



MEMORANDUM

TO: Timothy J. Baroody, City Manager
FROM: Mark Whitley, Assistant City Manager
RE: Amending the Fiscal Year 2023 Budget to Enter into a Performance Contract with ABM, Inc., for Energy Savings Work on Select Buildings
DATE: February 21, 2023 (for the February 28, 2023 Council Meeting)
Update: March 6, 2023 for the March 14, 2023 Meeting

ISSUE

Shall the City Council amend the budget to provide sufficient capital funds for energy savings work on several City buildings?

RECOMMENDATION

Yes. Staff recommends the adoption of the attached resolution on first reading.

Second reading, if first reading is approved, would be scheduled for the March 14 City Council meeting.

{Update: City Council approved the first read for the budget amendment on February 28. Staff recommends approval on second reading.}

BACKGROUND

The City Council adopted Resolution 19-112 in December 2019, Acknowledging the Serious Threat of Climate Change and Committing to a 100% Renewable Energy Future. This Resolution established a goal for the City of powering municipal operations with 100% renewable energy by 2035 or earlier.

The City has also included in the City Council priorities work plans an effort to conduct an energy performance contract – whereby up front capital costs for energy improvement measures are guaranteed by a contractor through a process of measurement and verification. Often these contracts result in a lease that is paid back over time, but in this case the staff recommends paying for the improvements up front. The most recently completed phase, Phase 3, included this work as part of the work for Priority #22.

The City has been working with ABM Building Services, Inc., (“ABM”) to develop an energy performance contract for various energy conservation improvements in City buildings. ABM was selected as a result of a joint Request for Proposal for “Back of the Envelope” evaluations between the City and the Fredericksburg City Public Schools.

The contractor thoroughly investigated a wide variety of systems and potential improvements at several City facilities, including: the Central Rappahannock Regional Library, the Bass-Ellison Building, the Police Headquarters Building, the City Shop, City Hall, the Sophia Street Parking Garage, Dixon Park, and the Dixon Park Maintenance facility. The report produced based upon this evaluation is called an “Investment Grade Audit.”

The “Investment Grade Audit” made several findings, and provided the City with several options going forward. The project with the greatest return is to do a “change-out” of light fixtures with high-efficiency LED lights.

Secondarily, the report did not recommend the installation of solar energy facilities on any of the City building rooftops, for a variety of reasons. Most of the facilities roof structures did not support the installation of solar facilities because of the age or the design of the roof. The Police Headquarters building would support solar structurally, but the rate design from the utility provider limits the ultimate rate of return.

Many other items were evaluated, and there were other recommendations made concerning the replacement of HVAC equipment and / or other energy efficiency measures. Staff will be either conducting some of the improvements in-house or programming them in the Capital Improvements Plan – in particular, the replacement of the HVAC systems at the Central Rappahannock Regional Library branch on Caroline Street.

The City wishes to advance three projects with ABM.

1) Replacement of Lights with LED fixtures in City Buildings – ABM proposes to replace lights with LED fixtures in the following buildings – Central Rappahannock Regional Library, Police Headquarters, Bass Ellison, City Hall, City Shop, and the Dixon Maintenance Building.

2) Engineering & Design for Solar Installation at Police Headquarters – The City asked ABM to go ahead and provide full engineering and design for the installation of solar energy panels on the City’s Police Headquarters building at 3300 Cowan Boulevard.

The City would not be obligated to move ahead with installation, and the return on investment would need to be re-evaluated prior to procurement of any type of solar panels. However, the contractor identified the roof as being structurally sound enough to install solar, and the staff wishes to provide for this additional work to support renewable energy and the Council’s environmental sustainability program.

3) Engineering & Design for Solar Installation at the Bass-Ellison Building - The City asked ABM to go ahead and provide full engineering and design for the installation of solar energy panels on the City’s Bass Ellison building at 608 Jackson Street. The problem at the Bass Ellison building is that the roof may not support solar, and the design work would identify the improvements needed to provide the roof the support needed. The City would not be

obligated to move ahead with the improvements, but the staff recommends this step to determine that cost and provide the support needed for renewable energy.

The total cost of the entire project is \$692,962. The work should be done over the next four to six months.

FISCAL IMPACT

The cost of these improvements is at a level that the City would rather go ahead and pay for the improvements through capital funds up front as opposed to entering into a lease / financing arrangement that is repaid over several years. This course of action saves the cost of financing.

The City capital budget (in the Public Facilities Capital Fund) currently has an appropriation of \$400,000 for energy efficiency retrofits. The attached resolution provides for a transfer between the General Fund and the Public Facilities Capital Fund of \$292,962, which is the remainder of the cost for the project.

The contractor has identified an energy avoidance cost of \$24,292 in year one, based upon a projected savings of 277,522 kWh in savings.

In addition, the contractor has identified an additional estimated \$12,146 in “operational cost avoidance.” The total annual savings estimated by the contractor, that will serve as the basis for the guaranteed savings, is \$36,438. This amount is escalated by 3% over the life of the contract.

The City will also be required to pay approximately \$4600 per year for the annual report on Measurement and Verification that establishes whether or not the energy savings have been reached against the baseline. The current period proposed in the contract is 15 years; however, the City may wish to cancel this process sooner if the reports consistently show that the projected savings are being achieved.

Attachment: Resolution



March 14, 2023
Regular Meeting
Resolution 23-20

MOTION:

SECOND:

RE: Amending the Fiscal Year 2023 Budget to Enter into a Performance Contract with ABM Building Systems, Inc., for Energy Savings Work on Select Buildings

ACTION: APPROVED: Ayes: 0; Nays: 0

FIRST READ: February 28, 2023 SECOND READ: _____

The City Council of the City of Fredericksburg, through Resolution 19-112, acknowledges the serious threat of climate change and commits to a goal of having municipal operations be powered by 100% renewable energy by 2035 or earlier.

The staff and ABM Building Services, Inc., have developed an energy performance contract to reduce overall energy usage in City buildings by accelerating the switch to LED light fixtures in several City buildings. In addition, the City Council wishes to provide funding through this contract for design for possible installation of solar power panels on the roof of the Police Headquarters Building and the Bass-Ellison Building.

The City Council wishes to fund the project using current fund balance reserves. The cost of the full project is \$692,962. There is a current appropriation of \$400,000 to fund energy savings projects, and this budget amendment will supplement that funding to pay for the project.

Therefore, City Council resolves that the following appropriations amending the FY 2023 budget in the General Fund, and Public Facilities Capital Fund be made:

General Fund (Fund 0100)

Sources

Fund Balance

Fund Balance Committed to Capital Projects	0100 361012	\$ 292,962
Total		<u>\$ 292,962</u>

Total Sources \$ 292,962

Uses

Interfund Transfers

Transfer to Capital Fund	10093100 492040	\$ 292,962
Total		<u>\$ 292,962</u>

Total Uses \$ 292,962

Public Facilities Capital Fund (Fund 0305)

Sources

Transfers from Other Funds

Transfer from General Fund	0305 341050	\$ 292,962
Total		<u>\$ 292,962</u>

Total Sources \$ 292,962

Uses

Energy Retrofit

Professional Services - Engineering	30594503 43140	\$ 292,962
Total		<u>\$ 292,962</u>

Total Uses \$ 292,962

Votes:

Ayes:

Nays:

Absent from Vote:

Absent from Meeting:

Clerk's Certificate

I certify that I am Clerk of Council of the City of Fredericksburg, Virginia, and that the foregoing is a true copy of Resolution No. 23-20, adopted at a meeting of the City Council held March 14, 2023, at which a quorum was present and voted.

***Tonya B. Lacey, MMC
Clerk of Council***