



## Net Zero Revolving Loan Fund

### 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. Montpelier's Net Zero Revolving Loan Fund has been established for the purpose of financing energy efficiency and renewable energy investments in the City. The purpose of the 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.

### 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.

### Eligibility

Funds may be used for:

- Projects that directly address one or more of the City's Net Zero goals through energy efficiency, renewable energy production, or reduction of energy-related costs.

- Funds should primarily cover equipment, materials and other ‘hard’ costs that have a high impact.
- Projects must be on City-owned/leased/operated property and reduce overall operating costs.
- Feasibility studies that support energy projects can be funded if either paid back within 2 years or rolled into the repayment schedule of a funded project that results from the feasibility assessment.

## Project Selection

The criteria for selecting projects for the Fund include:

- Simple Payback Period calculations that incorporate financial incentives
- Total project funding need and availability of funds
- Life cycle cost benefit to the City
- Annual greenhouse gas emissions reduction
- Annual reduction in energy usage
- Project schedule and start date
- Project cost
- Resources conserved, including water usage and waste reduction

For a project to be considered and/or awarded, funding must be available. All projects must show a positive return on investment. Projects with a faster payback period will be considered first. Projects can be bundled together to help reduce the overall payback period. Bundled projects must be submitted under a single application. The project application should clearly identify who is responsible for project management and project implementation, along with the scheduled start and completion dates.

## Governance

The Revolving Loan Committee will be made up of three members of City staff designated from Management, Finance and Engineering, and three volunteers from the Montpelier Energy Advisory Committee. Committee members will serve in 2 year terms, with the Chair elected annually from within the committee.

The committee will meet quarterly to review proposals that have been received. While unformulated proposals may be presented briefly to the committee for discussion and suggestions, only fully completed proposals will be officially evaluated and voted on. Proposals must be received at least two weeks in advance of the committee’s quarterly meeting. The Chair will review proposals for completeness, then circulate them electronically to the other members of the committee at least one week before the quarterly meeting for preliminary

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review. At the meeting, the committee will decide if they need any additional information on any of the proposals, and if needed, set up a subsequent meeting and invite the proposers to attend to field clarifying questions. At any point the committee members can call a vote and any vote requires a quorum of at least four members and a majority in favor to approve a project.

The city's Finance Director shall serve as treasurer of the Fund and the GRITS (Green Revolving Investment Tracking Software) will be used to track all proposals and funded projects for both energy and emissions savings.

## Methods and Financing

The original moneys in the fund were contributed by a resolution of City Council (September 2016) to designate \$20,000 from the city's Reserve Fund which was matched by a \$5,000 contribution from Efficiency Vermont. Efficiency Vermont will contribute another \$5,000 once \$50,000 of qualifying city energy projects are financed using this Revolving Loan Fund (i.e. the Fund effectively revolves twice).

Cost savings from all funded projects will accrue to the Fund according to the following formula:

- 1) Until the project's cost have been recovered, all savings will accrue to the Fund.
- 2) After the initial "payback" has been achieved, 50% of the savings will accrue to the Fund for an additional 2 years.
- 3) After this period, all further avoided cost savings will accrue to the City.
- 4) Additional funds can be added to the Fund at any time from public or private sources, subject to the same restrictions.

Engineering estimates will be used to initially determine annual operational savings and will serve as the basis for replenishing the fund. Readily accessible and available data will be used to validate engineering estimates of operational savings at the end of each fiscal year. In cases where monitoring is unfeasible or prohibitively expensive, an educated estimate should be used. The committee will decide whether verified or approximated savings are appropriate for each project.

In all cases, project proposals should take advantage of state and federal incentives that may be available.

Ideally, projects should have a payback period of four years or less. Projects with longer payback periods may still be considered if they are found to have the potential for significant impact.

## Participation in the Billion Dollar Green Challenge

The City of Montpelier has joined the Billion Dollar Green Challenge. The Challenge encourages

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colleges, universities, municipalities and nonprofit institutions to invest a total of one billion dollars in self-managed revolving funds that finance energy efficiency improvements. Participating institutions will achieve reductions in operating expenses and greenhouse gas emissions, while creating regenerating funds for future projects.

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