

Lunch Keynote Case Study: Renew Boston Trust

Speaker:

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RENEW BOSTON TRUST

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STATUTORY FRAMEWORK - Massachusetts Law Pre-2003

PUBLIC CONSTRUCTION **DESIGN BID BUILD - SEPARATE PROCUREMENTS**

Two Requests for Proposals

- **Design Contract**
 - Massachusetts General Laws (MGL), Chapter 7
- **Building Construction Contract**
 - MGL c. 149
 - Filed Sub-Bidding

History - Public Corruption Scandals

- 1980 Ward Commission
 - Rigorous new procurement process
 - Inspector General's Office - (1st in nation)



ENERGY MANAGEMENT SERVICES

DESIGN BUILD - Single procurement of energy savings PROJECT

New: project finance with guaranteed energy savings

Request for Proposals

- MGL Chapter 25A, Section 11c
 - Project price proposals
 - Contracts up to 20 years



IMPLEMENTING REGULATIONS - 225 Code of Massachusetts Regulations (CMR) (§10:05(3-5))

Contract must include:

- Fixed guaranteed maximum **PRICE**
- Fixed minimum guarantee of **SAVINGS** (or guarantee of generation for on-site energy)
- **SHORTFALL PAYMENTS**

STATUTORY FRAMEWORK - 2008 (Used for Renew Boston Trust)

ENERGY MANAGEMENT SERVICES (Alternative approach) **DESIGN BUILD** - Single procurement of **PARTNERSHIP RELATIONSHIP**

New: State adoption of Federal Energy Management Program (**FEMP**)

Request for Qualifications

- MGL Chapter 25A, Section 11i
- RFQ Must include:
 - Building descriptions with 2 years *energy consumption data*
 - Building improvements sought
- State Environmental Office oversight
- Ranking of top three responses
 - If contract negotiation fails with first, work with second; if second fails, work with third
- Implications: Clears competition for municipal energy work long term



STATUTORY FRAMEWORK

RFQ (continued) - ENERGY MANAGEMENT SERVICES

IMPLEMENTING REGULATIONS - 225 CMR (§§ 19:02 - 19:06)

Program must include:

- **Investment Grade Audit (IGA)**
 - Energy project cost evaluation, including *investment opportunities* for conservation measures
 - *Return on investment* with *optimized bundle* of short-term payback measures combined with long term
- **Guaranteed Price, Savings and Generation**
 - Fixed Guaranteed maximum PRICE
 - Fixed minimum Guarantee of SAVINGS (or Guarantee of Generation for on-site energy)
 - Method for SHORTFALL PAYMENTS
- **Measurement and verification (M&V)** of energy savings
 - Must conform to **FEMP** standards



IMPLEMENTATION - Two Contracts

INVESTMENT GRADE AUDIT AGREEMENT

- Contract for design and engineering services

ENERGY MANAGEMENT SERVICES AGREEMENT (Performance Contract)

- **Must include:**
 - Description of conservation measures, on-site energy generation, costs for energy savings or energy generation, M&V method
 - Services and costs - O&M services, M&V services
 - Payment terms
 - Maximum guaranteed cost; Minimum guaranteed savings (or guaranteed generation for on-site energy)
 - Shortfall payment method, determined annually
 - **Written guarantee**: either guaranteed energy savings achieved or contractor pay shortfall payments.
- **Contract can be amended**; Allows for phasing; Boston Pilot
- Boston's approach: **Master Agreement with multiple Scopes of Work**



IMPLEMENTATION - Governance and Finance Innovations

GOVERNANCE

- **Three Cabinet Chiefs** oversee RBT Program
 - Chief of Environment, Energy and Open Space
 - Municipal Energy Unit (administers program)
 - Chief Financial Officer
 - Office of Budget Management
 - Alternative Finance Unit
 - Chief Operating Officer
 - Public Facilities Department



ALTERNATIVE FINANCE UNIT

- Created in 2016 *“to manage and explore opportunities that do not fit into the normal budgeting and financing framework”*
- Renew Boston Trust was impetus.
 - Other areas:
 - Public-private partnership proposals
 - I-Cubed financing (Massachusetts Infrastructure Program)
 - New Market Tax Credit financing



IMPLEMENTATION - Governance and Finance Innovations

ONE CITY PROGRAM

- **Departments cross-subsidize each other**
 - Example: Cash flow from police station project can help finance fire station
 - Funding for energy work not in department's capital budget
 - Savings from energy work not in department's operating budget
 - Savings guarantee covers repayment
- No competition with mission in allocating capital budget



UNDERWRITING STANDARDS - CREDIT RATING AGENCIES

- City of Boston:
 - Selected ESCO with A rating; parent guarantee
 - AAA rating from bond rating agencies
 - Annual General Obligation bond sale - debt affordability
- Renew Boston Trust financing expands debt affordability
 - Regular annual GO bond sale increased by RBT annual spending
 - Contractually guaranteed cash flow attractive to credit rating agencies



THANK YOU

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