



# *Agenda Report*

## *Fullerton City Council*

**MEETING DATE:** MAY 5, 2026

**TO:** CITY COUNCIL

**SUBMITTED BY:** STEPHEN BISE, DIRECTOR OF PUBLIC WORKS

**PREPARED BY:** STEPHEN BISE, DIRECTOR OF PUBLIC WORKS

**SUBJECT:** LETTER OF ENGAGEMENT WITH VEREGY PACIFIC, LLC FOR INVESTMENT GRADE AUDIT SERVICES TO EVALUATE ENERGY CONSERVATION MEASURES

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### SUMMARY

Request to execute Letter of Engagement (LOE) with Veregy Pacific, LLC (Veregy) for an investment grade audit (IGA) of various City-owned facilities to evaluate potential energy conservation measures, facility improvements and sustainability projects.

### PROPOSED MOTION

1. Authorize City Manager, or designee, to execute the LOE with Veregy Pacific, LLC to perform investment grade audit of various City-owned facilities.
2. Direct staff to coordinate with the Infrastructure and Natural Resources Committee (INRAC) to collaboratively and iteratively adjust the scope of work to align with City interests and needs.

### ALTERNATIVE OPTIONS

- Approve the Proposed Motion
- Reject the LOE
- Reject the LOE and direct staff to release a Request for Proposals for these services
- Other options brought by City Council.

### PRIORITY POLICY STATEMENT

This item matches the following Priority Policy Statements:

- Fiscal and Organizational Stability
- Infrastructure and City Assets.

## FISCAL IMPACT

Executing the LOE with Veregy does not generate any General Fund impact. This item would require minimal staff time to coordinate with Veregy throughout the IGA process. Staff would present any viable projects found during the audit to City Council to consider financing and construction options.

## BACKGROUND AND DISCUSSION

The City of Fullerton completed an \$8.4 million Energy Service Company (ESCO) project in 2024, guaranteed to save approximately \$12.1 million during a 25-year contract period. Savings generated by this project fully funded the contract, demonstrating that energy savings can help local governments tackle deferred maintenance while also expanding smart city technologies and distributed energy resources. The project included several photovoltaic systems, fifteen dual port integrated electric vehicle chargers throughout the city, replaced critical air-conditioning equipment at the end of its useful life and upgraded approximately 7,700 lighting fixtures with new LEDs. The City financed the project with a \$10.5 million loan with an approximately \$583k annual debt service that the City expects to pay off in 2040.

Veregy approached City leadership several times over the last two years to explore a similar project. Veregy utilized current energy bills to provide a preliminary assessment for two project models. The first model focuses on energy efficacy upgrades that could potentially save \$33 million over a 20-year contract term. The second project proposes water meter technology upgrades that could potentially save \$90 million over a 20-year contract term. The preliminary scope of work for each project requires an IGA to determine feasibility.

An IGA provides a detailed, engineering-level assessment of energy use typically performed as part of an Energy Savings Performance Contract (ESPC) or any self-funded energy efficiency project to determine what energy-saving measures the City should implement, the cost of the measures and how much money the measures would save. An IGA includes:

- A comprehensive utility bill, facility operation and equipment review
- Detailed mechanical, electrical, HVAC, lighting, controls and water systems site inspections
- Baseline energy modeling using measured data
- Identify potential Energy Conservation Measures (ECMs)
- Engineering-level cost estimates for each ECM
- Guaranteed or highly defensible savings projections
- A financial model showing payback period, ROI and how savings could fund the project.

The IGA provides the technical and financial justification needed to confidently invest in the project. It is “investment-grade” because the analysis is rigorous enough to support financing.

Staff would coordinate and collaborate with INRAC to refine the scope of work early into the IGA to determine fiscal feasibility. Staff would not recommend projects for consideration if the IGA does not “pencil out”. Veregy would provide 100% construction documents and contract pricing for projects that yield enough savings to cover the cost over a reasonable contract term for City Council consideration.

The IGA requires no upfront costs. The agreement would allow Veregy to retain all documents and data related to the IGA if the City does not proceed with a contract with Veregy to perform work on one or more projects presented in the IGA.

Attachments:

- Attachment 1 – Veregy Letter of Engagement
- Attachment 2 – Preliminary Project Overview

cc: City Manager Eddie Manfro