

# STAFF REPORT

**To:** Mayor and City Council

Agenda Item: **0.0**  
Date: **08-22-2012**

**Thru:** Andrew Clinger, City Manager

**Subject:**

**Approval of award of a Performance Contract for Energy Cost Savings, Energy Services Company to Ameresco, Inc.; and authorization to proceed with a facility wide financial grade operational audit at Truckee Meadows Water Reclamation Facility and approval of the Financial Grade Audit Agreement No. 112-013 for an amount not to exceed \$149,835 with City of Reno's share in the amount of \$102,831.76. (Sewer Enterprise Fund)**

From: John Flansberg, Director, Public Works Department

Jason Geddes, Environmental Services Administrator, Public Works Department

**Summary:** Staff recommends Council approval of an award in response to a Request for Proposals for a Performance Contract for Energy Cost Savings, Energy Services Company to Ameresco, Inc. as the Energy Services Company (ESCO) for the Truckee Meadows Water Reclamation Facility (TMWRF) owned by the City of Reno and City of Sparks and authorization to proceed with the TMWRF financial grade operational audit and approval of the Financial Grade Audit Agreement No. 112-013 for an amount not to exceed \$149,835 with the City of Reno's share in the amount of \$ 102,831.76.

**Previous Council Action:** None.

**Discussion:** TMWRF is jointly owned by the Cities of Reno and Sparks. Electrical power consumed by TMWRF represents approximately 20% of the annual plant operations and maintenance budget. Staff believes potential opportunities for reduction in electrical consumption exist and that possible long term benefits will accrue to both Cities if savings in electrical power costs are identified and captured through the ESCo process. The Financial Grade Operational Audit to be developed and prepared by Ameresco, Inc. in accordance with RFP 1425, analyzes potential energy, water, and operating cost savings measures and develops a performance project. The audit will include the estimated savings to be accrued, the costs to implement the project, and the internal controls used to ensure that project performance is achieved. The measures to be evaluated include any improvements, repair or alteration to a facility, or any equipment, fixture or furnishing to be added or used in a building that is designed to reduce operating costs, including those costs related to electrical energy and demand, thermal energy, water consumption, waste disposal and contracted-labor costs, and increase the operating efficiency of the facility for the appointed functions that are cost effective. A project resulting from the Financial Grade Operational Audit will have the project savings and performance guaranteed by Ameresco, Inc., under NRS 332, for a period of up to 15 years.

A RFP was issued for qualified ESCo's to review and evaluate one occupied building and one operation at TMWRF and provide staff with proposals addressing how they would evaluate and implement performance contract measures. Ten companies attended the mandatory walk through on May 3, 2012 and three companies submitted proposals on the June 7, 2012 deadline. A staff team reviewed the three proposals and brought and scored their proposals. Based on the scoring, the staff team decided to bring in two companies for presentations and oral interviews. As a result of the process, the team recommended Ameresco, Inc. to perform the work.

The Financial Grade Operational Audit will take place over a 6-9 month period. At the end of the Audit, staff will evaluate the feasibility of the proposal to determine if further action is warranted.

**Financial Implications:** This action includes authorization to enter into an agreement in an amount not to exceed \$149,835 for the performance of the Financial Grade Operational Audit by Ameresco, Inc. The cost of the Financial Grade Operational Audit will be included in the cost to implement the performance contract. If Ameresco, Inc.'s final Financial Grade Operational Audit report does not contain a package of energy and/or water and/or operational savings measures which, if implemented, provide TMWRF with cash savings sufficient to fund costs and fees associated with the savings performance contract, the Cities will have no payment obligation for the audits. If however, after the Financial-Grade Operational Audit is prepared, and a decision is made to not execute the performance contract, the City of Reno and the City of Sparks would be obligated to pay the ESCo the costs of preparing the audit, unless savings cannot be attained which meet the terms set forth in NRS 332. If the City of Reno and the City of Sparks decide not to proceed with and execute a performance contract the Cities would pay their respective shares of the \$149,835.

The City of Reno will administer the agreement and will be reimbursed for a portion of the costs by the City of Sparks through the current cost sharing agreement for TMWRF operation and maintenance. The City of Reno and the City of Sparks share the cost of this project which is 68.63% for Reno and 31.37% for Sparks, as shown in Table 1.

Table 1 - Cost Sharing Between Reno and Sparks

Total Cost of Contract	Reno Share	Sparks Share
\$149,835.00	\$ 102,831.76	\$ 47,003.24
Percentages	68.63%	31.37%

The City of Reno sewer enterprise fund has two components that fund capital projects for the expansion of treatment plant capacity and the upgrades to existing plant facilities. Projects that require replacement or repair of facilities are funded through the existing user fee fund. Sewer enterprise funds are budgeted for this work.

Table 2 – Reno Cost Sharing Between User Fee and Connection Fee Funds

Reno Share of Contract Amount	User Fee Share	Connection Fee Share
\$ 102,831.76	\$ 82,265.41	\$20,566.35
Percentages	80%	20%

**Recommendation:** Staff recommends Council approve an award in response to a Request for Proposal for a Performance Contract for Energy Cost Savings, Energy Services Company to Ameresco, Inc. as the Energy Services Company with respect to the TMWRF, and authorize proceeding with the TMWRF financial grade operational audit and approve the Financial Grade Audit Agreement No. 112-013 for an amount not to exceed \$149,835 with the City of Reno’s share in the amount of \$102,831.76, and authorize the Mayor to sign the agreement.

**Proposed Motion:** I move to approve the staff recommendation.

Attachment: Financial Grade Audit Agreement No. 112-013