



Folsom City Council Staff Report

MEETING DATE:	5/14/2024
AGENDA SECTION:	Consent Calendar
SUBJECT:	Resolution No. 11189 - A Resolution Authorizing the City Manager to Execute an Agreement with NV5 Consultants, Inc. for Owner's Representative Services for the Development of an Energy Savings Conservation Project and Performance Contract and Appropriation of Funds
FROM:	Environmental and Water Resources Department

RECOMMENDATION / CITY COUNCIL ACTION

The Environmental and Water Resources Department recommends the City Council pass and adopt Resolution No. 11189 – A Resolution Authorizing the City Manager to Execute an Agreement with NV5 Consultants, Inc. for Owner's Representative Services for the Development of an Energy Savings Conservation Project and Performance Contract and Appropriation of Funds.

BACKGROUND / ISSUE

On March 28, 2023, the Folsom City Council approved Resolution No. 11015 adopting the City of Folsom Strategic Plan, FY 2023-24 through Fiscal Year 2027-28. Prior to the adoption of the Strategic Plan, the Environmental and Water Resources Department (EWR) began evaluating potential energy conservation measures that would reduce electrical usage and improve energy efficiency related to water and wastewater operations. As part of this initial evaluation, EWR discussed the potential for City-wide energy conservation savings with other City Departments.

Several Energy Service Contractors (ESCOs) directly contacted EWR, Public Works (PW) and Parks and Recreation (P&R) staff over the last year to discuss the potential for energy conservation savings within these respective departments. City staff from each of these Departments discussed options for moving forward with a City-wide project to deliver energy conservation savings. EWR previously worked on an energy service procurement document but did not release this due to a legislative law passed in 2023 that would go into effect in 2024. We delayed the release of the procurement because this law had some potential to impact the procurement methodology of

ESCOs for the purposes of energy savings projects. Once the new law was in place, EWR developed a Request for Proposal (RFP) for third party consulting to assist in the development of an Energy Services Performance Contract for the City.

Typically, an energy savings project includes necessary improvements or upgrade to City facilities or infrastructure with the intent to reduce utility consumption, reduce operating costs, find additional funding opportunities, address deferred capital needs, gain efficiencies in operations, and achieve Greenhouse Gas Emissions Reductions. These savings are identified in a City wide energy assessment and Investment Grade Audit (IGA). An IGA is a comprehensive analysis of energy improvements with a focus on actionable and financially feasible projects. The IGA typically includes detailed descriptions of improvements recommended for the energy saving project, the guaranteed maximum costs of the improvements, and the guaranteed energy, operations and maintenance cost savings projected as a result of the recommended improvements. The intent of the Energy Service Performance Contract (ESPC) project is to maximize cost savings that will pay for facility upgrades and energy services. It is likely that projects will be completely financed through guaranteed reduction in utility costs, operational costs, and the procurement of utility incentives and/or grants such as the Federal Investment Tax Credit (ITC) Direct Pay incentive that was made available through the Inflation Reduction Act (IRA).

The RFP requested the following services to assist EWR in developing an ESPC.

- Assist the City in drafting and finalizing the scope and evaluation criteria for the procurement needed to solicit proposals from Energy Service Contractors (ESCOs)
- Assist the City in review and ranking of ESCO proposals
- Assist the City in the development of an energy services performance contract with the selected ESCO
- Provide technical support in the development of an Investment Grade Audit by the selected ESCO
- Review draft project development documents submitted by the selected ESCO to verify potential energy savings and financial payback
- Assist the City in the development of an Energy Services Agreement with the selected ESCO if the City Council approves the implementation of energy savings projects
- Assist in the development of financing or operations and maintenance agreements if the City Council approves the implementation of energy savings projects
- Additional optional services include oversight of the design, implementation, commissioning, and on-going measurement & verification of the project after the upgrades are installed.

This resolution authorizes the City Manager to execute an agreement with NV5 Consultants, Inc. (NV5) for Owner's Representative Services for the Development of an Energy Savings Conservation Project and Performance Contract and the appropriation of funds in the amount of \$85,750.

POLICY / RULE

In accordance with Chapter 2.36 of the Folsom Municipal Code, supplies, equipment, services, and construction with a value of \$73,209 or greater shall be awarded by City Council.

City of Folsom Strategic Plan, Goal B - *Environmental Sustainability*.

City of Folsom 2035 General Plan, Appendix A – *Greenhouse Gas Emissions Reduction Strategy*.

ANALYSIS

On March 1, 2024, the Environmental and Water Resources Department issued a Request for Proposals (RFP) for Engineering Owner's Representative for Energy Services Projects. The third-party consulting services will assist the City in developing an Energy Services Performance Contract across the City's facilities. The State of California, Department of General Services (DGS) utilized the Federal General Services Administration multiple award schedule to develop a list of companies that can perform certain services that have been competitively assessed. For energy conservation related services, DGS has approved ten firms that can provide the necessary third party consulting services requested in the City's RFP.

EWR sent the RFP to the ten consulting firms approved by DGS and also spoke with three different energy service companies about the RFP that reached out to City staff over the past year. Only one company, NV5, submitted a response. While the RFP was in circulation, several of the approved firms indicated that their preference would be to provide the services related to the IGA and ESPC. In short, these companies would prefer to identify the potential energy savings projects, and if approved by City Council, implement the various conservation projects. NV5 on the other hand specifically works with public agencies to serve as third-party consultants for the overall implementation of the energy savings projects, from start to finish.

In addition to contacting DGS and the thirteen energy service companies, EWR also contacted the cities of Turlock, Fairfield, Buena Park and Fullerton to understand their respective process for implementing and delivering an ESPC. DGS and the City of Buena Park are both using third-party consultant oversight for their respective projects. EWR staff does not have the formal training or background education necessary to deliver an energy savings performance contract from start to finish and requests that City Council approve the resolution for the use of third-party consulting to deliver this project. Based on reference checks and previously approved agreements with DGS, the City of Buena Park, and the Los Angeles County Sanitation District, NV5 is regarded as a highly professional, qualified, and knowledgeable company to support the services requested by the City. Their project team offers more than 230 years of experience related to energy savings projects and several significant projects within the State of California, which is important because these types of projects have to follow specific government code requirements for implementation. In addition to their local experience, NV5 serves Federal, State, and Local Government agencies all over the country and some international agencies as a third-party ESPC Consultant.

Typical energy service performance contracts consist of five phases. This includes planning the project, procuring the ESCO partner, developing the project, implementing the project and monitoring the project. EWR is requesting approval of the first three phases under two task orders. Task Order A will cover the planning of the project and procuring the ESCO partner. Task Order B includes the development of the project and is based on an assumed one-percent of the estimated project size. Task Order B would only be used if the City Council approves an agreement with the

selected ESCO to perform the IGA. Below is the scope of work for each the first three phases within task orders A and B.

Task Order A (Phases 1 & 2) - \$29,500

- Identify key staff from the City that should be included in the project team
- Implement a comprehensive needs assessment to identify data needs, delivery dates, and points of contact for each department
- Conduct interviews with the project team to estimate the potential costs, savings and energy conservation measures that may be included in the project
- Develop an estimated timeline and project plan for the ESPC
- Develop a procurement strategy and prepare solicitation documents for the ESPC
- Prepare a Request for Qualifications (RFQ) for the ESPC
- Assist with answering technical and financial questions during the RFQ process
- Develop an RFQ review template for the project team
- Review the RFQ and provide a summary of findings
- Participate in interviews if needed
- Support the City in contract negotiations with the selected ESCO
- In coordination with the City Attorney's Office, develop the ESPC

Task Order B (Phase3) - \$56,250 or ~1% of Estimated Project Cost

- Conduct site visits with the selected ESCO
- Review 30%, 60%, 90%, and draft project development documents
- Evaluate simple payback and applicability of the ESCO's project scope
- Evaluate the ESCO's measurement and verification methodology
- Evaluate risks and costs of project specific plans developed by the ESCO
- Review the ESCO's project cost build-up for accuracy and compliance with previous commitments during the procurement process.
- Review key economic and cash flow assumptions used by the ESCO
- Review the ESCO's final Investment Grade Audit
- Assist the City in negotiating and executing the Energy Services Agreement and the O&M agreement, and financing agreements, as applicable.
- Seek project approval from each City Department

EWR is seeking approval for both Task A and Task B under this resolution. Task Order A will allow EWR to develop the project, prepare the RFQ for ESCOs to respond to, and provide for an evaluation of the RFQ to select the ESCO. If City Council, at a future date, approves the procurement of the ESCO, Task Order B will allow EWR to move forward with the Investment Grade Audit with assistance and oversight from NV5. Task Order B will only be used if City Council approves the procurement of the ESCO.

FINANCIAL IMPACT

This project was not included in the Fiscal Year 2023-2024 Operating Budget. Staff is requesting an appropriation of \$42,875 in the Sewer Operating Fund (Fund 530) and \$42,875 in the Water Operating Fund (Fund 520) for a total not to exceed fee of \$85,750. Sufficient funds are available

in the Sewer Operating Fund (Fund 530) and Water Operating Fund (Fund 520) for this appropriation. Task Order A will be for \$29,500 and will begin upon execution of the agreement. Task Order B for \$56,250 or approximately one percent of estimated project cost will only be authorized if City Council approves an Energy Savings Performance Contract with the selected Energy Service Contractor. The approval of the ESCO and any updates to NV5's fee amount for Task Order B will come before City Council at a later date.

ENVIRONMENTAL REVIEW

This project is exempt from environmental review under the California Environmental Quality Act, Section 15262 "Feasibility and Planning Studies".

ATTACHMENT

Resolution No. 11189 – A Resolution Authorizing the City Manager to Execute an Agreement with NV5 Consultants, Inc. for Owner's Representative Services for the Development of an Energy Savings Conservation Project and Performance Contract and Appropriation of Funds.

Submitted,

Marcus Yasutake, Director
ENVIRONMENTAL AND WATER RESOURCES DEPARTMENT

RESOLUTION NO. 11189

A RESOLUTION AUTHORIZING THE CITY MANAGER TO EXECUTE AN AGREEMENT WITH NV5 CONSULTANTS, INC. FOR OWNER'S REPRESENTATIVE SERVICES FOR THE DEVELOPMENT OF AN ENERGY SAVINGS CONSERVATION PROJECT AND PERFORMANCE CONTRACT AND APPROPRIATION OF FUNDS

WHEREAS, the City would like to reduce energy consumption and improve energy efficiency; and

WHEREAS, energy savings projects include necessary improvements or upgrades to City facilities or infrastructure with the intent to reduce utility consumption, reduce operating costs, find additional funding opportunities, and gain efficiencies in operations; and

WHEREAS, the project is categorically exempt from environmental review under the California Environmental Quality Act; and

WHEREAS, the City issued a Request for Proposals on March 1, 2024 for third-party consulting to assist the City in the development of an Energy Services Performance Contract; and

WHEREAS, NV5 Consultants, Inc. was the only firm to submit a proposal for third-party consulting service; and

WHEREAS, the NV5 Consultants, Inc. was competitively assessed and included on a pre-approved list for the State of California's Department of General Services to perform this service; and

WHEREAS, NV5 Consultants, Inc. is currently performing similar work, or has performed similar work, for the Department of General Services, the City of Buena Park, and the Los Angeles County Sanitation District; and

WHEREAS, NV5 Consultants, Inc. has the experience and qualifications to perform this work; and

WHEREAS, the agreement will be in a form acceptable to the City Attorney:

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Folsom authorizes the City Manager to execute an agreement with NV5 Consultants, Inc. for Owner's Representative Services for the Development of an Energy Savings Conservation Project and Performance Contract and Appropriation of Funds for \$85,750; and

BE IT FURTHER RESOLVED that the Finance Director is authorized to appropriate \$85,750 for this agreement. The appropriation will be from the Sewer Operating Fund (Fund 530) fund balance in the amount of \$42,875 and from the Water Operating Fund (Fund 520) fund

balance in the amount of \$42,875.

PASSED AND ADOPTED this 14th day of May 2024, by the following roll-call vote:

AYES: Councilmember(s):
NOES: Councilmember(s):
ABSENT: Councilmember(s):
ABSTAIN: Councilmember(s):

Michael D. Kozlowski, MAYOR

ATTEST:

Christa Freemantle, CITY CLERK

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CITY OF
FOLSOM
DISTINCTIVE BY NATURE