



Facility Services Proposal

*Facility Services Agreement for the
City of Daphne
Daphne City Hall
1705 Main Street
Daphne, AL 36526*

To: Mr. Frank Barnett,
Building Maintenance Supervisor

By: Mike Stanton
Air Specialty

Date: July 5, 2011



Attn: Mr. Frank Barnett
July 5, 2011

Re: Quote #110705 – Facility Services Agreement for City of Daphne

Summary

The intent of Syntergy's Facility Services Agreement is to create an immediate positive cash flow for our customers by reducing their monthly burdens. Our assessment of Daphne City Hall located at 1705 Main Street in Daphne AL shows that an investment made by Syntergy of \$35,000.00 in your support systems (specifically your HVAC and temperature controls systems) including a specialized O&M program will reduce your O&M costs, including your energy cost, while improving the comfort and reliability of your facility. Under this Agreement, The City of Daphne will receive immediate monthly savings because we will commission and assist in the operation of the support systems serving Daphne City Hall with an initial capital investment from City of Daphne of \$0.00. Our investment in equipment replacement/upgrades, commissioning, re-sequencing, and assistance in on going operations will provide long term savings and we will provide the quality control that is required for Syntergy to take all the risk.

We propose a Facility Services Agreement between Syntergy and City of Daphne. During the term of this agreement Syntergy will provide regular updates to City of Daphne regarding our scope of work and our investment to date (or Project Cost to date as calculated in Payment Terms and Conditions – not to exceed \$35K). Syntergy will meet Daphne's staff regularly to review utility performance. If the City of Daphne agrees that our work has resulted in utility savings, then Syntergy will invoice for 75% of the savings to offset Syntergy's investment relating to the facility services provided under this agreement. Upon Syntergy receiving full payment of the project cost to date, Syntergy will shift to invoicing 35% of the remaining monthly savings for ongoing operational support, quality control, and 24/7 access to our intellectual property.

The percentage terms of this contract are negotiable at any time for any reason by City of Daphne, and by 30 day written notice by Syntergy. Therefore, the City of Daphne determines their monthly payment to Syntergy with the understanding that the percentages listed in this contract are the percentages needed in order to offset the initial investment that is made by Syntergy. Daphne should expect to pay under these terms for at least 24 months, however, Daphne ultimately has no liability to the cost of the work performed by Syntergy beyond the savings that the City of Daphne is willing to agree has been created by Syntergy's work as outlined in this proposal. The City of Daphne has the final authority on determining savings.



Facility Services Agreement

This document shall serve as a "Facility Services Agreement" between **The City of Daphne** and Syntergy, LLC. This document does not prevent the Customer, **The City of Daphne**, and Seller, Syntergy, from entering into additional agreements outside of this Facility Services Agreement. Additional facilities can be added to this agreement upon written request from **the City of Daphne** and written acceptance from Syntergy, LLC. The "Savings Calculator", "Baseline" information, and payment terms for each additional facility must reference this agreement.

General Conditions

During the term of this agreement, **The City of Daphne** agrees to allow:

- Syntergy employees and agents unlimited on-site access, including virtual and/or remote access via the internet and/or telecom, to facilities covered under this agreement. It's understood by both parties that such access will not disrupt the building's ability to conduct business or otherwise provide services and will be consistent with other **Daphne City Hall** visitor rules.
- Syntergy will develop and implement scopes of work in an effort to reduce **The City of Daphne's** O&M expenses. Syntergy to make changes and updates to the existing building automation, HVAC, electrical, lighting, and other support systems that significantly impact energy consumption. Syntergy will review proposed changes with **the City of Daphne** prior to implementation. Syntergy to make changes to the operation parameters (i.e. motor speeds, set points, etc.), procedures, and equipment sequencing to reduce energy consumption and/or demand.

Payment Terms and Conditions

The "Customer", **The City of Daphne**, agrees to the following as a guideline for payment to Syntergy, the "Seller", for services performed at **Daphne City Hall** located at **1705 Main Street Daphne AL**.

- The billing format for this agreement is a standard "Time and Material" arrangement where the current project cost is the total of all services performed to date at the rates detailed below. The total project cost will not exceed **\$35,000**.
- **Daphne** will provide an initial payment of **\$0.00**.
- Syntergy will meet monthly with a designated representative of **the City of Daphne** to review the monthly utility performance. If **the City of Daphne** agrees that savings have been realized as a result of Syntergy's services, then Syntergy will invoice for **75%** of the monthly savings, or the balance of our services, which ever is less. This format will remain in place until the full project scope is implemented and the project cost is recovered. Upon the completion of the accepted scopes of work and Syntergy receiving full payment, Syntergy will shift to invoicing **35%** of the monthly savings for ongoing operational support, quality control, and 24/7 access to our intellectual property.
- All devices and equipment installed by Syntergy, LLC or its subcontractors under this agreement will remain property of Syntergy, LLC until the balance of all outstanding monthly invoices representing work completed and accepted are paid in full. It is agreed and understood that once **the City of Daphne** pays all outstanding invoices for the work completed and accepted to date, all devices and equipment installed by Syntergy, LLC through the last billing will become property of **The City of Daphne**.



Facility Services Labor Rates:

Project Engineer - \$200/hour
Facilities Specialist – \$175/hour
Project Manager - \$150/hour
Mechanic/BAS Technician/Electrician - \$135/hour
General Technician/Helper - \$65-95/hour

Facility Services Project Management Rates:

Material margin – 30%
Subcontractor margin – 25%

Cancellation and Termination

This agreement may be terminated by the City of Daphne and Synergy at any time for any reason with a 30 day written notice by either party.

If an outstanding balance exists upon termination of this agreement, the City of Daphne shall have the right to purchase said equipment, devices, and/or strategies installed and/or implemented under this agreement for the balance due for any work completed and any unpaid billings to date for the work underway at the time of termination as outlined under the section titled "Payment Terms and Conditions."

Baseline Energy Expenses and Savings Calculations

This document shall serve as an agreement between the City of Daphne and Synergy regarding how the "Baseline Energy Expense" and "Savings" for Daphne City Hall located at 1705 Main Street will be defined and calculated. The intent of establishing a "Baseline" in this agreement is to compare what energy expenses would have been without any modifications vs. actual energy expenses after savings measures have been implemented.

Baseline Calculation

The electrical consumption and demand baselines will be calculated by averaging the utility data from the information provided by the City of Daphne. An average electrical consumption (KWH) per day and average electrical demand (kW) will be calculated for each month based on this historical data. If necessary, baseline costs will be adjusted to compensate for changes in size, operation, occupancy, etc... Modifications to the Baseline data will be adjusted based on ASHRAE and IES Standards and known physical load increases and/or decreases.

Savings Calculation

Savings will be determined on a monthly basis. Savings will be the difference between the current bill and a calculated "BASELINE CHARGE". The "CURRENT CHARGE" will be taken from the utility bills excluding any fees that are not affected by energy saving measures (i.e. outdoor lighting charges, service fees, etc.). The "BASELINE CHARGE" and savings shall be calculated as:

Electricity –

Average KWH per day for billed for month X number of days in cycle = Baseline KWH

*Baseline KWH X Current KWH Charge = **BASELINE KWH CHARGE***

*Baseline kW X Current Demand Charge = **BASELINE kW CHARGE***

BASELINE KWH CHARGE + BASELINE kW CHARGE = BASELINE CHARGE

BASELINE CHARGE – CURRENT CHARGE = Total Electricity Savings

Natural Gas –

Average ccf per day for billed for month X number of billing days in cycle = Baseline ccf

*Baseline ccf X Current Gas ccf Charge = **BASELINE ccf CHARGE***

\$BASELINE ccf CHARGE – \$CURRENT ccf CHARGE = \$Total Gas Savings

**The billed for month will be defined as the month in which the majority of the billed for days fall.*

As part of this Agreement, the City of Daphne agrees to provide a copy of their future utility bills from their respective utility companies to Syntergy within 10 business days of receipt.

Project Scope

Syntergy will provide continuous updates regarding our scope of work, our investment to date, and our future plans for your facility. In addition to implementing our Energy Management Process, we will calibrate and commission select equipment and support systems to reduce your total expenses. We will develop a specialized maintenance program, and we will provide the training, quality assurance, and ongoing support to secure positive cash flow.

Implementation of our Facility Services Program

After receipt of the City of Daphne's signed approval of this proposal and an initial payment of \$0.00, Syntergy will perform the following work:

- Make arrangements for 24/7 access to monitor and analyze the facility throughout the entire range of operating conditions.
- Verify "as-built" drawings and/or any O&M documentation provided by the customer and customer's vendors relating to the support systems.
- Verify design intent and the sequence of operations for these systems as it relates to existing and future needs.
- Meet with the O&M staff and vendors to discuss known issues and develop cost effective solutions to reduce long term O&M expenses.
- Develop customized maintenance program for the support systems.
- Provide a monthly energy performance report for the facility.
- Document equipment and/or systems that are operating outside of their design conditions.
- Perform commissioning of your HVAC and lighting systems (calibrate sensors, verify and/or repair contactors and dampers, perform preventative maintenance on the HVAC system, adjust control algorithms, etc.) and re-sequence the equipment.

- Improve the temperature controls and strategies relating to comfort, performance, and energy consumption.
- Create operational documentation for facility staff.
- Perform minor repairs to the HVAC system (pumps, motors, VFD's, etc.) and or equipment that impact energy consumption.
- Install Microprocessor based controllers to automate our strategies and monitor real-time building performance.
- Provide professional O&M training for the owner's staff and vendors.
- Additional Scopes of work will be added as applicable, such as equipment and temperature control system retrofits, installation of Variable Speed Drives, and other select equipment upgrades.

Indemnity

Synergy and the city of Daphne agree that both Synergy and the City of Daphne shall be responsible only for such injury, loss, or damage caused by the intentional misconduct or the negligent act or omission of Synergy or the City of Daphne. Synergy and Daphne agree to indemnify and to hold each other, including their officers, agents, directors, and employees, harmless from all claims, demands, or suits of any kind, including all legal costs and attorney's fees, resulting from the intentional misconduct of their employees or any negligent act or omission by their employees or agents. Neither Synergy nor Daphne will be responsible to the other for any special, indirect, or consequential damages.

Miscellaneous Provisions

This Agreement cannot be assigned by either party without the prior written consent of the other party. Any change or modification to this Agreement will not be effective unless made in writing. This written instrument must specifically indicate that it is an amendment, change, or modification to this Agreement.

The City of Daphne will furnish any and all relevant design standards and equipment specifications prior to Synergy commencing work. Any trouble or hazardous conditions will be reported immediately to Daphne's O&M staff during this Agreement. If necessary, Daphne's O&M staff to be responsible for disabling life safety (fire, alarm, etc.) systems where work is being performed.

This proposal is hereby accepted and Synergy is authorized to proceed with the work.

This proposal is valid for 60 days from July 5, 2011

Purchaser - Company Name

SYNERGY, LLC

Signature

Signature

Name:

Name: Everett Pastureau

Title:

Title: Project Manager

Date:

Date: 07/05/11