

Memorandum



CITY OF DALLAS

DATE January 14, 2011

TO Housing Committee Members: Steve Salazar, Chair, Carolyn R. Davis, Vice-Chair, Tennell Atkins, Dwaine Caraway, Angela Hunt, Ann Margolin, Pauline Medrano

SUBJECT Weatherization Program Update

On Tuesday, January 18, 2011, you will be briefed on the Weatherization Program Update. A copy of the briefing is attached.

Please let me know if you have any questions.

A handwritten signature in black ink, appearing to read 'A.C. Gonzalez', with a large, loopy flourish on the left side.

A.C. Gonzalez
Assistant City Manager

c: The Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Deborah Watkins, City Secretary
Tom P. Perkins, Jr., City Attorney
Craig Kinton, City Auditor
C. Victor Lander, Administrative Judge, Municipal Court
Ryan S. Evans, First Assistant City Manager
Forest Turner, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Jerry Killingsworth, Housing/Community Services Director
Helena Stevens-Thompson, Assistant to the City Manager

Weatherization Program Update

A Briefing to the
Housing Committee

Housing/Community Services Department
January 18, 2011





Purpose

- Provide an update on the **State** Weatherization Program funded through the Texas Department of Housing & Community Affairs
- Inform the Housing Committee of plans for the **Federal** Weatherization Program funded through the Department of Energy

Distinctions between State & Federal Programs

□ **State**

- \$13.18 million awarded to City of Dallas as Weatherization Program
- Funding is provided through the Department of Energy and passed through the Texas Department of Housing & Community Affairs (TDHCA)
- Deadline for expenditure of September 2011
- Income based guidelines

□ **Federal**

- \$12.7 million awarded to the City of Dallas as part of Energy Efficiency Block Grant; \$2.5 million for Weatherization Program
- Funding is provided through the Department of Energy & coordinated through Washington
- Deadline of August 2012
- No income guideline for basic services



Similarities between State & Federal Programs

- Designed to:
 - Decrease energy consumption
 - Lower utility bills
 - Stimulate the economy
 - Create jobs
 - Open up opportunities for small businesses



Background for **State** Weatherization Program

- ❑ The Weatherization Program is part of the American Recovery & Reinvestment Act (ARRA)
- ❑ Funding is provided through the Department of Energy and passed through the Texas Department of Housing & Community Affairs (TDHCA)
- ❑ City of Dallas was awarded \$13.18 M over two years beginning October 2009
- ❑ The State Weatherization Program was expected to assist approximately 2,050 households (1.025 per year) in Dallas

State Weatherization Program

- Repair assistance is limited to no more than \$6,500 per home
- Assistance includes:
 - Air sealing, caulking, glazing, weather-stripping, patching cracks
 - Replacing broken glass, primary windows and doors, furnaces
 - Wall and floor insulation, insulating hot water heater and pipes
- Income limits set at 200% of poverty level or below (e.g. family of 4, no more than \$44,100)
- Priority given to elderly, disabled, families with children 5 years and younger, and households with high energy burden and energy consumption

Program Challenges

- Aggressive Production Schedule
 - Production required that City complete approximately 2,100 jobs by August 2011
 - City had 14 months to complete 150 jobs per month

- Aggressive Schedule even more difficult due to
 - New program and new guidelines
 - Federal government delays in interpreting those guidelines
 - Time to staff at both the Local and State level
 - Delays in approvals of program design, contracts, method of implementation, etc.
 - Time for Procurement and contracting
 - Need for initiating marketing and getting enough applications to start (above tasks took from October 2009 to April 2010)

Program Challenges

□ Guideline Complications

- State requires each job to be assessed by third party contractor for allowable expenses
 - ❖ Started production in April using Priority method assessment
 - ❖ State required that we switch our assessment methodology to a new program called NEAT
 - ❖ Changing to the NEAT audit assessment required restarting the production and retraining the inspectors, assessors, and contractors

□ Departmental Complications

- Underestimated the front end tasks to begin production
- Underestimated number of employees needed
- Placed production ahead of training
- Overestimated contractor's ability to follow program guidelines

Procurement Activity

- The Request for Proposal (RFP) was advertised November 12, and 17, 2009 in compliance with Texas competitive bidding statutes
- As part of the vendor notification process, 775 electronic notices were sent via the City's web-based procurement system
- Additionally, notifications were sent by BDPS ResourceLINK Team (RLT) to 25 chambers of commerce, and 2 advocacy groups (i.e. DFW Minority Business Council and Women's Business Council-Southwest)
- Due date was extended to allow additional time for vendors to complete required worksheets

Procurement Activity (cont'd)

- January 21, 2010 – Proposal closed with 20 responses submitted to BDPS

- A five member evaluation committee was selected from the following departments:
 - Housing – (2)
 - Code Compliance – (1)
 - Business Development & Procurement Services (2)

- BDPS provided copies of the response to the evaluation committee for further review and scoring

- February 10, 2010 - BDPS received and compiled the Committee ranking forms and the rankings were tabulated

- March 10, 2010 – Top 6 vendors ranked by scoring were recommended and approved by City Council

Procurement Challenges

- Limited vendor capacity due to other area agencies performing weatherization program (\$47.5m)
 - ARRA 2 yr regional awards
 - Dallas \$13,306,985
 - Dallas County \$19,139,598
 - Arlington \$ 2,188,456
 - Ft. Worth \$12,896,008
- Large volume of work required to be administered in a short time-frame
- Program requires experienced weatherization vendors further limiting vendor availability
- Need to have multiple vendors awarded and working concurrently to meet program deadlines

Key Elements of the RFP

- Set pricing was requested for as much as possible to ensure the best possible pricing for the City.
 - Unit pricing/material cost and installation was requested for 270 individual line items along with installation cost for 247 of the 270 line items
 - Example: 1 ¾” x 36” deluxe door bottom triple sweep seal
 - Material Cost - \$6.48 + Installed/labor – \$8.92 = Total billed cost: \$15.40

- Evaluation Criteria and Weights:
 - Cost of Goods and Services 40%
 - Qualifications and Experience Capabilities 35%
 - Shall have a minimum of five years experience in the field of residential energy conservation/weatherization services
 - All services shall be performed by qualified and trained service personnel
 - All electrical and plumbing services shall be completed by well trained and licensed firms, organization and/or individuals
 - Business Inclusion and Development (BID) Plan 15%
 - References 10%

Cost Contractors Bear

- Similar to most unit price contracts, the RFP did not allow for administrative charges to be billed separately, all vendor's associated cost must be included in the unit price/material cost or the installation cost

- Listed below are a number of costs associated with the program administration that must be included in the contractors unit price:
 - Travel time to and from worksites, reports, documentation, services, supervision, labor, personnel, quality control, technicians, tools, equipment, and pay the cost of all fees to obtain insurance, permits, license, transportation, tolls, mileage, fuel surcharge, shipping, handling, and incidentals necessary to perform the scope of work and services.

Additional Contractor Responsibilities

- Items required to be furnished by the contractor:
 - Contractor(s) and all of their personnel, staff members, and subcontractors providing services under this RFP must attend and receive certification training in Lead Safe Weatherization and other related topics.
 - Contractor(s) and all sub-contractors shall comply with the U.S. Department of Labor prevailing hourly wage rates; Davis-Bacon Act; Employee must be paid weekly
 - Performance and Equipment/Material Warranty for 1 year from date of acceptance by the City of Dallas

Pricing Analysis with other Agencies

Agency	Dallas	Ft. Worth	Dallas County
Number of awarded vendors	6	10	5
Number of line items priced	270	289	271
Method of Procurement	Proposal	Proposal	Proposal
Cost plus mark-up on authorized items not individually priced	12.5%-20%	18%-25%	15%-20%

- Dallas' average pricing 5% lower than Ft. Worth's average pricing and 13% higher than Dallas County's
 - 180 items were comparable with Ft. Worth and 259 comparable with Dallas County



Why does price vary by contractor?

- General Contractors use a variety of methods to accomplish work
- They perform a specialized discipline (HVAC, plumbing, etc.) providing deeper discounts from established supplier relationships
- In order to gear up for workload, contractors added subcontractors to increase capacity

Pricing Example

Description - Material Cost	Integrity Texas	Alaniz	Standard Renewable	HWC	Efficiency Attic	J & L	Average Vendor Pricing	Retail
Compact Fluorescent Lamps - 450 lumes, 9-13 watt	\$5.00	\$3.05	\$2.80	\$6.00	\$8.10	\$2.83	\$4.63	\$1.46
40 Gallon Water Heater, gas	\$800	\$1,500	\$475	\$900	\$550	\$550	\$795	\$619
Roof Decking replacement, 1/2" CDX plywood	\$0.40	\$0.80	\$1.00	\$0.75	\$0.54	\$0.40	0.65	\$0.78
Bathroom ventilation exhaust fan, 50 CFM, sones 0.3, duct size 4"	\$150.00	\$148.50	\$100.00	\$75.00	\$115.57	\$120.00	\$118.18	\$162.50

Ranking Tabulation – Awarded Vendors

Vendor	Cost of Goods & Labor (40 points)	Qualifications & Experience Capabilities (35 points)	References (10%)	Business inclusion & Development Plan (15 points)	Total Score
Standard Renewable	35.20	31.67	10.00	10.00	86.87
Efficient Attic Systems	37.30	29.83	8.33	10.00	85.47
JL Advanced	40.00	26.50	9.00	9.00	84.50
Integrity Texas Construction	31.90	29.83	9.33	9.00	80.07
Alaniz Complete Service	25.80	30.50	9.67	7.00	72.97
HWC Systems	31.80	21.67	8.00	10.00	71.47

TDHCA Reviews

- First review was conducted May 3-6, 2010
 - Fourteen findings were noted
 - Low production and expenditures were cited
 - Result was a Mitigation Plan to spend faster
 - Mitigation Plan included:
 - Completion of 125 units by 8/31/2010
 - Completion of 375 units by 10/30/2010
 - Completion of 685 units by 12/30/2010
 - City filed a response to the review and continues to negotiate clearance of all findings
 - City feels it owes \$683 disallowed cost cited

TDHCA Reviews (continued)

- Second review was conducted August 16-20, 2010
 - Six findings were noted
 - Low production and expenditures were cited
 - Disallowed costs of \$32,824.59 were also cited
 - This was the result of the State changing its required method of assessing homes for the types of assistance
 - State used NEAT audit procedure to evaluate jobs completed in April to June timeframe when the Priority List method was used
 - State did not audit any of the NEAT jobs that were completed from June to August
 - City filed a response to the review wherein we feel that the disallowed costs should be \$14,424
 - The City awaits TDHCA response
- Third review was conducted December 6-10, 2010
 - Report for this visit has not been issued
- The anticipated disallowed costs for the \$5M in program funds spent through December 2010 is expected to be less than 1%

State Weatherization Program Status

- ❑ The State Weatherization Program has assisted 675 households to date and spent over \$5 million
- ❑ In October, State was concerned about expenditures, production, capacity, and quality control concerns
 - City asked for 2 months to determine if we could reconcile production/quality issues
 - In December, the State strongly indicated that they were going to deobligate funding from the City and possibly reallocate it to another part of the state
 - City reached out to Dallas County to accept \$6M from the State in order to keep funding in the area and serve Dallas residents
- ❑ \$2 million remains to be spent through the City to assist approximately 250 households
- ❑ The City has enough applications to satisfy this deliverable
- ❑ State funding and production should be completed by May 2011

Federal Weatherization Program

- ❑ The Energy Efficiency and Conservation Block Grant (EECBG) was funded directly to the City of Dallas from the Department of Energy for \$2.5 million to provide additional Weatherization services
- ❑ Repair assistance must average \$5,000 per home with a ceiling of \$6,500
- ❑ 200 to 250 households to be assisted with energy efficiency improvements
- ❑ The program does not have an income requirement but does provide enhanced services for persons at 200% of poverty level or below (e.g. family of 4, no more than \$44,100)

Federal Weatherization Program

(continued)

- **Primary services** for residents will include weather-stripping of exterior doors, window caulking, attic insulation, energy efficient compact florescent light bulbs (CFL's) and ductwork
- Households that qualify based on income will be eligible for **secondary services** including energy star refrigerator, air conditioning unit, ceiling fans and solar screens

Further Differences between the State and Federal Programs

- The income guideline is a key difference between the State and Federal programs
- The Federal program has been targeted to specific areas rather than citywide
- The Federal program will be implemented via one contractor versus six contractors
- 25% of funds are allowed for Health & Safety concerns per household on Federal program

Applications for Federal Program

- ❑ Staff recommended a target area of West Dallas, census tracts 101.01 and 101.02 to begin the Federal program with Ideal/Rochester neighborhoods as an expanded area, CT 39.02 & 115
- ❑ 250 applications required to fund all of program
- ❑ 50 applications available to start program
- ❑ Staff anticipates a carryover of approved applications from the State program and there will be some applications in West Dallas that can transfer from the State to the Federal program
- ❑ Marketing efforts will be increased now that the staff has sufficient applications to complete the State program
- ❑ Federal funding and production should be completed by September 2011



CONCLUSION

- City will spend \$10M of \$16M allocation for the State and Federal programs by fiscal year end and provide weatherization to 1125 to 1150 households
- Transferring \$6M to the Experienced Dallas County program will benefit the citizens of Dallas
- This will allow all of the funds to be spent by the August 2011 deadline



Next Steps

- January 26, 2011, City Council would consider approvals to renew contracts with two vendors and increase funding to accommodate remaining State funds and Federal funds



Appendix

Program Issues Raised

- Amounts being paid on individual items
 - Response: RFP had a cost consideration but there were other factors considered to select contractors (page 10). Contractors also factor in administrative expenses which are not comparable with retail pricing (page 11)
- Items installed versus items paid for
 - Response: Staff has verified that items paid for were installed and appropriate at the time of final inspection
- Questioned costs in general raised by audit reviews
 - Response: Staff has responded to TDHCA with supporting documentation for further consideration
- Assistance to multifamily owners who could afford to do energy upgrades without assistance
 - Response: One of the purposes of WAP is to reduce energy consumption. WAP only requires that tenant income be considered for assistance. Owners are required to freeze rents for 1-2 years in consideration for the WAP services.