



Plymouth City Commission Regular Meeting Agenda Monday, October 5, 2026 7:00 p.m. Plymouth City Hall & Online Zoom Webinar

City of Plymouth
201 S. Main St.
Plymouth, Michigan 48170-1637

www.plymouthmi.gov
Phone 734-453-1234
Fax 734-455-1892

Join Zoom Webinar: <https://us02web.zoom.us/j/88228044126>

Passcode: 752756 Webinar ID: 882 2804 4126

1. CALL TO ORDER

- Pledge of Allegiance
- Roll Call
- Proclamation – Indigenous Peoples' Day

2. APPROVAL OF MINUTES

- September 21, 2026 City Commission Regular Meeting Minutes

3. APPROVAL OF THE AGENDA

4. ENACTMENT OF THE CONSENT AGENDA

Unless moved to be placed as a separate item on the agenda, items on the Consent Agenda will be approved by one motion as Agenda Item #4.

- Special Event: Ladies Holiday Shopping Night, 11/12
- Special Event: Main St. Tree Lighting & Salvation Army Red Kettle Kick Off, 11/13
- Special Event: Walk of Trees, 11/20/26 – 1/4/2027

5. CITIZEN COMMENTS

This section of the agenda allows up to 3 minutes for public comments to present information for items not on the current agenda. Upon arising to address the Commission, speakers should first identify themselves by clearly stating their name and address. Comments must be limited to the subject of the item.

6. COMMISSION COMMENTS

7. OLD BUSINESS

8. NEW BUSINESS

- Energy Assessment Letter of Authorization
- Updated Agreements for Behavioral Health Co-Response Services
- Second Amendment to Salem Landfill Letter of Intent
- ADP Payroll Processing Services Agreement
- Request to Vacate Alley

9. REPORTS AND CORRESPONDENCE

- Liaison Reports
- Appointments

10. ADJOURNMENT

Meetings of the City of Plymouth are open to all without regard to race, sex, color, age, national origin, religion, height, weight, marital status, disability, or any other trait protected under applicable law. Any individual planning to attend the meeting who has need of special assistance under the Americans with Disabilities Act (ADA) should submit a request to the ADA Coordinator at 734-453-1234 ext. 234 at least two working days in advance of the meeting so an attempt can be made to make reasonable accommodation. The request may also be submitted via mail at 201 S. Main St. Plymouth, MI 48170, or email to clerk@plymouthmi.gov.

City of Plymouth Strategic Plan 2022-2026

GOAL AREA ONE - SUSTAINABLE INFRASTRUCTURE

OBJECTIVES

1. Identify and establish sustainable financial model(s) for major capital projects, Old Village business district, 35th District Court, recreation department, and public safety
2. Incorporate eco-friendly, sustainable practices into city assets, services, and policies; including more environmentally friendly surfaces, reduced impervious surfaces, expanded recycling and composting services, prioritizing native and pollinator-friendly plants, encouraging rain gardens, and growing a mature tree canopy
3. Partner with or become members of additional environmentally aware organizations
4. Increase technology infrastructure into city assets, services, and policies
5. Continue sustainable infrastructure improvement for utilities, facilities, and fleet
6. Address changing vehicular habits, including paid parking system /parking deck replacement plan, electric vehicle (EV) charging stations, and one-way street options

GOAL AREA TWO – STAFF DEVELOPMENT, TRAINING, AND SUCCESSION

OBJECTIVES

1. Create a 5-year staffing projection
2. Review current recruitment strategies and identify additional resources
3. Identify/establish flex scheduling positions and procedures
4. Develop a plan for an internship program
5. Review potential department collaborations
6. Hire an additional recreation professional
7. Review current diversity, equity, and inclusion training opportunities
8. Seek out training opportunities for serving diverse communities

GOAL AREA THREE - COMMUNITY CONNECTIVITY

OBJECTIVES

1. Engage in partnerships with public, private and non-profit entities
2. Increase residential/business education programs for active citizen engagement
3. Robust diversity, equity, and inclusion programs
4. Actively participate with multi-governmental lobbies (Michigan Municipal League, Conference of Western Wayne, etc.)

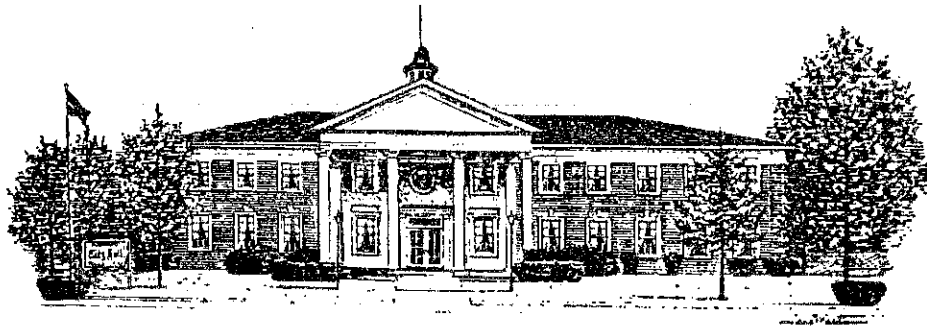
GOAL AREA FOUR - ATTRACTIVE, LIVABLE COMMUNITY

OBJECTIVES

1. Create vibrant commercial districts by seeking appropriate mixed-use development, marketing transitional properties, and implementing Redevelopment Ready Communities (RRC) practices
2. Improve existing and pursue additional recreational and public green space opportunities and facilities for all ages
3. Develop multi-modal transportation plan which prioritizes pedestrian and biker safety
4. Improve link between Hines Park, Old Village, Downtown Plymouth, Plymouth Township, and other regional destinations
5. Maintain safe, well-lit neighborhoods with diverse housing stock that maximizes resident livability and satisfaction
6. Modernize and update zoning ordinance to reflect community vision
7. Implement Kellogg Park master plan

"The government in this community is small and accessible to all concerned."

*-Plymouth Mayor Joe Bida
November 1977*



Proclamation

- WHEREAS** *Indigenous Peoples' Day provides an opportunity to recognize and honor the history, cultures, traditions, and contributions of Indigenous peoples throughout the United States and within the State of Michigan; and*
- WHEREAS** *the lands that comprise present-day Michigan have been home to Indigenous peoples for generations, including the Anishinaabe peoples—the Ojibwe, Odawa, and Potawatomi—whose history, traditions, and enduring connections to the land remain an important part of Michigan's heritage; and*
- WHEREAS** *Indigenous peoples have made significant contributions to our nation's history, culture, government, environmental stewardship, and communities, while preserving their distinct languages, traditions, and identities; and*
- WHEREAS** *recognizing Indigenous Peoples' Day encourages greater understanding of Indigenous history, including the challenges and injustices faced by Native communities, while acknowledging their resilience, sovereignty, and continued contributions to society; and*
- WHEREAS** *the City of Plymouth recognizes the importance of fostering a community that values cultural understanding, mutual respect, and an appreciation for the diverse histories and experiences that shape our shared future;*
- NOW, THEREFORE, I, Joe Elliott, Mayor Pro Tem of the City of Plymouth, do hereby proclaim the Monday, October 12, 2026, as**

Indigenous Peoples' Day

in the City of Plymouth and encourage all residents to observe this day through education, reflection, and recognition of the history, cultures, and contributions of Indigenous peoples.

In Witness Whereof, I have hereunto set my hand and caused the Seal of the City of Plymouth to be affixed hereto this 5th day of October of Two Thousand Twenty-Six.

*Joe Elliott, Mayor Pro Tem
City of Plymouth, Michigan*



City of Plymouth
City Commission Regular Meeting Minutes
Monday, September 21, 2026, 7:00 p.m.
Plymouth City Hall 201 S. Main Street

ITEM 2.a

City of Plymouth
201 S. Main St.
Plymouth, Michigan 48170-1637

www.plymouthmi.gov
Phone 734-453-1234
Fax 734-455-1892

1. CALL TO ORDER

- a. Filipczak called the meeting to order at 7:00 PM. leading the Pledge of Allegiance.
- b. Present: Mayor Linda Filipczak, Mayor Pro Tem Joe Elliott, Commissioners Latricia Horstman, Jennifer Kehoe, Alanna Maguire, Karen Sisolak
Also Present: City Manager Chris Porman, City Attorney Robert Marzano, and various members of City Administration
Excused: Commissioner Brock Minton

2. APPROVAL OF MINUTES

- a. September 8, 2026 City Commission Regular Meeting Minutes
Motion to approve the September 8, 2026 City Commission Regular Meeting Minutes made by Kehoe, supported by Maguire;

There was a voice vote

MOTION PASSED UNANIMOUSLY

3. APPROVAL OF THE AGENDA

Motion to approve the September 21, 2026, agenda made by Horstman, supported by Elliott;

There was a voice vote

MOTION PASSED UNANIMOUSLY

4. ENACTMENT OF THE CONSENT AGENDA

Motion to approve the Consent Agenda for September 21, 2026, made by Kehoe, supported by Sisolak;

- a. Approval of August 2026 Bills
b. Special Event: Fall Into Pilates, 9/27

There was a voice vote

MOTION PASSED UNANIMOUSLY

5. CITIZEN COMMENTS

Don Loeffler, 312 Pearl, spoke about train airhorns.

Jan Waller, 1051 N Mill, spoke about the Old Village Chili Cookoff.

6. COMMISSION COMMENTS

Maguire spoke about Yom Kippur for those who celebrate

Elliott spoke about Old Village Chili Cookoff

Filipczak spoke about Old Village Chili Cookoff, Ladies' Night and Glow Yoga

8. OLD BUSINESS

a. Amendments to General and Zoning Ordinances – Fences and Screening – Second Reading

Motion to approve the following resolution made by Kehoe, supported by Horstman;

RESOLUTION 2026-93

WHEREAS The Planning Commission of the City of Plymouth reviewed the proposed amendments which update Article X. Fences (Sec. 18-371 to 18-400) and Section 18-337, and Section 78-21, 78-203, 78-206 through 209, and 78-336 of the City's Code of Ordinances; and

WHEREAS The Planning Commission held a public hearing on July 15, 2026 to receive public comment about the amendments to Chapter 78; and

WHEREAS At the conclusion of the public hearing, the Planning Commission approved the text amendment and recommended review and approval by the City Commission; and

WHEREAS The City Commission held a public hearing on September 8, 2026 to receive public comment about the amendments to Chapter 18; and

WHEREAS At the conclusion of the public hearing, the City Commission completed a first reading of the proposed amendments.

NOW THEREFORE BE IT RESOLVED THAT the City Commission of the City of Plymouth does hereby approve the proposed ordinance amendments to Article X. Fences (Sec. 18-371 to 18-400) and Section 18-337, and Section 78-21, 78-203, 78-206 through 209, and 78-336 of the City's Code of Ordinances.

NOW THEREFORE BE IT FURTHER RESOLVED THAT the City Commission directs the City Clerk to publish the ordinance amendments to be effective the day after publication.

*Information for this item can be found in 9/21/2026 agenda packet:
<https://www.plymouthmi.gov/common/pages/GetFile.ashx?key=HmxGAaeS>*

9. NEW BUSINESS

a. Exploration of Residential Compatibility Ordinance [Discussion]

Porman reviewed information on this item and requested direction for appropriate level of study desired from the City Commission.

After City Commission discussion, City Administration was requested to proceed with a comprehensive review.

Hollie Sawaswat, Planning Commission Chair, asked that their board have input on this item.

Residents Ron Picard 1373 Sheridan, Jamie Cavanaugh 1095 Roosevelt, also spoke.

*Information for this item can be found in 9/21/2026 agenda packet:
<https://www.plymouthmi.gov/common/pages/GetFile.ashx?key=HmxGAaeS>*

b. Authorization to Purchase – Zamboni FastICE System

Motion to approve the following resolution made by Maguire, supported by Sisolak;

RESOLUTION 2026-94

WHEREAS The City of Plymouth operates and maintains the ice arena at the Plymouth Cultural Center; and

WHEREAS The City included funding in the FY 2026-27 Capital Improvement Budget for an upgrade to the City's electric Zamboni to improve the ice-making and resurfacing process; and

WHEREAS The proposed FastICE system is designed to improve the consistency and efficiency of ice resurfacing while potentially reducing refrigeration demands; and

WHEREAS Mid-American Rink Systems of Kalamazoo, Michigan has provided a proposal for the equipment and installation in the amount of \$29,055.95.

NOW THEREFORE BE IT RESOLVED THAT the Plymouth City Commission authorizes the purchase and installation of the FastICE Ice Making System from Mid-American Rink Systems of Kalamazoo, Michigan in an amount not to exceed \$29,055.95.

There was a voice vote

MOTION PASSED UNANIMOUSLY

*Information for this item can be found in 9/21/2026 agenda packet:
<https://www.plymouthmi.gov/common/pages/GetFile.ashx?key=HmxGAaeS>*

10. REPORTS AND CORRESPONDENCE

a. Liaison Reports

Elliott: Sept 9 Planning Commission meeting discussion included Compatibility Ordinance; Next Planning Commission Sub-Committee meeting is tomorrow at 6pm. ZBA meeting is October 1.

Kehoe: DDA- parking garage repairs are pushed to 2027; Grass in Kellogg Park discussion; Light up trees on Main St. boulevard near Compari's.

Sisolak: Housing Commission- Tonquish Creek Manor will be having new windows installed.

Maguire: Library Board Trustees will be on the November ballot; Wished Bobbie Pummil well from Council on Aging, who is retiring after 25 years.

Filipczak: DDA-Friday Music in the Air had over 34,000 visitors throughout the summer.

b. Appointments - None

Motion by Sisolak, supported by Kehoe, to appoint Chris Breest to fill the remainder of an open position on the CIA Board.

There was a voice vote

MOTION PASSED UNANIMOUSLY

10. ADJOURNMENT

Motion to adjourn made by Elliott, supported by Maguire;

There was a voice vote

MOTION PASSED UNANIMOUSLY

The meeting was adjourned at 8:09 P.M.

LINDA FILIPCZAK
MAYOR

MAUREEN A. BRODIE, CMC, MiPMC
CITY CLERK



Special Event Application

City of Plymouth
201 S. Main
Plymouth, Michigan 48170-1637

www.plymouthmi.gov
Phone 734-453-1234
Fax 734-455-1892

Complete this application in accordance with the City of Plymouth Special Events Policy, and return it to the City Manager's Office at least 21 calendar days prior to the starting date of the event.

FEES WILL BE CHARGED FOR ALL SPECIAL EVENTS. SEE ATTACHMENT B.

Sponsoring Organization's Legal Name		Plymouth Community Chamber of Commerce			
Ph#	734-453-1540	Fax#		Email	jenny@plymouthmich.or
Address		850 W. Ann Arbor Trail		City	Plymouth
		Jenny Wisniewski		State	MI
				Zip	48170
Sponsoring Organization's Agent's Name				Title	Event Manager
Ph#	734-453-1540	Fax#		Email	jenny@plymouthmich.or
Address		850 W. Ann Arbor Trail		City	Plymouth
				State	MI
				Zip	48170

Event Name	Ladies Holiday Shopping Night 2026
Event Purpose	To promote holiday shopping in Downtown Plymouth
Event Date(s)	Thursday, November 12, 2026
Event Times	4 p.m. to 8 p.m.
Event Location	Downtown Plymouth

What Kind Of Activities? Holiday shopping

What is the Highest Number of People You Expect in Attendance at Any One Time? n/a

Coordinating With Another Event? YES ☐ NO ☒ If Yes, Event Name:

Event Details: (Provide a detailed description of all activities that will take place. Attach additional sheets if necessary.)

An evening for local residents to spend time shopping and dining in Plymouth

1. **TYPE OF EVENT:** Based on Policy 12.2, this event is: *(Weddings Ceremonies – Please Review Section 12.2 f.)*
City Operated ☐ Co-sponsored Event ☐ Other Non-Profit ☐ Other For-Profit ☐ Political or Ballot Issue ☐

2. **ANNUAL EVENT:** Is this event expected to occur next year? YES ☒ NO ☐

If Yes, you can reserve a date for next year with this application (see Policy 12.15). To reserve dates for next year, please provide the following information:

Normal Event Schedule (e.g., third weekend in July): _____

Next year's specific dates: _____

See section 12.13 for license & insurance requirements for vendors

3. **FOOD VENDORS/ CONCESSIONS?** YES ☐ NO ☒ **OTHER VENDORS?** YES ☐ NO ☐
4. **DO YOU PLAN TO HAVE ALCOHOL SERVED AT THIS EVENT?** YES ☐ NO ☒
5. **WILL ALCOHOL BE SERVED ON PRIVATE PROPERTY AS PART OF THIS EVENT?** YES ☐ NO ☒
6. **WILL YOU NEED ELECTRICITY AND/OR WATER?** YES ☐ NO ☒

CITY SERVICES REQUIRED? If needed, please attach a letter indicating all requests for City Services.
(see Attachment B)

None

7. **AN EVENT MAP** IS ☐ IS NOT ☒ attached. If your event will use streets and/or sidewalks (for a parade, run, etc.), or will use multiple locations, please attach a complete map showing the assembly and dispersal locations and the route plan. Also show any streets or parking lots that you are requesting to be blocked off.

8. **EVENT SIGNS:** Will this event include the use of signs? YES ☐ NO ☒
If Yes, refer to Policy 12.8 for requirements, and describe the size and location of your proposed signs: **Please complete a sign illustration / description sheet and include with the application.**

Signs or banners approved by the City of Plymouth for Special Events shall be designed and made in an artistic and workman like manner. THE CITY MANAGER MUST APPROVE ALL SIGNS. SIGNS CANNOT BE ERECTED UNTIL APPROVAL IS GIVEN.

Signs and/or Banners may be used during the event only. Please refer to Special Event Policy for information related to the installation of banners on Downtown Street Light Poles in advance of event. NO SIGNS ARE ALLOWED IN THE PARK IN ADVANCE OF THE EVENT.

9. **UNLIMITED PARKING:** Are you requesting the removal of time limits on parking (see Policy 12.5)?

YES ☒ NO ☐

If Yes, list the lots or locations where/why this is requested:
The event lasts longer than the 2-3 hour parking limit

10. **CERTIFICATION AND SIGNATURE:** I understand and agree on behalf of the sponsoring organization that
- a. a Certificate of Insurance must be provided which names the City of Plymouth as an additional named insured party on the policy. (See Policy 12.10 for insurance requirements)
 - b. Event sponsors and participants will be required to sign Indemnification Agreement forms (refer to Policy 12.12).
 - c. All food vendors must be approved by the Wayne County Health Department, and each food and/or other vendor must provide the City with a Certificate of Insurance which names the City of Plymouth as an additional named insured party on the policy. (See Policy 12.13)
 - d. The approval of this Special Event may include additional requirements and/or limitations, based on the City's review of this application, in accordance with the City's Special Event Policy. The event will be operated in conformance with the Written Confirmation of Approval. (see Policy 12.11 and 12.16)
 - e. The sponsoring organization will provide a security deposit for the estimated fees as may be required by the City, and will promptly pay any billing for City services which may be rendered, pursuant to Policy 12.3 and 12.4.

As the duly authorized agent of the sponsoring organization, I hereby apply for approval of this Special Event, affirm the above understandings, and agree that my sponsoring organization will comply with City's Special Event Policy, the terms of the Written Confirmation of Approval, and all other City requirements, ordinance and other laws which apply to this Special Event.

9/29/2026

Date

eSigned via GovOS.com
Jennifer Wisniewski
Key: 10f509ec-b51d-423f-a1aa-2979w018106

Signature of Sponsoring Organization's Agent

RETURN THIS APPLICATION at least twenty (21) days prior to the first day of the event to: City

**Manager's Office
City Hall
201 S. Main Street
Plymouth MI 48170**

Phone: (734) 453-1234 ext. 203

11. INDEMNIFICATION AGREEMENT

INDEMNIFICATION AGREEMENT

The Plymouth Community Chamber (*organization name*) agree(s) to defend, indemnify, and hold harmless the City of Plymouth, Michigan, from any claim, demand, suit, loss, cost of expense, or any damage which may be asserted, claimed or recovered against or from the Ladies Holiday Shopping Night (*event name*) by reason of any damage to property, personal injury or bodily injury, including death, sustained by any person whomsoever and which damage, injury or death arises out of or is incident to or in any way connected with the performance of this contract, and regardless of which claim, demand, damage, loss, cost of expense is caused in whole or in part by the negligence of the City of Plymouth or by third parties, or by the agents, servants, employees or factors of any of them.

Signature  _____
eSigned via GovOS.com
Key: 10f509ec-b51d-423f-a1aa-2979e0181d86

Date 9/29/2026

Witness _____

Date _____

EVENT REVIEW FORM.

EVENT NAME: Ladies Holiday Shopping Night TOTAL ESTIMATED FEE: _____
 (Note: All fees are only initial estimates and can increase upon assessment of services after the close of the event).

11/12/20 4-8pm

MUNICIPAL SERVICES:	<u>Approved</u>	Denied	(list reason for denial)	Initial <u>AG</u>
<u>No Services Needed</u>				
\$250 Bathroom Cleaning Fee Per Day of Event? YES NO				
Labor Costs: \$	Equipment Costs: \$	Materials Costs \$		
POLICE:	<u>Approved</u>	Denied	(list reason for denial)	Initial
<u>NO SERVICES NEEDED</u>				
Labor Costs \$	Equipment Costs \$	Materials Costs \$		
FIRE:	<u>Approved</u>	Denied	(list reason for denial)	Initial <u>MS</u>
<u>NO SERVICES NEEDED</u>				
Labor Costs \$	Equipment Costs \$	Materials Costs \$		
HVA:	<u>Approved</u>	Denied	(list reason for denial)	Initial <u>CP</u>
<u>NO SERVICES</u>				
DDA:	<u>Approved</u>	Denied	(list reason for denial)	Initial <u>SP1</u>
Labor Costs \$	Equipment Costs \$	Materials Costs \$		
RISK MANAGEMENT:	<u>Approved</u>	Denied	(list reason for denial)	Initial <u>MB</u>
Class I – Low Hazard	Event Sponsors must provide current Certificate of Insurance naming City			
<u>Class II – Moderate Hazard</u>	of Plymouth as 'Additional Insured' including in the Description Box/Area.			
Class III – High Hazard	Food vendor/service requirements per Special Event Policy, must also be			
Class IV – Severe Hazard	met for any food.			
SITE FEE APPLIED TO ALL EVENTS IS \$100 PER DAY. TOTAL EVENT SITE FEE \$ _____				
APPROVED _____ NOT APPROVED _____ DATE _____				



Special Event Application

City of Plymouth
201 S. Main
Plymouth, Michigan 48170-1637

www.plymouthmi.gov
Phone 734-453-1234
Fax 734-455-1892

Complete this application in accordance with the City of Plymouth Special Events Policy, and return it to the City Manager's Office at least 21 calendar days prior to the starting date of the event.

FEES WILL BE CHARGED FOR ALL SPECIAL EVENTS. SEE ATTACHMENT B.

Sponsoring Organization's Legal Name		The Salvation Army					
Ph#	7344535464	Fax#		Email	maryann.wood@usc.sal	Website	
Address	9451 S Main St	City	Plymouth	State	MI	Zip	48170-
Sponsoring Organization's Agent's Name		Mary Ann Wood		Title		Corps Officer	
Ph#	7344535464	Fax#		Email	maryann.wood@usc.sal	Cell#	7343583236
Address	9451 S Main St	City	Plymouth	State	MI	Zip	48170-

Event Name	The Salvation Army Red Kettle Kick Off and Boulevard Lighting
Event Purpose	To raise awareness for The Salvation Army Red Kettle Campaign and Kick Off the Holiday Season
Event Date(s)	November 13, 2026
Event Times	5:30-7:30 (Boulevard lighting at 7:00 pm)
Event Location	Kellogg Park (Main St. Side)

What Kind Of Activities?	Caroling, music, free hot chocolate, gift card exchange
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What is the Highest Number of People You Expect in Attendance at Any One Time?	300
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Coordinating With Another Event?	YES ☐ NO ☒	If Yes, Event Name:	
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Event Details:	(Provide a detailed description of all activities that will take place. Attach additional sheets if necessary.)
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Visitors will have a chance to win a gift card from Plymouth Downtown merchants by donating a non perishable item to The Salvation Army. PCEP Choir will sing and The Salvation Army band will play holiday music. Boulevard lights will be lit at 7:00 pm.

1. **TYPE OF EVENT:** Based on Policy 12.2, this event is: *(Weddings Ceremonies – Please Review Section 12.2 f.)*
City Operated ☐ Co-sponsored Event ☐ Other Non-Profit ☒ Other For-Profit ☐ Political or Ballot Issue ☐

2. **ANNUAL EVENT:** Is this event expected to occur next year? YES ☒ NO ☐

If Yes, you can reserve a date for next year with this application (see Policy 12.15). To reserve dates for next year, please provide the following information:

Normal Event Schedule (e.g., third weekend in July):

the Friday two weeks before Thanksgiving

Next year's specific dates:

November 12, 2027

See section 12.13 for license & insurance requirements for vendors

3. **FOOD VENDORS/ CONCESSIONS?** YES ☒ NO ☐ **OTHER VENDORS?** YES ☐ NO ☐
4. **DO YOU PLAN TO HAVE ALCOHOL SERVED AT THIS EVENT?** YES ☐ NO ☒
5. **WILL ALCOHOL BE SERVED ON PRIVATE PROPERTY AS PART OF THIS EVENT?** YES ☐ NO ☒
6. **WILL YOU NEED ELECTRICITY AND/OR WATER?** YES ☒ NO ☐

CITY SERVICES REQUIRED? If needed, please attach a letter indicating all requests for City Services.
(see Attachment B)

Switch for tree lighting/coordination from DMS

7. **AN EVENT MAP** IS ☐ IS NOT ☒ attached. If your event will use streets and/or sidewalks (for a parade, run, etc.), or will use multiple locations, please attach a complete map showing the assembly and dispersal locations and the route plan. Also show any streets or parking lots that you are requesting to be blocked off.

8. **EVENT SIGNS:** Will this event include the use of signs? YES ☐ NO ☒
If Yes, refer to Policy 12.8 for requirements, and describe the size and location of your proposed signs: **Please complete a sign illustration / description sheet and include with the application.**

Signs or banners approved by the City of Plymouth for Special Events shall be designed and made in an artistic and workman like manner. THE CITY MANAGER MUST APPROVE ALL SIGNS. SIGNS CANNOT BE ERECTED UNTIL APPROVAL IS GIVEN.

Signs and/or Banners may be used during the event only. Please refer to Special Event Policy for information related to the installation of banners on Downtown Street Light Poles in advance of event. NO SIGNS ARE ALLOWED IN THE PARK IN ADVANCE OF THE EVENT.

9. **UNLIMITED PARKING:** Are you requesting the removal of time limits on parking (see Policy 12.5)?

YES ☐ NO ☒

If Yes, list the lots or locations where/why this is requested:

10. **CERTIFICATION AND SIGNATURE:** I understand and agree on behalf of the sponsoring organization that
- a. a Certificate of Insurance must be provided which names the City of Plymouth as an additional named insured party on the policy. (See Policy 12.10 for insurance requirements)
 - b. Event sponsors and participants will be required to sign Indemnification Agreement forms (refer to Policy 12.12).
 - c. All food vendors must be approved by the Wayne County Health Department, and each food and/or other vendor must provide the City with a Certificate of Insurance which names the City of Plymouth as an additional named insured party on the policy. (See Policy 12.13)
 - d. The approval of this Special Event may include additional requirements and/or limitations, based on the City's review of this application, in accordance with the City's Special Event Policy. The event will be operated in conformance with the Written Confirmation of Approval. (see Policy 12.11 and 12.16)
 - e. The sponsoring organization will provide a security deposit for the estimated fees as may be required by the City, and will promptly pay any billing for City services which may be rendered, pursuant to Policy 12.3 and 12.4.

As the duly authorized agent of the sponsoring organization, I hereby apply for approval of this Special Event, affirm the above understandings, and agree that my sponsoring organization will comply with City's Special Event Policy, the terms of the Written Confirmation of Approval, and all other City requirements, ordinance and other laws which apply to this Special Event.

9/23/26

Date

eSigned via GovOS.com
Mary Wood
Key: 10f509ec-b51d-423f-a1aa-2979e01f81c6

Signature of Sponsoring Organization's Agent

RETURN THIS APPLICATION at least twenty (21) days prior to the first day of the event to: City

**Manager's Office
City Hall
201 S. Main Street
Plymouth MI 48170**

Phone: (734) 453-1234 ext. 203

11. INDEMNIFICATION AGREEMENT

INDEMNIFICATION AGREEMENT

The The Salvation Army (organization name) agree(s) to defend, indemnify, and hold harmless the City of Plymouth, Michigan, from any claim, demand, suit, loss, cost of expense, or any damage which may be asserted, claimed or recovered against or from the Red Kettle Kick Off and Tree (event name) by reason of any damage to property, personal injury or bodily injury, including death, sustained by any person whomsoever and which damage, injury or death arises out of or is incident to or in any way connected with the performance of this contract, and regardless of which claim, demand, damage, loss, cost of expense is caused in whole or in part by the negligence of the City of Plymouth or by third parties, or by the agents, servants, employees or factors of any of them.

Signature 
eSigned via GovOS.com
Key: 10f509ec-b51d-423f-x1aa-2979e0181d6

Date 9/23/26

Witness 
eSigned via GovOS.com
Key: 519b4622-3faa-4bf4-8b6c-b27fc3096843

Date _____

CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)

9/24/2026

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER	CONTACT NAME: JESSICA DAVIS
CHESTERFIELD INSURANCE AGENCY, INC	PHONE (A/C, No, Ext): 847.294.2039 FAX (A/C, No):
P.O. BOX 237	E-MAIL ADDRESS: USCRISKMANAGEMENT@USC.SALVATIONARMY.ORG
GREEN OH 44232	INSURER(S) AFFORDING COVERAGE NAIC #
INSURED	INSURER A: ZURICH AMERICAN INS. CO. 16535
THE SALVATION ARMY AN ILLINOIS CORP.	INSURER B: THE SALVATION ARMY RISK TRUST N/A
5550 PRAIRIE STONE PARKWAY	INSURER C: THE SALVATION ARMY, AN IL CORP. N/A
Hoffman Estates IL 60192	INSURER D: AMERICAN ZURICH INS. CO. 40142
	INSURER E: AMERICAN INTERNATIONAL GROUP UK AA-1120187
	INSURER F:

COVERAGES

CERTIFICATE NUMBER: 20977

REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. *LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS. LIMITS SHOWN ARE INCLUSIVE OF AMOUNTS REQUESTED BY THE CERTIFICATE HOLDER AND MAY NOT REFLECT POLICY LIMIT AMOUNTS IN EXCESS OF THOSE REQUESTED. *Not Applicable in WY

INSR LTR	TYPE OF INSURANCE	ADDL SUBR INSD WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
C	☒ COMMERCIAL GENERAL LIABILITY ☐ CLAIMS-MADE ☒ OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: ☒ POLICY ☐ PRO-JECT ☐ LOC OTHER:		SELF INSURED RETENTION	01/01/26	01/01/27	EACH OCCURRENCE \$ 500,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 500,000 MED EXP (Any one person) \$ 5,000 PERSONAL & ADV INJURY \$ 500,000 GENERAL AGGREGATE \$ 500,000 PRODUCTS - COMP/OP AGG \$ 500,000
A	AUTOMOBILE LIABILITY ☒ ANY AUTO ☐ OWNED AUTOS ONLY ☐ SCHEDULED AUTOS ☒ HIRED AUTOS ONLY ☒ NON-OWNED AUTOS ONLY		BAP 7296425-05	01/01/26	01/01/27	COMBINED SINGLE LIMIT (Ea accident) \$ 100,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$
B&E	UMBRELLA LIAB ☒ OCCUR ☒ EXCESS LIAB ☐ CLAIMS-MADE DED ☒ RETENTION \$		TRUST #19578500	01/01/26	01/01/27	EACH OCCURRENCE \$ 7,000,000 AGGREGATE \$ 7,000,000
D	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	Y/N N N/A	WC 8978534-30	01/01/26	01/01/27	☒ PER STATUTE ☐ OTH-ER E.L. EACH ACCIDENT \$ 1,000,000 E.L. DISEASE - EA EMPLOYEE \$ 1,000,000 E.L. DISEASE - POLICY LIMIT \$ 1,000,000
C	AUTO LIABILITY EXCESS		SELF INSURED RETENTION	01/01/26	01/01/27	XS OF \$100,000 400,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

COVERAGE APPLIES TO 9451 S MAIN ST PLYMOUTH MI 48170 AS RESPECTS TO THE KETTLE KICK OFF AT KELLOGG PARK 201 S MAIN ST PLYMOUTH MI 48170 NOVEMBER 13, 2026

LOC# 203-230-010

CERTIFICATE HOLDER

CITY OF PLYMOUTH
201 S MAIN ST
PLYMOUTH MI 48170

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE

Tree lighting +
EVENT REVIEW FORM

EVENT NAME: Red Kettle Kick-off 2020 TOTAL ESTIMATED FEE: _____

(Note: All fees are only initial estimates and can increase upon assessment of services after the close of the event).

11/13/24, Downtown
5:30 - 7:30 PM

MUNICIPAL SERVICES:	<u>Approved</u>	Denied	(list reason for denial)	Initial <u>AO</u>
<u>2 FTE</u>				
<u>No Parking</u>				
<u>Electrical</u>				
\$250 Bathroom Cleaning Fee Per Day of Event? <u>YES</u> NO				
Labor Costs: \$	<u>600.00</u>	Equipment Costs: \$	<u>200.00</u>	Materials Costs \$ <u>100.00</u>
POLICE:	<u>Approved</u>	Denied	(list reason for denial)	Initial <u>gpc</u>
<u>NO SERVICES NEEDED</u>				
Labor Costs \$	<u>0</u>	Equipment Costs \$		Materials Costs \$
FIRE:	<u>Approved</u>	Denied	(list reason for denial)	Initial <u>28</u>
<u>NO SERVICES NEEDED</u>				
Labor Costs \$	<u>0</u>	Equipment Costs \$		Materials Costs \$
HVA:	<u>Approved</u>	Denied	(list reason for denial)	Initial <u>GP</u>
<u>NO SERVICES</u>				
DDA:	<u>Approved</u>	Denied	(list reason for denial)	Initial <u>SBP</u>
Labor Costs \$	<u>0</u>	Equipment Costs \$		Materials Costs \$
RISK MANAGEMENT:	<u>Approved</u>	Denied	(list reason for denial)	Initial <u>MB</u>
Class I – Low Hazard	Event Sponsors must provide current Certificate of Insurance naming City			
<u>Class II – Moderate Hazard</u>	of Plymouth as 'Additional Insured' including in the Description Box/Area.			
Class III – High Hazard	Food vendor/service requirements per Special Event Policy, must also be			
Class IV – Severe Hazard	met for any food.			
SITE FEE APPLIED TO ALL EVENTS IS \$100 PER DAY. TOTAL EVENT SITE FEE \$ _____				
APPROVED _____ NOT APPROVED _____ DATE _____				



Special Event Application

City of Plymouth
201 S. Main
Plymouth, Michigan 48170-1637

www.plymouthmi.gov
Phone 734-453-1234
Fax 734-455-1892

Complete this application in accordance with the City of Plymouth Special Events Policy, and return it to the City Manager's Office at least 21 calendar days prior to the starting date of the event.

FEES WILL BE CHARGED FOR ALL SPECIAL EVENTS. SEE ATTACHMENT B.

Sponsoring Organization's Legal Name		Plymouth Community Chamber of Commerce					
Ph#	734-453-1540	Fax#		Email	jenny@plymouthmich.or	Website	www.plymouthmich.org
Address	850 W. Ann Arbor Trail			City	Plymouth	State	MI Zip 48170
Sponsoring Organization's Agent's Name		Jenny Wisniewski				Title	Event Manager
Ph#	734-453-1540	Fax#		Email	jenny@plymouthmich.or	Cell#	734-777-2752
Address	850 W. Ann Arbor Trail			City	Plymouth	State	MI Zip 48170

Event Name	Walk of Trees 2026
Event Purpose	Community involvement in the Christmas Holidays
Event Date(s)	November 20, 2026 thru January 4, 2027. Start clean-up anytime after January 5th, 2027.
Event Times	24/7
Event Location	Kellogg Park

What Kind Of Activities? People will walk through Kellogg Park to view the trees

What is the Highest Number of People You Expect in Attendance at Any One Time? n/a

Coordinating With Another Event? YES ☐ NO ☒ If Yes, Event Name: _____

Event Details: (Provide a detailed description of all activities that will take place. Attach additional sheets if necessary.)

80 Christmas trees will be set up in Kellogg Park. 28 of the trees will be placed on the east side of the fountain for a "memorial section" and the rest of them, 52, on the west side. The trees will be sponsored by different businesses, families, organizations, etc. The Chamber will supply white lights for each tree though the sponsors are allowed to use their own lights provided they are LED. Decorations must be durable and be wired to the branches to keep from blowing off. Tree sponsors must retrieve the decorations by January 5th, 2027 so that the City can dispose of the trees.

1. **TYPE OF EVENT:** Based on Policy 12.2, this event is: (Weddings Ceremonies – Please Review Section 12.2 f.)

City Operated ☐ Co-sponsored Event ☐ Other Non-Profit ☐ Other For-Profit ☐ Political or Ballot Issue ☐

2. **ANNUAL EVENT:** Is this event expected to occur next year? YES ☒ NO ☐

If Yes, you can reserve a date for next year with this application (see Policy 12.15). To reserve dates for next year, please provide the following information:

Normal Event Schedule (e.g., third weekend in July): _____

Next year's specific dates: _____

See section 12.13 for license & insurance requirements for vendors

3. **FOOD VENDORS/ CONCESSIONS?** YES ☐ NO ☒ **OTHER VENDORS?** YES ☐ NO ☒

4. **DO YOU PLAN TO HAVE ALCOHOL SERVED AT THIS EVENT?** YES ☐ NO ☒

5. **WILL ALCOHOL BE SERVED ON PRIVATE PROPERTY AS PART OF THIS EVENT?** YES ☐ NO ☒

6. **WILL YOU NEED ELECTRICITY AND/OR WATER?** YES ☒ NO ☐

CITY SERVICES REQUIRED? If needed, please attach a letter indicating all requests for City Services.
(see Attachment B)

We will need Municipal Services to put 80 poles in the ground, by November 15th, and attach the trees to the

7. **AN EVENT MAP IS** ☒ **IS NOT** ☐ attached. If your event will use streets and/or sidewalks (for a parade, run, etc.), or will use multiple locations, please attach a complete map showing the assembly and dispersal locations and the route plan. Also show any streets or parking lots that you are requesting to be blocked off.

8. **EVENT SIGNS:** Will this event include the use of signs? YES ☒ NO ☐

If Yes, refer to Policy 12.8 for requirements, and describe the size and location of your proposed signs: **Please complete a sign illustration / description sheet and include with the application.**

Signs or banners approved by the City of Plymouth for Special Events shall be designed and made in an artistic and workman like manner. THE CITY MANAGER MUST APPROVE ALL SIGNS. SIGNS CANNOT BE ERECTED UNTIL APPROVAL IS GIVEN.

Signs and/or Banners may be used during the event only. Please refer to Special Event Policy for information related to the installation of banners on Downtown Street Light Poles in advance of event. NO SIGNS ARE ALLOWED IN THE PARK IN ADVANCE OF THE EVENT.

9. **UNLIMITED PARKING:** Are you requesting the removal of time limits on parking (see Policy 12.5)?

YES ☐ NO ☒

If Yes, list the lots or locations where/why this is requested:

10.

- CERTIFICATION AND SIGNATURE:** I understand and agree on behalf of the sponsoring organization that
- a. a Certificate of Insurance must be provided which names the City of Plymouth as an additional named insured party on the policy. (See Policy 12.10 for insurance requirements)
 - b. Event sponsors and participants will be required to sign Indemnification Agreement forms (refer to Policy 12.12).
 - c. All food vendors must be approved by the Wayne County Health Department, and each food and/or other vendor must provide the City with a Certificate of Insurance which names the City of Plymouth as an additional named insured party on the policy. (See Policy 12.13)
 - d. The approval of this Special Event may include additional requirements and/or limitations, based on the City's review of this application, in accordance with the City's Special Event Policy. The event will be operated in conformance with the Written Confirmation of Approval. (see Policy 12.11 and 12.16)
 - e. The sponsoring organization will provide a security deposit for the estimated fees as may be required by the City, and will promptly pay any billing for City services which may be rendered, pursuant to Policy 12.3 and 12.4.

As the duly authorized agent of the sponsoring organization, I hereby apply for approval of this Special Event, affirm the above understandings, and agree that my sponsoring organization will comply with City's Special Event Policy, the terms of the Written Confirmation of Approval, and all other City requirements, ordinance and other laws which apply to this Special Event.

9/29/2026

Date

eSigned via GovOS.com
Jennifer Wisniewski
Key: 10f509ec-b51d-423f-a1aa-2979e0181a66

Signature of Sponsoring Organization's Agent

RETURN THIS APPLICATION at least twenty (21) days prior to the first day of the event to: City

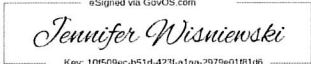
**Manager's Office
City Hall
201 S. Main Street
Plymouth MI 48170**

Phone: (734) 453-1234 ext. 203

11. INDEMNIFICATION AGREEMENT

INDEMNIFICATION AGREEMENT

The Plymouth Community Chamber (*organization name*) agree(s) to defend, indemnify, and hold harmless the City of Plymouth, Michigan, from any claim, demand, suit, loss, cost of expense, or any damage which may be asserted, claimed or recovered against or from the Walk of Trees (*event name*) by reason of any damage to property, personal injury or bodily injury, including death, sustained by any person whomsoever and which damage, injury or death arises out of or is incident to or in any way connected with the performance of this contract, and regardless of which claim, demand, damage, loss, cost of expense is caused in whole or in part by the negligence of the City of Plymouth or by third parties, or by the agents, servants, employees or factors of any of them.

Signature  eSigned via GovOS.com
Key: 10f509ec-b51d-423f-a1aa-2979e0181d6

Date 9/29/2026

Witness _____

Date _____

EVENT REVIEW FORM

EVENT NAME: Walk of Trees 2026 TOTAL ESTIMATED FEE: _____
 (Note: All fees are only initial estimates and can increase upon assessment of services after the close of the event).
11/20 - 1/4/2027

MUNICIPAL SERVICES:	<u>Approved</u>	Denied	(list reason for denial)	Initial <u>AD</u>
Set up labor: \$2000.00 Replacement poles				
Tear down labor: \$1,250.00				
Equipment setup: \$500.00				
Equipment tear down: \$800.00				
\$250 Bathroom Cleaning Fee Per Day of Event? YES <u>NO</u>				
Labor Costs:	\$ 3,250.00	Equipment Costs:	\$ 1,300.00	Materials Costs \$ 500.00
POLICE:	<u>Approved</u>	Denied	(list reason for denial)	Initial <u>ALC</u>
<u>NO SERVICES NEEDED</u>				
Labor Costs \$	<u>0</u>	Equipment Costs \$		Materials Costs \$
FIRE:	<u>Approved</u>	Denied	(list reason for denial)	Initial <u>RS</u>
<u>NO SERVICES NEEDED</u>				
Labor Costs \$	<u>0</u>	Equipment Costs \$		Materials Costs \$
HVA:	<u>Approved</u>	Denied	(list reason for denial)	Initial <u>CP</u>
<u>NO SERVICES</u>				
DDA:	<u>Approved</u>	Denied	(list reason for denial)	Initial <u>SBP</u>
Labor Costs \$	<u>0</u>	Equipment Costs \$		Materials Costs \$
RISK MANAGEMENT:	<u>Approved</u>	Denied	(list reason for denial)	Initial <u>MB</u>
Class I – Low Hazard	Event Sponsors must provide current Certificate of Insurance naming City			
Class II – Moderate Hazard	of Plymouth as 'Additional Insured' including in the Description Box/Area.			
Class III – High Hazard	Food vendor/service requirements per Special Event Policy, must also be			
Class IV – Severe Hazard	met for any food.			
SITE FEE APPLIED TO ALL EVENTS IS \$100 PER DAY. TOTAL EVENT SITE FEE \$ _____				
APPROVED _____ NOT APPROVED _____ DATE _____				



Administrative Recommendation

City of Plymouth
201 S. Main
Plymouth, Michigan 48170-1637

www.plymouthmi.gov
Phone 734-453-1234
Fax 734-455-1892

To: Mayor & City Commission
From: Chris S. Porman, City Manager
CC: *S:\Manager\Porman Files\Memorandum - Energy Assessment Letter of Authorization - 10-05-26.docx*
Date: September 24, 2026
RE: Energy Assessment Letter of Authorization

Background

As the City Commission is aware, one of the key objectives of Goal Area One (Sustainable Infrastructure) in the City's Five-Year Strategic Plan is to continue sustainable infrastructure improvements for utilities, facilities and fleet. An important component of this objective is addressing the aging heating, ventilation and air conditioning (HVAC) system at City Hall.

Over the past several years, the Department of Municipal Services has been working with HVAC contractors and equipment manufacturers to explore options for repairing or replacing the existing system. While staff and our maintenance contractor have managed to keep most of the system operational, several major components, including the boiler and temperature controls, date back to 1963. At this point, the system requires significant improvements, and a complete replacement is likely necessary.

Replacing the HVAC system at City Hall is expected to be a substantial investment, potentially exceeding \$1 million. As staff have explored available options, we have also been looking at opportunities to reduce the City's financial burden through energy performance contracting, energy efficiency grants and utility rebates.

Energy performance contracting allows public entities to implement energy efficiency improvements and potentially finance those improvements through anticipated energy savings. This approach could provide the City with an alternative financing option while reducing long-term operating and maintenance costs.

As part of this effort, staff have been working with ThermalNetics, a local HVAC solutions provider and part of the Daikin Group. ThermalNetics previously worked with the City on the geothermal system at the Plymouth Cultural Center and has conducted a preliminary energy analysis of City Hall. That initial analysis suggests potential energy savings may be sufficient to support financing the HVAC replacement and other energy efficiency improvements through an energy performance contract.

The next step is to authorize Daikin Applied Americas, Inc. to conduct a more detailed Preliminary Energy Assessment of City-owned and operated facilities. This assessment will help staff understand available technologies, potential energy savings and possible financing opportunities before making any recommendations for future improvements.

Importantly, the proposed Letter of Authorization is at no cost to the City, creates no obligation to proceed with a project and does not require the City to purchase Daikin equipment. This differs from previous

opportunities explored with other providers that involved upfront costs, equipment requirements or other financial commitments.

While there is no cost associated with the proposed assessment, Daikin equipment and services are also available through Sourcewell and OMNIA Partners cooperative purchasing contracts should the City decide to consider those options in the future.

Recommendation

The Administration recommends that the City Commission authorize the City Manager to execute the Letter of Authorization with Daikin Applied Americas, Inc. for a no-cost, no-obligation Preliminary Energy Assessment of City-owned and operated facilities.

This authorization will allow staff to continue evaluating potential improvements and financing opportunities without committing the City to any future expenditures or equipment purchases.

RESOLUTION

The following resolution was offered by Comm. _____ and seconded by Comm. _____.

- WHEREAS, the City of Plymouth's Five-Year Strategic Plan identifies sustainable infrastructure improvements for City utilities, facilities and fleet as a key objective; and
- WHEREAS, the aging HVAC system at City Hall requires significant improvements, and the City is exploring opportunities to improve energy efficiency and reduce long-term operating and maintenance costs; and
- WHEREAS, Daikin Applied Americas, Inc., through its preliminary work with ThermalNetics, has identified potential opportunities for energy savings and energy performance contracting; and
- WHEREAS, Daikin Applied Americas, Inc. has offered to conduct a Preliminary Energy Assessment of City-owned and operated facilities at no cost or obligation to the City.

NOW, THEREFORE, BE IT RESOLVED THAT the Plymouth City Commission authorizes the City Manager to execute the Letter of Authorization with Daikin Applied Americas, Inc. for a no-cost, no-obligation Preliminary Energy Assessment of City-owned and operated facilities, with no commitment to purchase equipment or proceed with future improvements.



Department of Municipal Services

1231 Goldsmith, Plymouth, MI

734-453-7737

dms@plymouthmi.gov

Date: September 18, 2026
To: Chris S. Porman, City Manager
From: Adam Gerlach, Deputy Director of Municipal Services
Re: Energy Assessment Letter of Authorization

BACKGROUND:

As you are aware, one of the key objectives of Goal Area One (Sustainable Infrastructure) of the City's Current Five-Year Strategic Plan is to "Continue sustainable infrastructure improvement for utilities, facilities, and fleet." You are also aware of the ongoing challenges we are experiencing with the HVAC system for City Hall. To help achieve this objective as it relates to the City Hall facility, we have been researching available options for repairing or replacing the heating and cooling system.

Municipal services staff have been in contact with several different HVAC contractors as well as heating and cooling equipment manufacturers over the last few years to discuss options for the system at city hall. Our HVAC maintenance contractor has been able to keep most of the system running through regular repairs and emergency replacement of components over the years. However, the system is at the point of needing a major overhaul at a minimum, and due to the advanced age of some components (boiler & temperature controls from 1963), a complete system replacement is likely the only option available. Municipal Services staff are experienced in keeping the antiquated HVAC system running, but we need help determining which new technologies and solutions are the best options for replacing the system.

In addition, as you are aware, the replacement of the HVAC system for an existing building the size and construction of city hall is projected to be in the million-dollar range. Through our research and discussions with contractors we believe there are opportunities to utilize energy performance contracting, energy efficiency grant programs, and utility company rebates to reduce this cost and access financing outside of bonds. Energy Performance Contracting is a federal program administered in Michigan by the State of Michigan Department of Technology, Management and Budget. This program is open to all public entities, and commonly used by school districts, universities, and counties to implement energy efficient upgrades and improve facilities to reduce operating and maintenance costs.

To begin the process of developing an energy performance contract we began preliminary discussions with ThermalNetics, a local HVAC Solutions provider, and a part of Daikin Group, a leading international manufacturer of HVAC equipment. It should be noted that ThermalNetics has previously worked for the City at the Cultural Center on the geothermal system. The staff at

ThermalNetics have been knowledgeable, helpful, and great to work with. They have done a preliminary energy analysis for city hall and found that the potential energy savings could allow for the HVAC system replacement and other energy efficiency upgrades to be financed through an energy performance contract. In order to move forward with this program, a formal Letter of Authorization for Preliminary Energy Assessment is needed. The Letter of Authorization is not a contract, is of no cost to the City, and does not require the City to buy Daikin equipment. You may recall that several years ago the City worked with Johnson Controls, and separately with Bosch, for the same type of energy usage analysis. The City did not move forward with either Johnson Controls' or Bosch's proposed energy efficiency projects due to the many "strings attached"; including significant up-front cost to perform the analysis/audit, requirements to use their equipment, and no guarantee of future cost savings.

RECOMMENDATION:

The City staff recommend that the City Commission authorize the administration to sign the Letter of Authorization for Preliminary Energy Assessment for Daikin Applied Americas, Inc. to conduct a no-cost, no-obligation Preliminary Energy Assessment of City owned and operated facilities. The Letter of Authorization from Daikin and information about the energy performance contracting process from ThermalNetics are attached. While there are no costs associated with this recommendation, any services and equipment from Daikin Group are competitively bid through the Sourcewell cooperative purchasing contract and Omnia Partners cooperative purchasing contract.

Should you have any questions, please feel free to contact me.



Letter of Authorization for Preliminary Energy Assessment

This letter serves as formal authorization for Daikin Applied Americas Inc. ("Daikin Applied") to conduct a no-cost, no-obligation Preliminary Energy Assessment ("Assessment") of the facilities owned and/or operated by City of Plymouth, MI ("Customer") as agreed upon by the parties.

The purpose of this Assessment is to identify potential energy conservation measures, infrastructure modernization, and operational cost savings to help determine the feasibility of future contracts for capital and/or energy performance improvements.

To facilitate this assessment, the Customer hereby authorizes the following:

1. Access to Facilities and Scheduling

The Customer will provide Daikin Applied's representatives with reasonable access to the applicable City of Plymouth buildings and facilities. To ensure employee safety and minimal disruption in Customer's business / work environment, all site visits, visual inspections of mechanical/electrical systems, and staff interviews must be coordinated in advance with the Customer's designated point of contact. All Daikin Applied personnel visiting active Customer sites must comply with the Customer's standard visitor check-in and background check policies.

2. Access to Utility Data

The Customer hereby authorizes its utility service providers (including but not limited to electric, natural gas, water, and sewer utilities) to release to Daikin Applied up to thirty-six (36) months of historical billing and energy consumption data for the accounts associated with the applicable facilities. The Customer will work with its utility service providers to enable Daikin Applied such access. A copy of this letter may be presented to the respective utility companies as evidence of this authorization.

3. Delivery of Information

The Customer will make reasonable efforts to provide Daikin Applied with available facility data, including building square footage, floor plans (where accessible), equipment inventories, and existing maintenance contracts relevant to energy and operational use.

Upon completion of the Assessment, Daikin Applied will provide a briefing to the Customer and its designated decision makers describing the findings and recommendations from the Assessment.

Understandings and Conditions:

- **No Cost/No Obligation:** The Customer understands that this preliminary assessment is performed at Daikin Applied's sole expense. *This letter does not constitute a binding financial commitment by the Customer to procure equipment or enter into any contract.*
- **Customer Authority:** The parties acknowledge that any future binding contracts resulting from this assessment (such as an Investment Grade Audit or subsequent agreements) will require formal approval by the Customer's designated decision makers.
- **Confidentiality and Data Practices:** Both parties agree to keep any proprietary or sensitive information exchanged during this process confidential to the extent permitted by law.

Please acknowledge receipt and acceptance of the terms of this authorization by signing in the space provided below and returning a copy to my attention.



CUSTOMER: CITY OF PLYMOUTH, MI

Signature: _____

Name: _____

Title: _____

Date: _____

ACKNOWLEDGED AND ACCEPTED BY DAIKIN APPLIED AMERICAS INC.

Signature: _____

Name: _____

Title: _____

Date: _____

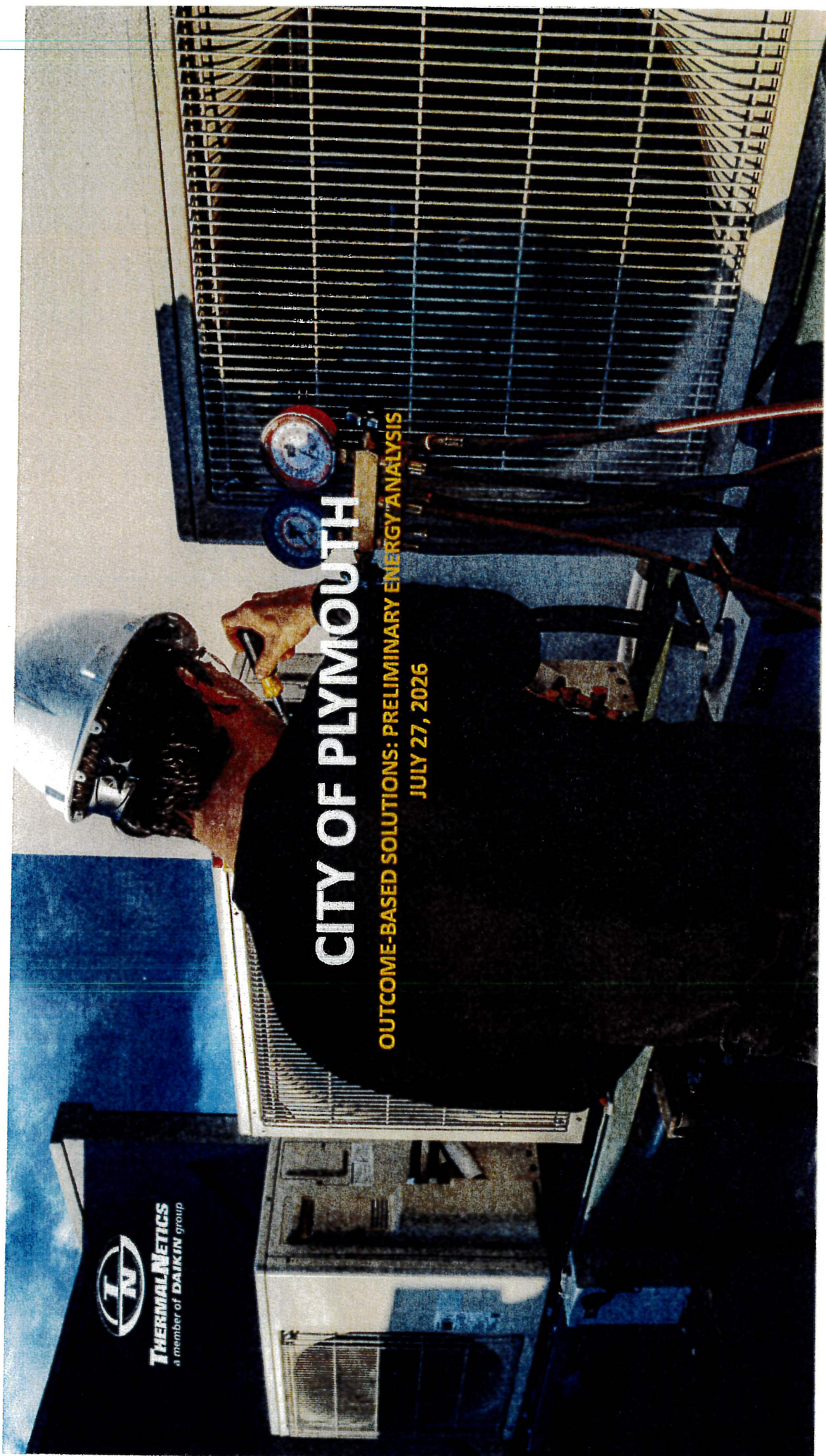


THERMALNETICS
a member of DAIKIN group

CITY OF PLYMOUTH

OUTCOME-BASED SOLUTIONS: PRELIMINARY ENERGY ANALYSIS

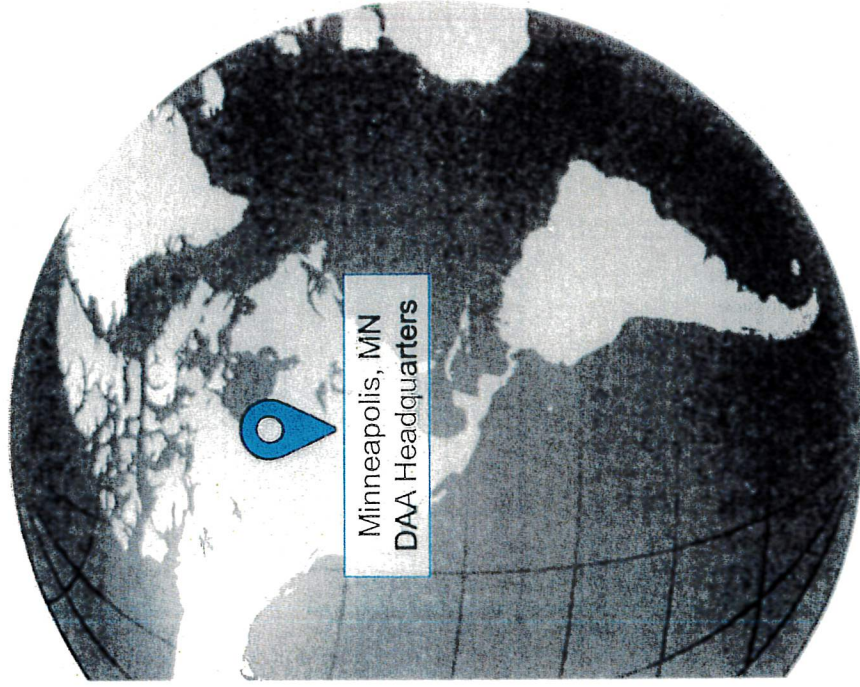
JULY 27, 2026



MEETING AGENDA

- INTRODUCTION
- UNDERSTANDING THE CONCEPT – HOW IT GETS FUNDED
- WHAT WE FOUND AT CITY HALL
- WHAT THIS COULD MEAN ACROSS ALL BUILDINGS
- GETTING THERE WITHOUT AN RFP
- NEXT STEPS
- Q&A

ThermalNetics, a member of Daikin America



GLOBAL PRESENCE



>\$37 Billion
Net Sales



>88,000
Employees



\$3.7 Billion
Invested in R&D



150 Countries
Operations Across the Globe

Daikin America



>\$7 Billion
Net Sales



>19,000
North American Employees



\$41 Million
Manufacturing Facility Opened
in 2024



Solutions Provider
Facility Upgrades



\$56 Million
Invested in Test Labs and
R&D from 2022-2026



100+ Local Offices
Auburn Hills, MI

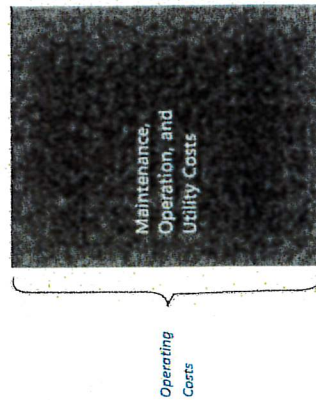


ThermalNetics
a member of DAIKIN group

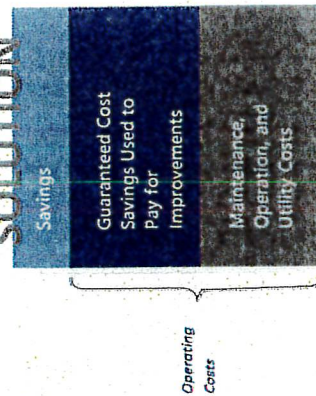
PAY FOR TODAY'S UPGRADES WITH TOMORROW'S SAVINGS

COMPLEX ENERGY

SOLUTION



Annual Budget Before Improvements



Annual Budget During Term of Financing



Annual Budget after Term of Financing

Projects are funded and repaid through the energy and operational savings they generate.

- ✓ No new budget lines.
- ✓ No bond referendums.
- ✓ No increased tax burden.
- ✓ Savings are contractually guaranteed.

GUARANTEED SAVINGS. SINGLE POINT OF ACCOUNTABILITY. OEM-BACKED.

Most energy projects come with promises. Ours come with a contract. Performance and savings are guaranteed.

- ✓ Contractually guaranteed measured savings
- ✓ Single point accountability before, during, and after construction
- ✓ State legislation supported: Michigan Statute MCL §18.1714** Cost-Effective Governmental Energy Use Act enables this financing approach for public facilities*

*Applies to K-12 schools and other public facilities

** MCL - Section 18.1714 - [Michigan Legislature](#)



Thermal Sciences

FIVE PHASES. ONE ACCOUNTABLE PARTNER.



CITY OF PLYMOUTH – CITY HALL UTILITY

ANALYSIS

201 S Main St — City Hall (Office/Gov, 26,800 SF)

Total annual energy use: 2,949,133 kBtu

Site EUI: 110.0 kBtu/SF/yr

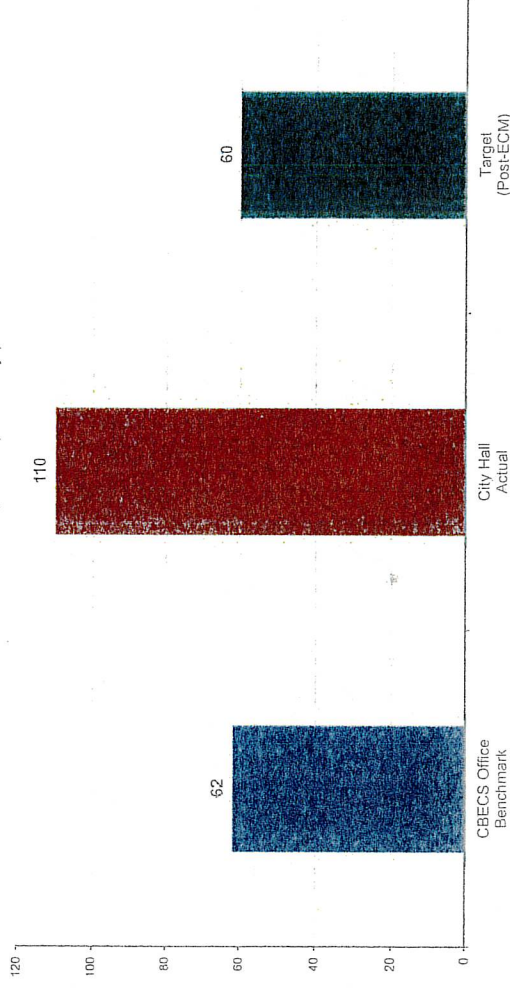
85% above the CBECS office benchmark EUI

Annual utility cost: \$61,155 (\$2.28/SF)

Ranked #1 ECM priority in the 13-building portfolio

* Target EUI - 60 EUI which potentially delivers of \$28k in annual cost savings for this single building

Site EUI Comparison (kBtu/SF/yr)



Sq. Ft.	Electric (kWh)	Gas (CCF)	Total (kBtu)	EUI (kBtu/SF/yr)	% Above Benchmark	Annual Cost	\$/SF
26,800	191,972	22,492	2,949,133	110.0	85%	\$61,155	\$2.28

*EUI, "energy use index" is defined as a metric measuring a building's annual energy consumption relative to its size
 ** Commercial Buildings Energy Consumption Survey (CBECS) is a national sample survey gathering comprehensive statistical data on the physical characteristics, energy-related building features, and energy usage of U.S. commercial buildings (U.S. Energy Information Administration - EIA - Independent Statistics and Analysis)

CITY OF PLYMOUTH – CITY HALL NATURAL GAS ANALYSIS

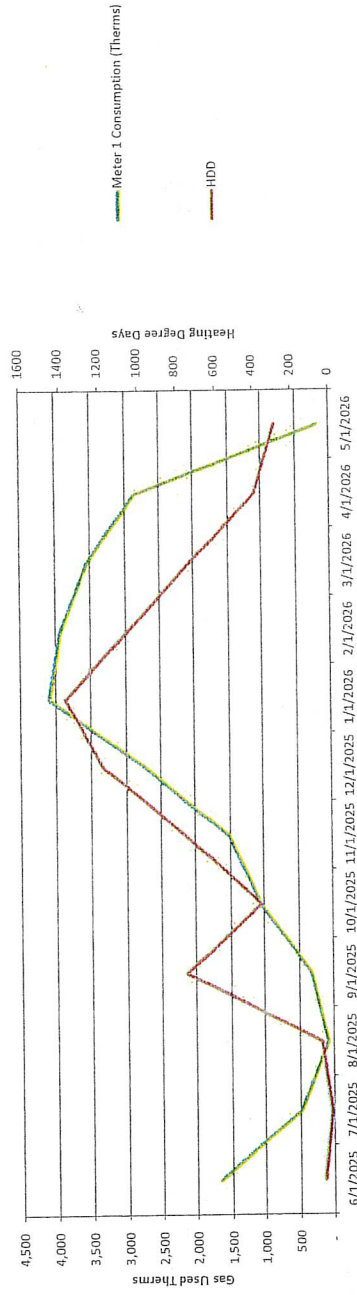
Gas consumption closely tracking Heating Degree Days (HDD) across the full 12-month period — both rise and fall together.

Both series peak together in January 2026 (~4,100 therms vs. ~3,850 HDD), then taper in parallel through spring as heating demand falls off. This is the expected heating-driven signature for a gas-fired heating plant and confirms the meter now ties out to the billing data.

A modest shoulder-season base load remains (e.g., ~1,650 therms in June 2025 against minimal HDD) — consistent with normal domestic hot water / pilot load, not a data or equipment concern.

Prior finding retracted: the earlier apparent inversion traced to a data issue in the original extract, not a heating-plant reliability problem. No ECM flag warranted from this chart.

Gas to Heating Severity - Gas Meter 1



Heating Degree Day (HDD): measures how much and how long temperatures were below a baseline (65 degrees F) to measure against heating load and gas consumption.

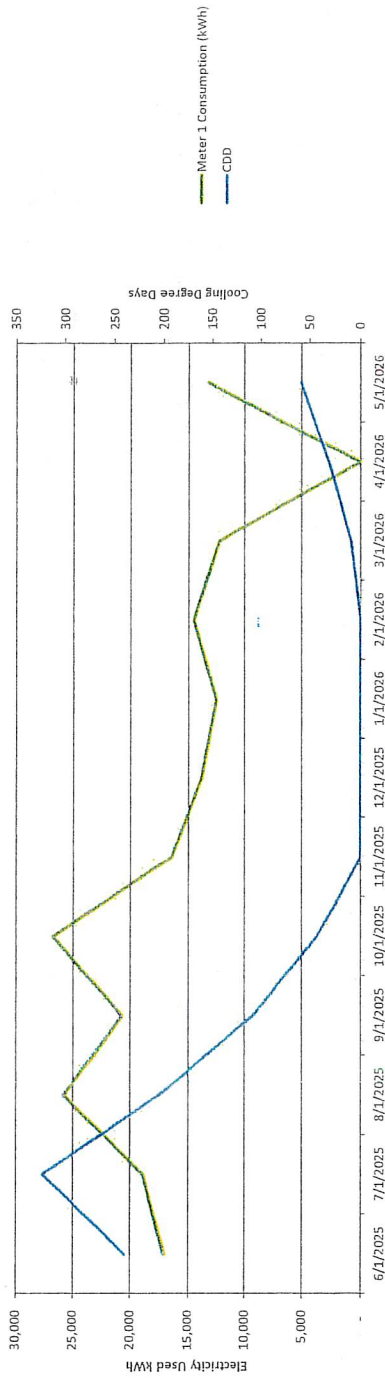
CITY OF PLYMOUTH – CITY HALL ELECTRIC ANALYSIS

Meter 1 electricity use tracks weakly with Cooling Degree Days (CDD).

- From Nov 2025 – Mar 2026, CDD is effectively zero, yet electric consumption stays between 12,000 and 15,000+ kWh/month.
- This persistent, weather-independent load points to a large baseline draw — lighting, plug loads, or equipment/controls left running outside occupied or cooling-need hours.

Scheduling, controls, and lighting ECMs can target this base load directly — independent of any cooling-system upgrade.

Electricity to Cooling Severity - Meter 1

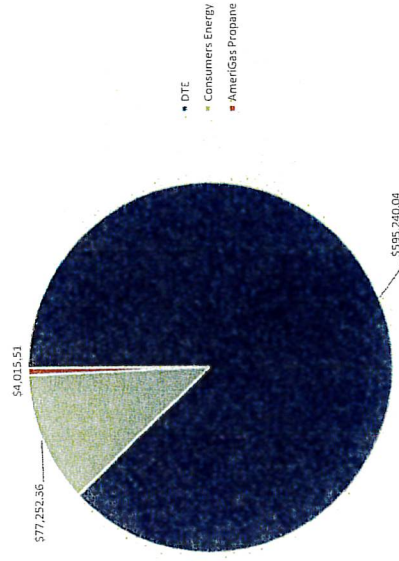


Cooling Degree Day (CDD): measures how much and how long temperatures were above a baseline (65 degrees F) to measure against cooling load and electricity consumption

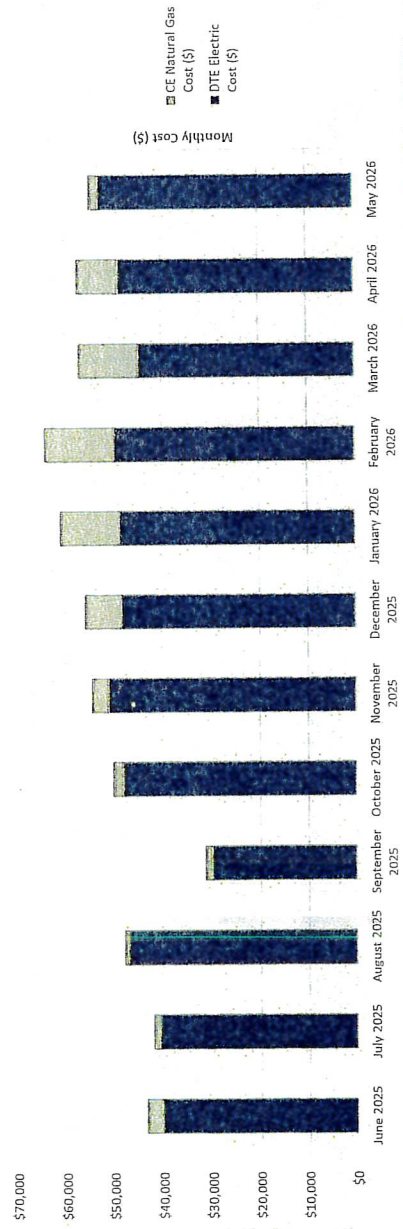
CITY OF PLYMOUTH – UTILITY ANALYSIS

- Total utility spend from May 2025 to May 2026: \$676,507.91
 - Electric: \$595,240.04
 - Natural Gas: \$77,252.36
 - Propane: \$4,015.51
 - Water: unknown
- Typical range of costs savings potential is 15% - 25%, combining energy and O&M cost savings
- Conservative performance measure: 15% savings via optimized infrastructure.
 - \$101,000 - \$169,000 annual savings guaranteed.

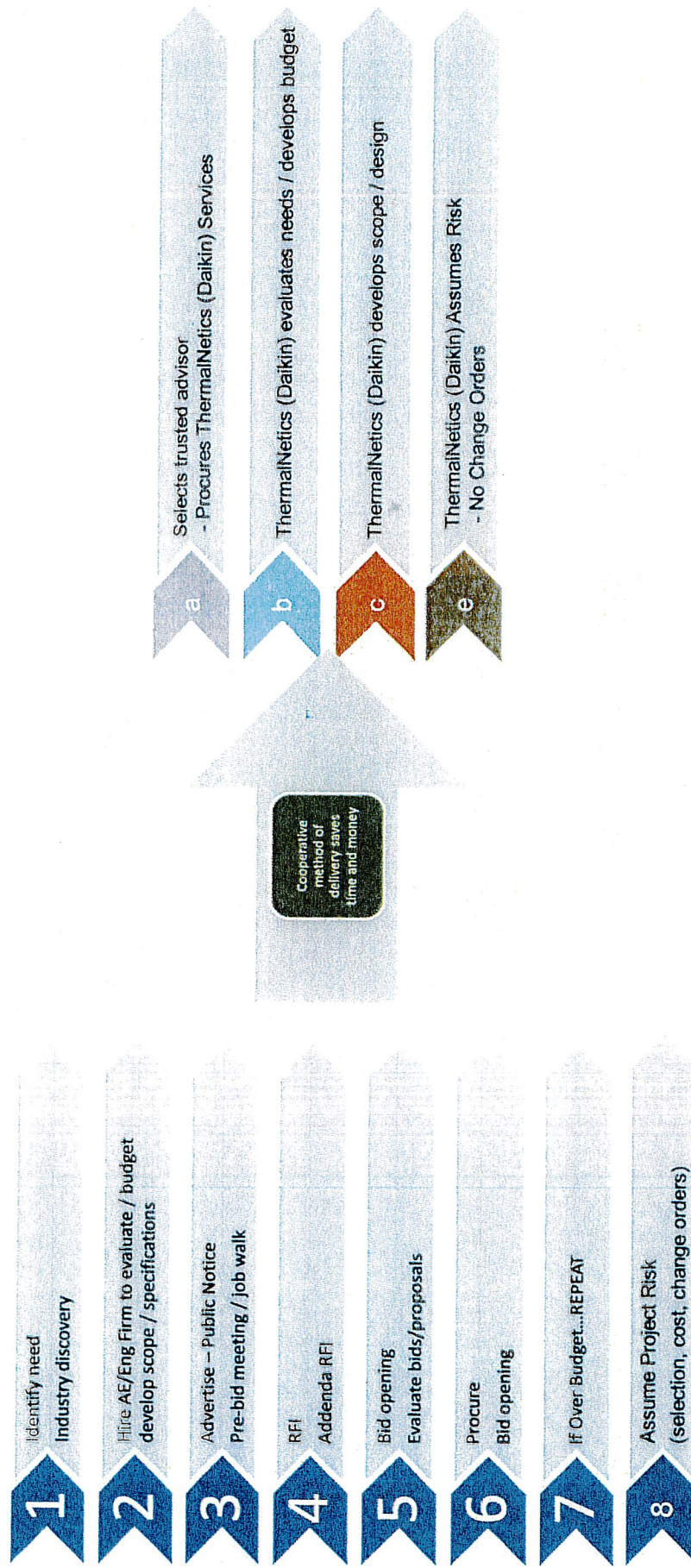
Utility Totals: May '25 to May '26



Monthly Utility Cost — Electric vs. Gas



TYPICAL RFP V. COOPERATIVE PROCUREMENT



COOPERATIVE CALCULATOR – SAVINGS EXAMPLE

	Typical RFP	Cooperative Procurement
Turnkey HVAC Project	\$1,000,000	\$1,000,000
Industry Discovery	\$10,000	\$10,000
Engineer/Designer	\$50,000	\$30,000
RFP Development	\$30,000	included
RFQ	\$10,000	N/A
Advertising/Solicitation	\$2,000	Included
Pre-Bid Meeting/Job Walk	\$10,000	\$5,000
RFI Process	\$5,000	N/A
Addenda	\$10,000	N/A
Proposal Evaluation	\$10,500	\$2,000
Interviews	\$5,000	N/A
Contracts	\$3,000	\$1,000
Change Orders	\$70,000	N/A
Protest/Rework	\$50,700	N/A
Total Project	\$1,277,000	\$1,048,000
		Savings = 17.9%



THE THERMAL NETWORK

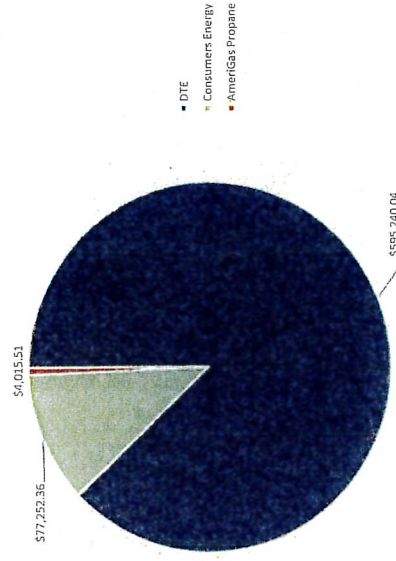
FIVE PHASES. ONE ACCOUNTABLE PARTNER.

PHASE 1	PHASE 2	PHASE 3	PHASE 4	PHASE 5
CONCEPT INTRODUCTION	PRELIMINARY ASSESSMENT	INVESTMENT GRADE AUDIT	CONTRACT APPROVAL AND IMPLEMENTATION	PERFORMANCE PERIOD
Align on goals, identify stakeholders, select ThermalNetics as your development partner.	(30 to 45 days) Feasibility analysis, site conditions review, needs assessment, utility and operational baseline established.	(2 to 3 months) Detailed engineering analysis. Scope options presented and approved. Funding and incentive options identified.	(2 to 3 months) Contracts approved. Approved upgrades implemented on-site. Work coordinated around your facility's operational needs.	Annual savings generated and verified. Measurement and verification reporting. ThermalNetics long-term relationship continues.
	*Letter of Authorization Required	*Contract Required	*Contract Required	

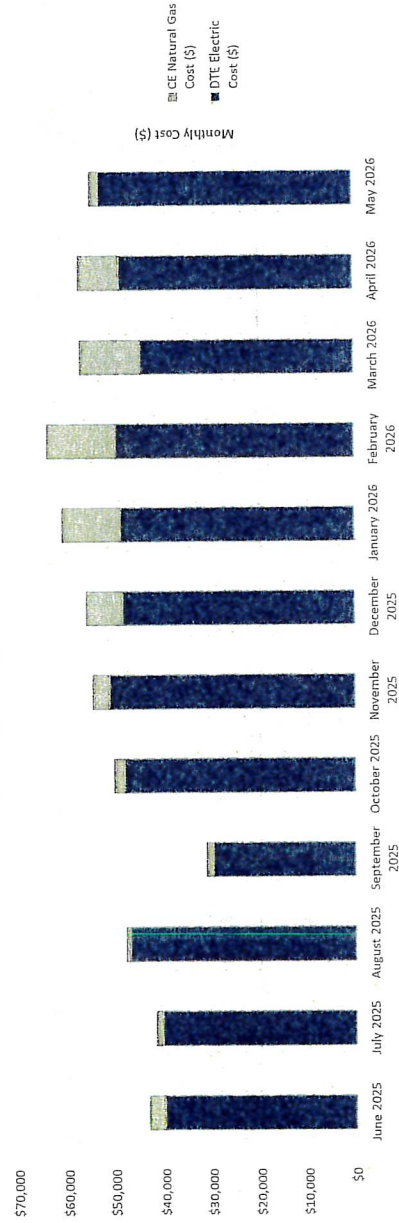
CITY OF PLYMOUTH – UTILITY ANALYSIS

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 - Propane: \$4,015.51
 - Water: unknown
- Typical range of costs savings potential is 15% - 25%, combining energy and O&M cost savings
- Conservative performance measure: 15% savings via optimized infrastructure.
 - **\$101,000 - \$169,000 annual savings guaranteed.**

Utility Totals: May '25 to May '26



Monthly Utility Cost — Electric vs. Gas



NEXT STEPS

MILESTONE	TARGET DATE
INITIAL MEETING	MAY 26, 2026
PRESENT PRELIMINARY ASSESSMENT	JUNE 27, 2026
ENGAGE DECISION MAKERS; CONDUCT INVESTMENT GRADE AUDIT	OCTOBER – NOVEMBER 2026
ENGAGE DECISION MAKERS; PRESENT AUDIT AND SCOPE	NOVEMBER - DECEMBER 2026
REFINE SCOPE	DECEMBER - JANUARY 2026
CONTRACT APPROVAL	FEBRUARY 2026
IMPLEMENTATION	MARCH – DECEMBER 2027

Introduction to Energy Performance Contracting

Prepared for:

**U.S. Environmental Protection Agency
ENERGY STAR Buildings**

Prepared by:

**ICF International
National Association of Energy Services Companies**

October 2007

Introduction

This briefing report provides a tutorial in the fundamentals of energy performance contracting (EPC) for policy makers who need to understand how EPC fits into the broader context of energy efficiency policy and programs.

Organization of the Paper

The paper is divided into several major sections, including:

1. [Executive Summary](#)
2. [What is Energy Performance Contracting \(EPC\)](#)
3. [Brief History of EPC](#)
4. [EPC Market Size and Characteristics](#)
5. [EPC Market Drivers](#)
6. [EPC Financing](#)
7. [EPC Monitoring and Verification \(M&V\)](#)
8. [EPC Market Issues](#)
9. [Conclusions](#)

1. Executive Summary

The Executive Summary introduces each of the major topics that are covered in detail in the other sections, and includes electronic links to each of the other sections. The report is documented throughout with references to more detailed papers and analyses of various EPC topics that may be of interest to the reader.

1.1. What is Energy Performance Contracting (EPC)?

EPC is a turnkey service, sometimes compared to design/build construction contracting which provides customers with a comprehensive set of energy efficiency, renewable energy and distributed generation measures and often is accompanied with guarantees that the savings produced by a project will be sufficient to finance the full cost of the project. A typical EPC project is delivered by an Energy Service Company (ESCO) and consists of the following elements:

- **Turnkey Service** – The ESCO provides all of the services required to design and implement a comprehensive project at the customer facility, from the initial energy audit through long-term Monitoring and Verification (M&V) of project savings.
- **Comprehensive Measures** – The ESCO tailors a comprehensive set of measures to fit the needs of a particular facility, and can include energy efficiency, renewables, distributed generation, water conservation and sustainable materials and operations.

- **Project financing** – The ESCO arranges for long-term project financing that is provided by a third-party financing company. Financing is typically in the form of an operating lease or municipal lease.
- **Project Savings Guarantee** – The ESCO provides a guarantee that the savings produced by the project will be sufficient to cover the cost of project financing for the life of the project.

(For more detail, follow this link [2. What is Energy Performance Contracting \(EPC\)?](#))

1.2. *Brief History of EPC*

The history of EPC can be usefully divided into four stages.

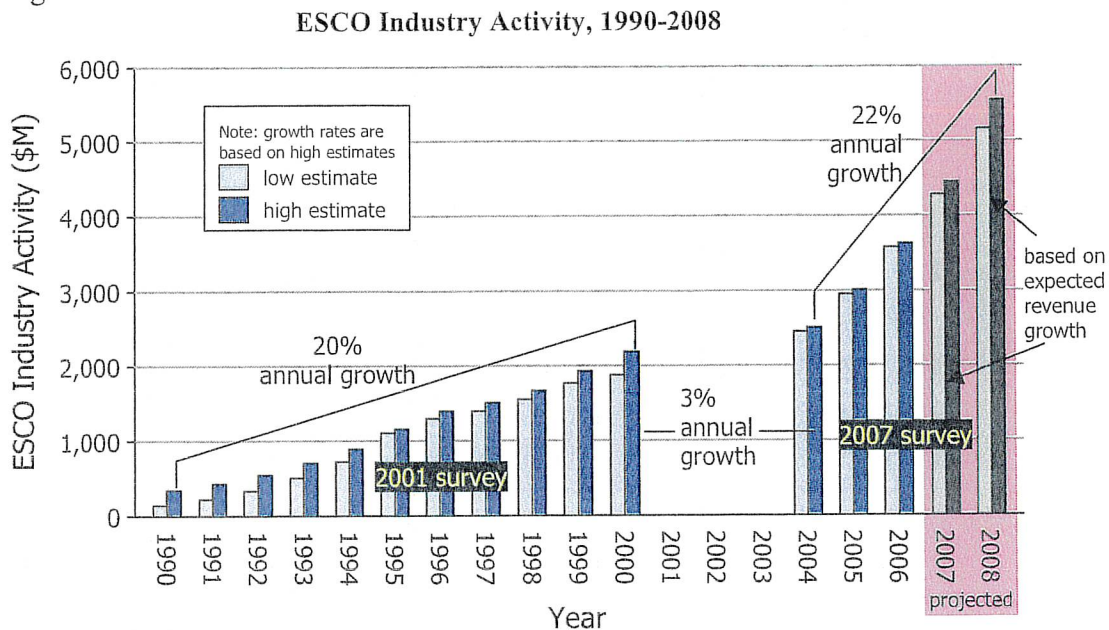
- **The Beginning of DSM (pre-1985)** – ESCOs were established to provide manpower and systems to enable utilities to meet federal and state mandates and offer energy conservation services.
- **Emergence of EPC (1985-1993)** – Utility programs evolved from purchasing services (*e.g.*, home energy audits) to acquiring large amounts of kW or kWh as part of their Integrated Resource Plans (IRPs). ESCOs bid to provide the kW or kWh and delivered turnkey projects to large industrial and institutional customers and financed the projects themselves.
- **Success and Consolidation (1994-2002)** – Successful experience with EPC documented in studies by the Lawrence Berkeley National Laboratory (LBNL) and the National Association of Energy Service Companies (NAESCO) encouraged the federal and state governments to promote EPC. The implementation of the International Performance Measurement and Verification Protocol (IPMVP), which provided standard methods for documenting project savings, gave commercial lenders the confidence to begin financing EPC projects on a large scale.
- **Pause and then Fast Growth (2003-present)** – The collapse of Enron, the suspension of the federal ESPC program and the uncertainty about the deregulation of the electric utility industry caused a slowdown in the growth of EPC from 2002-2004. EPC is now growing at more than 20% per year, driven by increasing and volatile energy prices, federal and state energy savings mandates, the continued lack of capital and maintenance budgets for federal facilities, and growing awareness of the need for large-scale action to limit greenhouse gas emissions.

(For more detail, follow this link [3. Brief History of EPC](#))

1.3. *EPC Market Size and Characteristics*

A recent study by LBNL and NAESCO has documented the current size and growth trends of the ESCO industry, as summarized in the Figure ES-1.

Figure ES-1



In addition to the industry size and growth estimates, the LBNL/NAESCO report documented several other features of the ESCO marketplace.

- **ESCO Ownership** – The ESCO industry has consolidated since 2000. Utility companies abandoned the business as de-regulation stalled, and about 80% of the total EPC business is conducted by ESCO subsidiaries of large companies, primarily equipment manufacturers.
- **Geographic Scope of Activities** – About three-quarters of the total EPC business is done by 10 national ESCO companies, and another 20%+ by regional ESCOs. Local ESCOs, who confine their activities to one or more local markets, do less than 5% of the national EPC business.
- **Market and Project Trends** – The MUSH (municipals, universities, schools, and hospitals) market and the federal market account for about 80% of the total EPC projects. Commercial building projects comprise about 9%, industrial projects about 6%, and residential and public housing projects the remainder.
- **Project Technologies** – By dollar volume, ESCO projects are largely focused on the following: energy efficiency (73%), renewables (10%), and distributed generation or combined heat and power (6%). The balance of ESCO revenues is from consulting and planning services.
- **Project Contracts** – About 70% of ESCO projects are performance-based, and another 25% are design/build or engineering, procurement, and construction.

(For more detail, follow this link [4. EPC Market Size and Characteristics](#))

1.4 EPC Market Drivers

The EPC market has several major drivers, including:

- **Savings Mandates** – Federal and state governments are increasingly mandating aggressive energy savings goals for public facilities, but are not providing expanded capital budgets to pay for energy efficiency improvements. In this environment, EPC is the default method for implementing energy efficiency projects.
- **Facility Modernization** – MUSH market facilities, typically starved for capital and maintenance budgets, use EPC projects to obtain needed facility improvements.
- **Green Buildings** – Facility owners who want to “green” their buildings often implement EPC projects because “EE Pays for Green,” that is, the savings produced from energy efficiency measures helps to finance renewables measures.
- **Climate Change** – Energy efficiency is the first choice of organizations trying to meet state mandates for greenhouse gas reductions. As with savings mandates, EPC projects enable facilities to meet greenhouse gas mandates that are not accompanied by capital budget increases.
- **Utility and ISO/RTO Capacity Programs** – State regulators faced with utility applications to build a new generation of power plants are increasingly looking to large-scale energy efficiency programs as an alternative. EPC projects, which can be self-financed through energy savings, are an attractive alternative.

(For more detail, follow this link [5. EPC Market Drivers](#))

1.5 EPC Financing

EPC projects today are typically financed by third-party financial institutions using a set of financing vehicles that are tailored to the requirements of an individual project, not by ESCOs.

- **Financing Marketplace** – EPC projects are financed by large institutional lenders that offer very competitive rates and terms, and have made billions of dollars of financing available.
- **Financing Vehicles** – EPC project financiers offer a variety of financing vehicles, including:
 - **Tax-Exempt Lease Purchase Agreements**, also called Municipal Leases which allow the customer to finance an EPC project without carrying a liability on its balance sheet.
 - **State or Local Government Leasing Pools**, sometimes called Master Leases, which allow individual projects to lower their financing costs by participating in a larger aggregated financing.
 - **State or Local Government Bonds**, which can offer slightly lower interest rates than Municipal Leases, but are time-consuming to execute and often require voter approval.

- **Revolving Loan Pools**, which offer subsidized interest rates, but have multi-year waiting lists.
- **Power Purchase Agreements (PPAs)**, in which the customer buys the output (*e.g.*, kWh or pounds of steam) of a distributed generation project, rather than the actual project.

(For more detail, follow this link [6. EPC Financing](#))

1.6 EPC Monitoring and Verification (M&V)

The Monitoring and Verification of EPC project savings has evolved in stages which parallel the development of the EPC market outlined above.

- **Pre-1985** – M&V systems were initially used to track the progress of first-generation utility DSM programs, and tended to measure activities (*e.g.*, number of audits delivered) rather than outcomes (*e.g.*, kWh delivered).
- **1985-1993** – ESCOs and customers struggled to develop replicable M&V systems for unfamiliar technologies, and often used “shared savings” contracts in which the ESCO was paid a share of project savings to mitigate perceived customer risk.
- **1994-2002** – Successful project experience proved to customers that EPC projects involved little technological risk, and the development of the International Performance Measurement and Verification Protocol (IPMVP) gave institutional financiers a standard method for validating project savings.
- **2003-present** – The emergence of various new EPC market drivers (see above) is pushing the development of a new generation of M&V that will validate new streams of EPC project value, such as operations and maintenance (O&M) savings, greenhouse gas reduction and electricity system capacity credits.

(For more detail, follow this link [7. Performance Contract M&V](#))

1.7 EPC Market Constraints

Several factors are holding back the growth of the EPC market, including:

- **M&V Limitations** – New systems are required to make the calculation of project energy savings more understandable to non-technical policy-makers who are depending on energy efficiency to meet public policy goals such as energy savings and greenhouse gas reduction mandates.
- **Shortage of Skilled Personnel** – ESCOs, utilities, state regulatory agencies and customers are struggling to find the skilled engineering and technical personnel required to implement large-scale energy efficiency and renewable energy programs, and to operate and maintain energy efficiency and renewable energy technologies.
- **Specific Market Barriers** – Each of the major EPC market segments suffers from its own constraints.

- **The Federal and MUSH Markets** are hindered by landlord agency and financial control bureaucracies that resist large-scale program implementation in the face of executive and legislative mandates.
- **The Commercial Real Estate Market** is hindered by the refusal of building owners to encumber their buildings with the debt required to finance comprehensive EPC projects.
- **The Industrial Market** is hindered by the insecurity of most American manufacturing companies, which results in project payback requirements, typically less than two years, which preclude comprehensive EPC projects.

(For more detail, follow this link [8. Performance Contract Market Constraints](#))

1.8 Conclusions

The importance of the EPC market can be summarized with the major conclusions of the recent LBNL/NAESCO survey outlined above.

- The annual dollar volume of ESCO projects today is approximately equal to the combined annual dollar volume of all U.S. utility DSM programs.
- ESCOs and EPC projects can be a crucial component of the rapidly expanding (in some states) or emerging (in other states) utility DSM programs.
- ESCOs and EPC projects can be important contributors to the development of clean energy, sustainability and climate change mitigation strategies, particularly in urban areas.

(For more detail, follow this link [9. Conclusion and Summary](#))

2. What is Energy Performance Contracting (EPC)?

EPC is a turnkey service, sometimes compared to design/build construction contracting which provides customers with a comprehensive set of energy efficiency, renewable energy and distributed generation measures and often is accompanied with guarantees that the savings produced by a project will be sufficient to finance the full cost of the project.

2.1 Turnkey Service

In an EPC, an ESCO can provide the full range of services required to complete the project, including:

- Energy audit
- Design engineering
- Construction management
- Arrangement of long-term project financing
- Commissioning
- Operations & Maintenance
- Savings Monitoring & Verification

Not every EPC project includes all of these services; the choice of the exact mix of services in a project is made by the customer.

2.2 Comprehensive Measures

In an EPC, the ESCO tailors a comprehensive set of measures to fit the needs of the customer, including any of the following:

- Lighting
- Heating, air conditioning and ventilation
- Control systems
- Building envelope improvements (insulation, roofs, windows, etc.)
- Cogeneration and CHP
- Demand Response
- Renewables and biomass
- Water and sewer – metering and use reduction
- Sustainable materials and operations

ESCOs are constantly adding new measures to their projects, in response to customer requests, but ESCOs should not be considered vehicles to push new technologies into the marketplace. ESCOs and their customers tend to be fairly conservative when selecting technologies for projects, because the total cost of most ESCO projects are paid from energy savings, often secured with financial guarantees. This is further discussed below.

2.3 EPC Project Financing

Most EPC projects are financed with long-term debt or leases, though some customers are able to pay a portion or all of the cost of an EPC project with capital budget allocations. In the early days of EPC, ESCOs typically provided both project technical services and project financing, because financial institutions did not understand EPC and were unwilling to finance EPC projects. Some ESCOs also acted as product distributors, because normal construction distributors were not willing to stock newfangled devices like electronic ballasts for fluorescent light fixtures. But ESCOs no longer provide EPC project financing, because there is now a robust, competitive marketplace of major financial institutions that provide it.

2.4 Project Savings Guarantees

Many EPC projects involve guarantees made by the ESCO to the customer that the project energy savings will be sufficient to pay the full cost of the long-term project financing. The form of the guarantees varies between projects, because the guarantees are designed to fit the requirements of particular customers, as well as federal and state legislation and regulations.

3. Brief History of EPC

The history of the performance contracting industry can be usefully divided into four stages.

3.1 Pre-1985: The Beginning of DSM

The seeds of the performance contracting industry were sown in the late 1970s and early 1980s, when the federal government and state regulatory agencies mandated utilities to provide energy conservation services primarily to residential customers. Energy service companies were founded to provide services -- manpower, energy audit systems, project financing and construction tracking systems -- to utilities on a subcontract basis.

3.2 1985-1993: Emergence of Performance Contracting

The second stage of the performance contracting industry began in the mid-1980s, when state utility regulators decided that energy conservation -- now called energy efficiency -- could provide thousands of MW of resources at a time when new electric generating technologies (principally thermal steam and nuclear plants) were getting significantly more expensive and difficult to site. Utilities were ordered to produce Integrated Resource Plans (IRPs) which usually included an energy efficiency component, and procured bulk quantities of energy efficiency resources, often through bids that required turnkey project delivery. A new breed of energy service companies emerged which implemented these turnkey projects for large industrial and institutional customers. The projects, however, required new types of M&V protocols that accurately measured the energy and demand savings produced by a project.

3.3 1994-2002: Success and Consolidation

The advent of the International Performance Measurement and Verification Protocol (IPMVP) (see discussion in M&V section below), as well as the body of project savings histories, enabled the performance contracting business to enter a fast-growth stage in the late 1990s and early 2000s, as documented in a series of reports on the industry produced by the Lawrence Berkeley National Laboratory and NAESCO, with sponsorship and funding from the U.S. DOE (see www.lbl.gov). Commercial lenders jumped into the business, and quickly drove down the cost of project financing through competition and the development of new financing vehicles, such as low-cost municipal leases with ESCO savings guarantees. M&V costs were substantially reduced by using the M&V options set forth in the IPMVP. Customers saw that a much larger percentage of the total project costs were being delivered to them as efficiency improvements rather than being consumed as project overhead. Customers also saw that performance contracting was a viable way for them to address capital equipment and maintenance issues that they could not address adequately, if at all, through their capital budget processes.

The federal government and state governments adopted performance contracting as the preferred method for producing energy efficiency improvements in large facilities. California and New York implemented standard performance contracting programs as the largest programs in their state energy efficiency program portfolios, pouring hundreds of millions of dollars into project incentives. Many utilities decided that they needed energy service capabilities to compete in the re-regulating energy markets, and so purchased ESCOs or started their own ESCOs.

3.4 2003 – Present: Pause, and now Fast Growth and New Services

The spectacular collapse of Enron, the one-year sunset of the federal performance contracting program, and the diminished prospects for the de-regulated retail energy business all combined to moderate ESCO growth in 2002-2004. The industry consolidated as many utilities folded up or sold their ESCOs. Successful ESCO companies used this hiatus to broaden their offerings to new types of customers, and to integrate renewables and “green” technologies into their product and service portfolios, allowing them to be ready for the next growth spurt, which began in late 2004, according to the most recent NAESCO/LBNL ESCO industry survey.

That growth is driven by a number of factors, including:

- High and volatile energy prices;
- A renewed emphasis by federal and state policy makers on energy efficiency and renewables delivered in performance contracts;
- The continuing lack of capital and maintenance funds for large facilities;
- A renewed interest by federal and state regulators in acquiring energy efficiency and renewable resources as part of an integrated portfolio which can best serve the needs of ratepayers; and,
- The growing awareness of the need to quickly implement large-scale programs to limit production of greenhouse gases, and vulnerability to national energy security risks.

4. EPC Market Size and Characteristics

The Lawrence Berkeley National Laboratory (LBNL) has studied and reported on the growth of the ESCO industry for the last decade. The latest in its series of reports was issued in May, 2007¹, and the chapter on ESCO industry size and growth is excerpted from the paragraph immediately below through the bottom of page 16 of this report.

Previous LBNL/NAESCO reports have discussed ESCO industry growth and trends from the early 1990s to 2000 (Goldman *et al.* 2002), the context for the ESCO business model among public and institutional customers (Hopper *et al.* 2005) and ESCO project characteristics, energy savings and economic performance based on a database of ESCO projects (Goldman *et al.* 2002, Hopper *et al.* 2005).

In the following sections of this brief, we discuss the role of ESCOs in the context of the broader energy efficiency, renewables and onsite generation markets, present updated industry size and growth estimates as of 2006, and examine the structure of the industry in more detail.

¹ “A Survey of the U.S. ESCO Industry: Market Growth and Development from 2000 to 2006”, Hopper, Goldman, Gilligan, Singer and Birr, May 2007, *Ernest Orlando Lawrence Berkeley National Laboratory*, available at http://eetd.lbl.gov/ea/EMS/EMS_pubs.html

4.1 ESCO Industry Context

Any discussion of the role of ESCOs in delivering energy efficiency and related energy services must begin by defining what an ESCO is. In this study, we adopt the same definition as in previous reports (Goldman *et al.* 2002, Hopper *et al.* 2005):

An ESCO is a company that provides energy-efficiency-related and other value-added services and for which performance contracting is a core part of its energy-efficiency services business.

While ESCOs may offer other services beyond energy-efficiency offerings, we only consider them ESCOs if energy efficiency is a major product offering. Similarly, while companies may perform some projects on a design/build or fee-for-service basis, we only consider them to be ESCOs if they offer performance contracting—projects in which the ESCO assumes some performance risk during the project’s economic lifetime—as a core business line.²

Conversely, this definition excludes companies such as engineering companies, contractors, equipment manufacturers, or construction firms that may offer energy-efficiency services but do not assume performance risk for their projects. It also excludes companies that only engage in other customer-side energy services—such as design and installation of onsite generation or renewable energy systems—without also deploying energy-efficiency measures. Both types of companies play important roles in the broader markets for energy efficiency, clean energy and other customer-side energy services, but are distinct from ESCOs, and are therefore not included in this survey.

Policymakers considering the role of ESCOs in procuring energy efficiency need to be aware of the market segments in which ESCOs work. Among the three major energy-consuming sectors in the economy (*i.e.*, transportation, industry, and buildings), ESCOs have been the most active in the buildings sector. Building efficiency improvements can be targeted to existing buildings (retrofits and/or equipment replacement), or new construction.

Historically, ESCOs have primarily pursued energy-efficiency improvements in existing buildings. Within this market, nearly all ESCOs have targeted performance contracting offerings to larger customers. In part, this is because the transaction costs in developing and implementing performance contracts are relatively high.³ As a result, very few ESCOs work in the residential market, with those that do targeting larger multi-family and public housing facilities. Among non-residential customers, ESCOs have had most success in public and institutional markets—federal, state and local government facilities, schools, universities/colleges and hospitals. ESCOs are also active in the commercial and industrial sectors, but have had more limited success in penetrating these markets.⁴ Other types of service providers, including equipment and controls manufacturers, engineering

² See Hopper *et al.* (2005) for a detailed discussion of different types of performance contracts.

³ See Hopper *et al.* (2005) for a discussion of the context, motivations for, and barriers to performance contracting in public and institutional markets.

⁴ The proportional ESCO industry activity in various market segments is provided in section 0.

and construction firms, various types of contractors (heating and air conditioning, controls, windows, lighting, and insulation), and energy consulting firms also provide efficiency services to residential and commercial/industrial customers.

For new construction, the adoption of strategies such as building efficiency codes and standards, design assistance, commissioning, targeted incentives offered by utility energy efficiency programs, energy consumption labeling programs, and training and certification programs for energy-efficient builders can be very effective at bringing about large and lasting energy savings. Owners/developers of new buildings have not been particularly receptive to performance contracting for a variety of reasons (*e.g.*, difficulties in establishing a “baseline” energy usage level against which to compare savings, length of contract term due to the short-term perspective of some real estate developers, misplaced or “split” incentives which separate responsibilities for making capital investments and paying operating costs). Recently, some of the larger ESCOs have begun responding to owners’ interest in green buildings (*i.e.*, achieving LEED certification) and are offering various energy-related services that support green building certification processes.

4.2 Current Market Size and Growth

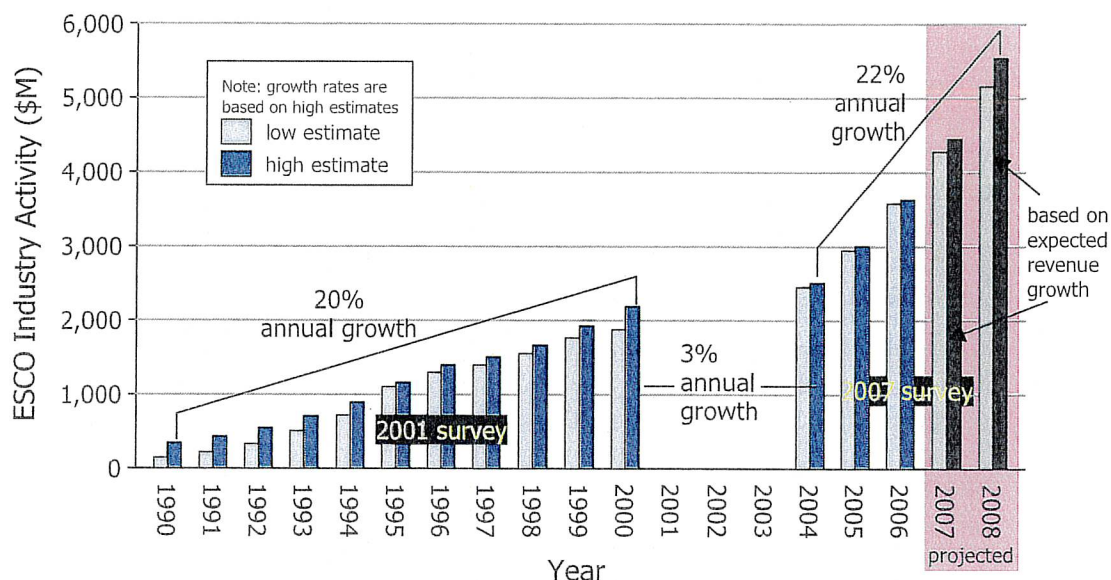
In the recent LBNL/NAESCO company survey, ESCOs were asked to provide their revenues from energy services⁵ in 2006, as well as average annual growth rates experienced for the period from 2004–06 and projected for 2006–08.⁶ We combined the results with data from our last industry survey, conducted in 2001, (Goldman *et al.* 2002) in **Figure 4-1**.

We estimate that industry revenues in 2006 were about \$3.6 billion (our low and high estimates are \$3.58 and \$3.63 billion). By comparison, Goldman *et al.* (2002) estimated industry revenues of about \$2 billion in 2000. Based on ESCOs’ reported growth expectations, we project annual revenues of \$5.2–5.5 billion in 2008.

⁵ We defined energy services to include projects such as performance contracts, design/build projects, engineering, procurement & construction services (EPCS) projects, and consulting that involved energy efficiency or other energy-related services, including onsite generation projects for end users. We specifically asked companies **not** to include revenues from retail commodity sales or projects built to supply power to wholesale markets.

⁶ For companies that did not respond to the survey, we developed high and low revenue estimates through a Delphi survey.

Figure 4-1. ESCO Industry Activity: 1900-2008



Although no data are available for the period from 2001 to 2003⁷, the estimates for 2000 (from Goldman *et al.* 2002) and 2004 (from this survey) imply drastically reduced growth—down to 3% per year from 20% in the 1990s. This slowdown can be attributed to a number of factors:

- Stalled retail competition**—The ESCO industry and many observers expected the advent of electric restructuring to provide a significant boost to ESCOs. In states that allowed retail competition, retail electric suppliers were expected to offer their customers optimized “bundles” of commodity and value-added services (including energy efficiency). However, repercussions from the California electricity crisis of 2000–2001 led a number of states to reconsider the implementation of electric industry restructuring in general, and their retail market designs in particular. For example, some states suspended or delayed retail access for some customer groups that had already been approved by state legislation (*i.e.*, California, Nevada, New Mexico, Arizona, Oklahoma and Montana), while other states decided not to move forward with retail competition at all. As retail competition stalled, a number of utilities that had acquired or started in-house ESCOs as part of their broader national and, in some cases, international corporate positioning began to reconsider whether to continue this line of business, which typically involved retail operations outside of their local service territories.⁸
- The “Enron effect”**—The Enron scandal and bankruptcy of Enron Energy Services had direct and indirect short-term effects on the overall ESCO industry. Enron Energy

⁷ It would have been impossible to reconstruct industry revenues in the early 2000’s from surveys because many of the companies that were operating at that time are no longer in business.

⁸ When interest in retail competition by policymakers looked to be a national phenomenon in the mid to late 1990s, some utilities had viewed ESCOs as a strategy to prepare for retail competition and to establish a presence in geographic regions and markets outside their local service territories.

Services was a relatively large ESCO. Thus, its demise had a direct impact on aggregate ESCO industry size for several years afterwards. The indirect effects on other ESCOs may have been even more significant. Fallout from the Enron scandal undermined accepted accounting methods for energy-related projects. Specifically, concerns about off-balance-sheet financing raised questions about the classification of debt in performance contracts. There were also marketing implications. The Enron scandal made some large customers more wary of contracting with ESCOs, particularly in arrangements that involved bundling of commodity and other value-added services (including energy efficiency) in which Enron Energy Services had specialized and subsequently abandoned.

- **Sunset of Federal Energy Savings Performance Contract (ESPC) legislation** — The legislation that authorized federal agencies to enter into long-term performance contracts with ESCOs expired in 2003 and was not re-instated for a full year. Because the federal government had been a significant source of new market growth for ESCOs, the lack of project activity had a significant impact on those ESCOs that were active in the federal market.
- **Industry consolidation**— A series of buyouts and mergers resulted in significant consolidation in the ESCO industry, driven in part by the market and industry events highlighted in this section. In the last LBNL/NAESCO survey conducted in 2000, we identified 63 ESCOs that were active. In the 2006 survey, we identified 46 ESCOs.

Based on our survey results, the industry showed significant recovery in recent years, with growth again reaching 20% per year for 2004–06. This can be attributed to several factors: rising energy prices; renewed interest by customers, utilities and policymakers in energy efficiency and climate change; the reauthorization of federal ESPCs and the adoption of aggressive energy savings goals for federal agencies by the U.S. Congress in 2005 (EPACT 2005); and the ramping up of public-benefit and ratepayer-funded energy efficiency and renewable energy programs. ESCOs are projecting continued growth, at similar rates, for the next two years.

4.3 Industry Structure and Ownership

The trend toward industry consolidation mentioned above is supported by our survey results. As of 2000, Goldman *et al.* (2002) reported that thirteen companies with revenues over \$30 million per year accounted for approximately 75% of industry revenues. In 2006, eight companies had revenues over \$100 million in 2006; together, they account for 79% of industry activity. In addition, the thirteen largest companies now account for over 90% of industry revenues (based on our high revenue estimate).

Yet these results belie the fact that the ESCO industry is characterized by a diversity of companies, large and small. In the following sections, we dissect the industry to examine trends in ESCO ownership and geographic scope.

4.3.1 Company Ownership

To examine trends in ESCO composition and ownership, we classified companies according to the following four categories:

- **Independent ESCOs**—ESCOs that are “independent” in the sense that they are not owned by an electric or gas utility, an equipment/controls manufacturer, or energy supply company; many “independent” ESCOs concentrate on a few geographic markets and/or target specific customer market segments;
- **Building equipment manufacturers**—ESCOs owned by building equipment or controls manufacturers; many of these ESCOs have an extensive network of branch offices that provides a national (and international) footprint, with sales forces and specialized national staffs providing packages of energy efficiency, renewables, and distributed generation “solutions” to customer market segments;
- **Utility companies**—ESCOs owned by regulated U.S. electric or gas utilities; many utility-owned ESCOs currently concentrate on regional markets or focus on the service territories of their parent utilities; and
- **Other energy/engineering companies**—ESCOs owned by international oil/gas companies, non-regulated energy suppliers, or large engineering firms.

These different types of ownership structure may have some bearing on companies’ types of service offerings and/or their business and marketing approaches. For example, in marketing and developing projects, “independent” ESCOs that are not affiliated with equipment manufacturers or utilities often tout the fact that they do not promote specific technologies or products. However, because of brand loyalty to the equipment part of the business and overall customer brand recognition, ESCOs affiliated with controls or building equipment manufacturers may have certain marketing advantages. In addition, many ESCOs owned by controls or equipment manufacturers are large and tend to have the financial resources to compete in markets where transaction costs are high. Similarly, ESCOs owned by utilities often initially go after business opportunities that are geographically close to their local service territory where they have name recognition and/or customer contacts. Finally, ESCOs affiliated with large engineering companies often have large in-house engineering staff compared to other types of ESCOs, which they may tout as a competitive advantage.

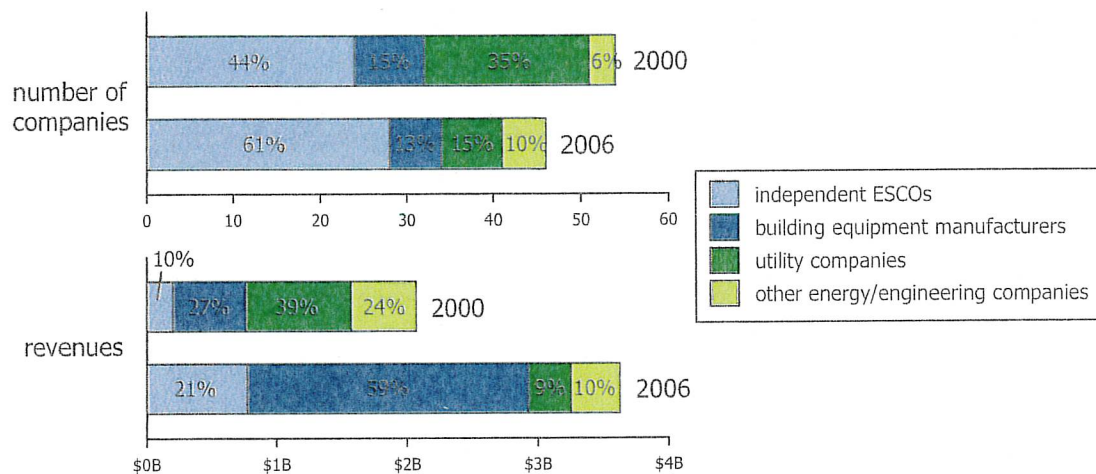
Figure 4-2 compares U.S. ESCO industry ownership, in terms of number of companies and revenues, in 2000 and 2006.⁹

Independent ESCOs are quite numerous but, with some exceptions, most are relatively small (*e.g.*, 61% of companies comprise only 21% of revenues in 2006). The industry share of independents increased both in terms of numbers and revenues between 2000 and 2006.

⁹ The revenue breakdown is based on the high estimates for 2000 and 2006.

The market share of ESCOs that are subsidiaries of building equipment and controls manufacturers has remained fairly constant in terms of number of companies (13–15%), but their share of industry revenues has increased substantially, from 27% in 2000 to 59% in 2006. These companies have aggressively built their businesses in the last several years, through multiple acquisitions and also by taking advantage of synergies with other business lines within their parent companies (*e.g.*, bundling energy efficiency services with facility management, or outsourcing of facility operations and maintenance).

Figure 4-2. Trends in Industry Shares by Company Ownership



The number of utility-owned ESCOs has declined considerably, from 35% in 2000 to only 15% in 2006. In the 1990s, a number of utilities acquired ESCOs as a strategy for competing in retail electricity markets and establishing a presence in geographic regions and markets outside their local service territory. Since 2000, however, a number of utilities have made strategic decisions to focus on their core regulated businesses or developing power generation, rather than retail energy services or power marketing, and thus decided to sell or close their ESCO businesses. In addition, some utilities felt that their ESCO subsidiaries were not producing revenues in line with their rate-based businesses and thus were not, on the whole, compatible with their corporate financial objectives. Some utilities also discovered that long ESCO project sales cycles and tough market competition resulted in uncertain returns on investments of their ESCO subsidiaries. Based on our survey results, it appears that those utility-owned ESCOs who stayed in business were mostly smaller players—the revenue share of utility-owned ESCOs has dropped more dramatically than the number of companies, from 39% in 2000 to only 9% in 2006. Those utility-owned ESCOs who remain tend to be local or regional, rather than national, in their market focus.

The share of companies owned by oil and gas companies, unregulated electric or gas suppliers, or large engineering companies has increased from 6% in 2000 to 9% in 2006. At the same time, their revenue share has decreased substantially,

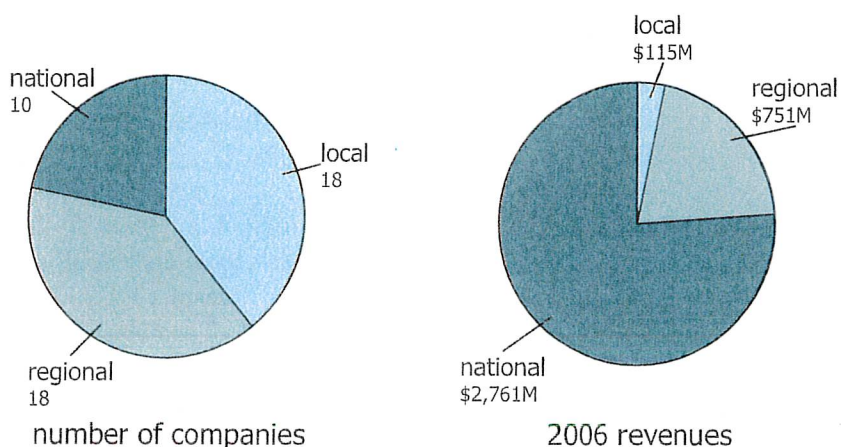
from 24% to 10%. In part, this is attributable to the Enron bankruptcy—Enron Energy Services comprised a sizeable portion of the revenues for this category in our 2000 survey. But this category is also changing structurally. The entry of large engineering firms into the ESCO market is a new development since the LBNL/NAESCO 2000 survey. If successful, these new players may open the door to a new trend in ESCO ownership and help grow the overall market.

4.3.2 Geographic Scope

We also distinguished ESCOs as local, regional, or national players (see Figure 4-3). We define these categories as follows:

- **Local**—ESCOs that restrict their activities to one or more local markets, and do not aspire to cover an entire region or the whole country;
- **Regional**—Companies that restrict their activities to one or more regions, either covering the region(s) with offices or responding to program opportunities within the region(s); and
- **National**—ESCOs that either have an established national presence, or, are willing and have the capability to establish branch offices anywhere they see significant business opportunities.

Figure 4-3. Industry Shares of Local, Regional and National ESCOs



As might be expected, local companies tend to be small and relatively numerous—they account for 39% of companies in our survey, but only 3% of revenues. However, we emphasize that the LBNL/NAESCO survey probably did not identify all the local ESCOs. As a result, the number of ESCOs with a local focus is likely higher than our survey results might suggest. Regional companies comprise 21% of revenues and 39% of companies. The national companies make up about 22% of companies in our survey, but contribute over three quarters of industry revenues.

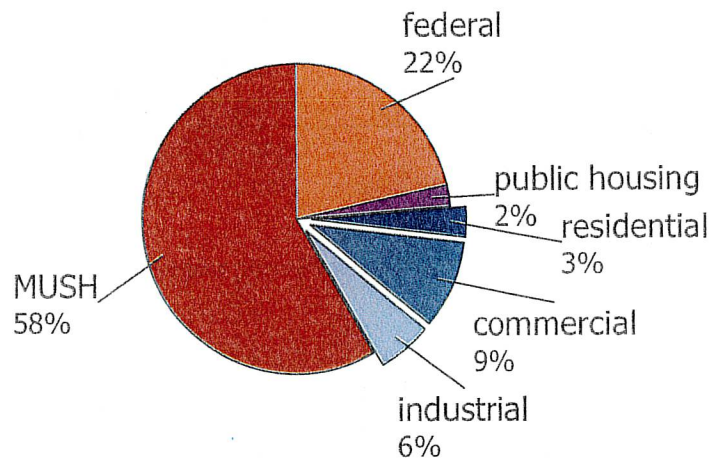
4.4 Market and Project Trends

In the LBNL/NAESCO2007 survey, we asked ESCOs to provide a breakdown of their 2006 revenues among various market segments, contract types and technology/project types. Thirty-two companies with combined 2006 revenues of \$3.515 billion (97% of our high 2006 estimate) provided this information. We report the results in the following sections, comparing results to previously collected information where possible.

4.4.1 Market Segments

ESCO industry revenues for various customer market segments as of 2006 are represented in Figure 4-4.

Figure 4-4. 2006 ESCO Industry Revenues by Market Segment



In the U.S., the “MUSH” markets—municipal and state governments, universities and colleges, K-12 schools, and hospitals—have historically hosted the largest share of ESCO industry activity. The survey results for 2006 indicate that this is still the case; MUSH markets comprise 58% of industry revenues, worth over \$2 billion.

The importance of the federal market has increased dramatically in the last decade.¹⁰ According to survey results, it now represents 22% of industry revenues (\$760 million), despite the hiatus in the ESPC enabling legislation in 2003–2004. It is important to note that ESCOs provide energy services to federal agencies through a variety of financing mechanisms. Some of this work consists of performance contracting (*i.e.*, ESPC projects), but ESCOs may also provide energy services to federal facilities on a design/build basis or act as contractors implementing Utility Energy Services contracts (UESC). To calibrate our federal sector estimates, we gathered investment information from the federal government under the following financing mechanisms:

¹⁰ See Hopper et al. (2005) for a discussion of procurement mechanisms that have enabled the growth of the federal market.

- **Energy Savings Performance Contracts (ESPC)**—In FY2006, the total investment in Energy Savings Performance Contracts by various federal agencies (including the DOE Super-ESPC program, Army, Navy, and Air Force) was \$321 million (Vallina 2007; FEMP 2007).
- **Utility Energy Services Contracts (UESC)**—Federal agencies may also invest in energy-efficiency improvements through the UESC financing mechanism, in which a local utility develops and manages the installation of energy-efficiency projects at federal facilities; ESCOs are sometimes selected to implement these projects. UESC activity in FY2006 was about \$70 million, which is somewhat lower than in previous years (Vallina 2007).
- **Direct Congressional appropriations**—Another \$276 million in federal project investment is accounted for by design/build or EPCS (Engineering, Procurement, and Construction Services) projects that are paid out of agencies' appropriated budgets.
- **Enhanced Use Leasing (EUL)**—A number of energy projects are being financed at federal facilities through enhanced use leasing (EUL), although we were unable to find an estimate of EUL activity in 2006.

Based on recent data compiled by the Office of Management and Budget (OMB), energy-efficiency investment at federal facilities in 2006 is estimated to total about \$668 million (Vallina 2007). Our estimate of ESCO activity in the federal sector of \$760 million in 2006, exceeds the activity reported by the federal government accounting by about 14%. Some of this discrepancy may be explained by the fact that some large ESCOs have begun including energy-efficiency services as an add-on to existing operations, maintenance and/or facility management contracts at federal sites. This activity may be included in the ESCO's estimates of their federal market activity, yet not included in the federal government's accounting because it does not fall under the financing mechanisms typically associated with federal sector energy efficiency.

According to our survey, only 18% of ESCO industry revenues in 2006 were attributable to private sector market segments (*i.e.*, industrial, commercial and residential). This is in contrast to ESCO market activity in several other countries (*e.g.* most Asian and some European countries), which are dominated by industrial and commercial customers (Vine 2005). The industrial market (6% of industry revenues) has been challenging for U.S. ESCOs to penetrate for a number of reasons: high customer investment hurdle rates, low priority for energy projects compared to investments with a more direct impact on sales, limited non-process related energy demand, limited ability of some ESCOs to work on core industrial processes, customer hesitancy to allow outsiders to alter industrial processes, and limited replicability of project designs (Elliot 2002).

Commercial market activity is slightly higher than the industrial market, but at 9% of revenues it remains a relatively small market segment. Barriers to ESCO activity in the commercial sector include misplaced or "split" incentives which

separate responsibilities for making capital investments and paying operating costs that limit interest in long-term performance contracts (e.g., building owner/tenant relationships). Other barriers include the relatively short terms of tenant leases (e.g., one to five years), high investment hurdle rates for non-owner occupied commercial space and the unwillingness of some owners to take on long-term debt, which might interfere with their ability to “flip” their properties. However, increasing interest in green building improvements may drive the level of energy services investment in this sector going forward.

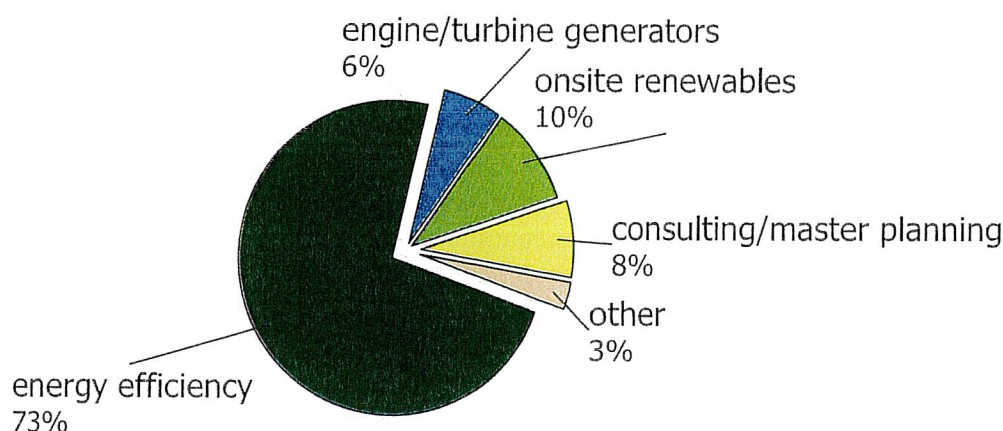
Residential and public housing markets together account for 5% of industry revenues, and are only targeted by a handful of ESCOs. Because of the difficulties working in these markets—high transaction costs, institutional barriers—they remain a niche market for ESCOs. In the case of public housing authorities, significant project delays have also arisen from inconsistencies between the Department of Housing and Urban Development (HUD) and its field offices in interpreting statutes and regulations affecting housing authority project implementation details. Nonetheless, ESCOs have achieved significant penetration in the public housing market. Revised legislation, extended allowable contract terms (from 12 to 20 years), rising energy and water costs, and aggressive marketing by ESCOs have contributed to significant expansion of the public housing market in the last few years.

4.5 Project/Technology Types

The “conventional wisdom” in the ESCO industry is that there has been a trend in recent years toward larger projects involving onsite generation, large central plant facilities, and renewable energy technologies. In the survey, we asked ESCOs to allocate their 2006 revenues among various project and technology strategies.

Our survey results indicate that energy efficiency still makes up a major share of industry activity (see Figure 4-5). At almost three quarters of industry revenues, ESCO-deployed energy efficiency amounts to an approximately \$2.5 billion per year market.

Figure 4-5. 2006 ESCO Industry Revenues by Technology/Project Type



Engine/turbine generators installed to serve customer supply needs comprise 6% of industry revenues (\$218 million).¹¹ A larger share was reported for renewables (10%) although when probed some large companies told us they had included activity in the green buildings market, which is primarily new construction, in this category.¹² Thus, the actual investment by ESCOs in renewable generating technologies such as photovoltaics, wind power and geothermal heat pumps is somewhat lower than the results in Figure 4-5 may suggest. In many cases, ESCOs are leveraging incentives offered by public benefit funds in some states for emerging renewable technologies as well as federal and state tax credits and bundling renewables with energy efficiency improvements in order to enhance the overall economic attractiveness of these projects.

Consulting and master planning (in which the ESCO provides a host of energy management services, including billing, commodity procurement or consulting, recommending efficiency improvements, etc.) and other services (typically operations and maintenance (O&M), water conservation, or non-energy improvements reported separately by the ESCOs) make up just over 10% of industry revenues.

4.6 Contractual Arrangements

We also asked ESCOs to break down their 2006 revenues into several types of contracting vehicles. Goldman *et al.* (2002) estimated that performance contracting—projects in which the ESCO assumes some portion of the project performance risk—accounted for 60% of ESCO industry activity in 1996-2000. This was down from the same study's estimate of 74% for 1990-95.

Based on our 2007 survey, performance-based contracts accounted for 69% of industry activity in 2006 (see Figure 4-6). This represents 16% average annual growth in revenues from performance-based agreements since 2000. We believe this increase is explained by two phenomena:

¹¹ Some ESCOs have constructed large power generating facilities to sell power into wholesale markets. We specifically asked companies **not** to include revenues from such projects in their survey responses.

¹² Some ESCOs have indicated that they believe that the 'greening' of buildings is emerging as a major industry driver, and are experimenting with project approaches that "use energy efficiency to pay for Green."

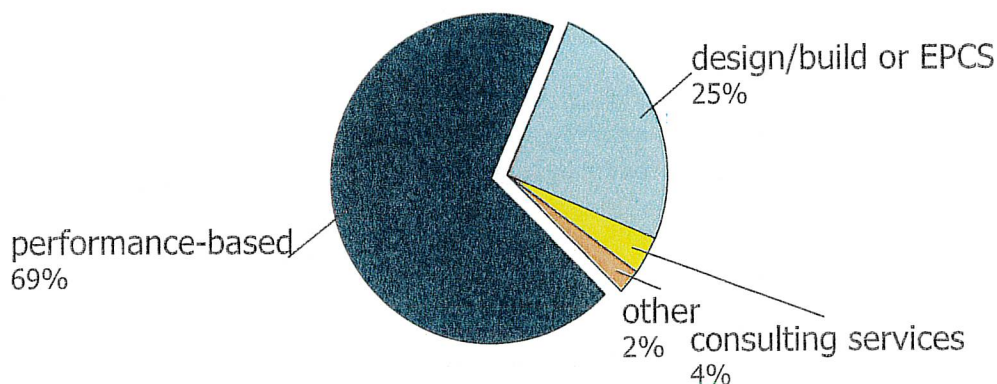
- **State and federal performance contracting requirements**

All states (with the exception of Wyoming) allow performance contracting projects in various institutional markets (*e.g.* K-12 schools, state and local governments, universities/colleges). A number of these states have ramped up their energy-efficiency project activity in public buildings in recent years in conjunction with relatively rigorous guarantee requirements (*e.g.*, Pennsylvania, Kansas, North Carolina, Kentucky, and Texas). This phenomenon, plus the growth in performance contracting in the federal market, has probably led to an overall increase in energy efficiency performance contracting since 2000.

- **Increased use of Power Purchase Agreements (PPAs)**

In a power purchase agreement, the ESCO maintains ownership of the generating assets and sells commodity (*e.g.*, electricity, steam, hot water) to the customer.¹³ The contract specifies a guaranteed price and/or amenity output level that must be met by the ESCO, so it can be considered performance-based. These projects often target on-site generation and/or central plant opportunities. Because they tend to be very large projects, they may contribute substantially to the observed growth in performance-based agreements among ESCOs since our 2002 report.¹⁴

Figure 4-6. 2006 ESCO Industry Revenues by Contract Type



Non-performance-based agreements, such as design/build and “engineering, procurement and construction services” (EPCS) projects, account for about 25% of reported 2006 industry revenues (see Figure 4-6).¹⁵

¹³ These contracts are also referred to as “build/own/operate” agreements.

¹⁴ In this study, we broadened our definition of “performance-based agreements” to include power purchase and build/own/operate agreements as well as guaranteed and shared savings (see Hopper et al. (2005) for descriptions of these types of performance agreements). Because power purchase agreements were not that prevalent in 2000, including this type of performance agreement in our definition in Goldman et al. (2002) would not have changed the 2000 results significantly.

¹⁵ Neither design/build nor EPCS projects entail ESCO assumption of project performance risk (*e.g.*, energy savings) once the project has been completed. Under a design/build contract, a single entity (*i.e.* the ESCO) designs

Finally, a small additional share of industry revenues is attributable to consulting services and other energy services (typically O&M contracts) reported as distinct revenue streams by ESCOs.

5. EPC Market Drivers

The EPC market segments that are described and quantified above are motivated by several distinct market drivers, which are discussed in this section of the paper.

5.1 Savings Mandates

The federal government and a number of state governments have enacted mandatory energy savings initiatives for buildings under their control during the past fifteen years. In the early 1990's, the federal government led the way by imposing on all federal agencies what were considered to be very aggressive savings targets. These targets have been increased three times since their initial imposition because they have, in the aggregate, been achieved, though the performance differs significantly between agencies. States, seeing the results realized by the federal government, began imposing their own energy savings mandates several years ago. It is not clear how successful, in aggregate, these state mandates will be largely because, in many instances, the mandates have not imposed aggressive energy savings targets.

However, these mandates still comprise a major driver for federal and MUSH market EPC projects because they were not accompanied by increases in capital funding required to implement the kind of comprehensive energy efficiency programs required to meet the mandates. Thus, both federal and state agencies turn to EPCs because they can be financed outside the government capital appropriation process.

5.2 Facility Modernization

A second major driver, particularly for the MUSH market, is the need for facility modernization in state and local government facilities. The condition of the physical plants of government institutions, as documented in frequent news stories and reports, ranges from neglected to deplorable, and facility managers are often faced with building equipment crises, such as the imminent demise of a boiler plant, which require immediate attention. In the absence of capital appropriations, which are rare, an EPC can provide the capital required to replace the failing equipment. Projects driven by the need for facility modernization are typically comprehensive, because the short-payback measures, such as lighting retrofits, generate the savings required to pay for the longer-payback measures, such as a boiler replacement, which are often driving the project. It is important to note that the measures in an EPC project improve building performance as well as saving energy. Lighting, temperature conditions and ventilation are all

and builds the project under a single agreement, which typically involves a guaranteed maximum price. EPCS contracts are entirely fee-based; different entities may be responsible for different phases of the project (e.g., design, construction), and the contractor does not assume project price risk.

improved, which has a measurable effect on the productivity of building occupants, whether they are employees or students.

5.3 Green Buildings

Another EPC driver that is prominent in the federal and MUSH markets, and is beginning to penetrate the private building market segments, is the desire of building owners to “green” their buildings. Many people think first of renewable energy technologies, such as photovoltaics, when they think about green buildings, but energy efficiency is the technical and economic foundation of a green building project. On the technical side, no renewable energy technology is inexpensive or reliable enough to offset inefficient end uses, so a building’s energy use must be minimized to make optimal use of renewable energy. On the economic side, it is becoming increasingly obvious that “energy efficiency pays for green”, that is the savings produced by energy efficiency measures finance the installation of renewable energy measures through a long-term EPC contract.

5.4 Climate Change and Emissions Reduction Initiatives

State governments are also beginning to enact emission reduction initiatives to address the problem of climate change. As policy planners try to convert the mandates of political leaders into practical programs, they increasingly focus on large-scale energy efficiency as the first choice in meeting the mandates. The characterization of energy efficiency as the cornerstone of these types of initiatives is because of its demonstrated cost-effectiveness and the lack of the major technical risks associated with alternatives such as carbon capture from power plants. EPC projects provide a quick way for policy makers to deliver major energy savings, and therefore emissions reductions, because the delivery infrastructure, the ESCO industry, is already in place and has a history of scaling up to service customer-driven growth opportunities. It is important to note that the revenues that will be attached to carbon cap-and-trade regimes are likely to expand the capability of ESCOs to deliver more comprehensive EPC projects that involve renewable technologies, because these carbon trading revenues are over and above the energy savings revenues that today finance comprehensive energy efficiency EPC projects. The development of additional revenue streams creates different project economics that can support the use of more costly technologies like renewables.

5.5 Utility and ISO/RTO Capacity Savings Programs

The final major driver for EPC projects is the emerging market for electricity market capacity credits. The U.S. today is facing the need to construct a new generation of electricity generating plants, which, because of the high and volatile price of natural gas, are likely to be coal and nuclear plants. The hope of a decade ago, that merchant power plants would eliminate the need for utilities to put new power plants into their rate bases or make long-term power purchase agreements with independent power plant operators, has evaporated. The financiers of the merchant plants in the late 1990s lost billions of dollars when the merchant generators overbuilt new capacity in most markets, and turned idle or underutilized plants over to the financiers.

The fact that ratepayers will have to bear the cost and risk of the projected development, construction and long-term operating costs of the new generation of plants is forcing state regulators, even in historically low-cost electricity states in the Southeast U.S., to look for more economic alternatives, such as energy efficiency, demand response and distributed generation. One mechanism that is being tried in New York and New England to encourage the development of these alternatives is to provide payments to their developers, through utility incentive programs or ISO bid programs. The payments are designed to be equivalent to, or less than, the payments that would be made to the developers of new central generating plants. Like the revenues that will be generated by carbon trading, these capacity credit revenues are over and above current EPC project revenue streams, and should allow ESCOs to expand the technologies delivered in EPC projects.

6. EPC Financing

This section of the paper describes the financing of EPC projects, offering an overview of the financing marketplace and more detailed descriptions of some of the most popular EPC project financing vehicles.

6.1 Third-party Financing Marketplace

Almost all EPC projects are financed by third-party finance companies – banks and other financial institutions. The large players in the business are recognizable names like Bank of America, Citibank, GE Capital, National City, PNC Bank, etc. There are also specialized EPC project finance brokers, somewhat analogous to mortgage brokers, who originate project financing deals which they then place with large institutions.

6.1.1 Available Capital

There is plenty of money available to finance EPC projects from the large institutions. For example, the Clinton Climate Initiative, in its recent announcement of a program to promote energy efficiency in major cities around the world, announced that several major investment banks had committed \$1 billion apiece to the effort, and that more money would be forthcoming if the market needed it. This funding is over and above the current funding available in the U.S. EPC market, and largely from institutions that are not current players in that market.

6.1.2 Typical Rates and Terms

A typical EPC project is financed directly with the customer, not the ESCO, because customers, most of whom are public sector (MUSH market and federal) realize that they can get better interest rates than the ESCOs. So the customers borrow the money to finance the projects, and their payments are assured by an ESCO guarantee that project savings will be sufficient to pay the finance costs. A typical MUSH market project today is financed at rates of 4.5-5% for terms of up to 20 years. A typical federal project has rates up to 7%, higher than MUSH market rates, because federal facilities cannot take on debt without an act of

Congress, and so their EPC project financing involves more complex structures than MUSH market financing.

6.1.3 Competitive Process

The third-party EPC finance market is very competitive. A typical project will have several financing proposals, usually secured through a formal RFP process, with the financing companies competing at the level of .1% of interest (or 10 basis points), and offering substantial flexibility, structuring payment schedules to match the schedule of project savings cash flows.

6.2 Performance Contract Financing Vehicles

This section of the paper describes the most popular financing vehicles used in EPC projects, in rough order of their popularity.

6.2.1 Background: Operating Expenses vs. Capital Expenses¹⁶

To argue the advantages of a tax-exempt lease-purchase agreement and a performance contract, facility managers must be conversant with the roles that the operating expense budget and the capital expense budget play in their organizations. Typically, a capital expense budget is used for the funding to pay off long-term debt and the acquisition of fixed assets (such as buildings, furniture, and school buses) and where repayment typically extends beyond one operating period (one operating period usually being 12 months). In contrast, operating expenses are those general expenses (such as salaries or supply bills) that are incurred over the course of one operating period (again, typically 12 months).¹ For example, repayment of a bond issue is considered a capital expense, whereas paying monthly utility bills is considered an operating expense.

The disadvantages associated with trying to use capital expense budget dollars for your energy efficiency projects include the following: (1) capital dollars are already committed to other projects; (2) capital dollars are often scarce, so your projects are competing with other priorities; and (3) the approval process for requesting new capital dollars is time consuming, expensive, and typically requires voter approval, or, in the case of commercial and industrial sector projects the sign-off by multiple management layers.

6.2.2 Tax-Exempt Lease-Purchase Agreements

Tax-exempt lease-purchase agreements are common public sector financing alternatives that allow repayment from operating expense dollars rather than capital expense dollars. They are effective alternatives to traditional debt financing (bonds, loans, etc.) and allow public organizations to pay for energy upgrades by using money already set aside in annual utility budgets. When properly structured, this type of financing mechanism allows public sector

¹⁶ This section of the paper is excerpted from the ENERGY STAR publication entitled INNOVATIVE FINANCING SOLUTIONS: FINDING MONEY FOR YOUR ENERGY EFFICIENCY PROJECTS, available at the following URL: http://www.energystar.gov/ia/business/COO-CFO_Paper_final.pdf

agencies to draw on dollars saved from future utility bills to pay for new, energy-efficient equipment today.

A tax-exempt lease-purchase agreement, also known as a municipal lease, is like an installment-purchase agreement rather than a traditional lease or rental agreement. Under most rental agreements (such as those used in car leasing), the renter (lessee) returns the asset (the car) at the end of the lease term, without building any equity in the asset being leased and can postpone the decision to acquire the asset being financed until the end of the lease term. A lease-purchase agreement, however, presumes that the public sector organization will own the equipment after the term expires. Further, the interest rates are appreciably lower than those on a taxable commercial lease-purchase agreement because the interest paid on the debt instrument is exempt from federal income tax for public sector entities.

In addition, a tax-exempt lease-purchase agreement usually does constitute a long-term "debt" obligation because of non-appropriation language commonly written into the agreement. This language effectively limits the payment obligation to the organization's current operating budget period. Therefore, if for some reason future funds are not appropriated, the equipment is returned to the lender, and the repayment obligation is terminated at the end of the current operating period without placing any obligation on your future budgets.

Because of the non-appropriation language typically included in tax-exempt lease-purchase agreements, this type of financing may be considered an operating rather than a capital expense. As a result, the payments are not considered "debt" from a legal perspective in most states and usually do not require taxpayer approval. You will, however, have to assure lenders that the energy efficiency projects being financed are considered of essential use (*i.e.*, essential to the operation of your organization), which minimizes the non-appropriation risk to the lender.

Many public entities already lease equipment. Adding an energy project to an existing lease agreement may be surprisingly easy, especially if a Master Lease is in place with a lending institution. Governing statutes vary from state to state;³ and the use of tax-exempt lease-purchase agreements may differ across schools, municipalities, and counties even within the same state. Public sector organizations should always consult legal counsel before entering into lease-purchase agreements.

There may be cases when a lease-purchase agreement is not advisable; for example, (1) state statute or charter may prohibit such financing mechanisms from being used; (2) the approval process may be too difficult or politically driven; or (3) other funds are readily available, (e.g., bond funding that will soon be accessible), or excess money exists in the current capital or operating budgets.

6.2.3 Capital Leases¹⁷

Capital Leases are installment purchases of equipment. Little or no initial capital outlay is required. With a capital lease, the facility owner eventually owns the equipment at the end of the lease term and may take deductions for depreciation and for the interest portion of payments. A capital asset and associated liability will be recorded on the facility owner's balance sheet. Based on the criteria defined by the Financial Accounting Standards Board (FASB) Statement No. 13, a lease meeting one or more of the following criteria qualifies as a capital lease:

- The lease transfers ownership of property to the customer at end of the lease term.
- The lease contains a bargain purchase option.
- The lease term covers 75 percent or more of the estimated economic life of the equipment.
- The value of the lease equals or exceeds 90 percent of the fair market value of the equipment at the beginning of the lease. Government entities may be eligible for a tax-exempt capital lease.

Because the lessor does not pay taxes on the interest from these leases, the rates are lower than typical market rates. For municipal organizations that can undertake new debt, tax-exempt capital leases can be very attractive.

6.2.4 Shared Savings

With shared savings, the dollar value of the measured savings is divided between the host facility and the service provider (see Figure 2). If there are no cost savings, the facility owner pays the energy bill and owes the contractor nothing for that period. The percentage distribution of the savings between the service provider and the customer is agreed upon in advance and documented in the performance contract. In a classic shared savings arrangement, the ESCO provides the financing as well as project development and implementation performance risks. The ESCO also bears interest rate risk and risk of rising utility costs beyond the escalation clause agreed to in the initial Energy Savings Agreement. The ESCO typically agrees that the facility owner will, in no instance, pay more for utilities than it did at the start of the contract. The ESCO receives a higher percentage of the savings at the beginning of the contract term to pay off the cost of the equipment. If there are no dollar savings, the ESCO is still responsible for meeting the financial obligations associated with the up front equipment purchases. At the end of the contract, ownership transfers to the building owner as specified in the contract. The owner either may purchase the equipment at fair market value or simply assume ownership of the equipment paid for during the contract term depending on the contracting structure. The largely one sided risk profile is the principal reason that the shared savings contracting structure is not often used by ESCOs except in the federal market where it is mandated by the enabling legislation.

¹⁷ This section of the paper is excerpted from the ENERGY STAR publication entitled "FINANCING", available at the following URL: http://www.energystar.gov/ia/business/BUM_financing.pdf

6.2.5 State or Local Government Leasing Pools

A number of states and local governments offer leases that are part of a larger pool to their constituent agencies. A state government, for example, might arrange with a third-party lender to provide a \$100 million lease facility, which individual EPC projects can access through Certificates of Participation (COPs). COPs are simply another means of funding lease-purchase transactions through the sale of receipts evidencing partial ownership of a lease-purchase agreement. Certificates are sold to multiple investors much like bonds, however, unlike bonds; COPs have no independent legal existence or significance.

6.2.6 State or Local Government Bonds

States or local governments can also sell bonds to finance EPC projects. If the state sells bonds, it usually packages a number of projects into a single bond issue, to minimize the bond transaction costs and interest rate. This can often result in significant delays in EPC project implementation while a suitable package of projects is assembled. The ENERGY STAR Cash Flow Opportunity Calculator was designed to help facility owners decide if waiting for a pending state bond issue is more cost effective than utilizing immediately available lease-purchase financing. If a local government sells bonds, they are often for a single EPC project, but the issuance of the bonds requires approval by the local government's legislative body (*e.g.* city council) as well as the locality's voters at an election.

6.2.7 Revolving Loan Pools

Some states, such as California and Texas, have revolving loan pools dedicated to the financing of EPC projects. The rates for these pools are generally attractive, but the pools often have waiting lists of projects, so that a new project can be held up for several years until previous projects repay their loans and funding is available.

6.2.8 Cash from Capital Budgets

Sometimes cash is available from state or local government capital budgets to finance, or partially finance, an EPC project. Regulations on the employment of capital funds vary significantly from state to state. Some states forbid the use of any capital funds in EPC projects, reasoning that a project fully paid from capital funds should be implemented through the spec-and-bid public construction process. Other states allow the blending of capital funds and borrowed funds in an EPC project, so that the scope of the EPC project can be expanded to include measures or technologies that would not pay for themselves from energy savings, such as a new roof or a photovoltaic installation. Currently, federal managers cannot blend appropriated and non-appropriated funding and there is a push by many to be able to do so in order to increase the level of EPC investment and project scope.

6.2.9 Power Purchase Agreements (PPAs)

Projects that involve distributed generation or combined heat and power (CHP) measures often employ a different kind of financing, in which the facility owner

contracts to pay for the output of the facility (*e.g. per kWh or pounds of steam*) rather than paying for the equipment. In this kind of contract, the facility owner pays nothing if the ESCO does not deliver the energy commodity. PPAs can be quite complex, because they allow for one or other of the parties to break the contract in the event, for example, that the cost of power from the utility becomes lower than the cost of power from the CHP facility, or if the gas supply contract for the CHP plant is worth more than the savings from the operation of the plant.

7. Performance Contract M&V

The final major element of a performance contract is the monitoring and verification (M&V) of the project savings. This element is critical because the facility owner that hosts and EPC project is depending on the project savings to pay its financing obligations, and the ESCO is guaranteeing the level of energy savings. Therefore, the design and implementation of M&V protocols is the foundation to the long-term success of the EPC project.

Not surprisingly, the historical development of EPC M&V protocols tracks the stages of the development of the ESCO industry that was outlined at the beginning of this paper. That development is summarized below.

7.1 Pre-1985: The Beginning of DSM

First generation M&V systems were established to track the progress of the utility programs, typically in terms of services delivered -- homes audited, contractors trained, banks signed up for loan programs, etc. -- rather than actual kW or kWh savings achieved. Utilities also conducted extensive research on the efficacy of various types of energy conservation technologies in laboratory-like settings. For example, rather than rely on manufacturers' testing data, many utilities ran their own tests of the effectiveness of attic insulation.

7.2 1985-1993: Emergence of Performance Contracting

The fledgling ESCOs, the utilities and the project customers developed the protocols through an arduous process that usually involved a utility developing a proposed protocol, and then modifying the protocol through a series of project-by-project negotiations with the ESCOs and their customers. The utilities were under regulatory order to procure energy efficiency resources that were cheaper than generation resources, and so developed the notion of the "avoided costs" of future generation, essentially projections of the cost of generation over the life of the energy efficiency project. ESCOs priced efficiency projects against avoided costs. Some utility programs were criticized for over-paying for projects on this basis, and quickly learned that program monitoring requirements had to include both project costs and savings in order to deliver the best value to ratepayers.

At the same time, both customers and utilities were afraid of the risks inherent in the new technologies that were utilized in the projects, and insisted that all of the risks be borne by the ESCOs. A typical project contract was a "shared savings" contract in which the customer agreed to have the new technologies installed in its facility, and agreed to pay the ESCO a share of the verified savings produced by the project. No savings therefore

equaled no payment. The financing for this type of project was very expensive, because few lenders were willing to commit to long-term loans for unproven technologies delivered by companies with little or no track record, and those that did lend required substantial ESCO equity as security. The ESCO business was thus limited in size and scope to either small companies with a limited number of projects financed through the company's own assets or companies with sizeable balance sheets that could essentially collateralize the debt assumed on behalf of the projects undertaken. The companies in the business, particularly the companies that did the project financing, were quite profitable. In fact, a few ESCOs adopted a business model of buying the projects of other companies which for whatever reasons needed to reduce their liabilities and remove long term debt from their balance sheet.

This second stage of the ESCO industry came to an effective conclusion in the New Jersey Standard Offer program, which was designed by regulators to deliver what they called an "energy efficiency power plant." In the mid-1990s ESCOs delivered about 300 MW of projects, verified by what was then the state-of-the-art M&V protocol: real-time monitoring of essentially every circuit in every customer facility in the program for the life of the project, with the data telemetered to ESCO offices and consolidated into monthly reports and invoices. All of this was done with 900-baud modems, and subject to utility post-audits for the life of the projects (5-15 years).

This measurement and verification protocol was very expensive, typically about 15% of the total project cost, and so demanding that the host utility established a very lucrative business financing the projects and providing the M&V services through a subsidiary, and eventually wound up owning more than half of the total projects in the program. Many of the other projects were owned by another utility subsidiary; in two successive years, the utility reported that about one-quarter of its profits had come from the subsidiary.

ESCOs, customers, utilities and regulators learned several major lessons during this second stage of the performance contracting business, including:

- The performance contracting business model could deliver large volumes of energy and demand savings, but the lack of a robust financing market and the elaborate M&V protocols were severely limiting its growth.
- The technologies employed in most performance contract projects were not very risky, because the technologies had matured and most customers shied away from cutting-edge technologies.
- The financing of performance contracts was profitable and not very risky.
- The M&V protocols employed in the New Jersey program were overkill as they were expensive to implement and over measured technologies with fairly well understood consumption patterns.

To accelerate industry growth, the ESCO industry would have to lead the development of a multi-stakeholder, standardized and simplified M&V protocol that could be understood by bankers and other non-expert parties. NAESCO took the lead in refining the New Jersey M&V Protocol and developed a new protocol which was the first non-utility protocol accepted for use by the California Public Utilities Commission.

7.3 1994-2002: Success and Consolidation

From 1994 to 1996, NAESCO, ASHRAE, U.S. DOE worked to create what is now the International Performance Monitoring and Verification Protocol (IPMVP), which was formally introduced in 1996, and has since become the “gold standard” of performance contracting M&V. It is used in most state programs, has been adapted for use in the federal program, and is used in most non-government performance contracting projects. Perhaps the most important feature of the IPMVP is its methodology for matching the rigor and cost of M&V to the risk of particular energy efficiency technologies. Simple technologies like lighting can be handled with deemed or stipulated savings that involve modest measurements, while complex technologies like digital control systems require sophisticated whole-building modeling and engineering calculations, as well as long-term project monitoring.

7.4 2003 – Present: Pause, and now Fast Growth and New Services

It is becoming increasingly apparent that the current generation of M&V protocols, including IPMVP, does not adequately address the requirements of some of these emerging performance contracting market drivers.

- Utility regulators, electricity system operators and utility supply-side managers need a greater level of precision than current M&V protocols provide to verify that demand and energy resources produced by performance contracting projects are being delivered, particularly at local system peaks.
- Environmental regulators and the emerging emissions credits trading markets need standardized monitoring and verifications systems that can assign emissions reductions credits to end-users with an acceptable level of precision so that these credits can be traded alongside credits for point source emitters.
- Public sector customers need standardized systems for identifying, recording and monitoring the operations and maintenance cost savings and capital cost avoidance that are often produced by performance contracting projects.

7.5 Current State-of-the Art of EPC M&V

A typical EPC project today employs the IPMVP, but makes maximum use of its stipulated savings protocol rather than its more rigorous, and costly, long-term monitoring alternatives. The trend to maximize the use of stipulated savings has been driven by all parties to an EPC project. The customer generally does not implement technologies that it perceives to be risky, and wants to maximize the capital investment in its facility, and so spend as little as possible on long-term M&V. The ESCO typically wants to stipulate as high a percentage of the projected savings as possible to minimize its long-term performance risk. EPC project financiers want stipulated savings, to minimize the risk that the facility owner will stop paying the financing charges because it believes it is not realizing the projected savings. Utility programs that provide incentives to EPC projects also want to maximize stipulated savings so that they can document that they are meeting their savings goals with minimal long-term M&V costs.

The stipulated savings approach generally works well, because all parties tend to be conservative in their implementation of technologies. But it is beginning to fray around the edges a bit, as the M&V protocols are stretched to account for operational savings, environmental emissions reductions and the documentation of capacity (rather than energy) savings required by utilities and transmission system operators.

8. Performance Contract Market Constraints

Though the EPC industry, as documented by the recent LBL study cited above, is growing at 20% or more annually, many industry observers believe that industry growth is in fact being constrained by several factors, and could grow much more rapidly if the constraints were removed. Policy makers also observe that EPCs must be much more widely employed if the U.S. is to meet its aggressive energy savings and emissions reductions goals during the next two decades. This section of the paper outlines some of the constraints and suggests some approaches to loosening them.

8.1 New Generation of M&V Protocols Needed

As noted in the discussion above, the state-of-the-art of EPC M&V is beginning to fray a bit. A new generation of M&V is needed to monitor and verify the operational savings, environmental emissions reductions credits and energy system capacity credits that EPC projects produce. This new generation of M&V will make full use of the metering and communications technologies that did not exist when the IPMVP was written in the mid-1990s, but are now widely available in utility re-metering programs, advanced building automation systems and expanding internet connectivity. Several efforts are now underway to begin the development of new M&V protocols, and these efforts should yield tangible results in the next two years.

8.2 National/International Shortage of Skilled Personnel

The growth of the ESCO industry is now seriously constrained by the lack of skilled personnel required to develop and implement EPC projects. ESCOs are now competing with utilities, renewable energy firms, environmental and energy consulting firms, and government agencies for a limited pool of professional and skilled technical talent. The personnel shortage is not just regional in the US, or national across the US, but rather worldwide. In the US, both university engineering programs and community college technical education programs have been slow to see the need for more energy efficiency and renewable energy personnel, and are now scrambling to develop new curricula and expand the student populations in these curricula. It will, unfortunately, take several years for the educational infrastructure to catch up to the market needs, so the short-term effect will be increasing compensation levels across the ESCO industry.

8.3 Specific Market Barriers

In addition to these general market constraints, specific market segments have unique constraints that must be addressed if EPS is to reach its full potential.

8.3.1 Federal and MUSH Market Bureaucracies

The primary constraint in the federal and MUSH markets is the difficulty that the bureaucracies have in implementing EPC programs. At all levels of government, there are two major bureaucratic constraints – the landlord agencies and the financial control agencies. The landlord agencies, the GSA at the federal level and its equivalent in the various states, have spent more than a century getting control of the buildings in their domains. EPC is a disruptive project model to these agencies, because it displaces longstanding contract methodologies and contractor relationships. The financial control agencies, such as the OMB or individual agency comptrollers at the federal level, are generally unfamiliar with, and suspicious of, the economics of EPC, and so resist its widespread implementation. The resistance can take the form of benign neglect, as when an agency comptroller simply does not act on a pending project for months, or of outright hostility, as when the federal OMB gave federal EPC a negative budget score by counting the costs of the projects but not the savings. The remedy for this constraint is the implementation of education programs, structured for the responsible officials in order to bring them up to speed on the uses of EPC. This work is painstaking, in that it has to identify the precise individuals who are the bottlenecks, and ongoing, in that those individuals often move on to other assignments and are replaced by new individuals who must be educated. To date there is no pool of money at either the federal or state level to fund this ongoing education effort.

8.3.2 Commercial Real Estate Economics

A major constraint on the implementation of EPC in the commercial real estate industry, which owns buildings for lease to tenants, is the resistance of the building owners to undertake any long-term debt obligations that might hinder their ability to “flip” or resell buildings on an opportunistic basis. Additionally, ESCOs trying to develop projects have a difficult time even finding the actual owners of the buildings, because these owners are represented by professional management firms, one of whose jobs is to keep vendors like ESCOs away from the owners. And it is not as though the commercial real estate industry is using vehicles other than EPC to make their buildings energy efficient; they simply are not implementing energy efficiency other than the quick payback and low-cost measures on a large scale.

There are, however, hopeful signs that some companies are making inroads. A few owner/operator companies have embraced energy efficiency and sustainability as a way to distinguish themselves in the market. Some large institutional investors, such as major pension funds, are beginning to impose efficiency and sustainability criteria on their investment decisions. And at least two commercial real estate owners actually have formed in-house ESCOs to implement projects in their buildings, though one of those ESCOs is now being disbanded because its parent company has been sold and is being broken up. The most promising approach to this constraint may be the next generation of utility energy efficiency programs, which try innovative approaches to project financing,

such as attaching the repayment obligation to the building utility meter rather than the building owner.

8.3.4 Industrial Economics

The problem with EPC in the industrial marketplace is twofold. First, very few industrial customers are economically secure enough to commit to a long-term EPC contract. Second, industrial customers do not generally buy turnkey projects like EPCs. They have purchasing departments that typically pull the projects apart and wring out the profit. ESCOs generally avoid the industrial segment unless the local utility offers very rich incentive programs that can bring the EPC project down to the 18-24 month payback that industrial customers require.

9. Conclusion and Summary

The importance of EPC is highlighted by several of the conclusions quoted from the recently published study (cited above) by the National Association of Energy Service Companies (NAESCO) and the Lawrence Berkeley National Laboratory (LBNL), as follows:

9.1 Private-sector investment in energy efficiency leveraged by ESCOs is about the same as authorized spending for utility and public benefit energy efficiency programs.

Based on our survey, ESCOs report \$2.5 billion in investments in energy efficiency equipment and services in 2006. By comparison, authorized budgets for ratepayer-funded electric and gas energy-efficiency programs (i.e., utility programs and public-benefits funded programs financed by charges on utility customers' bills) was about \$2.5 billion in 2006 (CEE 2007). These budgets include costs to administer energy efficiency programs, technical assistance, information and financial incentives that partially offset the cost of high-efficiency equipment.¹⁸ Though ESCOs' primary offerings are defined as providing energy and dollar savings through the design and implementation of high efficiency technologies and ongoing operations and maintenance services, one of the bases for the success and growth of the ESCO industry has been its ability to arrange for and obtain market-rate, private sector financing for energy efficiency projects on a large scale.

9.2 ESCOs can be a crucial trade ally in selected market sectors for program administrators of ratepayer-funded energy efficiency programs.

ESCOs can complement and support ratepayer-funded energy efficiency programs in the market sectors where they are active (e.g. developing comprehensive projects, arranging financing for customers who have difficulties obtaining funding for energy-related capital projects, managing performance risks as part of measuring and verifying savings). The core market in which the ESCO business model has been most successful is in energy-

¹⁸ Utility energy efficiency program spending include costs to administer energy efficiency programs, technical assistance, information and financial incentives that partially offset the cost of high-efficiency equipment. We estimate that the total investment in 2006 in energy efficient products and equipment derived from utility and public-benefits energy efficiency programs is in the range of \$2.3-2.8 billion.

efficiency retrofits to large buildings, primarily owned by institutional clients. Policymakers need to recognize that ESCOs (and performance contracting) are not necessarily the optimal approach for delivering energy efficiency in all market sectors. This is particularly true for small projects where the prospective energy and dollar savings may not be large enough to offset the transaction costs of putting together a performance contract. Generally, small projects must be aggregated to be viable. Other types of energy service providers (e.g. lighting and HVAC contractors, engineering firms, architects, consultants) currently are more active in residential and small commercial markets as these providers tend to work on a design/build basis, are compensated directly through allocated funding, and assume no ongoing performance risk. In addition, ESCOs are not generally involved in new construction and have thus far ceded that market to other types of market providers.

9.3 ESCOs can be important partners in clean energy, sustainability, and climate change mitigation initiatives in urban areas.

U.S. ESCOs have a proven track record of developing comprehensive projects that utilize energy efficiency, onsite generation and renewable energy technologies. There is increasing interest in energy efficiency and clean energy among cities that are pursuing either sustainable energy and/or climate change mitigation initiatives. Given their long-standing relationships and track record with many institutional customers, ESCOs are well-positioned to work with cities, their energy managers, and financial institutions to develop “clean energy” projects. Recent examples include participation of several large ESCOs in the global Energy Efficiency Building Retrofit program which involves 16 cities (including New York, Chicago, and Houston in the U.S.) and five global banks.¹⁹ Cambridge MA, Boston, and New York have also launched major clean energy initiatives to significantly reduce energy use in their cities that are likely to include partnerships with ESCOs and other energy efficiency service providers.

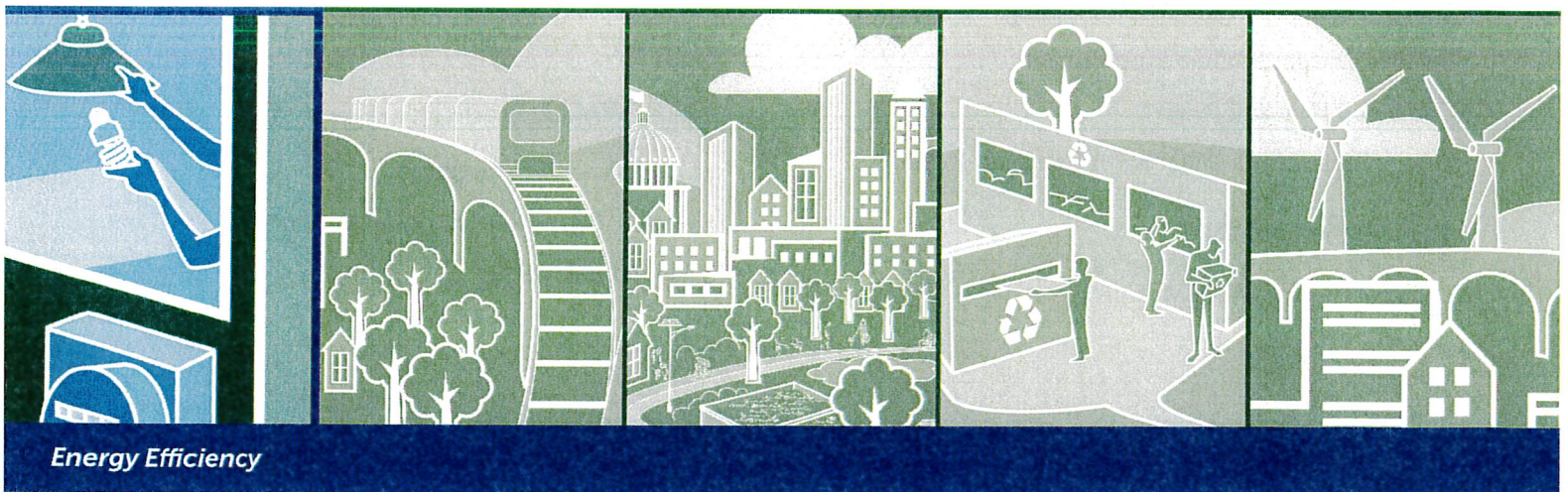
¹⁹ “President Clinton Announces Landmark Program to Reduce Energy Use in Buildings Worldwide, May 16, 2007” see <http://www.clintonfoundation.org/051607-nr-cf-pr-cci-president-clinton-announces-landmark-program-to-reduce-energy-use-in-buildings-worldwide.htm>



LOCAL GOVERNMENT CLIMATE AND ENERGY STRATEGY SERIES

Energy Efficiency in Local Government Operations

A Guide to Developing and Implementing
Greenhouse Gas Reduction Programs



EPA's Local Government Climate and Energy Strategy Series

The *Local Government Climate and Energy Strategy Series* provides a comprehensive, straightforward overview of greenhouse gas (GHG) emissions reduction strategies for local governments. Topics include energy efficiency, transportation, community planning and design, solid waste and materials management, and renewable energy. City, county, territorial, tribal, and regional government staff, and elected officials can use these guides to plan, implement, and evaluate their climate change mitigation and energy projects.

Each guide provides an overview of project benefits, policy mechanisms, investments, key stakeholders, and other implementation considerations. Examples and case studies highlighting achievable results from programs implemented in communities across the United States are incorporated throughout the guides.

While each guide stands on its own, the entire series contains many interrelated strategies that can be combined to create comprehensive, cost-effective programs that generate multiple benefits. For example, efforts to improve energy efficiency can be combined with transportation and community planning programs to reduce GHG emissions, decrease energy and transportation costs, improve air quality and public health, and enhance quality of life.

LOCAL GOVERNMENT CLIMATE AND ENERGY STRATEGY SERIES

All documents are available at: www.epa.gov/statelocalclimate/resources/strategy-guides.html.

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- Energy Efficiency in Local Government Operations
- Energy Efficiency in K-12 Schools
- Energy Efficiency in Affordable Housing
- Energy-Efficient Product Procurement
- Combined Heat and Power
- Energy Efficiency in Water and Wastewater Facilities

TRANSPORTATION

- Transportation Control Measures

COMMUNITY PLANNING AND DESIGN

- Smart Growth

SOLID WASTE AND MATERIALS MANAGEMENT

- Resource Conservation and Recovery

RENEWABLE ENERGY

- Green Power Procurement
- On-Site Renewable Energy Generation
- Landfill Gas Energy

Please note: All Web addresses in this document were working as of the time of publication, but links may break over time as sites are reorganized and content is moved.

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EXECUTIVE SUMMARY

Developing and Implementing Energy Efficiency Programs

Saving energy through energy efficiency improvements can cost less than generating, transmitting, and distributing energy from power plants, and provides multiple economic and environmental benefits. As President Obama said in June 2009, “By bringing more energy efficient technologies to American homes and businesses, we won’t just significantly reduce our energy demand—we’ll put more money back in the pockets of hardworking Americans.” Energy efficiency also helps reduce air pollution and greenhouse gas emissions, improves energy security and independence, and creates jobs.

Local governments can promote energy efficiency in their jurisdictions by developing and implementing strategies that improve the efficiency of municipal facilities and operations and/or encourage energy efficiency improvements in residential, commercial, and industrial sectors. The energy efficiency guides in this series describe the process of developing and implementing strategies, using real-world examples, for improving energy efficiency in local government operations (see the guides on K-12 schools, energy-efficient product procurement, combined heat and power, and water and wastewater facilities), as well as in the community (see the guide on affordable housing).

Energy Efficiency in Local Government Operations

This guide describes how local governments can lead by example and achieve multiple benefits by improving the energy efficiency of their new, existing, and renovated facilities and their day-to-day operations. It is designed to be used by facility managers, energy and environment staff, other local government agencies, and mayors and city councils.

Readers of the guide should come away with an understanding of options to improve the energy efficiency of municipal facilities and operations, and to motivate the private sector and other stakeholders to follow suit. Readers should also understand the steps and considerations involved in developing and implementing

these energy efficiency improvements, as well as an awareness of expected investment and funding opportunities.

RELATED GUIDES IN THIS SERIES

- **Energy Efficiency: *Energy-Efficient Product Procurement***

Many local governments are saving energy by requiring that the energy-using products they purchase meet energy efficiency criteria. Because energy-efficient product procurement helps reduce energy loads, it can also increase the cost-effectiveness of other energy efficiency activities, such as facility upgrades.

- **Energy Efficiency: *Combined Heat and Power***

Combined heat and power (CHP), also known as cogeneration, refers to the simultaneous production of electricity and thermal energy from a single fuel source. The use of CHP in government buildings and operations can help increase energy efficiency and reduce GHG emissions and criteria air pollutants by decreasing consumption of fossil fuel-based energy.

- **Renewable Energy: *On-Site Renewable Energy Generation***

Local governments can implement on-site renewable energy generation by installing wind turbines, solar panels, and other renewable generating technologies at their facilities. Combining renewable energy generation with energy efficiency improvements that reduce energy loads enables local governments to meet a greater percentage of their electricity with electricity from renewable sources.

- **Renewable Energy: *Green Power Procurement***

Green power is a subset of renewable energy that is produced with no GHG emissions, typically from solar, wind, geothermal, biogas, biomass, or low-impact small hydroelectric sources. Green power purchasing can be used in combination with energy efficiency in government operations to reduce a local government’s total use of fossil-fuel power and help it meet GHG reduction targets.

- **Transportation: *Transportation Control Measures***

Transportation control measures (TCMs) are strategies that reduce vehicle miles traveled and improve roadway operations to reduce air pollution, GHG emissions, and fuel use from transportation. Because many of these measures encourage public transportation, carpooling, bicycling, and walking, they can decrease the impacts of employees getting to and from work and help local governments reduce the transportation-related emissions of their operations.

The guide describes the benefits of energy efficiency in local government operations (section 2); a step-by-step approach to improving energy efficiency in new and existing local government operations (section 3); key participants and their roles (section 4); the policy mechanisms that local governments have used to support energy efficiency programs in their operations (section 5); implementation strategies for effective programs (section 6); investment and financing opportunities (section 7); federal, state, and other programs that may be able to help local governments with information or financial and technical assistance (section 8), and finally two case studies of local governments that have successfully improved energy efficiency in their operations (section 9). Additional examples of successful implementation are provided throughout the guide.

Relationships to Other Guides in the Series

Local governments can use other guides in this series to develop robust climate and energy programs that incorporate complementary strategies. For example, local governments can combine efforts to improve energy efficiency in local government operations with **energy-efficient product procurement**, **combined heat and power**, **on-site renewable energy generation**, and **green power procurement** to help achieve additional economic, environmental, and social benefits. Local governments can also reduce their own transportation-related energy use and GHG emissions by implementing **transportation control measures**.

See the box on page iii for more information about these complementary strategies. Additional connections to related strategies are highlighted in the guide.

Energy Efficiency in Local Government Operations

1. OVERVIEW

Energy can account for as much as 10 percent of a local government's annual operating budget (U.S. DOE, 2005), a proportion that is likely to grow as energy prices rise. As President-elect Obama noted when introducing his economic recovery plan in December 2008, reducing energy use in public buildings could save American taxpayers billions of dollars each year. Furthermore, he said, "It will put people back to work."

THE NATIONAL ACTION PLAN FOR ENERGY EFFICIENCY AND VISION FOR 2025: ACHIEVING ALL COST-EFFECTIVE ENERGY EFFICIENCY BY 2025

The *National Action Plan for Energy Efficiency* (Action Plan) recognizes that improving energy efficiency in our homes, businesses, schools, governments, and industries—which consume more than 70 percent of the natural gas and electricity needs in the country—is one of the most constructive, cost-effective ways to address our nation's energy challenges. The Action Plan, developed in July 2006 by more than 50 leading organizations representing key stakeholder perspectives, describes policy recommendations for creating a sustainable, aggressive national commitment to energy efficiency through gas and electric utilities, utility regulators, and partner organizations.

In 2007, Action Plan leaders defined a vision that provides the framework for implementing the Action Plan. This Vision establishes a goal of achieving all cost-effective energy efficiency by 2025; describes 10 implementation goals for states, utilities, and other stakeholders; describes what 2025 might look like if the goal is achieved; and provides a means for measuring progress.

The Action Plan documents the importance of lead-by-example (LBE) strategies in its "Vision for 2025" report. The Vision identifies LBE as a critical component of achieving the long-term goal of fully developing all cost-effective energy efficiency resources in the United States by 2025. Local governments are participating in the Action Plan Sector Collaborative to identify opportunities within their sector.

For more information about the Action Plan, visit: <http://www.epa.gov/cleanenergy/energy-programs/suca/resources.html>.

Sources: *National Action Plan for Energy Efficiency*, 2010; *National Action Plan for Energy Efficiency*, 2008.

Improving the energy efficiency of municipal facilities and operations is a cost-effective strategy to help stimulate the economy, create jobs, expand markets for energy-efficient technologies, and reduce emissions of air pollutants and greenhouse gases (GHGs) (U.S. EPA, 2008f; U.S. EPA, 2006b). Local governments can also lead by example through improving energy efficiency in their own operations, motivating the private sector and other stakeholders to follow suit. Engaging the private sector in municipal energy efficiency improvements can also leverage a greater pool of expertise, providing opportunities for education and outreach, and fostering a community-wide discussion about saving energy, money, and the environment.

This guide provides guidance on planning, designing, and implementing an energy efficiency improvement program for municipal operations; engaging stakeholders; and identifying investment and financing options. Case studies and real-world examples are dispersed throughout, with two detailed case studies presented in Section 9. A compilation of examples and information resources is provided in Section 10, Additional Examples and Information Resources.

2. BENEFITS OF ENERGY EFFICIENCY IN LOCAL GOVERNMENT OPERATIONS

Improving energy efficiency in local government facilities and operations can produce energy, environmental, economic, and other benefits, including:

- **Reduce GHG emissions and other environmental impacts.** Improving energy efficiency in government buildings and operations can help reduce GHG emissions and criteria air pollutants by decreasing consumption of fossil fuel-based energy. Fossil fuel combustion for electricity generation accounts for 40 percent of the nation's carbon dioxide (CO₂) emissions, a principal GHG, and 67 percent and 23 percent of the nation's sulfur dioxide (SO₂) and nitrogen oxide (NO_x) emissions, respectively, which can lead to smog, acid rain, and trace amounts of airborne particulate matter that can cause respiratory problems for many people (U.S. EPA, 2008e; U.S. EPA, 2008g).¹

¹ According to EPA, energy use in commercial and industrial facilities accounts for nearly 50 percent of all U.S. GHG emissions (U.S. EPA, 2008e).



St. Paul, Minnesota, has partnered with its electric utility to retrofit heating and cooling systems, purchase ENERGY STAR labeled products, replace street lighting and traffic signals, and implement other energy efficiency improvements. These activities have saved the city nearly \$8 million in energy costs annually and reduced its annual CO₂ emissions by more than 73,000 metric tons, equivalent to the annual emissions of 13,000 cars (St. Paul, 2007).

ENERGY CONSUMPTION IN LOCAL GOVERNMENT BUILDINGS

This table presents average annual energy use by local government-owned commercial buildings (any building that is not residential, manufacturing or industrial, or agricultural).*

End Use	Consumption (Trillion Btu)**	As percentage of Whole
Space heating	333	42
Lighting	120	15
Cooling	88	11
Ventilation	83	10
Water heating	61	8
Miscellaneous	56	7
Refrigeration	23	3
Computers	21	3
Office equipment	5	1
Cooking	11	1
Total	800	100

* Data from the 2003 Commercial Buildings Energy Consumption Survey (CBECS) conducted by the Energy Information Administration (EIA). The CBECS is conducted every four years.

**Figures are rounded to the nearest trillion Btu.

Source: EIA, 2008.

Reducing energy consumption can also contribute to other local government environmental objectives, such as resource conservation. For example, installing an ENERGY STAR labeled energy-efficient dishwasher in an office kitchen to reduce energy costs can also help reduce water utility bills and decrease the amount of used water that enters the wastewater system (U.S. EPA and U.S. DOE, 2008a).

- **Reduce energy costs.** Significant cost savings can be achieved by improving energy efficiency in existing buildings, leasing energy-efficient buildings, and designing new buildings to be energy efficient. Improving energy efficiency in municipal operations such as drinking water systems and wastewater treatment plants represents another opportunity for large cost savings.

For a typical office building, energy represents 30 percent of the variable costs and constitutes the single largest controllable operating cost (National Action Plan for Energy Efficiency, 2008). The text box at left shows how energy is used in a typical government building.

Similarly, wastewater plants and drinking water systems can account for up to one-third of a municipality's total energy bill. A 10 percent reduction in U.S. drinking water and wastewater systems costs would collectively save approximately \$400 million and 5 billion kWh annually (U.S. EPA, 2009a).

FAYETTEVILLE, ARKANSAS—REDUCED ENERGY COSTS

In 2007, Fayetteville, Arkansas, created an Office of Sustainability to coordinate energy and environmental programs aimed at reducing utility costs and environmental impacts. Under this mandate, the office coordinated an energy use assessment as part of a comprehensive government GHG emissions inventory.

The office followed this assessment by initiating an energy consumption reduction competition among 17 government facilities. In addition, 10 government facilities were incorporated into an energy performance contract and each completed a range of energy efficiency projects. These energy efficiency investments are producing an annual return of more than \$400,000.

Sources: ICLEI, 2008b; Fayetteville, 2008.

The lifetime energy cost savings produced by an energy-efficient building, when compared with a conventional one, can reach millions of dollars. The potential energy savings in government buildings can be significant. For example:

- Energy cost savings on the order of 35 percent or more are possible for many existing buildings (U.S. EPA, 2008f).
- In Story County, Iowa, where the county has designed or substantially renovated three government buildings to improve energy efficiency, energy consumption in the three buildings ranges between 40 and 45 percent less than conventional buildings (NACo, 2007a).
- Many new and renovated buildings designed for energy efficiency offer energy cost savings of as much as 50 percent when compared with conventional buildings (U.S. EPA, 2008d).
- The average office building can reduce energy costs by 10 to 30 percent through low-cost energy efficiency measures and operational adjustments. At an average energy cost of \$2.00 per square foot, that equates to savings of 20 to 60 cents per square foot—or \$20,000 to \$60,000 for a 100,000 square foot building.
- Buildings that have achieved the ENERGY STAR label for superior energy efficiency use 40 percent less energy than average buildings and offer savings of about \$0.50 per square foot per year in lower energy costs, based on a conservative estimate (U.S. EPA, 2008d; U.S. EPA, 2006d).²

▪ **Increase economic benefits through job creation and market development.** Investing in energy efficiency can stimulate the local economy and encourage development of energy efficiency service markets. According to the Department of Energy (DOE), approximately 60 percent of energy efficiency investments are put toward labor costs and half of all energy-efficient equipment is purchased from local suppliers (U.S. DOE, 2004).

Across the nation, energy efficiency technologies and services are estimated to have created more than eight million jobs in 2006 (ASES, 2007).



The City of New York contributes funding for Sustainable South Bronx (SSBx), an environmental justice organization that works to prepare “green collar” workers through its Bronx Environmental Stewardship Training (BEST) Academy. Three 14-week training sessions are offered in green roof installation and maintenance, environmental restoration, and hazardous waste clean up. Students receive several key certifications and are assisted with job placement. As of 2009, the BEST Academy had more than 175 graduates, of whom over 80 percent were employed and 15 percent had gone on to higher education (Sustainable South Bronx, 2009).

▪ **Demonstrate leadership.** Local governments can also set an example by improving energy efficiency in their facilities and operations. In particular, investing in energy efficiency epitomizes responsible government stewardship of tax dollars. Many local governments are improving energy efficiency in taxpayer-funded facilities that are frequently visited by the public, such as city halls and public libraries. These improvements not only reassure constituents that tax dollars are being spent wisely, they also serve to showcase real-world applications of energy-efficient technologies.



In 2004, Seattle, Washington, opened its new public library that incorporates energy efficiency features, including energy-efficient lighting and ventilation systems, a high-performance building envelope, and energy-efficient mechanical equipment and appliances, as well as various green building features, such as water conservation and use of low-toxic materials. Because the facility provides excellent demonstration opportunities (approximately 8,000 patrons visit the library daily), the city has installed signage and an information kiosk, featured the building’s sustainable features on a special Web site, and conducted public tours to explain the facility’s energy and environmental benefits and the benefits of energy efficiency and green building in general. In addition, materials developed for children and teens educate library users on the health and conservation benefits of building sustainably (Seattle, 2008).

² A review of the financial benefits of ENERGY STAR labeled office buildings found that in buildings that earned the label for six consecutive years, energy efficiency in the sixth year is on average 20 percent greater than in the first year, an indication of the persistence of energy savings over multiple years (U.S. EPA, 2006d).

- **Improve indoor air quality and productivity in energy-efficient and green buildings.** Energy efficiency upgrades can improve occupant health by enhancing indoor air quality. Installing energy recovery ventilation equipment, for example, can reduce infiltration of air contaminants from outdoors while significantly reducing heating, ventilation, and air conditioning (HVAC) energy loads (U.S. EPA, 2003b). One study on building performance found that the average reduction in illness as a result of improving air quality in buildings is approximately 40 percent (Carnegie Mellon, 2005).

Enhanced indoor air quality, along with well-designed lighting, greater use of day lighting, and comfortable heating, cooling, and ventilation, can improve employee comfort and reduce fatigue, accidents, absenteeism, turnover, and health costs—all of which can contribute to better employee morale and improved productivity in energy-efficient buildings (U.S. EPA, 2008h).

- **Engage the community.** An even broader impact on emissions can be made by expanding efforts beyond government buildings and operations. Programs that not only educate the public of the benefits of energy efficiency, but also provide tangible assistance in the form of tax incentives and funding opportunities, have been effective in communities across the country. Residential and business sectors both provide good target opportunities.



In 2007, the mayor of Louisville, Kentucky, signed on as an ENERGY STAR partner and took the ENERGY STAR Challenge, setting a goal to reduce energy use in Louisville by 10 percent or more by the year 2010. During two days of kickoff meetings, the mayor and city staff met with city leaders, managers of city-operated facilities, private sector building owners and operators, and important local businesses to provide background information on the ENERGY STAR program for buildings and to share best practices for achieving energy efficiency improvements with ENERGY STAR tools and resources. As a result of these efforts, local commercial real estate associations joined Louisville Metro Government to form the Louisville Energy Alliance, which in 2009 launched the Louisville Kilowatt Crackdown, a year-long competition to promote and recognize commercial building energy efficiency by benchmarking and tracking building energy use via the

EPA's Portfolio Manager. The city has also incorporated the ENERGY STAR Challenge into its Go Green Louisville! campaign, an initiative to "go green and save green" by adopting sustainable practices (U.S. EPA, 2009b).

3. PLANNING AND DESIGN APPROACHES TO ENERGY EFFICIENCY IN LOCAL GOVERNMENT OPERATIONS

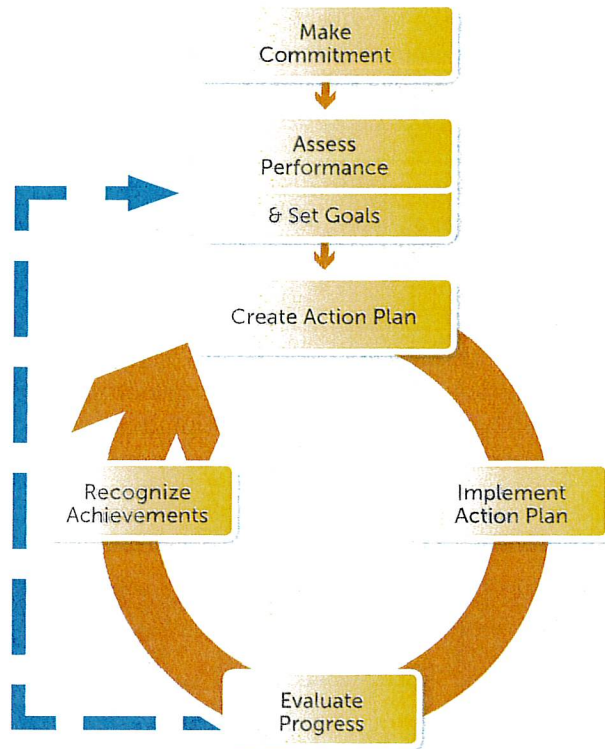
This section describes approaches for planning and designing projects and programs to improve energy efficiency in local government facilities and operations. These approaches can help local governments achieve the range of benefits described in Section 2, *Benefits of Energy Efficiency in Local Government Operations*. Specifically, this section addresses:

- Improving energy efficiency in existing and new local government facilities.
- Incorporating energy efficiency in new and renovated "green" buildings.
- Improving energy efficiency in local government operations.

Improving Energy Efficiency in Existing and New Local Government Facilities

The most effective way to reduce energy consumption in local government buildings is to engage in a portfolio-wide, systematic approach for improving energy efficiency in owned and leased building space, and to incorporate energy efficiency into the design of new and renovated buildings. A portfolio-wide approach not only results in greater total reductions in local government energy costs and GHG emissions, but also enables local governments to offset the costs of more substantial energy efficiency projects in buildings that have higher upfront costs with the savings from projects in other buildings. In addition, adopting a portfolio-wide approach can help local governments generate greater momentum for energy efficiency activities generally, which can lead to sustained implementation and continued savings.

FIGURE 1 OVERVIEW OF ENERGY STAR GUIDELINES FOR ENERGY MANAGEMENT



The ENERGY STAR Guidelines for Energy Management presents a seven-step approach to achieving superior energy management and savings across a portfolio of buildings.

For detailed descriptions of the above steps, see http://www.energystar.gov/index.cfm?c=guidelines.guidelines_index.

The steps include:

1. Make Commitment
 - Establish an Energy Team
 - Institute an Energy Policy
2. Assess Performance
 - Collect and Manage Data
 - Establish Baselines and Benchmarks
 - Analyze Data and Conduct Technical Assessments and Audits
3. Set Goals
 - Estimate Potential for Improvement
 - Establish Goals
4. Create Action Plan
 - Define Technical Measures and Targets For Each Building
 - Determine Roles and Resources
5. Implement Action Plan
 - Create a Communication Plan, Raise Awareness, Build Capacity, and Motivate
 - Track and Monitor Progress
6. Evaluate Progress
 - Measure Results
 - Review Action Plan
7. Recognize Achievements
 - Internal Recognition
 - External Recognition

A good place to start for local governments is EPA's ENERGY STAR program, which has developed a systematic approach for achieving superior energy management in existing buildings. This approach, summarized in the *Guidelines for Energy Management* and in Figure 1 above, *Overview of ENERGY STAR Guidelines for Energy Management*, involves seven steps:

- Step 1. Make Commitment
- Step 2. Assess Performance
- Step 3. Set Goals

- Step 4. Create Action Plan
- Step 5. Implement Action Plan
- Step 6. Evaluate Progress
- Step 7. Recognize Achievements

This subsection provides information on key strategies for each of these steps. While the primary focus of this subsection is to describe an overall approach for improving energy efficiency in a portfolio of *existing* buildings, the basic concepts can be applied to planning and designing energy-efficient *new* and *renovated* buildings. Tools and resources for addressing energy efficiency in these projects are identified. The planning and design approach for improving energy efficiency in local government facilities (described in this subsection) is also one of the most important components of a successful green buildings program (described in the following subsection, *Energy Efficiency in Green Buildings*).

While this subsection describes an approach for implementing a comprehensive portfolio-wide efficiency strategy, there are cases where sufficient resources

(e.g., funding and personnel resources) are not available. In these instances, local governments can apply the concepts to one or a few government buildings. Experiences from such demonstration projects can then be used to make the case for further energy efficiency improvements, and subsequently can be applied to a broader building portfolio when additional support and/or resources become available. For more information on how to evaluate the investment required for priority energy efficiency projects, see the subsection on Using a Staged Approach in New and Renovated Buildings.

Table 1, ENERGY STAR Program Resources, summarizes the many tools and resources available to local governments as they plan and implement energy efficiency improvements in existing and new buildings.

TABLE 1 ENERGY STAR PROGRAM RESOURCES

Title/Description	Web Site
ENERGY STAR Tools and Guidance for Existing and New Buildings	
Guidelines for Energy Management. EPA provides the seven-step Guidelines for Energy Management to assist in developing and implementing energy efficiency action plans.	http://www.energystar.gov/index.cfm?c=guidelines.guidelines_index
Guidelines for Energy Management Assessment Matrices. EPA has developed an assessment matrix to help energy managers determine if their organization's energy management practices are consistent with the Guidelines for Energy Management. A second matrix allows energy managers to compare current energy management practices to the Guidelines for Energy Management at the site-specific facility level.	http://www.energystar.gov/ia/business/guidelines/assessment_matrix.xls http://www.energystar.gov/ia/business/guidelines/Facility_Energy_Assessment_Matrix.xls
Portfolio Manager. Local governments can use EPA's Portfolio Manager tool to measure and track the energy intensity of their buildings, normalized for weather and square footage. For certain building types, Portfolio Manager can be used to score building performance on a scale of 1 to 100 relative to similar buildings nationwide, enabling facility managers to assess their own facilities and identify priority energy efficiency improvements.	http://www.energystar.gov/index.cfm?c=evaluate_performance.bus_portfoliomanager
ENERGY STAR Label. Buildings that achieve a score of 75 or higher using Portfolio Manager, and are professionally verified to meet current indoor environment standards, are eligible to apply for the ENERGY STAR label. The ENERGY STAR label is available for office buildings, schools, hospitals, courthouses, and other facilities.	http://www.energystar.gov/index.cfm?c=evaluate_performance.bus_portfoliomanager_intro
Profiles of ENERGY STAR Labeled Buildings and Plants. EPA has compiled profiles of ENERGY STAR labeled government buildings, accessible at its Web page, ENERGY STAR Labeled Buildings and Plants.	http://www.energystar.gov/index.cfm?fuseaction=labeled_buildings.showBuildingSearch
Building Upgrade Manual. The ENERGY STAR Building Upgrade Manual describes a five-step systematic approach to improving energy efficiency in existing buildings, including recommissioning/commissioning, lighting, supplemental load reductions, fan systems upgrades, and heating and cooling system upgrades.	http://www.energystar.gov/index.cfm?c=business.bus_upgrade_manual
Target Finder. EPA's Target Finder lets a user establish an energy performance target for a design project or major building renovation based on similar building types and desired energy performance. By entering the project's estimated energy consumption, users can then compare the estimated energy use with the target to see if the project will achieve its goal.	http://www.energystar.gov/index.cfm?c=new_bldg_design.bus_target_finder

TABLE 1 ENERGY STAR PROGRAM RESOURCES (cont.)

Title/Description	Web Site
"Designed to Earn the Energy Star" Label. Building designs that achieve a score of 75 or higher using the Target Finder tool are eligible to receive the "Designed to Earn the ENERGY STAR" designation. These buildings can apply for the ENERGY STAR label if their score remains in the top quarter of the energy performance scale after one year of operation.	http://www.energystar.gov/index.cfm?c=new_bldg_design.new_bldg_design_benefits
ENERGY STAR Tools and Guidance for Existing and New Buildings	
Target Finder Opportunities Flowchart. EPA helps architects and engineers integrate ENERGY STAR into the design process with this flowchart.	http://www.energystar.gov/ia/business/tools_resources/new_bldg_design/Design_process_flow_diagram_101404.pdf
Integrated Energy Design Guidance Checklist. EPA provides a checklist that highlights components in the design process that can lead to ENERGY STAR labeling.	http://www.energystar.gov/ia/business/tools_resources/new_bldg_design/BuildingDesignGuidanceChecklist_101904.pdf
ENERGY STAR Financial Calculators	
Cash Flow Opportunity Calculator. This tool can be used to determine how much new energy-efficient equipment can be purchased based on estimated cost savings; determine whether equipment should be purchased now using financing or if it is better to wait and use cash from a future year's budget; and determine whether money is being lost by waiting for lower interest rates.	http://www.energystar.gov/index.cfm?c=assess_value.financial_tools
Financial Value Calculator. This tool presents energy efficiency investment opportunities in terms of key financial metrics. It can be used to determine how energy efficiency improvements can affect organizational profit margins and returns on investments.	http://www.energystar.gov/index.cfm?c=assess_value.financial_tools
Building Upgrade Value Calculator. This calculator can be used to estimate the financial benefits of improving energy efficiency in office buildings.	http://www.energystar.gov/index.cfm?c=assess_value.financial_tools
Savings Calculators. These calculators can be used to estimate the life-cycle and annual costs and savings of a variety of ENERGY STAR labeled products.	http://www.energystar.gov/index.cfm?c=bulk_purchasing.bus_purchasing
ENERGY STAR Financial Calculators	
ENERGY STAR for Government. This Web site provides resources for state and local governments to use as they plan energy efficiency activities, including energy management guidelines, information on financing options, and tools and resources to measure and track energy use.	http://www.energystar.gov/index.cfm?c=government.bus_government
The ENERGY STAR Challenge. The ENERGY STAR Challenge—Build a Better World 10% at a Time program calls on governments, schools, and businesses across the country to identify energy efficiency improvements in their facilities and improve energy efficiency by 10 percent or more. EPA estimates that if each building owner accepts this challenge, by 2015 Americans would save about \$10 billion and reduce GHG emissions by more than 20 million metric tons of carbon equivalent—equivalent to the emissions from 15 million vehicles.	http://www.energystar.gov/index.cfm?c=challenge.bus_challenge
ENERGY STAR Free Online Training. ENERGY STAR offers free online training sessions on a variety of energy performance topics.	http://www.energystar.gov/index.cfm?c=business.bus_internet_presentations
Off the Charts. Off the Charts is EPA's ENERGY STAR e-newsletter on energy management developments and activities.	http://www.energystar.gov/ia/business/guidelines/assess_value/Off_the_Charts_Summer_2007.pdf

- **Work with neighboring local governments.** Some local governments have increased the visibility of their energy efficiency programs and encouraged broader adoption of energy-efficient practices in the private sector by collaborating with neighboring local governments to leverage public awareness.



Ten local governments in Vermont and the Upper Valley region of New Hampshire formed “town energy committees” that network to share information about local efforts to reduce energy consumption (SERG, 2008).



In the Washington, D.C., area, local governments are collaborating with businesses and residents to improve energy efficiency as part of the Energy Efficiency Partnership of Greater Washington (Washington, 2007).

7. INVESTMENT AND FINANCING OPPORTUNITIES

This section provides information on the size and payback periods associated with upfront investments in energy efficiency improvements in local government facilities and operations. It also identifies several financing opportunities that can help local governments manage the costs of these investments.

Investment

Improving energy efficiency in local government facilities and operations is an investment that earns a return over time. The size and payback period (the length of time required to recoup upfront costs) of this investment varies depending on the extensiveness of the upgrade and the resources required. While some energy efficiency improvements require substantial upfront investment, the costs can often be quickly recovered. Life-cycle cost analysis, which measures the lifetime costs of design and construction, maintenance and replacement, and other environmental impacts, reveals the cost-effectiveness of energy efficiency upgrades. For more information on life-cycle cost analysis, see Section 3, *Planning and Design Approaches to Energy Efficiency in Local Government Operations*.

Life-cycle cost analyses can reveal short payback periods for many energy efficiency investments. Incorporating investments with short payback periods into a comprehensive energy efficiency upgrade can help reduce the overall payback period for the entire project. For example, the third stage of the approach for upgrading facilities described in Section 3 involves reducing supplemental loads by purchasing energy-efficient products. Purchasing these products, which have short payback periods, can generate significant energy cost savings that can shorten the payback period for the building upgrade as a whole. Similarly, behavioral adjustments such as setting thermostats at lower temperatures in the winter can often be implemented at no cost yet produce significant savings and reduce the payback period of a comprehensive upgrade. Other measures, such as caulking or sealing seams in building envelopes, can be implemented at a low cost yet produce substantial savings. Larger retrofits, such as HVAC system replacement or complete lighting system upgrades, have higher initial costs but can be cost-effective over the life of the investment. Table 3, *ENERGY STAR Specification Overviews: Energy Savings and Payback Periods*, illustrates the payback periods for a variety of energy-efficient commercial-capacity products.



In 2001, Kings County, California, was able to reduce its typical peak energy costs by 10 percent by altering its summer operating schedule to 7 a.m. to 4 p.m. for three months (Flex Your Power, 2003).

In addition, using a staged approach to improve energy efficiency (as described in Section 3) can sometimes minimize investment costs. Purchasing low-cost energy-efficient products to reduce energy loads, for example, can mean that energy savings goals can be met using smaller energy-efficient building systems (e.g., HVAC systems), which can reduce the purchase and installation costs of the system (U.S. EPA, 2008g).

TABLE 3. ENERGY STAR SPECIFICATION OVERVIEWS: ENERGY SAVINGS AND PAYBACK PERIODS^a

Product Category	Energy Savings Compared to Conventional Product	Payback Period
Appliances		
Dehumidifiers	15%	0 years (typically no retail cost premium)
Dishwashers	30%	2 years
Refrigerators and freezers	20% (refrigerators) 10% (freezers)	3 years
Room air cleaners	40%	0 years (typically no retail cost premium)
Room air conditioners	10%	Varies regionally
Commercial Food Service		
Commercial fryers	5% (electric) 30% (gas)	<3 years
Commercial hot food holding cabinets	65%	<5 years
Electronics		
Battery charging systems	30%	0 years (typically no retail cost premium)
Combination units	60%	0 years (typically no retail cost premium)
Cordless phones	55%	0 years (typically no retail cost premium)
DVD products	35%	0 years (typically no retail cost premium)
External power adapters	5%	0 years (typically no retail cost premium)
Televisions	15%	0 years (typically no retail cost premium)
Envelope		
Roof products	NA	0 years (typically no retail cost premium)
Windows, doors, and skylights	7-24%	Varies regionally
Lighting		
Compact fluorescent lamps	75%	<1 year
Heating and Cooling		
Air source heat pumps	10%	Varies regionally
Boilers	5%	< 5 year
Ceiling fans	45% (with light kit) 10% (fan only)	< 4 years
Furnaces	15% (gas) 8% (oil)	< 5 years

TABLE 3 ENERGY STAR SPECIFICATION OVERVIEWS: ENERGY SAVINGS AND PAYBACK PERIODS^a (cont.)

Product Category	Energy Savings Compared to Conventional Product	Payback Period
Geothermal heat pumps	30%	Varies regionally
Light commercial HVAC	5%	Varies regionally
Ventilating fans	70%	0 years (typically no retail cost premium)
Other		
Water coolers	45%	0 years (typically no retail cost premium)
Vending machines	40%	0 years (typically no retail cost premium)
^a ENERGY STAR develops performance-based specifications to determine the most energy-efficient products in a particular product category. These specifications, which are used as the basis for ENERGY STAR qualification, are developed using a systematic process that relies on market, engineering, and pollution savings research and input from industry stakeholders. Specifications are revised periodically to be more stringent, which has the effect of increasing overall market energy efficiency (U.S. EPA, 2007b). EPA and DOE screen all of the specifications annually to determine if any require reassessment. These assessments may lead to a specification revision, a specification being sunset, or no action being taken depending on market readiness for the next level. To view current ENERGY STAR criteria, please visit http://www.energystar.gov/index.cfm?c=product_specs.pt_product_specs . To view specifications that are under review or revision, please visit http://www.energystar.gov/index.cfm?c=prod_development.prod_development_index .		

Source: U.S. DOE, 2009; U.S. EPA, 2009c.

Financing

Upfront costs can present a barrier to improving energy efficiency in local government facilities and operations. However, delaying cost-effective energy efficiency improvements can also be costly; an activity *not* undertaken can result in increased operating costs. [As described on page 4 in Section 3, *Planning and Design Approaches to Energy Efficiency in Local Government Operations*, local governments can use the ENERGY STAR Cash Flow Opportunity Calculator to help make decisions about the most effective timing of energy-efficient product purchases (U.S. EPA, 2003a)]. This subsection describes a variety of financing vehicles and funding sources that local governments can access to address financial barriers.

COSTS AND SAVINGS OF PERFORMANCE CONTRACTING WITH ESCOs

In 2004, Lawrence Berkeley National Laboratory conducted a study of the growth of ESCOs over the preceding decade.

According to the survey, the average cost of an ESCO-executed energy efficiency upgrade at the state and local government level is approximately \$2.93 per square foot, and the average performance contract with an ESCO for state and local governments is approximately 9.5 years. The average project costs \$980,000 and produces energy cost savings of approximately 14 kBtu per square foot, which translates into a median payback period of 8.8 years.

Source: LBNL, 2004.

FINANCIAL VEHICLES

Financing refers to accessing new funds through means such as loans, bonds, energy performance contracts, lease-purchase agreements, and grants to pay for energy efficiency upgrades (Zobler and Hatcher, 2008). Financial vehicles can be used to access the sources of funding described in the following subsection to obtain the capital for energy efficiency upgrades. Financial vehicles that local governments use to finance energy efficiency improvements include:

- **Energy performance contracts.** An energy performance contract is an arrangement with an ESCO or energy service provider (ESP) that allows a local government to finance energy-saving capital improvements—usually over a 7–15 year term—with no initial capital investment by using money saved through reduced utility expenditures. Energy performance contracts bundle energy-saving investments (e.g., energy audits, design and specification of new equipment, ongoing maintenance, measurement and verification of product performance, indoor air quality management, and personnel training) and typically offer financing (Zobler and Hatcher, 2008).

AMHERST, NEW YORK: WORKING WITH ESCOS

Amherst, New York, which has an electricity budget of \$2.7 million and a total operating budget of \$100 million, used an energy performance contract to implement energy efficiency upgrades in a number of its facilities.

The town entered into a guaranteed savings agreement with an ESCO that maximized the amount of new equipment that could be purchased from the energy savings. The result was a \$5.2 million project that included the city's ice skating rinks, police station, three community and recreational centers, four libraries, a museum, and the local wastewater treatment facility. The ESCO guaranteed \$5 million in savings on these projects. The actual savings exceeded projected savings by 16%.

Source: U.S. EPA, 2004.

An ESCO often provides a guarantee that energy cost savings will meet or exceed annual payments covering all activity costs. Such guaranteed savings agreements are the most common type of performance contract

in the public sector.¹² If the savings do not occur, the ESCO pays the difference. Some performance contracts include a reserve fund to cover potential shortfalls, while others provide security enhancements in the form of performance bonds or letters of credit. In some instances, performance insurance may be available (Zobler and Hatcher, 2008).

ESCOs often offer financing as part of the performance contract. However, because ESCOs are private sector firms that typically borrow at taxable, commercial rates, it is often possible for a public sector entity to secure better financing arrangements by taking advantage of lower, tax-exempt interest rates available to government entities (U.S. EPA, 2003d).

BUFFALO, NEW YORK—LEASE-PURCHASE AGREEMENT

Buffalo, New York, used a \$3.5 million tax-exempt municipal lease-purchase agreement to help finance energy efficiency upgrades to 55 public buildings, including lighting retrofits, installation of high-efficiency motors, HVAC upgrades, and installation of building energy management systems. The investment is expected to produce \$6.1 million in energy cost savings over a 15-year period, with a payback period of less than nine years. After just four years, Buffalo is saving more than \$600,000 annually in energy costs.

Sources: U.S. DOE, Undated; NASEO, 2002.

 Compton, California, entered a performance contract to install energy-efficient equipment in a number of its facilities, including new lighting systems with occupancy sensors, street lighting fixtures, chillers, and energy efficiency management controls. The performance contract, which will be paid for with guaranteed energy efficiency savings, is expected to produce savings of more than \$4.4 million over 15 years (Johnson Controls, 2007).

¹² Another type of agreement is an own-operate agreement, in which the ESCO maintains ownership of the facility and sells back its output to the state entity.



Through the Washington State Department of General Administration, Kent, Washington, secured an energy performance contract to retrofit the heating system of one of its buildings and to perform energy efficiency upgrades in its recreational center with no upfront costs (AWC, 2006b).



The Baltimore Public Works Energy Office used energy performance contracts to install LED lights in traffic signals and retrofitted 23 city buildings. The costs for these improvements, estimated to be a combined \$11.5 million, are all to be paid from energy cost savings (Baltimore, 2006).

- **Lease-purchase agreements.** A tax-exempt lease-purchase agreement (also known as a municipal lease) allows public entities to finance purchases and installation over long-term periods using operating budget dollars rather than capital budget dollars.

WESTMINSTER, COLORADO—LEASE-PURCHASE AGREEMENT

The city council in Westminster, Colorado, passed a resolution in 2005 that authorized the city to enter into a lease-purchase agreement to purchase and install approximately \$2.5 million in energy-efficient equipment in 21 city facilities. The city issued a request for proposals for financing bids for the project and the city was able to settle on a lease-purchase agreement with a low interest rate of 3.79%. The city council considered cash-funding the purchase, but determined that capital improvement budget constraints would mean that the project would have to be implemented piecemeal over 8–12 years.

Source: Westminster, 2005.



Boulder, Colorado, uses operating budget dollars and capital investment plan funds (which are designed to automatically fund upgrades at the end of a piece of equipment's useful life) to pay for energy-efficient equipment purchased through lease-purchase agreements (Colorado Energy, 2007).

Lease-purchase agreements typically include “non-appropriation” language that limits obligations to the current operating budget period. If a local government decides not to appropriate funds for any year throughout the term, the equipment is returned to the lessor and the agreement is terminated. Because of this non-appropriation language, lease-purchase agreements typically do not constitute debt. Under this type of agreement, a local government makes monthly payments to a lessor (often a financial institution) and assumes ownership of the equipment at the end of the lease term, which commonly extends no further than the expected life of the equipment. These payments, which are often less than or equal to the anticipated savings produced by the energy efficiency improvements, include added interest. The interest rates that a local government pays under these agreements are typically lower than the rates under a common lease agreement because a public entity's payments on interest are exempt from federal income tax, meaning the lessor can offer reduced rates (U.S. EPA, 2004).

Unlike bonds, initiating a tax-exempt lease-purchase agreement does not require voter referendum to approve debt, a process that can delay energy efficiency improvements. Tax-exempt lease-purchase agreements typically require only internal approval and an attorney's letter, a process that can often take one week (as opposed to months or years for bonds). Local governments can expedite the process by adding energy efficiency projects to existing tax-exempt lease-purchase agreements. Many local governments have master lease-purchase agreements in place to finance a range of capital investment projects. Energy-efficient product procurement can often be added to these agreements without difficulty (U.S. EPA, 2004). For examples of energy-efficient product procurement by local governments, see EPA's Energy-Efficient Product Procurement guide in the Local Government Climate and Energy Strategy Series.



Shenendehowa Central School District in Clinton Park, New York, faced high energy and maintenance costs in seven aging buildings, due mainly to inefficient equipment. With constrained budgets and a reluctance to approach taxpayers for additional bond financing, the school district chose to obtain funds for energy efficiency upgrades from a commercial lender using a tax-exempt lease-purchase agreement for a period of 10 years. Repayments were limited to operating budget savings, rather than capital budget spending. The agreement allowed the school district to make the necessary upgrades without raising taxes (U.S. EPA, 2004).

In addition, many local governments have found that the interest rates available through tax-exempt lease-purchase agreements are typically lower than the rates offered by an ESCO. Tax-exempt lease-purchase agreements can be especially effective when used to underwrite energy performance contracts that include guaranteed savings agreements, under which an ESCO agrees to reimburse any shortfalls in expected energy cost savings.

TAX-EXEMPT LEASE PURCHASE AGREEMENTS AND ENERGY PERFORMANCE CONTRACTING

The Miami-Dade County Public School District financed energy-efficient equipment installations in its facilities at a reduced cost by adding guaranteed savings energy performance contracts with three ESCOs to an existing tax-exempt master lease-purchase agreement, rather than financing the projects directly through the ESCOs. Through the master lease-purchase agreement, the school district has invested \$9.5 million in energy efficiency. The investments produced savings of \$3.5 million after just three years.

Sources: U.S. EPA, 2003c; U.S. EPA, 2004.

- **Public bonds.** Bonds are well-suited for energy efficiency projects. Since bonds allow amortization of capital costs over a multi-year repayment term, they recover their costs through energy savings over the life of the project.



Alexandria, Virginia, for example, uses public bonds to supplement its capital budget allocation for its Energy Conservation Fund (U.S. Mayors, 2007). This fund is being used to achieve a goal of reducing energy consumption in local government facilities by three percent per year by 2015, for an overall reduction of 20 percent from 2007 levels (Alexandria, 2008).

- **State government loans, rebates, and other assistance.** Some states, such as Oregon and Maryland, have loan programs to help local governments finance energy efficiency activities (Oregon, 2006; Maryland Energy Administration, 2006). These programs often provide financial assistance to local governments via low-interest loans that can be paid off using energy cost savings. Other states, such as Kansas, help local governments with energy performance contracting and provide financing guidance to local agencies (Kansas Corporation Commission, 2003).

MICHIGAN INCENTIVE FOR ENERGY STAR LABELING

The Michigan Department of Labor & Economic Growth offers an incentive to any public school, college, university, local government, or state or federal agency that has applied for the ENERGY STAR building label. The incentive covers 50 percent of the professional engineer's verification fee for the statement of energy performance, with a maximum incentive of \$1,000 for a building's first year of labeling, and a maximum of \$500 for a building that renews its label.

Source: Michigan DLEG, undated.



The town of Johnsburg, New York, received technical assistance and a \$94,000 incentive from the New York State Energy Research and Development Authority to help pay for energy efficiency improvements in its new community center. The investment has saved the town \$24,000 in annual energy costs (NYSERDA, 2007).

For more information on state financial assistance, see Table 4, *Examples of States Providing Technical and Financial Assistance to Local Governments*, on page 43.

- **Utility rebates and other incentives.** A number of local governments have used rebates or other financial assistance from utilities to offset the cost of improving energy efficiency in their facilities. The Database of State Incentives for Renewables and Efficiency provides information on utility incentives available in each state (<http://www.dsireusa.org/>).



The New Jersey Clean Energy Program, funded by the state's seven electric and natural gas investor-owned utilities, offers local governments the chance to have a comprehensive energy audit at low or no cost. Once the audit is complete, a list of cost-effective energy efficiency recommendations will be generated. Local governments are eligible for any of the incentives offered to commercial property owners through the Smart Start Buildings® program, including product rebates and custom incentives. A multiple measure bonus is available, as well as design and technical assistance, depending on the size of the project (NJ CEP, 2009).

FUNDING SOURCES

Numerous funding sources can support local government energy efficiency investments, including capital and operating budgets, revolving loan funds, public benefits funds (PBF), private foundations, and federal tax incentives. These sources can be accessed through the financial vehicles described above to provide the capital for energy efficiency upgrades. For example, a revolving loan fund or a state-run PBF can provide funding to a state agency via a financial vehicle such as a loan or a grant. This subsection describes how local governments have used different funding sources.

IOWA ENERGY BANK

The Iowa Energy Bank combines private and public funds to finance energy efficiency improvements in public schools and local governments. The bank conducts energy audits and engineering analyses, negotiates financing terms with private lenders, and uses energy cost savings from previous projects to provide upfront funding.

Source: Iowa, 2006.

- **Capital budgets and operating budgets.** Using capital or operating budgets funds has many advantages: funding is already on hand, there is no need to negotiate financing arrangements, and there are no interest payments. Using life-cycle cost accounting to quantify the lower net capital and future operating costs can help local governments improve the chances of incorporating energy efficiency into their limited capital budgets (Zobler and Hatcher, 2008).

Many local governments have used a “paid from savings” approach to fund purchases of energy-efficient products that have cost premiums by reserving energy cost savings generated from their energy efficiency activities to pay for energy-efficient products.



In 1984, Phoenix, Arizona, established an energy conservation savings reinvestment plan. A reinvestment fund was created using money collected from a state oil overcharge. Under the reinvestment plan, half the city's annual energy cost savings from energy efficiency improvements funded through the plan are reinvested in the fund to provide for future improvements. The fund has been used to offset the costs of new energy-efficient equipment in city buildings (ICLEI, 2007).

ANN ARBOR, MICHIGAN—MUNICIPAL ENERGY FUND

The Ann Arbor, Michigan, Municipal Energy Fund is an excellent example of how energy efficiency can pay for itself in the long term. The fund started with an initial payment of \$100,000 per year over five years, capturing 80 percent of the resulting savings for reinvestment back into new energy-saving projects. As these new saving projects grow, their energy and cost savings increase. By year five, future investment is based solely on payment of past projects to finance new ones. Annual cost savings enabled by the fund total \$142,000 across 60 facilities.

Sources: Ann Arbor, 2007; C40 Cities, 2008.

▪ **Revolving loan funds.** Revolving loan funds are capital funds that make loans, collect payments, and re-lend these payments to fund new projects. The original capitalization can come from many sources, including legal settlements, billing corrections, or extended bond payments after the end of the bond term. Revolving loan funds typically offer below-market rates and long-term loans for energy efficiency or renewable energy projects.



The St. Paul, Minnesota, Energy Conservation Investment Fund was created in 2007 using existing sewer fund balances and energy cost savings from past energy efficiency improvements. The revolving loan fund will be used to invest \$1 million in energy efficiency upgrades with a payback of less than 10 years for city-owned buildings (St. Paul, 2009).

▪ **Public benefits funds (PBFs).** Public benefits funds are state-mandated funds that can be used to support energy efficiency activities. These funds are collected through a small required per-kWh surcharge on customer electricity bills. States sometimes allow local governments to use these funds for local energy efficiency activities.



In Wisconsin, for example, Focus on Energy, a PBF-funded program sustained by a state system benefits charge, provides technical and financial assistance to local governments for implementing qualifying energy efficiency measures (Focus on Energy, 2008). Oshkosh, Wisconsin, used Focus on Energy-issued rebates to install 2,900 LED traffic signals that collectively save the city \$40,000 in energy costs annually (Focus on Energy, 2003).

▪ **Private foundations (grants).** Foundations are nonprofit corporations or charitable trusts that can help fund local government energy efficiency activities. The most common types of funding include grants and program-related investments (which are usually set up with a repayment schedule).



The Illinois Clean Energy Community Foundation, for example, administers seven indoor lighting programs that provide grants to local government entities, including schools, county courthouses, and public safety facilities, to assist in purchasing and installing energy-efficient lighting systems (ICECF, 2007).

▪ **Federal tax incentives.** The Internal Revenue Service Code includes a number of tax incentives for energy efficiency investments. For example, the Energy Policy Act (EPAct) of 2005 authorizes several financial incentives to support local government energy efficiency activities, including tax deductions for energy efficiency upgrades in commercial (including public) facilities at the local level. For buildings that achieve annual energy cost reductions of 50 percent or greater, EPAct provides for tax deductions of up to \$1.80 per square foot off the cost of installing energy-efficient HVAC systems, building envelope components, and lighting systems. EPAct allows for the tax savings to be passed on to private designers and developers in lieu of the public entity. EPAct also created the Low Income Community Energy Efficiency Pilot Program, which authorized \$20 million in DOE grants to fund energy efficiency activities in low-income areas.¹³

8. FEDERAL, STATE, AND OTHER PROGRAM RESOURCES

Many local governments work with federal, state, and regional agencies and organizations when planning and developing programs for improving energy efficiency in their facilities and operations. These entities can also provide information resources and financial and technical assistance, as described below.

Federal Programs

▪ **U.S. EPA State and Local Climate and Energy Program.** This program assists state, local, and tribal governments in meeting their climate change and clean energy efforts by providing technical assistance, analytical tools, and outreach support. It includes two programs:

¹³ See http://www.energystar.gov/index.cfm?c=products.pr_tax_credits#s8 for more information on federal tax incentives for energy efficiency investments.

› *The Local Climate and Energy* Program helps local and tribal governments meet multiple sustainability goals with cost-effective climate change mitigation and clean energy strategies. EPA provides local and tribal governments with peer exchange training opportunities and financial assistance along with planning, policy, technical, and analytical information that support reduction of greenhouse gas emissions.

› *The State Climate and Energy Program* helps states develop policies and programs that can reduce greenhouse gas emissions, lower energy costs, improve air quality and public health, and help achieve economic development goals. EPA provides states with and advises them on proven, cost-effective best practices, peer exchange opportunities, and analytical tools.

Web site: <http://www.epa.gov/statelocalclimate/>

▪ **ENERGY STAR.** The ENERGY STAR program helps building owners and occupants achieve superior energy management and realize the cost savings and environmental benefits that can result. The ENERGY STAR staff and Web site provide targeted information resources, technical assistance, tools, and communications and outreach support to help state and local governments improve energy efficiency in facilities throughout the community. (More information on ENERGY STAR tools and resources for local governments can be found in Table 1, *ENERGY STAR Program Resources*, on page 6.)

Web site: <http://www.energystar.gov/>

▪ **DOE Building Technologies Program.** The Building Technologies Program partners with private and public sector organizations to improve building energy efficiency. This program supports research and development and provides assistance to those interested in building efficiency through its Web site, which contains tools, guidelines, training information, and information about accessing financial resources.

Web site: <http://www.eere.energy.gov/buildings/>

▪ **Whole-Building Design Guide (WBDG).** This National Institute of Building Sciences project provides information on building design, project management, and O&M to designers and administrators. The WBDG Web site provides information on a broad range of building types and offers numerous case studies, tools, and guidance documents. A number of federal agencies, including EPA and DOE, are represented on the WBDG Advisory Committee.

Web site: <http://www.wbdg.org/>

State Programs

Many states have programs that provide technical and financial assistance for energy efficiency activities to local governments. This assistance enables state and local agencies to share information about energy efficiency improvements and help develop consistent clean energy activities across the state.

Table 4, *Examples of States Providing Technical and Financial Assistance to Local Governments*, provides examples of state programs that support local government energy efficiency activities.

TABLE 4. EXAMPLES OF STATES PROVIDING TECHNICAL AND FINANCIAL ASSISTANCE TO LOCAL GOVERNMENTS

State	Description	URL
Technical Assistance		
California	The California Energy Commission's (CEC) Energy Partnership Program offers technical assistance to cities, counties, hospitals, and colleges and universities. The program helps these local groups identify energy efficiency improvements in existing buildings and energy-efficient options in new construction. The CEC also helps these groups identify state loans and other financing sources for project installation.	http://www.energy.ca.gov/efficiency/partnership/index.html
Massachusetts	In the Executive Office of Environmental Affairs, the Commonwealth of Massachusetts has created a Green Communities Division that focuses on providing technical and financial assistance to local governments and school districts. Areas of particular focus include energy audits, energy information reporting, energy management systems, and energy management committee formation. Funding for the program comes from a variety of sources, including emissions allowance trading programs, utility efficiency charges, alternative compliance payments generated by the state's renewable portfolio standard, and the state Renewable Energy Trust Fund.	http://www.mass.gov/?pageID=eoeesubtopic&L=3&L0=Home&L1=Energy%2C+Utilities+%26+Clean+Technologies&L2=Green+Communities&sid=Eoeea
Oregon	Oregon's Department of Energy provides assistance to public entities through multiple programs, including the Building Commissioning Program, which helps building managers perform evaluations and implement energy cost-saving strategies.	http://www.oregon.gov/ENERGY/CONS/GOV/govhme.shtml
Pennsylvania	The Pennsylvania Department of Environmental Protection maintains a Web page, Local Government and Municipal Energy Assistance, to assist local governments in improving energy efficiency through developing energy management plans.	http://www.portal.state.pa.us/portal/server.pt?open=514&objID=5523798mode=2
Texas	The Schools/Local Government Energy Program provides services to assist in setting up and maintaining effective energy efficiency programs.	http://www.seco.cpa.state.tx.us/sch-gov.htm
West Virginia	The Building Professionals Energy Training Program offers building code seminars to educate local government officials about the latest codes and building technologies.	http://www.wvcommerce.org/info/aboutcommerce/energy/programs.aspx
Financial Assistance		
California	The CEC's Energy Efficiency Financing Program provides low-interest loans for public schools, public hospitals, and local governments to fund energy audits and install energy efficiency measures.	http://www.energy.ca.gov/efficiency/financing/index.html
Iowa	Iowa's Building Energy Management Program is an energy management program for public and nonprofit entities that provides technical and financial assistance for building energy efficiency upgrades.	http://www.energy.iowa.gov/Energy%20Efficiency/BEST.html
Kansas	The Kansas Facility Conservation Improvement Program provides low-interest, tax-exempt energy performance contracting agreements to state and local public agencies.	http://www.kcc.state.ks.us/energy/fcip/financing.htm
Maryland	The Jane E. Lawton Conservation Loan Program provides Maryland local governments with financial assistance to reduce energy costs. The program allows energy savings generated by efficiency upgrades to be the major source of loan repayment.	http://energy.maryland.gov/govt/janeelawton.html
Missouri	Through its Energy Revolving Fund, the Missouri Energy Center offers low-interest loans for energy efficiency improvements in public schools, local government, public hospitals, and public water treatment facilities. The loans are paid back using the energy savings generated from the project.	http://www.dnr.mo.gov/energy/financial/loan.htm

TABLE 4. ENERGY STAR SPECIFICATION OVERVIEWS: ENERGY SAVINGS AND PAYBACK PERIODS^a (cont.)

State	Description	URL
New Jersey	The New Jersey Clean Energy Program offers financial incentives and low-interest financing to schools and local governments. The program combines the traditional rebate program with incentives and financing, giving schools and local governments the flexibility to implement cost-effective energy efficiency activities immediately.	http://www.njcleanenergy.com/commercial-industrial/home/home
North Carolina	The North Carolina Division of Pollution Prevention and Environmental Assistance administers Local Government Assistance, providing technical and financial assistance to local governments on implementing energy-related and environmental activities.	http://www.p2pays.org/localgov/
Tennessee	Through its Local Government Energy Loan Program, the Tennessee Department of Economic and Community Development provides low-interest loans to municipal and county governments for energy efficiency improvements.	http://www.tennessee.gov/ecd/CD_local_gov_energy_loan.html

Other Programs

▪ ICLEI Local Governments for Sustainability.

ICLEI—Local Governments for Sustainability (ICLEI)—is a membership association of local governments that have committed to adopting sustainable approaches to addressing climate change and other environmental threats through a range of activities, including energy efficiency. ICLEI members receive access to a suite of tools and resources that they can use to plan and implement their energy efficiency programs, including software with training, technical and communications assistance, information sharing, best practices, and opportunities for recognition.

Web site: <http://www.icleiusa.org/>

LOCAL ASSOCIATIONS: INTEGRATING ENERGY EFFICIENCY AND CLIMATE CHANGE

The U.S. Conference of Mayors (USCM) and the National Association of Counties (NACo) have both passed resolutions supporting EPA's ENERGY STAR Challenge to reduce energy consumption in public and private buildings by 10 percent or more. They promote ENERGY STAR tools and resources to members working to meet their climate protection and energy efficiency goals.

Sources: NACo, 2005b; U.S. Mayors, 2008.

- U.S. Conference of Mayors. The USCM Climate Protection Agreement commits mayors to reduce GHG emissions in their cities to at least 7 percent below 1990 levels by 2012. The Climate Protection Center provides guidance to mayors on leading their cities' efforts to reduce GHG emissions linked to climate change and publishes best practices, including examples of cities that are taking the lead in this effort by improving energy efficiency in their buildings and operations.

Web site: <http://www.usmayors.org/climateprotection/>

- National Association of Counties (NACo). The NACo Green Government Initiative provides local governments with resources on energy and other environmental issues related to government facilities and operations. Through the initiative, NACo facilitates information sharing between governments and promotes collaboration with the private sector. In addition to other publications and information resources, NACo administers a Green Government Database that enables local governments to search for case studies on specific topics. Through the ENERGY STAR Courthouse Campaign, NACo provides assistance to county governments in improving energy efficiency in county courthouses and other buildings by assisting them in joining EPA's ENERGY STAR program. In addition to saving energy costs, improving energy efficiency in county courthouses can be a way of increasing public awareness of local clean energy activities (NACo, 2008).

Web site: <http://www.naco.org/programs/csd/pages/greengovernmentinitiative.aspx>

▪ **Playbook for Green Buildings and Neighborhoods.**

The *Playbook* is an online resource developed by a team of local government, non-profit organizations, and federal government agencies that provides local governments with information, strategies, and tools for building green buildings, neighborhoods, and infrastructure. For each of these three subject areas, the *Playbook* provides information to assist local governments in the information gathering, planning, and implementation stages of their activities.

Web site: <http://www.greenplaybook.org/>

- **Regional programs.** Local governments can often obtain information and assistance from numerous other regional programs and initiatives, such as the Rocky Mountain Climate Organization's Colorado Climate Agenda (RMCO, 2006), which provide resources to local governments for implementing energy efficiency activities. In Monterey County, California, several municipalities—as part of the Association of Bay Area Governments—have partnered with an investor-owned utility to create an energy watch program that administers energy efficiency services to local residents and businesses. The program also offers technical consultation for local government buildings (ABAG, 2007).

Web sites: <http://www.coloradoclimate.org/>
<http://www.ambag.org/programs/EnergyWatch/municipal.html>

ASSOCIATION OF WASHINGTON CITIES LOCAL GOVERNMENT ENERGY PROJECT

The Association of Washington Cities' Local Government Energy Project provides assistance to local governments on energy efficiency and energy policy matters. The association monitors regional and state energy policy issues and represents its constituent cities in state and federal energy policy development.

Source: AWC, 2006a.

Arlington County, Virginia— County Energy Manager and the Fresh AIRE Program

Arlington County, Virginia, has a long-standing commitment to sustainability and has been investing in energy efficiency since the mid-1990s. The county's efforts to improve efficiency in municipal facilities and operations were institutionalized under the Fresh AIRE (Arlington Initiative to Reduce Emissions) program, which seeks to reduce county GHG emissions through a comprehensive suite of actions that also includes investing in renewable energy, using alternative fuels and high-efficiency vehicles, and planting trees to capture and sequester carbon. The Fresh AIRE program strives to not only to change government practices directly, but to also work to modify practices of residents and businesses by providing incentives and leading by example (Arlington 2007b; Arlington, 2008; Arlington, 2010a.)

PROGRAM INITIATION

The Fresh AIRE program was launched in January 2007 under the guidance of the county's energy manager. The initiative aims to reduce GHG emissions in county buildings and operations by 10 percent from 2000 to 2012 through several efforts, but focusing primarily on energy efficiency improvements. The county has since expanded the program by endorsing the Cool Counties Climate Stabilization Declaration and committing to halt growth in community-wide greenhouse gas emissions by 2010 and pursue aggressive reductions thereafter (Arlington, 2008; Arlington, 2010).

PROGRAM FEATURES

To help achieve the goal of reducing GHG emissions from county facilities and operations, a major component of the Fresh AIRE program has focused on improving municipal energy efficiency. Projects have ranged from low-cost/no-cost measures, such as turning off lights and lowering thermostat settings, to longer-term durable investments in more efficient technology. Table 5, *Municipal Energy Efficiency Investments and Savings for Arlington County, VA*, illustrates the range of projects the county has undertaken and many of the energy reductions that have been achieved or that are expected in the near future once projects are completed. All of the county's

9. CASE STUDIES

The following case studies describe two local governments' comprehensive programs for improving energy efficiency in their facilities and operations.



Administrative Recommendation

City of Plymouth
201 S. Main
Plymouth, Michigan 48170-1637

www.plymouthmi.gov
Phone 734-453-1234
Fax 734-455-1892

To: Mayor & City Commission
From: Chris S. Porman, City Manager
CC: S:\Manager\Porman Files\Memorandum - Updated MOU for Shared Behavioral Health Co-Response Services 10-05-26.docx
Date: September 29, 2026
RE: Updated Memorandum of Understanding for Shared Behavioral Health Co-Response Services

Background

The Commission will recall that in May of 2026, they approved a Memorandum of Understanding (MOU) between the Charter Township of Northville, the City of Northville and us to fund and support a behavioral health co-response program. This was due, in part, to the potential of the federal grant funding not being available. We have been made aware that the grant monies available for this has been cut and as such, the previous lead agency, Northville Township, has requested some changes to the MOU. In addition, there is a need for each community to sign a Vendor Agreement with Hegira Health as they are the current service provider for behavioral health co-response services.

There is a memo from Chief Cox which outlines the proposed changes in more detail. The MOU has been reviewed by the attorney, as well as the Vendor Agreement and both have been found to be acceptable.

Participation in this MOU enables the City of Plymouth to continue providing critical mental health crisis intervention services, improve public safety outcomes, and reduce the burden on law enforcement through a collaborative, regional approach.

Funding for this service is allocated in the Police Department Budget for FY2027 in the amount of \$29,865.00, which represents the 25% cost share as per the agreement.

Recommendation

City Administration recommends the City Commission authorize the signing of the updated Memorandum of Understanding for Shared Behavioral Health Co-Response Services with the City of Northville and Northville Township. In addition, we recommend the Commission authorize the signing of the Vendor Agreement with Hegira Health, Inc. There is a copy of the MOU and Vendor Agreement for reference and proposed resolution for consideration. Should you have any questions, in advance of the meeting, please feel free to contact myself or the Police Chief.



Administrative Recommendation

City of Plymouth
201 S. Main
Plymouth, Michigan 48170-1637

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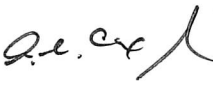
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PLYMOUTH POLICE DEPARTMENT MEMORANDUM

TO: CHRIS PORMAN, CITY MANAGER
FROM: A.L. COX, DIRECTOR OF PUBLIC SAFETY 
SUBJECT: REQUEST FOR APPROVAL OF UPDATED AGREEMENTS FOR BEHAVIORAL HEALTH CO-RESPONSE SERVICES
DATE: 9/25/2026

BACKGROUND

In May of this year, the City Commission approved a Memorandum of Understanding (MOU) for shared behavioral health co-response services between the Cities of Plymouth and Northville and Northville Township. The MOU was put into place since current grant funding for the position had been held up and was not being released. Since that time, all grant funding has been cut, and the current grant will not be renewed. Northville Township has requested the following changes to the MOU:

- Section 2 was amended to address future renewals, amendments, or successor agreements with any provider.
- Section 3.1 was amended to explicitly state that while Northville Township is the lead entity, they are not financially responsible for the payments of any other party.
- Section 4.2 was amended to establish that Hegira will invoice each participant for their share and that Northville Township is not responsible for collecting and remitting payments on behalf of another Party.
- Section 4.3 was amended to address the process for developing an annual budget.
- Section 8.1 was amended to set the initial term from October 1, 2026 through December 31, 2027.
- Section 8.2 was added to create an automatic renewal process.
- Section 9.3 was amended to further reinforce that parties are responsible for their financial obligation only.

In addition to the updated MOU between our three communities, a Vendor Agreement with Hegira Health, Inc has also been drafted for each community to sign as they are the current service provider for behavioral health co-response services. Both documents are attached to this memorandum.

RECOMMENDATION

As previously stated, the attached MOU and Vendor Agreement simply formalizes the current operational practices associated with this partnership minus federal and state grant funding. As outlined in the MOU, the annual expense allocation will be shared as follows: Northville Township (50%), City of Northville (25%), and City of Plymouth (25%). The City of Plymouth annual cost for FY 2027 will be \$29,865.00 and the budget will support this expenditure.

The City Attorney has reviewed the MOU and the Vendor Agreement and finds both to be acceptable. Therefore, I respectfully request that the City Commission approve the updated Memorandum of Understanding and the Vendor Agreement for Shared Behavioral Health Co-Response Services.

MEMORANDUM OF UNDERSTANDING
FOR SHARED BEHAVIORAL HEALTH CO-RESPONSE SERVICES

1. PARTIES

For valuable consideration, the sufficiency of which is acknowledged, this Memorandum of Understanding ("MOU") is entered into by and between:

- **Charter Township of Northville**, a Michigan municipal corporation, located at 44405 Six Mile Road, Northville, MI 48168 ("Northville Township"),
- **City of Northville**, a Michigan municipal corporation, located at 215 W. Main St., Northville, MI 48167 ("Northville City"), and
- **City of Plymouth**, a Michigan municipal corporation, located at 201 S. Main, Plymouth, MI 48170 ("Plymouth City"),

collectively referred to as the "Parties."

2. PURPOSE

The purpose of this MOU is to establish a cooperative agreement among the Parties to fund, administer, and support a **behavioral health clinician** to provide **law enforcement/mental health co-response services** ("Services") within the jurisdictions of the Parties.

This MOU is intended to transition from the prior grant-funded model that provided for these Services, to a model of self-funding by the Parties.

This MOU is further intended to facilitate compliance by the Parties with a Vendor Agreement between the Charter Township of Northville and Hegira Health, Inc., and any renewal, amendment or successor agreement with Hegira Health, Inc. or a successor behavioral health service provider (collectively, the "Service Provider Agreement"). The then-current Service Provider Agreement is incorporated by reference, including particularly the commitments and responsibilities of the Service Provider.

3. CONTRACT STRUCTURE

3.1 Lead Entity

The **Charter Township of Northville** shall act as the **lead** entity on behalf of the Parties for purposes of contracting and administration. Northville Township's role as lead entity shall not make it financially responsible for the payment obligations of any other Party under this MOU.

3.2 Service Provider

Hegira Health, Inc., or a substantially similar successor behavioral health service provider, shall provide services pursuant to the Service Provider Agreement.

3.3 Change of Service Provider

Any change in the Service Provider shall be subject to the approval of all Parties.

4. COST SHARING, PAYMENT AND BUDGET

4.1 Cost Allocation

The total annual cost of the program shall be allocated as follows:

- **Charter Township of Northville: Fifty Percent (50%)**
- **City of Northville: Twenty-Five Percent (25%)**
- **City of Plymouth: Twenty-Five Percent (25%)**

4.2 Payment Process

- The Service Provider shall invoice each Party directly for that Party's respective share of program costs as established in Section 4.1.
- Each Party shall be individually responsible for payment of its invoiced share directly to the Service Provider in accordance with the payment terms established in the Service Provider Agreement.
- The Service Provider shall provide Northville Township, as lead entity, with copies of invoices issued to the Parties and such accounting or payment information as may be reasonably necessary for Northville Township to administer the program and monitor compliance with the approved budget.

- Northville Township shall not be responsible for collecting or remitting payments on behalf of another Party.

4.3 Budget

An **annual budget** shall be prepared by Hegira Health, Inc. or any successor Service Provider, and submitted to the Parties for review and approval. Once approved, the annual budget shall become part of this MOU by reference.

5. GOVERNANCE AND OVERSIGHT

5.1 Oversight Committee

The Parties shall establish a **Program Oversight Committee** consisting of:

- One representative from each Party (e.g., Police Chief or designee)
- Administrative or finance designees as agreed by the Parties.

5.2 Responsibilities

The Committee shall:

- Comply with the Service Provider Agreement.
 - Review and approve annual budgets
 - Monitor program performance and financial compliance with the approved annual budget and cost allocation.
 - Provide operational direction
 - Address interagency coordination and dispute resolution, if any
-

6. Governmental Immunity

Each Party retains all immunities and defenses available under Michigan law, including the **Governmental Tort Liability Act**.

7. CONFIDENTIALITY AND INFORMATION SHARING

7.1 Confidential Information

All Parties agree to protect confidential information and not disclose such information without proper authorization.

7.2 Information Sharing

Information sharing shall be limited to what is necessary for coordination of care and service delivery.

8. TERM AND RENEWAL

8.1 Initial Term

This MOU shall have an initial term beginning October 1, 2026 and continuing through December 31, 2027, unless terminated or withdrawn from earlier in accordance with Section 9.1.

8.2 Automatic Renewal

Following the Initial Term, this MOU shall automatically renew for successive one-year terms beginning January 1 and ending December 31 of each calendar year, unless a Party provides written notice of its intent not to renew at least ninety (90) days before the expiration of the then-current term.

9. TERMINATION AND WITHDRAWAL

9.1 For Cause

Any Party may terminate this MOU for breach by another Party upon thirty **(30) days written notice** and opportunity to cure.

9.2 Without Cause

A Party may withdraw from this MOU without cause by providing written notice to the other Parties at least ninety (90) days prior to the expiration of the then-current term. Any such nonrenewal shall become effective upon expiration of the then-current term.

9.3 Effect of Termination, Withdrawal or Nonrenewal Upon Payment Responsibilities

If a Party terminates, withdraws or elects not to renew:

- That Party is responsible for its share of incurred costs for Services through the effective date of its termination, withdrawal or nonrenewal.
 - No Party shall be responsible for the unpaid financial obligations of another Party unless expressly agreed to in writing.
 - Remaining Parties may renegotiate cost allocations
 - Remaining Parties may terminate the program entirely
-

10. CONFLICT OF INTEREST

The Parties agree that no employee or representative shall have a conflict of interest that would impair performance under this MOU.

11. AMENDMENTS

This MOU may be amended only by written agreement signed by all Parties.

12. ENTIRE AGREEMENT

This MOU represents the entire understanding between the Parties and supersedes prior agreements related to this subject matter.

13. SEVERABILITY

If any provision of this MOU is found invalid or unenforceable, the remaining provisions shall remain in full force and effect.

14. NO WAIVER

Failure to enforce any provision shall not constitute a waiver of that provision or any other provision.

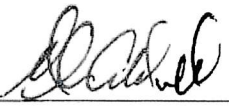
15. GOVERNING LAW

This MOU shall be interpreted and enforced according to the laws of the State of Michigan.

IN WITNESS WHEREOF, the Parties have executed this Memorandum of Understanding on

_____.

CHARTER TOWNSHIP OF NORTHVILLE

By: 
Name: GLENN CALDWELL
Title: TOWNSHIP MANAGER
Date: 07/21/26

CITY OF NORTHVILLE

By: _____
Name: _____
Title: _____
Date: _____

CITY OF PLYMOUTH

By: _____
Name: _____
Title: _____
Date: _____

Vendor Agreement

Charter Township of Northville and Hegira Health, Inc.

This is a vendor agreement ("Agreement") between the Charter Township of Northville ("Township"), located at 40911 Seven Mile Rd, Northville, MI 48186 and Hegira Health, Inc. (HHI) located at 37450 Schoolcraft Rd., Ste. 110, Livonia, MI 48150 and is effective October 1, 2026, through December 31, 2027.

Purpose:

The Northville Township Police Department, City of Plymouth Police Department, and City of Northville Police Department ("Parties") seeks to embed a mental health clinician within their department to provide law enforcement/mental health co-response services to the residents of Northville Township, the City of Plymouth and the City of Northville. The Northville Township Police Department ("NTPD") will be the lead administrative entity on behalf of the Parties.

Statement of Work:

HHI will provide one full time, licensed, Masters-level clinician (Social Worker, Counselor or Psychologist) to be embedded within NTPD. The clinician will be available to co-respond with officers at the scene either in real time or be called out by the officer after their initial dispatch to the scene. The Parties shall have the discretion in deciding at what stage the clinician should be involved in any situation, including whether the clinician should accompany responders in the initial response or at a later time. The Parties shall make reasonable efforts, based upon the information and circumstances presented at the time, to assess and secure the premises before clinician involvement. The Parties do not warrant or guarantee that any scene or premises will be free from hazards or that injury will not occur. The Parties shall not be responsible for liability arising from an injury caused by the acts or omissions of the clinician. The clinician will follow-up with individuals whom they have had contact with and provide ongoing crisis stabilization services to ensure they are linked to treatment and services in the community. "Crisis stabilization services" shall mean the continued support for the individual with the primary goal of linking them to ongoing treatment services in the community to prevent future crises/911 calls. This would involve short term therapy, case management, and linkage and referral to resources (food, housing, ongoing therapy/psychiatric services, etc). To ensure timely access, the clinician will also be available to provide telehealth consultation and assessment services either to support officers in the field or directly for persons needing services, which shall be at the Parties's discretion. The designated clinician will respond to calls for service for the Northville Township Police Department, City of Northville Police Department, and City of Plymouth Police Department, and will not respond to calls for any other jurisdiction unless the Parties provide written authorization to do so. HHI and NTPD will work together to interview and select candidates and ensure that all background clearance and credentialing documents are obtained and verified prior to employment. NTPD shall have a right at any time to reject any clinician in the course of his or her work under this Agreement upon thirty (30) days' written notice to HHI, in which case HHI shall remove the clinician from service under this Agreement and hire a replacement clinician within a reasonable time period. Notwithstanding the foregoing, NTPD may require immediate removal of the clinician from service in cases involving misconduct, breach of confidentiality, failure to maintain required credentials, or significant performance deficiencies.

Compensation:

HHI will employ one Behavioral Health Clinician dedicated to providing the services described in this Agreement for the Northville Township Police Department, City of Northville Police Department, and City of Plymouth Police Department. HHI shall be solely responsible for all direct and indirect costs associated with providing such services, including, but not limited to, salary, benefits, equipment, travel, insurance, supervision, training, administrative support, and overhead.

In consideration of the services provided under this Agreement, HHI shall separately invoice each participating municipality for its respective share of the compensation set forth in Exhibit A. HHI shall invoice the Charter Township of Northville for fifty percent (50%) of the monthly fee, the City of Northville for twenty-five percent (25%) of the monthly fee, and the City of Plymouth for twenty-five

percent (25%) of the monthly fee. Each participating municipality shall be solely responsible for payment of its respective invoiced share. No participating municipality shall be responsible for, guarantee, advance, or otherwise satisfy any amount owed by another participating municipality. Payment shall be due within thirty (30) days of the applicable invoice date.

The compensation set forth in Exhibit A is a fixed annual fee and is not subject to adjustment based on HHI's actual costs or expenses incurred in providing the services. Exhibit A is provided solely for the purpose of describing the basis for the annual fee and shall not be construed as a cost-reimbursement budget or as limiting HHI's recovery of administrative, indirect, overhead, or other costs incurred in the performance of this Agreement.

If the designated clinician position becomes vacant for any reason and HHI does not immediately assign a qualified replacement clinician who is providing substantially equivalent services under this Agreement, the total monthly fee shall be prorated for the period during which the position remains vacant. The proration shall begin on the first day services are unavailable and continue through the day immediately preceding the replacement clinician's commencement of services. The prorated reduction shall be applied proportionately to each participating municipality's invoice based upon the 50%/25%/25% cost allocation.

Annual Price Adjustment. The compensation set forth in Exhibit A shall apply for the period October 1, 2026 through December 31, 2027. Effective January 1, 2028, the annual compensation shall automatically increase by the greater of (i) three percent (3%) or (ii) the percentage increase in the Consumer Price Index for All Urban Consumers (CPI-U), U.S. City Average, as published by the U.S. Bureau of Labor Statistics for the preceding twelve-month period, not to exceed five percent (5%). The adjusted compensation shall be reflected in an updated Exhibit A and shall not require further amendment to this Agreement.

Independent Contractor Status:

It is understood by and between the parties that HHI is an independent contractor and that no employee/employer relationship is created under this Agreement. HHI and its employees are not employees of the Charter Township of Northville or the NTPD and are therefore not entitled to any benefits afforded under such a relationship. HHI will be responsible for all payments of wages, benefits, and taxes for program staff in accordance with company personnel policies and applicable laws. HHI will carry workers compensation and liability insurance coverage for its employees as required by law and in amounts consistent with industry standards and this Agreement.

Representations and Insurance Coverages:

- I. HHI represents and warrants that it is duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, and that it has all necessary rights, title and licenses to provide the services under this Agreement.
- II. HHI represents and warrants that it will perform the services in a professional manner in accordance with industry standards.
- III. Insurance. During the term of this Agreement, and any renewal hereafter, HHI shall, at its own expense, obtain and keep in force policies of insurance, including commercial general liability insurance, excess liability insurance and professional liability insurance, with coverage limits of not less than \$1,000,000.00 per occurrence and not less than \$3,000,000.00 aggregate. HHI shall also obtain bodily injury insurance with coverage limits of not less than \$500,000 per occurrence. The Charter Township of Northville, City of Plymouth, and City of Northville shall each be named as additional insureds on HHI's applicable insurance policies. Upon the execution of this Agreement, and every renewal period thereafter that this Agreement remains in effect, HHI shall furnish the Township with a completed "Proof Of Insurance For Township Projects" (a copy of which is attached to this Agreement) evidencing that the policies of insurance are in effect and providing that the Township shall be notified in writing at least 30 days before cancellation of, any material change in, or renewal of the policy.
- IV. All insurance maintained by HHI under this Agreement, including workers' compensation insurance to the extent permitted by law, shall include a waiver of subrogation in favor of the Charter Township of Northville, City of Plymouth, and City of Northville, and their respective officials, officers,

employees, agents, and volunteers. HHI shall cause its insurers to waive all rights of recovery and subrogation against such entities and persons with respect to losses covered by the applicable policies.

Records Management:

HHI shall maintain appropriate records relating to service, client care, and financial information. All records of service will be documented in HHI's electronic health record. Individuals choosing to continue with community-based services following the initial crisis contact will be required to consent to a program specific release of information that includes both HHI and NTPD. HHI will keep all records for ten years after the termination of this Agreement.

Confidentiality:

Both HHI and NTPD will keep confidential and not disclose the other party's confidential information without express permission via written consent. Additionally, both parties agree not to use, or permit others to use the other party's confidential information for any purpose other than related to the provision of services. Both parties will take all reasonable measures to avoid disclosure of confidential information, including, at a minimum, those measures and degree of care it takes to protect its own confidential information. Nothing herein shall be construed to limit or prohibit the Township's compliance with the Freedom of Information Act, MCL 15.231, et seq.

HHI, its personnel, and anyone it may contract with to provide services under this Agreement, shall comply with the Health Insurance Portability and Accountability Act of 1996 (HIPAA, Public Law 104-191, as amended) and 42 CFR Part 2: Confidentiality of Substance Use Disorder Patient Records.

Conflict of Interest:

The Township agrees to not directly hire HHI staff placed in the Mobile Crisis Co-Response Clinician position unless they have been vacated from the position for at least twelve consecutive months. Both HHI and the Township affirm that no principal, representative, agent, or other person acting on behalf of or legally capable of acting on behalf of each entity is currently an employee of the other entity. If such a person comes to exist in the future, measures will be taken to ensure confidentiality of sensitive information.

Standard Assurances and Non-Discrimination:

No employee or applicant for employment with HHI shall be subjected to discrimination with respect to hiring, recruitment, advancement or discharge, and shall adhere to all applicable Federal, State and local laws, ordinances, rules and regulations, and policies prohibiting discrimination.

Debarment and Suspension:

HHI certifies to the best of its knowledge and belief that it and its subcontractors:

- I. Are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in any federal department or agency.
- II. Have not within a three-year period preceding this Agreement been convicted of, or had a civil judgement rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, performing in a public transaction or contract; violation of state and/or federal antitrust statutes; or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements or receiving stolen property.
- III. Have not within a three-year period preceding the effective date of this Agreement, had one or more public transactions terminated for cause or as a result of default.

Term and Termination:

The term of this Agreement shall commence on October 1, 2026, and shall expire on December 31, 2027, unless earlier terminated in accordance with the provisions below. Any extension or renewal of this Agreement shall require the written agreement of the parties.

- I. Either party may terminate this Agreement for cause if the other party is in breach by providing written notice to the breaching party within thirty days of the breach. The notice shall specify the breach for which the Agreement is potentially being terminated with the desired cure necessary to prevent contract termination. If the breaching party fails to remedy the breach to the satisfaction of the other party before the effective date of termination, this Agreement shall terminate.
- II. Either party may terminate this Agreement without cause upon **ninety (90)** days prior written notice to the other party. During such notice period, the parties shall continue to perform all obligations required under this Agreement.
- III. Notwithstanding the term of this Agreement or any other termination provision herein, the Charter Township of Northville may terminate this Agreement upon sixty (60) days' prior written notice to HHI if funding designated or relied upon for the services contemplated under this Agreement is reduced, eliminated, not appropriated, or otherwise becomes unavailable. This shall include funding provided by the Township, a participating municipality, a grantor, or any other governmental or external funding source. Upon request by HHI, the Township shall provide reasonable documentation supporting the reduction, elimination, non-appropriation, or unavailability of such funding.
- IV. The reduction, elimination, non-appropriation, or nonpayment of any participating municipality's share shall not increase the financial obligation of any other participating municipality under this Agreement.

Assignment:

- I. HHI may not assign any portion of this Agreement without first obtaining the written consent and approval from the Township. The request for assignment must include evidence satisfactory to the Township, that in the Township's sole discretion, the proposed assignee qualifies under all requirements of this Agreement. Any such assignment shall not act to release HHI from its obligations, duties and responsibilities under this Agreement.

Miscellaneous:

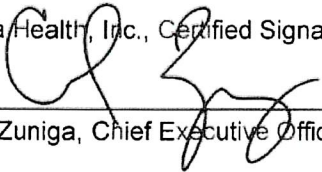
- I. This instrument contains the entire Agreement of the parties, and all prior verbal and/or written negotiations are merged herein. Any amendments or modifications to this Agreement must be approved by both parties in writing and shall be incorporated by an addendum or attachment to this Agreement.
- II. Photocopies, Facsimile transmissions, and other reproductions of this Agreement will be deemed to be original counterparts of this Agreement.
- III. This Agreement is intended to be performed in accordance with, and only to the extent permitted by, all applicable laws, ordinances, rules, and regulations. If any provision of this Agreement or its application to any person or circumstance is, for any reason and to any extent, invalid or unenforceable, the remainder of this Agreement and the application of the provision to other persons or circumstances shall not be affected by it, but rather shall be enforced to the greatest extent permitted by law.
- IV. No waiver by either party of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the party. No failure to exercise, or delay in exercising, any right, remedy, power, or privilege arising from this Agreement shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy or privilege.
- V. This Agreement shall be enforced and governed in accordance with the laws of the State of Michigan.

Certification:

The persons signing on behalf of each party certify by their signatures that they are authorized to sign this Agreement on behalf of each party and that this Agreement has been authorized.

Hegira Health, Inc., Certified Signature

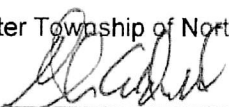
Date: September 4, 2026



Carol Zuniga, Chief Executive Officer

Charter Township of Northville, Certified Signature

Date: 09/21/26



Name, Title GLENN CARDWELL, Township Manager

City of Northville, Certified Signature

Date:

Name, Title

City of Plymouth, Certified Signature

Date:

Name, Title



Northville/Northville Twp/Plymouth PD – Hegira Health, Inc.
Proposed FY27 Budget

Annual Budget

Expenditure Category	Amount	Description
Salaries	\$81,522	1 FTE Mobile Crisis Co-Response Clinician .1 FTE Program Manager
Fringe Benefits	\$28,533	35% of Salaries
Local Travel	\$1,000	Mileage Reimbursement for Clinician use of Personal Vehicle
Office Supplies/Telephone	\$400	
Insurance Allocation	\$1,245	Liability Insurance/Worker's comp
Total Direct Expense	\$112,700	
Indirect Expense	\$6,762	6% of Direct Costs (includes IT, HR, Admin, Acct, Quality Mgmt, Marketing, Facilities)
Total Annual Expense	\$119,462	
Total Monthly Expense	\$9,955	

RESOLUTION

The following Resolution was offered by Comm. _____ and seconded by Comm. _____.

WHEREAS, the City of Plymouth recognizes the increasing need for coordinated responses to behavioral health crises involving mental health and substance use within the community; and

WHEREAS, the City of Plymouth, the Charter Township of Northville, and the City of Northville have previously participated in a grant-funded co-response program pairing behavioral health clinicians with law enforcement personnel; and

WHEREAS, the participating municipalities desire to continue and sustain these co-response services through a jointly funded intergovernmental agreement with a qualified behavioral health provider; and

WHEREAS, the proposed updated Memorandum of Understanding establishes a cost-sharing arrangement, administrative structure, and oversight framework to ensure effective delivery of services across jurisdictions; and

WHEREAS, participation in this agreement promotes public safety, enhances access to appropriate care, and supports more efficient use of law enforcement and emergency response resources;

NOW, THEREFORE, BE IT RESOLVED that the City Commission of the City of Plymouth hereby approves the updated Memorandum of Understanding for Shared Behavioral Health Co-Response Services.

BE IT FURTHER RESOLVED that the City Commission of the City of Plymouth hereby approved the Vendor Agreement with Hegira Health, Inc.

BE IT STILL FURTHER RESOLVED, that the City Manager is authorized to execute the agreement(s) on behalf of the City.



Administrative Recommendation

City of Plymouth
201 S. Main
Plymouth, Michigan 48170-1637

www.plymouthmi.gov
Phone 734-453-1234
Fax 734-455-1892

To: Mayor & City Commission
From: Chris S. Porman, City Manager
CC: *S:\Manager\Porman Files\Memorandum - Second Amendment to Salem landfill Letter of Intent - 10-05-26.docx*
Date: October 1, 2026
RE: Second Amendment to Salem Landfill Letter of Intent (LOI) Non-Binding

Background

The City Commission may recall that on August 4, 2025, it approved a non-binding Letter of Intent (LOI) with RSB Holdings, LLC for the potential sale of the property commonly known as the Salem Landfill. The approximately 42-acre property is located at 7511 Chubb Road in Salem Township and has not operated as a landfill since 1971. Due to its former use and associated environmental restrictions, opportunities to repurpose the property are limited.

The original LOI provided RSB with 180 days to evaluate the feasibility of utilizing the property for mulch production, storage and distribution. In January 2026, the City Commission approved a First Amendment extending the due diligence period by an additional 180 days, through August 2026.

During this time, RSB has continued working with the Michigan Department of Environment, Great Lakes, and Energy (EGLE) to better understand the regulatory requirements associated with repurposing the property while maintaining the necessary environmental protections. Although initial discussions with EGLE have been positive, additional testing and evaluation are necessary before the state can determine whether the proposed use is acceptable.

EGLE has indicated to RSB that at least 12 additional months of testing may be necessary to establish environmental baseline information. As a result, RSB has requested an additional 18-month extension to allow sufficient time to complete the anticipated testing, evaluate the results and continue working with EGLE.

The proposed Second Amendment would extend the LOI expiration date to January 20, 2028. No other terms of the original LOI would change. Both the original agreement and the proposed amendment remain non-binding and non-exclusive, meaning neither party is obligated to proceed with or negotiate a purchase agreement.

Any potential sale would require a separate purchase agreement addressing environmental obligations, permitted uses and necessary regulatory approvals. The City's Brownfield Attorney has reviewed and approved the proposed amendment.

Attached is a memorandum from Economic Development Director John Buzuvis providing additional background on the property, the due diligence process and the requested extension.

Recommendation

The City Administration recommends that the City Commission approve the Second Amendment to the Salem Landfill Letter of Intent with RSB Holdings, LLC and authorize the Mayor to execute the amendment on behalf of the City. A proposed resolution has been included for the City Commission's consideration.

Should you have any questions in advance of the meeting, please feel free to contact either myself or John Buzuvis.



Administrative Recommendation

City of Plymouth
201 S. Main
Plymouth, Michigan 48170-1637

www.plymouthmi.gov
Phone 734-4531234
Fax 734-455-892

To: Chris Porman, City Manager

From: John Buzuvis, Economic Development Director

CC: S:\City\Salem Landfill Sale 2024\City Commission Information

Date: October 1, 2026

RE: Second Amendment to Salem Landfill Letter of Intent (LOI) to Sell- Nonbinding

Background

On August 4, 2025, the City Commission approved a non-binding Letter of Intent (LOI) with RSB Holdings, LLC (RSB) for the potential purchase of the long-closed former City of Plymouth municipal landfill located at 7511 Chubb Road (Five Mile and Chubb Roads), Salem Township. The LOI provided a 180-day due diligence period to allow RSB to evaluate the feasibility of its proposed use of the property for mulch production and storage. A First Amendment to the Letter of Intent, was approved in January 2026 extending the expiration date of the LOI for an additional 180 days to continue due diligence and work with the Michigan Department of Environment, Great Lakes, and Energy (EGLE) on what additional steps must be taken to receive their approval to use the property as a mulch production/storage/distribution facility.

Since execution of the initial LOI, RSB has worked with EGLE to understand regulatory requirements necessary to pursue its proposed use while maintaining appropriate environmental protections. Due diligence associated with former landfill properties is complex and time intensive. While progress has been made and initial feedback from EGLE has been positive, additional work and consultation are required before determinations can be finalized. EGLE has indicated that the proposed use may be viable, but they may require additional at least 12 months of testing to establish additional baselines, prior to them approving the property for the stated use. The first extension to the LOI expired in late August 2026 the purchaser was working with EGLE to understand the extent and potential time frame of any additional testing prior to requesting an additional extension. EGLE indicated to RSB they anticipate at least 12 months of additional testing, RSB has requested an 18-month extension to allow additional time for review of testing data and to work with EGLE.

The requested extension is presented as a Second Amendment to the Letter of Intent, which would extend the expiration date by an additional 18 months. The original LOI and the proposed amendment enclosed are non-binding and non-exclusive and do not obligate either party to proceed with or negotiate a purchase agreement.

The subject property, commonly known as the Salem Landfill, encompasses approximately forty-two acres and operated from 1955 to 1971. The landfill was constructed within a former sand and gravel pit and accepted municipal waste from Salem Township, Redford Township, the City of Plymouth, the City of Detroit, and the City of Livonia. Prior to closure, the landfill was capped with approximately two feet of clay, with an additional clay cap installed in the mid-1990s through a grant from the Michigan Department of Natural Resources (DNR).

Based on available records, the City has not previously marketed the property for sale. Due to its historic use, future development options are limited; however, some viable reuse opportunities exist. In recent years, the administration has received inquiries regarding potential uses of the site, including discussions in 2020 regarding heavy equipment and truck storage, which ceased due to market conditions related to the pandemic. The administration also explored the potential for solar energy development with DTE Energy; however, that option was determined to be infeasible due to limited local demand and prohibitive infrastructure costs.

An appraisal completed in June 2025 determined the value of the property to be \$42,000. The administration has worked closely with the City's Brownfield Attorney regarding potential future use of the site and the review of both the original LOI and the proposed First, and Second Amendment.

While the LOI and proposed Second Amendment are non-binding and non-exclusive, they formalize the parties' mutual intent to continue the due diligence process that may lead to a future Purchase Agreement (PA). Any future PA would include detailed provisions regarding permitted and restricted uses, environmental compliance obligations, and EGLE approvals.

If the City Commission approves the Second Amendment, RSB is expected to continue its due diligence activities, including environmental assessments, ongoing coordination with EGLE, and other necessary studies. Approval of the Second Amendment would not modify the terms of the original LOI, other than extending the expiration date by 18 months so to hopefully accommodate additional testing requirements from EGLE. The LOI identifies a proposed purchase price of \$42,000; however, the ultimate feasibility and value of the property remain dependent upon regulatory approvals and environmental constraints.

Recommendation

The administration recommends that the City Commission approve the Second Amendment to the Letter of Intent with RSB Holdings, LLC, and authorize the mayor to execute the amendment on behalf of the city.

SECOND AMENDMENT TO LETTER OF INTENT

This **Second Amendment to Letter of Intent** (this "Second Amendment") is entered into by and between RSB Holdings, LLC (on behalf of a to be formed entity) ("Purchaser") and the City of Plymouth ("Seller")(collectively referred herein as to the "Parties")

1. Purpose

The purpose of this Second Amendment is to extend the term of the attached Letter of Intent (Exhibit 1) approved by the City of Plymouth on August 4, 2025 (hereinafter the "LOI"), that being the effective date of the LOI, to extend the Purchaser's due diligence period that may involve certain environmental testing by Purchaser's, to be conducted at Purchaser's own expense, and which may require prior written approval by Seller as set forth in the LOI.

2. Extension of Term

The Parties entered into a First Amendment to Letter of Intent on January 20, 2026 extending Purchaser's due diligence period which has now expired. Accordingly, the Parties now hereby agree that the term of the LOI is extended for an additional 18 months, **extending up to January 20, 2028**, unless earlier terminated in accordance with the terms of the LOI.

3. No Other Modifications

Except as expressly modified by this Second Amendment, all terms, conditions, representations, obligations, and provisions of the LOI remain unchanged and in full force and effect.

4. Effect of Amendment

This Second Amendment constitutes the second amendment to the LOI and shall be read together with, and incorporated into, the LOI. In the event of any conflict between this Second Amendment and the LOI, the terms of this Second Amendment shall control.

5. Governing Law

This Second Amendment shall be governed by and construed in accordance with the governing law provision set forth in the LOI.

6. Counterparts and Electronic Signatures

This Second Amendment may be executed in counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument. Electronic signatures shall be deemed valid and binding.

IN WITNESS WHEREOF, the Parties have executed this Second Amendment to Letter of Intent as of the dates set forth below.

SELLER

CITY OF PLYMOUTH

By: _____

Name: _____

Title: _____

Date: _____

BUYER

RSB HOLDINGS, LLC

A Michigan limited liability company

By: _____

Name: Randy Blackman

Title: Owner

Date: _____

Letter of Intent

July 21, 2025

This Letter of Intent outlines the non-binding basic terms and conditions upon which RSB Holdings, LLC (on behalf of a to be formed entity) ("**Purchaser**") proposes to enter into a definitive and formal Purchase and Sale Agreement (the "**PSA**") with the City of Plymouth ("**Seller**") to purchase the property referenced below.

PROPERTY: Land and improvements known as 7511 Chubb Road, Northville, Michigan 48168, (the "**Property**").

PURCHASE PRICE: \$42,000.00 in cash at closing of the transaction ("**Closing**")

PURCHASE AND Seller to prepare initial draft of the PSA prior to the expiration of the Inspection Period.

INSPECTION PERIOD: The Inspection Period shall expire one hundred eighty (180) days after the date of this letter. During this period, Purchaser may inspect the Property as Purchaser may deem prudent and advisable.

If for any reason, Purchaser determines prior to the expiration of the Inspection Period that the Property is not suitable for Purchaser's intended use, Purchaser shall so inform Seller in writing and neither party shall have any further obligation to the other.

Notwithstanding anything contained herein to the contrary, any on-site inspections of the Property shall only be done upon no less than three (3) days prior written notice to the Seller and, prior to entry into the Property, Purchaser shall provide Seller with a copy of a general liability insurance policy under terms reasonably acceptable to the Seller, naming Seller as an additional insured and loss payee on such policy.

Purchaser shall not do any invasive testing of the Property, except as may be recommended by an environmental consultant and upon prior written consent of the Seller.

TITLE /SURVEY: Seller shall deliver a title commitment within thirty (30) days after the date of this letter. Purchaser, at Purchaser's expense, may order a new ALTA/ASCM survey of the Property.

CLOSING	The Closing will occur fifteen (15) days after the expiration of the Inspection Period.
PRORATIONS:	Appropriate taxes, assessments, and other applicable items shall be prorated as of the day of closing in accordance with local custom (as verified by the Title Company). After closing, Purchaser shall be responsible for the future installments of any special assessments.
CLOSING COSTS:	Purchaser shall be solely responsible for all recording fees, the cost of any survey, any transfer taxes, the cost of the Owner's Policy, any escrow fees, any endorsements for the Owner's Policy and costs of its inspections.
POSSESSION:	Provided to Purchaser at Closing.
NON-BINDING:	This letter of intent is intended only to express an interest to purchase and sell the Property and is not binding on either party. The parties intend that neither shall have any contractual obligations or liabilities to the other with respect to the matters referred to herein unless and until a definitive agreement has been fully-executed. The parties agree that the proposals contained herein (i) are not intended to create any agreement or obligation by either party to negotiate a definitive agreement, and (ii) impose no duty whatsoever on either party to negotiate or continue negotiations, including, without limitation, any obligation to negotiate in good faith or in any way other than at arm's length.
REPRESENTATIONS AND WARRANTIES:	The PSA shall only contain representations and warranties from Seller with respect to standard municipal authority and, at Closing, agrees to accept the Property in its then current "as is, where is" condition. Purchaser further acknowledges that the Property was formerly used as a landfill.
NON-DISCLOSURE AGREEMENT	Notwithstanding anything contained herein to the contrary, the obligations of the confidentiality agreement previously entered into by the parties shall continue until the earlier of the closing

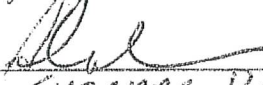
on the sale of the Property or two (2) years from expiration of the Inspection Period.

INDEMNIFICATION:

Purchaser agrees to protect, indemnify, defend, and hold Seller, its members, commissioning, and affiliates and each of their respective officers, directors, employees, agents, successors, and assigns (collectively the "**Indemnified Parties**") harmless from and against any claims for liabilities, losses, expenses (including reasonable attorneys' fees), damages, or injuries actually incurred by any of the Indemnified Parties arising out of, resulting from, relating to, or connected with: (a) any inspections or testing of the Property by Purchaser or its agents, representatives, contractors, or employees; and (b) any breach or violation of the provisions of this Agreement. The foregoing indemnity shall survive the termination of the Purchase Agreement.

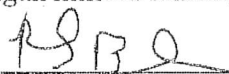
SELLER:

City of Plymouth

By: 
Name: SUZANNE DEAL
Title: MAYOR

PURCHASER:

RSB Holdings, LLC,
a Michigan limited liability company

By: 
Name: Randy Blackman
Title: Owner

FIRST AMENDMENT TO LETTER OF INTENT

This **First Amendment to Letter of Intent** (this "Amendment") is entered into by and between RSB Holdings, LLC (on behalf of a to be formed entity) ("Purchaser") and the City of Plymouth ("Seller")(collectively referred herein as to the "Parties")

1. Purpose

The purpose of this Amendment is to extend the term of the attached Letter of Intent (Exhibit 1) approved by the City of Plymouth on August 4, 2025 (hereinafter the "LOI"), that being the effective date of the LOI. All capitalized terms not defined in this Amendment shall have the meanings ascribed to them in the LOI.

2. Extension of Term

The Parties hereby agree that the term of the LOI is extended for an additional **one hundred eighty (180) days**, measured from August 4, 2025, unless earlier terminated in accordance with the terms of the LOI.

3. No Other Modifications

Except as expressly modified by this Amendment, all terms, conditions, representations, obligations, and provisions of the LOI remain unchanged and in full force and effect.

4. Effect of Amendment

This Amendment constitutes the first amendment to the LOI and shall be read together with, and incorporated into, the LOI. In the event of any conflict between this Amendment and the LOI, the terms of this Amendment shall control.

5. Governing Law

This Amendment shall be governed by and construed in accordance with the governing law provision set forth in the LOI.

6. Counterparts and Electronic Signatures

This Amendment may be executed in counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument. Electronic signatures shall be deemed valid and binding.

Sample Resolution

The following resolution was offered by Commissioner _____ and seconded by Commissioner _____.

- WHEREAS the City of Plymouth is the owner of a former landfill located at 7511 Chubb Road, Northville, Michigan 48168, which ceased operation in 1971; and
- WHEREAS the City Commission approved a 180-day non-binding Letter of Intent with RSB Holdings, LLC on August 4, 2025, to evaluate a potential purchase of the property for use as a mulch production and storage facility; and
- WHEREAS the City approved a First Amendment to the Letter of Intent extending the initial 180-day term of the Letter of Intent by an additional 180-day term to expire in August 2026, and
- WHEREAS RSB Holdings, LLC has worked with the Michigan Department of Environment, Great Lakes, and Energy (EGLE) to conduct required due diligence related to the proposed use of the property; and
- WHEREAS The Department of Environment, Great Lakes, and Energy (EGLE), is requiring an additional at least 12-months of due diligence and testing, and
- WHEREAS the Second Amendment to the Letter of Intent provides for an additional 18-month extension non-binding and non-exclusive due diligence period to expire January 20, 2028; and
- WHEREAS the City of Plymouth Brownfield Attorney has reviewed and approved the Second Amendment to the Letter of Intent;

NOW, THEREFORE, BE RESOLVED, that the City of Plymouth City Commission approves the Second Amendment to the Letter of Intent and authorizes the mayor to execute the amendment on behalf of the city.



Administrative Recommendation

City of Plymouth
201 S. Main
Plymouth, Michigan 48170-1637

www.plymouthmi.gov
Phone 734-453-1234
Fax 734-455-1892

To: Mayor & City Commission
From: Chris S. Porman, City Manager
CC: S:\Manager\Porman Files\Memorandum - ADP Payroll Processing Services Agreement - 10-05-26.docx
Date: October 2, 2026
RE: ADP Payroll Processing Services Agreement

Background

In April 2026, the City experienced a vacancy in its payroll clerk position. To maintain uninterrupted payroll services, several administrative employees assumed additional responsibilities associated with payroll processing while continuing their regular duties. Although this approach has allowed the City to meet its payroll obligations, it also presented an opportunity to evaluate the efficiency and long-term sustainability of the City's current payroll operations.

As part of this review, the Finance Department explored alternatives to processing payroll internally, with an emphasis on reducing administrative responsibilities, improving internal controls, maintaining regulatory compliance and providing employees with greater access to their payroll information. The Finance Director also consulted with the City's independent auditor, who indicated that outsourcing payroll processing could provide operational efficiencies, strengthen internal controls and reduce the administrative burden associated with payroll tax reporting and compliance.

The Finance Department evaluated three payroll processing options: the City's existing BS&A payroll module, NeoGov and ADP. Each system offers different levels of functionality, administrative support and associated costs. The following summarizes the evaluation:

Provider	Administrative Burden	Compliance Burden	Employee Functionality	Annual Cost
BS&A (Current)	High	High	Low	\$8,041
NeoGov	Low	Low	High	Approx. \$30,000
ADP	Low	Low	High	Not to exceed \$15,675 initially

Based on this evaluation, the Administration recommends transitioning to ADP for payroll processing services. ADP provides many of the operational and employee-service benefits identified during the review at a lower cost than the NeoGov alternative. Under the proposed arrangement, ADP would assume responsibility for payroll processing, payroll tax administration, quarterly and annual tax filings, year-end reporting and W-2 preparation. Employees would also have access to payroll information and pay statements through ADP's self-service application.

The City would remain responsible for funding its payroll and associated tax obligations, while ADP would administer the required electronic payments, tax deposits and filings on the City's behalf. Historical payroll records would remain available to authorized City personnel. Transitioning these responsibilities to a dedicated payroll provider would reduce the amount of staff time devoted to routine processing and compliance activities, while allowing Finance Department personnel to focus on other financial management, reporting and treasury responsibilities.

ADP has offered promotional pricing that includes a waived implementation fee and a twelve-month promotional discount distributed across the first three years of service. The proposed pricing is as follows:

Calendar Year	Annual Cost
2027	Not to exceed \$15,675
2028	\$9,675
2029	\$9,675
2030 and thereafter	\$14,355

While the proposed service represents an increase over the City's current annual BS&A payroll module cost of \$8,041, the additional expense includes payroll tax administration, compliance support, employee self-service functionality and a reduction in the staff resources required to administer payroll internally. In addition, the city does not have the additional expense of hiring an additional employee for this role, which is a cost savings. We will continue with our other BS&A modules, but moving towards ADP will remove the cost of the BS&A payroll module.

The Finance Director will also pursue a prorated credit from BS&A for the unused portion of the existing payroll module subscription, which could help offset the transition costs during the City's 2026–2027 fiscal year.

The Finance Department proposes transitioning to ADP effective January 1, 2027. This implementation date coincides with the beginning of the calendar year, which is also the payroll reporting year, and would simplify the conversion process by avoiding the need to transfer year-to-date payroll balances during an active reporting period.

Upon authorization, City staff would work with ADP to complete the necessary agreements, system configuration, employee information transfers and implementation activities in preparation for the January 1 conversion.

Administrative Recommendation

The City Administration recommends that the City Commission authorize the Finance Director to execute the necessary agreements with ADP for payroll processing services and proceed with implementation for a January 1, 2027, conversion.

This transition represents an opportunity to modernize an essential administrative function, strengthen payroll-related internal controls, improve employee access to information and establish a more efficient and sustainable approach to payroll processing.



CITY OF PLYMOUTH

www.plymouthmi.gov

201 S. Main St.
Plymouth, Michigan 48170-1637

Phone 734-453-1234
Fax 734-455-1892

MEMORANDUM

Date: September 30, 2026
To: Chris Porman, City Manager
From: Priya J King, Finance Director
Subject: Payroll Processing

Issue: Payroll Processing

Background:

As you are aware, in April 2026, our payroll clerk left to pursue opportunities outside of City of Plymouth. This vacancy presented a possible gap in service to the City employees. In the spirit of the Plymouth way, several administrative staff have taken on processing payroll in addition to their current role. The Finance Department wanted to avoid this gap in service and explored alternatives to processing payroll internally. As part of the exploration, the Finance Director sought guidance from the city's auditor on the potential benefits of outsourcing payroll. The auditor advised that outsourcing payroll would provide operational and administrative benefits along with cost savings. Further, it would strengthen the internal controls over payroll. The Finance Department began evaluating options to modernize the City's payroll processing, paying close attention on reducing the administrative and compliance burden associated with payroll processing. The Finance Department evaluated BSA payroll module (current), Neo.Gov and ADP. Each had its own advantages.

	Administrative Burden	Compliance Burden	Employee Access to Functionality	Annual Cost
BSA Payroll	High	High	Low	\$8,041
NeoGov	Low	Low	High	~\$30,000
ADP	Low	Low	High	Not to Exceed \$15,675

After meeting with Neo.Gov and ADP, the Finance Director decided that ADP could possibly be a good fit for the City of Plymouth. The Finance Director reached out to finance/treasurer listservs to find municipalities that outsourced payroll to ADP. Having previous ADP experience and positive feedback from other municipalities and the possible integration with employee benefits and employee equipment usage, the Finance Director confidently recommends transitioning payroll services to ADP.

THE CITY OF HOMES

The Finance department’s goal is to process payroll using ADP starting January 1,2027. This date of conversion is ideal because year to date balances will not become an issue, since payroll operates on a calendar year.

Under the proposed arrangement, ADP will provide payroll processing, payroll tax administration, quarterly and annual tax filings, year-end reporting, and employee self-service functionality. ADP has also indicated that historical payroll records will remain available to City personnel for reference purposes.

The proposed services include:

- Payroll processing for City employees.
- Electronic payroll tax payments and remittances.
- Preparation and filing of federal and state payroll tax returns, including Form 941 filings.
- Year-end payroll reporting and W-2 processing.
- Employee self-service access for payroll information and pay statements through the ADP app.
- City Personnel access to historical payroll records and reporting.

The City will continue to fund all payroll and payroll tax obligations. ADP will electronically debit the required funds from the City's designated account and administer the associated tax deposits, filings, and compliance requirements on the City's behalf.

The proposed transition is expected to bring the following benefits to the city:

- Reduce staff time spent on payroll tax filings and compliance activities.
- Improve operational efficiency and payroll processing reliability.
- Provide enhanced employee self-service capabilities.
- Reduce compliance risk by utilizing a dedicated payroll service provider.
- Improve access to payroll reporting and record retention.
- Allow Finance staff to focus on higher-value financial management and treasury functions.

ADP has provided promotional pricing that includes a waived implementation fee and a twelve-month promotional discount spread across the first three years of service. The estimated annual costs are as follows:

Year	Cost
2027	Not to exceed \$15,675
2028	\$9,675
2029	\$9,675
2030- Ongoing	\$14,355

The Finance Director will pursue a prorated credit from BSA for an increased cost savings for FY 2026-2027.

Recommendation

The city administration believes that transitioning payroll services to ADP will improve operational efficiency, provide additional support and compliance resources, and position the City for a more streamlined payroll process beginning January 1, 2027. The proposed pricing structure, waived implementation fee, and included payroll tax administration services represent a cost-effective solution for the City.

The recommendation is to give authorization to the Finance Director to execute the necessary agreements with ADP for payroll processing services and authorize staff to proceed with implementation activities necessary for January 1, 2027, conversion.



Company Information

City Of Plymouth
201 S Main St
Plymouth, MI 48170-1637
United States

Executive Contact

Priya King
Finance Director
pkings@plymouthmi.gov
(734) 453-1234

INVESTMENT SUMMARY

Employees

90

Implementation

\$0.00

Total Annual

\$14,355.00

Total Savings

-\$14,040.00

Saving during the promotional
period. Annual savings is
(\$4,680.00)

Expiration

10/9/2026

** The Implementation Costs and Total Annual Investment listed out on this Investment Summary are estimates based on the services, frequencies, recurring rates and pay counts outlined on the sales order and are shown for illustrative purposes only. These numbers are not binding amounts and shall not become incorporated into or made a part of any sales order or services agreement governing the services contemplated therein.

“

Easy to onboard new staff and very user-friendly for new and current staff to navigate and use. The App makes it even easier to have all your information in one easy spot. Making employees more responsible for their own information - saves time on HR and payroll departments to make simple changes employees can manage on their own.”

—Teresa Stivala, SHRM-CP

VP of Human Resources, In Flight, Inc.

ADP Sales Associate

Cortney Munger
MAS Broker DM
cortney.munger@adp.com



Priya King
Finance Director
City Of Plymouth
201 S Main St
Plymouth, MI 48170-1637
United States

Sales Order

September 28 2026 | Quote #02-2026-616874

Recurring Fees and Considerations

Number of Employees: 90 on City Of Plymouth

Monthly Processing	Count	Base/Rate	Monthly	Annual
Workforce Now Human Capital Management (HCM) Suite	90	\$11.00	\$990.00	\$11,880.00
• Next Generation Payroll				Included
• Enhanced HR				Included
• Time and Attendance				Included
Payroll Processing Monthly Base Fee	1	\$180.00	\$180.00	\$2,160.00
Employment and Income Verification				
Company and Payroll Historical Documents + Employee Data History	1	\$0.00	\$0.00	\$0.00
Additional Jurisdictions (if applicable)	2+		\$11.00/month	
Estimated quantity of Wisely Pay Cards needed:	1	No Charge,	included with Payroll processing	
Wisely Now check for terms / off cycle payments			\$8.00 per transaction	
Wisely Now check void and/or stop payments			\$10.00 per transaction	
International Employees (if applicable)			\$3.10 per associate per month	
Courier Delivery (if applicable)			\$20.00 per delivery per control	
Printed Checks/Statements (if applicable)			\$0.50 per printed page	
Same Day - Next Day ACH (if applicable)			\$0.55 per transaction	

Annual Processing	Count	Base/Rate	Annual
Year End Forms, W2s or 1099s	90	\$3.50	\$315.00

Total Annual Investment

\$14,355.00

Other Considerations

Hardware and Other Fees	Count	Rate	Total
• Implementation for Company and Payroll Historical Documents + Employee Data History	1	\$0.00	\$0.00

Other Considerations

Implementation	Total
----------------	-------

Total Setup	\$6,700.00
Discount Value	(\$6,700.00)
Total Net Setup	\$0.00

Important Project & Billing Information

Billing for all Services bundled under Workforce Now Human Capital Management (HCM) Suite ("HCM Suite") will begin upon Client's first payroll processing and will be based on the total number of paid positions for all Form W-2 employees paid in the previous calendar month. Billing for Form 1099 workers paid through a specific 1099 worker company code will be at a separate rate and will also be charged on a per position basis. Non-terminated employees based outside the United States will be billed at a separate rate as International Employees. The Payroll Processing Monthly Base Fee will be billed to Client's primary company code. The monthly per position rate for the HCM Suite set forth in this Sales Order is calculated in part on the assumption that Client processes payroll at a frequency other than on a weekly basis. If the actual frequency of pay moves to weekly, ADP reserves the right to adjust such monthly per position rate for the HCM Suite to reflect the increase in frequency of pay.

Client bears all shipping/delivery costs and all risk of loss during any shipment/delivery of Time & Attendance Hardware and related supplies, including relating to maintenance Services.

Client intends to use Direct Deposit and Paycard and be fully paperless for Employee Pay Statements using ADP Self Service and/or ADP Mobile App to view all Pay and W2 information. By doing so, ADP will not charge a delivery fee unless something is in fact delivered.

Promotion

Client will receive 12 months free spread over 3 years, applying to months 7-10 , 19-22 , and 31-34 from each product/controls billing start date (also referred to as the Promotional Period). Items specifically excluded: implementation, tax and banking (including reverse wire), jurisdiction, year-end, maintenance and professional Services fees. Actual promotional value may vary based on a number of reasons, including but not limited to: start date, number of processings and employees paid during the promotional month(s). Services added after the date hereof are not eligible for the Promo.

Other

ADP's Fees for Service will be debited directly out of client's bank account of their choosing seven (7) days from invoice date. ADP will send all invoices to pking@plymouthmi.gov
Expiration Date: 10/9/2026

Important Professional Services Information

History conversion: History Conversion Services include up to seven years of historical data from a single database source. Additional fees may apply for (i) conversion of historical data from more than one database or (ii) more than seven years of historical data.

Summary

Estimated Annual Net Investment:	\$14,355.00	Total Net Implementation:	\$0.00
Estimated Annual Net Investment during promotional period:	\$9,675.00		

The ADP Services Listed on this Sales Order are provided at the prices set forth herein and in accordance with the ADP Master Services Agreement (or other similar agreement governing ADP's services), which shall include any appendix, exhibit, addendum, schedule or other similar document attached thereto or accompanying this Sales Order. By signing below you are acknowledging and agreeing to such terms and conditions and to the listed prices.



ADP, Inc.

Client: City Of Plymouth

Signature: _____

Signature: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

Included Services

Next Generation Payroll

- Unlimited, Anytime Pay
- Tax Filing Service
- Employee Payment Services
- Employee Self Service Portal & Mobile App
- Practitioner Policy Library for configuration
- PTO Accruals, Requests & Approval Workflows
- Wisely Pay Card Services
- Conversational Virtual Assistant

Enhanced HR

- Employee Development Tracking
- Compliance Reporting
- Organization Charting
- Policy Acknowledgement
- Document Cloud
- Communication Broadcasts
- ADP Connect News Feed and Recognition Tools

IT Management Starter

- Buy, ship, manage and reassign employee hardware

Time and Attendance

- Smart Time Capture (Multiple Methods)
- Policy Based Rules Engine & Calculations
- Hourly & Salary Rules Processing
- Real Time Gross to Net Calculations

Employment and Income Verification

- Commercial Employment and Income Verifications
- Social Services Verification
- Workers Compensation Verifications

- Online Reports and Pay Statements
- Group Term Life Auto Calculation
- General Ledger Interface
- Reports Library and Custom Report Writer
- Wage Garnishment Processing
- New Hire Reporting
- Intelligent Insights for Employee Issue Resolution
- Expense Reimbursement (non-taxable)

- New Hire Onboarding / I-9 Workflow
- Multiple Languages & Currencies
- Country Specific Workflows & Processes
- Country Specific Formatting & Custom Fields
- Employee Feedback and Sentiment Surveys
- Total Rewards Statements

- Easily retrieve laptops when offboarding employees

- Automated Payroll Worksheet Creation
- Manager Dashboard
- Mobile Access for Employees and Managers
- Standard & Custom Reports

- Client access to Electronic Reports and Tools
- Immigration Verifications

Thank you for your consideration



GLOBAL MASTER SERVICES AGREEMENT

Effective Date: _____, 20____

As between:

ADP, INC.

(Referred to in this agreement as "**ADP**")

One ADP Boulevard

Roseland, NJ 07068

-and-

City Of Plymouth

(Referred to in this agreement as "**Client**")

201 S Main St

Plymouth, MI 48170-1637

ADP and Client agree that ADP shall provide Client with the following services in accordance with the terms set forth in this Global Master Services Agreement and the applicable Sales Order (as defined herein):

- ADP Payroll Services – delivered via ADP Workforce Now
- ADP Document Cloud
- ADP Marketplace
- ADP Time & Attendance Services
- ADP Workforce Now IT Management, Powered by Electric
- Employment Verification Services
- ESS & MSS Technology
- History Conversion Services
- Human Resources Administration Services – delivered via ADP Workforce Now

ADP, INC.

City Of Plymouth

Signature of Authorized Representative

Signature of Authorized Representative

Name - Please Print

Name - Please Print

Title

Title

Notwithstanding any Investment Summary that may precede this Global Master Services Agreement and the page numbering below, this signature page is the first page of the Global Master Services Agreement and the Investment Summary that precedes it is for illustration purposes only and shall not become part of the Global Master Services Agreement.

Appendices

- Sales Order

Global Master Terms and Conditions

1 Definitions

- 1.1 ADP HCM Services.** Only those Services, as defined below, that have been purchased by Client (as listed on the cover page, a Sales Order or otherwise) will be applicable.
 - 1.1.1 ADP Connect.** Solution that enables Users to (i) view Client news, broadcasts and surveys through a feed set up by Client, (ii) receive notifications, and (iii) receive and award recognitions, points and rewards that may be purchased through a third-party online store.
 - 1.1.2 ADP Document Cloud.** Integrated solution to support maintenance and retrieval of employee-specific documents via cloud-based technology.
 - 1.1.3 ADP Marketplace.** Enable Client to build applications and/or purchase available applications via online store. Provide access to certain Client data stored in ADP systems via industry-standard Application Programming Interfaces (APIs).
 - 1.1.4 ADP Payroll Services.** Administration and processing of payroll including performing gross-to-net calculations and generating and/or transmitting of payment instructions, and also including:
 - 1.1.4.1 ADP Employment Tax Services.** Coordination of payroll-related tax and/or regulatory agency deposits, filings and reconciliations on behalf of employers.
 - 1.1.4.2 ADP Wage Garnishment Payment Services.** Garnishment payment processing and disbursement of payments to appropriate Payees as directed by Client.
 - 1.1.4.3 ADP Wage Payment Services.** Payment of wages, commissions, consulting fees, or similar compensation or work-related expenses in the employment context to employees and independent contractors via direct deposit, check or payroll debit cards, in each case only to the extent applicable.
 - 1.1.4.4 Print and Online Statement Services.** Print and distribution of payroll checks, pay statements, and/or year-end statements, as well as online posting of pay statements and/or year-end statements.
 - 1.1.5 ADP Time & Attendance Services.** Support of time-related services, including time data collection, employee scheduling, timecard reviews and approvals, and consistent application of time-related policies.
 - 1.1.6 ADP Workforce Now.** ADP's web-based portal which provides a single point of access to ADP online solutions and employee-facing websites and resources related to payroll, HR, benefits, talent, and time and attendance.
 - 1.1.7 ESS & MSS Technology.** Employee self-service (ESS) and Manager self-service (MSS) functionality provides all Client Users (practitioners, managers and employees) 24x7 online access to ADP Application Programs.
 - 1.1.8 Expense Reimbursement.** Enable Client to process and disburse non-taxable expense reimbursements.
 - 1.1.9 History Conversion Services.** Solution to (i) upload Client employees' and independent contractors' historical pay statements, Forms W-2, Forms 1099, payroll registers and company tax filings, (ii) convert and upload certain Client employees' and independent contractors' data, including positions, pay rates and employment status, into ADP Workforce Now and (iii) enable Client practitioner access to such historical payroll documents and data in ADP Workforce Now.
 - 1.1.10 Human Resources Administration Services.** Administration of human resource functions using a unified system to process and audit employee lifecycle events, provide compliance tracking and reporting, including new hire reporting, and automate notification and approval processes via self-service/direct access, and also including:
 - 1.1.10.1 WFN EI-9 Services.** Electronic I-9 administration and onboarding services to help facilitate and manage I-9 and related employment eligibility verification processes.
 - 1.1.10.2 ADP Workforce Now IT Management, Powered by Electric.** Access to a solution provided by Electric AI, Inc. that enables Client practitioners to, among other things, procure and manage hardware for Client employees and independent contractors.
- 1.2 General.**
 - 1.2.1** "ADP" has the meaning set forth on the cover page.
 - 1.2.2** "ADP Application Programs" means the computer software programs and related Documentation, including any updates, modifications or enhancements thereto, that are either delivered or made accessible to Client through a hosted environment by ADP in connection with the Services.
 - 1.2.3** "ADPCheck" means checks printed and distributed by ADP to Payees pursuant to Client's direction.
 - 1.2.4** "ADPCheck Services" refers to ADP's payment of Client's Payees for Permitted Payments through ADPCheck.

- 1.2.5 **"ADP Direct Deposit Services"** means ADP's full service direct deposit services which includes ADP's payment of Client's Payees who have elected to receive Permitted Payments by direct deposit into an account at a financial institution of such Payee's selection.
- 1.2.6 **"Affiliate"** means, with respect to any entity, any other entity that controls, is controlled by or under control with such first entity. For purposes of this Agreement, "control" (or variants of it) means the ability, whether directly or indirectly, to direct the management and corporate policies and actions of an entity by means of ownership, contract or otherwise. Client's Affiliates do not include third parties for whom Client is a service provider or provides outsourcing services.
- 1.2.7 **"Agreement"** means this Global Master Services Agreement, consisting of the signature pages, the Global Master Terms and Conditions, all exhibits, annexes, appendices, addenda and schedules, and each Amendment, if any.
- 1.2.8 **"Amendment"** means a written amendment to this Agreement modifying, supplementing or amending the terms and conditions of this Agreement.
- 1.2.9 **"API"** means application programming interface.
- 1.2.10 **"Biometric Data"** includes the information collected by timeclocks and software that use finger and/or hand scan technology, which potentially may include Biometric Identifiers and Biometric Information.
- 1.2.11 **"Biometric Identifier"** means a retina or iris scan, fingerprint, voiceprint, or scan of hand or face geometry.
- 1.2.12 **"Biometric Information"** means any information, regardless of how it is captured, converted, stored, or shared, based on an individual's biometric identifier used to identify an individual.
- 1.2.13 **"Biometric Services"** means services provided by ADP to Client via the use of timeclocks and software in connection with ADP's provision of Time & Attendance Services, to the extent such timeclocks or software collect, store or use Biometric Data.
- 1.2.14 **"Biometric User"** means Client's employees or independent contractors who use Biometric Services to record their attendance, hours worked or other work-related data.
- 1.2.15 **"Business Day"** means any day, except a Saturday, Sunday or a day on which ADP's bank is not open for business in the applicable jurisdiction where services are provided by ADP.
- 1.2.16 **"Cardholder"** means the Payees of Client who receive a Pay Card.
- 1.2.17 **"Client"** has the meaning set forth on the cover page.
- 1.2.18 **"Client Content"** means all information and materials provided by Client, its agents or employees, regardless of form.
- 1.2.19 **"Client Group"** means Client and Client's Affiliates listed in the Sales Order who are authorized to receive the Services.
- 1.2.20 **"Client Infringement Event"** means (i) any change or enhancement in, or use of, the Services by Client or a third party on Client's behalf other than at the direction of, or as approved by, ADP or (ii) Client's failure to use the most current release or version of any computer software programs included in the ADP Application Programs or any corrections or enhancements provided by ADP thereto (to the extent ADP requires Client to use the most current release or version of any computer software programs, the implementation of such shall be at no charge to Client).
- 1.2.21 **"Confidential Information"** means all trade secrets, processes, proprietary data and documentation and any pricing and product information, Personal Data, the terms of this Agreement, and any other information that is confidential or proprietary provided by the disclosing party to the receiving party for use in connection with the Services or this Agreement, but does not include information that (i) the receiving party already knows prior to its disclosure by the disclosing party, (ii) becomes generally available to the public, except as a result of disclosure by the receiving party in violation of this Agreement or (iii) becomes known to the receiving party on a non-confidential basis from a source other than the disclosing party.
- 1.2.22 **"Data Security Breach"** means a security breach as defined by applicable law or any incident that compromises the confidentiality, integrity, or availability of Personal Data.
- 1.2.23 **"DHS"** means the U.S. Department of Homeland Security.
- 1.2.24 **"Documentation"** means all manuals, tutorials and related materials that may be provided or made available to Client by ADP in connection with the Services.
- 1.2.25 **"Effective Date"** has the meaning set forth on the cover page.
- 1.2.26 **"E-Verify"** means the DHS's employment eligibility verification program which allows participating employers to electronically verify the employment eligibility of each newly hired employee and/or employee assigned to a covered federal contract.
- 1.2.27 **"Form I-9"** means the employment eligibility verification form issued by the DHS.
- 1.2.28 **"FCRA"** means the Fair Credit Reporting Act, 15 U.S.C. § 1681 et seq.

- 1.2.29 **"Global Master Terms and Conditions"** means the terms and conditions contained in the main body of this document following the signature pages.
- 1.2.30 **"Go-Live Date"** means the date of commencement of the first live processing of any given Service.
- 1.2.31 **"I-9 Handbook"** means the current USCIS Handbook for Employers: Instructions for Completing Form I-9 (M-274).
- 1.2.32 **"Identity Verification Documents"** means the documents that meet the federal requirements for verifying a Payee's identity and eligibility to work in the U.S. (e.g., (i) a passport, (ii) a U.S. issued driver's license or picture identification card issued by a state or U.S. federal agency and social security card, or (iii) a U.S. issued driver's license and birth certificate).
- 1.2.33 **"Implementation Services"** means the Services to be performed in order to commence ongoing Services.
- 1.2.34 **"Improvements"** has the meaning set forth in Section 5.4.
- 1.2.35 **"Indemnatee"** has the meaning set forth in Section 6.3.
- 1.2.36 **"Indemnitor"** has the meaning set forth in Section 6.3.
- 1.2.37 **"Intellectual Property Rights"** means all rights, title and interest to or in patent, copyright, trademark, service mark, trade secret, business or trade name, know-how and rights of a similar or corresponding character.
- 1.2.38 **"Internal Business Purposes"** means the usage of the Services, including the ADP Application Programs, exclusively by the Client Group for its own internal business purposes, without the right to provide service bureau or other data processing services, or otherwise share or distribute the Services.
- 1.2.39 **"Issuing Bank"** means the financial institution selected by ADP that issues the Pay Card.
- 1.2.40 **"NACHA"** means the National Automated Clearing House Association.
- 1.2.41 **"Objectionable Content"** means any message, post, or other content that is (i) inappropriate or otherwise objectionable, (ii) potentially violates the privacy or publicity rights of a third-party, or (iii) advertises any other site or business content.
- 1.2.42 **"Payee"** means any intended recipient of payments under the Payment Services and may include Client's employees, taxing authorities, governmental agencies, suppliers, benefit carriers and/or other third parties; provided that in the case of ADP Wage Payment Services, Payee shall be limited to Client's employees and independent contractors.
- 1.2.43 **"Payment Services"** means Services that involve electronic or check payments being made by ADP to third parties on Client's behalf and at its direction.
- 1.2.44 **"Pay Card"** means the pre-paid card issued to Client's Payees for Permitted Payments.
- 1.2.45 **"Pay Card Services"** refers to ADP's payment of Client's Payees through a Pay Card issued by the Issuing Bank.
- 1.2.46 **"Permitted Payment"** means the legal payment of wages, commissions, consulting fees or similar compensation or work-related expenses in the employment context.
- 1.2.47 **"Personal Data"** means any information relating to an identified or identifiable natural person. An identifiable person is one who can be identified, directly or indirectly, in particular by reference to an identification number or to one or more factors specific to such person's physical, physiological, mental, economic, cultural or social identity.
- 1.2.48 **"Plan"** means Client's plan, including a group health plan, as identified by Client for the applicable Services.
- 1.2.49 **"Plan Administrator"** means the appropriate plan administrator as defined in Section 3(16)(A) of ERISA and Section 414(g) of the Internal Revenue Code of 1986, as amended.
- 1.2.50 **"Regulation E"** means the Federal Reserve Board, Regulation E (12 CFR 1005).
- 1.2.51 **"Sales Order(s)"** means the document(s) between the parties that lists the specific Services purchased by Client Group from ADP.
- 1.2.52 **"Services"** means the services listed on the cover page of this Agreement (including Implementation Services related thereto and ADP Application Programs), and such other services as the parties may agree to be performed from time to time.
- 1.2.53 **"SOC 1 Reports"** has the meaning set forth in Section 9.1.
- 1.2.54 **"Term"** means the period beginning as of the Effective Date and ending upon termination of the Agreement.
- 1.2.55 **"Termination Event"** means with respect to any party, the occurrence of any of the following: (i) under the applicable bankruptcy laws or similar law regarding insolvency or relief for debtors, (A) a trustee, receiver, custodian or similar officer is appointed for a party's business or property, (B) a party seeks to liquidate, wind-up, dissolve, reorganize or otherwise obtain

relief from its creditors, or (C) an involuntary proceeding is commenced against a party and the proceeding is not stayed, discharged or dismissed within thirty (30) days of its commencement, or (ii) a party's Standard and Poor's issuer credit rating falls to or below BB.

- 1.2.56 **"Time & Attendance Hardware"** means timeclocks and other time collection devices provided to Client by ADP in connection with the ADP Time & Attendance Services.
- 1.2.57 **"Unauthorized Third Party"** means any commercial third party or business that seeks to access or accesses ADP Application Programs using the account credentials (e.g., username and password) of a User even if such User has provided consent.
- 1.2.58 **"USCIS"** means U.S. Citizenship and Immigration Services.
- 1.2.59 **"User"** means any single natural person who, subject to the terms of this Agreement, is an employee or independent contractor of Client authorized by Client to use, access or receive the Services.
- 1.2.60 **"Verification Agent"** means ADP and its subcontractors through which Employment Verification Services are performed.
- 1.2.61 **"Verification Data"** means employment, job and income information and Personal Data.
- 1.2.62 **"Verifiers"** means commercial, private, non-profit and governmental entities and their agents.

2 Provision and Use of Services

- 2.1 **Provision of Services.** ADP, or one of its Affiliates, will provide the Services to Client Group in accordance with the terms of this Agreement. ADP will provide the Services in a good, diligent and professional manner in accordance with industry standards, utilizing personnel with a level of skill commensurate with the Services to be performed. ADP's performance of the Services (including any applicable implementation activities) is dependent upon the timely completion of Client's responsibilities and obligations under this Agreement.
- 2.2 **Cooperation.** Client will cooperate with ADP as reasonably necessary to implement and provide the Services. Client will, in a timely manner, execute and deliver all necessary documents, forms, or instruments (such as, to the extent applicable, reporting agent authorization, client account agreement, pre-authorized debit terms, limited powers of attorney, anti-money laundering/"Know Your Client" forms), provide ADP with all reasonable and necessary Client Content in the format requested by ADP, and otherwise assist ADP as required.
- 2.3 **Use of Services.** Client will use the Services in accordance with the terms of this Agreement and solely for its own Internal Business Purposes. Client will be responsible for the use of the Services by the Client Group and the Users in accordance with the terms of this Agreement. Client understands and agrees that only Users are permitted to access and use ADP Application Programs (and that access by Unauthorized Third Parties is not permitted) and will reasonably cooperate with ADP to limit access to such persons. Client is responsible for the accuracy and completeness of the Client Content provided to ADP. ADP Workforce Now is designed for the United States and Canada and enables the processing of HR data for global human capital management needs. Client may, at its discretion, enable ADP Workforce Now functionality in other jurisdictions, except when prohibited by applicable law. ADP makes no representation or warranty that such global use comports with any local laws, regulations or directives outside the United States and Canada. Furthermore, if Client during the implementation process or as part of the ongoing Services configures the ADP Application Programs to process additional data elements beyond those data elements that are required by ADP to perform the Services, Client will remain solely responsible for such configurations, including the processing of Personal Data pursuant to applicable law.
- 2.4 **Errors.** Client will promptly review all documents and reports produced by ADP and provided or made available to Client in connection with the Services and promptly notify ADP of any error, omission, or discrepancy with Client's records. ADP will promptly correct such error, omission or discrepancy and, if such error, omission or discrepancy was caused by ADP, then such correction will be done at no additional charge to Client.
- 2.5 **Records.** Unless expressly included as a part of the Services, and without prejudice to ADP's obligation to retain the data necessary for the provision of the Services, ADP does not serve as Client's record keeper and Client will be responsible for retaining copies of all documentation received from or provided to ADP in connection with the Services to the extent required by law or Client's internal policies.
- 2.6 **Third Party Services Available through or Integrated with the Services.** At times, ADP may make available to Client through the Services, or integrate the Services with, the services of a third party, either through a link, integration, or otherwise. ADP reserves the right to terminate such links, services or integrations at any time for any reason. If Client uses any third party services that are integrated with or linked to the Services which require the transmission, use, sharing, access or exchange of Client Content or any other payroll or other data or information provided to ADP or the third party by Client, Client is expressly agreeing to the transmission, use, sharing, access and exchange of such data between ADP and the third party. Client's use of any third party services will be governed by any terms Client agrees to with the third party and in the event of any conflict between the terms of this Agreement and any third party terms, the terms of this Agreement will apply to the provision of the Services by ADP to Client.

3 Compliance

- 3.1 **Applicable Laws.** Each party will comply with laws and regulations that affect its business generally, including any applicable anti-bribery, export control, computer fraud and data protection laws.
- 3.2 **Design of the Services.** ADP will design the Services, including the functions and processes applicable to ADP's performance of the Services, to assist the Client in complying with its legal and regulatory requirements applicable to the Services, and ADP will be

responsible for the accuracy of such design. Client and not ADP will be responsible for (i) how it uses the Services to comply with its legal and regulatory requirements and (ii) the consequences of any instructions that it gives to ADP, including as part of the implementation of the Services, provided ADP follows such instructions. Services do not include any legal, financial, regulatory, benefits, accounting or tax advice.

- 3.3 Online Statements.** If Client instructs ADP to provide online pay statements, Forms W2, Forms 1099, or Forms 1095-C without physical copies thereof, Client will be exclusively responsible for determining if and to what extent Client's use of online pay statements, Forms W2, Forms 1099, or Forms 1095-C satisfies Client's obligations under applicable laws and the consequences resulting from such determinations.
- 3.4 Pay Card Services.** Notwithstanding anything to the contrary in Section 3.2, ADP shall be responsible for compliance with requirements of Regulation E applicable to financial institutions with respect to prepaid card accounts, provided Client will fulfill the compliance responsibilities of Regulation E that Client controls, including: (a) Client will distribute to its Payees all documentation (including without limitation, Pay Card fee schedule and Cardholder Terms and Conditions) that ADP makes available to Client for distribution purposes, and (b) Client will not mandate or unduly influence that any Payee receive Permitted Payments only on the Pay Card; in lieu of such mandate, Client will provide to Payees other legally permissible options for payment of Permitted Payments. Client agrees that it will not rely solely on its use of the Pay Card Services in complying with any laws and governmental regulations and that it will comply with the financial industry rules and compliance standards imposed by various card/payment networks or associations (e.g., related to such things as card security and fraudulent or impermissible use of Pay Cards).
- 3.5 Data Privacy Appendix.** ADP's Data Privacy Appendix, located at <https://contracts.adp.com/#data-privacy>, is incorporated by reference into this Agreement.

4 Confidentiality

- 4.1 General.** All Confidential Information disclosed under this Agreement will remain the exclusive and confidential property of the disclosing party. The receiving party will not disclose to any third party the Confidential Information of the disclosing party and will use at least the same degree of care, discretion and diligence in protecting the Confidential Information of the disclosing party as it uses with respect to its own confidential information. The receiving party will limit access to Confidential Information to its employees and independent contractors with a need to know the Confidential Information and will instruct those employees and independent contractors to keep such information confidential. ADP may disclose Client's Confidential Information on a need to know basis to (i) ADP's subcontractors who are performing the Services, provided that ADP shall remain liable for any unauthorized disclosure of Client's Confidential Information by those subcontractors, (ii) employees of ADP's Affiliates, provided such employees are instructed to keep the information confidential as set forth in this Agreement and (iii) social security agencies, tax authorities and similar third parties, to the extent strictly necessary to perform the Services. ADP may use Client's and its employees' and other Services recipients' information in an aggregated, anonymized form, such that neither Client nor such person may be identified, and Client will have no ownership interest in such aggregated, anonymized data. Client authorizes ADP to release employee-related data, and such other data as required to perform the Services, to third party vendors of Client as designated by Client from time to time. Notwithstanding the foregoing, the receiving party may disclose Confidential Information (x) to the extent necessary to comply with any law, rule, regulation or ruling applicable to it, (y) as appropriate to respond to any summons or subpoena or in connection with any litigation and (z) to the extent necessary to enforce its rights under this Agreement.
- 4.2 Return or Destruction.** Upon the request of the disclosing party or upon the expiration or earlier termination of this Agreement, and to the extent feasible, the receiving party will return or destroy all Confidential Information of the disclosing party in the possession of the receiving party, provided that each party may maintain a copy if required to meet its legal or regulatory obligations and may maintain archival copies stored in accordance with regular computer back-up operations. To the extent that any portion of Confidential Information of a disclosing party remains in the possession of the receiving party following expiration or earlier termination of this Agreement, such Confidential Information shall remain subject to the generally applicable statutory requirements and the confidentiality protections contained in Section 4.1.

5 Intellectual Property

- 5.1 Client IP Rights.** Except for the rights expressly granted to ADP in this Agreement, all rights, title and interests in and to Client Content, including all Intellectual Property Rights inherent therein and pertaining thereto, are owned exclusively by Client or its licensors. Client hereby grants to ADP for the Term a non-exclusive, worldwide, non-transferable, royalty-free license to use, edit, modify, adapt, translate, exhibit, publish, reproduce, copy and display the Client Content for the sole purpose of performing the Services; provided Client has the right to pre-approve the use by ADP of any Client trademarks or service marks.
- 5.2 ADP IP Rights.** Except for the rights expressly granted to Client in this Agreement, all rights, title and interest in and to the Services, including all Intellectual Property Rights inherent therein and pertaining thereto, are owned exclusively by ADP or its licensors. ADP grants to Client for the Term a personal, non-exclusive, non-transferable, royalty-free license to use and access the ADP Application Programs solely for the Internal Business Purposes in the United States and Canada and solely up to the maximum number of Users (if any) indicated in the Sales Order. The ADP Application Programs do not include any Client-specific customizations unless otherwise agreed in writing by the parties. Client will not obscure, alter or remove any copyright, trademark, service mark or proprietary rights notices on any materials provided by ADP in connection with the Services, and will not copy, recompile, disassemble, reverse engineer, or make or distribute any other form of, or any derivative work from, such ADP materials.
- 5.3 Ownership of Reports.** Client will retain ownership of the content of reports and other materials that include Client Content produced and delivered by ADP as a part of the Services, provided that ADP will be the owner of the format of such reports. To the extent any such reports or other materials incorporate any ADP proprietary information, ADP (i) retains sole ownership of such proprietary information and (ii) provides the Client a fully paid up, irrevocable, perpetual, royalty-free license to access and use same for its Internal Business Purposes without the right to create derivative works (other than derivative works to be used solely for its Internal Business Purposes) or to further distribute any of the foregoing rights outside the Client Group.

- 5.4 **Improvements.** ADP will make available to Client, at no additional cost, software improvements, enhancements, or updates to any ADP Application Programs that are included in the Services (collectively "**Improvements**") if and as they are made generally available by ADP at no additional cost to ADP's other clients using the same ADP Application Programs as Client and receiving the same Services as Client. All Improvements provided under this Section 5.4 shall be considered part of the ADP Application Programs. If Client fails to implement Improvements provided or made available to Client by ADP, ADP shall be relieved of any responsibility for errors or degradation in the Services and shall have no obligation to provide support for the ADP Application Programs.

6 Indemnities

- 6.1 **ADP Indemnity.** Subject to the remainder of this Section 6.1, and Sections 6.3 and 7, ADP will defend Client against any third party claims and will indemnify and hold Client harmless from any resulting damage awards or settlement amounts in any cause of action to the extent such cause of action is based on a claim alleging that the Services or ADP Application Programs, as provided by ADP and used in accordance with the terms of this Agreement, infringe upon any Intellectual Property Rights of a third party in the United States. The foregoing infringement indemnity will not apply and ADP will not be liable for any damages assessed in any cause of action to the extent resulting from a Client Infringement Event or ADP's use of Client Content as contemplated by this Agreement. If any Service is held or believed to infringe on any third-party's Intellectual Property Rights, ADP may, in its sole discretion, (i) modify the Service to be non-infringing, (ii) obtain a license to continue using such Service, or (iii) if neither (i) nor (ii) are practical, terminate this Agreement as to the infringing Service and return to Client any unearned fees prepaid by Client to ADP.
- 6.2 **Client Indemnity.** Subject to Sections 6.3 and 7, Client will defend ADP against any third party claims and will indemnify and hold ADP harmless from any resulting damage awards or settlement amounts in any cause of action to the extent such cause of action is based on the occurrence of a Client Infringement Event or ADP's use of Client Content as contemplated by this Agreement.
- 6.3 **Indemnity Conditions.** The indemnities set forth in this Agreement are conditioned on the following: (i) the party claiming indemnification (the "**Indemnitee**") shall promptly notify the indemnifying party (the "**Indemnitor**") of any matters in respect of which it seeks to be indemnified, and shall give the Indemnitor full cooperation and opportunity to control the response thereto and the defense thereof, including without limitation any settlement thereof, (ii) the Indemnitor shall have no obligation for any claim under this Agreement if the Indemnitee makes any admission, settlement or other communication regarding such claim without the prior written consent of the Indemnitor, which consent shall not be unreasonably withheld, and (iii) the Indemnitee's failure to promptly give notice to the Indemnitor shall affect the Indemnitor's obligation to indemnify the Indemnitee only to the extent the Indemnitor's rights are materially prejudiced by such failure. The Indemnitee may participate, at its own expense, in such defense and in any settlement discussions directly or through counsel of its choice.

7 Limit on Liability

- 7.1 **Ordinary Cap.** Notwithstanding anything to the contrary in this Agreement and subject to the remainder of this Section 7, neither party's aggregate liability in any calendar year shall exceed an amount equal to six (6) times the average ongoing monthly Services fees paid or payable to ADP by Client during such calendar year for all Services (the "**Ordinary Cap**").
- 7.2 **Extraordinary Cap.** As an exception to Section 7.1, if damages arise from a breach of Section 4 (Confidentiality), Section 9.3 (Data Security) or Section 9.4 (Unauthorized Third Party Access), the Ordinary Cap will be increased by an additional six (6) times the average ongoing monthly Services fees paid or payable to ADP by Client during such calendar year for all Services (the "**Extraordinary Cap**"). For the avoidance of doubt, in no case shall either party's aggregate liability in any calendar year under this Agreement exceed an amount equal to twelve (12) times the average monthly ongoing Services fees paid or payable to ADP by Client during such calendar year for all Services.
- 7.3 **Matters not Subject to the Cap.** The foregoing limits on liability shall not apply to the following:
- 7.3.1 Client's funding obligations in connection with the Payment Services;
 - 7.3.2 Loss or misdirection of Client funds in possession or control of ADP due to ADP's error or omission;
 - 7.3.3 In connection with the ADP Employment Tax Services, (i) interest charges imposed by an applicable tax authority on Client for the failure by ADP to pay funds to the extent and for the period that such funds were held by ADP and (ii) all tax penalties resulting from ADP's error or omission in the performance of such Service. The provisions of this Section 7.3.3 shall only apply if (x) Client permits ADP to act on Client's behalf in any communications and negotiations with the applicable taxing authority that is seeking to impose any such penalties or interest and (y) Client assists ADP as reasonably required by ADP;
 - 7.3.4 Either party's gross negligence, or willful, criminal or fraudulent misconduct;
 - 7.3.5 The infringement indemnity set forth in Section 6.1 and 6.2;
 - 7.3.6 Client's biometrics indemnity set forth in Section 14;
 - 7.3.7 Client's obligations to pay the fees for Services; and
 - 7.3.8 ADP's obligations to provide credit monitoring as set forth in Section 10.2.
- 7.4 **Mitigation of Damages.** ADP and Client will each use reasonable efforts to mitigate any potential damages or other adverse consequences arising from or related to the Services.

- 7.5 No Consequential Damages.** NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS AGREEMENT AND ONLY TO THE EXTENT PERMITTED BY APPLICABLE LAW, NONE OF ADP, CLIENT OR ANY ISSUING BANK WILL BE RESPONSIBLE FOR SPECIAL, INDIRECT, INCIDENTAL, CONSEQUENTIAL OR OTHER SIMILAR DAMAGES (INCLUDING DAMAGES FOR LOSS OF BUSINESS OR PROFITS, BUSINESS INTERRUPTIONS OR HARM TO REPUTATION) THAT ANY OTHER PARTY OR ITS RESPECTIVE AFFILIATES MAY INCUR OR EXPERIENCE IN CONNECTION WITH THIS AGREEMENT OR THE SERVICES, HOWEVER CAUSED AND UNDER WHATEVER THEORY OF LIABILITY, EVEN IF SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. The foregoing exclusion shall not apply to claims for consequential damages arising from (i) ADP's or Client's gross negligence or willful, criminal or fraudulent misconduct, (ii) Client or Client's Users sharing or allowing access to a User's password, User ID, or other form of user authentication, or (iii) ADP's or Client's breach or breaches of Section 4.1 or Section 9.3 under this Agreement; provided however, that any consequential damages recovered by Client or ADP in a calendar year for claims pursuant to Sections 7.5(ii) and 7.5(iii) will be subject to the Extraordinary Cap set forth in Section 7.2 above.

8 Warranties and Disclaimer

- 8.1 Warranties.** Each party warrants that (i) it has full corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby and (ii) this Agreement has been duly and validly executed and delivered and constitutes the valid and binding agreement of the parties, enforceable in accordance with its terms.
- 8.2 DISCLAIMER.** EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, ALL SERVICES, ADP APPLICATION PROGRAMS AND EQUIPMENT PROVIDED BY ADP OR ITS SUPPLIERS ARE PROVIDED "AS IS" AND ADP AND ITS LICENSORS AND SUPPLIERS EXPRESSLY DISCLAIM ANY WARRANTY, EITHER EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT, NON-INTERRUPTION OF USE, AND FREEDOM FROM PROGRAM ERRORS, VIRUSES OR ANY OTHER MALICIOUS CODE, WITH RESPECT TO THE SERVICES, THE ADP APPLICATION PROGRAMS, ANY CUSTOM PROGRAMS CREATED BY ADP OR ANY THIRD-PARTY SOFTWARE DELIVERED BY ADP AND RESULTS OBTAINED THROUGH THE USE THEREOF.

9 Security and Controls

- 9.1 Service Organization Control Reports.** Following completion of implementation of any applicable Services, ADP will, at Client's request and at no charge, provide Client with copies of any routine Service Organization Control 1 reports ("**SOC 1 Reports**") (or any successor reports thereto) that are both directly related to those Services provided hereunder for Client and already released to ADP by the public accounting firm producing the report. SOC 1 Reports are ADP Confidential Information and Client will not distribute or allow any third party (other than its independent auditors) to use any such report without the prior written consent of ADP. Client will instruct its independent auditors or other approved third parties to keep such report confidential and Client will remain liable for any unauthorized disclosure of such report by its independent auditors or other approved third parties.
- 9.2 Business Continuity; Disaster Recovery.** ADP maintains a commercially reasonable business continuity and disaster recovery plan and will follow such plan.
- 9.3 Data Security.** ADP has an established information security program containing appropriate administrative, technical and physical measures to protect Client data (including Personal Data) against accidental unlawful or unauthorized destruction, alteration, unauthorized disclosure or access consistent with applicable laws. In the event ADP suspects any unauthorized access to, or use of, the Services and ADP Application Programs, ADP may suspend access to the Services to the extent ADP deems necessary to preserve the security of ADP, Client or User data.
- 9.4 Unauthorized Third Party Access.** Client and its Users are responsible for maintaining the security and confidentiality of any password, User ID, or other form of user authentication involved in obtaining access to ADP Application Programs, and Client and its Users shall not disclose any confidential account access credentials or related information to Unauthorized Third Parties.

10 Data Security Breach

- 10.1 Notification.** If ADP becomes aware of a Data Security Breach of Client's Personal Data, ADP will take appropriate actions to contain, investigate and mitigate the Data Security Breach. ADP shall notify Client without undue delay after becoming aware that a Data Security Breach has occurred, unless otherwise required or instructed by law enforcement or regulatory authority. ADP will share information in its possession with Client for Client to determine any regulatory reporting obligations required by applicable law.
- 10.2 Other ADP Obligations.** In the event that a Data Security Breach is the result of the failure of ADP to comply with the terms of this Agreement, ADP shall, to the extent legally required or otherwise necessary to notify the individuals of potential harm, bear the actual, reasonable costs of notifying affected individuals. ADP and Client shall mutually agree on the content and timing of any such notifications, in good faith and as needed to meet applicable legal requirements. In addition, where notifications are required, and where such monitoring is practicable and customary, ADP shall also bear the cost of one year of credit monitoring to affected individuals in the applicable jurisdictions.

11 Payment Terms

- 11.1 Fees and Fee Adjustments.** Client shall pay to ADP the fees and other charges for the Services as set forth in the Sales Order. The recurring Services fees (excluding delivery, tax and banking (including reverse wire), jurisdiction, year-end and maintenance fees) will remain fixed during the first six (6) months following the Effective Date, and thereafter ADP may modify the fees on an annual basis upon thirty (30) days' prior written notice to Client. The fees presented in any Sales Order were calculated based upon particular assumptions relative to Client requirements (including funding requirements), specifications, volumes and quantities as reflected in the applicable Sales Order and related documentation, and if Client's actual requirements vary from what is stated, ADP may adjust the fees based on such changes. The fees do not include any customizations to any Service.

- 11.2 Additional Services and Charges.** Any Services provided to Client but not included in a Sales Order will be provided subject to the terms of this Agreement and charged at the applicable rates as they occur; and those services will be considered to be "Services" for purposes of this Agreement. Additional charges may be assessed to Client in relation to the performance of the Services in certain circumstances, including without limitation, late funding, an insufficient funds notification and emergency payment requests from Client.
- 11.3 Fees for Implementation Services.** Implementation fees are due and payable by Client upon the Go-Live Date for such Services. However, if (i) this Agreement or any Service is terminated after Implementation Services have started but before the applicable Go-Live Date or (ii) Client fails to reasonably cooperate with ADP in connection with the Implementation Services such that ADP is unable to complete such Implementation Services, then ADP may terminate this Agreement or any Service upon written notice to Client and, in each case, thirty percent (30%) of the total non-discounted implementation fees set forth in the Sales Order shall be immediately due and payable by Client.
- 11.4 Invoicing.** ADP will notify Client of all applicable Services fees payable by Client by way of invoice or other method (i.e. ADP's on-line reporting tool). Client will pay the amount on each invoice or such other similar document in full pursuant to the agreed upon method of payment set forth in the Sales Order. All amounts not paid when due are subject to a late payment charge of one and one-half percent (1.5%) per month (not to exceed the maximum allowed by applicable law) of the past due amount from the due date until the date paid.
- 11.5 Currency.** Client shall pay the fees in US dollars.
- 11.6 Taxes.** Unless Client provides ADP a valid tax exemption or direct pay certificate, Client will pay directly, or will pay to ADP, an amount equal to all applicable taxes or similar fees levied or based on the Agreement or the Services, exclusive of taxes based on ADP's net income.
- 11.7 Postage, Shipping, Travel and Out-of-Pocket Expenses.** ADP will invoice Client for postage charges, delivery charges, other third party charges, reasonable preapproved travel expenses, and travel-related out-of-pocket expenses, as necessary to provide the Services.
- 11.8 Funding Requirements and Disbursement Disclosures.** With respect to Payment Services to be deducted by ACH or Pre-Authorized Debit, Client must have sufficient good funds for payment of the payroll obligations, tax filing obligations, wage garnishment deduction obligations, service fees (as applicable), expenses, and any other applicable charges, to be direct debited from Client's designated account no later than one (1) Business Day prior to the pay date for the applicable payroll (in the case of payroll processing services), or as otherwise agreed by the parties. For reverse wire clients, funds must be available (a) by 6:00 a.m. Pacific time on the Business Day immediately before the associated payroll check date (in the case of the ADP Employment Tax Services) and (b) by 6:00 a.m. Pacific time two (2) Business Days prior to the associated payroll check date for all other Payment Services. In consideration for the additional costs incurred by ADP in providing wire transfer service, Client agrees to pay a reasonable fee for each wire transfer. Notwithstanding the foregoing, ADP reserves the right to modify the aforementioned deadlines at any time and will communicate any such modifications to Client.
- 11.9 Change Control.** In the event either party requests a change in the scope of Services (including implementation services) or any rework is required by ADP as a result of a delay by Client in implementation of any Services (each a "Change Control Item"), the parties shall address such change request, if possible via ADP's change control process. Change Control Items and the cost associated with such changes (if any) to the Services shall be mutually agreed to by the parties and shall be defined in a statement of work agreed to by the parties, with the exceptions of Change Control Items that are required to be made by law or regulation applicable to the Services or to the duration of implementation services, which ADP will notify Client of prior to making the change.

12 Term; Termination; Suspension

- 12.1 Term; Termination for Convenience.** This Agreement will commence on the Effective Date and remain in effect until terminated by either party in accordance with the terms hereof. Either party may terminate this Agreement or any Service upon ninety (90) days' prior written notice to the other party (except as otherwise set forth in this Section 12).
- 12.2 Termination for Cause.** Either party may terminate this Agreement for the other's material breach of this Agreement if such breach is not cured within sixty (60) days following notice thereof or in the event either party is the subject of a Termination Event. In addition, ADP may terminate this Agreement in the event Client fails to timely pay fees for Services performed within ten (10) days following notice that such fees are past due. ADP may also terminate this Agreement or the Services immediately on written notice to Client if the provision of Service to Client causes or will cause ADP or its Affiliates to be in violation of any laws, rules or regulations applicable to it including any sanction laws applicable to ADP or any Affiliate.
- 12.3 Suspension.** Without limiting the foregoing, the parties agree that Payment Services involve credit risk to ADP. Payment Services may be suspended by ADP (A) immediately following notice to Client (i) that Client has failed to remit sufficient, good and available funds within the deadline and via the method of delivery agreed upon as it relates to the applicable Payment Services, or (ii) if Client breaches any rules promulgated by the NACHA (or other similar local regulator) as it relates to ADP conducting ACH (or similar electronic payment) transactions on behalf of Client, and (B) with 24 hour notice if: (i) a bank notifies ADP that it is no longer willing to originate debits from Client's account(s) or credits for Client's behalf for any reason or (ii) the authorization to debit Client's account is terminated or ADP reasonably believes that there is or has been fraudulent activity on the account. If the Payment Services are terminated or suspended pursuant to Sections 12.2 or 12.3, Client acknowledges that ADP shall be entitled to allocate any funds in ADP's possession that have been previously remitted or otherwise made available by Client to ADP relative to the Payment Services in such priorities as ADP may determine appropriate, including reimbursing ADP for payments made by ADP on Client's behalf to a third party. If the Payment Services are terminated by ADP, Client understands that it will (x) immediately become solely responsible for all of Client's third party payment obligations covered by the Payment Services then or thereafter due (including, without limitation, for ADP Employment Tax Services, any and all penalties and interest accruing after the date of such termination, other than penalties and interest for which ADP is responsible under Section 7.3.3), and (y) reimburse ADP for all payments properly made by ADP on behalf of Client to any Payee, which has not been paid or reimbursed by Client. If the Payment Services remains suspended for 30 days, the affected Payment Service shall be deemed terminated on the 31st day following suspension.

12.4 Additional Termination Provisions.

- 12.4.1 Additional Termination Provisions for Pay Card Services.** In addition to any other terms and conditions of the Agreement, ADP may terminate the Pay Card Services as follows: (i) the Pay Card Services (or any feature thereof) in any designated jurisdiction may be terminated on 60 days' notice to Client if ADP or the Issuing Bank believes that any changes in any card network rules or NACHA rules, or changes to, or interpretations of, applicable law by any federal, state or local governmental authority, or any formal or informal order, instruction or directive communicated to ADP or the Issuing Bank by such authority make it commercially impractical to continue to provide the Pay Card Services (or any feature thereof) in such jurisdiction; or (ii) the Issuing Bank cancels the Pay Cards issued on behalf of Client (e.g., due to Client's non-compliance with its obligations) or advises ADP that it is no longer willing to service the Pay Card, provided that in such later instance ADP shall take commercially reasonable steps to engage a successor Issuing Bank, and provided further that ADP shall not be liable for any delay in providing the Pay Card Services during such search for a successor Issuing Bank.
- 12.4.2 Additional Termination Provisions for ADP Employment Tax Services.** If the ADP Employment Tax Services in the United States are terminated, Client's access to ADP websites containing Client's data will expire 90 days from the effective date of the termination, and Client will be responsible for downloading all relevant data, including Statements of Deposit (SODs) prior to the expiration of such access.
- 12.4.3 Additional Termination Provisions for Employment Verification Services.** ADP may, in its sole discretion, terminate the Employment Verification Services at any time upon 90 days prior written notice to Client should a Verification Agent notify ADP that it is no longer willing to provide the Employment Verification Services and ADP, after taking commercially reasonable steps, cannot engage a successor Verification Agent.
- 12.4.4 Additional Termination Provisions for ADP Time & Attendance Services.** If ADP determines that Client has failed to comply with any potentially applicable laws and regulations applicable to the Biometric Services, ADP may, in its sole discretion and upon notice to Client, immediately suspend or terminate the Biometric Services.
- 12.4.5 Additional Termination Provision for ADP Workforce Now IT Management, Powered by Electric.** Client's access to ADP Workforce Now IT Management, Powered by Electric may terminate if (i) Human Resources Administration Services are terminated, (ii) the agreement between ADP and Electric AI, Inc. terminates or otherwise expires or (iii) the agreement between Client and Electric AI, Inc. terminates or otherwise expires.
- 12.4.6 Additional Suspension Provision for ADP Connect Services.** ADP may, in its sole discretion, immediately suspend access to ADP Connect Services without prior notice to Client in the event Client or Client's Users post or otherwise distribute any Objectionable Content. In the event Client or Client's Users continue to post or distribute such content after access to the ADP Connect Services is restored, ADP shall have the right to terminate ADP Connect Services.

13 Post Termination

- 13.1 Scope.** At any time prior to the termination of Client's access to the ADP Application Programs, Client may download Client's information or reports available to it in conjunction with all of the Services provided to Client by ADP. Under no circumstances will ADP be required to provide any third party with access to the ADP Application Programs, ADP's intellectual property or any Confidential Information of ADP.
- 13.2 Past Due Amounts.** If ADP has terminated this Agreement due to Client's failure to pay fees, ADP's obligations in Section 13.1 will be subject to Client's payment of all past due amounts and ADP may require Client to prepay for any services.

14 Additional Terms

- 14.1 ADP Employment Tax Services.** The following additional terms and conditions apply to the ADP Employment Tax Services:
- 14.1.1 Important Tax Information (IRS Disclosure) for U.S. Only.** Notwithstanding Client's engagement of ADP to provide the ADP Employment Tax Services in the United States, please be aware that Client remains responsible for the timely filing of payroll tax returns and the timely payment of payroll taxes for its employees. The Internal Revenue Service recommends that employers enroll in the U.S. Treasury Department's Electronic Federal Tax Payment System (EFTPS) to monitor their accounts and ensure that timely tax payments are being made for them, and that online enrollment in EFTPS is available at www.eftps.gov; an enrollment form may also be obtained by calling (800) 555-4477; that state tax authorities generally offer similar means to verify tax payments; and that Client may contact appropriate state offices directly for details.
- 14.2 WFN EI-9 Services.** The following additional terms and conditions apply to the WFN EI-9 Services.
- 14.2.1 Use of Services.** Client shall, and cause the members of the Client Group, receiving the WFN EI-9 Services to do the following:
- 14.2.1.1** Review the USCIS Form I-9, which is the employment eligibility verification form issued by the DHS, including instructions in the form and the guidelines in the current I-9 Handbook, each of which is available on the USCIS website, currently located at <http://www.uscis.gov/i-9central>. Client certifies that it has reviewed the current USCIS Form I-9 and the I-9 Handbook and that it agrees to comply with the applicable policy and procedures set forth therein, and any future new or amended policies or procedures, as required by law. Client will ensure availability of the most recent version of the USCIS Form I-9 and the I-9 Handbook to all employees authorized to complete the USCIS Form I-9 on behalf of Client and/or its Affiliates.
- 14.2.1.2** Client is responsible for reviewing reports available to Client on the WFN EI-9 Services and for resolving (or causing the applicable employee to take action to resolve) missing or incomplete Forms I-9. This includes

communicating with the employee in question and the submission or resubmission of the missing or incomplete Form I-9.

14.2.1.3 ADP executed a Memorandum of Understanding with the DHS as the E-Verify employer agent. E-Verify is the DHS's employment eligibility verification program which allows participating employers to electronically verify the employment eligibility of each newly hired employee and/or employee assigned to a covered federal contract. The following is required as it relates to the use of E-Verify through ADP and will apply only to the extent Client is using E-Verify through ADP

14.2.1.3.1 Notify ADP of (i) the location(s) where Client elects to enroll; and (ii) whether the employer is a federal contractor or a federal, state or local government organization.

14.2.1.3.2 Execute a Memorandum of Understanding with the DHS and ADP (as its E-Verify employer agent), and comply with the terms and conditions set forth therein.

14.2.1.3.3 Review and comply with the policy and procedures contained in the E-Verify User Manual for Employers, and any superseding policy and procedures, available to Client on the WFN EI-9 Service.

14.2.1.3.4 To the extent the Client elects to have more than one company location participate in E-Verify, ensure all authorized users in each location have complied with all requirements of this Section.

14.2.1.3.5 Ensure all of Client's authorized users (i) complete the mandated E-Verify training course and any applicable update courses administered by ADP and (ii) pass a knowledge test with the required score.

14.2.1.3.6 Immediately notify ADP of any updates/changes to its E-Verify employer status (e.g., Client becomes a federal contractor or Client ceases being a federal contractor).

14.2.2 Form I-9 Retention. During the term of the Agreement, ADP will store electronic copies of Forms I-9 in the WFN EI-9 Services for a minimum of three years from the employee's hire date or until one year after the employee ceases to be employed by Client (or the applicable Affiliate), whichever is later (or as otherwise required by changes to federal regulations that come into effect hereafter). Upon termination or expiration of the Agreement, ADP shall use commercially reasonable methods to transfer all electronically stored Forms I-9 to Client in accordance with ADP's current security policies. Upon termination of the WFN EI-9 Services, Client shall be solely responsible for storage of copies of Forms I-9.

14.3 Payment Services. The following additional terms and conditions apply to the Payment Services:

14.3.1 Client Credentialing. Client understands and acknowledges that the implementation and ongoing provision of Payment Services are conditioned upon Client passing (and continuing to pass) a credentialing process that ADP may deem necessary in connection with the provision of Payment Services.

14.3.2 Additional Requirements. Payment Services may be subject to the rules and standards of any applicable clearing house, payment and/or card networks or associations. Client and ADP each agree to comply with all such rules and standards applicable to it with respect to the Payment Services.

14.3.3 Funding Obligations. Client acknowledges that ADP is not a lender. As such, as a condition to receiving services, Client will remit or otherwise make available to ADP sufficient, good and available funds within the agreed-to deadline and via the agreed-to method of delivery to satisfy all of Client's third-party payment obligations covered by the Agreement. ADP will apply such funds to satisfy such third-party payment obligations. ADP will not be required to provide Payment Services if ADP has not received all funds required to satisfy Client's third-party payment obligations. Client will immediately notify ADP if it knows or should know that it will not have sufficient funds to satisfy the amounts required in connection with the Payment Services. If Client has a material adverse change in its condition, ADP may modify the funding method or deadline by which funds must be made available to ADP for payment to Payees. Client agrees to pay to ADP upon demand any amounts that have been paid by ADP to satisfy Client's third party payment obligations prior to receiving such amounts from Client.

14.3.4 Investment Proceeds; Commingling of Client Funds. IF ADP RECEIVES CLIENT'S FUNDS IN ADVANCE OF THE TIME ADP IS REQUIRED TO PAY SUCH FUNDS TO THIRD PARTIES, ALL AMOUNTS EARNED ON SUCH FUNDS, IF ANY, WHILE HELD BY ADP WILL BE FOR THE SOLE ACCOUNT OF ADP. ADP may commingle Client's funds with similar funds from other clients and with similar ADP and ADP-administered funds. ADP utilizes a funds control system that maintains general ledger entries by client and/or by jurisdiction.

14.3.5 Recovery of Funds; Stop Payment Requests. Client agrees to cooperate with ADP and any other third parties to recover funds erroneously issued or transferred to any Payee or credited to any Payee's account. If Client desires to stop payment on any check or to recall or reverse any electronic payment, Client will provide ADP with a stop payment request in the form required by ADP. Client acknowledges that ADP's placement of a stop order request is not a guarantee that such stop payment will occur.

14.4 ADP Wage Payment Services. The following additional terms and conditions apply to ADP Wage Payment Services:

14.4.1 ADPCheck; Direct Deposit. Client agrees not to distribute any ADPChecks to Payees in a manner that would allow Payees to access the associated funds before pay date. Prior to the first credit to the account of any employee or other individual under ADP Direct Deposit Services, Client shall obtain and retain a signed authorization from such employee or

individual authorizing the initiation of credits to such party's account and debits of such account to recover funds credited to such account in error.

14.4.2 Pay Card Services. To the extent received, Client will be responsible for securing all welcome kits to prevent unauthorized access or use.

14.4.2.1 Cardholder Set-Up. Client will set-up (or cause ADP to set-up) each Payee as a Cardholder using data and procedures required by the Issuing Bank or ADP. Client shall provide the appropriate card kit to Payees (i.e. payroll card kit for employees paid wages, commissions, or similar compensation and non-employee card kits for independent contractors). Further, Client shall obtain all necessary consents of each Payee (including those switching from another paycard program) included in submitted set-up data that is required under applicable law and rules, including NACHA, for Payee to (i) receive payments from Client on its Pay Card and (ii) participate in the Pay Card Services, and Client is responsible for reviewing and confirming that all enrollment information supplied to ADP is accurate and complete. Prior to set-up of any Payee on the Cardholder database and distribution of a Pay Card to the Payee, Client will verify the Identity Verification Documents. Client shall obtain from the Payee and provide to ADP the following information: (a) name; (b) residential address (a P.O. Box is not acceptable); (c) date of birth; (d) social security number; and (e) personal telephone number. Client agrees to provide any additional information as may be required by ADP or the Issuing Bank. Client will not provide a Pay Card to individuals outside the United States without the express written consent of ADP. Client further agrees that ADP or Issuing Bank (directly or through a subcontractor) may seek identity information and legal documentation directly from the Payee to verify the identity of any Payee and that a Payee may be denied Pay Card Services for several reasons, including failure to validate the personal information of the Payee. For each Cardholder, Client will make and preserve either of the following: (1) a copy of the Identity Verification Documents; or (2) a description of the Identity Verification Documents, noting the date reviewed, type of document, and if applicable, the document's identification number, place of issuance and issuance and expiration date, provided Client will preserve a copy of all Identity Verification Documents for Payees who are form 1099 independent contractors. Client shall retain such documentation during the time that such Payee is a Cardholder until the earlier of (x) five years from termination of Client's obligation to make payments to such Payee or (y) five years from termination of such Payee's Pay Card account; provided, however, that in the event a longer retention period is required for the Issuing Bank or ADP to meet its legal obligations, as a result of a change in applicable law or official interpretations thereof, ADP shall provide notice of such longer retention period and Client shall retain such documentation for such longer retention period.

14.4.2.2 Enrolling Employees for Cards. Prior to providing Payee's information to ADP to issue a permanent Pay Card or Client enrolling a Payee for an instant issue Pay Card, Client shall provide each Payee with the notice required under the USA Patriot Act which reads as follows: **"IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW PREPAID CARD ACCOUNT.** To help the government fight the funding of terrorism and money laundering activities, federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. What this means for you: When you open a prepaid card account, we may require your name, address, date of birth, social security number, tax identification number and other information that will allow us to identify you. We may also ask to see your driver's license or other identifying documents." The USA Patriot Act notice may be updated from time to time by ADP or the Issuing Bank. Prior to or in conjunction with distributing a Pay Card to any Payee, if applicable, Client shall remove the account routing information from the card kit. Client shall not, disclose or make available any such account routing (ABA/DDA) number to any Payee and shall always direct Payees to the Cardholder services telephone number to obtain such account routing (ABA/DDA) number. Payees must accept the Cardholder Terms and Conditions, and the Pay Card may be cancelled by ADP or the Issuing Bank at any time in accordance with the Cardholder Terms and Conditions. Client will provide Cardholders with any other information and materials regarding the Pay Card Services provided to it from time to time as determined by ADP. The amounts to be loaded to each Cardholder's Pay Card will be provided to ADP by Client through one of ADP's standard pay transmission methods available to Client or another means agreed to by ADP and Client.

14.4.2.3 Pay Card Status, Services and Communications. Client is responsible for ensuring that Cardholders are paid via an alternate pay method in such instances where a Cardholder's Pay Card has not been activated, has terminated, cancelled or is in inactive status and even if a Payee has consented to receive their Permitted Payments by the Pay Card. Client will direct Cardholders to ADP's Cardholder services with respect to any Card inquiries, to resolve all disputes regarding their Pay Card and to report any lost or stolen Pay Cards, provided Client will resolve disputes by Cardholders regarding amounts credited or debited to the Pay Cards at the request of Client (e.g., credits as a result of payroll). Client understands that it is not entitled to access or review any Cardholder transaction information and that it has no right to draw back any amounts funded to the Pay Card other than due to an error. Notwithstanding the foregoing, in limited circumstances (e.g., where necessary to investigate or prevent fraud) and consistent with the applicable Cardholder privacy notice, ADP may provide certain Cardholder transaction information to Client. Cardholders may receive notices, mailings and other communications related to the Card and Card features (e.g., secondary cards, card portability, reward programs, etc.) from or on behalf of ADP or the Issuing Bank.

14.4.2.4 Issuing Bank. All Pay Cards issued to Cardholders are the property of the Issuing Bank and are subject to cancellation by the Issuing Bank at any time in accordance with the Issuing Bank's Cardholder Terms and Conditions. The Pay Card Services may be modified as required by the Issuing Bank and as ADP may deem appropriate to assist ADP or the Issuing Bank in complying with its obligations, including legal and regulatory obligations.

14.4.2.5 Cardholder Fees. Client acknowledges that separate fees as set forth on the fee schedule provided in the card kit prior to activation of the Pay Card will be applied to the Pay Card and are the responsibility of the Cardholder.

Such Cardholder fees are subject to change in accordance with the Cardholder Terms and Conditions applicable to the Pay Cards.

14.4.2.6 Information Requests. Client agrees that upon prior notice from ADP or the Issuing Bank, ADP, the Issuing Bank and any regulatory authorities with jurisdiction over the Issuing Bank or ADP shall have the right to inspect Client's books and records related to Client's use of the Pay Card Services and Client's performance of its obligations with respect thereto.

14.4.2.7 Third Party Beneficiary. Notwithstanding anything to the contrary in the Global Master Terms and Conditions, Client agrees that the Issuing Bank (and its respective successors and assigns) is a third party beneficiary of this Agreement, but solely as it relates to the Pay Card Services, and is entitled to enforce each of the applicable provisions against Client as well as the limit on liability provisions of Section 7 of the Global Master Terms and Conditions, including in equity and in law, as if it or they were a party hereto.

14.5 ADP Time & Attendance Services. The following additional terms and conditions apply to the ADP Time & Attendance Services:

14.5.1 Time & Attendance Hardware.

14.5.1.1 If Client procures Time & Attendance Hardware, Client shall provide and maintain an installation environment (including all power, wiring and cabling required for installation) as specified in the manufacturer's product documentation and other written instructions provided to Client by ADP.

14.5.1.2 Regarding Time & Attendance Hardware provided on a subscription basis only, Client shall not make any alterations or attach any devices thereto that are not provided by ADP, nor shall Client remove same from the place of original installation without ADP's prior consent. All right and title in the Time & Attendance Hardware procured on a subscription basis is, and at all times shall remain, that of ADP and a separate item of personal property of ADP, notwithstanding its attachment to other items or real property, and promptly upon termination of the ADP Time & Attendance Services, for any reason whatsoever, Client shall, at its expense, return such Time & Attendance Hardware in good condition, in accordance with ADP's instructions, normal wear and tear excepted.

14.5.2 Biometric Services. Biometric Services are optional. In certain jurisdictions, there are laws and regulations that govern the collection, use, and retention of biometric information, which potentially may apply to Client's use of Biometric Services. To the extent Client elects to use Biometric Services, Client agrees to comply with all such potentially applicable laws and regulations in accordance with this section. In the event Client is unwilling to comply with laws and regulations potentially applicable to Biometric Services, Client will be able to continue to use ADP Time & Attendance Services without Biometric Services. The following terms and conditions apply to Biometric Services to the extent Biometric Services are part of the scope of Services:

14.5.2.1 Requirements for Receipt of Biometric Services. Before any Client or Biometric User is permitted to use any Biometric Services in a jurisdiction where laws and regulations potentially govern such use, Client will comply with the following requirements, in addition to any other requirements imposed by potentially applicable law (to the extent there is a conflict between the requirements below and the requirements of potentially applicable law, Client will comply with potentially applicable law):

14.5.2.1.1 Client Biometric Information Policy. Client will implement, distribute and make available to the public, a written policy establishing Client's policy with respect to the use of Biometric Data. Such policy will include:

14.5.2.1.1.1 a retention schedule and guidelines for permanently destroying Biometric Data;

14.5.2.1.1.2 a commitment to destroy Biometric Data when the initial purpose for collecting or obtaining such Biometric Data has been satisfied or within 3 years of the individual's last interaction with Client, whichever occurs first; and

14.5.2.1.1.3 any additional requirements as required by potentially applicable law.

14.5.2.1.2 Biometric User Notice and Consent. Client will provide notice to and procure and retain appropriate consents or releases from Biometric Users in the manner and to extent the same are required by potentially applicable law, including:

14.5.2.1.2.1 notifying Biometric Users in writing that Client and/or its vendors are collecting, capturing, or otherwise obtaining Biometric Users' Biometric Data, and that Client is providing such Biometric Data to its vendors; such notice will specify the purpose and length of time for which Biometric User's Biometric Data is being collected, stored, and used;

14.5.2.1.2.2 obtaining a written release or consent from Biometric Users (or their legally authorized representative) authorizing Client and/or its vendors to collect, store, and use the individual's Biometric Data for the specific purpose disclosed by Client, and authorizing Client to provide such Biometric Data to its vendors; and

14.5.2.1.2.3 if requested by ADP, providing to ADP copies of the required consents or releases collected and retained by Client, and/or certifying to ADP that such consents or releases have been obtained.

14.5.2.1.3 Retention and Purging of Biometric Data. Client will work with ADP to ensure that Biometric Data is retained and purged in accordance with potentially applicable law. To the extent necessary for the purging or deletion of such Biometric Data, Client agrees to provide timely notification to ADP of the termination of the employment, or the satisfaction of the purpose for which Biometric Data was collected with respect to any given Biometric User. ADP is not responsible for Client's failure to provide timely notification of the termination of the employment, or the satisfaction of the purpose for which Biometric Data was collected with respect to any given Biometric User.

14.5.2.1.4 Storage of Biometric Data in Timeclocks. Client agrees that it shall use a reasonable standard of care consistent with potentially applicable law to store, transmit and protect from disclosure any Biometric Data. Such storage, transmission, and protection from disclosure shall be performed in a manner that is the same as or more protective than the manner in which Client stores, transmits and protects from disclosure other confidential and sensitive information, including personal information that can be used to uniquely identify an individual or an individual's account or property, such as genetic markers, genetic testing information, account numbers, PINs, driver's license numbers and social security numbers.

14.5.2.2 Biometrics Indemnity. Subject to Sections 6.3 and 7, Client will defend ADP against any third party claims (including claims made by or on behalf of Biometric Users) and will indemnify and hold ADP harmless from resulting damage awards or settlement amounts in any cause of action to the extent such cause of action is based on any performance or breach of Client's obligations in connection with the Biometric Services, including any failure by Client to obtain consent from Biometric Users in connection with the use of the Biometric Services.

14.6 Expense Reimbursement.

14.6.1 Non-Taxable Expenses. Client acknowledges and agrees that (i) Expense Reimbursement is designed for non-taxable reimbursable expenses only and (ii) Client is solely responsible for determining whether an expense is taxable or non-taxable. For the avoidance of doubt, Client may not use Expense Reimbursement Services for taxable expenses.

14.7 Tax Registration Services. ADP shall provide tax registration services as further described in this Section (the "Tax Registration Services") in accordance with and subject to the terms of this Agreement. The Tax Registration Services provided hereunder relate solely to ADP obtaining jurisdiction account numbers for employment tax as requested by Client. In receiving the Tax Registration Services hereunder, Client acknowledges the following:

14.7.1 Client understands that ADP will not perform Tax Registration Services in connection with the following events: (i) mergers and acquisitions; (ii) name, address or entity (corporate form) changes; (iii) applications to a state's Secretary of State; and (iv) closing of accounts with a state taxing agency.

14.7.2 As a third-party service provider, ADP's Services hereunder are consultative in nature. ADP is not representing Client in any dealings before any tax agencies. ADP's provision of the Tax Registration Services should not be construed as legal, tax, or accounting advice. Client should consult its legal, tax, or accounting advisors for such advice.

14.7.3 All submissions to the taxing jurisdiction will be (i) reviewed by Client prior to submission, when provided and (ii) signed by Client where necessary or Client will instruct ADP to affix electronically the Client signature provided by Client. By signing the documents or requesting that ADP affix Client's electronic signature, Client is confirming that (i) Client has reviewed the documents and/or data being submitted to the taxing jurisdiction and (ii) the information contained therein is complete and accurate.

14.7.4 By utilizing the Tax Registration Services, Client authorizes ADP to act on its behalf in obtaining jurisdiction employment tax account numbers including, but not limited to, affixing the electronic signature provided by Client to registration forms and other documentation, submitting forms to tax agencies and directly communicating with such agencies as necessary.

14.7.5 Client understands that ADP's Services are based solely on the information provided by Client and/or otherwise available for ADP in connection with the Services about Client's business established within a particular jurisdiction and other written correspondence that is in reply to ADP's questions regarding the registration process or otherwise provided by Client. Client authorizes ADP to rely upon such in providing the Tax Registration Services. ADP is not responsible for Tax Registration Services provided hereunder based on any inaccurate information supplied by Client or the failure by Client to provide ADP with information relating to the registration process.

14.7.6 Client understands that, for reasons beyond ADP's reasonable control, ADP may not be successful in securing an employment tax account number for Client in any particular jurisdiction.

14.7.7 ADP is not responsible for any penalties or interest incurred by Client as a result of ADP's failure to timely receive Client's identification numbers.

14.8 ADP Wage Garnishment Payment Services. The following additional terms and conditions apply to the ADP Wage Garnishment Payment Services:

14.8.1 Description of Services. ADP will act solely in the capacity of a third party service provider of payment processing.

14.8.2 Client's Use of Services. Client agrees not to distribute any ADP Checks to Payees in a manner that would allow Payees to access the associated funds before pay date.

14.9 Employment Verification Services; Employee Authorized Disclosure. The following additional terms and conditions apply to the Employment Verification Services and Employee Authorized Disclosure:

14.9.1 Employment Verification Services. Client authorizes Verification Agents to disclose, on Client's behalf, Verification Data to Verifiers, who wish to obtain or verify any of Client's employees' (former employees', and if included in Client's payroll data, independent contractors' and former independent contractors') Verification Data. Verification Data will be disclosed to Verifiers who certify they are entitled to receive such data (as described below) pursuant to FCRA, and, in the case of income information requests, who additionally certify they have a record of the individual's consent to such disclosure or who utilize a salary key ("Employment Verification Services"). In accordance with FCRA, Verification Data may be provided to Verifiers where (i) the individual has applied for a benefit (such as credit, other employment or social services assistance); (ii) the individual has obtained a benefit and the Verifier is seeking to (a) determine whether the individual is qualified to continue to receive the benefit; and/or (b) collect a debt or enforce other obligations undertaken by the individual in connection with the benefit; or (iii) the Verifier is otherwise entitled under FCRA to obtain the Verification Data. In certifying they have a record of the individual's consent, Verifiers generally rely on the individual's signature on the original application as authorization for the Verifier to access the individual's income data at the time of the application and throughout the life of the obligation. Client understands that Verifiers are charged for commercial verifications processed through ADP or its Verification Agents.

14.9.1.1 Data Quality. If requested by ADP, Client agrees to work with ADP during implementation to produce a test file and validate Verification Data using validation reports made available by ADP or its Verification Agents. If Client uses ADP's hosted payroll processing services, ADP will update its system with the applicable Verification Data available in ADP's payroll processing system.

14.9.1.2 Notice to Furnishers of Information: Obligations of Furnishers of Information ("Notice to Furnishers"). Client certifies that it has read the Notice to Furnishers provided to Client at the following URL: <https://www.consumerfinance.gov/rules-policy/regulations/1022/m/#ImageM2>. Client understands its obligations as a data furnisher set forth in such notice and under FCRA which include duties regarding data accuracy and investigation of disputes, and certifies it will comply with all such obligations. Client further understands that if it does not comply with such obligations, ADP may correct incorrect Verification Data on behalf of Client or terminate the Employment Verification Services upon 90 days prior written notice to Client.

14.9.1.3 Archival Copies. Notwithstanding anything to the contrary in the Global Master Terms and Conditions, Client agrees that, after the termination of the Employment Verification Services, ADP and its Verification Agents may maintain archival copies of the Verification Data as needed to show the discharge and fulfillment of obligations to Client's current and former employees and independent contractors and the provisions of Section 4 will continue to apply during the time that ADP and its Verification Agents maintain any such archival copies.

14.9.2 Employee Authorized Disclosure. ADP may disclose or use Personal Data of a Client's current or former employee or independent contractor where such individual requests and consents to such use or disclosure for the individual's personal benefit (e.g., to verify an individual's identity in connection with a bank account application) ("Employee Authorized Disclosure").

14.9.3 Continuation of Services. Client understands and agrees that Verification Data and/or Personal Data provided by Client or its vendors in connection with the Services may be used, subject to the terms and conditions of this Section, to provide Employment Verification Services and, at the individual's request, Employee Authorized Disclosures after this Agreement expires or is terminated.

14.10 ADP Marketplace and Use of ADP APIs.

14.10.1 Access to ADP Marketplace and Disclaimer Regarding Third Party Services. ADP may provide Client with access to the ADP Marketplace. Client acknowledges that any third party application or service purchased by Client through the ADP Marketplace is provided by a third party and not ADP and ADP makes no endorsements, representations or warranties (including any representations or warranties regarding compliance with laws) regarding such application or service. Client will enter into a relationship directly with the third party provider of such application or service. Any third party application or third party service purchased through the ADP Marketplace will be governed exclusively by the terms and conditions agreed to by Client and the third party provider and not by this Agreement. ADP will not provide any advice, service or support with respect to any third party application or service purchased on the ADP Marketplace.

14.10.2 Transmitting Information to Third Parties. In the event that Client elects to use an API to provide any Client Content or employee or plan participant information to any third party, Client represents that it has acquired any consents or provided any notices required to transfer such content or information and that such transfer does not violate any applicable international, federal, state, or local laws and/or regulations. ADP is not responsible for any services or data provided by any such third party.

14.10.3 Use of ADP APIs. Client will use the ADP APIs to access Client's information only. Client may not use any robot, spider, or other automated process to scrape, crawl, or index the ADP Marketplace or ADP Application Programs and will integrate Client's application with the ADP Marketplace and/or ADP Application Programs only through documented APIs made available by ADP. Client shall not: (i) use the ADP Marketplace, ADP Application Programs or any ADP API to transmit spam or other unsolicited email; (ii) take any action that may impose an unreasonable or disproportionately large load on the ADP infrastructure, as determined by ADP; or (iii) use the ADP APIs, ADP Application Programs or the ADP Marketplace in any way that threatens the integrity, performance or reliability of the ADP Marketplace, Services or ADP infrastructure. ADP may limit the number of requests that Client can make to the ADP API gateway to protect ADP's system or to enforce reasonable limits on Client's use of the ADP APIs. Specific throttling limits may be imposed and modified from time to time by ADP.

14.11 ESS & MSS Technology. The following additional terms and conditions apply to the ESS & MSS Technology.

14.11.1 Client acknowledges that Client's employees or participants may input information into the self-service portions of the ADP Application Programs. ADP shall have no responsibility to verify, nor does ADP review the accuracy or completeness of the information provided by Client's employees or participants to ADP using any self-service features. ADP shall be entitled to rely upon such information in the performance of the Services under this Agreement as if such information was provided to ADP by Client directly.

14.12 ADP Connect Services. The following additional terms and conditions apply to ADP Connect Services:

14.12.1 Additional Third-Party Terms. During the Term of this Agreement, Client's use and access to ADP Connect may be subject to additional terms of services which will be included within ADP Connect. Prior to enabling ADP Connect or certain functionality therein, Client shall ensure that its Users of ADP Connect click through and accept such additional terms of service.

14.13 History Conversion Services. The following additional terms and conditions apply to the History Conversion Services:

14.13.1 Client Obligations. As a prerequisite to receiving the History Conversion Services (the "**Project**"), Client shall (i) allocate sufficient resources to the Project; (ii) provide ADP with a single point of contact and access in order to perform an extraction of historical payroll documents from a single vendor database of reports or registers (if multiple points of contact are required which necessitates additional data extraction work efforts and/or separate security access rights, additional fees may apply); and (iii) perform an inventory of converted historical data and review results in accordance with the timeline set forth below. In addition, if necessary, Client shall complete and validate any data mapping and be responsible for final review of data during the mapping process. If errors in the data mapping are discovered following Client's final validation, corrections to the historical data may be required. Any required data mapping must be completed within sixty (60) days of the date that Client is first able to commence the data mapping processing (the "**Data Mapping Completion Date**"). If Client fails to complete the data mapping by the Data Mapping Completion Date, then additional monthly storage charges shall apply.

14.13.2 Client Consent. Client consents to the direct import of historical payroll documents and historical data into ADP Workforce Now.

14.13.3 Completion of History Conversion Services. Upon completion of the History Conversion Services, Client shall immediately notify ADP if the History Conversion Services and deliverables outlined in the Sales Order have not been satisfactorily delivered. The History Conversion Services will be deemed accepted by Client if no response has been received within five (5) days of the date of completion of such Services.

15 Miscellaneous

15.1 Amendment. This Agreement may not be modified, supplemented or amended, except by a writing signed by the authorized representatives of ADP and Client.

15.2 Assignment. Neither this Agreement, nor any of the rights or obligations under this Agreement, may be assigned by any party without the prior written consent of the other party, such consent not to be unreasonably withheld. However, Client may assign any or all of its rights and obligations to any other Client Group member and ADP may assign any or all of its rights and obligations to any Affiliate of ADP, provided that any such assignment shall not release the assigning party from its obligations under this Agreement. This Agreement is binding upon and inures to the benefit of the parties hereto and their respective successors and permitted assigns.

15.3 Subcontracting. Notwithstanding Section 15.2, ADP reserves the right to subcontract any or all of the Services, provided that ADP remains fully responsible under this Agreement for the performance of any such subcontractor. For the avoidance of doubt, third parties used by ADP to provide delivery or courier services, including the postal service in any country or any third party courier service, and banking institutions, are not considered subcontractors of ADP.

15.4 Entire Agreement. This Agreement constitutes the entire agreement and understanding between ADP and Client with respect to its subject matter and merges and supersedes all prior discussions, agreements and understandings of every kind and nature between the parties. No party will be bound by any representation, warranty, covenant, term or condition other than as expressly stated in this Agreement. Except where the parties expressly state otherwise in a relevant exhibit, annex, appendix or schedule, in case of conflict or inconsistency between these Global Master Terms and Conditions and any such exhibit, annex, appendix or schedule, the Global Master Terms and Conditions will prevail and control. Purchase orders or statements of work submitted to ADP by Client will be for Client's internal administrative purposes only and the terms and conditions contained in any purchase order or statements of work will have no force and effect and will not amend or modify this Agreement.

15.5 No Third Party Beneficiaries. Except as expressly provided herein or in an applicable exhibit, annex, appendix or schedule, nothing in this Agreement creates, or will be deemed to create, third party beneficiaries of or under this Agreement. Client agrees that ADP's obligations in this Agreement are to Client only, and ADP has no obligation to any third party (including, without limitation, Client's personnel, directors, officers, employees, Users and any administrative authorities).

15.6 Force Majeure. Any party to this Agreement will be excused from performance of its obligations under this Agreement, except for Client's obligation to pay the fees to ADP pursuant to Section 11, for any period of time that the party is prevented from performing its obligations under this Agreement due to an act of God, war, earthquake, civil disobedience, court order, labor disputes or disturbances, governmental regulations, communication or utility failures or other cause beyond the party's reasonable control. Such non-performance will not constitute grounds for breach.

15.7 Waiver. The failure by any party to this Agreement to insist upon strict performance of any provision of this Agreement will not constitute a waiver of that provision. The waiver of any provision of this Agreement shall only be effective if made in writing signed by

the authorized representatives of ADP and Client and shall not operate or be construed to waive any future omission or breach of, or compliance with, any other provision of this Agreement.

- 15.8 Headings.** The headings used in this Agreement are for reference only and do not define, limit, or otherwise affect the meaning of any provisions hereof.
- 15.9 Severability.** If any provision of this Agreement is finally determined to be invalid, illegal or unenforceable by a court of competent jurisdiction, the validity, legality or enforceability of the remainder of this Agreement will not in any way be affected or impaired and such court shall have the authority to modify such invalid, illegal or unenforceable provision to the extent necessary to render such provision valid, legal or enforceable, preserving the intent of the parties to the furthest extent permissible.
- 15.10 Relationship of the Parties.** The performance by ADP of its duties and obligations under this Agreement will be that of an independent contractor and nothing contained in this Agreement will create, construe or imply an agency, joint venture, partnership or fiduciary relationship of any kind between ADP and Client. None of ADP's employees, agents or subcontractors will be considered employees, agents or subcontractors of Client. Unless expressly stated in this Agreement, none of ADP, its employees, agents or its subcontractors may enter into contracts on behalf of, bind, or otherwise obligate Client in any manner whatsoever.
- 15.11 Governing Law.** This Agreement is governed by the laws of the State of New York without giving effect to its conflict of law provisions.
- 15.12 Communications to U.S. Based Employees.** Client agrees that ADP may use Client's U.S.-based employee and/or participant name, email and mailing address to provide information about products and/or services offered by ADP directly such employees and/or participants. Client may elect for ADP to cease such communications upon 30 days' prior written notice. In addition, each communication sent by ADP will comply with applicable laws and will enable the recipient to opt-out of receiving additional similar communications from ADP.
- 15.13 Jurisdiction.** Any disputes that may arise between ADP and Client regarding the performance or interpretation of this Agreement shall be subject to the exclusive jurisdiction of the state and federal courts of New York, New York. The parties hereby irrevocably consent to the exclusive jurisdiction of the state and federal courts of New York, New York and waive any claim that any proceedings brought in such courts have been brought in an inconvenient forum. THE PARTIES HEREBY IRREVOCABLY WAIVE THEIR RIGHT TO TRIAL BY JURY.
- 15.14 Counterparts.** This Agreement may be signed in two or more counterparts by original, .pdf (or similar format for scanned copies of documents) or facsimile signature, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.
- 15.15 Notices.** All notices required to be sent or given under this Agreement will be sent in writing and will be deemed duly given and effective (i) immediately if delivered in person, or (ii) upon confirmation of signature recording delivery, if sent via an internationally recognized overnight courier service with signature notification requested to Client at the address indicated on the signature page hereof or to ADP at 99 Jefferson Road, Parsippany, New Jersey 07054, Attention: Legal Department or to any other address a party may identify in writing from time to time. A copy (which shall not constitute notice) of all such notices shall be sent to ADP at One ADP Boulevard, MS 425, Roseland, New Jersey 07068, Attention: General Counsel and to Client at the address indicated on the signature page hereof.
- 15.16 Survival.** Those provisions which by their content are intended to, or by their nature would, survive the performance, termination, or expiration of this Agreement, shall survive termination or expiration of this Agreement.

RESOLUTION

The following resolution was offered by Commissioner _____ and seconded by Commissioner _____.

WHEREAS, the City of Plymouth has evaluated its existing payroll processing operations and identified opportunities to improve administrative efficiency, internal controls and employee access to payroll information; and

WHEREAS, the City Administration has reviewed available payroll processing alternatives, including BS&A, NeoGov and ADP, considering service capabilities, compliance responsibilities and associated costs; and

WHEREAS, ADP offers comprehensive payroll processing, payroll tax administration, reporting and employee self-service capabilities at an annual cost not to exceed \$15,675 in calendar year 2027, with subsequent pricing as outlined in the City Administration's recommendation; and

WHEREAS, the City Administration recommends transitioning payroll processing services to ADP effective January 1, 2027.

NOW, THEREFORE, BE IT RESOLVED, that the City Commission of the City of Plymouth hereby authorizes the Finance Director to execute the necessary agreements with ADP for payroll processing services, consistent with the pricing presented, and authorizes City staff to undertake the necessary implementation activities to facilitate a January 1, 2027, conversion.



Administrative Recommendation

City of Plymouth
201 S. Main
Plymouth, Michigan 48170-1637

www.plymouthmi.gov
Phone 734-453-1234
Fax 734-455-1892

To: Mayor & City Commission
From: Chris S. Porman, City Manager
CC: *S:\Manager\Porman Files\Memorandum - Request to Vacate Alley - Palmer St. - 10-05-26.docx*
Date: October 1, 2026
RE: Request to Vacate Alley – Palmer St.

Background

The City of Plymouth has received a Special Issue Petition from Infinity Acquisitions, LLC, on behalf of an entity to be formed, requesting the vacation of a 16-foot-wide public alley located between the residential property at 860 Palmer Street and the commercial property at 950 S. Main Street.

The petitioner has entered into a purchase agreement for the property at 860 Palmer Street and is seeking to acquire the entire width of the adjacent public alley. The additional 16 feet of property would provide sufficient frontage to pursue a land division resulting in two parcels, each meeting the minimum 60-foot lot width requirement. The owner of the adjoining commercial property at 950 S. Main Street has also signed the petition, indicating support for the proposed vacation.

The portion of the alley proposed for vacation extends approximately 108 feet and encompasses 1,728 square feet.

While the City understands the petitioner's interest in utilizing the additional property for a potential land division, Administration does not support vacating the alley due to the presence of existing public utilities within the right-of-way and the City's ongoing need to preserve access to that infrastructure.

Alley Vacation Process

Section 5.12 of the City Charter provides the City Commission with the authority to establish, vacate, use, control and regulate public streets, alleys and other public places. However, the vacation of a public alley requires a formal process involving public notice, a hearing and Commission action.

Should the City Commission determine that consideration of the request is appropriate, the process would generally involve the following steps:

1. Resolution of Intent: The City Commission would adopt a resolution declaring its intent to consider vacating the alley and establish a public hearing date at least 30 days after adoption of the resolution.

2. Public Notice: The City Clerk would publish notice during each of the two calendar weeks preceding the hearing, post notice on at least three official public posting boards and mail notice to abutting property owners.

3. Public Hearing: The City Commission would conduct a public hearing to receive comments and consider the proposed vacation.

4. Commission Action: Following the hearing, the Commission could vote on the vacation request. If a written objection has been filed with the City Clerk, at least five affirmative votes would be required for approval. Otherwise, a simple majority would be sufficient.

5. Recording Requirements: If approved, the vacation resolution would need to be recorded with the Wayne County Register of Deeds within 30 days, with a copy of the recorded resolution forwarded to the appropriate state agency. The resolution would not take effect until recorded.

In addition to these procedural requirements, Michigan's Land Division Act establishes how ownership of a vacated alley is distributed. Under MCL 560.227a, when an alley separates properties under different ownership, title generally transfers to each adjoining property owner up to the alley's centerline; or in this case, each would receive 8'.

Consequently, approval of the vacation would not automatically convey the entire 16-foot width to the petitioner. A separate property transfer from the adjoining commercial property owner would be necessary to accomplish the petitioner's intended result. This would involve additional surveying, legal descriptions and recorded conveyance documents at the petitioner's expense and responsibility.

Administrative Considerations

Although the requested vacation would provide an opportunity for the petitioner to pursue a division of the residential property, the City must also consider the long-term implications of relinquishing a public right-of-way.

Of primary concern is the presence of existing public utilities within the alley. Maintaining the public right-of-way allows the City to preserve access for inspection, maintenance, repairs and potential future infrastructure improvements.

Michigan law provides a mechanism for municipalities to reserve utility easements when vacating public alleys. However, retaining an easement would not necessarily provide the same level of flexibility and control as maintaining the existing public right-of-way. Additionally, the continued presence of utilities and associated access requirements could limit the petitioner's intended use of the property, even if the alley were vacated.

The proposed vacation is also being requested primarily to facilitate a private land division rather than to address an identified municipal need or eliminate a right-of-way that no longer serves a public purpose.

While the City recognizes the petitioner's development objectives, Administration believes that preserving the existing alley is appropriate given the public infrastructure located within it and the City's responsibility to maintain access to those facilities.

Recommendation

Administration recommends that the City Commission **not** initiate the formal alley vacation process for the 16-foot-wide public alley adjacent to 860 Palmer Street and 950 S. Main Street.

The recommendation is based on the existing public utilities within the alley and the City's interest in maintaining the right-of-way for current and future municipal purposes. Although the proposed vacation could provide additional frontage to support a potential land division, Administration does not believe that this private development benefit warrants relinquishing the public right-of-way.

The City Commission is being provided this information to understand the petitioner's request, the applicable vacation procedures and Administration's position. Unless the Commission wishes to pursue further consideration of the request, no additional action is recommended at this time.

Should the City Commission wish to move forward and schedule the Public Hearing with the intent to vacate the alley, there is a proposed resolution attached for consideration; however, the City Administration recommends against this.

Section 5.12. - Streets, Alleys and Public Places.

The City shall have and exercise the reasonable control of its streets, alleys, and public places. Except insofar as limited by State law and the provisions of this Charter, the Commission shall have power to establish, vacate, use, control, and regulate the use of its streets, alleys, bridges, and public places, whether such public places be located within or without the limits of the City, and the space above and beneath them. Such power shall include, but not be limited to, the proper policing and supervision thereof; the licensing and regulation, or the prohibition, of the placing of signs, awnings, awning posts, and other things which are of such nature as to impede or make dangerous the use of such streets, alleys and public places of the City; and the licensing and regulation of the construction and use of openings in its streets, alleys and sidewalks thereof, and all vaults, structures, and excavations under the same. When the Commission shall deem it advisable to vacate, discontinue, or abolish any public place, street, or alley, or any part thereof, it shall, by resolution, so declare and, in such resolution, shall appoint a time, not less than thirty days thereafter when the Commission shall meet and hear objections thereto. Notice of such hearing and of the purpose thereof shall be published by the Clerk not less than once in each of the two calendar weeks preceding such hearing in one of the newspapers published or of general circulation in the City and by posting upon not less than three official public posting boards of the City. Notices of such hearing shall be also given by the Clerk by first class mail addressed to each owner of property abutting upon such street, alley, or public place according to the last assessment roll of the City. The failure of any person to receive such notice shall not affect the validity of any proceedings taken hereunder, provided that the Clerk has a proof of service affidavit of posting and publication. Objections to such action of the Commission may be filed with the Clerk, in writing. If any such objection shall be filed, such public place, street, or alley, or part thereof, shall not be vacated, discontinued, or abolished, except by affirmative vote of at least five members of the Commission. Any property that could be excluded from the use of a public alley, street or public place shall not have the street, alley or public place vacated if it is the sole access to an existing garage.

RECEIVED AUG 14 2026



CITY OF PLYMOUTH

201 S. Main St.
Plymouth, Michigan 48170-1637

www.plymouthmi.gov

Phone 734-453-1234
Fax 734-455-1892

VACATION OF ALLEY

Name of Person Requesting Alley Vacation: Infinity Homes - Rino Scave

Property Address: 8600 Palmer

Bill to: Infinity Homes
42400 Grand River Ave #112
Novi, MI 48375

STEPS TO FOLLOW

- Complete and return this form as a request to vacate an alley.
- Obtain appropriate blank Petition sheets to request vacating of alley from Clerk's office.
- Complete the petition sheet(s) with accurate and complete legal description that shall appear within the body of the petition form(s) prior to obtaining signatures. (Refer to petition form for proper compliance).
- Return signed petition sheet(s) to the City Clerk's office for verification of signatures and filing. Petition form(s) must be signed by all property owners abutting the street, alley or public place being vacated.

Payment of proper fees must be included with a signed request and signed petition sheet(s) to the City Clerk's office for verification of signatures and filing.

Payment must be cash, certified check, money order, or credit card (3% fee)

Current fee= \$1,500.00 + 5% administrative fee

- Consult with Community Development Department for any related property questions.
- City Commission schedules a public hearing within thirty days of receipt of valid petitions.
- City Commissioners can adopt the resolution to vacate at the public hearing. If adopted, the Clerk's office forwards the information to the Wayne County Register of Deeds for processing.

After approval, you may incur additional associated costs or fees from the Community Development Department (i.e. City Attorney fees, City Engineer fees, planning, surveying, document recording, etc.)

Signature: _____

(Property Owner/Person Requesting Alley Vacation)

Date: 8/12/24

THE CITY OF HOMES

INSTRUCTIONS ON REVERSE SIDE

SPECIAL ISSUE
PETITION☐ Circulator is a paid signature gatherer☒ Circulator is a volunteer signature gatherer

We, the undersigned qualified and registered electors, residents in the ☒ City of Plymouth In the County of Wayne, State of Michigan, respectively petition for:

Vacate the 16 ft. of public alley shared by 860 Palmer and 950 S. Main, with the public alley solely becoming part of 860 Palmer. Legal description for public alley to be vacated:

THE SOUTH 108.00 FEET OF THE PUBLIC ALLEY ADJACENT TO LOTS 1-4 AND LOT 9 OF PURITAN HOM ADDITION SUBDIVISION, PART OF THE NE 1/4 OF SECTION 34, T. 1 S., R. 8 E., CITY OF PLYMOUTH, WAYNE COUNTY, MICHIGAN. RECORDED IN L. 38, P. 33 W.C.R. MORE FULLY DESCRIBED AS BEGINNING AT THE SE CORNER OF LOT 9; THENCE NORTH 108.00 FEET ALONG THE EAST LINE OF LOT 9; THENCE EAST 16.00 FEET TO THE NW CORNER OF LOT 4; THENCE SOUTH 108.00 FEET ALONG THE WEST LINE OF LOTS 1, 2, 3, & 4 TO THE SW CORNER OF LOT 1; THENCE WEST 16.00 FEET ALONG THE NORTH LINE OF PALMER AVENUE TO THE POINT OF BEGINNING. CONTAINING 1,728 SQ. FT.

RECEIVED AUG 31 2026

	Signature	Printed Name	Street Address or Rural Route	Zip Code	DATE OF SIGNING		
					Month	Day	Year
1.	<i>Charles Way</i>	Charles Way	950 S. Main, Plymouth MI	48170	8	19	26
2.	<i>See Letter</i>	Sharon Thews, as Personal Representative of the Estate of Nancy Lou Pszywak	860 Palmer, Plymouth MI	48170	8	20	26
3.	<i>[Signature]</i>	Rino Soave, Infinity Acquisitions	860 Palmer, Plymouth MI	48170	8	21	26
4.							
5.							
6.							
7.							
8.							
9.							
10.							

CERTIFICATE OF CIRCULATOR

The undersigned circulator of the above petition asserts that he or she is 18 years of age or older and a United States citizen; that each signature on the petition was signed in his or her presence; that he or she has neither caused nor permitted a person to sign the petition more than once and has no knowledge of a person signing the petition more than once; and that, to his or her best knowledge and belief, each signature is the genuine signature of the person purporting to sign the petition, the person signing the petition was at the time of signing a registered elector of the City or Township listed in the heading of the petition, and the elector was qualified to sign the petition.

☐ If the circulator is not a resident of Michigan, the circulator shall make a cross [X] or check mark [✓] in the box provided, otherwise each signature on this petition sheet is invalid and the signatures will not be counted by a filing official. By making a cross or check mark in the box provided, the undersigned circulator asserts that he or she is not a resident of Michigan and agrees to accept the jurisdiction of this state for the purpose of any legal proceeding or hearing that concerns a petition sheet executed by the circulator and agrees that legal process served on the Secretary of State or a designated agent of the Secretary of State has the same effect as if personally served on the circulator.

WARNING - A circulator knowingly making a false statement in the above certificate, a person not a circulator who signs as a circulator, or a person who signs a name other than his or her own as circulator is guilty of a misdemeanor.

CIRCULATOR - Do not sign or date certificate until after circulating petition.

[Signature] 8/21/26
(Signature of Circulator) (Date)

Shelby Fulkerson
(Printed Name of Circulator)

829 Penniman Ave.
(Complete Residence Address [Street and Number or Rural Route]) - (Do not enter a post office box)

Plymouth, MI 48170
(City or Township, State, Zip Code)

Wayne
(County of Registration, if Registered to Vote, of a Circulator who is not a Resident of Michigan)

August 11, 2026

City of Plymouth
201 S. Main
Plymouth, MI 48170

Re: Permission for Infinity Acquisitions, LLC on behalf of an entity to be formed, to submit a Special Issue Petition for Vacation of Alley adjacent to 860 Palmer, Plymouth, Michigan 48170 (the "Property")

To Whom It May Concern:

As you may be aware, the Estate of Nancy Lou Poszywak ("Seller") and Infinity Acquisitions, LLC on behalf of an entity to be formed ("Purchaser") entered into a Purchase Agreement dated June 26, 2026 (the "Agreement") for sale of the above referenced Property to Purchaser.

The purpose of this correspondence is to confirm that Purchaser has the Sellers permission to proceed with filing the Special Issue Petition relative to the subject property to allow for vacation of the 16 ft. of public alley shared by 860 Palmer and 950 S. Main, with the public alley solely becoming part of 860 Palmer. Legal description for public alley to be vacated:

THE SOUTH 108.00 FEET OF THE PUBLIC ALLEY ADJACENT TO LOTS 1-4 AND LOT 9 OF PURITAN HOM ADDITION SUBDIVISION, PART OF THE NE 1/4 OF SECTION 34, T. 1 S., R. 8 E., CITY OF PLYMOUTH, WAYNE COUNTY, MICHIGAN. RECORDED IN L. 38, P. 33 W.C.R.

MORE FULLY DESCRIBED AS BEGINNING AT THE SE CORNER OF LOT 9; THENCE NORTH 108.00 FEET ALONG THE EAST LINE OF LOT 9; THENCE EAST 16.00 FEET TO THE NW CORNER OF LOT 4; THENCE SOUTH 108.00 FEET ALONG THE WEST LINE OF LOTS 1, 2, 3, & 4 TO THE SW CORNER OF LOT 1; THENCE WEST 16.00 FEET ALONG THE NORTH LINE OF PALMER AVENUE TO THE POINT OF BEGINNING. CONTAINING 1,728 SQ. FT.

Should you have any questions regarding this correspondence, please do not hesitate.



Sharon Thews, as Personal Representative
of the Estate of Nancy Lou Poszywak

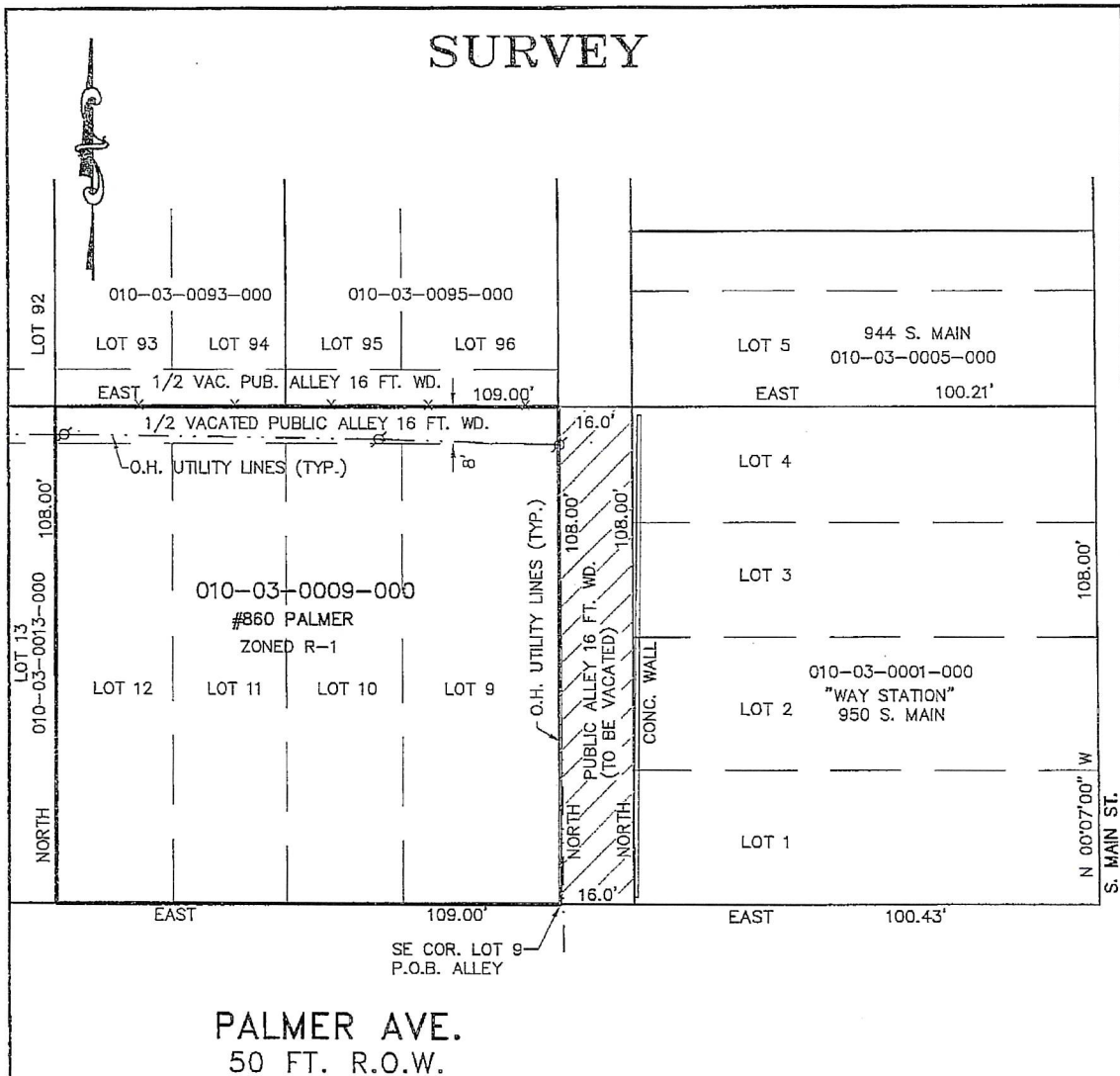
Phone:

Email Address:



8/20/26

SURVEY



PALMER AVE.
50 FT. R.O.W.

PROPERTY DESCRIPTION -

010-03-0009-000
LOTS 9 TO 12 INCLUSIVE, ALSO THE SOUTH 1/2 OF ADJACENT VACATED ALLEY OF PURITAN HOLM ADDITION SUBDIVISION, PART OF THE NE 1/4 OF SECTION 34, T. 1 S., R. 8 E., CITY OF PLYMOUTH, WAYNE COUNTY, MICHIGAN. RECORDED IN L. 38, P. 33 W.C.R.

PROPERTY DESCRIPTION -

010-03-0001-000
LOTS 1 TO 4 INCLUSIVE OF PURITAN HOLM ADDITION SUBDIVISION, PART OF THE NE 1/4 OF SECTION 34, T. 1 S., R. 8 E., CITY OF PLYMOUTH, WAYNE COUNTY, MICHIGAN. RECORDED IN L. 38, P. 33 W.C.R.

PUBLIC ALLEY TO BE VACATED

THE SOUTH 108.00 FEET OF THE PUBLIC ALLEY ADJACENT TO LOTS 1-4 AND LOT 9 OF PURITAN HOLM ADDITION SUBDIVISION, PART OF THE NE 1/4 OF SECTION 34, T. 1 S., R. 8 E., CITY OF PLYMOUTH, WAYNE COUNTY, MICHIGAN. RECORDED IN L. 38, P. 33 W.C.R. MORE FULLY DESCRIBED AS BEGINNING AT THE SE CORNER OF LOT 9; THENCE NORTH 108.00 FEET ALONG THE EAST LINE OF LOT 9; THENCE EAST 16.00 FEET TO THE NW CORNER OF LOT 4; THENCE SOUTH 108.00 FEET ALONG THE WEST LINE OF LOTS 1, 2, 3, & 4 TO THE SW CORNER OF LOT 1; THENCE WEST 16.00 FEET ALONG THE NORTH LINE OF PALMER AVENUE TO THE POINT OF BEGINNING. CONTAINING 1,728 SQ. FT.



ARPEE/DONNAN, INC.

LAND SURVEYING • ENGINEERING • MAPPING

32233 SCHOOLCRAFT

LIVONIA, MICHIGAN 48150

(734) 953-3335

FAX (734) 953-3324

PREPARED FOR:

INFINITY HOMES & CO.

42400 GRAND RIVER AVE. SUITE #112

NOVI, MICHIGAN 48375

(248) 449-8084

DATE: 07/24/26

FB: DRAWN:

PROJ. NO: 26027

SHEET 1 OF 1

Request for Clarification Regarding Proposed Alley Vacation

August 18, 2026

City of Plymouth
201 S. Main Street
Plymouth, MI 48170

Re: 16-foot alley adjacent to 950 S. Main Street and 860 Palmer Street

To Whom It May Concern:

I am the owner of the property located at **950 S. Main Street, Plymouth, MI 48170**, which is the location of the Way Station. I recently signed a petition concerning the proposed vacation of the approximately 16-foot-wide alley described in the petition.

I am generally not opposed to the proposed alley vacation and do not presently have plans to develop or remove the existing cement wall adjacent to my property. I am simply requesting clarification regarding how the proposed vacation will affect my property and my existing property rights.

Before the vacation is finalized, please provide me with the proposed or final legal description, survey, or other documentation showing exactly where the approximately **1,728 square feet** of vacated alley will be assigned.

I would also appreciate written confirmation that:

1. None of the vacated alley property will be added to or transferred to my 950 S. Main Street parcel unless I separately agree to such a transfer.
2. My existing access, utility, drainage, maintenance, or other property rights will not be adversely affected.
3. The proposed vacation will not create any obligation for me to acquire, maintain, or pay for the vacated property.
4. Any resulting change to the legal description or taxable property associated with 950 S. Main Street will be identified to me before the vacation is finalized.

I am simply trying to make sure that I understand what I signed and that my property and existing rights are protected. I have no objection to the neighboring property owner pursuing the vacation if it does not adversely affect my property.

Thank you for your assistance. I would appreciate receiving a copy of the applicable resolution, survey, legal description, or other documents related to the proposed vacation.

Sincerely,

Charles Way

Charles Way

Owner, 950 S. Main Street
Plymouth, MI 48170

INTERNAL DEPARTMENTAL EVALUATION

For Municipal Use Only. Departments route sequentially matching steps 1 and 2 on page 1.

ASSESSING DEPARTMENT RECOMMENDATION AND/OR COMMENTS: Assessors/MBrodie

Assessing Department has verified abutting property owners.

In addition, the Alley Vacation Request indicates on the petition that the public alley would become solely part of 860 Palmer. However, because Michigan law dictates an automatic 50/50 split down the centerline upon vacation, the alley would be split (upon approval of the City Commission) and then the second owner could deed their half of the alley to the other.

Therefore, I'm not sure the petition can be accepted as is without additional documents (i.e. concurrent, fully executed QutiClaim Deed, etc.) (mb)

MUNICIPAL SERVICES DEPARTMENT RECOMMENDATION AND/OR COMMENTS: Adam Gerlach

Bullet point info on the underground utilities for reference:

- City owned public utilities in the alley (west of Main btwn Sutherland & Palmer):
 - o Sanitary Sewer main & Sanitary sewer Manhole #584
 - o Storm drain
- Private Sanitary connections to alley sanitary main for:
 - o 906 S Main
 - o 944 S Main
 - o 950 S Main
 - o 853 Sutherland
- Private Storm drain connections for:
 - o 944 S Main parking lot catch basin and roof drainage
 - o Possible roof drain connection for 906 S Main

An easement is an option, but it is not anything that we would recommend.

DMS is dealing with sewer and storm drain issues in former alleys that have been vacated elsewhere in the city. It is a constant battle to be able to access the utilities because of fences and landscaping. In addition, to the stuff that the private property owners do to make it difficult to access, then DTE and consumers and AT&T and fiber or any other private utility company can place their equipment in the vacated alley/easement and block access. In the case of alleyways the City can require traffic rated utility covers, width and height clearances for vehicle and equipment access; we cannot require the same conditions for easements because they are not considered public right of ways.

COMMUNITY DEVELOPMENT DEPARTMENT RECOMMENDATION AND/OR COMMENTS: John Buzuvis

Our utility team indicated that the alley that is being requested to be vacated has public utilities that run through it and as such vacating it would be problematic and ill advised.

CLERK'S OFFICE INTAKE & DEPARTMENTAL REVIEW

Intake: The Clerk's office logs the application file, verifies processing of the \$1,500 fee, obtains the most recent City assessment role from the City Assessor to confirm identity and mailing address of all current owners of abutting properties.

Interdepartmental Routing: The Clerk forwards a copy of the file to the Community Development Department, Department of Municipal Services (DMS), and Public Safety (Fire and Police) to:

- Confirm all zoning requirements, any abutting property access issues and any other applicable information
- Confirm that area to be vacated will be classified in the same zoning district as the property it is attached to
- Verify active utility infrastructure
- Determine if a permanent public or private utility easement must be retained within the legal framework of the final vacation resolution
- Assess traffic flow and emergency access impacts, refuse collection, snow removal, or other applicable factors

Departments return the file to Clerk's office with their departmental review with comments/reports/determinations:

Application file moves to Attorney for review upon receipt of departmental review and feedback.

SETTING THE PUBLIC HEARING & DUE PROCESS

Attorney Review: City Commission Scheduling: Upon receipt of departmental feedback, the City Clerk/City Manager sends all documentation to City Attorney for review and written legal approval/opinion verifying compliance with the Michigan Land Division Act.

City Commission Scheduling: Upon receipt of legal approval, City Clerk/City Manager places an initial resolution on the City Commission agenda to formally schedule a public hearing date that is no less than 30 days from the date of the meeting where the public hearing is set.

Public Notice Publication: The City Clerk publishes an official legal notice of the public hearing in a local newspaper of general circulation at least once in each of the two weeks preceding the public hearing date. Affidavit of Publishing is retained with application.

Posting Notice: The City Clerk posts the public hearing notice on at least three official City public posting boards and on the Public Notices page of the City website.

Radius Notification Mailing: Notice of Public Hearing is mailed by the City via first-class mail to all property owners of record abutting the impacted alley segment using the ownership information contained in the most recent City assessment role. Affidavit of Mailing is retained with the application.

Note: The failure of an individual to receive notice does not affect the validity of the proceedings, provided the Clerk has the required proof of service documentation above.

FINAL COMMISSION ACTIONS

Conduct the Public Hearing: The City Commission holds the formal public hearing to receive community comments, testimony, and review any reasonable objections raised by interested parties.

Determination: The City Commission takes formal action to adopt or deny the final resolution approving the alley vacation request.

- *Uncontested Vacations: If the resolution is introduced, a public hearing is held, and no written objections are filed with the City Clerk, the City Commission can pass the resolution using a standard voice vote and a regular majority.*
- *Contested Vacations (Supermajority Requirement): If any formal, written objection is filed with the Clerk, the alley cannot be vacated except by an affirmative vote of at least five members of the Commission by a mandatory roll call vote.*

Note: Even if the Commission has five votes to approve the vacation, the Plymouth City Charter explicitly states that a street or alley cannot be vacated if it serves as the sole access point to an existing garage for any abutting property.

- *While statutory law defaults to a center line split, the process can be customized if neighbors choose to assign their rights away.*

RESOLUTION

The following Resolution was offered by Comm. _____ and seconded by Comm. _____.

WHEREAS, the City of Plymouth has received a Special Issue Petition requesting the vacation of a 16-foot-wide public alley located between 860 Palmer Street and 950 S. Main Street, consisting of approximately 1,728 square feet; and

WHEREAS, the petitioner has requested the vacation to facilitate a potential land division of the property at 860 Palmer Street, and the adjoining commercial property owner has indicated support for the request; and

WHEREAS, Section 5.12 of the City of Plymouth Charter authorizes the City Commission to consider the vacation of public alleys through a process that includes a resolution declaring intent, public notice and a public hearing; and

WHEREAS, the City Commission desires to provide an opportunity for public comment and further consideration of the proposed alley vacation, including the potential impacts on existing public utilities and municipal infrastructure;

NOW, THEREFORE, BE IT RESOLVED, that the City Commission of the City of Plymouth hereby declares its intent to consider vacating the 16-foot-wide public alley located between 860 Palmer Street and 950 S. Main Street, as legally described in the petition, and directs the City Clerk to schedule a public hearing for [DATE] at [TIME], at Plymouth City Hall, 201 S. Main Street, Plymouth, Michigan, no less than 30 days following adoption of this resolution, and to provide all required published, posted and mailed notices in accordance with Section 5.12 of the City Charter.

BE IT FURTHER RESOLVED, that this resolution constitutes only a declaration of intent to consider the proposed vacation and does not constitute approval of the vacation, relinquishment of any public right-of-way or abandonment of any existing public utility rights. Any final determination shall be made by the City Commission following the public hearing.