TOWN OF Herndon VIRGINIA

Town Council Work Session
Agenda Item 2.b.

Agenda Item: **Energy Savings Performance Contract (ESPC) Program Briefing**

Meeting Date: August 6, 2025

Category: Discussion

Prepared by: John Irish, Acting Director of Public Works - Engineering, TJ Williams

Description:
Briefing on the current Status of ESPC (Energy Savings Performance Contract) Program.

Background:
Environmental Strategy: Enhance Energy Efficiency in Town-Owned Buildings

The Virginia Department of Energy's Energy Savings Performance Contract (ESPC) program supports municipalities to implement energy savings and use the savings to pay for the improvements.

The ESPC Program includes:
- Pre-qualified, specialized contractors
- Energy savings performance is guaranteed
- Energy savings must exceed the cost of the project
- Funded through programs like lease/purchase
- Design and build all in one
- Virginia Department of Energy support
- Contracts of up to 20 years

The Town solicited qualifications from all 17 Virginia Department of Energy's pre-qualified ESPC contractors. We selected five contractors to provide "back-of-the-envelope" proposals and, through interviews and evaluations, selected CMTA as our ESPC contractor.

CMTA completed an "Investment Grade Audit" through a preliminary design, final design, initial cost estimate, final cost estimate and a proposed savings guarantee. The program is currently in five phases spread over a three to five-year period.

Total energy savings equipment and upgrades costs total in excess of $17M. The energy savings and reduction in maintenance costs will offset the initial cost of equipment and upgrades over a 20-year time frame. Additional costs anticipated with the complete program implementation are roof replacements for the Herndon

Community Center and Herndon Police Department, and costs to temporarily relocate staff from the Herndon Municipal Center to 397 Herndon Parkway building.

Timing Impact:
The town's mechanical systems are beyond their useful life. This has resulted in increasingly costly repairs as well as unplanned disruption to town operations and resident services. In some cases, parts for obsolete equipment cannot be sourced. Delaying this contract would result in increasing costs and potential catastrophic failures. This briefing provides project information ahead of an anticipated request for contract award in September.

Strategic Focus Area:
Environmental and Economic Sustainability
Strong Fiscal Stewardship

Fiscal Impact:
Depending on the decision to either finance with debt or pay as we go, the guaranteed energy savings and reduction in ongoing maintenance costs will offset the implementation costs over a 20-year time frame.

Legal Impact:
No legal impacts are anticipated.

Staff Recommendation/Next Steps:
Next steps are to authorize the Investment Grade Audit proposal and issue a Notice to Proceed when the proposal scope and costs are finalized.

Attachments:
1. Presentation