

Revolving Loan Funds in a Post-Incentive World

Agenda

- **County of San Luis Obispo**
 - Annie Secrest
 - Energy & Water Coordinator, Public Works
- **City of Santa Barbara**
 - Alelia Parenteau
 - Energy Program Supervisor, Public Works
- **County of Los Angeles**
 - Matthew Skolnik
 - SoCalREN Program Manager
- Q&A

REVOLVING ENERGY & INNOVATION FUND

SEEC Forum

June 27, 2019

Annie Secrest, Energy & Water Coordinator



COUNTY OF SAN LUIS OBISPO

www.slocounty.ca.gov

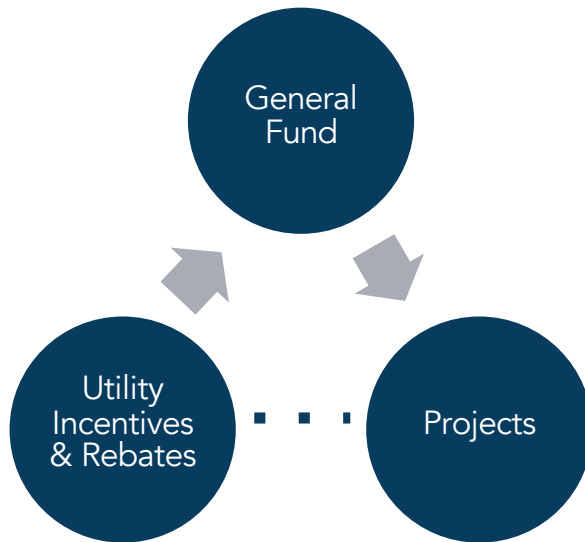
Agenda

- Background
- What is a Revolving Energy Fund?
- Fund Development Approach
- Fund Design & Tools
- Stakeholder Engagement
- Seed/Contribution Funding
- CEC Loan



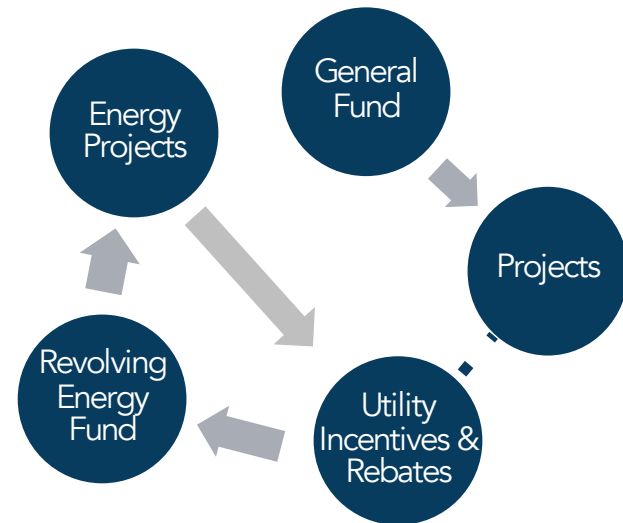
What is a Revolving Energy Fund?

Traditional Flow



Incentives and rebates go back into the General Fund

Revolving Energy Fund



Incentives and rebates are placed in a Revolving Energy Fund, which in turn funds energy projects



Why a Fund?



- Energy projects often compete against capital and maintenance projects
- Provides a dedicated source for funding energy projects
- As the Fund grows, additional energy and cost savings projects can be funded, thus growing the savings to the department and General Fund
- Provides a way for departments and the General Fund to track and realize savings from energy projects that would otherwise go unaccounted for
- Exhibit commitment to sustainability



Background: The County

- San Luis Obispo County
 - Approximately 284,000 people
 - Per capita income: ~\$34k
 - Populated center surrounding City of San Luis Obispo
 - Predominantly rural and agricultural elsewhere
- County of San Luis Obispo
 - Approximately 3,000 staff
 - Twenty-four departments
- The Energy & Water Coordinator Position
 - Facilities Planning Division, Department of Public Works (approximately 300 staff members)
 - Filled in mid-2017 after numerous years of vacancy



Our Fund Development Approach

- Background research
- Determine fund type and develop tools
- Identify fund mechanics and financial aspects
- Develop tools v. 2
- Meetings with stakeholder groups
- Board of Supervisors approval



Background Research

Performed research

- Desktop review of eleven jurisdictions' funds, plus other general research

Conducted phone interviews with case studies

- City of Visalia, established 2003
- City of Moreno Valley, established 2011
- City of Ann Arbor, established early 1990's
- City of Santa Barbara, established 2016

Topics of interest

- Seed funding
- Fund replenishment
- Savings calculations/tracking
- Future of fund



Background Research – Types of Funds

Simple Model

- a. Cash inflows are limited to incentives and rebates

Moderate Model

- a. Incentives and rebates
- b.+ Energy savings from a defined benefit (payback to REF) period

Complex Model

- a. Incentives and rebates
- b. Energy savings from a defined benefit (payback to REF) period
- c.+ Fee on utility bills and/or to departments for project management, staff position, administrative efforts, etc.



Fund Design & Tools

Project Types

- Energy efficiency projects
- Solar and/or energy storage power purchase agreements
- Excluded: Enterprise Funds

Fund Replenishment

- All utility rebates and incentives
- Energy savings for duration of Pay-it-Forward (PIF) Period
 - EE: 100% of energy savings for two years
 - Solar/Storage: 50% of savings for three years

Tracking

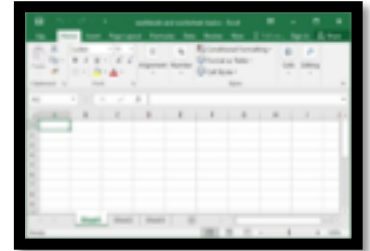
- The REF provides a way for departments and the General Fund to track and realize savings from energy projects that would otherwise go unaccounted for
- Minimum number of years the General Fund would realize savings had to be greater than PIF Period → Led to determining project payback threshold
 - Payback threshold: five years for lighting, ten years for other



Fund Design & Tools

Tool: Energy Fund Tracking Workbook

- Develop a way to model financial scenarios, track projects, fund growth, and other important metrics



Tool: Policy and Procedure Documents

- Policy: Provides a quick guidance document for department heads, executive committees, etc.
- Procedure: Provides staff with direction of how the fund operates, when transfers occur, assigns roles and responsibility, etc.



Fund Design & Tools

Must Have

- Fund must support more than just EE projects

Solution

- **Fund allows for solar and energy storage projects**
- For these projects, PIF period assumes 50% of energy savings for three years (typical contract term = 20 years)

% Savings	50%				
REIF Estimated Start Date	7/1/2019				
Benefit Period (Years)	3				
Year 1 Total Annual Savings		Assumed REIF Savings	Start Date		
Solar Site 1	\$ 24,778.00	\$ 12,389.00	12/1/2018		
Solar Site 2	\$ 17,225.00	\$ 8,612.50	3/1/2019		
Solar Site 3	\$ 15,539.00	\$ 7,769.50	12/1/2018		
Solar Site 4	\$ 142,422.00	\$ 71,211.00	3/1/2019		
Calculations					
Transfer Date	7/1/2020	7/1/2021	7/1/2022	7/1/2023	
Operational REIF Month	12	24	36	48	
	Year 1	Year 2	Year 3	Year 4	
Solar Site 1	\$ 7,226.92	\$ 12,389.00	\$ 12,389.00	\$ 5,162.08	
Solar Site 2	\$ 3,588.54	\$ 8,612.50	\$ 8,612.50	\$ 3,023.96	
Solar Site 3	\$ 4,532.21	\$ 7,769.50	\$ 7,769.50	\$ 3,237.29	
Solar Site 4	\$ 29,671.25	\$ 71,211.00	\$ 71,211.00	\$ 41,539.75	
Total	\$ 45,018.92	\$ 99,982.00	\$ 99,982.00	\$ 54,963.08	\$ 299,946.00



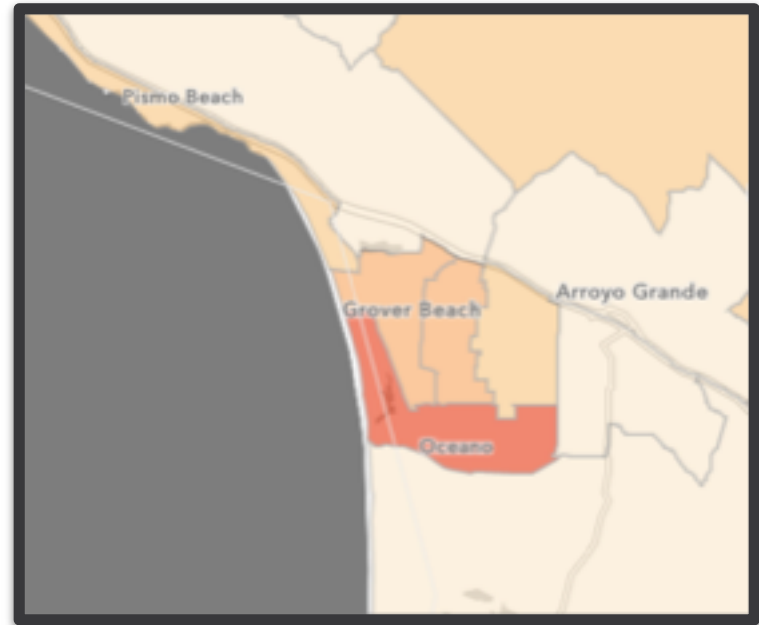
Fund Design & Tools

Must Have

- Fund must give precedence or weight to projects in rural/HTR areas

Solution

- **Project workbook favors projects in rural/HTR areas**

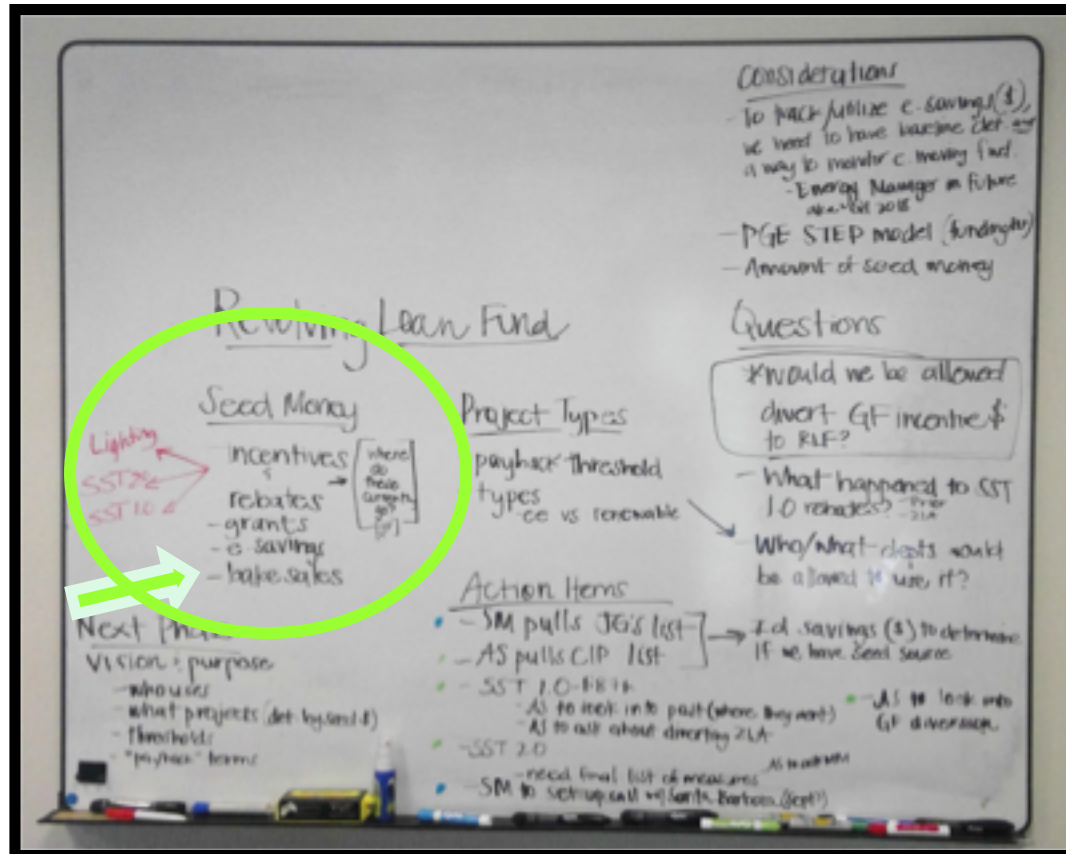


Stakeholder Engagement

- Meetings with various divisions and departments, including:
 - Finance
 - Auditor
 - Administrative Office
- Quarterly executive stakeholder meetings
- Critical lessons learned
 - Savings must be measured
 - Savings must be measured and held on a quarterly basis to ensure they aren't earmarked for the General Fund
 - Each stakeholder group has an important, possibly fund-altering perspective



Seed/Contribution Funding



Other Funding: CEC Loan

About our CEC Loan

- Amount: \$2.2 MM
- Funded: Energy efficiency projects at numerous sites

Feedback from Staff

- CEC loan is not administratively burdensome
- Low-interest loan very attractive compared to other loan options

Suitability

- Large, otherwise unfinanced projects
- One-off projects or opportunities



Thank You!

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COUNTY OF SAN LUIS OBISPO

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PUBLIC WORKS DEPARTMENT

CITY OF SANTA BARBARA ENERGY REVOLVING FUND

Alelia Parenteau, Energy and Climate Program Supervisor



How we used to fund projects...

Beg

- One-time Capital Allocation
- Increased Budget

\$\$\$\$\$

Borrow

- CEC Loans
- Municipal Bonds
- On-Bill Financing

\$

~~Steal~~ Leverage

- Incentives
- Strategic Planning Funds
- Direct Install Program
- Power Purchase Agmts

\$0

And now with a Revolving Fund too!



Our Utilities Management Program (UMP)

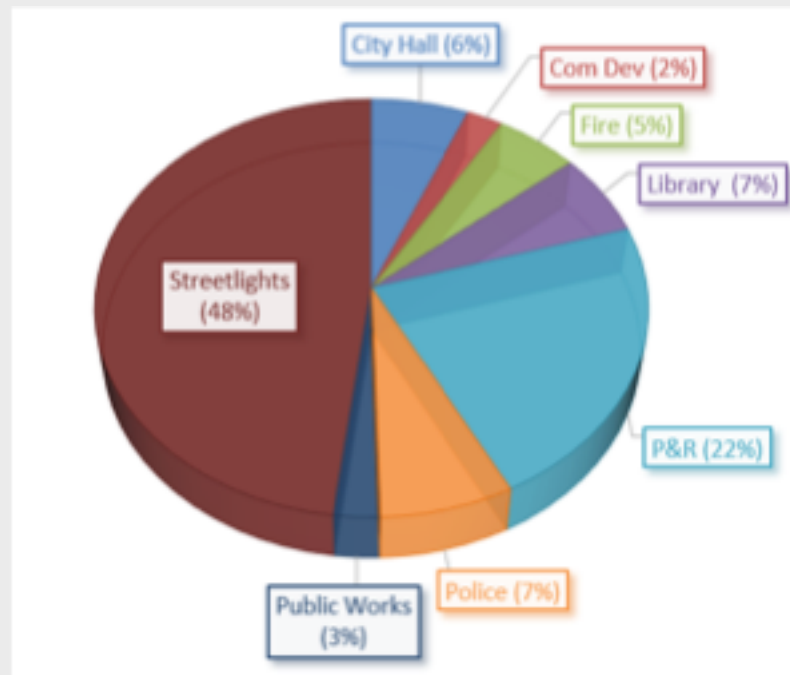
- Located within the Facilities Division
- Manages and pays all General Fund utility bills (electric & gas)
- Allows for centralized management and analysis of over 650 City accounts
- Program completed its first full year in FY2017





How is the UMP Funded

- The program is fully funded through allocated costs
- Allocated cost model is based on a 2-year rolling average of utility usage
- Also accrues incentives, grants and rebates – as well as rate change savings
- Currently only applies to General Fund programs





How We Got Started

- Received \$25k one-time seed funding
- \$120k Loan from General Fund
- Prioritized quick payback projects first (1-3 years)
 - Lighting
- Regular rollovers annually approximately \$90k/year

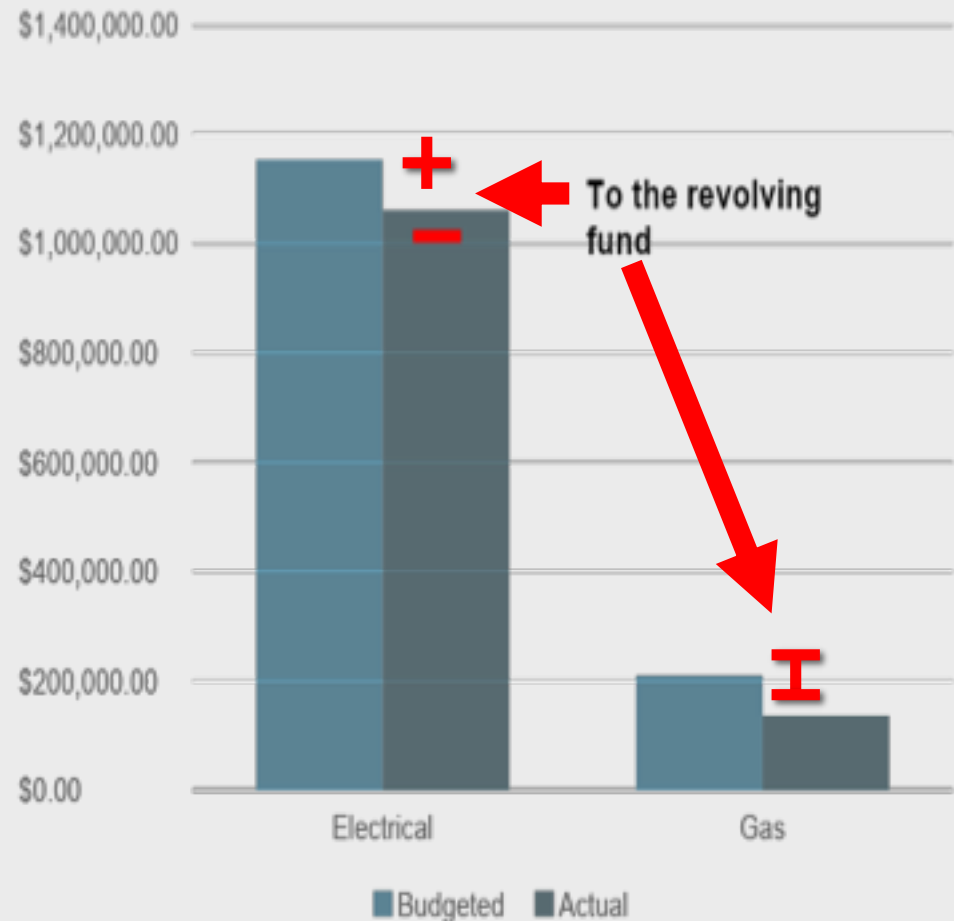




FY2019 Snapshot

- Total FY2019 UMP
Budget - \$1.35M
 - Electricity - \$1.15M
 - Gas - \$210k
- Savings are re-invested into energy efficiency and renewable energy projects
- Big One-Time Investments
 - Streetlight Incentives
 - On Bill Financing

FY2019 Projected Usage





Need to Create Pipeline

- Injection of funds means:
 - Need to identify projects
 - Prioritize projects for fund growth
 - Need staff to manage projects!
- **ZNE Roadmap**
 - Provides sequencing of projects
- Look beyond projects for potential benefits
 - Hiring assistance?





Hurdles - People

- **Behavioral impacts**
 - Removed financial motivation for smart energy usage
 - Inherent risk in fund design
- **Budgetary hurdles**
 - Unique accounting
 - Requires keen understanding of budget process
 - Needs scrutiny and increased oversight



Hurdles - Projects

- **No low hanging fruit**
 - Slow account growth
- **Retirement of most incentives**
- **Cost of renewable energy and storage projects**

Beg	Borrow	Steal Leverage
<ul style="list-style-type: none"> • One-time Capital Allocation • Increased Budget 	<ul style="list-style-type: none"> • CEC Loans • Municipal Bonds • On-Bill Financing 	<ul style="list-style-type: none"> • Incentives • Strategic Planning Funds • Direct Install Program • Power Purchase Agmts
\$\$\$\$	\$	\$0

Best Practices

Determine:

- What does your agency want the fund to look like (projects, departments to involve/exclude)
- How fast does your agency want to grow the fund
- Who are the appropriate parties to involve
- Where will the day-to-day of the fund live and who will manage the fund
- How will the energy savings be estimated and measured

Don't Forget:

- This is a significant work effort
- Invite a diverse range of stakeholders to weigh in on fund development...and invite them into the process early!
- Think about the future of the fund, but remember there can always be a phase II, III, etc.
- Funding Enterprise Fund Departments can present legal and accounting complexities
- Even best-laid plans can be impacted by conditions beyond City's control
 - *Rate increases*
 - *Behavioral use*

Thank you

County of Los Angeles Energy Investment Program (EIP)

2019 SEEC Forum

June 27th, 2019

ISD's RLF - Design



1. EMD supports more than 30 County departments
 - a. Except Public Works and Parks and Recreation
1. EMD is self-funded
 - a. A service fee is added to utility bills of other departments
1. EMD provides much needed Services along with the RLF funds
 - a. Project Identification, Scoping, Project Management etc.

ISD's RLF - Design



- 4. Loan Administration by County Finance
 - a. Amortization schedules, invoicing and account management

- 4. No payback threshold requirement
 - a. RLF loans based on project savings and availability of funds

- 4. Combination of EIP loans and EMD's services
 - a. Both needed for successful program and project implementation

SoCalREN Public Agency Revolving Loan Fund (RLF)

10th Annual Statewide Energy Efficiency Forum
June 27th, 2019

Southern California REGIONAL ENERGY NETWORK



The Southern California Regional Energy Network (SoCalREN) was created to harness the collective power of residents, businesses and the public sector to achieve an unprecedented level of energy savings across Southern California.



Residential



Multifamily



Financing

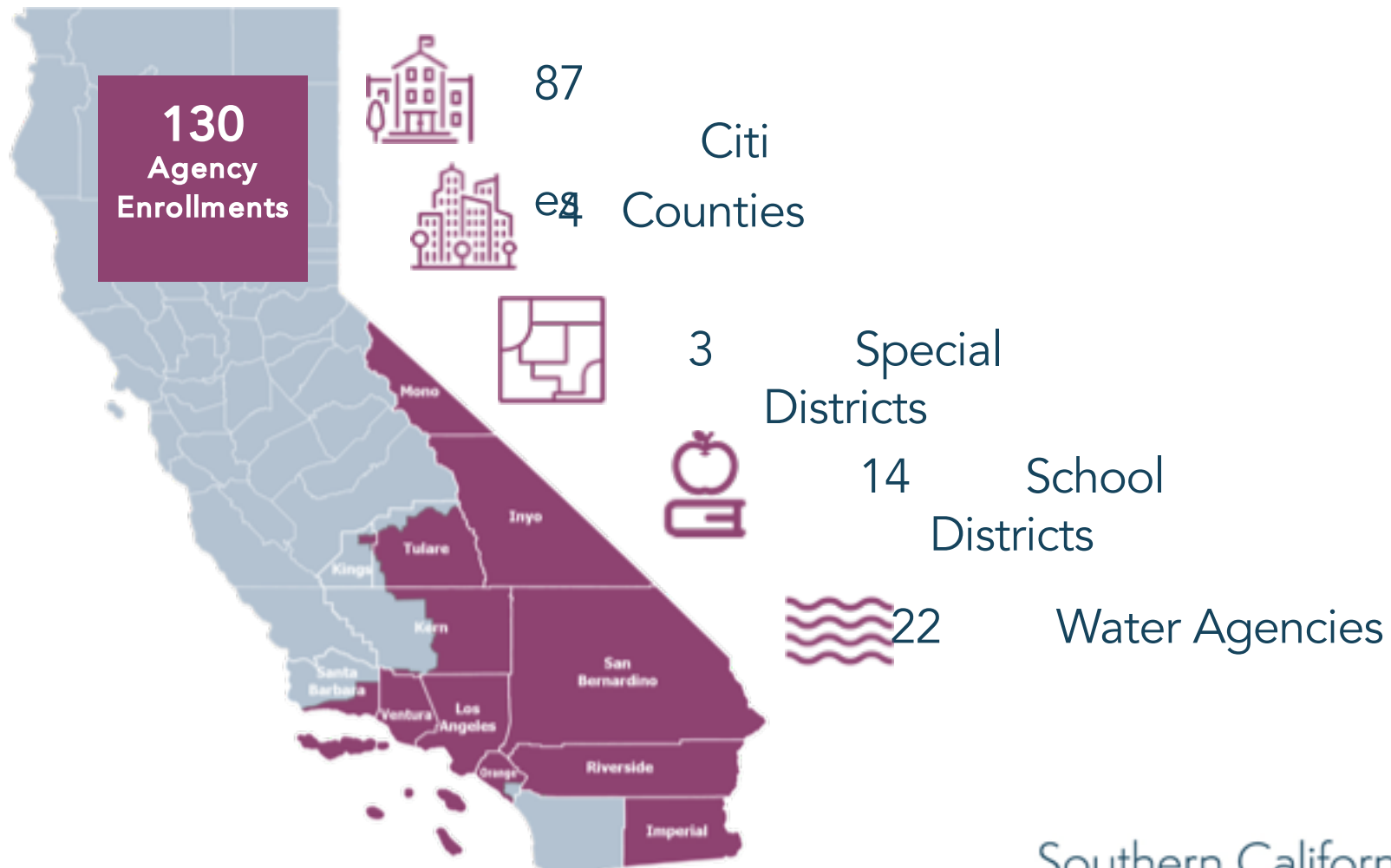


Public Agencies



The SoCalREN Public Agency Programs are administered by the County of Los Angeles and funded by California utility ratepayers under the auspices of the California Public Utilities Commission. Learn more at socalren.org.

Who's in the Network?

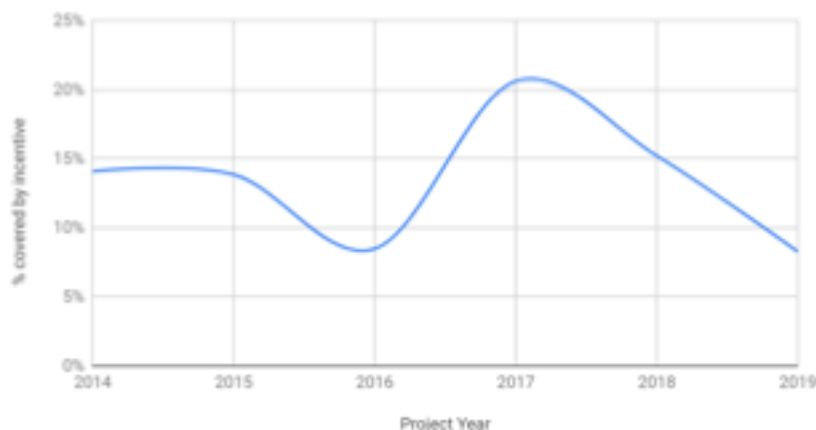


SoCalREN Expertise

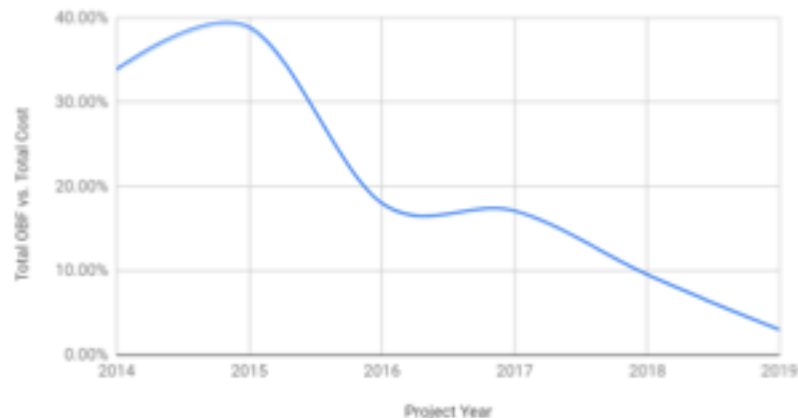
- Project management
- Energy use analysis
- Facility energy audits
- Project performance specifications
- Construction management support
- Expedited construction
- Financial services
- Objective third party review

SoCalREN Experience

Incentive Contribution to Project Costs



On-Bill Financing to Project Costs



- Expiring measures translate to less incentives and Utility On-Bill Financing (OBF) available
- Need for new and creative financing options for energy efficiency
- The internal revolving loan fund (RLF) is part of the solution

SoCalREN's Public Agency Programs



Project Delivery Program



Pathway to Zero



Metered Savings Program



Revolving Loan Fund

SoCalREN Revolving Loan Fund (RLF): a new solution

→ Short-term construction bridge financing

- ◆ 100% of project costs covered upfront



→ Simple application, efficient processing

- ◆ Energy Efficiency Project Financing
- ◆ 0% interest rate, 1% servicing fee
- ◆ 24-month term

SoCalREN Revolving Loan Fund (RLF): **complementary to other options**

Utility On-Bill Financing (OBF)

- Reimbursable
- Up to 10 Year Term
- Only certain projects are eligible

California Energy Commission (CEC) Loan

- Reimbursable
- 1% interest rate

Grant Funding

- Can combine with other funds
- Competitive
- Varying qualifications

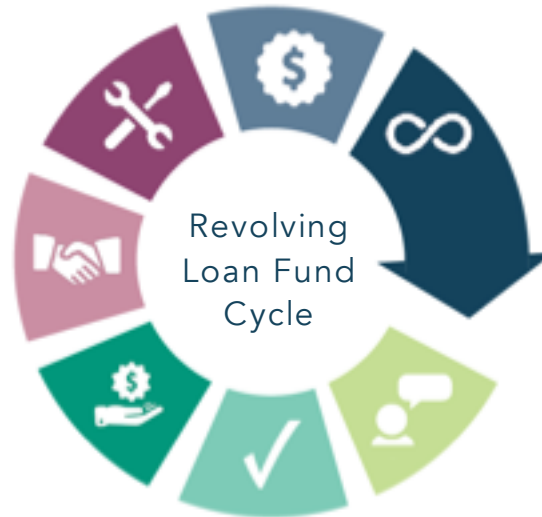
Energy Lease Financing

- Upfront funds distribution
- 15 Year Term
- Market Rate Interest

Internal Agency RLF

- Supplement Internal RLF
- Allow for more expensive projects
- Adds flexibility

SoCalREN Revolving Loan Fund (RLF): how does it work



Speak to
your
SoCalREN
Project
Manager

Submit a
Revolving
Loan Fund
Application

Offer to
finance
provided for
approval

Obtain
governing
board
approval &
receive the
funds

Install your
energy
efficiency
project

Obtain other
forms of
funding/
financing

Repay the
loan so the
cycle can
continue!

SoCalREN Revolving Loan Fund (RLF): in summary



Authorizes Funds for
RLF Marketing and
Administration



Funds for RLF Loan
Servicing

- A tailored solution for public agencies
- Comprehensive support when combined with other SoCalREN Public Sector Programs
- Assist public agencies in overcoming barriers related to the lack of access to capital
- Compliment others sources of funds / financing
- Provide an innovative and low-cost solution for short-term energy project financing

Q&A