

# MEMO

**To:** Duluth School Board  
**From:** Douglas A. Hasler, CFO *DH*  
**Date:** May 9, 2018  
**Re:** ERC Contract Update

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Following up on concerns expressed by the Board during Monday's Business Committee meeting, I spoke to Derek Smith, ERC representative, concerning the proposed contract for a utility/telecommunications audit.

I informed Mr. Smith of specific Board member concerns as to the level of compensation, and the choice of venue under the proposed agreement.

Mr. Smith has revised the proposed agreement to reflect St. Louis County, Minnesota, as the choice of venue under Section 12, and the location for arbitration proceedings under Section 13.

Mr. Smith has reaffirmed that ERC's compensation under the agreement would remain at 25% of identified and implemented savings. He reports that compensation under ERC's agreements with other clients typically ranges from 33% to 50%. He also maintains that it would not be cost effective for ERC to enter into this agreement with a lesser level of compensation than is proposed.

I have informed Mr. Smith that Board members expressed significant concerns about ERC's proposed compensation under the agreement, and that it is uncertain whether the Board will approve an agreement based on the 25% of savings compensation level.

I am recommending approval of ERC's revised agreement. While it is likely that savings which would accrue to the School District as a result of this agreement will be modest, I believe it is savings we would not obtain absent a utility/telecommunications audit like that offered by ERC. I also believe that any savings would be beneficial to the School District at this time.