



A **LEGENCE** Company

# Park Rapids Area Schools Performance Contracting

December 4, 2023

**PROJECT**  **309**

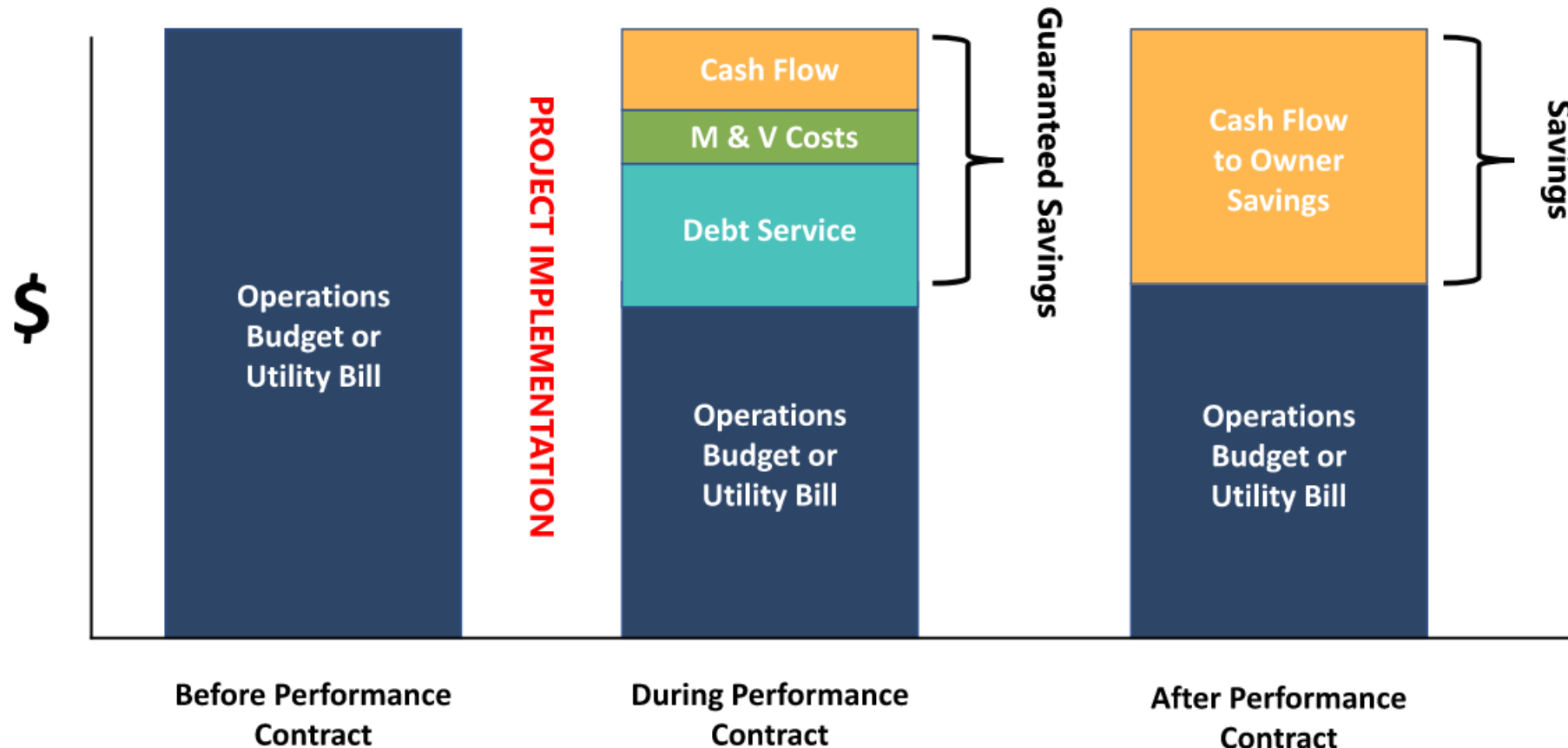
**PREPARING FOR OUR FUTURE**

# Agenda

- What is Energy Savings Performance Contracting
- MN School Statute
- Opportunities
- Financials
- Benefits
- Next Steps

# What is Energy Savings Performance Contracting (ESPC)

- A **budget-neutral** approach to make building improvements that reduce energy and increase operational efficiency.
- A facility owner can use an ESPC to pay for today's facility upgrades with tomorrow's energy savings – **without tapping into capital or LTFM budgets.**



# Performance Contracting

## MN Statutes 123B.65 Energy-Efficiency Projects

- "Energy conservation measure" means a training program or facility alteration designed to reduce energy consumption or operating costs and includes:
  - Replacement or modifications of lighting fixtures to increase the energy efficiency of the lighting system
- "Guaranteed energy-savings contract" means a contract for the evaluation and recommendations of energy conservation measures, and for one or more energy conservation measures. The contract must provide that all payments, except obligations on termination of the contract before its expiration, are to be made over time, but not to exceed **15 years** from the date of final installation, and the savings are guaranteed to the extent necessary to make payments for the systems.
- Before entering into a contract the board must:
  - Seek proposals from multiple qualified providers by publishing notice of the proposed guaranteed energy savings contract in the official newspaper
  - Provide public notice of the meeting at which it will select the qualified provider

## Definitions

- **O & M Savings:** Operational and Maintenance expenditures that are avoided by making the improvements. (i.e. Not having to replace ballasts annually)
- **Capital Cost Avoidance:** Future capital that the district would have spent to do the improvements outside of this approach. (i.e. The yellowing lighting lenses at Century or having to rewire the Century lights to eliminate the master-satellite configuration).

## Park Rapids High School Scope:

- 2023 Renovation Project LED Upgrades
  - Capture the savings from the current project without any additional costs
  - **\$7,615** in annual utility savings
  - **\$8,431** in one time utility rebates
  - **\$3,000** in annual O&M savings
- Replace remaining fluorescent lights in areas not touched
  - **\$7,695** in annual utility savings
  - **\$2,000** in annual O&M savings

# Century Elementary Scope

- 2023 Renovation Project LED Upgrades
  - Capture the savings from the current project without any additional costs
  - **\$2,771** in annual utility savings
  - **\$1,537** in one time utility rebates
  - **\$2,000** in annual O&M savings
- Replace remaining fluorescent lights in areas not touched
  - **\$31,907** in annual utility savings
  - **\$24,131** in one time utility rebates
  - **\$8,000** in annual O&M savings
  - **\$13,500** in annual Capital Cost Avoidance
    - Due to “yellowing of lenses” retrofitting with new
    - Need to rewire the fixtures due to current wiring (master-satellite)

## Century Elementary Scope - CONTINUED

- Boiler Plant Replacement
  - **\$19,101** in annual utility savings
  - **\$50,000** in one time utility rebates
  
- Chiller Replacement
  - **\$7,828** in annual utility savings



# Funding Opportunity

Project Cost/Funding	
Total Project Cost	\$ 2,929,109
LTFM Contribution (one-time)	\$ 170,000
Bond Transfer (Boiler/Chiller)	\$ 1,100,000
Rebates	\$ 84,498
<b>Net Project/Finance Cost</b>	<b>\$ 1,574,611</b>
Finance Rate over 15 years	4.50%
Positive Cashflow at year 15	\$ 36,257.00



Positive Cashflow Summary	
Current Allocation For Century Boiler/Chiller Plant	\$ 1,600,000
One Time Capital Contribution	\$ 1,100,000
<b>Remaining Dollars to be reallocated</b>	<b>\$ 500,000</b>
Positive Cashflow at Year 15	\$ 36,257
<b>Total Net Positive</b>	<b>\$ 536,257</b>

## Benefits

- Reduce risk in the Century bid opening
- Ensures higher quality of equipment
- Allows the district/ICS to utilize non-low bid contractors = Higher Quality
- Free up \$\$ in referendum budget
  - Ability to add other scope to the project
  - Potential to impact the operating/general fund budgets
- Leverages energy and operational savings/rebates to offset the construction costs
- Improved learning environments across the district
- Consistency of lighting equipment
- Reduction in the district's carbon footprint

## Next Steps

- District to engage a financial advisor and/or a local bank for financing.
- Publish RFP for Performance Contracting – December 6th
- Select “Qualified Provider” for Performance Contract – December 18<sup>th</sup>
- Order equipment prior to the end of the year



**QUESTIONS?**