

MEMORANDUM

May 1, 2012

TO: Government Operations and Fiscal Policy Committee
FROM: Jacob Sesker, Senior Legislative Analyst
SUBJECT: FY13-18 CIP: Facility Planning *JS*

The Executive transmitted amendments to the Capital Budget on April 27, 2012.

Energy Systems Modernization—No. 361302 (PDF @ © 1)

	Est FY12	FY13-18 Total	FY13	FY14	FY15	FY16	FY17	FY18
Total	\$0.000	\$20.000	\$10.000	\$10.000	\$0.000	\$0.000	\$0.000	\$0.000

Recommended funding source: Long-term financing

Project description

Energy Systems Modernization (No. 361302) is a new CIP project. The project provides a means to implement energy savings performance contracting as a mechanism to reduce the County's energy usage and upgrade facilities without incurring capital costs. Energy system modernization contracts have been used extensively by federal and state governments to accomplish energy-saving retrofits in a variety of facilities.

Highlights

The total six-year cost in the FY13-18 request is \$20.000 million, with the entire amount to be spent in FY13-14. The projects will not be funded with general obligation bonds.

Status/schedule

Any County facilities could be considered for this project. Once an energy audit of a particular facility is conducted, energy conservation measures will be identified and cost effectiveness will be analyzed. Energy system upgrades are then made based on the energy audit. Finally, a financing mechanism (e.g., a long-term lease or qualified energy conservation bonds) is initiated to cover the cost of the contract, and the repayment of the debt is guaranteed through the energy savings.

The following example was provided by DGS to describe how energy performance contracts were used at the FDA:

“FDA was approached by Washington Gas to do an energy savings contract at its Laurel laboratory facility on Muirkirk Road. The procurement vehicle was a Department of Energy area wide contract. Laboratories are good candidates for energy contracts since they use so much energy to begin with and this one proved to be no exception. Twenty-one energy conservation measures were identified that resulted in an annual energy and water savings of \$1.2M which represented 25% of the energy usage for the facility. The cost of the project including construction, engineering and financing costs was about \$15M. FDA entered into an agreement with a commercial lender to borrow the money and agreed to make annual payments using the money that would not be paid in annual utility bills. So no capital funding was required, considerable energy was saved, some significant infrastructure improvements (e.g., replaced the chiller plant) were achieved, and the building operated more reliably which enhanced the scientific research. The project took about 18 months and was very well received, so much so that a follow-on project is now underway.”

Recommendation

Approve the amendment as requested.

ALARF—No. 316222 (PDF @ © 2)

	Est FY12	FY13-18 Total	FY13	FY14	FY15	FY16	FY17	FY18
Total	\$4.419	\$28.770	\$8.770	\$4.000	\$4.000	\$4.000	\$4.000	\$4.000

Recommended funding source: The Executive recommends an additional \$1.070 million in G.O. bond funding in FY13.

Project description

The Advance Land Acquisition Revolving Fund was established to support the implementation of capital projects such as libraries, fire stations, and other County facilities by purchasing real property before expected increases in land values. The money spent on advance land acquisition saves money in the future. The Council typically does not discuss the particular properties to be acquired so as not to compromise the County’s negotiating position.

Highlights

The project has been increased to allow for the purchase of additional land in specific areas slated for redevelopment. Specific areas are not identified—confidentiality assists in maintaining the County’s negotiating leverage with prospective sellers. The FY13 request is \$3.7 million greater than the approved amount in the FY11-16 budget. The \$7.7 million figure is equal to approximately the total expenditure for FY11 and FY12, and is nearly double the annual level for FY14-18 (\$4.0 million).

Recommendation

Approve the amendment as requested.

Attachments:

©1 Energy Systems Modernization—No. 361302

©2 ALARF—No. 316222

Energy Systems Modernization -- No. 361302

Category
Subcategory
Administering Agency
Planning Area

General Government
County Offices and Other Improvements
General Services
Countywide

Date Last Modified
Required Adequate Public Facility
Relocation Impact
Status

April 26, 2012
No
None.
Planning Stage

EXPENDITURE SCHEDULE (\$000)

Cost Element	Total	Thru FY11	Est. FY12	Total 6 Years	FY13	FY14	FY15	FY16	FY17	FY18	Beyond 6 Years
Planning, Design, and Supervision	4,000	0	0	4,000	2,000	2,000	0	0	0	0	0
Land	0	0	0	0	0	0	0	0	0	0	0
Site Improvements and Utilities	0	0	0	0	0	0	0	0	0	0	0
Construction	16,000	0	0	16,000	8,000	8,000	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0
Total	20,000	0	0	20,000	10,000	10,000	0	0	0	0	0

FUNDING SCHEDULE (\$000)

Long-Term Financing	20,000	0	0	20,000	10,000	10,000	0	0	0	0	0
Total	20,000	0	0	20,000	10,000	10,000	0	0	0	0	0

DESCRIPTION

This project provides a means to implement energy savings performance contracting as a mechanism to reduce the County's energy usage and perform strategic facility upgrades without incurring capital costs. These contracts have been used extensively by the federal government and other state and local jurisdictions to accomplish energy saving retrofits in a variety of facility applications. For each facility proposed, a unique prescriptive energy conservation analysis (audit) is conducted. Savings are associated with each element (energy conservation measure) of the analysis. Ultimately, the compilation of the measures defines the project. Third party funding (bonds or commercial loans) covers the cost of the contract. A key feature of Energy Savings Performance Contracts is that no General Obligation bonds are required. A financing mechanism is initiated to cover the cost of the contract and the repayment of the debt is guaranteed through the energy savings.

JUSTIFICATION

Implementation of this project is consistent with the County's continuing objective to accomplish environmentally friendly initiatives as well as limit the level of G.O. bonds. The ultimate objective of the individual building projects is to permanently lower the County's energy usage, reduce its carbon footprint and save considerable operating expenses.

OTHER

The proposals outlined in this program are developed in conjunction with the Department of General Services, the Department of Finance, and the Office of Management and Budget. Financial consultants will be employed to advise and guide the financial decisions. Projects will be implemented based on the potential for energy savings as well as operational and infrastructure upgrades.

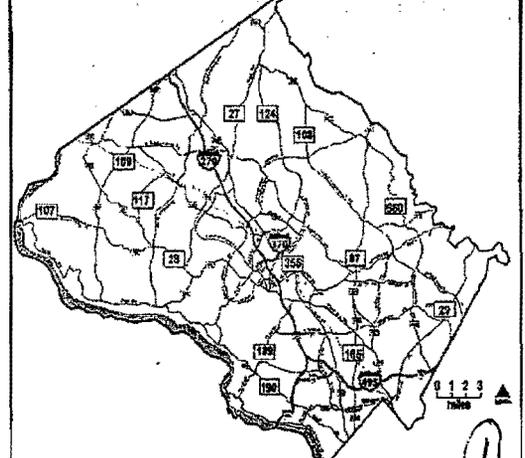
APPROPRIATION AND EXPENDITURE DATA

Date First Appropriation	FY13	(\$000)
First Cost Estimate	FY13	20,000
Last FY's Cost Estimate		0
Appropriation Request	FY13	10,000
Appropriation Request Est.	FY14	10,000
Supplemental Appropriation Request		0
Transfer		0
Cumulative Appropriation		0
Expenditures / Encumbrances		0
Unencumbered Balance		0
Partial Closeout Thru	FY10	0
New Partial Closeout	FY11	0
Total Partial Closeout		0

COORDINATION

Department of General Services
Department of Finance
Office of Management and Budget

MAP



ALARF: MCG -- No. 316222

Category
Subcategory
Administering Agency
Planning Area

General Government
Other General Government
Management and Budget
Countywide

Date Last Modified
Required Adequate Public Facility
Relocation Impact
Status

April 26, 2012
No
None
On-going

EXPENDITURE SCHEDULE (\$000)

Cost Element	Total	Thru FY11	Est. FY12	Total 6 Years	FY13	FY14	FY15	FY16	FY17	FY18	Beyond 6 Years
Planning, Design, and Supervision	0	0	0	0	0	0	0	0	0	0	0
Land	36,532	3,343	4,419	28,770	8,770	4,000	4,000	4,000	4,000	4,000	0
Site Improvements and Utilities	0	0	0	0	0	0	0	0	0	0	0
Construction	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0
Total	36,532	3,343	4,419	28,770	8,770	4,000	4,000	4,000	4,000	4,000	*

FUNDING SCHEDULE (\$000)

	Total	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	Beyond 6 Years
G.O. Bonds	4,770	0	0	4,770	0	0	0	0	0	0
Revolving Fund - G.O. Bonds	31,762	3,343	4,419	24,000	4,000	4,000	4,000	4,000	4,000	0
Total	36,532	3,343	4,419	28,770	8,770	4,000	4,000	4,000	4,000	0

DESCRIPTION

The Advance Land Acquisition Revolving Fund [ALARF] was established to support the implementation of capital project and facility programs in the County. Acquisition of land in advance of actual construction saves money in the face of rising land prices and enables suitable locations for libraries, fire stations, and similar facilities to be secured before development eliminates choice and forces acceptance of a less accessible or desirable site. The revolving fund works in the following way: the unencumbered revolving appropriation balance in the fund is used to purchase land for various public facilities which are either approved in the capital program or which appear in adopted area master plans. Later, the fund is reimbursed by appropriations to the specific facility project accounts; then, the associated expenditures are transferred from the ALARF project to the facility project, thereby freeing up the appropriation for future expenditures. The reimbursement is desirable for accounting purposes in order to make the cost of the site clearly a part of the total cost of a specific project. Reimbursement also maintains the balance in the revolving fund. A number of such reimbursements are scheduled in this capital program. Cost estimates are not given for possible acquisitions since any estimates would be speculative. Immediately prior to initiating acquisition proceedings on any site, independent professional appraisals are prepared. When projected land costs appear to be considerably greater than anticipated, consultation with the County Council is useful. In the event the County Executive proceeds with advance land acquisition in years before those shown on project description forms, consultation with Council would be useful. The cumulative appropriation is the amount of the revolving fund, as well as certain special appropriations to this project as described below. Costs shown for prior years include the land acquisition reimbursable to the fund and other charges incurred in site selection, such as appraisal, legal costs, and other required actions. Also displayed are expenditures associated with special appropriations, not to be reimbursed. The nonreimbursable amounts are considered sunk costs. Expenditures portrayed above in FY13-18 are for fiscal planning purposes only and represent land acquisition not shown on applicable individual CIP project description forms in order to preserve confidentiality of estimates and negotiations with landowners. ALARF acquisitions are typically reimbursed by appropriations from projects with various revenue sources.

COST CHANGE

The project has been increased to allow for the purchase of additional land, particularly in transit oriented development areas slated for redevelopment.

OTHER

Expenditures to buy land using ALARF appropriations made after October 5, 1998, must be reimbursed to the Fund. If the County does not intend to reimburse the Fund, then the land cannot be purchased from the Fund's appropriation and must be purchased in a separate project. This restriction does not apply to land already purchased. To ensure that the County does not lose the opportunity to acquire sites for future projects, the Council encourages the Executive to acquire more sites and to acquire sites earlier than previously assumed. The Council also urges the County Executive to work with Maryland-National Capital Park and Planning Commission staff to review future facility needs in master plans and department strategic plans to identify sites beyond those for projects in facility planning and the current CIP for acquisition. If more sites are acquired, the existing balance may not be sufficient, and the Council encourages the Executive to recommend a supplemental appropriation if necessary.

FISCAL NOTE

Expenditures and resources for Silver Spring ALARF (as part of the Silver Spring Redevelopment Project) previously shown here have been closed out.

OTHER DISCLOSURES

- * Expenditures will continue indefinitely.

APPROPRIATION AND EXPENDITURE DATA

Date First Appropriation	FY62	(\$000)
First Cost Estimate	FY13	36,532
Current Scope		
Last FY's Cost Estimate		31,762
Appropriation Request	FY13	4,770
Appropriation Request Est.	FY14	0
Supplemental Appropriation Request		0
Transfer		0
Cumulative Appropriation		7,762
Expenditures / Encumbrances		5,517
Unencumbered Balance		2,245
Partial Closeout Thru	FY10	234
New Partial Closeout	FY11	0
Total Partial Closeout		234

COORDINATION

Department of General Services
Other Departments
Office of Management and Budget
Department of Finance

MAP

