

Climate Action and Energy Plan Reserve Fund
Terms of Reference
September 2014

A. Introduction

These terms of reference address the management of and expenditures from the Climate Action and Energy Plan (CAEP) Reserve Fund. They were drafted by staff based on a review of best practices from other local governments with similar funding mechanisms. They were refined by the Climate Change Advisory Committee and recommended to Council for adoption. It is anticipated that Council will periodically review and update these terms as required.

B. Background and Funding Objectives

On February 20, 2013 Council adopted the CAEP. The CAEP recommends actions to reduce greenhouse gas emissions in North Cowichan. It sets aggressive targets for greenhouse gas (GHG) reductions: 35% below 2007 levels by 2025 and 80% below 2007 levels by 2050. Following adoption of the CAEP, the CAEP Implementation and Monitoring Framework was developed, identifying priority objectives from the CAEP, implementation strategies and indicators of progress.

The CAEP recommends, among other things, that Council establish a Green Revolving Loan Fund to create a financial vehicle to fund innovative and sustainable community and municipal projects to help achieve the GHG targets. The Plan suggests that the fund be established by a 1% annual tax levy, which would provide approximately \$225,000 per year.

The CAEP recommends that the fund contain two basic criteria: firstly, that the fund be used to finance measures that reduce resource use (e.g. energy, water, materials) or mitigate carbon emissions (e.g. renewable energy developments); and secondly, that the fund revolve (i.e. savings generated by reducing operating costs will replenish the fund to provide capital for future projects).

Following adoption of the CAEP, Council surveyed public support for a 1% tax to establish the fund. Based on the level of support received, Council agreed to levy a 0.5% tax and established a reserve fund for *municipal* projects only. On June 18, 2014, at the recommendation of the CCAC, Council agreed, in principle, to broaden the purpose of the reserve fund to also fund *community* projects that implement the CAEP. Council also asked the CCAC to recommend terms of reference for the management of, and expenditures from, the reserve fund. Council adopted Bylaw 3552 on September 3, 2014, to formally broaden the purpose of the reserve fund so it can now be used for North Cowichan's corporate projects and community projects.

C. Guiding Principles

The guiding principles for the CAEP Reserve Fund are:

- 1) **Flexible** – The fund will enable grants and loans for a variety of corporate and community projects that implement the CAEP through energy conservation, climate change mitigation and adaptation.

- 2) **Self-sustaining** – The fund will be sustained through property taxes and energy efficient cost-savings. The amount of property taxes will be determined by Council through its annual budget process (currently 0.5%). To maintain the health of the fund, annual expenditures will not exceed annual contributions.
- 3) **Transparent** - Funding decisions will be made in open Council meetings in order to ensure a high degree of public accountability.
- 4) **Strategic** – The fund will facilitate key initiatives that implement the CAEP which are identified as priority actions in the CAEP Implementation and Monitoring Framework. Strategic priority will also be given to projects that are:
 - a. **Economically beneficial** – They support “green” jobs, economic development, and reduce North Cowichan’s corporate or community energy consumption and costs.
 - b. **Highly Visible** – They set an example of energy conservation and/or greenhouse gas reduction, and seek to mobilize the public.
- 5) **Innovative** – The fund supports projects that go beyond business as usual. These are projects that would not otherwise be undertaken for a variety of reasons including lack of external grant opportunities.
- 6) **Collaborative** – The fund supports projects that involve partnerships or leverage additional funds from other sources.

D. Project Eligibility

To be eligible for consideration applications must:

- 1) Address one or more of the priority actions listed in the CAEP Implementation and Monitoring Framework,
- 2) Be economically beneficial, highly visible, innovative or collaborative, and
- 3) Be accompanied by a business case, in the case of any application for municipal loan.

E. Funding Categories

Monies will be expended from the reserve fund through three mechanisms: corporate loans; corporate grants; and community grants. Corporate loans will contain clear repayment terms, while corporate and community grants do not require repayment. An explanation of the three funding mechanisms follows:

i. Corporate Loans (to North Cowichan)

Council may make non-interest bearing loans from the CAEP Reserve Fund for Municipal projects that facilitate implementation of the CAEP including energy efficient lighting, heating, cooling and ventilation systems and envelope improvements. These projects must have a quantifiable payback in the form of energy savings. Staff will calculate the anticipated energy and GHG savings and propose annual repayment terms accordingly. In most cases, loans will be repaid with 10 years. In the event that energy costs increase significantly, operating budgets may need to be increased or the loan repayment term extended.

ii. Corporate Grants (to North Cowichan)

Council may approve non-repayable grants from the Reserve Fund for North Cowichan’s qualifying projects as described above, or for studies. Grant may be used to fund projects that have a payback period greater than 10 years, that require seed money in order to

leverage outside funding, or that require funding to proceed sooner than would otherwise be possible.

iii. Community Grants

Council may also provide grants from the Reserve Fund to individuals and not-for-profit organizations for qualifying projects. For example, the Municipality could offer a rebate program for energy efficient technologies or distributed energy generation (e.g. rebates for energy efficient appliances or solar panels). Additionally, a community organization could propose a program or project for grant funding.

F. Fund Allocation

The proportion of the fund allocated toward community and corporate projects will be recommended to Council annually by the CCAC. It is expected that at least the first five years the majority of funds will go towards corporate projects. This will allow the Municipality to lead by example and generate necessary cost savings to increase community grants. Monies that are not allocated in a given year will remain in the fund for projects in future years.