



MEMORANDUM

P.O. Box 4100 † FRISCO, COLORADO 80443

TO: MAYOR AND TOWN COUNCIL
FROM: HILARY SUEOKA, ENVIRONMENTAL PROGRAMS MANAGER
RE: INVESTMENT GRADE AUDIT UPDATE

DATE: AUGUST 27, 2024

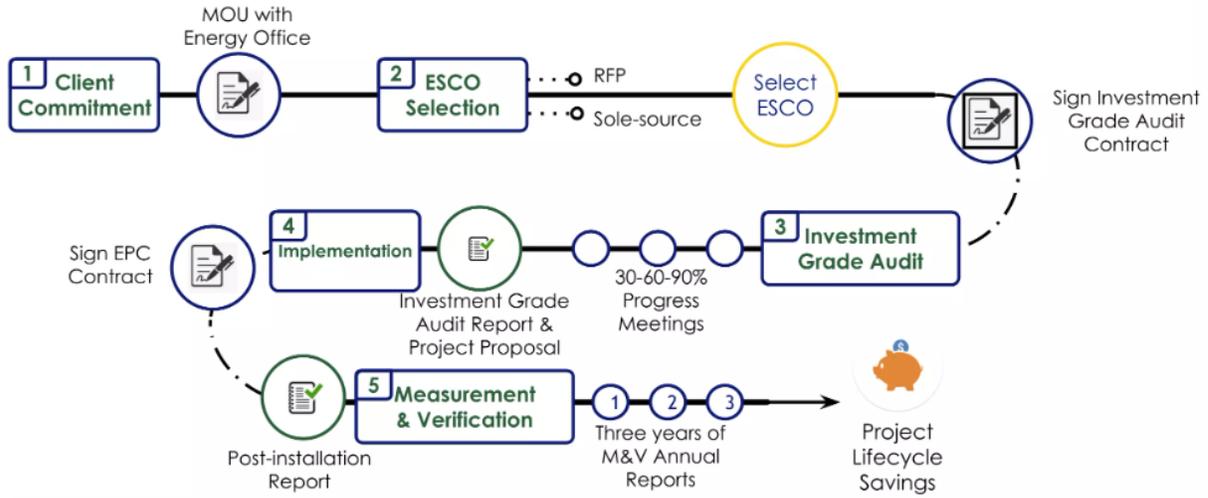
Summary and Background: The Town of Frisco owns a wide variety of buildings. Structures vary in age and use type, each with specific energy uses and requirements. While some energy audits have been performed in the past, Town staff struggles to keep up with latest technology while performing routine maintenance and planned upgrades for all Town-owned buildings.

The State of Colorado offers an Energy Performance Contracting (EPC) program that provides technical and contracting assistance to interested municipalities. In June 2023, staff enrolled in this program and were able to gain access to resources to assist with a Request for Proposals (RFP) and contracting process.

The first step of an EPC is an Investment Grade Audit (IGA). Council approved a contract with McKinstry in November 2023, to perform this audit. McKinstry is a state-approved Energy Services Contractor (ESCO). Entering into a contract with a state-approved ESCO helps staff to assess and prioritize energy efficiency upgrades. Working with an ESCO gives a holistic picture of the municipal building needs based on Town goals, building use, and occupant requirements. Now that the preliminary audits and Rough Order of Magnitude (ROM) are complete, staff from McKinstry will give a presentation of progress to date and initial results from the IGA during the August 27th work session. If Council is supportive of the work being done by McKinstry and this program, Council will also be asked to approve Resolution 24-30 on the consent agenda to support the Town's DOLA Energy Mineral Impact Fund grant application, detailed below in the Financial Impact section.

Analysis: The Energy Conservation Measures (ECM) identified in the ROM were selected through a combination of which would yield the most energy savings, and which meet other goals (greenhouse gas emissions reduction, completion of deferred maintenance, occupant comfort, etc.). Some improvements were selected for workforce housing despite tenant-paid utilities, since this aids Town employee quality of life and keeps utility bills more affordable. Water-saving projects and more expensive upgrades to workforce housing were eliminated since these projects do not have associated savings. If an ECM is excluded from the ROM and eventual Energy Performance Contract, this does not mean it can't happen, it will just require a different funding stream.

EPC: 5-Step Process



The graphic above from the Colorado Energy Office demonstrates the EPC process. Frisco is currently in phase 3 at roughly 70% Progress - between “Investment Grade Audit” and “Investment Grade Audit Report & Project Proposal”.

Financial Impact: The contracted amount for the Investment Grade Audit with McKinstry is \$17,794. This project was budgeted in the 2023 and 2024 Capital Project budget. The idea behind Energy Performance Contracting is the financing costs are paid out of energy savings. This includes the cost of the Audit contract. Because many of the Energy Conservation Measures included in the ROM have longer payback period or are selected for reasons other than energy savings, several financial implications are included:

Total implementation costs are estimated to be approximately \$2,876,500. Staff has applied to a DOLA Energy Impact Assistance Fund (EIAF) grant for \$1,000,000 to fund implementation of the projects included in the ROM that will not pay for themselves quickly through energy savings. Staff plan to apply for additional grants including Geothermal, Public Building Electrification, and Charge Ahead Colorado grant. IRA Tax Credits (through the Elective Pay program) will further reduce the total implementation cost. \$250,000 is currently budgeted in 2025 Town Capital to supplement the grant funding and financing sources. Staff plans to release an RFP for financing the remaining amount after potential grant awards in December 2024. The 18-year energy savings are predicted to be \$424,800 at this time, with an annual reduction of 173 Metric Tons CO₂. These savings would equate to debt financing for a comparable amount.

Resolution 24-30 under Consent Agenda discusses the grant application for \$1,000,000 from DOLA through the EIAF. DOLA grants require Council support through resolution. While the application has already been submitted on August 1, approval is still required (can be provided after submittal in cases where application is due prior to Council meeting availability.) If Council approves this grant application, the proposed ECMs will move forward and be included in the IGA Report and Project Proposal. Pending this approval, the next steps for Council will be approval of an Energy Performance Contract and approval of financing.

Alignment with Strategic Plan: Continuing to work with McKinstry on an Investment Grade Audit of Town buildings is supported by the following strategic objective and associated pillar: Core Services: Environmental stewardship and reducing the effects of climate change.

Environmental Sustainability: An Investment Grade Audit and Energy Performance Contracting more generally fulfills many goals 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 support and welcomes discussion and questions on the Investment Grade Audits and Energy Performance Contracting process. Ultimately, staff seeks Council approval for the grant application included on Consent Agenda. If Council is not supportive of this grant application (staff report for grant support in Consent Agenda), staff will pull the application and drastically scale down the project.

Approved By:

Tom Fisher, Town Manager
Diane McBride, Assistant Town Manager
Leslie Edwards, Finance Director

Attachments:

Attachment 1 – McKinstry presentation