

BALTIMORE COUNTY PUBLIC SCHOOLS

DATE: February 12, 2002
TO: BOARD OF EDUCATION
FROM: Dr. J. Hairston, Superintendent
SUBJECT: ENERGY PERFORMANCE CONTRACTING
ORIGINATOR: Donald F. Krempel, Ph.D, Executive Director of Facilities
RESOURCE
PERSON(S): Kevin Pippin

RECOMMENDATION

To gain support from the Board members to move forward with presenting the Energy Performance Contracting plan to the County Budget Office for their approval.

DFK/j ad

Appendix I - Presentation

BALTIMORE COUNTY PUBLIC SCHOOLS

ENERGY PERFORMANCE CONTRACTING PROPOSAL REPORT TO THE MEMBERS OF THE BOARD OF EDUCATION

Baltimore County Public Schools (BCPS) is constantly challenged to make the best decisions pertaining to the management of 15 million square feet of aging school buildings. Maintenance of our infrastructure competes for funding with other worthwhile projects. Sometimes capital spending is deferred due to tax revenue shortfalls. This results in a less than ideal learning environment and increased operating costs.

Over the past two years, an aggressive capital spending program has made significant progress in addressing aging building issues. Replacement of heating systems, upgrade of electrical and fire alarm systems, hazardous materials abatement, information technology infrastructure, and other renovation projects are near completion in 45 Phase I elementary schools. Construction will start in 47 Phase II schools this spring. Since these projects were funded, construction costs have risen, and unforeseen work was encountered. As a result, some items have been deferred or eliminated from the scope of work, such as window replacements.

Phase III of the Major Maintenance/Renovation project is beginning the design phase now. Based on the experience in Phases I and II, the current scope of work does not include certain items due to budget constraints. In order to include all of the needed repairs in the project, the Division of Facilities is proposing that BCPS take advantage of Energy Performance Contracting.

Energy Performance contracting will allow sections of the work that provide energy savings to be paid for with operating funds that would otherwise be used to pay for energy. The work is financed through a lease purchase instead of capital funding.

The schools included in Phase III are Dundalk Middle, Franklin Middle, Golden Ring Middle, Parkville Middle, and Stemmers Run Middle. Under the current budget, the following items are not funded: bathroom partitions, ceilings, floor tile, door replacements, lockers, paving and related site work, and chalk boards.

It is estimated that approximately \$1,500,000 can be invested in energy conservation measures, which are currently included in the scope, in the five Phase III schools. This includes items such as building automation systems, energy efficient lights, and energy efficient motors. The \$1,500,000 will be repaid with energy savings over the next seven to ten years. This will allow \$1,500,000 in capital funds to be reallocated for items that are not covered under the current design scope. During the engineering phase of the performance contract, the exact payback and contract price will be determined.

Energy performance contracting finances certain capital projects through a lease purchase and uses the energy savings generated by the projects to repay the loan. Energy performance contracting is budget neutral. This is a concept that has been used over the past 15 years, with varying degrees of success, throughout the world as well as in BCPS.

The process has evolved significantly since 1992, when the Federal Government started using energy performance contracting to improve the energy efficiency of its buildings. Since 1998, the Maryland State Department of General Services has used energy performance contracting to fund energy-related improvements to state buildings. Various Maryland county school systems have used energy performance contracting, or have recently entered into contracts, including Anne Arundel, Montgomery, Carroll, and Harford Counties.

BCPS will use the coop provisions of the Maryland State contract. The five approved state vendors have been interviewed, and the vendor that best meets the needs of BCPS will be selected.

In 1996, BCPS used energy performance contracting to invest \$1,126,000 in lighting retrofits, building automation, and other energy conservation measures in three schools (General John Stricker Middle, Fullerton Elementary, and Chesapeake High). The annual guaranteed savings was \$202,000. The actual annual savings was \$212,716. This program was completed in 2001.

BCPS has the opportunity to move forward with a plan that will put more capital improvements in school infrastructure without negatively impacting the budget. The learning environment will improve, and operating costs will be reduced.

In order to move forward, the county budget office will have to commit to fund the utility budget to include energy costs and the lease purchase payment. Since the energy savings is guaranteed to equal the loan payment, this initiative will be budget neutral. There is also a \$10,000,000 annual maximum amount that a municipality can finance through a lease purchase. The Energy Performance Contract amount will reduce the total amount of lease purchase financing available for other projects, such as school bus purchases.

The goal of this presentation is to gain support from the Board members to move forward with presenting this plan to the County Budget Office for their approval. The Energy Performance Contract requires that the County Finance Office approve the lease purchase financing and commit to fund the utilities budget.