Lunch Keynote Case Study: Renew Boston Trust

Speaker:

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RENEW BOSTON TRUST

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Bradford Swing - Director of Energy Policy and Programs - City of Boston
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
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
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
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
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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