

CITY COUNCIL MEETING

AGENDA ITEM IV



**CITY OF FRANKLIN
COUNCIL AGENDA REPORT**

February 2014 City Council Meeting

From: Elizabeth Dragon – City Manager

Subject: Council to schedule public hearing regarding adoption of Resolution #07-14 approving the Energy Performance Contract with Energy Efficient Investments, Inc. and authorizing the City of Franklin to enter into a lease purchase agreement with Municipal Leasing Consultants

1. Councilor moves:

“I move that the Franklin City Council adopt Resolution #07-14 approving the Energy Performance Contract with Energy Efficient Investments, Inc. and authorizing the City of Franklin to enter into a lease purchase agreement with Municipal Leasing Consultants by roll call vote.

2. Mayor calls the vote.

Discussion: Director Milner, Brian Barry and I have been meeting with ENE Systems/EEI since March 2013. We have worked with this company to perform a preliminary investment grade audit to determine if energy upgrades could be funded through energy savings. In August 2013, the council authorized us moving forward with an investment grade audit (a more detailed audit which includes the guaranteed energy savings and financing options for proposed projects).

Several site visits were conducted at City hall, Proulx center, Bessie Rowell Community Center, Police station and the DPW garage. Through the investment grade audit we have prepared a plan for various energy projects that can be completed through the combination of an energy performance contract, capital reserve contributions (up to \$100,000), and energy rebates (of at least \$64,023). The energy contract stipulates guaranteed energy savings (\$17,544 per year) which would pay for the building improvements (net cost of improvements less capital contribution and energy rebates) over twelve years. The capital contribution was necessary to shorten the length of the lease agreement and payback period. The alternative would have been to pick only projects with high rebates and shorter pay back periods. However- some of the improvements (such as replacement of boilers at City hall, Proulx Center and the Rowell Community Center) are big ticket items that need to be completed regardless of a proposed energy performance agreement. Therefore, it made sense to roll them into the larger project as a way to fund them as a whole package.

The investment grade audit has been complete for a couple months. However, we were unable to get financing options until the school completed their 2011 audit. The city needed to provide more current audited financial statements to possible lenders and was unable to do so until the schools information was complete. This stalled the project for a couple months. Director Milner will continue to pursue other financing quotes in preparation for the February council meeting.

However, due to the relatively small amount proposed to be financed (\$201,966.29) and the lack of more current audited financial statements (including the numbers for the school) for 2012 & 2013-she feels the proposed lease purchase agreement will likely be the most favorable at a rate of 3.19% for twelve years.

Attorney Fitzgerald has reviewed the energy performance contract and made several changes which have been incorporated.

We are not recommending financing of the admin costs (bonding fee, measurement & verification). Instead, we recommend the admin cost be paid from the city's operating budget. We are seeking greater rebates with PSNH before the February public hearing to allow for the option of reducing the current capital contribution (by at least \$18,000) which would allow us to fund the 5% contingency out the capital account instead of paying interest on a contingency that may not be needed.

Once the projects are complete ENE will provide quarterly reports to the city confirming that energy savings are equal to audit estimates.

It is important to keep in mind-many of the proposed energy improvements are items that should be completed but have been deferred due to funding constraints. The proposed energy performance contract & lease purchase agreement provides a mechanism for us to fund the improvements over time.

Alternatives: Deny the request for a public hearing and prevent the project from moving forward to the next step in the process.



CITY OF FRANKLIN, NEW HAMPSHIRE

"The Three Rivers City"

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CITY OF FRANKLIN NOTICE OF PUBLIC HEARING & MEETING

In accordance with the provision of Chapter 31, Division 2 of the Franklin Municipal Code, notice is hereby given that the City of Franklin will hold a Public Hearing on Monday, February 3, 2014 at 6:06 p.m. in the Council Chambers, Franklin City Hall concerning Resolution #07-14 concerning an Energy Performance Contract with Energy Efficient Investments, Inc. and authorization to enter into a lease purchase agreement.



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RESOLUTION #07-14

A Resolution Relating to the approval of an Energy Performance Contract with Energy Efficient Investments, Inc. and the authorization for the City of Franklin to enter into a lease purchase agreement through Municipal Leasing Consultants and supplemental appropriation of the lease proceeds and additional funding from the Capital Reserve Fund in order to fund the Energy Performance Contract.

In the year of our Lord, Two Thousand Fourteen,

WHEREAS, the City Council of the City of Franklin has adopted a budget for Fiscal Year 2014 which began July 1, 2013, and;

WHEREAS, the City Council of the City of Franklin has supported a Franklin goes green initiative, and;

WHEREAS, the City Council of the City of Franklin wishes to address some energy related and capital concerns in several City owned buildings including City Hall, Proulx Center, Bessie Rowell Community Center, Highway Garage and Police Station, and;

WHEREAS, the City Council wishes to fund this project totaling \$372,307 through energy rebates from energy suppliers, Capital Reserve funding not to exceed \$100,000, and by entering into a lease purchase agreement through Municipal Leasing Consultants for an amount not to exceed \$201,966.29 at an interest rate of 3.19%, and;

WHEREAS, the City Council understands that lease payments will be funded through energy savings for the period of 12 years, and;

WHEREAS, the City Council understands that the expected energy savings to pay back the lease purchase agreement are guaranteed by Energy Efficient Investments, Inc., Now

THEREFORE BE IT RESOLVED, that at the scheduled meeting of the City Council on Monday, February 3, 2014, the City Council of the City of Franklin, New Hampshire does hereby adopt resolution 07-14 approving the Energy Performance Contract with Energy Efficient Investments, Inc. and authorizing the City of Franklin to enter into a lease purchase agreement with Municipal Leasing Consultants not to exceed \$201,966.29 at a rate of 3.19% for a period of twelve (12) years and authorizing an increase in FY14 revenues:

Transfer In - Capital Reserve Fund Account No. 01-0-000-39150-000 - One Hundred Thousand Dollars and No Cents (\$100,000),

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Other Financing Sources – Capital Lease Proceeds Account No. 01-0-000-39900-000 – Two Hundred One Thousand Nine Hundred Sixty Six Dollars and 29 Cents (\$201,966.29),

Miscellaneous Revenue Account No. 01-0-000-35090-000 – Seventy Thousand Three Hundred Forty Dollars and 71 Cents (\$70,340.71)

And an increase in expenditure account,

Buildings Account No. 01-9-012-40720-000 – Three Hundred Seventy Two Thousand Three Hundred Seven Dollars and No Cents (\$372,307)

for the funding of the Energy Performance Contract and authorizing the Mayor to sign all necessary documentation of same

By a roll call vote.

Roll Call:

Councilor Boyd	_____	Councilor Feener	_____
Councilor Clarenbach	_____	Councilor Giunta	_____
Councilor Cournoyer	_____	Councilor Starkweather	_____
Councilor Desrochers	_____	Councilor Barton	_____
Councilor Dzujna	_____		

Approved: _____
Mayor

Passed: _____

I certify that said vote has not been amended or repealed and remains in full force and effect as of the date of this Certification and that Holly Burbank is the City Clerk for the City of Franklin, Franklin, New Hampshire.

A true copy, attested: _____
City Clerk

Date: _____