

STRATEGIC INITIATIVE AND UPDATE**Clean Energy Improvement Program****Report Purpose**

To introduce the Clean Energy Improvement Program, provide an update on the investigation into its application and formalize the resources required to realize opportunities for residential renovations within Strathcona County.

Our Prioritized Strategic Goals

Goal 4 - Ensure effective stewardship of water, land, air and energy resources

Goal 5 - Foster collaboration through regional, community and governmental partnerships

Goal 7 - Provide opportunities for public engagement and communication

Report

Property Assessed Clean Energy (PACE) is an innovative financing tool which building owners can use to upgrade their building's energy performance, install renewable energy systems and reduce resource consumption with no money down and with the financing repaid through their property tax bill. The Clean Energy Improvement Program (CEIP) supports the development of property assessed clean energy financing options for residential and commercial property owners in Alberta.

Legislation to enable a CEIP became effective in Alberta on January 1, 2019. At that time Energy Efficiency Alberta (EEA) was appointed by the previous government as the PACE/CEIP Administrator for the Province. The current government has since dissolved EEA and the role of PACE Administrator has been transferred, by Ministerial Order, to the Alberta Municipal Services Corporation (operating as Alberta Municipalities). Municipalities in Alberta wishing to offer CEIP must pass a bylaw, source and manage the funds to capitalize the program, work with Alberta Municipalities to design and develop the program, and provide staff resources to implement the components of the program not administered by Alberta Municipalities. Property owners can then choose to apply to finance energy efficiency and renewable energy projects on their properties through the Program. The five-step process includes a pre-qualification, project application, project agreement, installation by a qualified contractor, and repayment. The total project cost is added to the property tax bill as a CEIP charge. A Natural Resources Canada (NRCan) Home Energy Evaluation is required pre- and post-retrofit.

Environmental Framework

CEIP addresses upfront cost barriers to make energy efficiency and renewable energy upgrades more attainable to property owners. Residential property owners will be able to access flexible financing through Strathcona County (the County) to pay for eligible upgrades, with repayment collected through an additional charge on the individual's property taxes.

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The Environmental Framework was approved on June 29, 2021. Outcomes for air, water, and energy support CEIP goals under the following objectives:

Objective A.3 – Educate and engage with citizens to encourage stewardship behaviours.

Objective A.4 – Reduce emissions, including greenhouse gases, to ensure healthy ecosystems and healthy citizens by decreasing energy use, conserving energy, developing and using energy from renewable low-carbon sources.

Objective W.5 – Educate and engage with citizens to encourage stewardship behaviours that support water conservation.

Objective E.5 – Educate and engage with citizens to encourage behaviours that support energy efficiency and the transition to renewable/alternative energy.

CEIP Committee

The first CEIP Committee meeting was held on October 4, 2021. Subsequent meetings brought in resources from several affected departments including Assessment and Tax, Financial and Strategic Services, Legislative and Legal Services, and Planning and Development Services. Collaboration between these departments to fulfil the outcomes and objectives under CEIP is essential to investigating the program and successful implementation. As a first step into our investigation, we have signed on as a cohort with Alberta Municipalities and research and collaboration has been initiated.

Clean Energy Improvement Program Bylaw

In order to participate, municipalities need to first pass a Clean Energy Improvement Program Bylaw. The bylaw authorizes a municipality to establish the program, to borrow money for the purpose of financing clean energy improvements and use the property tax system to facilitate repayment from property owners. The debt will stay on the property for the life of the debt and remains with the property if it is sold. There are several bylaws in place across Alberta. Legislative and Legal Services has prepared a 'draft' bylaw (see Enclosure 1), which will be brought forward to Council at a later date for approval.

Alberta Municipal Services Corporation Administrative Agreement

CEIP is administered by Alberta Municipalities. The agreement will require an administration fee to be negotiated. Responsibilities of Alberta Municipalities may include (and the fee will vary):

- Facilitate/complete market study
- Assist with bylaw development
- Onboard contractors
- Process applications and technical reviews
- Facilitate agreement executions
- Customer service
- Verify project completion, site visits
- Process payments and reporting
- Lead marketing, communication and engagement plans and program website

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Responsibilities of the municipality are to:

- Verify applicant is in good standing
- Collaborate on marketing plan
- Execute and manage financing agreement with property owner
- Manage the debt repayment for each property over the life of the debt
- Levy and collect Clean Energy Improvement Charge

Financing Models

With the passing of a Clean Energy Improvement Program Bylaw, the County could submit an application to the Federation of Canadian Municipalities (FCM) for a loan to support the program and a grant which can be used to cover Alberta Municipalities' cost as well as any administrative costs. FCM is offering a Green Municipal Fund program (launched March 1, 2021) that provides low interest financing for municipalities that are looking at energy efficiency retrofit programs. Alberta Municipalities provides technical application support to municipalities applying to FCM and an agreement is required to administer CEIP.

Administration supports this financing model (FCM loan and grant), given that the FCM grant can be used to cover administrative costs over the first four years of the program which will reduce the cost to the property owner. Any financing models used must consider all costs including the loan, interest, County staff time to administer the program and Alberta Municipalities' administration fee. The maximum amount of administration costs that the FCM will cover (for both the County and Alberta Municipalities combined) is 5% of energy retrofits. We will assess the effectiveness of this program over the next two to four years and report back to Council with our findings and whether the program should be continued in the future.

The FCM loan will only cover a maximum of 80% of eligible costs (up to \$10 million) and the grant maximum is 50% of the loan amount. This means that the County will need to cover approximately 30% to 40% of the costs in the interim until these costs are ultimately recovered from the property owner.

If FCM funding and grant applications are unsuccessful, we will return to Council with an alternative financing model.

The intent of CEIP is to promote local suppliers and contractors, and Alberta Municipalities will be responsible to coordinate supplier lists and qualify contractors. It should be noted that external capacity challenges associated with supplies, materials, and labour capacity across the province and specifically the capital region may have an impact on the program. Internal capacity is also a challenge and the additional effort to implement and manage this program is expected to result in the need for additional staff resources.

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Cashflow Implications

In order to manage cashflows for the portion of costs not covered by the FCM loan and grant, administration is considering three options: 1) using our line of credit; 2) setting up a reserve (which will require Council's approval of one-time cash injection of approximately \$1.2 to \$1.6 million); or 3) using working capital.

Additional research is still required on these and the recommended option will be brought to Council when the bylaw comes forward for approval. Any interest costs with the selected option will be passed on to the property owner.

Next Steps

1. Bylaw approval
2. Alberta Municipalities Cohort #4 (summer) – Administrative Agreement, Market Study, FCM funding application

Council and Committee History

September 14, 2021	Council approved Options 1 (Awareness Raising of Federal Greener Homes Grant) and 3 (Investigate the PACE Program via the Clean Energy Improvement Program), as set out in the September 14, 2021 Green Renovation Rebate report.
June 29, 2021	Council approved the Environmental Framework outcomes and associated objectives for air, water, land, biodiversity, waste, and energy, as set out in pages 26 to 72 of Enclosure 2 of the June 29, 2021 Planning and Development Services report; and that administration provide an update report, at least on an annual basis, to Priorities Committee or Council on the progress made on the implementation of the Environmental Framework.
February 2, 2021	Council approved that administration provide a report by the end of September 2021 on options for creating a rebate incentive program to encourage energy retrofits for residential dwellings in Strathcona County.

Other Impacts

Policy: n/a

Financial/Budget: The proposed funding model is the FCM loan and grant (subject to FCM approval), as there should not be any cost impact to the County over the four years of this program. Internal capacity is a challenge and the additional effort to implement and manage this program is expected to result in the need for additional resources. The County will also need to manage cashflow implications that result from timing differences in when cash inflows from FCM and cash outflows to Alberta Municipalities and/or contractors occur.

Legislative/Legal: Clean Energy Improvement Program Bylaw, Alberta Municipalities Agreement to administer CEIP.

Interdepartmental: Assessment and Tax, Financial and Strategic Services, Legislative and Legal Services, and Planning and Development Services.

Master Plan/Framework: Environmental Framework (2021).

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Communication Plan

The focus is to build awareness within our community via existing communication platforms in alignment with the Environmental Framework, led by Planning and Development Services and supported by Corporate Communications. We have an existing webpage specific to the Federal Canada Greener Homes Grant, current Strathcona County rebate programs and CEIP ([Canada Greener Homes Grant | Strathcona County](#)).

A communications strategy has been developed to support the Environmental Framework: to highlight environmental innovative practices, supportive tools and strategic initiatives; create internal awareness; increase stakeholder awareness of environmental issues and their local impacts; and define how Strathcona County is addressing these issues.

Key messages:

- We are committed to sustaining and protecting healthy ecosystems and healthy citizens
- We use sound, evidence-based decision-making tools to take environmental action

Enclosure

1 DRAFT Bylaw XX-2022 Clean Energy Improvement Program Bylaw

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