

## CITY COUNCIL AGENDA MEMORANDUM

### **SUBJECT**

Resolution No. 9060 authorizing an increase to the performance-based energy services Interagency Agreement with the Washington State Department of Enterprise Services by \$268,097, for a total contract value of \$2,240,569.

### **FISCAL IMPACT**

This action will authorize an increase to the performance-based energy services Interagency Agreement with the Washington State Department of Enterprise Services by \$268,097 for a total contract value of \$2,240,569. The increase is approximately 14% over the original contract amount. The below table provides the amended contract changes by project, as well as the revised contract funding amounts.

<b>Fund</b>	<b>Project Description</b>	<b>Original Amount</b>	<b>Amendment</b>	<b>Revised Amount</b>	<b>Commerce Grant Offsetting Revenue</b>
Facility Services Fund	<b>City Hall Domestic Water Heat Pump/ Heat Recovery Chiller</b>	175,265	<b>233,704</b>	408,969	65,839
	BSC Weatherization	64,638		64,638	6,950
Parks Renovation & Refurbishment of Park Facilities (CIP Plan No. P-R-11)	<b>Aquatic Center Warm Springs Heat Recovery System (AC-12)</b>	184,150	<b>(171,460)</b>	12,690	0
	Retro-commissioning HVAC and DDC systems (AC-3)	88,485	17,655	106,140	16,856
	Disable inefficient heat recovery and connect Variable Frequency Drives (AC-1)	16,820		16,820	3,815
	Modify boiler to allow condensing (AC-6)	16,793		16,793	3,668
Minor Capital – Streets & Lighting (CIP Plan No. PW-M-20)	<b>PSE Street Lighting Upgrades</b>	956,032	<b>110,043</b>	1,066,075	227,054
	COB Street Lighting Upgrades	164,675		164,675	38,678
Renovation of Public Safety Facilities (CIP Plan No. PS-16)	Fire Station 8 HVAC upgrades	161,729	26,888	188,617	75,530
	Fire Station 9 HVAC upgrades	143,885	51,267	195,152	61,610
	<b>Totals:</b>	<b>\$1,972,472</b>	<b>\$268,097</b>	<b>\$2,240,569</b>	<b>\$500,000</b>

Energy cost savings from the projects covered by this proposed contract amendment total approximately \$43,400 annually.

The Commerce Grant was anticipated and budgeted during the 2015-2016 budget process. Sufficient funding exists within the various funds to cover the amended contract amounts.

### **STAFF CONTACT**

Nora Johnson, Director, 452-4167

John Koffley, Facilities Manager, 452-6153

Emma Johnson, Resource Conservation Manager, 452-5246

*Civic Services Department*

### **POLICY CONSIDERATIONS**

#### **City Purchasing Policy:**

The City Council must authorize contract amendments when the accumulated value is greater than 10% of the original contract award amount.

#### **Environmental Stewardship Initiative**

This contract and component projects support multiple goals in the ESI 2013-2018 Strategic Plan, including:

- Measure, communicate, plan, and act to reduce citywide greenhouse gas emissions.
- Ensure long-term access to clean energy and water while reducing the fiscal and environmental impacts of consumption.

### **BACKGROUND**

On December 8, 2014, Council approved execution of a performance-based energy services Interagency Agreement (IAA) with the Washington State Department of Enterprise Services and acceptance of a Washington State Department of Commerce Energy Efficiency Grant (see attached agenda memo). Use of an energy services performance IAA includes a guarantee of the minimum energy savings estimated by the contractor, as well as the maximum cost of the project. Any shortfall in cumulative actual energy cost savings less than the minimum guaranteed energy cost savings amount is to be paid by the contractor to the City following the annual reconciliation of savings. This IAA covers several energy conservation projects for the Transportation, Fire, Parks and Civic Services Departments. The following projects are now complete.

- City Street Lighting Upgrades
- Rooftop Heating Ventilation and Air Conditioning Unit Replacements: Fire Stations 8 and 9
- Aquatic Center: Control Heat Recovery; Re-Commissioning and Balancing the HVAC System; and Modifications to the Blue Lagoon Boiler System
- Bellevue Service Center Envelope Weatherization.

This proposed amendment affects the remaining three projects as described below.

Some change orders were administratively approved for additional maintenance/repair work needed at the fire stations and aquatic center that was most cost-effectively completed in association with these energy efficiency projects or triggered by code. For example: roof-top fall protection and an apparatus bay exhaust system were installed at Fire Station 8; gas piping extension and an earthquake shut-off valve were installed at Fire Station 9; and humidity sensors and an exhaust fan were repaired at the Aquatic Center. Overall, these change orders totaled \$95,810 and were paid from CIP renovation funds. The significant change orders (totaling net \$172,287) driving the need for this requested contract amendment are to cover the increased number of Puget Sound Energy LED street light conversions, and a revised scope for the City Hall Water Heat Pump project. The Aquatic Center Warm Springs project has been removed from the project list and is a deduction from the overall contract cost.

**PSE Street Lighting Upgrades:** The original project included the retrofit of 4,066 residential street lights to LED lamps to improve visibility and reduce energy consumption and associated utility costs. The amendment would fund retrofitting of an additional 130 street lights, yielding approximately \$20,400 more in annual utility savings and an additional \$28,091 in PSE incentives.

**Aquatic Center Warm Springs Heat Recovery System:** The Parks Department completed some preliminary design work, then decided to withdraw their previously approved project to continue researching other mechanical options. The associated Commerce Department grant funding (\$28,906) will be shifted to the City Hall project.

**City Hall Domestic Water Heat Pump:** The original project plan was to reduce the demand on existing boilers via the installation of a new heat pump. These boilers were scheduled for replacement in 2018 with a budget placeholder of \$150,000. Based on more favorable life-cycle cost savings and maintenance benefits, the new project design changes from a heat pump water heater to a heat recovery chiller that recycles waste heat from the data centers and puts it into the domestic hot water system, as well as providing chilled water. The new project would reduce the boiler run time by 50% and cut the projected natural gas usage at City Hall by 78%, yielding approximately \$23,000 additional annual utility savings. Replacement of the boilers would be pushed out to approximately 2023.

These project changes reduce our calculated annual emissions by an additional 18%, from 849 to 998 metric tons of carbon dioxide emissions prevented. They also demonstrate the City's leadership for residents and other commercial building owners to consider energy efficiency improvements to lower our city's carbon footprint.

#### **EFFECTIVE DATE**

If adopted, this Resolution becomes effective immediately.

#### **OPTIONS**

1. Adopt the Resolution authorizing an increase to the performance-based energy services Interagency Agreement with the Washington State Department of Enterprise Services by \$268,097, for a total contract value of \$2,240,569.
2. Do not adopt the Resolution and provide alternative direction to staff.

#### **RECOMMENDATION**

Option 1.

#### **MOTION**

Adopt Resolution No. 9060 authorizing an increase to the performance-based energy services Interagency Agreement with the Washington State Department of Enterprise Services by \$268,097, for a total contract value of \$2,240,569.

#### **ATTACHMENTS**

December 8, 2014, Agenda Memo for Resolution No. 8848  
Proposed Resolution No. 9060