

**COUNTY OF MILWAUKEE  
INTER-OFFICE COMMUNICATION**

**DATE:** August 30, 2011

**TO:** Supervisor Lee Holloway, Chairman, County Board of Supervisors

**FROM:** Pamela Bryant, Interim Fiscal and Budget Administrator, Department of Administrative Services

**SUBJECT: UPDATE ON DUE DILIGENCE REPORT REGARDING PHASE 2  
GUARANTEED ENERGY SAVINGS PERFORMANCE CONTRACTING WITH  
AMERESCO**

**Background**

During the January 2010 County Board Cycle, the Department of Transportation and Public Works (DTPW) submitted a report seeking approval for Phase 2 of performance contracting. The report from DTPW included \$1.0 million in improvements to be completed by Ameresco. The improvements were as follows:

<b>Facility</b>	<b>Description</b>	<b>Amount</b>
King Park	Vending misers	\$4,772
Kosciuszko Community Center	Vending misers	\$1,590
Wilson Park Ice Arena	Lighting retrofit	\$90,416
Wilson Park Ice Arena	Vending misers	\$5,567
Noyes Indoor Pool	Pool cover	\$123,869
Noyes Indoor Pool	Vending misers	\$1,590
Pulaski Indoor Pool	Pool cover	\$123,869
Pulaski Indoor Pool	Vending misers	\$1,590
Sports Complex	Lighting retrofit	\$192,764
Boys/Girls Club Sherman Park	Lighting retrofit	\$87,945
Transit Fleet Maintenance	Lighting retrofit	\$221,718
Transit Fleet Maintenance	Compressed Air Distr.	\$89,455
Transit Administration	Lighting retrofit	\$112,604
<b>TOTAL</b>		<b>\$1,057,749</b>

Due to the longer payback period, the Department of Administrative Services removed the work to be completed at Transit Fleet Maintenance and Transit Administration Building. The longer payback period was due to the difficulty accessing and removing the old lights and fixtures. The updated work was reflected in the due diligence report that was submitted in the April 2010 cycle by the Department of Administrative Services (DAS). This reduced the total project amount to \$634,000.

**Issue**

Ameresco later expressed concern with completing the pool covers at Noyes and Pulaski indoor pools. They were concerned about potential safety issues since the pool covers would descend from the ceiling and the potential injury that could occur if they malfunctioned. The DTPW worked with Ameresco to develop alternative projects that could be implemented.

The alternative proposal would include the following projects:

<b>Facility</b>	<b>Description</b>	<b>Amount</b>
King Park	Vending misers	\$4,772
Kosciuszko Community Center	Vending misers	\$1,590
Wilson Park Ice Arena	Lighting retrofit	\$50,230
Wilson Park Ice Arena	Vending misers	\$5,567
Noyes Indoor Pool	Vending misers	\$1,590
Pulaski Indoor Pool	Vending misers	\$1,590
Sports Complex	Lighting retrofit	\$221,679
Boys/Girls Club Sherman Park	Lighting retrofit	\$50,230
Transit Fleet Maintenance	Lighting retrofit	\$104,676
Transit Administration	Lighting retrofit	\$85,578
<b>TOTAL</b>		<b>\$527,502</b>

The Transit Fleet and Administration Building work was included in the original resolution submitted by the Department of Transportation and Public Works and passed by the County Board. Therefore a new resolution is not required. The Department of Administrative Services needed to submit an updated due diligence to include the work at those facilities and exclude the indoor pool covers.

The projected annual cost of the loan and service agreement for the improvements is listed below, along with the projected annual savings. The annual cost includes the installation cost, the 3-year service contract and Milwaukee County staff time associated with implementing the project.

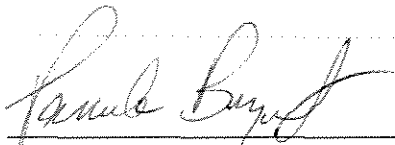
	<b>Projected Annual Savings</b>	<b>Annual Cost Principal and Interest</b>	<b>Net Savings</b>
Year 1	\$62,500	\$67,563	(\$5,063)
Year 2	\$64,375	\$67,563	(\$3,188)
Year 3	\$66,306	\$67,563	(\$1,257)
Year 4	\$68,295	\$67,563	\$732
Year 5	\$70,344	\$67,563	\$2,781
Year 6	\$72,455	\$67,563	\$4,892
Year 7	\$74,628	\$67,563	\$7,065
Year 8	\$76,867	\$67,563	\$9,304
Year 9	\$79,173	\$67,563	\$11,610
Year 10	\$81,548	\$67,563	\$13,985
<b>TOTAL</b>	<b>\$716,491</b>	<b>\$675,630</b>	<b>\$40,861</b>

In the first three years, there is a modest net cost for each year, but there is a net savings starting in the fourth year and resulting in an overall net savings of \$40,861. In 2010, the County Board approved a master lease with Bank of America to finance the full cost of the improvements in Phase 2 of performance contracting with the proposals from Johnson Controls, Ameresco and Honeywell for a total of \$7.5 million. The County began paying debt service costs on the loan in 2011. If the improvements are implemented in the current year, the Departments will begin to see savings to help offset the debt service costs. Since the work includes mainly lighting improvements the County will begin to see savings right after the installation is complete.

**Conclusion**

Based upon the review by the Department of Transportation and Public Works A&E Division on the analysis of the improvements and due diligence review of projected utility rates in future years, it is likely that the overall savings will be achieved for the Ameresco proposal. The actual return on the investment will depend on future utility rates. If utility rates increase higher than projected, then the County will receive additional dollar savings, but if the utility rates decrease the County will see lower savings than projected.

Based on the due diligence review it appears that the projected savings could be realized and provide adequate savings to pay for the cost of the improvements beyond year three. The County also anticipates receiving Focus on Energy grants upon completion of the improvements, which should exceed the potential deficit in years one through three.



Pamela Bryant, Interim Fiscal and Budget Administrator

cc: Chris Abele, County Executive  
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