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CLERK OF THE BOARD
OF COUNTY COMMISSIONERS
MIAMI-DADE COUNTY, FLORIDA

Memorandum

MIAMI-DADE COUNTY

Date: November 20, 2008

Agenda Item No. 8(F)(1)(M)

To: Honorable Chairman Bruno A. Barreiro
and Members, Board of County Commissioners

From: George M. Burgess
County Manager

Resolution No. R-1167-08

Subject: Resolution authorizing Amendment No. 1 to Amended and Restated Service Agreement with BGA, Inc. for the production of chilled water at the County-owned Thermal Storage Plant located at 1110 N.E. 1 Avenue, Miami

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Recommendation

It is recommended that the Board approve the attached resolution authorizing a modification to the existing Amended and Restated Service Agreement with BGA, Inc. (BGA) for the production of chilled water at the County-owned Thermal Storage (Ice) Plant located at 1110 N.E. 1 Avenue, Miami. The modification imposes a termination date of one year from approval, and increases the total funding allocation under the agreement to $9,127,000.

Background

At its meeting of March 9, 2006, the Board approved Resolution R-317-06, which authorized the County's purchase of a district chilled water plant located at 1110 NE 1st Avenue, Miami, together with its underground distribution piping system, from TECO Thermal Systems, Inc. (TECO). The purchase transaction was subsequently closed and title conveyed on May 9, 2006. The transaction included the assumption of long-term chilled water distribution contracts for the plant's three commercial customers (American Airlines Arena, NAP of the Americas, and Technology Center of the Americas). These chilled water supply contracts remain in effect, continuing to generate all revenues necessary to fund operations, repay the debt for the facility purchase, and are sufficient to cover all future modifications required to expand and connect the plant to the County's downtown facilities.

The plant was purchased in order to meet the impending growth in demand for air conditioning that would be created by the addition of the Children's Courthouse and two office towers at the Overtown Metrorail Station. The County's existing district chiller plant, located at 200 NW 1 Street and operated by GSA, currently supplies chilled water to 11 County buildings on the County's original district cooling loop (hereinafter referred to as the "South Loop"). The plant is over 20 years old, and lacks the capacity to handle the additional buildings without major refurbishment and expansion.

A review of the various available alternatives for cost-effectively meeting this future demand led to the original decision to purchase and expand the much newer TECO chiller plant and district cooling loop (hereinafter "North Loop"). That plant utilizes thermal storage technology (ice), which is significantly more efficient than the conventional electric chillers used at GSA's older plant. In addition, the Ice Plant has only one-third of its total production equipment installed, giving it more future capacity than the older electric chiller plant. At full capacity, the Ice Plant can support its three existing commercial accounts, the County's existing buildings, plus the future construction.

The first tower at Overtown Transit Village (OTV) was completed and occupied by the County in 2007. An underground piping connection was run to the building from the County's electric chiller plant to provide the required chilled water service. This is the last service expansion that the electric chiller plant has the capacity to handle. The future second tower at OTV and the Children's Courthouse are projected for occupancy within two and five years, respectively, and must be tied into the Ice Plant in order to receive air conditioning.

In order to provide chilled water to OTV Tower Two within the two-year timeframe cited above, staff had planned to utilize the County's recently approved Energy Performance Contracting Program to (1) add the equipment to expand production at the Ice Plant from one/third to full operation, (2) connect the Ice Plant (North) Loop with the older South Loop, and (3) complete auxiliary improvements to integrate the North and South Loops into a combined system. This approach would bring the project to completion within about 14 months from commencement, or early 2010.

Justification

Circumstances have changed as a result of unexpected growth in chilled water use by NAP of the Americas (NOA), one of the Ice Plant's three commercial customers. NOA is the technology center and internet access hub owned by Terremark Worldwide and located at 50 NE 9th Street. Chilled water demand from NOA has been stable since it commenced operations in 2002. That has changed recently as Terremark has added tenants and customers at a rapid pace, resulting in a 150% growth in cooling load over the last year. This growth trend is projected by NOA to continue, and will ultimately result in a chilled water demand that will be higher than what was anticipated at the time of plant acquisition.

While positive from a revenue perspective, the consequence of this unplanned growth is the necessity to increase chilled water production capacity at the Ice Plant more quickly than anticipated. The loop interconnection project– which includes physically joining the operations of two separate dissimilar cooling plants and distribution loops – is highly complex and is unlikely to be completed until early 2010. The new demands placed upon the Ice Plant by NOA, however, necessitate that we increase production capability and redundancy by mid-2009 or face the prospect of failing to meet the load demands of our commercial customers at the plant.

As a result of this change in demand, it is now proposed that the expansion project be conducted in two phases. The first phase would be to expand production at the facility by one-third, in order to accommodate the increases required by NOA. This work would be accomplished through the existing management services agreement that the County has with BGA, Inc. The second and final phase would continue to rely upon a contract through the County's Energy Performance Contracting Program in order to complete the final expansion (from two-thirds to full-production capacity) and the interconnection of the two (North and South) distribution loops.

The County currently contracts with the energy services company BGA, Inc. to manage, maintain, administer and provide engineering support for plant operations at the Ice Plant. BGA had previously performed the same functions for TECO Energy, Inc. (the former owner) since 2001. Because of County staff's lack of familiarity with the thermal technologies employed at the plant, the County accepted the assignment of the Management Services Agreement between TECO and BGA as a part of the 2006 purchase transaction. The Agreement contains provisions calling for BGA, as operator, to provide any engineering support and project management services needed to address chilled water production problems and/or implement improvements to meet contractual demands for increased chilled water. The Agreement can be canceled at any time, and was always intended to terminate following the award of the energy performance contract for the interconnection project.

The Ice Plant was specifically engineered to be developed in thirds, in order to allow for modular expansion as production demands increased over time. At present, chilled water production equipment has been installed in only one of three "bays," which had been sufficient to meet the plant's contractual requirements. Because of the new growth from NOA, the plant is losing system redundancy and is in

danger of being unable to meet the production demands of its customers. The cost of the full loop interconnection project – which includes expanding the plant to full production capacity, as well as completing the loop interconnects and ancillary work on the distribution loops – is projected at $14 million to $15 million. In order to accommodate the NOA requirement, however, it will only be necessary to complete a partial expansion of the plant, taking the plant from one-third to two-thirds capacity. The cost to perform this work is estimated at a net cost to the County of $7,350,000. The energy performance contract would still be utilized to install the remaining equipment needed to reach full capacity, and complete the interconnection and commissioning of the two loops.

Scope

The services provided under this Agreement are limited to those necessary to meet the chilled water service demands of the thermal storage plant's existing commercial customers, all of whom are located in Commission District 3.

Fiscal Impact/Funding Source

The total value of the funding allocation requested for the revised Service Agreement is $9,127,000, as summarized below.

	Expense	Funding Source
Operating expense:	$850,000	Chilled water revenue from existing commercial customers

Monthly payments to BGA under the Service Agreement to manage, maintain and administer plant operations can vary substantially depending upon the specific maintenance and repair expenses for a particular month. Since the May 2006 acquisition of the plant by the County, monthly payments under the Service Agreement have averaged approximately $45,000, or just under $550,000 per year. In the current year, staff authorized extraordinary maintenance to procure and install a special pump required to provide critical system redundancy to the plant (at a cost of approximately $300,000).

	Expense	Funding Source	
Chilled water expansion project:	$8,277,100	$7,350,000	Capital Asset Acquisition Bond 2007 Proceeds
		929,100	FPL Thermal Energy Storage Rebate Program
		$8,277,100	

This is a one-time project that requires BGA, as the plant operator on the County's behalf, to purchase and install the additional equipment required to meet the increased demand for chilled water from commercial clients. Both the annual operating expense and the debt service payments are covered entirely through the revenues earned from the plant's chilled water service agreements with its three existing commercial clients.

The March 9, 2006 agenda item for the purchase and expansion of the Ice Plant authorized the expenditure of $9,325,000 for the purchase of the plant, and an additional $10,700,000 for the expansion. The full scope of the expansion is now estimated at $14 million to $15 million. The increase results from the upsizing of much of the equipment in order to address the substantially larger load that will be added to the plant by NOA, as well as the extraordinary increases in the plant equipment costs

(from price increases in the steel industry). It is important to note that the existing long-term chilled water distribution agreements will generate the additional revenue necessary to cover all the costs associated with the increased scope of expansion.

Track Record/Monitor

There are no known performance issues with BGA, Inc. Since the plant's purchase by the County, BGA has operated the facility, which is producing chilled water on a 24/7 basis, with zero down time to its customers. The Contract Manager is Jerry S. Hall, Director, GSA Facilities and Utilities Management Division.

Delegated Authority

If this item is approved, the County Mayor or his designee will have the authority to exercise in his discretion approval of work assignments and expenditure authorizations up to the authorized funding limit.

Wendi J. Norris, Director
General Services Administration

Thermal Plant Redundancy Mitigation

Description	***Estimated Cost***	**Sales Tax**	**Service Agreement Mark-up**	**Total Cost**
Water Chiller purchase & installation	$ 1,497,900	$ 78,200	$ 149,800	$ 1,725,900
Glycol Chiller purchase & installation	$ 1,442,100	$ 72,600	$ 144,200	$ 1,658,900
Cooling Tower purchase & installation	$ 1,882,300	$ 90,500	$ 188,200	$ 2,161,000
Ice Tank System purchase & installation	$ 1,293,700	$ 71,000	$ 129,400	$ 1,494,100
Control Systems & System Integration	$ 250,000	$ 8,800	$ 25,000	$ 283,800
Associated pumps and interconnections	$ 440,000	$ 15,400	$ 44,000	$ 499,400
Subtotal, Equipment	$ 6,806,000	$ 336,500	$ 680,600	$ 7,823,100
Contingency	$ 400,000	$ 14,000	$ 40,000	$ 454,000
Total, Equipment	$ 7,206,000	$ 350,500	$ 720,600	$ 8,277,100
FPL Rebate				$ (929,300)
Total Cost (after rebate)				$ 7,347,800

MEMORANDUM

(Revised)

TO: Honorable Chairman Bruno A. Barreiro and Members, Board of County Commissioners

DATE: November 20, 2008

FROM: R. A. Cuevas, Jr. County Attorney

SUBJECT: Agenda Item No. 8(F)(1)(M)

Please note any items checked.

_____ **"4-Day Rule" ("3-Day Rule" for committees) applicable if raised**

_____ **6 weeks required between first reading and public hearing**

_____ **4 weeks notification to municipal officials required prior to public hearing**

_____ **Decreases revenues or increases expenditures without balancing budget**

_____ **Budget required**

_____ **Statement of fiscal impact required**

_____ **Bid waiver requiring County Manager's written recommendation**

_____ **Ordinance creating a new board requires detailed County Manager's report for public hearing**

_____ **Housekeeping item (no policy decision required)**

_____ **No committee review**

Approved _____ Mayor
Veto _____
Override _____

Agenda Item No. 8(F)(1)(M)
11-20-08

RESOLUTION NO. **R-1167-08**

RESOLUTION AUTHORIZING AMENDMENT NO. 1 TO THE AMENDED AND RESTATED SERVICE AGREEMENT WITH BGA, INC. FOR THE PRODUCTION OF CHILLED WATER AT THE COUNTY-OWNED THERMAL STORAGE PLANT LOCATED AT 1110 N.E. 1 AVENUE, MIAMI FOR AN AMOUNT NOT TO EXCEED $9,127,100, IN SUBSTANTIALLY THE FORM ATTACHED HERETO AND MADE A PART HEREOF, AND AUTHORIZING THE COUNTY MAYOR OR HIS DESIGNEE TO EXERCISE ANY AND ALL OTHER RIGHTS CONFERRED THEREIN

WHEREAS, this Board desires to accomplish the purposes outlined in the accompanying memorandum, a copy of which is incorporated herein by reference,

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF MIAMI-DADE COUNTY, FLORIDA, that this Board hereby approves Amendment No. 1 to the Amended and Restated Service Agreement with BGA, Inc. for the production of chilled water at the County-owned Thermal Storage Plant located at 1110 N.E. 1 Avenue, Miami for an amount not to exceed $9,127,100, in substantially the form attached hereto and made a part hereof; authorizes the County Mayor or his designee to execute same for and on behalf of Miami-Dade County; and authorizes the County Mayor or his designee to exercise any and all other rights conferred therein.

The foregoing resolution was offered by Commissioner **Jose "Pepe" Diaz**, who moved its adoption. The motion was seconded by Commissioner **Barbara J. Jordan** and upon being put to a vote, the vote was as follows:

Bruno A. Barreiro, Chairman **aye**
Barbara J. Jordan, Vice-Chairwoman **aye**

Jose "Pepe" Diaz	**aye**	Audrey M. Edmonson	**absent**
Carlos A. Gimenez	**nay**	Sally A. Heyman	**aye**
Joe A. Martinez	**absent**	Dennis C. Moss	**absent**
Dorrin D. Rolle	**aye**	Natacha Seijas	**aye**
Katy Sorenson	**aye**	Rebeca Sosa	**aye**
Sen. Javier D. Souto	**absent**		

The Chairperson thereupon declared the resolution duly passed and adopted this 20th day of November, 2008. This resolution shall become effective ten (10) days after the date of its adoption unless vetoed by the Mayor, and if vetoed, shall become effective only upon an override by this Board.

MIAMI-DADE COUNTY, FLORIDA
BY ITS BOARD OF
COUNTY COMMISSIONERS

HARVEY RUVIN, CLERK

By: **Kay Sullivan**
Deputy Clerk

Approved by County Attorney as
to form and legal sufficiency.

Bruce Libhaber

AMENDMENT NO. 1 TO THE
AMENDED AND RESTATED SERVICE AGREEMENT

BETWEEN

MIAMI-DADE COUNTY and BGA, INC.

Contract:	Amended and Restated Service Agreement dated May 1, 2006 ("Agreement"), approved by Resolution R-317-06, adopted March 9, 2006.
Contract Description:	Services Agreement for operation of, and production of chilled water at, Thermal Storage Plant located at 1110 N.E. 1 Avenue, Miami.
Owner:	Miami-Dade County
Operator:	BGA, Inc.

WHEREAS, on May 9, 2006, Miami-Dade County (hereinafter "County") completed the purchase of the subject property, a Thermal Storage Plant located at 1110 N.E. 1 Avenue, Miami ("Facility"), together with associated off-site underground piping and pumps, pursuant to the authorization granted by Resolution No. R-317-06 of the Board of County Commissioners, adopted March 9, 2006; and

WHEREAS, pursuant to an Assignment and Assumption Agreement dated May 9, 2006, which was approved as part of the Contract for Sale and Purchase for the subject property, the County assumed the Agreement between TECO Thermal Systems, Inc., as the prior owner, and BGA, Inc. ("BGA"), for the management, maintenance, administration and necessary engineering support for plant operations at the Facility; and

WHEREAS, the County and BGA wish to modify the Agreement so as to include certain additional provisions.

NOW, THEREFORE, the parties agree as follows:

1. ARTICLE 4 ("Compensation") is modified by deleting the existing text in Sections 4.1, 4.2 and 4.3 and inserting the following:

4.1 Compensation for Services. In exchange for performing the Services hereunder, Owner shall pay BGA a flat fee of $30,316 per month ("Monthly Fee"), plus reimbursables for payments to vendors (as set forth in Section 4.4 below) and specific maintenance and minor repairs. In the aggregate, the Monthly Fee and the reimbursables for payments to vendors shall amount to approximately $45,000 per month or $550,000 annually. This Monthly Fee covers all materials, consumables, parts, supplies, replacements, travel charges, subcontracted services and insurance required for BGA to provide the Services, except for Additional Services, as more fully described in Section 4.2 below and Part V of Schedule A to the Agreement.

4.2 Compensation for Additional Services. The parties acknowledge that Additional Services will be required under the Agreement to meet the needs of the County and the Facility customers. These Additional Services include the management, oversight and completion of a partial expansion of the Facility, the scope of such expansion being described in the County Manager's recommendation memorandum accompanying the submission of this Amendment No. 1 to the Board of County Commissioners. Compensation for such Additional Services shall be cost plus 10%, for a total fee for such Additional Services estimated to be $8,277,100 ("Additional Services Fee"). BGA shall invoice the County for such Additional Services Fee on a monthly basis for the Additional Services completed in the prior month.

4.3 Compensation for Unscheduled Maintenance. For all Unscheduled Maintenance, as defined in the Amended and Restated Service Agreement dated May 1, 2006, BGA shall pass all charges relating to labor and materials onto Owner at cost plus 10%.

2. ARTICLE 5 ("Term") is modified by deleting the existing text in Section 5.1 and inserting the following:

5.1 Term. This Agreement shall become effective upon the Commencement Date and, unless subject to prior termination as provided elsewhere in this Agreement, shall remain in full force and effect until not later than one (1) year from the effective date of Amendment No. 1."

3. Except as expressly modified herein, all other provisions of the Agreement remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Agreement effective as of the date first herein above set forth.

BGA, INC.	**MIAMI-DADE COUNTY**
By:	By:
Name: JORGE J. LOPEZ	Name:
Title: DIRECTOR	Title:
Date: OCTOBER 6, 2008	Date:

Witness: Paul F. Mapelli, Secretary

Witness: ASST. SECRETARY

Attest: _____
Clerk of the Board

This document has been reviewed by the County Attorney's Office for legal Sufficiency:

_____
(CAO Signature)