

# AGENDA ITEM SUMMARY

July 16, 2019

City Council

---

## STAFF

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

---

## SUBJECT

Second Reading of Ordinance No. 084, 2019, Appropriating Unanticipated Grant Revenues From Bloomberg Philanthropies and Authorizing Transfers of Appropriations in the Light and Power Fund for Residential Efficiency Project Loans.

---

## EXECUTIVE SUMMARY

This Ordinance, unanimously adopted on First Reading on July 2, 2019, Appropriates The purpose of this item is to appropriate \$193,650 of \$682,000 in grant award revenues from Bloomberg Philanthropies, as part of the Bloomberg Mayor's Challenge, into the Fort Collins Utilities Light and Power fund and Economic Health Office for the purposes of ongoing project management and operations of Epic Homes and a sub-grant to Colorado State University for indoor air quality research. The remaining \$488,350 of the 2019 balance of funds will be appropriated for Epic Loan capital in alignment with pending third-party capital agreements.

---

## STAFF RECOMMENDATION

Staff recommends adoption of the Ordinance on Second Reading.

---

## ATTACHMENTS

1. First Reading Agenda Item Summary, July 2, 2019 (w/o attachments) (PDF)
2. Ordinance No. 084, 2019 (PDF)

## AGENDA ITEM SUMMARY

July 2, 2019

City Council

---

### STAFF

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

---

### SUBJECT

First Reading of Ordinance No. 084, 2019, Appropriating Unanticipated Grant Revenues From Bloomberg Philanthropies and Authorizing Transfers of Appropriations in the Light and Power Fund for Residential Efficiency Project Loans.

---

### EXECUTIVE SUMMARY

The purpose of this item is to appropriate \$193,650 of \$682,000 in grant award revenues from Bloomberg Philanthropies, as part of the Bloomberg Mayor's Challenge, into the Fort Collins Utilities Light and Power fund and Economic Health Office for the purposes of ongoing project management and operations of Epic Homes and a sub-grant to Colorado State University for indoor air quality research. The remaining \$488,350 of the 2019 balance of funds will be appropriated for Epic Loan capital in alignment with pending third-party capital agreements.

---

### STAFF RECOMMENDATION

Staff recommends adoption of the Ordinance on First Reading.

---

### BACKGROUND / DISCUSSION

#### **Bloomberg Mayors Challenge**

In October 2018, Fort Collins became a winner of the 2018 Bloomberg Philanthropies Mayors Challenge and the associated \$1 million prize. The 2018 Bloomberg Mayors Challenge involved over 300 cities proposing ideas to address important issues in their communities. Fort Collins focused its idea on the "climate economy", presenting an idea to address energy efficiency and health and wellbeing in rental housing, specifically for low-to-moderate income residents, through the "Epic Homes" program.

The Bloomberg grant supports a three-year performance period through the end of 2021. The project includes a semi-annual review of the budget categories with an opportunity to revise the amounts, subject to the approval of Bloomberg.

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 <https://www.bloomberg.org/>.

#### **Epic Homes**

Epic Homes was selected as a winner in the Bloomberg Mayors Challenge for its innovative approach to providing health and equity benefits for low-to-moderate income renters by improving the energy efficiency of

rental homes, as 96% of Fort Collins' low-to-moderate income residents live in rental homes. Residential property owners can take advantage of Epic Homes to make their homes more comfortable, healthy and efficient. Partnering with Colorado State University, Fort Collins is also establishing a research program which links the health and wellbeing benefits of improved indoor air quality over time.

The winning idea was developed through extensive prototyping and testing with property managers, low-income residents, and other stakeholders. It combines four main structural elements (**Attachment 1**):

- Leverages the existing Efficiency Works Homes program for energy efficiency assessments and upgrades
- Revitalizes an on-bill financing option for addressing financial barriers to energy efficiency upgrades utilizing third party capital providers to increase funding capacity
- Focuses on renters and low-to-moderate income residents to target a historically underserved population in energy efficiency programs, and
- Incorporates rigorous monitoring of indoor air quality, and health and wellbeing impacts from energy efficiency projects through a partnership with Colorado State University.

Fort Collins is the first city to combine these aspects into one program for residents. This will be a multi-year process of innovation and continual iteration to refine ideas and processes. The program team will be working to streamline the program and loan servicing processes, continually develop new capital sources, implement protocols for monitoring indoor air quality and energy efficiency impacts, successfully communicate internally and externally and engage with others working to accomplish similar goals.

The Bloomberg Mayors Challenge award has a three-year performance period, though the program team plans to continue this program into the future. Goals for 2021 include:

- Epic Homes will upgrade 2,000 homes, including 360 rental properties
- Documented indicators of home performance and indoor environmental quality that are associated with improved health and wellbeing
- Savings from reduced energy use and lower utility bills will be available for other family priorities, and
- Rental property owners will report financing is not a barrier to energy efficiency upgrades.

Approximately 50% of Fort Collins' overall housing stock and 25% of single-family homes, are renter-occupied. Rental housing, property owners and property managers are an underserved market for energy efficiency upgrades. During the Champions Phase of the Bloomberg Mayors Challenge, the team discovered that many rental property owners are interested in a program to upgrade rental properties if it makes sound business sense, provided simple processes and ensured high quality work. The streamlined upgrade process and attractive on-bill financing option appealed to these rental property owners. Epic Homes will be available for any single-family home in Fort Collins, with a focus on reaching rental properties.

Health and wellbeing is another key aspect of Epic Homes. The City is partnering with Colorado State University to implement rigorous indoor air quality monitoring, as well as study the impacts of energy efficiency upgrades on overall health and wellbeing. The intent of this monitoring is to change the dialogue around energy efficiency from being about "the building" to being about "the people that live in the building."

### **Epic Loans**

The Epic Loan program was established in August 2018 as a part of the Champions Phase of the Bloomberg Mayors Challenge. Epic Loan has also been referred to as On-bill Financing 3.0 (OBF 3.0). The programmatic and implementation structure is substantially similar to the OBF 1.0 program managed by Utilities from 2013 through 2016. The primary differences are that the Epic Loan program is utilizing third-party capital from a variety of sources, and that the Bloomberg Mayors Challenge project will focus on implementing efficiency upgrades in

rental properties and the measurement of indoor air quality effects. Epic Loan includes loan terms up to 15 years and attractive interest rates. Epic Loans are repaid on the property owner’s Fort Collins Utilities monthly bill.

The Home Efficiency Loan Program (HELP, aka OBF 1.0) operated from January 2013 through early 2017 when the Council-approved maximum outstanding loan balance of \$1.6 million was reached. Elevations Credit Union was selected through an RFP process for energy loan financing in 2017, which offers energy efficiency loans for credit union members through loan origination and servicing independent of Utilities billing. Uptake of the program has been minimal, with an average of three to five loans issued per month, outlining the customer desire for a revitalized on-bill financing option. With the implementation of Epic Loans, Elevations loans will continue to be an option for interested customers.

Third-party capital is a critical piece of the revitalized on-bill financing to bring in additional capital to the Epic Loan program. The program will mix market capital with low- and no-cost capital to create attractive retail rates for customers; therefore, increasing the number and comprehensiveness of energy efficiency projects completed that would not have occurred without an easy financing option. Expected sources of third-party capital include the Bloomberg Mayors Challenge award, the Colorado Energy Office, national and regional banks, foundations, and impact investors.

The program team is currently in conversations and negotiations with third-party capital providers. After a review of the final lending agreements with the Council Finance Committee on July 15, 2019, the program team will provide additional details about the Epic Loan and request approval via ordinance from Council for third-party capital agreements (currently scheduled for August 20, 2019).

**Epic Homes and Bloomberg Mayors Challenge Funding**

The first tranche of the Bloomberg Mayors Challenge award was received in early March 2019 and appropriated via Ordinance No. 046, 2019. The \$100,000 tranche was appropriated as Epic Loan capital.

The program team submitted a detailed budget for the \$1 million award to Bloomberg Philanthropies in late March 2019. (**Attachment 2**) The remainder of the year 1 budget (submitted budget, minus the \$100,000 already awarded) was received in early June. The majority of this second tranche (\$488,350 of \$682,000) will go towards Epic Loan capital and will be appropriated for Epic Loan capital in alignment with pending third-party capital agreements. The remainder of the 2019 funds (\$193,650 of \$682,000) will support a subgrant to Colorado State University to establish the indoor air quality and health/wellbeing study, project costs for Fort Collins Utilities (indoor air quality monitoring equipment, staff, supplies, travel, efficiency contractor and advisor trainings, etc.), and project costs for Economic Health. Table 1 summarizes the appropriation.

**Table 1. 2019 Bloomberg Mayors Challenge Funding Summary**

<b>Description</b>	<b>Amount</b>	<b>Appropriated To</b>	<b>Status/Notes</b>
Epic Loan capital	\$488,350	L&P balance sheet	To be appropriated in alignment with pending third-party capital agreements
Colorado State University indoor air quality and health research subgrant	\$100,000	Operating business unit of L&P	Scope of work and CSU grant sub-agreement under development
Grant project management and operating expenses (staff, supplies, travel, trainings, etc.)	\$79,130	Operating business unit of L&P	Ensure grant performance and activities through 2021
<i>Light and Power Fund Subtotal</i>	<i>\$667,480</i>		
Grant project management	\$14,520	Operating business unit	Ensure grant

Description	Amount	Appropriated To	Status/Notes
for Economic Health Office		of EH	performance and activities through 2021
<i>Economic Health Subtotal</i>	\$14,520		
<b>Total</b>	<b>\$682,000</b>		
<b>Appropriation July 2</b>	<b>\$193,650</b>		

**CITY FINANCIAL IMPACTS**

---

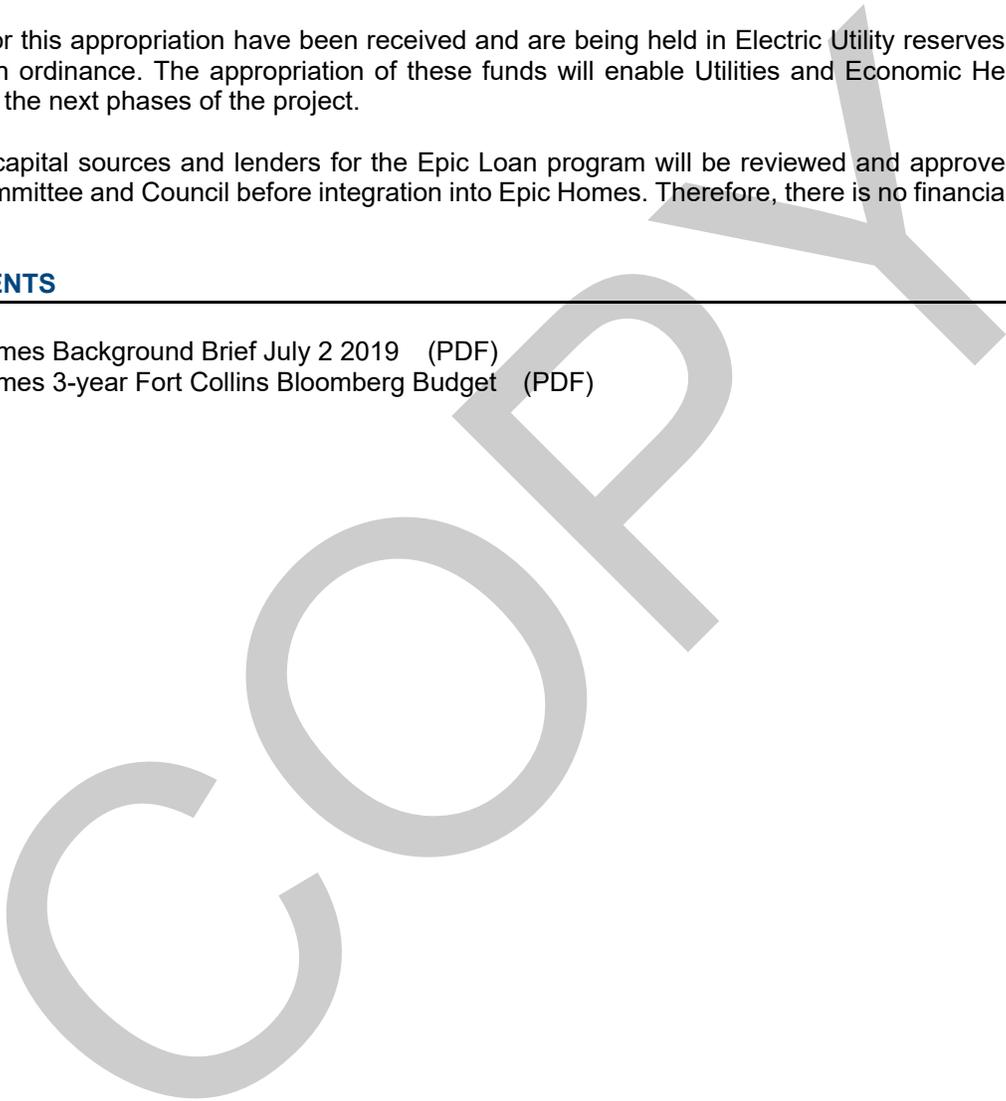
The funds for this appropriation have been received and are being held in Electric Utility reserves awaiting the appropriation ordinance. The appropriation of these funds will enable Utilities and Economic Health to move forward with the next phases of the project.

Third-party capital sources and lenders for the Epic Loan program will be reviewed and approved by Council Finance Committee and Council before integration into Epic Homes. Therefore, there is no financial exposure to the City.

**ATTACHMENTS**

---

1. Epic Homes Background Brief July 2 2019 (PDF)
2. Epic Homes 3-year Fort Collins Bloomberg Budget (PDF)



ORDINANCE NO. 084, 2019  
OF THE COUNCIL OF THE CITY OF FORT COLLINS  
APPROPRIATING UNANTICIPATED GRANT REVENUES FROM BLOOMBERG  
PHILANTHROPIES AND AUTHORIZING TRANSFERS OF APPROPRIATIONS IN THE  
LIGHT AND POWER FUND FOR RESIDENTIAL EFFICIENCY PROJECT LOANS

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, during 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 and the Energy Policy and Water Conservation Plan; and

WHEREAS, in early 2017, outstanding OBF loan balances reached the \$1.6M limit set by City Council in Ordinance No. 035, 2016, and the City began looking to third-party capital to fund the program; 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 \$1M grant over three years to further develop a program to improve energy efficiency of low- to moderate-income rental households; and

WHEREAS, on March 3, 2019, the City Manager executed a grant agreement on behalf of the City with Bloomberg Philanthropies, in acceptance of the grant award; and

WHEREAS, on March 19, 2019, City Council adopted Ordinance No. 046, 2019, appropriating the first tranche of the Bloomberg grant award in the amount of \$100,000, directing the funds be used for enhanced OBF loan program capital for residential energy efficiency and renewable energy upgrades, to be administered as the "EPIC Loan Program"; and

WHEREAS, the City recently received the second tranche of the Bloomberg grant award in the amount of \$682,000, which is available for appropriation from the Fort Collins Utilities' Light and Power Fund to support the EPIC Loan Program; and

WHEREAS, EPIC Program loans incentivize rental and owner-occupied property owners to invest in energy-efficient improvements, advancing public benefits to health, safety and welfare by supporting the City's progress toward 2030 community energy and climate objectives; and

WHEREAS, City staff and the City Manager recommend appropriating \$193,650 from the second tranche of Bloomberg Philanthropies grant award funds to increase participation by

low- and moderate-income households in the EPIC Program, including transferring \$14,520 of appropriated funds to the Economic Health Office for EPIC Program loan management; and

WHEREAS, staff and the City Manager will bring recommendations for appropriating the remaining \$488,350 of the second tranche with other third-party capital in a separate ordinance at a later date; and

WHEREAS, City Council determines it is desirable to continue enhancement of program incentives and financing options for EPIC/OBF loans and to provide flexibility in the administration of loans for rental and owner-occupied properties, in furtherance of conservation benefits available to ratepayers through City Utility energy efficiency and renewable energy upgrade programs; and

WHEREAS, City Council further determines improving motivations and financing options for EPIC/OBF loans for rental and owner-occupied properties will benefit utility rate payers by incentivizing conservation energy efficiency and renewable energy upgrades in an additional segment of local housing stock, reducing overall utility consumption across rate classes, as required by Article XII, Section 6, of the City Charter; 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 confirmed the appropriation of the Bloomberg Philanthropies grant award as described herein 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 the fiscal year; and

WHEREAS, the City Manager has confirmed that the appropriation of the Bloomberg Philanthropies grant award as described herein will not cause the total amount appropriated in the General Fund to exceed the current estimate of actual and anticipated revenues to be received in that fund during the fiscal year; and

WHEREAS, Article V, Section 10, of the City Charter authorizes the City Council to transfer by ordinance any unexpended and unencumbered appropriated amount or portion thereof from one fund or capital project to another fund or capital project, provided that the purpose for which the transferred funds are to be expended remains unchanged; the purpose for which the funds were initially appropriated no longer exists; or the proposed transfer is from a fund or capital project in which the amount appropriated exceeds the amount needed to accomplish the purpose specified in the appropriation ordinance.

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 there is hereby appropriated from unanticipated grant revenue received from Bloomberg Philanthropies in the Light and Power Fund the sum of ONE HUNDRED NINETY-THREE THOUSAND SIX HUNDRED FIFTY DOLLARS (\$193,650) for expenditure in the Light and Power Fund for the EPIC residential efficiency project loan program.

Section 3. That the unexpended appropriated amount of FOURTEEN THOUSAND FIVE HUNDRED TWENTY DOLLARS (\$14,520) in the Light & Power Fund is authorized for transfer to the General Fund and appropriated therein for the Economic Health Office for project management of the EPIC residential efficiency project loan program.

Section 4. That the remaining sum of FOUR HUNDRED EIGHTY-EIGHT THOUSAND THREE HUNDRED FIFTY DOLLARS (\$488,350) of unanticipated grant revenue received from Bloomberg Philanthropies shall be held in the Light and Power Fund for subsequent appropriation for the EPIC residential efficiency project loan program.

Introduced, considered favorably on first reading, and ordered published this 2nd day of July, A.D. 2019, and to be presented for final passage on the 16th day of July, A.D. 2019.

---

Mayor

ATTEST:

---

City Clerk

Passed and adopted on final reading on the 16th day of July, A.D. 2019.

---

Mayor

ATTEST:

---

City Clerk