

AGENDA ITEM SUMMARY

September 4, 2018

City Council

STAFF

John Phelan, Energy Services Manager
Sean Carpenter, Climate Economy Advisor
Cyril Vidergar, Legal

SUBJECT

Second Reading of Ordinance No. 106, 2018, Appropriating Unanticipated Grant Revenue from the Colorado Energy Office in the Light and Power Fund for the HOME Efficiency Loan Program/On-Bill Financing Program.

EXECUTIVE SUMMARY

This Ordinance, unanimously adopted on First Reading on August 21, 2018, appropriates \$200,000 in grant revenues from the Colorado Energy Office in the Fort Collins Utilities Light and Power fund for the purposes of developing and capitalizing Utilities On-Bill Financing (OBF) program. The program will provide utility bill serviced loans for energy efficiency and renewable energy, with a focus on efficiency in rental properties for low- to moderate-income households.

STAFF RECOMMENDATION

Staff recommends adoption of the Ordinance on Second Reading.

ATTACHMENTS

1. First Reading Agenda Item Summary, August 21, 2018 (w/o attachments) (PDF)
2. Ordinance No. 106, 2018 (PDF)

AGENDA ITEM SUMMARY

August 21, 2018

City Council

STAFF

John Phelan, Energy Services Manager
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SUBJECT

First Reading of Ordinance No. 106, 2018, Appropriating Unanticipated Grant Revenue from the Colorado Energy Office in the Light and Power Fund for the HOME Efficiency Loan Program/On-Bill Financing Program.

EXECUTIVE SUMMARY

The purpose of this item is to appropriate \$200,000 in grant revenues from the Colorado Energy Office in the Fort Collins Utilities Light and Power fund for the purposes of developing and capitalizing Utilities On-Bill Financing (OBF) program. The program will provide utility bill serviced loans for energy efficiency and renewable energy, with a focus on efficiency in rental properties for low- to moderate-income households.

STAFF RECOMMENDATION

Staff recommends adoption of the Ordinance on First Reading.

BACKGROUND / DISCUSSION

Bloomberg Mayors Challenge

In February 2018, Fort Collins was one of 35 Champion Cities selected from 320 applications as part of the 2018 U.S. Mayors Challenge, which provides grants and technical assistance to city leaders who are solving urgent problems in their communities. As part of being selected as one of the Champion Cities, Bloomberg awarded Fort Collins a \$100,000 grant to develop a program that would improve the energy efficiency of low- to moderate-income rental households.

Mayor Wade Troxell selected the theme of "Climate Economy" as the innovative idea for the Bloomberg competition. The Climate Economy refers to the notion that economic prosperity can occur without high carbon emissions.

In Fort Collins, nearly 50% of low- to moderate-income residents live in rental housing, much of which is inefficient and contributes to health and economic disparities in the community. The City's proposed Bloomberg project is to develop public-private partnerships that help catalyze the renovation of thousands of single- and multi-family rental properties. The strategy includes helping property owners finance these improvements through their utility bills, known as on-bill financing (OBF).

Bloomberg Philanthropies works in over 120 countries around the world to ensure better, longer lives for the greatest number of people. The organization focuses on five key areas for creating lasting change: Arts, Education, Environment, Government Innovation, and Public Health. In 2016, Bloomberg Philanthropies distributed \$600 million. For more information, go to www.bloomberg.org.

On-Bill Financing 2.0

The City of Fort Collins 2013 - 2016 on-bill financing program successfully demonstrated the feasibility of a Utility department-managed, private sector-driven strategy to reduce carbon emissions through residential energy efficiency building upgrades, in collaboration with external partners including contractors, equipment suppliers and area homeowners. In late 2016, the City transitioned from the successful on-bill financing methodology to a 3rd party commercial model. Although the new structure aligns with City and Utilities current financial requirements, the 3rd party financing program has failed to achieve acceptable results. In order to achieve community energy and climate goals, as adopted by City Council, a “reboot” and upgrade of the original approach is required - On-Bill Finance 2.0. The OBF2.0 reboot will:

- Materially contribute to the City’s energy and climate objectives, particularly the 2030 goals. Research and analysis contained herein indicates that OBF2.0 will be a critical factor in Fort Collins likelihood of achieving CAP goals;
- As a part of the Bloomberg Mayors’ Challenge, OBF 2.0 will focus on expanding equitable participation of low and moderate income (LMI) households in energy efficiency and renewable energy programs;
- Establish a scalable public private partnership (PPP) social impact model that incents the private sector and residents to upgrade aging building stock in an affordable, cost effective manner;
- Spur the start, strengthening and/or expansion of new and existing energy efficiency related businesses and jobs in Fort Collins.
- Obtain non-recourse, private-sector debt capital to fund new energy efficiency loans for homes and businesses.
- Benefit utility ratepayers by promoting and increasing energy conservation and efficiency, and likely reducing the need for additional resources to provide utility resources.

CITY FINANCIAL IMPACTS

The funds have been received and entered into the appropriate Utilities account. While the CEO grant is not restricted to use for LMI households, the funds will be used as a part of the Bloomberg Mayors’ Challenge with a focus on serving these households. The appropriation of these funds will enable Utilities to continue to move forward with the initial phases of the OBF 2.0. While no matching funds are required for this grant, staff will be supporting a CEO project to develop an OBF toolkit which CEO will then offer to other Colorado communities. OBF 2.0 will require additional capital funds to scale over time. In addition to this grant, the Colorado Energy Office (CEO) has agreed to provide \$800,000 through a low interest loan in support of the capitalization of OBF. Additional third-party, private-sector capital sources will be added, resulting in a sustainable financial model. Any such future additions to the OBF 2.0 program will be brought to Council for consideration as appropriate.

ORDINANCE NO. 106, 2018
OF THE COUNCIL OF THE CITY OF FORT COLLINS
APPROPRIATING UNANTICIPATED GRANT REVENUE FROM THE COLORADO
ENERGY OFFICE IN THE LIGHT AND POWER FUND FOR THE HOME
EFFICIENCY LOAN PROGRAM/ON-BILL FINANCING PROGRAM

WHEREAS, under Ordinance No. 033, 2012, the City established a Home Efficiency Loan Program, also known as On-Bill Utility Financing (OBF), which enabled Fort Collins Utilities to offer financing and on-bill servicing of customer loans for energy efficiency, water efficiency and renewable energy upgrade projects; and

WHEREAS, between 2013 through 2016, OBF provided low-cost financing for energy efficiency, solar photovoltaic, and water conservation improvements, in support of Utilities' efficiency and conservation efforts, and policy goals from Plan Fort Collins, the Climate Action Plan, Energy Policy and Water Conservation Plan; and

WHEREAS, in 2016, the City transitioned the funding methodology for OBF to a third-party commercial model relying on an outside financing partner; and

WHEREAS, the rate of OBF residential customer energy efficiency building upgrades under the third-party commercial loan model has lagged below levels required to achieve City energy and climate policy goals; and

WHEREAS, in February 2018, the City was selected as a Champion City as part of the 2018 Bloomberg Philanthropies U.S. Mayors' Challenge competition; and

WHEREAS, in conjunction with selection as a Champion City, Bloomberg Philanthropies awarded the City a \$100,000 grant to develop a program to improve energy efficiency of low- to moderate-income rental households, which was appropriated in Ordinance No. 082, 2018; and

WHEREAS, this item is to appropriate the Colorado Energy Office grant awarded to the City of \$200,000 to provide capital for a loan program to improve energy efficiency and renewable energy for Fort Collins households; and

WHEREAS, Utility Services staff and the City Manager recommend appropriating the Colorado Energy Office grant to continue the OBF program to increase participation by low- and moderate-income households in energy efficiency and renewable energy programs, and thereby increase the City's progress toward its 2030 energy and climate objectives; and

WHEREAS, Article V, Section 9, of the City Charter permits the City Council to make supplemental appropriations by ordinance at any time during the fiscal year, provided that the total amount of such supplemental appropriations, in combination with all previous appropriations for that fiscal year, does not exceed the current estimate of actual and anticipated revenues to be received during the fiscal year; and

WHEREAS, the City Manager has recommended the appropriation described herein and

determined that this appropriation is available and previously unappropriated from the Electric Utility Light and Power Fund and will not cause the total amount appropriated in the Light and Power Fund to exceed the current estimate of actual and anticipated revenues to be received in that fund during any fiscal year; and

WHEREAS, Article XII, Section 6 of the City Charter permits the City Council to approve expenditure of utility funds for renewals, replacements, extraordinary repairs, extension, improvements, enlargements and betterments of each Utility enterprise or other specific utility purpose determined by Council to be beneficial to the ratepayers of such Utilities; and

WHEREAS, the City Council has determined it is desirable to enhance the program incentives and financing options for new Home Efficiency Loan Program/OBF loans and provide flexibility in the administration of those loans, in furtherance of the conservation benefits available to ratepayers through the OBF program, as required by Article XII, Section 6 of the City Charter.

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF FORT COLLINS as follows:

Section 1. That the City Council hereby makes and adopts the determinations and findings contained in the recitals set forth above.

Section 2. That, for the reasons stated above, the City Council hereby finds and determines that applying the Colorado Energy Office grant to enhance the program incentives and financing options for the Home Efficiency Loan Program/OBF program, as described herein, will be for the betterment of the affected Utilities and serve utility purposes beneficial to the ratepayers of those Utilities by promoting and increasing energy and water conservation and efficiency and reducing the need for additional resources to provide such utility services.

Section 3. That there is hereby appropriated for expenditure from unanticipated grant revenue in the Light and Power Fund the sum of TWO HUNDRED THOUSAND DOLLARS (\$200,000) for the purposes of developing and capitalizing the OBF program.

Introduced, considered favorably on first reading, and ordered published this 21st day of August, A.D. 2018, and to be presented for final passage on the 4th day of September, A.D. 2018.

Mayor

ATTEST:

City Clerk

Passed and adopted on final reading on the 4th day of September, A.D. 2018.

Mayor

ATTEST:

City Clerk