



County of Monterey

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Board Report

File #: A 21-483, **Version:** 1

a. Approve and authorize the Contracts Purchasing Officer or designee to execute the first amendment to the Time of Use Agreement number 080121001 between the County and Procure America for the Time of Use Optimization Study implementation adding \$250,000 for a revised not to exceed amount of \$350,000 with no change to the term to be paid for out of Public Works, Parks, & Facilities, Utilities Unit 8182 over 5 years from savings resulting from the time of use study.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a) Approve and authorize the Contracts Purchasing Officer or designee to execute the first amendment to the Time of Use Agreement number 080121001 between the County and Procure America for the Time of Use Optimization Study implementation adding \$250,000 for a revised not to exceed amount of \$350,000 with no change to the term to be paid for out of Public Works, Parks, & Facilities, Utilities Unit 8182 over 5 years from savings resulting from the time of use study;

SUMMARY:

On August 21, 2020, Procure America conducted a Tariff Rate Optimization Study for the County of Monterey pursuant to an under \$100,000 contract executed by the CAO's office. The study results were presented to the Budget Committee on September 30, 2020. The study predicted a potential savings to the County of approximately \$868,000 over 5 years. This savings will be realized through the removal of the User Utility Tax on 10 County meters and by short- and long-term electricity rate optimization on additional meters. The Procure America contract is a "shared in savings" model, where the County splits verified savings with the vendor 70/30 for 5 years. Due to the study indicating higher savings than originally anticipated, the cost to the vendor will exceed \$100,000 over the lifetime of the contract. Consequently, staff is returning to the Board for authorization to execute an amended contract, a process contemplated by the initial contract. When staff presented the study results to the Budget Committee in September 2020, staff explained that internal accounting issues needed to be resolved before the contract could be amended. A proposal for resolving those issues is presented below.

DISCUSSION:

Based upon both the Time of Use Rate Optimization study and the work conducted by Procure America, the County received a refund of \$114,000 for a User Utility Tax (UUT) that the County was erroneously charged in FY 2020-21. Because the UUT was originally paid from the utilities budget unit in Public Works, Facilities and Parks and charges were spread over multiple utility meters used by multiple departments, the refund was deposited to the utilities budget unit. Due to accounting rules, 75% (\$85,500) of the refund amount was credited to FY 2020-21 and 25% (\$28,500) to FY 2021-22. . Staff is proposing to use a majority of the refund applied to FY 2020-21 to cover expenses related to this study in the FY 2020-21 year. Expenses due to the vendor for FY 2020-21 are estimated at approximately \$75,000.

If staff's proposal is approved, the impact to the departments related to the refund and contract payment will be reflected two years in arrears because Utilities Unit 8182 is a Central Services Department and is partially

reimbursed through the COWCAP.

In FY 2020-21 the Time of Use contract payments will not cause a cash flow problem because the County has received an upfront refund of \$114,000 that can be used to pay the vendor for expenses incurred in the first year. In FY 2021-22 and subsequent fiscal years, payments to the vendor are estimated at \$50,000 per year. These payments will be funded by savings generated by the Rate Optimization program which estimates \$140,000 in annual savings.

Overall, The Sustainability Program has a goal of reducing energy use in buildings by 15% on a square footage basis by 2030. This equates to a reduction of about \$750,000 annually in efficiency measures alone. The County and State have targets to reduce emissions by 40% from 1990 levels by 2030. This program is just one example of opportunities that the County can use to reduce emissions and save money. However, because utilities is housed in a central service department, reconciling these expenses requires additional staff time and prevents a fast-acting and streamlined operations experience for County staff in both finance and project management. Including the vendor cost in the utilities' reported cost is one way to ensure the unit is able to cover expenses. Another option would be to consider an Energy Savings and Sustainability Fund, a concept that staff is researching.

OTHER AGENCY INVOLVEMENT:

PWFP, Finance, Auditor Controller

FINANCING:

The Rate Optimization Program estimates annual savings of \$140,000 with the majority of the savings coming from the County not having to pay for Utility User Taxes which were charged to the County in error. A UUT refund of \$114,000 was received in FY 2020-21 and deposited into the General Fund, Fund 001, RMA Department 3000, Utilities Unit 8182, Appropriation Unit RMA098. The funds which would have been used to pay for these costs will be used to pay Procure America for services to secure the refund and efforts to reduce expenses for County utilities. No additional appropriations are required.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

The Sustainability Program is designed to support the environmental, social, and economic well-being of the County. This study is intended to provide an opportunity for the County to leverage refunds and reduce energy costs to the County by optimizing rates.

- Economic Development
- Administration
- Health & Human Services
- Infrastructure
- Public Safety

Prepared by: Ashley Paulsworth, Sustainability Program Manager, x 5344

Approved by: Nicholas E. Chiulos, Assistant County Administrative Officer, Ext. 5145

Attachments:

Staff Report
Monterey County Utilities Enterprise Strategic Plan Report
Procure America Contract- over \$100K

