



DUNN COUNTY

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STAFF REPORT

TO: Facilities Committee
FROM: Dan Dunbar
Assistant County Manager
DATE: August 6, 2024
SUBJECT: Geothermal and Solar project

In early 2024, Dunn County staff including the Facilities Director, Assistant County Manager and the County Manager initiated a conversation with an energy conservation and building infrastructure company that specializes in government energy savings projects named Veregy. The goal of this meeting was to identify grant opportunities to aid in the replacement of the existing heating ventilation and air conditioning (HVAC) system in the Judicial Center and Jail. The existing system is original to the building built in 1998 and has exceeded its expected lifetime. These conversations evolved into energy savings opportunities for county facilities and different funding options that are available.

The existing HVAC system in the Judicial Center is not energy efficient. Replacement of major components as they fail will result in high costs that are not likely to be recouped during the remaining lifespan of the equipment. The county has experienced efficiency and effectiveness with the geothermal systems in the Government Center and The Neighbors of Dunn County. Geothermal systems are considered energy efficient and thus eligible for many state and federal rebates. Veregy evaluated the current system and energy usage and determined that a geothermal system would be a great replacement for HVAC system in the Judicial Center. The new system would cost about 4.4 million dollars and provide 2.4 million in rebates and savings over 25 years resulting in a total cost to the county of about 2 million in its lifetime. A like replacement for the existing HVAC system would have a similar or greater cost and would not provide the energy savings and rebates that the geothermal system would.

Though the geothermal solution is a great solution and provides savings to the county it needed a finance model. The idea of performance contracting was suggested by Veregy. Performance contracting is a finance option made available to the county by state statute 66.0133. It involves entering into a contract with a certified energy company that guarantees energy savings on a project. The project must pay for itself with energy savings in less than 15 years. Since the geothermal system couldn't pay for itself with energy saving in 15 years, we had to look for other options to find that savings. Solar panels to power the county buildings could be that option.

Veregy performed an evaluation of the county's energy usage by touring the infrastructure and evaluating the last 5 years of energy bills. They determined that implementing solar panels for the Judicial center, Government Center, and Neighbors of Dunn County along with the geothermal system the county could pay for both projects with energy savings in less than 15 years. The project is expected to cost around 11 million dollars with about 3 million in rebates realized in the first year and the remaining savings realized each year through a decrease in the electric charges paid to Xcel energy.

This financing option was discussed with our municipal advisor PMA. They are very familiar with performance contracting agreements and stated they can work with the county and the company chosen to do the work to schedule the debt payment structure to align with the contractual agreements. Scheduling the debt in this way will result in a \$0 increase in the county debt levy and in turn no increase in the property taxes for the residents. All of the money to pay for this debt would come from money previously allocated to pay electric and gas bills for our facilities. This solution will replace the existing aging HVAC in the Judicial Center with out increasing taxes and after 15 years the county will be able to use the energy savings benefit to cover the cost of other necessary county services.

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