



# **SCHOOL BOARD ACTION REPORT**

**DATE:** February 7, 2017  
**FROM:** Dr. Larry Nyland, Superintendent  
**LEAD STAFF:** Dr. Lester Herndon, Associate Superintendent of Facilities and Operations  
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## **1. TITLE**

BEX II/BEX III: Approval for a Budget Transfer from the Building Excellence (BEX) II and III Program  
Underspend for Implementation of an Energy Efficiency Project at Six Seattle Public Schools

**For Introduction:** March 15, 2017  
**For Action:** April 5, 2017

## **2. PURPOSE**

This Board Action would transfer \$1,595,632 in funding using the oldest unallocated levy funds first, from BEX II and BEX III capital program underspend, to create a project budget for the implementation of an energy efficiency project at six schools utilizing solar technology.

## **3. RECOMMENDED MOTION**

I move that the School Board approve a one-time fund transfer from the Building Excellence (BEX) II and BEX III capital program underspend in the amount of \$1,595,632 for the implementation of an energy efficiency project at six schools utilizing solar photovoltaic technology.

## **4. BACKGROUND INFORMATION**

### **a. Background**

#### **Need for Budget Transfer to Fund Project:**

Seattle Public Schools, through the adoption of Board Resolution 2012/13-12 “the Green Resolution,” has expressed its desire to optimize energy efficiency through cost effective practices and pursue outside funding partners to help leverage available incentive programs.

Seattle Public Schools desires to apply for an energy efficiency grant in the amount of \$500,000 through the State of Washington Department of Commerce. The State of Washington Department of Commerce received a \$25,000,000 appropriation in the 2015-2017 state Capital budget to continue the Energy Efficiency and Solar Grants program. Eligible entities include state public higher education institutions, local government facilities, state agencies and K-12 public school districts. This program focuses on funding the best projects possible to increase energy and cost savings in the publicly built environment. These grants are awarded through a competitive process and must be used solely for energy and operational cost saving and solar installations.

Round one awards were announced in May 2016, with over \$10 million in energy efficiency and solar grants to help eight higher education institutions, 32 local governments, four state agencies and eight K-12 public school districts lower their energy costs. With \$15 million in energy efficiency and solar grant dollars remaining, the Department of Commerce has

commenced round two with an application deadline of March 9, 2017. The application requires a detailed budget including owner provided funding. If the District is not awarded an energy efficiency grant in round two the project will be implemented and the District funds will return to their original funding source.

The overall project budget totals \$2,302,374 with a measurement verification period of three years; funding for the project is allocated as follows:

BEX II Unallocated funds Transfer	\$ 647,816
BEX III Bond Underspend	\$ 947,816
Department of Commerce Grant	\$ 500,000
State of Washington Sales Tax Rebate	\$ 146,646
Hazel-Wolf K-8 PTSA Contribution	\$ 50,000
Measurement and Verification (M&V)	\$ 10,096
Seattle City Light Utility Grant	<u>\$ 0</u>
Total Project Budget	<u>\$2,302,374</u>

Seattle Public Schools Department of Capital Projects and Planning has evaluated fourteen potential school sites and identified six school sites where annual savings would provide a positive cash flow.

The six facilities selected are:

- i. Arbor Heights
- ii. Hazel Wolf
- iii. Ballard
- iv. Bailey Gatzert
- v. Denny International School
- vi. South Shore

Selection was based on, but not limited to: BEX projects as they were designed to be solar ready; cost effectiveness criteria to ensure a competitive grant application; and geographic location to ensure equity throughout the district facilities inventory.

### **Energy Savings Performance Contracting Project Delivery**

The District entered into an inter-local agreement with the State of Washington Department of Enterprise Services, Engineering and Architectural Services (DES) to provide assistance in developing the cost effectiveness criteria from which the final facility selections were made. If the District is awarded the grant, DES will also provide other services as required for a successful project including, but not limited to: assistance during design, construction and commissioning, review and approval of invoice vouchers for payment and assistance with final project acceptance.

The project delivery method will be a Design/Build approach as authorized by RCW 39.35 where the Contractor or Energy Service Company (ESCO) guarantees the performance, cost and savings of the project. The ESCO guaranteed energy savings in year one is: \$58,215, which is the minimum amount per year.

The proposed solar panel installations will "harmonize" with the designs of the buildings and be an aesthetically pleasing solution. The installations will be limited to the existing roof surfaces with the goal of not being readily visible to site occupants except from the energy dashboard for educational use.

This request to transfer funds from the BEX II and BEX III underspend to create a Energy Efficiency Project at six Seattle Public Schools will not affect the funding budgeted for the BEX II and BEX III programs.

Exhibit A attached summarizes the costs that comprise the funding request.

**b. Alternatives**

If the motion is denied, the Department of Commerce Energy Efficiency and Solar Grant for Six Seattle Public Schools project would not be completed and the District's students will not benefit from grant-funded facilities infrastructure improvements and savings generated for the General Fund.

**c. Research**

RCW 39.35

Department of Commerce 2015-17 Energy Efficiency and Solar Grants (program guidelines)

Ameresco (ESCO Company) Investment Grade Audit

**5. FISCAL IMPACT/REVENUE SOURCE**

Fiscal impact to this action will be \$1,595,632

The revenue source for this motion is BEX II Capital program underspend in the amount of \$647,816 and BEX III Capital bond underspend in the amount of \$947,816.

Expenditure:  One-time  Annual  Multi-Year  N/A

Revenue:  One-time  Annual  Multi-Year  N/A

**6. COMMUNITY ENGAGEMENT**

With guidance from the District's Community Engagement tool, this action was determined to merit the following tier of community engagement:

Not applicable

Tier 1: Inform

Tier 2: Consult/Involve

Tier 3: Collaborate

**7. EQUITY ANALYSIS**

This motion was not put through the process of a full racial equity analysis. The selection of projects in the BTA program was designed to provide equitable access to schools across the district.

**8. STUDENT BENEFIT**

This action will benefit students by providing cost savings to the general fund and an educational opportunity to observe and interact with clean energy technology.

**9. WHY BOARD ACTION IS NECESSARY**

- Amount of contract initial value or contract amendment exceeds \$250,000 (Policy No. 6220)
- Amount of grant exceeds \$250,000 in a single fiscal year (Policy No. 6114)
- Adopting, amending, or repealing a Board policy
- Formally accepting the completion of a public works project and closing out the contract
- Legal requirement for the School Board to take action on this matter
- Board Policy No. 6000, Program Planning, Budget Preparation, Adoption and Implementation Policy, provides the Board shall approve this item
- Other: \_\_\_\_\_

**10. POLICY IMPLICATION**

This Board Action requests a funding transfer from the BEX II and BEX III program underspend to create a budget for the Department of Commerce Energy Efficiency and Solar Grant for Six Seattle Public Schools project. Per School Board Policy No. 6000 Program Planning, Budget Preparation, Adoption, and Implementation, item number D, “Funds may be transferred from one budget classification to another subject to such restrictions as may be imposed by the Board.”

**11. BOARD COMMITTEE RECOMMENDATION**

This motion was discussed at the Operations Committee meeting on February 16, 2017. The Committee moved this item forward to the full board with a recommendation for approval as amended.

**12. TIMELINE FOR IMPLEMENTATION**

Upon approval of this motion, the District will be able to proceed with

- Interconnection Agreement with Seattle City Light
- Design and Permitting
- Construction anticipated to occur Summer 2018

Should the District not be awarded a Department of Commerce grant in the amount of \$500,000 in late-Spring/early-Summer 2017, the project will be postponed for a period of one year and the grant resubmitted in 2018.

**13. ATTACHMENTS**

- Exhibit A – Detail of Additional Budget Requested for the Department of Commerce Energy Efficiency and Solar Grant for Six Seattle Public Schools project.
- Board Resolution 2012/13-12 “The Green Resolution”
- Cash Flow Projections