
KIRKSVILLE CITY COUNCIL REPORT

Council Meeting Date: June 18, 2012

Agenda Item: 4

Report Prepared by: Brad Selby, Codes & Planning Director

Recommended Motion: To approve a Contract with Schneider Electric to do an Investment Grade Audit as the 1st Phase of a Performance Contracting project.

Background: In 1997, the Missouri legislature enacted legislation that allows city governments to pursue energy savings through performance contracting. Performance contracts provide the governmental entity a guaranteed energy cost savings contract over a specified period of time. If the savings are not generated as outlined, then the performance contractor is liable to the governmental entity to make up the difference.

Performance contracting is a way to improve efficiency in the use of electricity, water, and natural gas utilities, giving the city additional funds to use for other costs. City staff began discussing performance contracting with three vendors in 2010. Face to face interviews with these firms were held in January, 2011 to learn more about performance contracting and to determine if this was something that should be considered. After evaluating the information provided by each vendor, staff determined that there was some merit in taking the next step. That step was to bring the concept forward to the City Council to discuss. The Council discussed this in March of 2011 directing staff to move forward with a Request for Qualifications from performance contractors. This was done with several department managers, the City Manager and Mayor Pro Tem Fajkus conducting interviews, followed by an evaluation of each firm. Schneider Electric was then selected as the top vendor to see our process through.

To date, the time and effort that has been expended by both the City and the various vendors has been without cash outlay from the City. Schneider Electric representatives presented their contract to Council at the June 4 Study Session. Council asked that the contract be brought before the council in regular meeting.

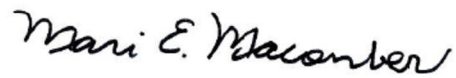
As noted in the Study Session, once the contract is executed triggering the start of the Investment Grade Audit, there is a cost for that service. If after the Audit is complete and the Council decides to go on to the Conceptual Engineering phase of the program where bids are taken and projects are decided on and approved, the costs incurred by Schneider would be incorporated into the overall project costs. If there is a decision to not pursue the projects, then the City would be on the hook for \$45,000 for the work that Schneider completed to that point.

From a staff perspective this is a way to get some needed projects completed using the dollars generated from energy savings. The biggest concern is extending our debt to complete the projects. Some of the projects that will be looked at for possible savings are: water meter replacement and automatic meter reading, City Hall HVAC replacements, Airport roof and HVAC replacements, Aquatic Center HVAC, air handling, water heating and controllers, lighting upgrades/occupancy sensors in all

buildings, and others. Before any project is approved, the City will know the exact cost of the work, and the savings that it will generate. This savings will be reflected in a written guarantee.

Fiscal Impact: Phase I of the program will cost the City \$45,000 if the work is done and the city decides not to continue. Phase II would cost an additional \$45,000 if that work is done and the city decides not to continue. If the project is continued, all these costs will be rolled into the projects that we select for completion, with the savings paying for all of the implementation costs. Funding for this work will be charged to the Capital Improvement Sales Tax and will be budgeted in the 2013 budget.

Respectfully submitted,

A handwritten signature in black ink that reads "Mari E. Macomber". The script is cursive and fluid, with the first name "Mari" and last name "Macomber" clearly legible.

Mari E. Macomber
City Manager