

CITY COUNCIL MEETING

AGENDA ITEM III



CITY OF FRANKLIN
COUNCIL AGENDA REPORT
January 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 schedule a public hearing for February 3, 2014, at 6:06pm regarding the 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.

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"

316 Central Street
Franklin, NH 03235

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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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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.



Municipal Leasing Consultants
7 Old Town Lane
Grand Isle, VT 05458-2325
Tel (802) 372-8435
Fax (802) 372-4775
www.PowerOfLeasing.com

December 11, 2013

Michael Davey
Business Development Manager
Energy Efficient Investments, Inc.
26A Columbia Circle
Merrimack, NH 03054

Via: mdavey@eervices.com

Dear Mike,

Municipal Leasing Consultants, an independent woman-owned business, is pleased to present the following proposal to lease certain capital equipment pursuant to the following terms and conditions:

LESSOR: Municipal Leasing Consultants, its Agents or Assignee

LESSEE: City of Franklin, NH

EQUIPMENT: Energy Performance Contract

EQUIPMENT COST: \$201,966.29

PAYMENT STRUCTURES: **Tax-Exempt Lease Purchase**
Twelve (12) Years – Annual
** See attached Amortization Schedule*

RATE: **3.190%**

As part of the proposal process, we encourage you to contact us to discuss the intricacies of our proposal and your specific goals. There are many variations available to our proposed financing structure, which can be "fine tuned" as our dialog progresses.

The preceding costs are estimates and thus, the payment amount would be changed in proportion to the actual cost. The Vendor(s) will be paid upon the Lessee's authorization and the execution of mutually acceptable documentation.

*THE ABOVE QUOTES ARE FIXED FROM **DECEMBER 11, 2013 TO JANUARY 10, 2014** IN ANTICIPATION OF **CLOSING / FUNDING** BY THIS DATE. THEREAFTER, THE RATE WILL FLOAT AND NOT BE LOCKED IN UNTIL DOCUMENTS ARE PREPARED FOR CLOSING AND WILL BE BASED ON THE LIKE TERM SWAP RATES.*

EQUIPMENT ACCEPTANCE DATE:

This proposal is based on both the assumption and the condition that any and all equipment will be delivered to and accepted by Lessee prior to December 11, 2014.

OPTION AT LEASE EXPIRATION:

At the lease expiration, the Lessee shall have the right to purchase the equipment for One dollar (\$1.00), assuming the lease is not in default and all terms and conditions of the lease have been met.

NET LEASE:

This lease will be a net lease transaction with maintenance, acceptable insurance coverage, taxes and any legal fees the responsibility of the Lessee.

LEASE AMORTIZATION SCHEDULE:

Amortization schedules with separate principal and interest cost breakdown will be provided with the final documentation.

WARRANTIES:

Lessor is bidding only as to the provision of lease purchase financing for the purchase cost of the equipment and will have no responsibility to the Lessee or any other person for the selection, furnishing, delivery, servicing or maintaining of the equipment. All equipment manufacturer or vendor warranties will be passed to the Lessee under the agreement.

NON-APPROPRIATION:

The lease payments shall be subject to annual appropriation for each fiscal year.

BANK OR NON-BANK QUALIFICATION:

Lessee reasonably anticipates the total amount of tax-exempt obligations (other than private activity bonds) to be issued by Lessee during calendar year 2013 **will not** exceed ten million (\$10,000,000.00) dollars.

FINANCIAL STATEMENTS:

If applicable, Lessee shall furnish Lessor with its financial statement for the last three (3) fiscal years and its current year fiscal budget.

AUTHORIZED SIGNORS:

The Lessee's governing board shall provide MLC with its resolution or ordinance authorizing this Agreement and shall designate the individual(s) to execute all necessary documents used therein.

LEGAL OPINION:

The Lessee's counsel shall furnish MLC with an opinion of counsel letter covering this transaction and the documents used herein.

REIMBURSEMENT:

If Lessee intends to be reimbursed for any equipment cost associated with this agreement, intent for reimbursement from the proceeds of this Agreement must be evidenced, and must qualify under the Treasury Regulation Section 1.150.2.

DOCUMENTATION:

All documentation will be provided by Lessor, its Agents or Assignee, and must be satisfactory to all parties concerned.

ESCROW FUNDING:

If applicable, an interest bearing escrow account will be established to make disbursements. The proceeds of the lease will be deposited into an Escrow Account. This account has a \$250.00 and can be taken from the interest earnings. Interest earnings will accrue to the benefit of the Lessee. The interest rate on the temporary investment is estimated to be +/- .20%.

PREPAYMENT OPTION:

The Lessee will have the option to prepay on any payment date for 102% of the remaining balance.

BASIS OF PROPOSAL:

This proposal is based upon financing being provided by Lessor and should not be construed nor relied upon as a commitment. Such a commitment is subject to formal credit review, approval and execution of mutually acceptable documentation. The contract, and not the proposal, will set forth the agreement between the parties.

We appreciate the opportunity to provide this proposal and look forward to working with you in the future. If the foregoing meets with the City's approval, please date and sign the acceptance below and return the signed proposal to the undersigned via email or fax to 802/372-4775 and subsequently remit payment of \$550.00 for the Documentation Fee. Failure to consummate this transaction once credit approval is granted will result in a \$550.00 fee being assessed to the City. Formal credit approval will be pursued upon receipt of the signed proposal, financials, and vendor quote or invoice. **Credit approval normally takes ten (10) to fourteen (14) business days.**

If you have any questions or need further information, please do not hesitate to contact me at 802/372-8435.

The foregoing is acknowledged and accepted as of the _____ day of _____, 2013.

City of Franklin, NH

By: _____

Title: _____

Sincerely,

Reneé M. Piché

Reneé M. Piché
President
renee.piche@powerofleasing.com

Attachment:

- ◆ Amortization Schedule

City of Franklin, NH

Compound Period : Annual

Nominal Annual Rate : 3.190 %

CASH FLOW DATA

Event	Date	Amount	Number	Period	End Date
1 Loan	12/15/2013	201,966.29	1		
2 Payment	12/15/2014	17,544.00	1		
3 Payment	12/15/2015	18,070.32	1		
4 Payment	12/15/2016	18,612.43	1		
5 Payment	12/15/2017	19,170.80	1		
6 Payment	12/15/2018	19,745.93	1		
7 Payment	12/15/2019	20,338.30	1		
8 Payment	12/15/2020	20,948.45	1		
9 Payment	12/15/2021	21,576.91	1		
10 Payment	12/15/2022	22,224.21	1		
11 Payment	12/15/2023	22,890.94	1		
12 Payment	12/15/2024	23,577.67	1		
13 Payment	12/15/2025	24,285.00	1		

AMORTIZATION SCHEDULE - Normal Amortization

Date	Payment	Interest	Principal	Balance
Loan 12/15/2013				201,966.29
2013 Totals	0.00	0.00	0.00	
1 12/15/2014	17,544.00	6,442.72	11,101.28	190,865.01
2014 Totals	17,544.00	6,442.72	11,101.28	
2 12/15/2015	18,070.32	6,088.59	11,981.73	178,883.28
2015 Totals	18,070.32	6,088.59	11,981.73	
3 12/15/2016	18,612.43	5,706.38	12,906.05	165,977.23
2016 Totals	18,612.43	5,706.38	12,906.05	
4 12/15/2017	19,170.80	5,294.67	13,876.13	152,101.10
2017 Totals	19,170.80	5,294.67	13,876.13	
5 12/15/2018	19,745.93	4,852.03	14,893.90	137,207.20
2018 Totals	19,745.93	4,852.03	14,893.90	
6 12/15/2019	20,338.30	4,376.91	15,961.39	121,245.81
2019 Totals	20,338.30	4,376.91	15,961.39	
7 12/15/2020	20,948.45	3,867.74	17,080.71	104,165.10
2020 Totals	20,948.45	3,867.74	17,080.71	
8 12/15/2021	21,576.91	3,322.87	18,254.04	85,911.06

City of Franklin, NH

Date	Payment	Interest	Principal	Balance
2021 Totals	21,576.91	3,322.87	18,254.04	
9 12/15/2022	22,224.21	2,740.56	19,483.65	66,427.41
2022 Totals	22,224.21	2,740.56	19,483.65	
10 12/15/2023	22,890.94	2,119.03	20,771.91	45,655.50
2023 Totals	22,890.94	2,119.03	20,771.91	
11 12/15/2024	23,577.67	1,456.41	22,121.26	23,534.24
2024 Totals	23,577.67	1,456.41	22,121.26	
12 12/15/2025	24,285.00	750.76	23,534.24	0.00
2025 Totals	24,285.00	750.76	23,534.24	
Grand Totals	248,984.96	47,018.67	201,966.29	

ENE Energy Advisor

Overview

ENE Energy Advisor is staffed with qualified energy consultants and engineers who will review your energy bills, operational and maintenance procedures and practices and recommend changes that will yield long term benefits for your organization. We will only offer improvements and projects that demonstrate a solid financial payback with minimal impact to comfort or production.

ENE Energy Advisor offers a full scale of energy services to our customers, from consulting to turnkey general contracting and project management of full scale energy projects.

ENE Systems Offerings

- BUILDING AUTOMATION SYSTEMS
- ENERGY MANAGEMENT SYSTEMS
- ENERGY CONSERVATION SYSTEMS & IDEAS
- HVAC SERVICES
- SECURITY SERVICES
- COMPONENT SALES
- NETWORK SERVICES
- COMPREHENSIVE TRAINING

REDUCING THE OPERATING AND ENERGY COSTS OF YOUR FACILITY

ENE SYSTEMS HISTORY ENE has provided continuously current technology since 1987. With an investment in R&D and Service Programs, we provide the lowest lifecycle cost of ownership, which means improved return on your investment.

CONSULTING The ENE Energy Advisor tailors our service to meet the needs of the customer. Our service starts with a no cost Site Visit and Consultation where we will meet with the customer to understand your particular needs. Energy projects can solve a number of different needs, and can be structured in a number of different ways. It is important that we understand your needs and expectations before we get started.

PERFORMANCE CONTRACTING ENE Performance Contracting is designed to help those customers that have budget constraints and/or require guaranteed savings on their energy projects. Performance Contracting is a useful tool for upgrading inefficient and aging equipment and will help finance the new equipment with future savings.



ENERGY PROGRAMS

Our philosophy is simply to lower the operating and energy costs of your facility. To help our clients make good financial decisions in regards to energy and energy conservation. We do this by analyzing the operational and energy cost of your facility searching for ways to reduce costs and extend the life of your facilities and equipment.

WE OFFER

- Performance Based Contracting
- Energy Consultation
- Comprehensive Audits
- Grant Writing Support
- Utility Rebate Coordination
- Engineering & Design
- Turnkey Project Implementation
- Commissioning
- Maintenance, Measurement and Verification
- Equipment Leasing Programs



RESPONSIVE SUPPORT

Regardless of how new or old your current system may be, our Periodic Maintenance Program will help it perform at its peak efficiency.

SERVICES

ENE Energy Advisors can provide turnkey general contracting and project management for your energy projects. Any of the energy conservation measures or renewable energy measures suggested by the ENE Energy Advisors can be implemented by ENE Energy Advisors. We have long standing relationships with the best mechanical, electrical and specialty subcontractors in the New England Area. Our project managers are experienced, organized and committed to the successful completion of your project.

CONTACTS

For assistance or further information, please contact one of our representatives listed at (781) 828-6770.

PAUL MURPHY, ext. 310
DIRECTOR, ENE ENERGY ADVISORS
pmurphy@enesystems.com
Cell: 781-710-1666

JOSE FONTES, ext. 226
ACCOUNT EXECUTIVE
jfontes@enesystems.com
Cell: 617-285-6669

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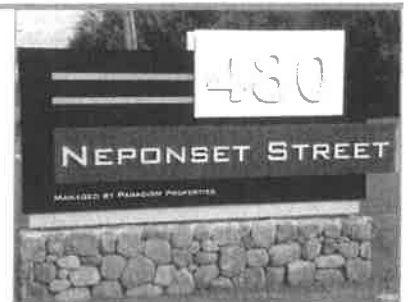
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NH OFFICE

26A COLUMBIA CIRCLE MERRIMACK, NH 03054 ■ 603-423-6000



Focus On Performance

Shaker Regional School District (SAU 80)

(Project Highlights)

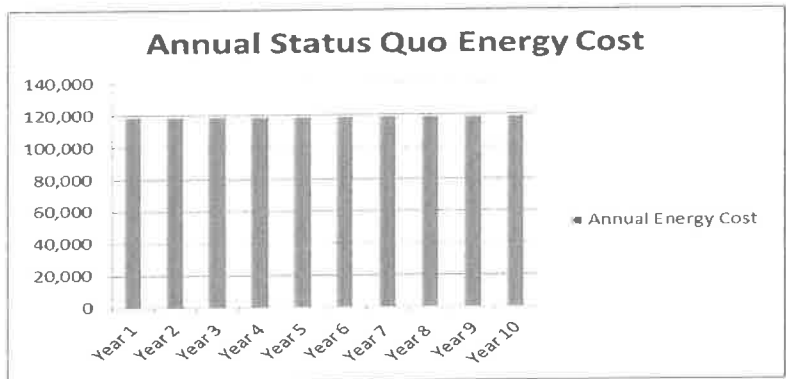
- Fuel conversion and boiler upgrades
- Significant rebates and grants
- Reduced Energy Cost and Improved Building Air Quality
- Lighting Efficiency Improvements

Customer Testimonial

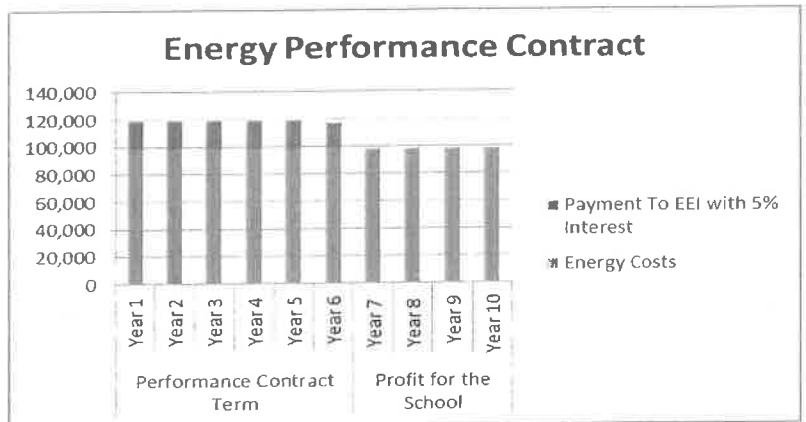
"EEI was able to develop a comprehensive energy project that has significantly reduced Shaker's energy cost and they helped secure grants and rebates that paid for more than 50% of project costs. I would highly recommend EEI for future energy projects"

**-Debbie Thompson
Business Administrator
SAU 80**

Pay for Efficiency Through Energy Savings



(Figures represent actual 3 year average heating and electric costs for Belmont High School.)



City of Franklin

Energy Conservation Measure Number	ECM Description	Cost for Installed Measure	Estimated Annual Energy Savings	Measure Lifetime	Potential Rebate
City Hall					
1	Lighting Retro-fit	\$ 12,000	\$ 594	20.0	
3	Vending Miser	\$ 500	\$ 45	10.0	\$ -
7	Insulation Improvements	\$ 7,500	\$ 250	20.0	
5	New Boiler	\$ 66,500	\$ 280	15.0	\$ 16,361
5a	Steam Boiler Controls	\$ 7,000	\$ 1,300	20.0	
5b	Chimney liner	\$ 7,500			
6	Steam Trap/TC Valve Repair Program (36 Trap)	\$ 17,854	\$ 2,240	20.0	\$ 1,505
City Hall Subtotal		\$ 118,854	\$ 4,709	20.0	\$ 17,866

Proulx					
1	Lighting Improvements	\$ 13,000	\$ 867	10.0	\$ 2,160
4	Digital Controls	\$ 5,320	500.00	15.00	3000.00
5	New Steam Boiler & Insulation	\$ 62,510	280.00	15.00	13000.00
6	Steam Trap Repairs & Controls	\$ 11,580	2200.00	20.00	1637.00
7	Insulation Improvements	\$ 15,000	\$ 1,500	20.0	\$ 6,750
Proulx Subtotal		\$ 107,410	\$ 5,347	20.0	\$ 26,547

Rowell Center					
1	Lighting Improvements	\$ 21,000	\$ 1,497	\$ 15	\$ 4,600
3	Vending Miser	\$ 500	\$ 45	15.0	\$ 10
4	DDC Controls	\$ 9,500	\$ 1,500	15.0	\$ 5,700
5	Boiler Replacement & VFD Controls	\$ 63,840	\$ 1,000	\$ 15	\$ 5,500
Rowell Subtotal		\$ 94,840	\$ 4,042	15.0	\$ 15,810

DPW Garage					
1	Lighting Improvements	\$ 4,000	\$ 301	\$ 15	\$ 400
Rowell Subtotal		\$ 4,000	\$ 301	15.0	\$ 400

Police Station					
1	Lighting Improvements	\$ 11,160	\$ 1,200	15.0	\$ 1,200
2	Exterior Lighting Improvements	\$ 14,050	\$ 1,400	15.0	\$ 2,200
3	Vending Miser	\$ 500	\$ 45	15.0	
4	DDC Controls	\$ 13,300	\$ 500	15.0	
Rowell Subtotal		\$ 39,010	\$ 3,145	15.0	\$ 3,400

Project Total	\$ 364,114	\$ 17,544	15	\$ 64,023
Bond Fee	\$ 4,551.43			
Measurement & Verification	\$ 3,641.14	*****	*****	
Contingency 5%	\$18,205.71			
Project Total	\$ 390,513			