



State Facilities Quarterly

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The National Association of State Facilities Administrators

*An organization of planning, development,
operations, and maintenance officials*

Newsletter News

By Laurel LaFramboise, Vermont
Communications Committee Co-Chair

This issue's focus topics were planned to be on energy and budgeting. Unfortunately the usual member survey didn't turn up too many responses as we're all "surveyed out" with a number of other survey requests.

Fortunately, a number of innovations award submissions focused on energy performance contracting, which can be sub-titled "how to do energy improvements on a very tight budget". Add to that an article submission on the same topic by Johnson Controls and we've got a very interesting focus section for you this spring.

Due to a number of reasons this issue is a bit shorter than usual. Look for innovation award winners in the Summer issue as well as a re-cap of the June conference.

As always we are looking for your input to improve communication among members. E-mail me at laurel.laframboise@state.vt.us or Marcia Stone at mstone@csg.org with any comments or concerns.

Message from the President

Think back in time and remember how long it took for the agrarian revolution and the industrial revolution to unfold. Today we are in the technology and information revolution which is happening in a fraction of the time. We, as managers, are frequently not even aware of the changes taking place around us. As facilities managers, we are finding ourselves in a rapidly changing environment as we try to keep up with all the innovations and emerging concepts that affect our business.

The rapid changes in the technology and information industry cause changes in our business almost as rapidly. But, these changes come with a price. It requires research time, learning curves, startup costs, and finding the right thing that works for your organization. Sometimes we celebrate our successes and sometimes we go back to the drawing board.

As change happens in our business, we need to be able to adapt to, manage or even create change to deal with change. Understanding what is happening in our industry is paramount in order to provide the informed leadership that is critical to the success of our staff in accomplishing our goals and objectives.

We all face tough fiscal times as we deal with shrinking budgets. The typical scenario sees the citizens' demand for services increase, while there is a decrease in the resources states have to spend on facilities. How do we deal with these shrinking resources as the demands on our facilities increase?

What new ideas, concepts and challenges are out there right now that make you wish you had more information? I pondered that question, and here are some of the issues that came to mind.

Best Value Procurement – We are all looking at alternative procurement methods in an effort to improve the quality and efficiency of public construction projects.

Energy Efficiency – As energy cost rise, we need to find more efficient ways to operate our facilities--things like solar energy and energy services performance contracting that create new opportunities and maximize the efficiency of your buildings.

Indoor Air Quality & Mold – One of those issues that never seems to go away. What's new in this field to help you deal with these health concerns? How do others handle air quality and mold issues?

Historic Preservation – This is an area of concern for every state. How do you protect the historic characteris-



Bob Bippert, Washington
NASFA President

tics of your historic buildings or the furnishings that adorn them? Many states are planning, or in the process, or have completed renovations of capitol buildings. What do you need to know to be successful?

LEED – Probably one of the hottest topics in our industry at the moment. As green buildings and sustainability become the buzz words of today, what does LEED mean to you?

Security Engineering – As a facilities manager, keeping up with security needs is becoming harder as times change. You need to worry about personnel safety, occupant safety, infrastructure protection and working this into your operations budgets.

With all these issues facing us on a daily basis, how do you keep up with the changes and the new developments? What are others doing to deal with these issues? Where do you go to get answers to the questions you have regarding new developments in facilities management?

The answer is simple. . . come to the NASFA Annual Conference and Trade Show. Everything I mentioned will be addressed at the conference! This is an opportunity to network with your colleagues from around the country and hear presentations on these very subjects. There will also be representatives from the private sector to share ideas and products they have to make our jobs easier. This year is different because we are having a joint conference with the National Association of State Chief Administrators (NASCA)--our bosses. This will be a rare opportunity for us to discuss issues that we both face. We will be able to hear them describe the challenges they face and they, in turn, will hear the challenges we encounter in performing our jobs.

If you have never attended a NASFA conference, I would encourage you to be there this year. Where else will you have an opportunity to share innovative solutions to issues facing both facilities and administrative professionals in the same conference? Don't miss this opportunity. Invite your boss and/or your General Services/Administrative Services representatives to come with you! I'm looking forward to seeing you all in Phoenix!

Regional



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Great Plains Region
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Kansas



Southeast Region
Danny Elijah
Georgia



West Region
Manuel Sanchez
New Mexico

ENERGY PERFORMANCE CONTRACTING

FUNDING ENERGY MANAGEMENT SOLUTIONS

Submitted by Charles McGinnis, National Solutions Manager
State Government Solutions, Johnson Controls, Inc.

You know your facility isn't using energy efficiently and your infrastructure is outdated, but you don't have the funds to invest in upgrades. Have you ever considered that the cost savings from making those improvements might pay for themselves? A win-win solution called energy performance contracting can help solve energy management needs without tapping into a tight budget.

Energy management involves technology and/or operational procedures that help optimize energy procurement and utilization. To finance these energy management solutions through performance contracting, facility improvements are funded by guaranteed energy and operational savings that they create. Performance contracting has become a great option for all types of facilities and infrastructures, including older facilities that have not been recently updated.

Many states have had great success with performance contracting. For instance, as part of the State of Utah's "Power Forward" campaign and commitment that the "state will lead by example," the governor announced in 2001 that the state would do a pilot energy efficiency project that would be funded through energy savings. The Department of Corrections signed a performance contract with Johnson Controls. The project involves tapping a geothermal reservoir, located roughly 1,000 feet beneath the Utah State Prison, as an alternative source for heat and hot water for hundreds of inmates.

The project is saving taxpayers hundreds of thousands of dollars. By the time the second phase of the project is complete in 2005, natural gas savings will total \$190,000 a year. The \$11.5 million project will be paid back over 16 years from utility savings. The savings in utility costs have allowed the prison to upgrade lighting and heating, ventilating and air conditioning systems. In addition, the prison is saving about 1 million gallons of water a year due to water-saving shower heads and toilets.

To find the right energy management firm or partner to help you with energy management performance contracting, look for a company that has the experience and knowledge working with your type of facility. The company should know how to make both supply (more effective procurement) and demand (more effective usage) improvements, and how these improvements impact each other. In addition, it should have the ability to make guarantees and make good on these guarantees. Last, the company should have an understanding of the state procurement process and its legislation.

ENERGY PERFORMANCE CONTRACTING BYCOMPETITIVE AUDIT

Submitted by Michael Thomas, S Carolina
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Many public agencies face increasing energy costs and need to replace worn-out equipment, but lack the funds to make improvements by traditional contracting. Energy Performance Contracting (EPC) is a method of acquiring energy-saving improvements using a Request for Proposal to purchase a full package of services from an Energy Service Company (ESCO). An ESCO contracts to design, finance and purchase; and then to install, maintain and operate the new equipment. Payments to the ESCO are guaranteed by the ESCO to be less than the realized energy savings. It is to the advantage of the ESCO to minimize its risk by proposing high-return projects and guaranteeing a lesser fraction of the anticipated energy savings.

The typical selection process requires vendors to submit a preliminary proposal with estimates of projected savings based on an abbreviated audit. Proposals are reviewed; a finalist is selected to perform a detailed energy audit and submit a final proposal; a contract is negotiated based on the winning proposal. An obvious concern is that once an ESCO has submitted a proposal sufficient to win the initial selection, there is little competitive pressure on the ESCO to look beyond the low-hanging fruit of the preliminary audit or to maximize the guaranteed savings to the Agency.

The competitive audit process used by South Carolina short-lists two ESCO's to perform detailed energy audits and to submit final proposals based on the results. The proposals are evaluated and a final contractor is selected. The losing firm is paid a fee, for which the agency acquires the right to use any of that firm's ideas in its final negotiations with the winning firm. On a recent project the initial anticipated annual savings were about \$2.5 million. At the end of the Competitive Audit the actual guaranteed annual savings was \$3.8 million, a 52% improvement in the agency's cash flow and providing some \$34 million in renovation and new construction.

The University of South Carolina's main campus comprises over 100 buildings, including two aging central energy plants. Energy losses in the form of wasted electricity, steam and water (i.e., condensate make-up was 35%) were substantial. Lacking the funds needed to its energy conservation master plan, USC elected to pursue an Energy Performance Contract (EPC) to address a myriad of operational and equipment issues, such as: upgrade lighting in 107 buildings; reduce potable water demand in 99 buildings; repair and replace leaking steam and condensate valves, traps and lines; install ground water wells for boiler makeup; upgrade energy control, monitoring and

ENERGY PERFORMANCE CONTRACTING Continued

metering systems in 60 buildings; replace six central chillers, two boilers and three cooling towers and 52 large pump motors; install new air handling units and fan coil units. Several other smaller projects are being implemented to reduce energy. All of these will result in a 45% reduction in electrical usage, a 40% decrease in potable water usage, and a 24% decrease in steam usage, which will correspondingly reduce natural gas and fuel oil usage.

Construction on some phases of the project began almost immediately after the signing of the contract on 9/1/04, with an overall construction period of 15 months with some of the work coming on-line four months after contract signing. The majority of the EPC work is under a ten-year contract with some contracted work extending to 14 years.

USC used a three-step selection process. Step One was a Request for Qualifications (RFQ), resulting in six responses and the short-listing of two finalists. Step Two was a Request for Proposal (RFP) which required each of the two firms to perform a detailed energy study over the entire campus. A Selection Committee evaluated each proposal and chose the firm that submitted the proposal providing the best value to the University as indicated by the best net positive cash flow from the energy/utility savings. The second-place firm was paid \$100,000 for substantiated expenses incurred in putting together its proposal. The University thereby obtained the right to use the information in that firm's proposal in any way, including sharing that information with the successful vendor during final negotiations. Step Three involved negotiation with the successful vendor, who submitted a final revised proposal and an Energy Performance Contract was signed.

ENERGY PERFORMANCE CONTRACTING TEXAS HEALTH & HUMAN SERVICES

Submitted by Victor Moore, TX
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In the 2001 Texas legislative session a bill was passed and signed by Gov. Perry, which directed state agencies to implement all cost effective energy and water efficiency measures. Texas state agencies experienced a 12% budget cut in 2003. Funding for repair/replacement was also reduced from \$72 million to \$35 million in that year.

The Texas Health and Human Services Commission (TXHHSC) has entered into an energy savings performance contract (ESPC) in order to meet that legislative directive under reduced budget conditions. ESPC will implement over \$50 million in energy-related facility improvements; this includes over \$30 million in repair/replacement needs for TXHHSC that will be paid from energy savings. Potential savings are over \$4 million/yr--20% of utility budget--with savings guaranteed by the contractor. In addition, TXHHSC will receive over \$1 million in utility rebates as a result of implementing energy efficiency measures, significantly reduce repair/replacement liability, improve living conditions for clients and work environment for staff, standardize certain building systems and procedures statewide, and make a significant contribution to reducing Texas' air quality problems.

TXHHSC selected its ESPC contractor in April 2003. Preliminary Utility Audits (PUA) were immediately performed on all 23 sites. From the results of the PUAs, a strategic plan was developed which divided 23 sites into five phases, identified agency-wide renovations and standards. A detailed utility audit (DUA) is performed at each site within a phase which identifies the scope, cost, and savings for that phase. During implementation, the scope of the DUA is installed, commissioned and the staff trained. After installation, the savings are guaranteed by the ESPC contractor for 15 years. Implementation is over 60% complete for the 1st phase; the DUA is complete for the 2nd phase. Implementation will be completed for all sites in 2007.

The program is financed from two sources: Texas Public Finance Authority with a finance term of 15 years and interest rate of 3-5%, and the Texas State Energy Conservation Office's LoanSTAR program. This is a revolving loan fund for public sector energy efficiency projects in Texas. By Texas statute, ESPC project must be reviewed and approved by an independent, 3rd party engineer to ensure that the project is cost effective.

No New Tax Dollars – this program redirects utility expenditures to implement utility efficiency measures!

WISCONSIN ENERGY INITIATIVE (WEI)

Submitted by Martin Romero
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Introduced in 1992, Wisconsin Energy Initiative (WEI) has grown to become the most comprehensive and innovative energy efficiency endeavor for state buildings in Wisconsin history, creating a long-term partnership between government, consultants, contractors, equipment suppliers and utilities to demonstrate that significant economic, environmental and social benefits can be achieved through energy and water efficiency.

WEI is a massive undertaking involving multiple state agencies and private partners in ongoing efficiency projects at 42 major state facilities across Wisconsin – including university campuses, correctional facilities and other agencies – covering a total of more than 50 million square feet. Under the oversight of the Wisconsin Division of State Facilities, two private sector program coordinators direct every aspect of WEI – beginning with energy audits to identify and select opportunities to achieve efficiencies, followed by an innovative Audit-to-Action process that speeds implementation through subcontractor selection, equipment procurement, coordination with local facility managers, project management and ongoing measurement and verification. Performance contracts ensure that nearly \$73 million in improvements made to state buildings will ultimately be paid for by the cost savings they generate. By 2013, WEI will have saved the state an estimated \$153 million.

The program received the 2000 ENERGY STAR Buildings Government Partner of the Year Award, making Wisconsin the first state in the nation to receive the award. As a result of WEI, Wisconsin is recognized as a leader in energy and resource conservation and management. Energy initiatives in Tennessee and Maryland were modeled after WEI.

By contracting with two private sector program coordinators, the state has limited its ongoing costs to one program liaison – estimated at a ¼ full time equivalent employee.

CORPORATE SPOTLIGHT



RS MEANS

The Adams Consulting Group (ACG) is a leader in educational facilities management and engineering. Unlike larger, less specialized firms, The Adams Consulting Group brings clients an in-depth understanding of higher education, attained from more than a decade of exclusively working with colleges, universities, and other educational facilities. For more information, please visit www.adams-grp.com.

NASCA & NASFA Joint 2005 National Conference & Resource Expo

The National Association of State Facilities Administrators (NASFA) and the National Association of State Chief Administrators (NASCA) will hold a joint national conference and resource expo at The Ritz Carlton Hotel in Phoenix, Arizona on June 25-29, 2005. The conference will offer joint association sessions, as well as, association specific sessions. The sessions will facilitate dialogue about ways to provide improved general facility management and state's administration and general services. In addition, there will be special sessions for the department of transportation, real estate, natural resources and capitol restoration and preservation professionals. Make your hotel reservations today by calling 1-800-241-3333 and ask for the conference rate of \$109 plus tax. The conference rate is available from Monday, June 20 through Saturday, July 1, so plan to come early and stay late. More information will be available soon on the Web.



NASFA's mission is to provide leadership in the development and implementation of state facility administration practices.

Formed in 1987, NASFA brings together state officials involved in the planning, development, operations and maintenance of state facilities. Any state and our international neighboring states/provinces are eligible for membership. A prominent benefit of NASFA membership is that the membership is vested in the state, rather than an individual, and therefore all personnel involved in facilities administration and management may participate in the association. The membership dues can be split among several agencies, which lower the expense for each agency. NASFA also welcomes corporate, municipal, and other governmental unit memberships from organizations who work regularly with state administrators. Together, members share their knowledge and expertise to improve practices in governmental facilities administration.



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