

# Self Implementation of Energy Performance Contracts

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Ithaca Housing Authority

# Funding / Spending Paradigm

- *During 2005 / 2006 the operating environment at the Ithaca Housing Authority was faced with multiple financial challenges that required a bold new set of action plans....*

# HUD's Asset Management Mandate

**Implement Project Based  
Accounting or face substantial  
decrease in Operating Subsidy  
Funding**



# Funding / Spending Paradigm

- **Declining Incomes**
  - Operating Subsidy Declining under New Funding Rule
  - Capital Grant Fund Declining Trend
- **Increasing Operating Costs**
  - Inflationary Increases for Labor, Goods and Services
  - Escalating and Unstable Energy / Utilities Costs
- **Aging Systems and Infrastructure**
  - Manually Intensive Infrastructure
  - Inflexible Management Systems Lacking Technology
  - Lack of Systematic ability to Track & Report Property Performance Data
  - Physical Facility Systems in need of replacement

# Recovery Action Plan

## 1. Maximize Funding

- Achieve Year 1 Stop-Loss

## 2. Contain Costs

- Enterprise-Wide EPC
- Self-Implement EPC
- Energy Price Hedging

## 3. Systems & Reporting Development

- Updated Management Software

# Cost Avoidance Measures

- Leveraged Funding was used to:
  1. Replace 59 Water Heaters at Northside
  2. Replace 35 year old elevator motors and controls at Titus
  3. Energy Efficient Washers & Dryers (Income Producers)
  4. Replace Roofs at Titus & Southview
  5. Generator Upgrade in Highrise



# Self Implementation Cautions

- **Cash Flow & Liquidity**
  - \$365K in up front outlays before Loan Closed
- **Approval Delays and HUD/NY State Screening**
  - HUD
  - NYSERDA
  - NYS Weatherization Program
  - Financial Underwriting
  - More Delays than a Capital Project

# Self Implementation Cautions

- **HUD & State Grants are not Coordinated**
- **Project Administration & Coordination**
  - **Communication & Follow-up with various Agencies**
  - **Bid Solicitations for Hard & Soft Costs**
  - **Coordination of Project Timing and Schedule**
- **Construction Manager**
  - **Coordinate Technical Aspects**
  - **Knowledgeable in Construction Practices**



# Self Implementation Cautions

- **Make sure you Provision for Architect & Engineering Fees (\$130K)**
- **Energy Audit Estimates of Replacement Costs can be unrealistic**
- **Extended Length of EPC Project**
  - EPC began June, 2006
  - Completion December, 2008
  - 30 Months
- **Risk on Energy Returns is on HA**

# Concluding Outcomes:

- On April 1, 2007 IHA implemented Management Software concurrent with project based accounting
- In June 2008 IHA was assessed and met Year-1 Stop Loss compliance
- In December 2008 IHA completed all construction on the \$2.4M EPC
- Able to grow financial reserves while EPC was in-process

# Benefits of Self Implementation

- Leveraged \$830K in other grant funds
- Provided \$430K in leveraged funds for non-energy measures
- Allowed the substantial savings of self-implementation over an ESCo implementation to be applied to much needed capital projects
- Allowed us to “get-close” to the projects, to better understand shortfalls and how they effect outcomes