



COUNTY OF LOS ANGELES
Internal Services Department
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United We Stand

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June 4, 2002

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**APPROVE GUARANTEED ENERGY SAVINGS
AND MONITORING AGREEMENTS
VARIOUS COUNTY BUILDINGS (3 VOTES) (ALL DISTRICTS)**

IT IS RECOMMENDED THAT YOUR BOARD:

1. Authorize the Director of Internal Services Department (ISD) or her designee to execute agreements substantially similar in form to Attachment A for \$652,471 with Emcor Energy Services; \$456,557 with Viron Energy Services; and \$2,968,845 with Northeast Energy Services (Noresco) to provide energy efficient lighting retrofits and state of the art lighting controls in various County facilities.
2. Authorize the Chief Administrative Officer to process a Budget Adjustment to transfer funds from the Utilities Budget to the Extraordinary Maintenance Budget in the amount of \$2,355,479.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The purpose of this recommended action is to request contract authority of approximately \$4.1 million for energy retrofit projects. These projects will further reduce the County's utility costs and electrical consumption through the replacement of energy inefficient lighting and the installation of state of the art lighting controls in various County facilities.

These projects have proven to reduce energy consumption and associated utility costs on a countywide basis. The value of energy retrofit projects was highlighted during the recent energy crisis. They are an effective, ongoing solution to reduced regional energy availability and increased energy costs. In addition, reports from the California Energy

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Commission indicate that the State may again be facing power shortages over the next several years as conservation efforts wane and economic growth is renewed. Thus, on March 12, 2002, your Board approved \$4,077,964 for energy efficient projects.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The energy savings Agreement supports Goal Number 4 for Fiscal Responsibility of the County's Strategic Plan. More specifically, it aligns with these strategies by effectively managing County resources and investing in the public infrastructure.

FISCAL IMPACT/FINANCING

On March 12, 2002 your Board approved funding these projects by reallocating \$4,077,964 from the estimated \$20 million in gas savings in the County's Utilities Budget and funds identified by the Chief Administrative Office in the Criminal Justice Facilities Temporary Construction Fund.

The total estimated cost and contract authority requested for the recommended projects to be funded from the utilities savings and Criminal Justice Facilities Temporary Construction Fund is \$4,077,874. This is based on identified project costs of \$3,447,850 and a change order contingency of \$630,024 (approximately 20% of the project costs). As with prior retrofits, a contingency amount is included to allow for the completion of additional, unknown retrofit tasks (e.g., additional ballasts, lamps and lighting controls, etc.) that arise during the work phase of the project.

Attachment B provides the summary data for each recommended contract. The facilities were chosen because of the favorable payback in estimated annual energy savings. Annual aggregate savings guaranteed by the Energy Services Companies (ESCOs) are approximately \$1 million commencing in the fiscal year 2003/04. This amount will increase to the extent contingency funds are expended. County departments will receive a reduction in their utility costs upon successful completion of the projects. Energy savings will be verified based upon facility occupancy and associated equipment loads and will be measured annually as part of the performance requirements.

The funding for all projects is as follows:

	General Fund (Gas Savings)	<u>CJFTC*</u>
Emcor	\$ 652,471	
Noresco	\$1,256,428	\$1,712,418
Viron	<u>\$ 446,580</u>	<u>\$ 9,977</u>
Total	\$2,355,479	\$ 1,722,395

* Criminal Justice Facilities Temporary Construction Fund

Upon your authorization, the Chief Administrative Office will process a budget adjustment to reallocate the \$2,355,479 from the Utilities Budget to the Extraordinary Maintenance Budget to fund the non-court projects.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

In order to expedite the contracting process, ISD completed preliminary audits of all the recommended facilities. The ESCOs then provided a unit cost, a total cost and associated energy savings based upon these preliminary audits. Upon execution of the contracts, pending your Board's approval, the ESCOs will complete investment grade audits and submit a final cost and energy savings estimate. Any modifications to the contract value and energy savings as a result of these investment grade audits will be completed through a formal change order process and will be funded through the 20% contingency.

The standard Guaranteed Energy Savings Agreement (Attachment A) will be used for these projects. The agreements require that the ESCOs guarantee the energy savings and reimburse the County for any shortfalls. As further security, the ESCOs will be required to post a Letter of Credit. These Letters of Credit will equal the amount of the dollar value of the County's annual energy savings for a term of three years from the

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completion of the project. In addition, the contract contains a termination clause that further allows for termination both for the County's convenience and for contract default by the ESCO.

Subject to your Board's approval, the contract work will begin in June 2002 with the projects being scheduled for completion by June 2003.

The agreement has been reviewed and approved as to form by County Counsel.

CONTRACTING PROCESS

On August 10, 1999, your Board approved an Energy Management Program Master Agreement allowing ISD to competitively bid energy projects with a pool of five pre-qualified ESCOs. The solicitation for the Master Agreement was completed through a competitive bid process that was listed on the County Office of Small Business Web Site.

A Request for Proposals (RFP) for the recommended energy retrofit projects was issued to the pre-qualified ESCOs. The RFP was structured such that each proposal would be evaluated on a facility-by-facility basis and could result in more than one ESCO being selected.

Three (3) proposals were received in response to the RFP. All proposals were evaluated by a committee consisting of representatives from ISD's Energy Management Division, the Sheriff's Department and Efficient Energy Systems, Incorporated, an energy consulting firm under contract with ISD. The selection process was based on the competitively bid scope of work for lamp and ballast replacement and the installation of lighting controls and was evaluated on a facility by facility basis. The proposals submitted by Noresco, Viron and Emcor were determined to provide the best value to the County. All recommendations are based upon cost versus energy savings, proposed work plan, technical expertise, demonstrated experience, project schedules, and staffing and project specific resource allocation. All selections were made without regard to race, color, gender, creed, or national origin.

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The Agreement requires the ESCOs to offer employment to qualified County employees on reemployment lists or who are targeted for layoff, as well as qualified participants of the County's DPSS Greater Avenues for Independence (GAIN) Program. Sempra, Viron and Noresco have complied with the Child Support Compliance Program (CSCP) Certification required by the Department of Child Support Services.

ISD has evaluated and determined that the Living Wage Ordinance (County Code Chapter 2.201) does not apply to the recommended Agreements.

IMPACT ON CURRENT SERVICES OR PROJECTS

Upon completion of the projects, old, inefficient lighting will have been replaced and the County's demand for electricity will decrease.

CONCLUSION

Your Board's approval of the recommended actions will provide the County a reduction in utility costs by replacing inefficient lighting and adding energy efficient controls.

Respectfully submitted,



JOAN OUDERKIRK
Director

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Attachment

c: Chief Administrative Officer
Executive Officer, Board of Supervisors
County Counsel
Auditor-Controller
Treasurer-Tax Collector
District Attorney

Municipal Court
Superior Court
Sheriff-Custody/Court Services
Public Defender
Human Relations Comm
Mental Health-Public Guardian

Office of Public Safety
Probation
Regional Planning
Alternate Public Defender
Grand Jury