



# Laying the Groundwork for Funding Climate and Clean Energy Programs

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# Laying the Groundwork for Funding

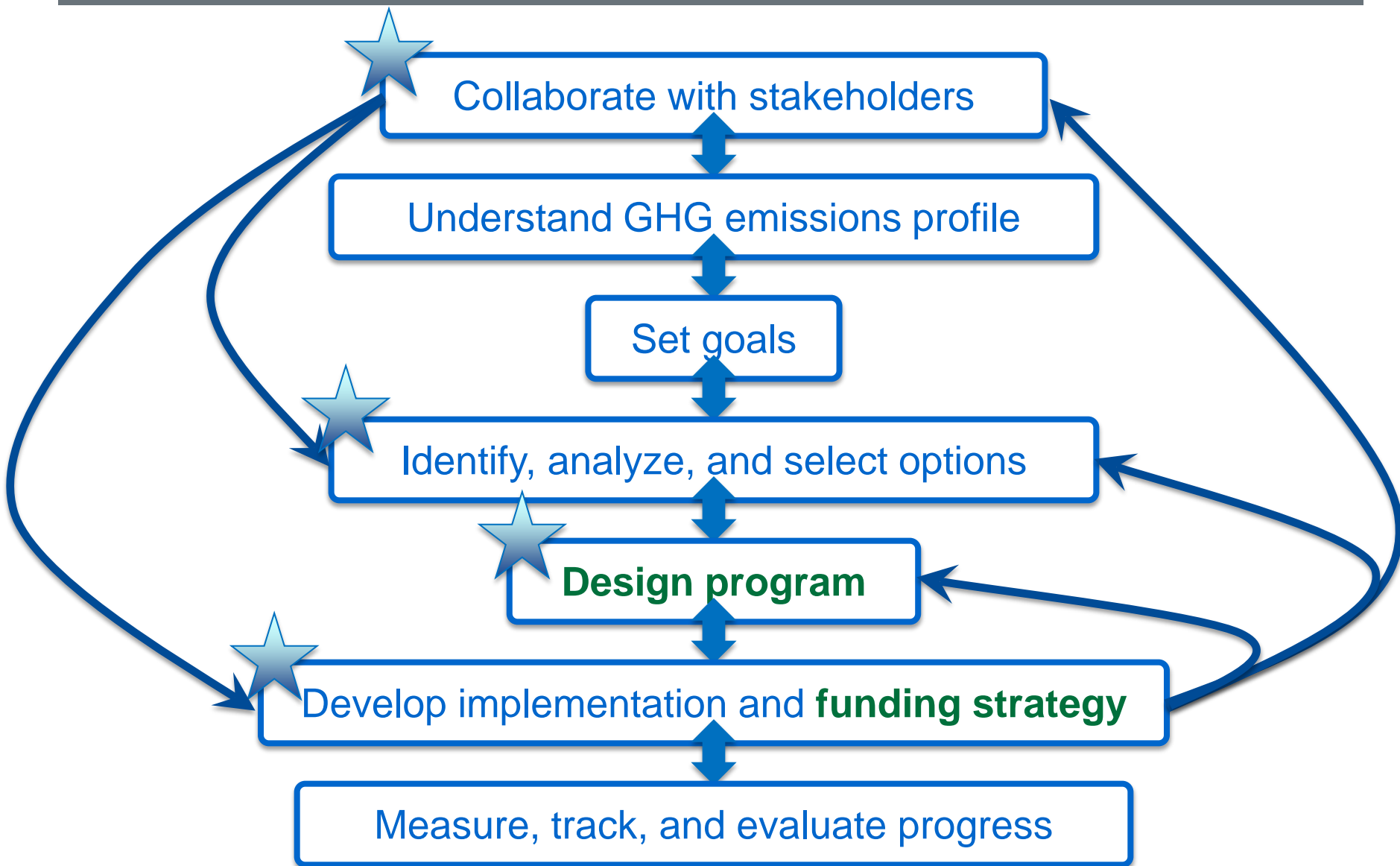


## Three Big Questions:

- A. How Does Funding Fit Into the Planning Process?**
- B. What Resources Are Available for Your Program?**
- C. What Do You Want To Fund?**



# How Does Funding Fit Into the Planning Process?



# What Do We Mean by “Program”?



- **A focused effort to implement a climate and/ or clean energy solution in areas such as:**
  - Energy Efficiency
  - Transportation
  - Water / wastewater
  - Renewable Energy
  - Waste management
  - Land use
- **An energy efficiency program might focus on:**
  - “Lead By Example” in public sector buildings
  - Commercial sector buildings
  - Residential sector
  - Local implementation of a state- or utility-designed program
- **Some programs may include policy implications**
  - For instance, a land use program may include changes to zoning policies
- **For more on designing and implementing programs:**
  - [www.epa.gov/statelocalclimate/local/activities/programs.html](http://www.epa.gov/statelocalclimate/local/activities/programs.html)

# What Is a “Funding Strategy”?



- **It is the plan for how your program’s cash inflow will cover the cash outflow**
- **It includes a realistic action plan and cash flow projection**
  - Key assumptions about funding and revenue should be researched
  - Expenses are always more than expected – add an allowance for this
  - Be as creative about saving money as spending it
  - Funding options will be covered in webcast 2 on May 30<sup>th</sup> – sign up at [www2.gotomeeting.com/register/596806986](http://www2.gotomeeting.com/register/596806986)
- **Financing may also be included**
  - To cover upfront costs – requires a source of revenue to pay it back
  - Financing options will be covered in webcast 3 on June 13<sup>th</sup> – sign up at [www2.gotomeeting.com/register/977254058](http://www2.gotomeeting.com/register/977254058)

# Tips for Integrating Funding into the Program Planning Process



- **Adapt the level of spending to your situation**
  - For instance, the second planning step is to understand your GHG emission profile. While a large city may invest in a comprehensive study, a small town might simply research profiles for similar communities.
- **The process is iterative – the arrows work both ways**
  - For example, the program you select will influence the funding strategy, while the available funding resources will influence which program you select.
- **Don't skip straight to funding**
  - Even if you already have funding, the process of engaging stakeholders, selecting appropriate goals, and planning for cash flow will be crucial to success.

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# Tips for Integrating Funding... continued



- **Planning prepares you for unexpected funding opportunities**
  - For example, if a grant opportunity becomes available, having a plan will enable you to respond in time with a strong proposal (e.g., Bellingham).
- **Collaborating with stakeholders (step one in the diagram) can directly lead to funding**
  - Including utilities, business leaders, major employers, real estate owners, and others can build relationships, buy-in, and support (e.g., Arlington).

# More Information on Planning



## 1. Climate Showcase Communities (CSC)

- Replicable models of sustainable community action, [www.epa.gov/statelocalclimate/local/showcase](http://www.epa.gov/statelocalclimate/local/showcase)

## 2. Key Guidance and Tools

- Comprehensive Local Climate and Energy Website, [www.epa.gov/statelocalclimate](http://www.epa.gov/statelocalclimate)
- Local Government Climate and Energy Strategy Series, [www.epa.gov/statelocalclimate/resources/strategy-guides.html](http://www.epa.gov/statelocalclimate/resources/strategy-guides.html)

## 3. Peer Exchanges

- Regular local climate and energy webcast series, [www.epa.gov/statelocalclimate/web-podcasts/local-webcasts-by-date.html](http://www.epa.gov/statelocalclimate/web-podcasts/local-webcasts-by-date.html)
- Newsletters, [www.epa.gov/statelocalclimate/listservs](http://www.epa.gov/statelocalclimate/listservs)



# B. What Resources Are Available for Your Program?



These program resources can impact your funding strategy by providing support that could reduce the amount of funding that is required.

# B. What Resources Are Available...

continued



1. **Internal:** funding, staffing, expertise, cross-department teams, etc.
  - Success does not require big funding and staff
  - Political support: mayor, commissioner, department heads, etc.
  - A small first step can demonstrate community support and political feasibility (Arlington)
2. **Utilities:** rebates, incentives, services, cooperation, etc.
  - Investor-owned utilities must balance community and shareholder interests; municipal and co-op utilities do not have this issue
3. **Lenders:** banks, credit unions, CDFI community development financial institutions, housing finance authorities, etc. (webcast 3)
  - Local lenders are often more responsive than regional and national ones

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# B. What Resources Are Available...

continued



5. **Non-profits:** foundations, environmental groups, etc.
  - Foundations are moving from grants to mission-related investments – low interest loans that must be repaid
6. **Business:** retrofit contractors, ESCOs, retailers, etc.
  - Business associations may have an interest (Bellingham)
7. **Community support:** activists, leaders, local media, colleges, etc.
8. **Economic development interests:** Chamber, City, State, etc.
9. **Federal & State:** EPA, DOE, state energy office, DEQ, air, etc.
10. **Innovations:** HUD PowerSaver, solar leasing, etc. (webcast 3)
11. **Prior Success:** your own, Climate Showcase Communities, etc.

# Tips about Program Resources and Their Impact on Funding



- **The more resources you can identify, the less funding you may need**
  - For instance, if you can find experts willing to work pro bono, you may not need to pay for a consultant.
- **Knowing your utilities' incentives is a top priority**
  - Their rebates and support can be a significant resource.
  - Working with a utility can be an effective strategy.
  - Getting them involved early may be better than approaching them with a pre-conceived plan.
- **Non-profits and volunteers can minimize the need for funding**
  - Look for opportunities to get them involved.

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# Tips about Program Resources and Their Impact on Funding... continued

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- **Retrofit contractors, energy service companies, solar installers, and others can be valuable allies**
  - They have a vested interest in the success of your program
- **Major employers can provide trusted access to many residents**
  - If your program can offer their employees a benefit, employers can be very supportive (Little Rock, AR, covered in webcast 3).

# More Information



- **DSIRE** – Database of State Incentives for Renewable Energy (includes federal, state, local, utility, and other incentives for renewables and energy efficiency) [www.dsireusa.org](http://www.dsireusa.org)
- **CDFIs** – Community Development Financial Institutions (non-profit lenders focused on underserved communities) [www.cdfifund.gov/awardees/db/index.asp](http://www.cdfifund.gov/awardees/db/index.asp)
- **REAP** – Rural Energy for America Program (loans and grants for agricultural producers and rural small businesses) [www.rurdev.usda.gov/BCP\\_Reap.html](http://www.rurdev.usda.gov/BCP_Reap.html)
- **ICLEI** – International Council for Local Environmental Initiatives (more success stories) [www.iclei.org](http://www.iclei.org)
- **ACEEE** – American Council for an Energy Efficient Economy (find success stories in *Keeping it in the Community: Sustainable Funding for Local Energy Efficiency Initiatives*) [www.aceee.org/research-report/e124](http://www.aceee.org/research-report/e124)

## C. What Do You Want to Fund?

- **Before developing a funding strategy, you need to evaluate the funding requirements of the program you are considering.**
- **How much money will the program elements require?**
  - Capital budget for equipment, etc.
  - Startup expenses
  - Long-term operating expenses
  - Cash-flow
- **Can you start quickly with a small pilot?**

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# C. What Do You Want to Fund...

continued



- **Can the program generate revenue or reduce expenses?**
- **How much seed funding is required?**
- **How much sustainable funding will be required?**
- **Could the program be financed?**
  - To be financed, a program must generate reliable revenue or savings that can pay off the financing.



# C. What Do You Want to Fund...

continued



Types of Funding	SEED FUNDING		SUSTAINABLE FUNDING	
	<u>To Spend</u>	<u>To Repay</u>	<u>To Spend</u>	<u>To Repay</u>
Sources:	<ul style="list-style-type: none"> <li>Grants</li> <li>General fund</li> <li>Operating budget</li> <li>Capital budget</li> <li>Violation Fund</li> </ul>	One-Time Financing <ul style="list-style-type: none"> <li>Loan</li> <li>Lease</li> <li>Bond (e.g., QECBs)</li> <li>Mission-related investment (MRI)</li> </ul>	<ul style="list-style-type: none"> <li>Tax</li> <li>Fees</li> <li>Sponsors</li> <li>Energy savings</li> </ul>	Ongoing Financing <ul style="list-style-type: none"> <li>Loans</li> <li>Master lease</li> <li>Bonds (e.g., PACE)</li> <li>MRI</li> </ul>
Uses:	<ul style="list-style-type: none"> <li>One-time programs</li> <li>Startup costs</li> <li>Credit enhancement</li> <li>Equipment</li> </ul>	Program must create revenue <ul style="list-style-type: none"> <li>May not be sustainable once funding is used up</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing programs</li> </ul>	Program must create revenue <ul style="list-style-type: none"> <li>Ongoing programs</li> </ul>

# Tips for Evaluating Funding During Program Selection



- **What you want to fund will impact what funding you want**
  - For instance, if your program has ongoing costs and no revenue or savings, you will need long-term funding to make it sustainable.
- **Programs that generate revenue or savings are easier to fund and finance** - they can largely fund themselves.
  - Energy efficiency (EE) programs are good choices in this regard, and they target the low-hanging energy fruit.
- **Lead By Example programs (i.e., public sector) can be a good choice**
  - For a local government, it may be easier to manage and control a program that targets local government versus one targeting other sectors.

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# Tips for Evaluation Funding During Program Selection... continued



- **Weatherization contractors can be leveraged to address the residential EE sector**
  - Working with them to expand beyond low-income housing can be effective (Bellingham)
- **For the commercial EE sector, EPA's ENERGY STAR program can be helpful**
  - Encouraging benchmarking with Portfolio Manager can be a good first step
- **Think big by starting small**
  - Pilot programs can work out unforeseen problems and establish proof of concept, which makes it easier to find additional funding.

# More Information



- **ACEEE** – American Council for an Energy Efficient Economy. [www.aceee.org](http://www.aceee.org)
- **Lead By Example** – programs for state and local governments  
<http://www.epa.gov/statelocalclimate/local/activities/gov-operations.html>
- **Clean Energy Financing Programs: A Decision Resource for States and Communities.**  
<http://epa.gov/statelocalclimate/state/activities/guide.html>
- **National Action Plan for Energy Efficiency** – Guide to Resource Planning with Energy Efficiency  
[www.epa.gov/cleanenergy/energy-programs/suca/resources.html](http://www.epa.gov/cleanenergy/energy-programs/suca/resources.html)

# Contact Information

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