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## TUCSON UNIFIED SCHOOL DISTRICT

MEETING OF: April 29, 2014

TITLE: Lease/Purchase Energy Performance Contract

ITEM #: 0

Information:

Study:

Action: X

PURPOSE:

Authorize lease/purchase execution of Energy Performance Contracts and required project financing agreements.

DESCRIPTION AND JUSTIFICATION:

The Operations Department is currently undertaking an Energy Performance Contract (EPC). The EPC process is a contracting methodology authorized by the State of Arizona to allow school district to purchase and install capital equipment using a lease-payment process with the cost of the lease-purchase being fully funded solely on the energy savings produced by the capital equipment. There are 34 sites in this project as listed in the attached Exhibit.

Background:

Authorization for EPC can be found in ARS 15-213.01

A. Authorizes the use of lease-purchase procurement of capital equipment.

1. Requires guaranteed energy savings in excess of lease-purchase payments.
2. Lease-purchase payment from energy savings for a maximum of 25 years.

A. TUSD Operations staff has directed vendors to provide solution with a lease-payment not to exceed 15 years to ensure that the lease does not exceed the equipment life expectancy.

B. Requires Energy Service Companies (ESCO) to complete an investment grade audit of equipment and savings generated.

C. Requires a third party validation of the energy savings being generated by the project prior to contract award. ESCO investment grade audits will be reviewed and third party vendor will certify the guaranteed savings submitted by the ESCOs.

D. Annual measurement and verification of energy savings to be performed by Energy Manager and/or Electrical Engineer to validate projected savings.

E. Savings guaranteed by ESCO.

F. Commonly used method for school districts to replace aging capital equipment.

Funding:

The District has access to \$41 million in American Recovery/Reinvestment Act (ARRA) funding that has not been used in an effort to prevent any conflict with the 2004 Bond program that was being utilized at the time the ARRA funding became available.

A. District is engaged with outside counsel to ensure funding is ready to be drawn upon approval by TUSD Governing Board approval of this agenda item.

B. Interest rate is expected to be less than 1%.

C. At 65% design review, project cost was estimated at \$26 - \$35 million.

D. Preliminary savings at approximately \$2.2 million per year.

E. Remaining ARRA funds could be used for second phase at additional sites.

James Burns, Karla Soto, Candy Egbert, and Yousef Awwad will be available to answer questions.

This request supports the Superintendent's School Master Plan by improving the learning environment for students and staff while improving the energy efficiency of District facilities.

BOARD POLICY CONSIDERATIONS:

LEGAL CONSIDERATIONS:

For all Intergovernmental Agreements (IGAs), Initiator of Agenda Item provides the name of the agency responsible for recording the Agreement after approval:

For amendments to current IGAs, Initiator provides original IGA recording number:

\_\_\_\_\_  
Legal Advisor Signature (if applicable)

BUDGET CONSIDERATIONS:

_____	District Budget
_____	State/Federal Funds
_____	Other
<u>Budget Cost</u>	<u>Budget Code</u>



Budget Certification (for use by Office of Financial Services only):

Date \_\_\_\_\_  
 I certify that funds for this expenditure in the amount of \$ are available and may be:  
 Authorized from current year budget  
 Authorized with School Board approval  
 Code: Fund:

INITIATOR(S):

James S. Burns, Operations Business Office Coordinator	04/16/14	
Name	Title	Date

DOCUMENTS ATTACHED/ ON FILE IN BOARD OFFICE:

<b>ATTACHMENTS:</b>
Click to download
 <a href="#">Summary of ESCOS</a>
 <a href="#">Energy Performance Projects</a>

TUCSON UNIFIED SCHOOL DISTRICT

BOARD AGENDA ITEM  
CONTINUATION SHEET