

Meeting Date: November 18, 2024
Department: Community Services
Report No.: CS-2024-51
Submitted by: Robert Lilbourne, Director of Community Services
Approved by: Trisha McKibbin, Chief Administrative Officer
SUBJECT: **Investment Grade Audit Update – Nov 18, 2024**

RECOMMENDATION: THAT: Report CS-2024-51 titled Investment Grade Audit Update – Nov 18, 2024 be received 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:

Staff presented report CS-2024-49 titled Investment Grade Audit at the November 4, 2024 meeting. That report is summarized below:

- Johnson Controls (ESCO) provides design, construction, and financing services to reduce energy costs, carbon emissions, and operational expenses for municipalities. Offers flexibility with opt-out options at various stages.
- Initiated discussions in 2023 to explore energy consumption reduction, deferred maintenance, and greenhouse gas reduction goals.
- Conducted initial energy assessments on select municipal buildings.
- Presented benchmarking results and audit findings in fall 2023, highlighting potential utility cost savings.
- Joseph Meyer from Johnson Controls presented to Council in July 2024 audit results and discussed how ESCOs help municipalities achieve energy savings. [Johnson Controls Canada - Energy and Infrastructure Upgrade Opportunity](#)
- Focused on reinvesting savings into infrastructure improvements.
- 2023 audit identified significant energy-saving opportunities in municipal facilities, potentially reducing operational costs.
- Further design and analysis needed to determine specific upgrades and budget impacts.

Johnson Controls’ ESCO Model:

- Offers design and analysis services for a fee, calculated as a percentage of the project’s cost.

- Guarantees cost savings from energy analyses, enabling municipalities to finance projects without increasing taxes.

Grant Funding:

- Johnson Controls on behalf of the Municipality will apply for a Federation of Canadian Municipalities (FCM) grant to cover most of the \$125,000 Investment Grade Audit cost (\$100,000 funded by FCM).

COMMENTS:

Staff reached out to Johnson Controls to obtain the clarity Council is seeking around the obligation for the full \$125,000.00.

FCM Grant of \$100,000 for the \$125,000 study.

The Municipality, through Johnson Controls (JC), has an opportunity to apply for a \$100,000 grant from the Federation of Canadian Municipalities (FCM) to support a preliminary \$125,000 study. This study aims to validate financial projections and projected savings with a high degree of precision, laying the groundwork for engineering and planning stages of a larger project. In essence, this study is integral to the project and does not stand alone.

Key Points for Consideration:

1. Project Continuation with or without FCM Grant

- If the FCM grant is awarded and the Municipality moves forward with the project, the study cost of \$25,000.00 will be incorporated into the project budget as part of the self-funded solution.
- If the project proceeds without the FCM grant, the study cost of \$125,000 would similarly be absorbed into the overall project cost, resulting in no separate financial output from the municipality.

2. If the Project Does Not Proceed

- Should the municipality decide not to proceed with the project, the Municipality would be responsible for the cost of the study which, if not successful for the grant, would be \$125,000.00 and if successful \$25,000.00.

Based on this information, the only scenario where the Municipality would be responsible for the full \$125,000 is if 2 things are true together:

- 1) The Municipality is not successful in the grant application; AND
- 2) The Municipality chooses not to move forward with the project.

Assurance of FCM Grant Approval

JC is committed to securing the FCM grant. They review the requirements in detail and, if necessary, will refine the study to meet FCM's standards should the application need any correction. JC's primary intention is to develop this project in partnership with the municipality, leveraging this study as the foundational phase.

Council Comment on Updated Procurement Policy: Exclusion of Consultants from Physical Work

Staff support the updated procurement policy (Section 5 (8)) that excludes consultants who prepare design work or write the RFP from performing the physical work. This is common in competitive procurement processes, as it ensures that firms conducting audits or studies do not have an unfair advantage when bidding on the actual work.

However, there are two key considerations in this specific case:

1. Alignment with CANOE Cooperative Purchasing

This project's model and procurement approach align with the CANOE Cooperative Purchasing framework, in which the Municipality is already a member. This framework, approved under the Municipality's Purchasing Policy (Section 16), allows for cooperative procurement that promotes fair and transparent purchasing. Staff can confirm specifics with CANOE if needed.

2. Integrated Study as Part of the Project Design and Validation

In this model, the initial study is not a standalone task but rather the foundation of the project's design and plan. This step is critical to validating the project's performance guarantees and long-term viability. As such, any firm engaged in this model must conduct the study as a prerequisite to design and execute the project, ensuring performance validation and financial accuracy.

Council also asked about other projects. In the presentation from the July meeting, JC provided four examples of projects for reference.

Example Projects

City of Elliot Lake Ontario	Pictou County Wellness Centre New Glasgow, NS	Susan Fennell Sportsplex Brampton, ON	Broda Sportsplex Kamsack, SK
 <ol style="list-style-type: none"> 1. Address Capital Projects 2. Operational efficiencies 3. Capitalize on available funding <p>5 largest facilities being examined, including City Hall, Community Centre and Arena.</p> <ul style="list-style-type: none"> ▪ Domestic Hot Water retrofits ▪ Lighting replacements ▪ Heat pumps ▪ Weather stripping ▪ Upgraded controls ▪ HVAC upgrades ▪ Sustainable ice rink solutions ▪ Heat recovery ▪ WWTP aeration improvements ▪ Digester cover & methane recovery ▪ WTP filtration upgrades 	 <ol style="list-style-type: none"> 1. Lower Utility Costs 2. Lower Carbon Footprint 3. More efficient O&M <p>Building wide controls optimization including pool systems, arena refrigeration system, heat plants, and ventilation units.</p> <ul style="list-style-type: none"> ▪ Heat recovery from the ice plant. ▪ Lighting upgrade. ▪ New cooling coils for dehumidification in the atrium, and arena dressing rooms. ▪ Pre-heating dressing rooms with new solar wall. 	 <ol style="list-style-type: none"> 1. Minimum 80% GHG reduction 2. Utility Savings to offset costs 3. Pilot project for City <ul style="list-style-type: none"> • Rooftop Solar PV • Ground Source Heat Loop • Domestic Water Retrofits • LED Upgrades and Controls • Ice Resurfacer Replacement • Heat Pump Replacements • AHU Replacements • Ice Rink Chiller Replacement – CO2 • Radiant Heat Conversion • Solar Thermal – Pool Heat • Dehumidifier Conversion • Building Controls Upgrades • Ice Rink Flooding with Heat Recovery 	 <ol style="list-style-type: none"> 1. Address Deferred Maintenance 2. Lower utility costs 3. Lower Carbon Footprint 4. More efficient O&M <ul style="list-style-type: none"> ▪ Mechanical Upgrades. ▪ Rink Refrigeration replacement ▪ Roof replacement. ▪ Exterior cladding replacement.
Outcomes	Outcomes	Outcomes	Outcomes
<ul style="list-style-type: none"> • \$5-30M Capital Projects • 30% Carbon Reduction • FCM grants 	<ul style="list-style-type: none"> • \$350k savings • 34% Carbon reduction • \$2.7M Grants 	<ul style="list-style-type: none"> • 99% gas reduction • \$195k facility savings • \$25M Grants 	<ul style="list-style-type: none"> • 24% Carbon reduction • 48 local jobs + \$9.9M economic impact • 72% project funded through grants

If Council requires further clarity on this model and approach, JC has offered to provide a 2 hour+ workshop for Council members to allow them the time to ensure an understanding of the process, why it's self-funding, and why it works well. It would also provide an opportunity to address questions in depth manner as they arise.

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