

COUNCIL REPORT

Meeting Date: November 4, 2024
Department: Community Services
Report No.: CS-2024-49
Submitted by: Robert Lilbourne, Director of Community Services
Approved by: Trisha McKibbin, Chief Administrative Officer
SUBJECT: Investment Grade Audit

RECOMMENDATION: THAT: Council receive report CS-2024-49 titled Investment Grade Audit for information, and further;

THAT: Council approve/deny staff to procure an agreement with Johnson Controls through CANOE procurement, with the intent of retrofitting the Municipality's facilities, including the Gemini Sportsplex, West Middlesex Memorial Arena, Municipal Offices, and the Strathroy-Caradoc Police Station, and further;

THAT: Council approve/deny allocating \$25,000.00 from the Asset Management Reserve fund to conduct the investment grade audit.

BACKGROUND:

Johnson Controls, a leading Energy Services Company (ESCO), offers a comprehensive suite of services that include development, design, construction, and financing arrangements aimed at reducing energy costs, lowering carbon emissions, and minimizing operational expenses for facilities. Their approach allows for flexibility, enabling municipalities to opt-out at various stages, from design to execution.

In 2023, Johnson Controls' Sustainable Infrastructure Division initiated discussions with Strathroy-Caradoc to explore opportunities for reducing energy consumption, addressing deferred maintenance, and supporting greenhouse gas reduction targets. Over the spring, Strathroy-Caradoc staff conducted preliminary energy assessments on select municipal buildings. By the fall of 2023, Johnson Controls had presented benchmarking results and an initial audit, which outlined potential utility cost savings.

Following these findings, it was determined that Johnson Controls should present directly to the Council to discuss opportunities for energy cost savings and potential service offerings. On July 2, 2024, Joseph Meyer from Johnson Controls attended the Council meeting to present the audit results and explore how municipalities can collaborate with ESCOs to achieve significant energy savings. He also highlighted strategies for reinvesting savings into infrastructure improvements.

[Johnson Controls Canada - Energy and Infrastructure Upgrade Opportunity](#)

COMMENTS:

During the 2023 energy audit, Johnson Controls identified substantial opportunities to reduce energy consumption across municipal buildings and facilities. Implementing these improvements could significantly decrease the Municipality's operational costs. However, determining the specific upgrades and their budgetary impacts requires further design and analysis.

Johnson Controls, like other ESCOs, offers a business model that includes conducting the necessary design and analysis for a fee based on a percentage of the project's cost. What sets their model apart is that Johnson Controls guarantees the cost savings projected in their energy analyses and designs. This guarantee allows municipalities to secure financing for energy retrofit projects without the need to increase taxes.

Staff recommend partnering with Johnson Controls through the Canoe Procurement Group to engage in an Energy Performance Contract (EPC). This approach supports the Municipality's goals for infrastructure improvements, energy efficiency, and greenhouse gas reduction. The Municipality is already a member of the Canoe Procurement Group, which aligns with its Cooperative Purchasing Policy (Section 16). Canoe, through the Association of Municipalities of Ontario (AMO) and Local Authority Services (LAS), enables municipalities to access hundreds of vendors without the need for lengthy RFP processes.

Once the Municipality enters into an EPC with Johnson Controls, the company will apply for a grant from the Federation of Canadian Municipalities (FCM) to cover the majority of the costs for an Investment Grade Audit. It is anticipated that the FCM will cover \$100,000 of the \$125,000 audit cost, with Strathroy-Caradoc covering the remainder. This program offers substantial time and cost savings by leveraging national purchasing power and reducing the need for extended procurement processes.

CONSULTATION:

Director of Finance

Supervisor of Parks and Recreational Facilities

FINANCIAL IMPLICATIONS:

The cost of the Investment Grade Audit is \$125,000. Through a grant opportunity from the Federation of Canadian Municipalities, up to \$100,000 could be covered. Johnson Controls is very confident that the grant will be successful as they will ensure that the study fits the grant criteria. The remaining \$25,000 would be drawn from the Asset Management Reserve fund. Should the grant not be secured, staff will return to Council for further direction before any work is undertaken by Johnson Controls.

ALTERNATIVE(S) TO THE RECOMMENDATION:

1. Council to provide alternate direction.

STRATEGIC PLAN ALIGNMENT:

This matter is in accord with the following strategic priorities:

Local Infrastructure and Capital Investment: Households and businesses in Strathroy-Caradoc will be supported by reliable, financially responsible, and well-maintained infrastructure networks.

Community Well-being and Quality of Life: Residents of all ages in Strathroy-Caradoc will have access to community amenities and activities that are accessible and support active lifestyles and wellbeing.

ATTACHMENTS:

None