

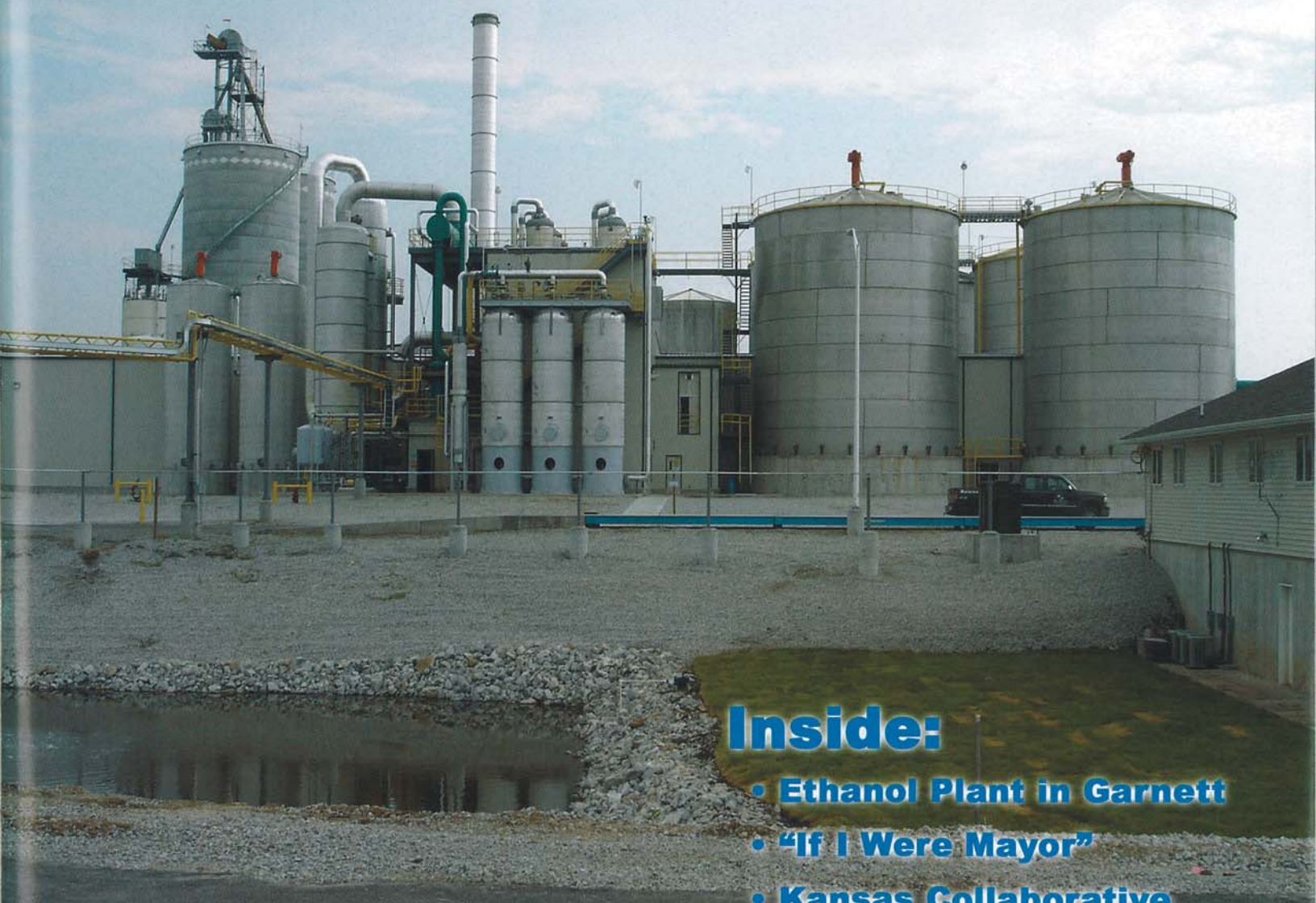
# Kansas

## GOVERNMENT JOURNAL

VOLUME 92 - NUMBER 2

FEBRUARY 2006

Local training for  
electrical and  
mechanical  
technicians



### Inside:

- Ethanol Plant in Garnett
- "If I Were Mayor"
- Kansas Collaborative

# KANSAS GOVERNMENT JOURNAL

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# Kansas

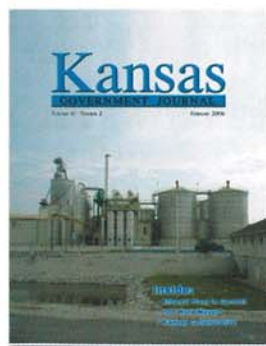
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### About the Cover:

A look at the \$50 million ethanol plant that began official operations in Garnett in June of 2005. See the related article about the plant starting on page 46. *Photo by East Kansas Agri-Energy.*

# THE PERFECT STORM

## THE HIGH COST OF ENERGY AND THE FACILITY C

While cities across the State of Kansas are diverse in the many details of governance, all are facing one very expensive commonality this winter: high heating bills.

While the beginning of the winter in Kansas has been relatively mild, most municipalities have seen heating bills much higher than they anticipated a year ago. The Energy Information Administration estimated an increase of 38% in the cost of natural gas. The staggering increase in natural gas costs has many city officials concerned with how to pay the bills. As winter settles in and the temperature dips to the familiar cold, cities face increasing challenges in staying under budget.

It's no secret that the best way to save money on utility bills is through energy conservation. The problem arises when cities can't find the funds for capital improvements to facilities to make them more energy efficient. City officials are left in a bind of knowing how to save money, but not knowing how to pay for the initial costs of the improvements.

### A Solution

The Kansas Energy Office, dedicated to the promotion of renewable energy and energy conservation and efficiency, has one possible solution for Kansas municipalities.

State-owned buildings in Kansas have been benefiting from energy efficiency improvements for several years under the Facility Conservation Improvement Program (FCIP).

Kansas State University implemented a \$19 million campus-wide energy efficiency project through the FCIP. "My opinion is we could not have gotten any of [the improvements] done without the energy savings," said Dr. Ed Rice, Associate VP of Facilities at K-State. "We do not have the money; the only way we can do it is through the [energy] savings."

The FCIP has overseen more than \$85 million in energy efficiency improvement projects in over 22 million sq. ft. of public facilities.

The extraordinary part about the improvements—the projects pay for themselves. The State of Kansas is now avoiding over \$8 million annually on utility bills as a result of improvements through the FCIP.

"If we can come up with a project that pays for itself with the savings, shouldn't we be doing that now?" said Todd Stephenson, Business Manager for Buhler School District, explaining why the school district entered into an FCIP project.

### How It's Done

The FCIP works on the principal of Energy Savings Performance Contracting. By working with Energy Service Companies (ESCOs), the FCIP can guarantee the avoided utility costs that a facility will save as a result of energy efficiency improvements.

The FCIP is a simple, streamlined program that allows Kansas municipalities to enter into contracts with private companies quickly, confidently, and with a guarantee of success. As an added level of confidence, the Kansas Energy Office provides oversight and consultation throughout the entire process—from the initial contact with the ESCOs, to the end of the energy savings verification period, as long as 20 years.

The State of Kansas has negotiated contracts with four ESCOs. These nationally recognized companies all have offices in Kansas, and all have extensive experience in Energy Performance Contracting. Through the leadership of Governor Kathleen Sebelius, this same contract is able to be offered directly to Kansas municipalities, counties, public schools, community colleges, and other public entities.

While facility improvements are often seen as cumbersome, time consuming, and expensive; the FCIP alleviates these concerns with a pre-negotiated contract. By using the FCIP, municipalities aren't required to issue Requests for Proposals (RFPs) on facility improvements; simply use the pre-negotiated contract through the FCIP and the process speeds up dramatically. And by satisfying competitive selection, the program ensures that its customers have a pre-qualified team to implement the process.

In addition to alleviating the time intensive process of RFPs, the FCIP allows available funding to be better spent on higher quality equipment. The traditional process of bidding for equipment often results in municipalities purchasing equipment produced by the lowest bid. However, the lowest bid doesn't always mean best quality and rarely means most efficient. The risk is sacrificing value for price.

### Endless Possibilities

The FCIP improvements for buildings are almost endless. FCIP projects have included lighting, HVAC, automated control systems, water saving initiatives, windows, roofs, and even integration of alternative generation of electricity, such as wind.

Dodge City Unified School District 443 recently contacted the Kansas Energy Office with an interest in using the FCIP process for their facilities. They came to the project with some innovative ideas in mind. Not only did the school district want to decrease the amount of energy they consumed—they also wanted to create their own energy by exploring the possibility of installing a wind turbine on school property to supplement the energy usage of a large high school facility.

Before the FCIP, projects such as this were often looked at with extreme skepticism. However, as the Kansas Energy Office focuses specifically on renewable energy and energy efficiency, such innovative projects are looked at as an exciting challenge.



BY **JIM PLOGER**

Photos provided by Custom Energy of Overland Park.

## CONSERVATION IMPROVEMENT PROGRAM

“Dodge City School District wanted to take a step beyond simply lowering their utility bills,” said Jim Ploger, Director of the Kansas Energy Office. “The District wanted to use the program as an opportunity to educate its students about the emerging renewable energy sector, as well as generate electricity using a wind turbine. The possibilities with the FCIP are virtually endless.”

### Walk-Through a Project

A project starts when a Kansas municipality contacts the Kansas Energy Office. FCIP Administrator Dale Worley takes information about the facilities and contacts the partner ESCOs to schedule a preliminary walk-through of the facilities.

“The initial walk-through of the facilities provides the Energy Service Companies a good idea of what improvements need to be made in a building to make it more energy efficient,” says Dale Worley. “The ESCOs consider utility data, equipment specifications, and the needs of the facility to develop a preliminary proposal of improvements to be made on the facility. The Kansas Energy Office schedules a meeting for these proposals to be presented. Up to this point in the process, there is no cost incurred to the customer.”

After the proposals are presented, the municipality selects one of the Energy Service Companies to perform an Investment Grade Audit. This audit is a comprehensive audit of the facilities—including analysis of the equipment, utility bills, and customer needs. The cost of this audit is based on a pre-negotiated fee schedule and is the basis of energy performance contract an ESCO uses to guarantee savings to the customer.

“When the Investment Grade Audit is completed, the ESCO, the Kansas Energy Office, and customer will meet to determine what projects are feasible and best fit the customer’s priorities,” says Worley.

At this point in the negotiations, the ESCO can tell a customer the cost of individual improvements and length of the projected pay-back period. Under the authorizing legislation, pay-back periods on the project can be up to 20 years. If a customer elects to enter into an energy performance contract with the ESCO, the cost of the audit can be included in the financing of the project. A nominal fee, based on the total project cost, is paid to the Kansas Energy Office by the municipality to cover the administrative costs of the program, only if an energy performance contract is executed.

### The Guarantee

Not many things come with a guarantee of a return. The FCIP is the exception. Projects implemented under the FCIP are guaranteed by the ESCO to cover the financing. If the savings

don’t materialize, the ESCO, not the customer, is obligated to make up the difference.

The contract signed by the ESCO and the customer includes a guarantee of savings. Based on product performance, utility cost models, and detailed knowledge of the industry, ESCOs are able to know exactly how a building performs, how often the building is used, and how much money it will cost to run the equipment installed in the building.

“The money you save from your utility bills is used as a means to pay for those improvements,” says Dale Worley, FCIP Administrator. “Obviously there are organizations and institutions for which this isn’t the right approach—if they have a bottomless pit of money—but in state government and municipal government right now, we have very limited resources.”

The payments made on the debt incurred from the project matches the guarantee of savings. No up-front capital costs are required by the customer in most cases—payments made on the equipment comes from the avoided energy costs. After the debt has been retired by the customer, all additional savings are an added bonus to the customer.

Fort Hays State University completed an FCIP project and is now reaping the benefits of the avoided energy costs. “For us it was a win-win situation,” says Dan Heater, Facility Administrator for Fort Hays University. “If we are not putting money into the energy, it allows us to put the money elsewhere—academics, our classroom upgrades, or other things. We didn’t see any way we could possibly lose by getting involved.”

### Real Savings

The FCIP and energy performance contracting create real savings that can be observed in many different ways. Equipment improvements not only bring the tangible savings of decreased energy use, but it also decreases the amount of time spent fixing the equipment or having the equipment off-line. Improvements in lighting mean less time spent changing bulbs and ballasts, as well as improved lighting conditions and significant savings in energy usage.

“Some of our buildings are extremely old, dating back to the late 19th Century. These buildings need to be modified to bring them up-to-date,” said Dr. Ed Rice of Kansas State University. “We replaced boilers that were 50-plus years old and chillers that were at the end of their life-cycle. I think that holds the future of our university and other schools that are doing energy retrofits.”

### What About the Old Fashion Way?

Kansas municipalities have their plates full when it comes to daily operations of government. Many cities and counties in Kansas don’t have an experienced energy manager on staff. Even

for those that do, they may not have the comprehensive knowledge of the latest energy efficient equipment necessary for a successful project.

Besides the extraordinary benefits of infrastructure modernization through the use of utility dollars, this process has brought about a considerable amount of economic boon for the local economies. With budgets strained, FCIP work provides opportunities for local Kansas subcontractors, equipment suppliers, and distribution networks.

The Energy Service Companies under contract with the State of Kansas are at the top of their fields. Their personnel include qualified professional engineers, architects, and energy managers. This combination of talents, combined with the years of experience specifically in energy efficiency, provide municipalities with expert assistance.

Most importantly, the FCIP allows Kansas municipalities to take on comprehensive projects. Rather than doing energy retrofits piece-by-piece as funds become available, the FCIP allows municipalities to undertake much larger projects. By avoiding the low-bid process, the FCIP allows high quality improvements that pay for themselves.

Scott County Unified School District 466 recently implemented a project with the FCIP of nearly \$1 million.

“We didn’t have the finances to do one huge project at once—and this was a way that seemed to really fit our need,” said Dean Katt, Superintendent of Scott County School District. “When we started talking about this, the comments that a couple of board members made were ‘It’s too good to be true.’ I kept telling them that it is a process that really works. It’s been a pretty simple

process. If the state program wasn’t available, we wouldn’t have been able to do it, it’s that simple.”

As an additional safeguard to the project, the FCIP administrator with the Kansas Energy Office provides oversight to the project from start-to-finish. In order to help the customer understand the details of the project and to resolve any issues that may come up during the process, the FCIP administrator attends most project meetings during the project development and construction phases. If any questions arise at any point during the contract period, the Kansas Energy Office staff is always available for advice.

In many ways the program mitigates risk. The risk of creating new contracts, the risk of providing new financing, the risk of emergency repairs, the risk of selecting qualified ESCOs, and the risk of higher utility bills are all reduced or eliminated altogether by this streamlined and very successful program.

“It all adds up to changing the way municipalities approach energy decisions,” said Jim Ploger, Kansas Energy Office Director. “Having the ability to divert utility dollars to energy improvements is a huge benefit for Kansas institutions, their staff, the people they serve, and taxpayers of the state.” The cost of utilities to run public buildings will continue to increase. Making the investment in improvements now will result in thousands of dollars saved.

For more information visit [www.kcc.state.ks.us/energy/fcip/index.htm](http://www.kcc.state.ks.us/energy/fcip/index.htm). An 11 minute DVD on the FCIP is available from the Kansas Energy Office by calling (785) 271-3170.

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