

# CLEVELAND HEIGHTS POWERS FORWARD

Smarter Upgrades, Bigger Savings with Leonardo

The City's new partnership with construction management firm Leonardo Energy means significant upgrades to City facilities will happen swiftly in 2025, resulting in significant energy and cost savings.



What if we told you that you could get your leaky roof replaced at no initial cost and with a contractual guarantee for the quality and longevity of the work?

What if we told you that the money borrowed would be deferred long enough that, by the time you saw the first payment due in the mail, the energy savings in your electric bill would cover the cost of the loan and then some, freeing up funds to make other upgrades to your home?

What if we told you that the company's projected energy savings could be used as leverage for negotiating the loan terms on your behalf?

Then what if we told you that in the unlikely scenario you didn't see a total return or surplus on your investment, the company doing the work would write you a check for the difference?

Finally, what if we could guarantee there was no catch—the company only hoped that the quality of its services would encourage you to rehire it in the future using your newly freed-up capital?

Skepticism would be a normal response.

But what if we introduced you to a company that had completed work for multiple homeowners in your neck of the woods using this model and boasted a 100% track record for above return on investment, and they were eager to work with you?

Now imagine being introduced to a company that does this for whole cities.

Meet Chicago-based construction management firm Leonardo Energy. Its decades-long mission to "collaborate with municipalities and other local government organizations to renew



facilities while simultaneously increasing energy efficiency and decreasing operational costs” has made it a leader in modernizing city assets nationwide.

Using its unique project management model, Leopardo acts as the lead contractor. If the City were to take on a large renovation project, it would have to manage all of the trades in-house, send out individual bids, and negotiate individual contracts. Instead, Leopardo packages one bid for the City to sign.

Because the company has its own engineering and electrical departments, it can guarantee a tight timetable; most of the work being done in Cleveland Heights, which includes upgrades to City Hall, Cain Park, the Service Garage, and its two Fire Stations, is slated to wrap up in September of this year. Later in the year, the City’s streetlights will all be replaced with energy-efficient LED fixtures.

At the center of the energy services contract is Leopardo’s projection that Cleveland Heights



*A Leopardo worker inspects the roof ahead of major improvements—exciting changes are on the way!*

will claim savings of \$1.9 million annually for the next 20 years. What’s more unusual is that Leopardo *guarantees* the projected savings, shifting the financial risk from the municipality to the partner. If upgrading facilities is higher than the loan cost, Leopardo writes a check to Cleveland Heights for the difference each month the discrepancy holds.

Ohio made collaborating with companies like Leopardo feasible through its passage of Ohio Revised Code 717.02 (ORC 717.02) in 2008 allowing local government entities to enter into a guaranteed energy savings performance contract (ESPC). ESPC is a paid-from-savings approach that diverts current spending to critical energy and operational upgrades to aging infrastructure. The savings pay for the project and are required to be guaranteed under Ohio Law.

As Leopardo President Rob Vollrath explained, “This procurement vehicle allows local governments to make these needed improvements in a budget-neutral manner.”



*From left, City officials Andy Boateng, Mayor Seren, Assistant Law Director Chris Hetzel, and Law Director William Hanna sign the contract with Leopardo.*

## **Why Cleveland Heights?**

In early 2024, Vollrath was contacted by the company's Cleveland-area government relations liaison, who identified Cleveland Heights as a city on the front lines of improving government efficiency and modeling sustainability. Vollrath wasted no time reaching out to Mayor Seren to initiate a conversation.

Cleveland Heights' appeal was due, in large part, to the intensive Climate Action and Resiliency Plan (CARP) project led by the City's Sustainability Coordinator, Andy Boateng, throughout last year (see Focus, Winter 2024 for a profile on Boateng and a deep-dive into the CARP process).

CARP found that powering buildings is the city's single largest source of carbon emissions.

Mayor Seren sees the Leopardo project, which he formally signed in December 2024, as "the first, significant step toward lowering the City's carbon emissions and improving the environmental and safety conditions for hundreds of city employees."

The project is expected to reduce the City's footprint by 4,228,000 pounds of carbon dioxide, an invisible gas fueling the climate crisis, equivalent to removing 427 cars from the road. These environmental savings translate to immediate cost savings as well. Leopardo guarantees annual savings of \$165,457 in utility bills from swapping out equipment such as giant heating and cooling units. As part of its preliminary work for Cleveland Heights, Leopardo undertook a rigorous audit of City buildings and systems and found that 77% of the City's mechanicals are past their useful life.

In addition to the energy savings, building repairs such as roof and window replacements, tuckpointing, and fixing leaks, including the massive skylight in the Atrium at City Hall, will increase the safety and longevity of city facilities. Leopardo estimates the City will save \$597,506 in the first seven years.

"Cleveland Heights is a great candidate for our services because, like most communities, it has more capital needs than capital available to address aging building assets and energy infrastructure, such as HVAC, windows, roofs, building envelope, street lighting, etc.," Vollrath explained. "In addition, the City of Cleveland Heights has a strong emphasis on sustainability and improving the environment, and this project will support the City's Climate Action and Resiliency Plan, which is one of many reasons we are so excited as a company to partner with the City of Cleveland Heights on this project."

Also, as part of the audit, Leopardo evaluated and will, in the near future, re-negotiate contracts for the city (a process called reverse auctioneering), such as fuel contracts for its vehicles and salt (brine) for its roads, guaranteeing \$654,714 in annual savings. Replacing all of the City's street lights with LEDs will generate an annual savings of \$403,847, and replacing exterior lighting and inefficient window A/C units at Cain Park with a centralized system will save the City \$103,847 annually.

Cleveland Heights and Leopardo set a goal to use 100% local labor for this project; a contract will be signed with local labor unions, creating 387 jobs and \$902,420 in local and state taxes.

After additional review by the City's law department and the sustainability coordinator, Mayor Seren signed the contract on Dec. 13, 2024, and work began in February at Cain Park, the Service Garage, and City Hall. Improvements to the two fire stations will begin shortly after this FOCUS arrives at your doorstep.

Now, back to that hypothetical leaky roof. Knowing what you know now, wouldn't you sign the contract, too?