RCA - Purchasing	Austin City Council	Item ID:	5187
Meeting Date:	April 7, 2011		
Department:	Purchasing		

Subject

Authorize award, negotiation, and execution of an escrow agreement in an amount not to exceed $7,600,000 and a 62–month contract with VELOCITY CREDIT UNION, Austin, TX, or one of the other qualified offerors to RFP No. SMH0116, for an energy efficiency lending program in an estimated amount not to exceed $7,600,000, with three 12-month extension options in an estimated amount not to exceed $600,000 per extension option, for a total estimated contract amount not to exceed $9,400,000.

Amount and Source of Funding

Funding in the amount of $4,600,000 is available from the U.S. Department of Energy (DOE) as a result of the American Recovery and Reinvestment Act (ARRA) of 2009 for the grant period of May 27, 2010 to May 27, 2013. Funding in the amount of $225,000 is available in the Fiscal Year 2010-2011 Conservation and Rebates Incentives Fund of Austin Energy. Funding for the remaining 56 months of the original contract period and extension options is contingent upon available funding in future budgets.

Fiscal Note

There is no unanticipated fiscal impact. A fiscal note is not required.

Purchasing Language:	Best evaluated proposal of three proposals received.
Prior Council Action:	May 27, 2010, approved various action including acceptance of $10,000,000 grant from DOE amending the budget.
For More Information:	Shawn Harris, Supervising Sr. Buyer, 505-7351
Boards and Commission Action:	The Electric Utility Commission and the Resource Management Commission were briefed on this program.
MBE / WBE:	This contract will be awarded in compliance with Chapter 2-9C of the City Code (Minority-Owned and Women-Owned Business Enterprise Procurement Program). No subcontracting opportunities were identified; therefore, no goals were established for this contract.
Related Items:	

Additional Backup Information

This contract will provide the City with a financial institution to partner with to continue energy efficiency lending in the Austin area. The financial institution will provide loan origination, processing, and collection services under this contract. The financial institution's cost for services provided under this contract will be paid primarily by interest fees collected through energy loans. This contract also provides an opportunity for the credit union to broaden its membership base.

Austin Energy will create an escrow agreement and will deposit approximately $4,600,000 from U.S. DOE's BetterBuildings grant with the selected financial institution to provide credit enhancements for energy efficiency loans to applicants in Austin Energy's service area. The financial institution is expected to leverage the DOE's funds and provide up to $34,400,000 in loan capital for an estimated 4,300 living units by May 31, 2013. Additional funding from Austin Energy's Conservation and Rebate Incentives Fund and other sources are expected in future years. This contract will allow the Contractor to offer energy conservation loans to Austin Energy customers with financing options that may not be available under traditional loan programs.

Since 1985, the City of Austin has offered, through financial institutions, energy efficiency loan programs to provide eligible customers a means of financing residential energy conservation upgrades. The current four year service agreement totaling $1,188,520 has been in place since 2008. Under this agreement, 776 loans have been funded and $999,790 has been spent to date. The $188,730 remaining in the contract is expected to be spent by May 31, 2011. This program benefits Austin Energy customers who want to participate in residential energy efficiency upgrades such as additional attic insulation, weather stripping, repair of air conditioning ducts and installation of energy efficient air conditioning equipment, but who may not have ready access to cash to fund the upgrades.

In May 2010, the City of Austin received a $10,000,000 American Recovery and Reinvestment Act of 2009 (ARRA) grant from the U.S. Department of Energy (DOE) under its BetterBuildings program. This grant's purpose is to promote, develop and offer innovative financing mechanisms that increase energy efficiency through comprehensive energy upgrade programs by helping building owners to overcome first-cost barriers and by providing enhanced marketing and outreach to complement existing energy efficiency programs.

This lending program will initially focus on residential energy upgrades. Renewable energy projects and financing options for the multi-family and commercial sectors are expected to be added to support the long-range energy resource plan that includes 800 megawatts of peak demand savings and 200 megawatts of solar generation by 2020.

The Request for Proposal issued for this project was developed by Austin Energy in coordination with City of Austin Treasury and Controller's Offices as well as Austin Energy's Finance Department. A City of Austin team with financial expertise evaluated the proposals and unanimously chose this proposal as the best to provide these financial services. Evaluation criteria included qualifications, experience, loan terms and underwriting, approach to loan loss reserve, approach to marketing and financial stability.

This request allows for the development of an agreement with a qualified offeror that Council selects. If the City is unsuccessful in negotiating a satisfactory agreement with the selected offeror, negotiations will cease with that provider. Staff will return to Council so that Council may select another qualified offeror and authorize contract negotiations with this provider.

MBE/WBE solicited: 0/0   MBE/WBE bid: 0/0

PROPOSAL ANALYSIS

a. Adequate competition.
b. One hundred and five notices were sent. There are no known M/WBEs for this commodity code. A total of three proposals were received.

APPROVAL JUSTIFICATION

a. Best evaluated proposal received.
b. The Purchasing Office concurs with Austin Energy's recommended award.
c. Advertised on the Internet.