

# EFFICIENCY FINANCING TOOLS FOR MUNICIPAL BUILDINGS

## FINANCING FOR EFFICIENCY EMPOWERS CITIES TO SAVE ENERGY AND REDUCE EMISSIONS

Reducing energy use across city operations and facilities makes good economic sense for several reasons. Cities both own and occupy their buildings and will directly save money from investments made in energy efficiency. Thus, the up-front capital invested in energy efficiency will return to city budgets in the form of reduced energy spend in the future. In addition, cities tend to own their buildings for long periods and, unlike many commercial

real estate owners, can benefit from investments that have longer payback periods. However, many cities do not have the resources to make these energy efficiency investments. Challenges include competition for access to city capital investment dollars, constrained operating budgets, limiting regular maintenance and tune-ups, and limits on capacity to manage and oversee efficiency retrofits. There are other ways that cities can potentially fund energy efficiency projects.

## WHAT ARE THE FINANCING OPTIONS FOR MUNICIPAL CITIES?

### SELF FUNDING

The city assesses its portfolio of facilities, identifies priorities for energy efficiency investment, and develops a business case for the city's budget office to demonstrate that the up-front capital investment will be covered by reduced energy consumption and costs going forward. The city allocates funds to pay for the energy efficiency investments and then manages and oversees the projects, or hires a consultant to do so.

### MUNICIPAL REVOLVING LOAN FUND

A revolving loan fund (RLF) is a pool of capital from which loans are made and to which the loan repayments are returned and lent out again. The city creates an RLF with seed funding (from grants, foundations, penalty payments, or other sources) to help finance municipal energy efficiency projects. The city sets parameters for qualifying efficiency projects, and manages and oversees the projects, or hires a consultant to do so.

### PERFORMANCE CONTRACTING

Energy Savings Performance Contracts or Guaranteed Energy Savings Contracts enable energy efficiency projects where the costs are paid for by the guaranteed savings realized from the efficiency upgrade. An energy efficiency service company (ESCO) identifies a portfolio of costs-saving investments, guarantees the savings, and finances and manages the project. The project is repaid from the savings.

## LOOKING FOR AN OVERVIEW ON ENERGY EFFICIENCY FINANCING?

[VIEW THE ENERGY EFFICIENCY PRIMER >](#)

# COMPARISON OF FINANCING OPTIONS FOR MUNICIPAL FACILITIES

	SELF FUNDING	MUNICIPAL REVOLVING LOAN FUND	PERFORMANCE CONTRACTING
<b>Who provides capital?</b>	<ul style="list-style-type: none"> <li>City</li> </ul>	<ul style="list-style-type: none"> <li>Seed funding from city budget, grants, ratepayer funds, penalty payments, other sources</li> </ul>	<ul style="list-style-type: none"> <li>Provided by third-party financing and guaranteed by anticipated savings</li> </ul>
<b>Who manages efficiency retrofit?</b>	<ul style="list-style-type: none"> <li>City staff (if not outsourced)</li> </ul>	<ul style="list-style-type: none"> <li>City staff (if not outsourced)</li> </ul>	<ul style="list-style-type: none"> <li>ESCO</li> </ul>
<b>Advantages</b>	<ul style="list-style-type: none"> <li>No interest payment to third party</li> </ul>	<ul style="list-style-type: none"> <li>Low or minimal cost of loans</li> <li>Sustainable approach to funding efficiency on ongoing basis</li> </ul>	<ul style="list-style-type: none"> <li>No up-front capital required from city</li> <li>Turnkey solution reduces burden on city staff</li> </ul>
<b>Disadvantages</b>	<ul style="list-style-type: none"> <li>Competition with other city initiatives for capital dollars</li> <li>Requires continued support and may not survive administration changes</li> </ul>	<ul style="list-style-type: none"> <li>Requires access to seed capital</li> <li>Need to have someone to oversee and manage the fund</li> <li>Funding slows after initial capital deployed</li> </ul>	<ul style="list-style-type: none"> <li>More expensive</li> <li>Efficiency projects will be limited by what the ESCO will offer a guaranteed savings on (usually less comprehensive retrofits)</li> </ul>
<b>Examples</b>	<ul style="list-style-type: none"> <li>To reduce municipal energy use by 35 percent by 2025, New York City is allocating and managing approximately \$200 million capital and \$46 million expense budget funding annually.</li> </ul>	<ul style="list-style-type: none"> <li>San Antonio established its revolving Energy Efficiency Fund (EEF) in 2011 with \$4.6 million of federal funds to finance energy conservation projects.</li> </ul>	<ul style="list-style-type: none"> <li>In June 2018, Atlanta entered into a Guaranteed Energy Savings Performance Contract with Ameresco to upgrade 19 city-owned buildings encompassing over 1.25 million square feet of space.</li> </ul>
	<a href="#">VIEW CASE STUDY &gt;</a>	<a href="#">VIEW CASE STUDY &gt;</a>	

# MORE INFORMATION ABOUT PERFORMANCE CONTRACTING

## OVERVIEW RESOURCES ABOUT PERFORMANCE CONTRACTING:

- U.S. Department of Energy Energy Savings Performance Contracting  
[VIEW OVERVIEW](#)
- U.S. Department of Energy How Energy Savings Performance Contracting Can Support State Energy Planning.  
[VIEW OVERVIEW](#)
- U.S. Department of Energy Better Buildings Initiative. Better Buildings Financing Navigator - Energy Savings Performance Contracting Financing  
[VIEW TOOL](#)
- U.S. Department of Energy Better Buildings Energy Savings Performance Contracting Accelerator, Energy Savings Performance Toolkit  
[VIEW TOOLKIT](#)

## CASE STUDIES OF MUNICIPAL PERFORMANCE CONTRACTING PROJECTS:

- Ameresco Partners with the City of Atlanta for Guaranteed Energy Savings Performance Contract  
[VIEW CASE STUDY](#)
- U.S. Department of Energy. Better Buildings Initiative Implementation Model: Jersey City Housing Authority's Approach to Energy Savings Performance Contracting  
[VIEW CASE STUDY](#)

## CASE STUDY OF PRIVATE SECTOR PERFORMANCE CONTRACTING:

- U.S. Department of Energy Better Buildings Initiative Implementation Model: General Motors Approach to Energy Performance Contracting  
[VIEW CASE STUDY](#)