



## Proposal: A Net Zero Revolving Loan Fund for Montpelier

### Overview

City Council's stated goal is for Montpelier to become the first state capital to produce or offset all of its energy needs from renewable energy sources by 2030. Currently, funding for municipal renewable energy and energy efficiency projects can only come from within existing departmental budgets. A dedicated funding source is needed to ensure that capital is available for worthwhile projects that help meet the City's Net Zero goal. The Montpelier Energy Advisory Committee proposes to establish a Net Zero Revolving Loan Fund for the purpose of financing energy efficiency and renewable energy investments in the City.

### Budget Impact

The Energy Advisory Committee is requesting that City Council pledge \$20,000 in seed money from the City's Reserve Fund to start the Revolving Loan Fund.

In addition to funding stand-alone energy efficiency and renewable energy projects, the City can also use the fund to pay the marginal costs of efficiency improvements within larger capital projects. As the city realizes savings on each project, it will return a portion of the savings to the fund to be used in future projects.

### Project Benefits

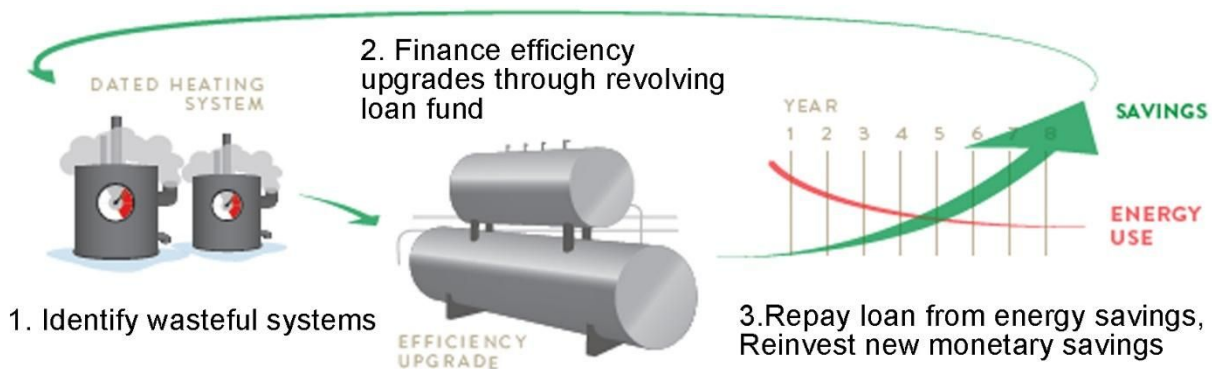
- Creates flexibility and allows the City to develop and implement projects quickly;
- Reduces the need to incur debt and maintains positive cash flow for each energy efficiency project;
- Works through and reduces deferred maintenance projects, lowering overall operating costs;
- Leverages capital improvement project funds to significantly improve the efficiency of equipment;
- Leverages Efficiency Vermont incentives to invest in future energy savings retrofits;
- Improves the energy performance ratings of the municipal building portfolio; and
- Decreases the city's energy usage to reach the Net Zero by 2030 goal.

## Summary

Revolving loan funds have been used through the years in many areas, such as economic development, resource conservation, affordable housing and energy efficiency. A revolving fund is established for a specific purpose, and is replenished by requiring a return on the loan, such as through a defined percentage of the loan, or a portion of funds saved through use of the funds for specific projects. This maintains the fund over time after the initial “seed” investment.

The City Council has made Net Zero Montpelier a priority, and city staff and the Montpelier Energy Advisory Committee have identified numerous projects that will move the City toward the goals identified in MEAC’s *Roadmap to 2030*. It is anticipated that some projects will be implemented within existing departmental budgets, while others may require additional funding resources.

The purpose of the Net Zero Revolving Loan Fund is to capture and track savings from sustainability projects and to utilize part of those savings for subsequent projects. The Fund is a key tool that will enable implementation of energy efficiency projects of varying size and scope. It will provide a vehicle for municipal energy projects, and it will provide a structure for use, replenishment and management of those funds.



## Fund Uses

Funds may be used for:

- Projects that directly address one or more of the City’s Net Zero goals through energy efficiency or renewable energy production.
- Funds should primarily cover equipment, materials and other ‘hard’ costs that have a high impact; non-personnel costs (internal staff) may be covered but should be the exception and justified in the proposal.

## Fund Management

MEAC proposes that the City of Montpelier join the Billion Dollar Green Challenge, a program of the Sustainable Endowment Institute. Joining the Challenge (with an annual fee of \$200/year) will give us access to 16 hours of free consultation as we set up our fund, as well the ability to use their cloud-based tracking software which will make it easy for us to track the loans, both financially and in terms of their environmental impact. The BDGC was originally developed for higher education institutions but more recently has been expanding to work with a variety of municipalities, including Andover, MA, San Antonio, TX and Atlanta, GA. This is also the system used by the State of Vermont BGS to manage their energy-focused revolving loan funds, and they recommend it highly.

The Green Revolving Investment Tracking System (GRITS) web tool ([www.GreenBillion.org/GRITS](http://www.GreenBillion.org/GRITS)) is a customizable web-based project management tool for planning, tracking, and organizing GRF projects. With it we can:

- Research potential project ideas using the Project Library which lists the projects of other institutions using GRITS.
- Explore proposed projects by calculating expected financial and energy performance.
- Manage and track our projects' energy and financial savings and data throughout the life of the project.
- Benchmark and contrast projects against ones at other institutions using the Project Library.
- Allow staff and committee members to collaboratively manage the fund through multiple user accounts and communicate on projects through the Notes feature.
- Create and print customizable graphs based on aggregate and project specific financial, energy, and carbon savings data.

## Next Steps

Participation in the Billion Dollar Green Challenge includes support in setting up the details of the Revolving Loan Fund over the next year. These milestones include:

*Within Three Months:* Form a multi-stakeholder working group, or assign an existing group, to lead the process of establishing the fund guidelines and operating procedures.

*Within Six Months:* Complete an energy audit for approximately 10 percent or more of the building square footage on campus and complete a "GRF Plan of Action" detailing how the fund will operate. Audits may be conducted by consultants, municipal staff, or outside contractors. The GRF Plan of Action few short questions that will help SEI assess your progress in the GRF creation process and offer targeted support.

*Within Nine Months:* Formalize a guiding document to outline the operational procedures for the fund including the process for reviewing project proposals, making investments, and tracking savings.

*Within Twelve Months:* Approve fund investment in at least one project and begin to add data to the Green Revolving Investment Tracking System (GRITS).

Our goal is to have the Fund up and running at the start of FY18 (July 2017). Between now and then we would work with SEI to develop the fund guidelines and get everything set up. MEAC would come back to City Council in 3 months with a draft set of guidelines for approval.

In order for the City to move forward with developing the Fund, we ask that the City Council approve the following resolution:

### **Billion Dollar Green Challenge Resolution**

Whereas Greening the Bottom Line documents the proven track record of green revolving funds at more than 90 institutions in the United States and Canada,

Whereas this research and other case studies show the environmental, educational and financial benefits of investing in these efficiency improvements,

Whereas our positions as municipal leaders support our contributing to educational and community leadership,

Whereas green revolving funds have proven to be safe investments with relatively high rates of return,

Whereas over the course of 10 years, a cumulative one billion dollars initially invested in green revolving funds may be repaid and invested 2-3 more times, thereby generating total investments of between two and three billion dollars,

Now therefore, be it resolved that our municipality will commit to finance and implement a Green Revolving Fund and join The Billion Dollar Green Challenge.

To advance this initiative, we will:

Initiate the process of creating a green revolving fund that will meet the requirements listed above. Our progress will be tracked according to four quarterly benchmarks within the indicated time periods—starting from the first three months after our municipality joins The Challenge:

- Within Three Months: Form a multi-stakeholder working group, or assign an existing group, to lead the process of establishing the fund guidelines and operating procedures.

- Within Six Months: Complete an energy audit for approximately 10 percent or more of the building square footage and complete a “GRF Plan of Action” detailing how the fund will operate. Audits may be conducted by consultants, staff, or subcontractors.
- Within Nine Months: Formalize a guiding document to outline the operational procedures for the fund including the process for reviewing project proposals, making investments, and tracking savings.
- Within Twelve Months: Approve fund investment in at least one project and begin to add data to the Green Revolving Investment Tracking System (GRITS).

As participants in The Billion Dollar Green Challenge, we commit to invest in energy efficiency, water conservation or renewable energy improvements at our institutions, with the goal of saving energy, reducing carbon emissions, lowering energy expenses, and creating regenerating funds for future sustainability upgrades.

Signature

Date

Name, Title

Size of Fund

Institution Name of Fund

New Fund? (Y/N)