Section 7: Budget Narrative

A description of the LRCA proposal's budget is below, and is supplemented by the attached budget spreadsheet, *Budgetcalcs_Louisville-Jefferson County Metro Government.pdf.*

a. Budget Detail

Personnel: $3,450,000 (1.73% of total request)
There are seven staff who will be paid through the requested funding. Additional staffing will be necessary, but will be part of existing staffing and operations already existing in the lead applicant's organization.

1 FTE Green Bank Director @ $150,000/y. One additional Green Bank Director will be hired to lead development of the green bank. The Green Bank Director will provide strategic direction for our green financing initiatives, aligning them with organizational goals and industry best practices. This role also involves establishing and nurturing partnerships with financial institutions, government agencies, and other stakeholders to leverage resources and maximize impact. The Director will lead the evaluation of potential green projects, assessing their feasibility, environmental impact, and financial sustainability. They will be responsible for managing the financial aspects of green projects, including budgeting, fund allocation, and risk assessment. With the loan officers and peers in municipal government offices, they will ensure compliance with regulatory requirements and reporting standards related to green financing activities, including tracking and reporting on key performance indicators.

6 FTE Loan Officers @ $90,000/y. Green Bank Loan Officers will be responsible for identifying and originating loan opportunities for environmentally sustainable projects, including renewable energy, energy efficiency, and green infrastructure. They will be responsible for due diligence and risk assessment on loan applications, and work closely with the contracted Energy/GHG Advisors on evaluating factors such as project feasibility, financial viability, and environmental impact. They will serve as the first point of contact for green bank applicants, and as a conduit to a host of other staff, contractors, and community partners who support the program. They will conduct outreach to understand financing needs, provide guidance on green financing options, and ensure an inclusive and efficient loan application process. Each officer will have a portfolio of projects that will require monitoring the performance of the green loans, including tracking repayment schedules (for the revolving loans), assessing applicant information against the criteria for loan approval, and implementing strategies to mitigate risks to the green bank and applicant. With the Director, they will ensure compliance with regulatory requirements and internal policies related to loan origination, underwriting, and portfolio management, and prepare reports on portfolio performance and impact.

Fringe Benefits: $1,307,950 (0.65% of total request)
All personnel will receive the same fringe benefits that LMG has for this tier of employee. This rate is 35% of the total pre-tax salary plus $10,045. The fringe costs include the entire benefit package for staff, from health insurance to retirement.

Travel: $8,005 (less than 0.01% of total request)
Travel costs will be minimal as the vast majority of activities will be conducted through phone, email, and other digital communication portals. We have included funding for a staff member to report to the EPA grant onboarding. These figures are derived from the cost of flights from Louisville to DC and a three and a half day stay with per diem developed from federal guidelines.

Equipment: $38,500 (less than 0.01% of total request)
Equipment costs will include laptop, monitors, keyboards, and other similar work infrastructure budgeted @$5,500/FTE to ensure hired personnel have access to essential tools and technologies to complete their duties. This is based on equipment costs at LMG.

Contractual: $ 34,147,500 (17% of total request)
We will be contracting for several critically important roles and activities. The largest expenditure will be $20,000,000 in the first year for **Utility Scale Solar**. The total is based upon estimates from the utility, which are further derived from approved Public Service Commission Green Tariff rates. Negotiations are already underway and the project will be shovel ready over the next quarter. Without the proposed significant upfront investment, the project is expected to cost LMG twice as much in levelized annual costs over a 25 year period, further reducing the return on investment. This investment not only supports the quick deployment of a meaningful project, but saves significant taxpayer dollars in the long term.

A **grant management contractor** will be hired through a competitive bidding process at an expected total of $520,000 over five years based upon LMG's estimates. This is important to the project as they will ensure the grant funded projects are assessed and reported on with compliance to all federal and EPA mandates. They will ensure eligibility criteria used in loans and grants match the proposal and EPA guidelines. The contractor will monitor grant-funded projects to ensure they adhere to grant requirements, regulatory guidelines, and reporting deadlines. This may involve conducting site visits, reviewing financial documents, and assessing program outcomes. They may be requested in preparing financial reports, reconciling accounts, and providing budget projections. Support to grant applicants will be required in the scope of work and will be responsible to the LMG staff to ensure applicants are given the resources they need to achieve a successful grant. Finally, they will be responsible for evaluations and assessments to measure the effectiveness and impact of grant-funded programs. This expenditure is essentially to quickly implement projects in the early stages of the grant for maximum GHG reduction impact, with thorough oversight and compliance.

The **Opportunity mapping tool** described in the Workplan is based upon quoted costs from a vendor ($5,000,000 total over five years). This software and support services are essential for effectively presenting energy efficiency and solar opportunities for all sectors. LMG does not currently have the software or expertise in house to achieve this objective. We currently rely upon ad hoc information developed with short term contracts or pro bono support from our partners. This is a cost effective alternative to simple building audits and manual benchmarking with nearly the same results.

To ensure efficient support for any applicant to understand how they could benefit from, and achieve energy improvements, an **energy/GHG and green finance advisory service** will be contracted at $2,400,000. The budget includes more funding in the first year to account for an expected rush of interest across all sectors and programs set up. The advisors will be responsible for supporting the commercial, industrial, and waste sectors to help navigate the complex incentives and equipment integrations available. The contractor will also be particularly important to support LIDAC benefiting projects and navigating additional incentives.

A **Workforce and SMWBE development specialist** will be found through a competitive process or through negotiations with local community based organizations that serve our region. Costs for this service are based upon estimates from similar contracted services by LMG. The justification for

selecting an outside expert is to avoid creating and filling new staffing positions that will take considerable time to locate and onboard in sufficient time to integrate workforce and MWBE businesses into the fast paced first year. This specialist will convene various workforce development partners to oversee job training and SMWBE development programs, ensure LIDAC benefits are prioritized, support training partners, and assist with workforce and good jobs related compliance and reporting, such as requiring information from contractors on compliance with the Davis Bacon Prevailing Wage requirements and Build America, Buy America (BABA) mandates. This information will be included in reports to the EPA and kept on record for audit purposes. The specialist will also work to help navigate the procurement process and build the necessary capacity to fulfill contracted services needed by the project activities.

Workforce training and SMWBE development will be conducted @$13500/trainee and @$4800/SMWBE respectively, based on the cost of existing LIDAC workforce programs in the region. Training may be contracted through a competitive process or through negotiations with local community based organizations that serve our region. Costs will cover barrier removal, such as transportation, childcare, stipends, and more; in addition to training and certification, or mentorship and support in the case of SMWBEs. The justification of utilizing an organization is to avoid creating administrative duplication when various interested and qualified partners exist - including community based organizations, industry associations, trade unions, educational institutions and technical colleges, etc. These funds are justified by the need to mitigate the challenges for our LIDAC community members to step into the skilled workforce and for MWBE organizations to find equal opportunity to compete.

LMG does not retain a sufficient marketing office to reach our targeted communities, especially across the MSA region. Contracted **Marketing and LIDAC community engagement** ~@$18000/county/year is budgeted to ensure we locate those that have historically been underserved or are hard to reach. The contractor's scope of work would include market research, developing a robust community engagement strategy, diversity and cultural sensitivity, arranging paid media, translation services, interpretation, accessibility accommodations, events, and more. We anticipate using a contractor or sub-awardee who has proven history in building trusting relationships with our LIDAC communities.

LMG will contract all **web development, hosting services, and software licenses** necessary to perform lending and related project activities @ $3000/month. This cost is based on researched estimates of lending platforms providing the types of services that this project would require. The cost is expected to include technical support offered by the vendors, and in-house information technology staff will assist as needed.

Other: $ 160,144.224

Participant support costs *(0.07% of total request)*: To center environmental justice priorities and community trust into the industrial financial assistance program, the LRCA proposes to create an industry community advisory board. To enable the participation of LIDACs and community members directly impacted by industrial emissions, the budget proposes to provide participant support costs to individuals that serve on this board at the rate of $100/hour for 25 advisory board members to meet for 18 hours a year.

Green bank capitalization fund (80% of total request): To catalyze urgent and impactful investments in GHG reducing projects across the residential, commercial, industrial, and waste sectors, and advance environmental justice objectives, the cornerstone of our proposed budget is the green bank capitalization fund. The green bank is expected to make over $160,000,000 in investments and an additional $33,319,302 in reinvested revenue (origination fees and interest) from the initial investment over the grant period, resulting in 6,970 projects. The green bank intends to distribute the funds in the following manner:

- The CPRG grant funds will be fully utilized in Years 1-3, to best capitalize on revenue streams that can be reinvested and continue to support the programs through Years 4 and 5 (and beyond).
- The sectors supported by the grant will receive the following split of capitalization funds:
    - 10% of funds for the residential sector; resulting in approximately 6,900 home energy upgrades
    - 30% of funds for the commercial/institutional sector; resulting in 47 projects
    - 30% of funds for the industrial sector; resulting in 7 projects
    - 30% of funds for waste/wastewater; resulting in 7 projects

The green bank's residential program will include the following features:

- Because of the volume of applications expected, the program will launch in Year 2, and capitalization funds will be spent in Years 2 and 3.
- In alignment with Justice40, 40% of the funds will be used as forgivable loans and/or grants, as well as supplement utility rebate programs in advancing energy efficiency in LIDAC communities. A home upgrade is expected to average $6,000 in costs.
- 60% of the funds will be loaned at accessible below market rates (assumed to be 3% for 10 years on average, although terms may vary by project).
- Interest revenue is assumed to account for inflation, and principal returns will be reinvested in the program.

The green bank's commercial, industrial, and waste sector program will include the following features:

- Because of a fewer number of large scale projects, the LRCA will prioritize spending half of these funds in Year 1 and the other half in Year 2. The intention is to make early and large investments that can start delivering GHG reductions as soon as possible. Because the volume of projects will be lower, the project team will be able to handle them with ease while ramping up capacity for the residential program to launch in Year 2.
- 10% of these funds will be used as forgivable loans or grants, to support LIDAC led organizations, nonprofits, SMWBEs, etc. in the commercial sector, and also to assist larger commercial, industrial, or waste sector projects, like the food waste diversion programs, that may be more suitable for grants.
- 90% of the funds will be loaned at accessible below market rates (assumed to be 5% for 10 years, with loan amounts ranging from $2 million to $10 million on average, although terms may vary by project)
- Interest revenue is assumed to account for inflation, and principal returns will be reinvested in the residential and commercial programs, as the size of the funds reduces.

Further, the program will charge 1.5% origination fees for all loan projects to assist in ongoing administrative costs and to help support the financial sustainability of the organization. Beyond Year 5, the green bank is expected to generate enough revenue to sustain its basic administrative

functions, and will aim to start leveraging more funds through national green banks and other state, local, private, and philanthropic sources.

Indirect costs
Several employees of LMG will support this project and the green bank staff indirectly. This includes the Office of Management and Budget, Human Resources, Metro Technology Services, and others. To enable LMG to support this effort, we are requesting indirect costs at the negotiated rate of 14.9% calculated as: Indirect costs = 14.9% x new FTE salary and fringe benefits.

b. Expenditure of Awarded Funds

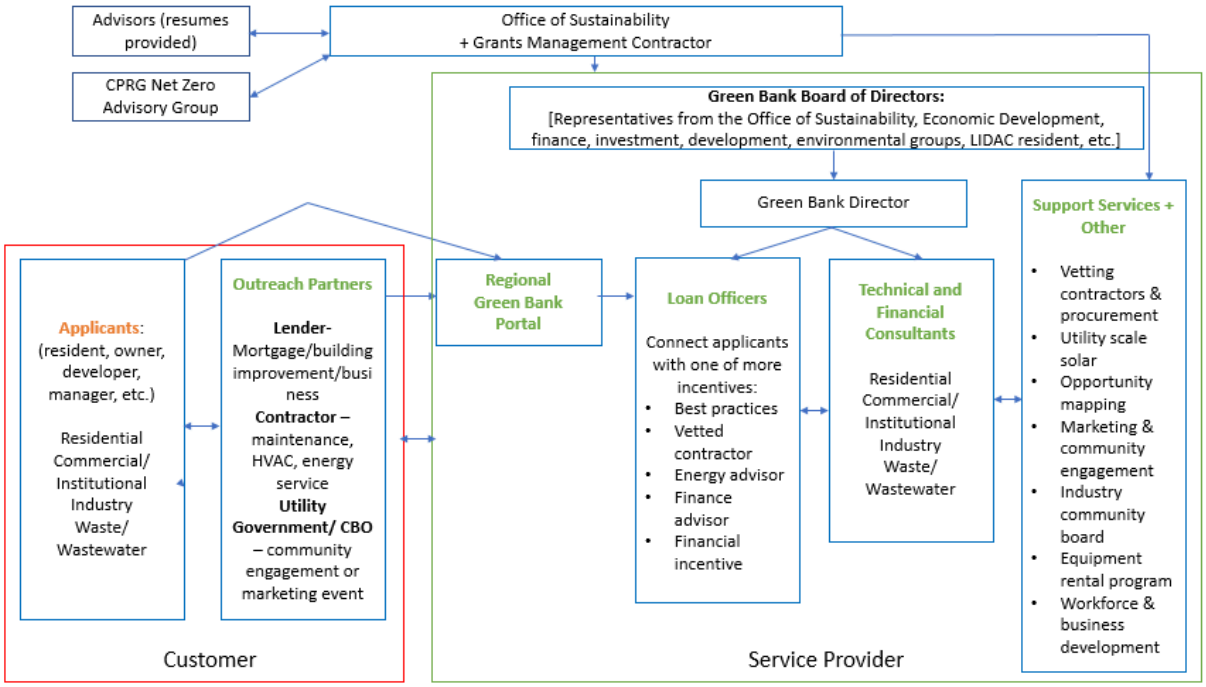
Approach: As our budget and timeline indicate, the first two years will show the highest volume of expenditures. As part of our early community outreach process to develop our PCAP, we initiated a public request for projects that our community would desire if funding was achieved through this Implementation grant opportunity. This information demonstrates substantial community interest and a ready pipeline of impactful projects and co-investments. Our goal in conducting this work was to prepare our staff and community members to be ready within the first year of the proposed project to initiate submission of high quality proposals, identify who would need technical assistance, and how to most effectively build the proposal components to meet community needs as quickly as possible. We have provided an additional Appendix, *ProjectPipeline_Louisville-Jefferson County Metro Goverment.pdf*, to our submission that includes confidential information on what we call our "Project Pipelines." The cost figures are based on research and further informed by preliminary estimates from project respondents. None of these projects have been selected as formal implementation partners, but example projects have been chosen to illustrate potential impacts. Over 100 projects were collected in the community engagement process, with aggregated capital costs nearing $1.5 billion.

Strategy: From this process, we have gained a realistic idea of the types of projects that would be interested in and supported by the green bank, and we have determined an optimal strategy for efficient, effective, and compliant expenditure of funds. We can ensure successful expenditure of award funds in the following ways:

- As explained in the budget detail section above, the proposal has been thoughtfully designed to begin with larger projects of lower volume in Year 1, and then open applications to a much higher volume of smaller residential projects. This not only allows the team some time to build capacity, but also enables large GHG investments to start producing environmental benefits as soon as possible.
- Further, our proposed approach to work with qualified contractors will enable us to build a team very quickly, compared to hiring, onboarding, and developing capacity internally. Because of the large emphasis on working with contractors, LMG will work with the Mayor's Equity in Procurement Task Force and other critical partners to comply with local and EPA procurement requirements for competitive and equitable contracting.

Organizational structure: The LRCA team has proposed the following high level organizational structure to demonstrate our intention to allocate clear roles and responsibilities, set up an efficient process flow, and manage all parts of the CPRG program effectively. The LRCA team is committed to continued stakeholder and community engagement and seeking technical support even in the preaward period, and then during the grant period, to ensure that the management structure is optimal for the proposed program.

Figure 1: Schematic Representation of the Proposed Organization Structure and Workflow



c. Reasonableness of Costs

This section provides an analysis of the reasonableness of costs associated with the CPRG proposal. As a summary, 80% of requested funds will go directly to the proposed green bank as loan and grant funding. The next largest percentage of requested funds will go to the Utility Scale Solar funding (10%). The remaining 10% of funds is allocated (in decreasing proportions) as: contracted services to ensure compliance and technical assistance is available, opportunity mapping tools to inform decision making, staffing of the green bank, and participant support costs.

Fundable GHG reduction measures were informed by extensive community, government staff, and expert consultant inputs through the PCAP. The following were some of the factors considered in determining what funding CPRG tier to apply for and how to allocate costs:

- GHG impacts and cost effectiveness ($/metric ton of CO2e reduced)
- Project pipeline and implementation readiness
- LIDAC benefits
- Return on investment
- Speed and ease of managing projects and meeting compliance
- Availability of co-investments (such as utility rebates)

This criteria informed the substantial upfront investment in utility scale solar, for example, and the residential program's Justice 40 alignment. The LRCA team attempted to keep administrative overhead lean and efficient so as to maximize community and GHG benefits through the grant.

Expenditures leading to indirect and direct GHG reductions:

The tables below are broken out by our Objectives and associated measures from the PCAP. They include the funding allocations that go directly to GHG mitigations. However, it is also important to highlight the indirect expenditures of the budget that do not directly yield GHG reductions, but enhance the efficiency of other expenditures that do. The **indirectly beneficial expenditures** include:

1. Administrative costs, which support the effective management of the overall program (comprise 3.92% of the total budget): Most expected emissions reductions are from the financial assistance program, which would be facilitated by the proposed green bank. To ensure the green bank is developed and administered with best practices, the budget includes hiring qualified staff who will advance programs across the residential, commercial, industrial, and waste sectors and work to leverage private capital and support from energy providers. The assistance in the residential sector will be targeted at LIDAC communities that would benefit most from solar PV installation, energy efficiency measures, encouragement to join the Cool Roofs program, and investments in heat island mitigation actions.

2. Workforce development programs, which build capacity to effectively deploy solutions (comprise 2.38% of the total budget): The program budget includes funding for workforce and business development, while prioritizing LIDAC communities. We justify workforce development as a critical element for bridging the economic opportunities from the proposed measures to career and business opportunities that would be unlikely to exist without additional funding. Our region will be in need of additional skilled labor to achieve the goals of this proposal.

The remaining objectives and associated PCAP measures budgeted have direct GHG impacts. The project team selected example projects that were reasonable and representative of the average projects we may receive through the green bank, while also prioritizing those with more competitive GHG impacts. A table summary of budget and impacts of each objective are provided below:

Expenditures leading to direct GHG reductions:

Objective #1: Green bank

Measure	Funding Type	Total 5 year Total
Residential		
R2	Green bank loans	$9,600,553
R2	Green bank forgivable loans/grants	$6,400,369
R2	Loan repayments	$23,818,914
Commercial/Institutional		
C3	Green bank loans	$43,202,491
C3	Green bank forgivable/grants	$4,800,277
C3	Loan repayments	$23,818,914
Industrial		
I2	Green bank loans	$43,202,491
I2	Green bank forgivable loans/grants	$4,800,277
Waste/wastewater		
W1, W2	Green bank loans	43,202,491
W1, W2	Green bank forgivable loans/grants	4,800,277

Project Pipeline Example	GHG reduction 2025-2030	GHG reduction 2025-2050	Cost effectiveness $ per metric ton CO2e 2025-2030
R2: Residential energy efficiency program	71,388	472,976	224
C3: Energy efficiency	84,336	482,575	512
C3: Solar PV	8,235	41,672	583
I2: Process Energy Efficiency GHG reduction	180,000	1,080,000	11
I2: Chiller enhancements	30,000	150,000	100
I2: Fuel Switching GHG reduction	52,444	314,664	191
I2: Solar PV brownfield GHG reduction	143,556	634,669	230
W1: Wastewater upgrades	4,400	26,400	455
W1: Distillery biodigester	231,696	251,179	177
W2: Food waste diversion	15,629	15,629	320

Objective #2: GHG Advisory Service

Measure	Funding Type	Total 5 year Total
Commercial/Institutional		
C1, C2	Advisory service + opportunity mapping budget	$6,850,565
Industrial		
I1	Advisory service budget	$549,434

Project Pipeline Example	GHG reduction 2025-2030	GHG reduction 2025-2050	Cost effectiveness $ per metric ton CO2e 2025-2030
C1, C2, I1: Advisory/benchmarking	45,670	100,475	150
I1: Energy Advisory GHG reduction	1,831	4,029	150

Objective #4: Utility Solar PV

Measure	Funding Type	Total 5 year Total
C4	Grant/contractual agreement	**$20,000,000**

GHG reduction 2025-2030	GHG reduction 2025-2050	Cost effectiveness $ per metric ton CO2e 2025-2030
51,638	250,324	387

Note on cost effectiveness: While co-investments have been identified for some programs, the budget and GHG calculations assume GHG reductions from CPRG investments only.

If granted the CPRG award, the LRCA team will be responsible stewards of the grant funds and continue to refine a project selection approach that balances accessibility for the community and innovation in advancing competitive and cost effective measures.