Town Council
Work Session
Agenda Item 2.b.

Agenda Item: **Energy Project Update, Financing Discussion**

Meeting Date: December 2, 2025

Category: Discussion

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Description:
CMTA was selected as the firm to perform the Energy Performance Contract for the Town of Herndon after going through the evaluation process set out by the regulations and guidelines of the Virginia Commonwealth's Department of Energy. After selection, an Investment Grade Audit (IGA) was performed on several town facilities, including all five major buildings. The IGA identifies as many Energy Conservation Measures (ECM) as apply to each facility and calculates how much energy savings each measure provides. By analyzing the utility usage baseline information, considering the difference between the energy consumption of current equipment and its expected life, along with the effective savings of less maintenance and repairs, the IGA produced an evaluation of measures to implement on a facility-by-facility basis. This established the first five-year EPC contract scope under the Master Agreement.

Background:
Once the IGA was established, there were several other considerations taken into account to determine the Phase 1 project scope, and that entailed cost estimates and fiscal considerations, the immediacy of HVAC equipment failing, and it was not economically wise to continue spending money on repairs (Town Shop and HMC HVAC), and the greatest return on investment of the ECM's available to the facility. Also, to be considered as a part of the Phase 1 scope is ancillary work needed to implement the Phase 1 work, including planning, outfitting and making usable suitable swing spaces for the minimization of staff and customer service disruptions.

The initial capital outlay of the project is substantial, currently estimated to exceed $7M. Project costs are not expected to be offset by any grant funding. Optimal funding for the costs may include a bond issuance or other debt facility. A Council resolution provides a documentation of the town's intent to fund the project and partially or fully fund the costs with proceeds of a future debt issuance. A resolution allows the town the flexibility to proceed with the project and then reimburse the town's fund balances with the debt proceeds at a later date. Staff plan to propose such a resolution to Council for action at the December 9, 2025, meeting.

Timing Impact:
The project will commence following execution of the contract.

Strategic Focus Area:
Environmental and Economic Sustainability
Good Governance
Strong Fiscal Stewardship

Fiscal Impact:
For this project, $3.0M was appropriated as part of the April 2025 CIP and FY 2026 Budget. Current estimates indicate that further appropriation will be needed. The Department of Public Works intends to propose an additional appropriation for FY 2027.

Legal Impact:
Changes to the project's financing structure, including authorization of debt or reimbursement actions, will require Town Council approval.

Staff Recommendation/Next Steps:
Following Council discussion, staff is seeking direction on a resolution related to the contract and reimbursement for action on the next regular meeting agenda.

Attachments:
None