

**BETHLEHEM AREA SCHOOL DISTRICT
BOARD FACILITIES COMMITTEE
MEETING MINUTES
MONDAY, APRIL 12, 2010**

Mrs. Michele Cann, Facilities Chairperson of the Board of School Directors, called the meeting of the Board Facilities Committee to order at 6:03 p.m. on Monday, April 12, 2010, in the Dining Room of the Education Center. Present were School Board members Michael Faccinetto, William Burkhardt, Loretta Leeson, Michele Cann, Irene Follweiler, Aurea Ortiz, and Eugene McKeon. Also present were Dr. Thomas Persing, acting superintendent of schools; Stacy Gober, assistant to the superintendent for finance and administration; Scott T. Gilliland, director of facilities and operations; Arif Fazil, district engineer (D'Huy Engineering, Inc.); James Newell, assistant supervisor of buildings and grounds, Ann Behers, operations manager; and representatives from the press.

The following items were discussed:

COURTESY OF THE FLOOR TO VISITORS –

Tracy Bolez, 1426 Bonnie Drive, Bethlehem: Mrs. Bolez stated that she was a parent of children who were students in second grade at Clearview Elementary School. She was upset as to why the first and second grade students were required to stay home until noon on PSSA testing days. She said that there was not enough notice sent out to the parents; also, she did not understand why this was being done at the five “worst” schools in the district.

Mrs. Leeson stated that only discussion items relating to facilities meetings can be addressed at the facilities meeting.

Mrs. Bolez said that she came to tonight’s meeting to express her concern because she was told by a board member that she would be able to voice her opinion on this topic tonight. She said that the only people who could change the practice of keeping the first and second graders home for half a day on PSSA testing days was the board.

Mrs. Cann thanked Mrs. Bolez for her comments.

Mrs. Bolez asked if there was a response from the board to her.

Mrs. Cann said that it is not the board’s practice to respond to concerns presented during Courtesy of the Floor; the board just listens.

Mrs. Leeson said that the board could not respond to Mrs. Bolez’s questions because the district’s curriculum committee was not present at tonight’s meeting. Mrs. Leeson suggested having the curriculum committee research why this was done and provide a response to Mrs. Bolez at next week’s curriculum committee meeting. Mrs. Leeson said that she believed that there was a researched based reason for keeping the first and second grade students home for a half day during the PSSA testing.

Mrs. Cann told Mrs. Bolez that next week will be the curriculum meeting and suggested that she come then to address the committee about her concerns. She said that meeting would be the appropriate time to speak about it.

DISCUSSION ITEMS –

Mr. Gilliland then discussed number two on the agenda [Energy Optimization Plan Presentation on Guaranteed Energy Savings Act (GESA) and Energy Savings Companies (ESCO) – Mr. Bruce Stultz]. He said that he believed that every board member received a copy of the memo that was forwarded to him by Mr. Fazil that recommended that the Department of General Services be invited to the facilities committee meeting in order to present information to the board for a further understanding of how their program works. Mr. Gilliland then introduced Mr. Bruce Stultz, Director of the Department of General Service's Energy Management Office. Mr. Gilliland said that in light of the committee's meeting timeframe, any further information requested or questions that the board may have can be directed to Mr. Stultz via conference call at a later time.

Mr. Stultz then showed his PowerPoint presentation. The PowerPoint outlined the background of the Guaranteed Energy Savings Act (GESA), overviewed the program, and explained the types of savings offered. It also explained the measurement and verification process as well as certifications such as LEED and Energy Star, project delivery systems, and reviewed the general guidelines for GESA. Mr. Stultz explained the benefits of performance contracting versus conventional bids and specifications. He said that the energy savings that are incorporated should be able to pay for the projects that will need to be completed as part of the program. These projects can include items such as lighting retrofits, energy management systems, upgrades to the HVAC systems, water conservation upgrades, energy control window film, and building envelope improvements.

Mrs. Leeson asked Mr. Stultz if this program was designed primarily for capital projects.

Mr. Stultz said that statement was correct.

Mrs. Leeson said that if she understood correctly, instead of the district using its own money to fund these projects, it would use the money funded by the GESA, and there would be a finance cost. She said she also wanted to be clear that the district would continue to budget the same cost for energy, and the energy savings would pay for the capital improvement projects.

Mr. Stultz said that the budget for energy should say the same. The energy usage will be reduced as a result of the energy plan, but the money saved would then be invested in capital projects.

Mrs. Leeson asked that if the district decided to use the GESA plan, would the Department of General Services (DGS) pick the Energy Service Company (ESCO) for us.

Mr. Stultz said no, DGS would not pick the company. He said that DGS will provide guidance to the district through the process. Because there are so many school districts out there, the only

service that DGS can provide is advice. Mr. Stultz said that the district would follow the same steps that DGS uses to select an ESCO.

Mrs. Leeson said that there are other energy savings programs available other than what she called "capital improvement programs". These included wholesale purchase of fuel, education, etc. She said that not all energy savings are ESCO's.

Mr. Stultz said that is possible. He said that education is a large factor in the reduction of energy usage. He said that the ESCO's can also help the district negotiate their energy rates.

Mrs. Leeson asked that if the district chose to complete capital improvement projects through an ESCO, there would be a cost, and the company would be making money off of both the finance charge and the project. Is that statement correct?

Mr. Stultz said that was correct.

Mrs. Cann asked Mr. Stultz to verify that the difference between an ESCO and a non-ESCO is the financing offered.

Mr. Stultz said yes, that was the difference. He said that there are also additional costs to choosing an ESCO; the district would be under no contractual obligation to follow through on any decisions until after the Request for Proposal (RFP) is issued and received. After it is received, the district must decide if they want to follow through with the RFP or not. Mr. Stultz stated that an ESCO generally will not "get involved" with a project unless they feel that there is a real return on their investment. He said that it is up to the district to be able to make the decision if they feel the project will pay for itself. An ESCO will offer guaranteed savings.

Mrs. Cann asked if a non-ESCO company will charge by the project, but not offer any guaranteed savings.

Mr. Stultz said that was correct. The benefit of an ESCO is that they will prove through the RFP that the district will save more than what the repayment costs will be.

Mrs. Cann asked if the district must define what the scope of work will be from the beginning.

Mr. Stultz answered no, the district would let the ESCO do that. The ESCO may offer ideas and the district can choose what projects or ideas it would like to be completed. The RFP's will educate the district as to what the energy savings opportunities are before they are contractually obligated to follow through on anything.

Mrs. Cann said that currently, the district has an RFP for Energy Services that has been issued to many companies. She said that she understands that this RFP is somehow not compatible with ESCO's. She asked why this is the case; she has been told by an ESCO that they could not submit a response to the RFP that was issued.

Mr. Gilliland said that the district's RFP is asking for an energy audit to be completed and then propose what the energy savings opportunities are for our district. It is also asking for a plan to be developed to advise the district on what opportunities could be utilized. He said that some of the suggestions may result in capital projects.

Mr. Stultz said that ESCO's will compete for the project. Often times, they will spend a substantial amount of their own money just to submit a response to the RFP.

Mrs. Cann asked if our current RFP excludes ESCO's from bidding.

Mr. Stultz said that he was unsure. He said that in state government, if they were to hire a company to submit baseline figures, they would be excluded from bidding on the RFP as they would have an unfair advantage over the other companies. Mr. Stultz said that what Mrs. Cann is asking does not fit into the process. If the district wishes to obtain information prior to sending out an RFP and releasing the project, the work should be completed by an engineering firm and not an ESCO. Mr. Stultz said that the district could obtain this same in-depth analysis through three presentations from ESCO's.

Mr. Burkhardt asked if the list of ESCO's in the packet that was handed out were all certified. Are all the ESCO's the same quality?

Mr. Stultz said that they are all qualified through a rigorous evaluation by the DGS. References are checked and financial reviews of each individual company are performed. He stated that not every company is equal. He suggested checking references of each company.

Mr. Burkhardt asked who borrows the money upfront for the project.

Mr. Stultz said that the ESCO's will "reach out" to lenders on the district's behalf. A lease agreement is then created. Currently, the rates that are being offered are approximately 4.5 to 4.6 percent. When the ESCO's receive the RFP, they will evaluate what they feel the costs will be for the entire project as they must build that amount into the response. The ESCO will then obtain the financing needed to complete the projects. That money will then be placed into an escrow account; the district will authorize payments to the ESCO out of that account as portions of the plan are completed.

Mr. Burkhardt asked if the loan is in both the district's and ESCO's name.

Mr. Stultz answered that the account is primarily between the district and the lender, but there is a tie-in with the ESCO. The ESCO is responsible for the yearly savings to the district. He said that if the savings to the district did not reach what was projected, the district would pay the amount previously agreed upon, and the ESCO would then pay the difference back.

Mrs. Cann asked what would happen if the district decided to only complete the education component. How would an agreement be drawn up for that?

Mr. Stultz said that there are a lot of great opportunities available for energy savings; however, the GESA process is set up for capital improvements. It is a large-scale approach for bringing down operational costs and reducing some infrastructure problems that the district may have. There are individual programs available for education; DGS is trying to incorporate them into an ESCO. He said that as a stand-alone company, there is a project, but there is usually an outlay of capital involved. This is because no one can guarantee education will work.

Mrs. Leeson asked if the district can send out an RFP for assessment of what projects are recommended, and then not do any of them. She also asked how the GESA works with grants.

Mr. Stultz said that the district can choose not to complete any of the projects recommended. The GESA program works “nicely” with grants; the ESCO’s are educated as to what grants are available.

Mrs. Leeson asked what would happen if the district paid back a ten year loan in six years.

Mr. Stultz said that the district would remain on the ten year plan and the added savings would “fall into your pocket”. Contractually, the district will be set up to repay the loan over a ten year period, and the district must adhere to that for a period of the loan. Depending on the lender, they may allow the district to make larger payments to pay off the loan sooner.

Mrs. Follweiler asked how a company like Johnson Controls, Inc., would be affected. The district has a current contract with them for services, but they are not directly related to the energy project. They are listed as an ESCO. Can the district pursue them as an ESCO even though we have a current contract with them and they have an understanding of our facilities?

Mr. Stultz said yes, they could respond to the RFP.

Mrs. Follweiler said that the district is unsure if we have capital improvements that we would like completed at this point. She stated that the district has done quite a few upgrades to save energy; these projects have been included as part of renovations or new buildings. She asked what Mr. Stultz would recommend as the next step.

Mr. Stultz said the district must be comfortable that if there is an opportunity to take, they must move forward rather than “go for it and then wait and see.” Mr. Stultz said that the RFP is meant to be an educational process and will take care of itself. It will provide the district with information it needs to move forward with this project before a contract needs to be signed. He then told the board that they may call him with any further questions.

Mr. Gilliland then discussed item number three on the agenda, Information Regarding Solar Opportunities. He said that as part of Mr. Fazil’s memo, the administration would like to discuss alternate forms of energy with the board.

Mrs. Gober said that an opportunity has been presented to the district about solar energy and reduction from the supply side. She said that the administration wanted to find out if there was

any interest from the board for the district to pursue this option. Mrs. Gober explained that there is grant money available through DCED to finance alternative energy projects for entities. To date, there have been forty-seven of these projects that have been awarded as part of the stimulus money that is being used to pay for solar projects. A letter of intent would be developed with an energy provider who would install the solar panels. They would operate, manage, and maintain the panels, and also offer the district a fixed cost per kilowatt hour that is generated by those panels. Mrs. Gober said that the grant would mitigate the costs. She stated that through this program, because there is stimulus money, there were grant opportunity filing deadlines and three deadlines have already passed. There are four districts in the area who have applied for the grants. Mrs. Gober said that the next opportunity to apply for the grant is in June. If the board wishes to pursue this, a package must be put together within the next thirty days. She stated that with the board's approval, the administration will do more research to see if this is a project they may be more interested in. If it is decided that this is a project the district wishes to complete, the administration will bring back a letter of intent for the board's approval. The letter of intent would state that the district would apply for the grant and see what the results were. A cost per kilowatt hour would then be negotiated if the grant were approved. Mrs. Gober said that there is a "fair amount of leg work" that must be done if the board wishes to pursue this project. If they are not interested, Mrs. Gober said that it would not be worth the time to do additional research.

Mrs. Cann asked if the potential savings would make the work worthwhile.

Mrs. Gober said that there are potentially four buildings that the panels may be able to be installed at. Two of these sites are elementary buildings and it is estimated, depending on area available, that the solar panels will provide approximately seventy-five percent of their total energy use.

Mr. Fazil said that the power purchase agreements are typically twenty year agreements. The cost per kilowatt hour will be locked in for the entire agreement. Mr. Fazil said that if energy prices continue to rise, the potential for savings in year one versus year five could be five times the amount.

Mrs. Cann asked Mr. Fazil if he felt looking into the solar panel project was a good idea.

Mr. Fazil said that this was information that was presented to the board last November by his firm. Mrs. Gober has been independently researching power purchase agreements. Mr. Fazil said that if the district is awarded the grant, it makes it very viable for a company to sell us power at a reduced rate.

Mrs. Gober said that she initially thought that it would be a better idea to install the solar panels ourselves rather than buying the electricity back from another company. But after research and speaking to different districts, she realized that the district would have out of pocket expenses for the equipment. Mrs. Gober said that she spoke with Carlisle School District. They secured a grant that covered approximately sixty percent of the solar project and the remainder forty percent is being paid out of their budget. Carlisle School District is then selling back on the market any leftover renewable energy credits. The market for this is a relatively new market and

while the credits are selling at a good rate now, no one knows what the market will look like in twenty years from now. There is market risk associated with selling these credits. Mrs. Gober said that after more research, she determined that entering into an agreement with a company to install their equipment on our facilities and sell us back the power is a less risky way to reduce our purchase prices of electricity.

Mr. Gilliland said that the possibility exists that if the solar panels are installed, it may reduce the district's peak demand, which could affect the price that the district is paying for the remainder of the electricity the building uses.

Mr. Fazil explained that the peak demand is typically in the summer in the hottest months. The hope is to reduce the peak demand. From the financial aspect, there is a thirty percent federal tax credit available on solar equipment. The credit is not available to the district, but will be available to the Power Purchase Agreement (PPA) firm.

Mrs. Gober said this is why the third party company will be the one who is completing the work.

Mrs. Follweiler wanted to know if the third party company would be selected by the bid process.

Mrs. Gober said that it will be negotiated with the companies in this area who do this type of work. One is a local Pennsylvania company and the other is a Florida based company. The district would meet with them to negotiate a PPA.

Mrs. Follweiler wanted to clarify that the advantage to this company is that they will have the guarantee that the district will buy the energy back from them. They will not have any leftover credits available to sell back on the market, correct?

Mrs. Gober said that the calculations are figured off of the district's annual demand. She said that she was concerned about this as well because the most amount of energy is generated in the summer time when schools are closed and the consumption is the lowest.

Mrs. Follweiler said that she originally thought this would be advantageous to the company; the district has "all this rooftop real estate" available that the company would be able to use to sell energy credits back on the market.

Mr. Fazil said that he would like to clarify that the district does not have as much roof area or open fields for solar panels to be installed as one would think. What will happen is that the excess energy generated will be stored on the grid for our facilities future use.

Mrs. Follweiler asked what upfront costs will be involved with researching solar opportunities.

Mrs. Gober said the building's structures must be certified and applications submitted for various zoning permits. The only investment that would be required is the hours to pay D'Huy Engineering, Inc. to submit the paperwork on behalf of the district.

Mrs. Leeson asked if the solar panels would be installed on rooftops or on land.

Mr. Fazil said that the initial plan was to include some rooftop panels and some land panels.

Mrs. Gober stated that before anything can be started, zoning approvals must be obtained from the city.

Mr. Fazil said that Farmersville Elementary School would be an ideal candidate for land solar panels as its grounds back up to the industrial park. It would not be an intrusive issue from a neighborhood standpoint.

Mr. Burkhardt said that he was also concerned about the installation of solar panels on the land areas as he was not interested in “peppering our district with shields all over the place”. Mr. Burkhardt asked what the recommendation of the administration was; he wanted to know if they were supporting this idea.

The administration answered that yes, they wished to support this project.

Mr. Faccineto asked what will happen when the twenty year lease expires if the district decides that it does not wish to renew the lease.

Mrs. Gober said it will be up to the district in the way that they structure the agreement. Any portion of the lease is negotiable and it can be determined throughout the drafting process.

Mr. Fazil said that this will be included as part of the PPA. He said that it is possible that in year ten of the lease, newer solar panels will be designed that generate twice as much energy than the old ones. At this point, the district can renegotiate the lease. It is difficult to say what will happen in ten or twenty years from now.

After a poll of the board, it was decided that this item would appear on the agenda.

Mrs. Leeson said that she would like additional information as to where the solar panels would be installed and proposed details of the lease.

Mrs. Gober said that a copy of the contract will be provided to the board and she would also make the information that she researched available.

Mr. Gilliland then discussed agenda item A, Award of Bids for Maintenance Vehicles Replacement – Bids Opened February 24, 2010. He said that it was requested of him to find money in his department’s budget to fund the purchase of these vehicles. Mr. Gilliland said that he has found money in the electric account to fund this purchase. He said that he performed calculations to estimate what the district’s usage will be to the end of the fiscal year. There is a surplus in this account due to the closing of a number of buildings for this school year.

Mrs. Cann asked Mr. Gilliland if he wanted this item to appear on the agenda for the April Regular Board Meeting.

Mr. Gilliland said yes. He stated that he is confident that there will be enough money remaining in the electric budget to fund this purchase; this means that the vehicles can be paid for out of the current budget without having to use bond money. Mr. Gilliland asked the board to be mindful of the ninety day expiration of the bids.

Mr. McKeon asked Mrs. Gober what she felt the money remaining in the electric account should be used for. He suggested the possibility of using this money to bring down the district's deficit.

Mrs. Gober said that she believes this is a circumstance where knowing that the district has additional subsidy coming in on the debt service payments, and knowing the condition of the fleet, this would prevent the district from having to raise taxes if the available money is used. She said this was a step in the right direction.

After a poll of the board, it was decided that this item would appear on the April Regular Board Meeting agenda.

Mr. Fazil said that he would like to note that Mr. Gilliland and Mr. Newell have done a tremendous job monitoring the district's energy usage and HVAC systems. By controlling the set points and shutting the buildings down when not in use, they are saving the district a tremendous amount of money.

Mr. Gilliland thanked Mr. Newell for doing his best in maximizing the comfort of district employees while being mindful of the set points.

Mrs. Leeson asked why the district should take the \$260,000 out of the energy budget to purchase maintenance vehicles.

Mr. Gilliland said that the reason is because the district has 2.6 million square feet that must be maintained. There are also contracted union employees who are service technicians; Mr. Gilliland said that he cannot tell employees "strap a backpack on and put your tools in it" to walk to the buildings. He said that we are at a very critical time, and since the last meeting, the maintenance department has lost two more vehicles. Mr. Gilliland told Mrs. Leeson that he would not ask for these vehicles unless he felt that it was not absolutely necessary. The maintenance department is in dire need of vehicles.

Mr. Gilliland then explained that agenda item B is a self-certification document that must be submitted to the state as a part of the Freemansburg moisture damage repairs project.

AGENDA ITEMS FOR THE APRIL 26, 2010, REGULAR BOARD MEETING –

After discussion, the board committee agreed to bring the following agenda items to the April 26, 2010, Regular Board Meeting:

- A. Award of Bids for Maintenance Vehicles Replacement – Bids Opened February 24, 2010
- B. Authorize the Administration to Submit the Pennsylvania Department of Education Self-Certification Approval – Freemansburg Elementary School Moisture Damage Repairs and Reconstruction
- C. Recommendation to Authorize Solar Grant Submission

COURTESY OF THE FLOOR TO VISITORS –

Jim Newell, Assistant Supervisor of Buildings and Grounds for Bethlehem Area School District: Mr. Newell said that he would like to “back Mr. Gilliland up” by saying that the maintenance department is desperate for vehicles. Currently, there are two technicians riding together; this is a waste of resources. Most of the vans have high mileage and are falling apart. Mr. Newell said that Mr. Gilliland was asked to find money somewhere in his budget to purchase these vehicles, and it has been found. The department is in dire need of new vehicles.

OPEN FORUM –

Mrs. Leeson said that she would like to announce that two executive sessions have been held since the last meeting to discuss personnel, grievance matters, and issues.

The meeting was adjourned at approximately 7:38 p.m.

Minutes prepared by:

Kristen M. Snyder, Secretary to the Director of Facilities and Operations

Scott T. Gilliland, Director of Facilities and Operations