate changes that will significantly increase power rates during the afternoon in summer; charging batteries early in the day through solar power then discharging them during peak times has a significant positive impact on energy costs for the county.

Although the battery project is an attractive proposal, staff believes it to be in the best interest of the county to separate that portion of this project into a stand-alone project for later Board consideration. Accordingly, it is not covered by the agreement proposed for Board approval as part of this item, which instead includes the straightforward HVAC, lighting and water aspects of this project. The batteries involve discussions with Community Choice Aggregators, or Load-Serving Entities (LSEs) to commit to using this resource in order to maximize potential rebates (Self-Generation Incentive Program or SGIP) and revenue for the county.

One significant change between the Preliminary Audit and Investment-grade audit was eliminating a new heating/cooling power plant at the Monroe jail. That system is believed to still have useful life and replacing it now would be premature. Instead, Trane proposed new transformers at eight of our building locations that are more efficient and

subject to lower energy loss.

On 11/5/2019, staff presented Trane's findings to the Board Committee on Capital Investment. At that time, it was agreed Trane's financial pro-forma on the project should include a breakdown of the costs by HVAC, lighting and plumbing. Further, the county asked the pro-forma's return on investment be aligned with the lifespan of the equipment of 15 years instead of 20 years.

On 11/12/2019, the County Chief Financial Officer presented the financing plan associated with the project to the county Debt Committee. That presentation reflected a project cost of \$10.4 million and a \$4.27 million net positive impact over 15 years. As part of the due diligence for this project, the CFO consulted with our financial advisors, Government Financial Strategies, who further engaged ARC Alternatives to evaluate all the cost, savings and assumptions. Their input was incorporated into the final fiscal projections for this project. One thing to note; Trane found that the county was missing out on an additional \$1.59 million in RES-BCT credits over the life of this project. Although not part of the pro-forma for this project, it is an additional benefit moving forward. The committee unanimously approved the financing plan and authorized the CFO to begin steps toward the debt issuance for this project.

As mentioned in previous staff reports, should the county maintain the status quo with respect to our energy use, the overall county costs for energy usage will increase over \$550,000 per year starting in 2022. In addition, the county fleet of over 500 HVAC units will continue to age and present a risk should those units begin to simultaneously fail in the coming months and years.

Should the county not move forward with the project as proposed by Trane at this time, there would be a \$910,000 payment due to Trane for their work so far. This payment obligation was included in the staff report and presentation to, and approved by, the Board on 6/4/2019.

If approved, the effect on greenhouse gas emissions is a reduction of 1,015 metric tons per year. That is the equivalent to a reduction in over 2.5 million miles driven in passenger cars each year or the CO₂ emissions from 114,212 gallons of gasoline consumed or over 1.1 million pounds of coal burned.

This final project proposal includes a three-year measurement and verification provision that includes a performance guarantee should the savings projections by Trane not be realized. This would require Trane to reimburse the county for the difference between projected savings and actual savings.

The proposed agreement with Trane (included as Att. B) is essentially complete, but minor changes are possible before it is executed. Also, certain exhibits (B-F and I) are not attached to the agreement version included with this staff report for consideration. The missing exhibits are in the process of being finalized; none affect the overall scope, schedule, or cost of the project and thus they are not considered essential for Board review. The recommended actions include authorization for the County Counsel and

General Services Director to finalize the agreement after Board approval of this item.

Collaborations (including Board advisory groups and external partner agencies)

This project is the collective work of the County Administrator's Office, General Services, Community Services, County Counsel and Financial Services. Further, the project's projections, assumptions and scope have been reviewed by the county's financial consultants, Government Financial Strategies (and sub-consultant ARC Alternatives) as well as the Western Efficiency Cooling Center. Both the County Debt Committee and Board Committee on Capital Investment have supported the project at prior meetings.

Competitive Bid Process

This project originated through a Request for Qualifications in 2017. Trane Inc., was selected out of six submissions. All contracts, purchase orders and work authorizations related to this project will be secured in compliance with all Department of Financial Services policies and procedures.

Fiscal Information

Fiscal impact (see budgetary detail below)

Fiscal Impact of this Expenditure

Total cost of recommended action	\$10,065,791
Amount budgeted for expenditure	\$0
Additional expenditure authority needed	\$10,065,791
One-time commitment	Yes

Source of Funds for this Expenditure

Yolo Electric

Further explanation as needed

A budget resolution will be required to appropriate the project costs associated with the 2019-20 fiscal year and will be included in the subsequent item for the financing.

Attachments

Att. A. Gov Code 4217.10 Resolution

Att. B. Agreement with Trane (Draft)

Att. C. Project Cost Breakdown

Att. D. Cost by Building

Att. E. Detailed Replacement List

Att. F. Debt Committee Report

Att. G. Project Peer Review

Att. H. Investment Grade Audit Report

Att. I. Presentation

Form Review

Inbox	Reviewed By	Date
Kevin Yarris	Kevin Yarris	01/31/2020 12:27 PM
Financial Services	Chad Rinde	02/03/2020 08:15 AM
County Counsel	Phil Pogledich	02/03/2020 11:03 AM
Kevin Yarris	Kevin Yarris	02/03/2020 11:43 AM
Phil Pogledich	Phil Pogledich	02/05/2020 10:22 AM
Alexander Tengolics	Alexander Tengolics	02/05/2020 10:52 AM
Form Started By: Tonia Murphy		Started On: 01/15/2020 07:45 PM
Final Approval Date: 02/05/2020		