



TO: MAYOR AND TOWN COUNCIL
FROM: LESLIE EDWARDS, FINANCE DIRECTOR
ADDISON CANINO, CAPITAL PROJECTS MANAGER
NICO CRUZ, SUSTAINABILITY COORDINATOR
RE: ENERGY PERFORMANCE CONTRACT UPDATE
DATE: APRIL 8, 2025

Summary:

The Town of Frisco is participating in Colorado's Energy Performance Contracting (EPC) program to improve energy efficiency across its buildings. In June 2023, the Town enrolled and contracted McKinstry to conduct an Investment Grade Audit (IGA), which has been completed.

EPCs allow municipalities to fund energy upgrades with minimal upfront costs, using energy savings to repay financing. Proposed upgrades include LED lighting, solar power, electric vehicle charging stations, and energy-efficient HVAC systems. The project, with a net cost of \$250,000 to the Town, is supported by \$1.5 million in grants, and is expected to generate approximately \$425,000 in energy savings over 18 years.

At the April 8 Town Council meeting McKinstry Staff and Town of Frisco Staff will seek feedback from Town Council regarding proceeding with the EPC and accepting the \$1,000,000 DOLA EIAF grant, with final contract approval scheduled for May 2025.

Background:

Frisco owns several buildings with varying energy needs. Although previous energy audits were conducted, staying current with technologies and maintenance remains a challenge. In June 2023, the Town enrolled in the EPC program and contracted McKinstry to perform the IGA. McKinstry presented the audit findings and Rough Order of Magnitude (ROM) estimates to Council in August 2024.

Colorado EPC Program Highlights:

- 25 years of operation, investing \$846 million in facility improvements.
- Achieved 292 million kWh in annual electricity savings and \$52 million in annual savings for public entities.
- Guaranteed energy savings to cover costs.
- Improved sustainability and energy efficiency.
- Support for the Town's strategic climate goals.

Analysis:

Benefits:

- **LED Lighting** (interior and exterior): Reduces energy use, CO2 emissions, and maintenance costs.
- **Solar PV Systems:** Generates power to offset electrical use, reduce CO2 emissions, makes progress towards increasing renewable power generation goal in Climate Action Plan, hedges against future electricity cost increases, publicly visible demonstration of the Town's commitment to sustainability.
- **Electric Vehicle Charging Stations:** Promotes electric fleet vehicles, reduces fossil fuel use associated with gasoline vehicles, publicly visible demonstration of the Town's commitment to sustainability.
- **Building Envelope Improvements:** Reduces energy use (especially natural gas use), enhances comfort, and improves air quality.
- **Building Electrification:** Upgrades to high-efficiency Air-source Heat Pump systems (3 to 4 times more efficient than the existing natural gas boiler).
- **Smart Thermostats & Building Automation:** Optimizes energy savings and reduces maintenance staff time. Integrates with existing Honeywell control system utilized at Town Hall and Community Center.
- **Optimized Control of Heat Trace:** Reduces electricity use and cost by reducing number of hours per year that the roof and gutter heat trace systems operate. Reduces Frisco maintenance staff time by providing remote monitoring, control, and trouble-shooting of heat trace systems at select town facilities.
- **Energy Star Appliances:** Replaces aging refrigerators (some are nearing 20 years old), reducing utility costs.
- **Staff Engagement Program:** Educates staff and promotes energy-saving behaviors.

Steps to Complete:

1. Energy Audit and Proposal - COMPLETED

- The process begins with an energy audit, where a professional energy services company (ESCO) evaluates the energy usage of a building or facility.
- Based on the audit, the ESCO proposes energy-saving measures (e.g., lighting upgrades, HVAC system improvements, insulation, etc.) and estimates the expected energy savings.

2. Performance Contracting Agreement – to Town Council May 2025

- A formal Energy Performance Contract (EPC) is established between the ESCO and the building owner.
- The EPC outlines the scope of the work, the expected energy savings, and the timeline for implementation.
- One key feature of EPCs is the **guarantee**: the ESCO guarantees that the energy savings will be sufficient to cover the cost of the upgrades, including financing.
- April 2025: Finalize project pricing, financing RFP and present construction contract to Town of Frisco

3. Financing Agreement – RFP May 2025; Contract to Town Council June 2025

- **Energy Savings as Repayment:** The money used to repay the financing comes from the energy savings generated by the upgrades.
- **Legal and Financial Considerations:** The RFP will clearly outline the legal requirements and expectations for the financing proposal. This will detail the expected energy savings and the expected repayment term of 18 to 20 years. Responses will be evaluated on experience and qualifications of the financier, fees and rates, and other proposed terms and conditions.

4. Implementation – May 2025 through end of 2025

- **Contractor:** McKinstry has successfully completed the Energy Audit and been instrumental in securing grants, calculating energy savings, and pricing subcontractors. Town staff recommends McKinstry continue as the Energy Savings Company/General Contractor for the Energy Performance Contract.
- **Oversight:** McKinstry will oversee the day-to-day construction of the Energy Performance Contract in coordination with Addison Canino, Capital Projects Manager, and Joseph Schleifer, Facilities Supervisor.
- **Timeline:**
 - **May 2025:** Complete permit drawings, submit applications for permits, and finalize equipment submittals
 - **June 2025:** Mobilize for construction
 - **Summer/Fall 2025:** Construction phase
 - **Fall 2025:** Construction close-out and commissioning
 - **Winter 2025/Spring 2026:** Begin 3-year Measurement and Verification Period

Financial Impact:

Colorado's Performance Contracting Law:

- Colorado has a specific law that facilitates performance contracting for public entities. CRS 29-12.5 allows state and local governments to enter into EPCs without the need for competitive bidding, making it easier for municipalities to implement energy-saving projects. EPCs in Colorado work by providing a mechanism to finance energy efficiency upgrades without upfront costs. The financing is typically repaid through the energy savings that the improvements generate.

Repayment

- Repayment is typically structured so that the energy savings cover the cost of the loan over the term of the agreement, often up to 20 years.
- If the energy savings exceed expectations, the building owner may be able to use the extra savings for other purposes, or the ESCO may share in the overperformance.

Risk Mitigation

- The ESCO guarantees energy savings, transferring the financial risk to them.

Project Sources

- The project is budgeted within the 2025 Capital Improvement Fund budget at a net project cost of \$250,000. Grants secured include \$500,000 for the Public Building Electrification grant and \$1,000,000 from the DOLA EIAF grant. The Town is awaiting a response regarding the Fleet Zero Charging Grant from the Colorado Energy Office in the amount of \$12,000. Energy savings are expected to total approximately \$425,000 over 18 years.

Total Sources:

| | |
|---|----------------------------|
| DOLA EIAF Grant | 1,000,000 |
| Public Building Electrification Grant | 500,000 |
| Inflation Reduction Act Investment Tax Credit | 200,000 |
| Fleet Zero EV Charger Grant | 12,000 |
| Utility Rebates | 10,000 |
| Financing (paid with energy savings) | 425,000 |
| Town of Frisco Capital Contributions | 250,000 |
| Total: | <u><u>\$ 2,397,000</u></u> |

Alignment with Strategic Plan: Continuing to work with McKinstry on an Energy Performance Contract is supported by Quality Core Services: environmental stewardship and reducing the effects of climate change.

Environmental Sustainability: Energy Performance Contracting provides a meaningful contribution towards the Town’s goal of energy reduction and is identified as a strategy under the Municipal buildings section in the Town’s Energy Action Plan, adopted by Council in October 2022.

Staff Recommendation: Staff seeks Council’s feedback on proceeding with the Energy Performance Contract. With Council direction, Staff will proceed with issuing the financing RFP, request the DOLA grant agreement (confirming approval of Town matching funds), and return to Council in May 2025 for final contract approval and approval of a financing contract approval in June 2025.

Reviews and Approvals:

Diane McBride, Assistant Town Manager