



## Request for City Council Committee Action from the City Coordinator's Office

**Date:** June 1, 2009

**To:** Chair Scott Benson, Health Energy and Environment Committee

**Referral to:** Chair Paul Ostrow, Ways and Means/Budget Committee

**Subject:** **Minneapolis Economic Recovery Strategy: U.S. Department of Energy's Energy Efficiency Conservation Block Grant (EECBG) allocation to the City of Minneapolis**

### **Recommendation:**

1. Authorize staff to submit an application to the U.S. Department of Energy for \$3.9 million of EECBG funds to support the proposed activities by June 25, 2009
2. Authorize staff to make such modifications as indicated by further guidance by Department of Energy
3. Authorize staff to execute grant award

**Previous Directives:** none

### **Department Information**

Prepared by: Gayle Prest, City Coordinator's Office

Approved by: Steven Bosacker

Presenters in Committee:

- Gayle Prest - Sustainability Manager, Coordinator's Office
- Mike Christenson - Director, Community Planning and Economic Development
- Greg Goeke - Property Services Manager, Public Works

### **Financial Impact**

- Other financial impact

### **Supporting Information**

In February, 2009, Congress passed and the President signed the American Recovery and Reinvestment Act (ARRA) which allocated \$3.2 billion to the Energy Efficiency Conservation Block Grant Program, a Department of Energy program which was initially authorized in 2007 but had not received an appropriation of funds. The Energy Efficiency Conservation Block Grant program offers block grant recipients (cities, counties and states) funds to implement strategies that reduce fossil fuel emissions in a way that is environmentally sustainable and maximizes benefits for local and regional communities, reduce total energy use, and improve energy efficiency in the transportation, building, and other energy consuming sectors. Funds must be spent within 36 months of the award. The City expects to receive \$3.9 million in one time funding directly from this source. Cities must submit their grant applications to the Department of Energy by June 25<sup>th</sup> in order to receive allocation of EECBG funds.

EECBG funds eligible uses include:

- developing and implementing an “energy efficiency and conservation strategy”, including hiring technical consultants to assist in development of strategy;
- conducting residential and commercial building energy audits;
- establishing financial incentive programs for energy-efficiency improvements;
- grants to non-profits and government organizations to perform energy efficiency retrofits;
- developing/implementing programs to conserve energy used in transportation, including use of flex-time by employers; satellite work centers; development and promotion of zoning guidelines or requirements that promote energy efficient development; development of infrastructure such as bike lanes and pathways and pedestrian walkways;
- developing/implementing building codes and inspections services to promote building energy efficiency;
- energy efficiency and conservation programs for buildings and facilities within entity’s jurisdiction;
- energy distribution technologies that significantly increase energy efficiency, including distributed resources, and district heating and cooling systems;
- increasing participation and efficiency rates for material conservation programs;
- purchase and implementation of technologies to reduce, capture, and use methane and other greenhouse gases generated by landfills and similar sources;
- replacement of traffic signals and street lighting using energy efficient technologies;
- developing, implementing, and installing on or in any government building onsite renewable energy technology that generates electricity from renewable sources.

Each local government must submit a proposed energy and conservation strategy to the Department of Energy within one year of receiving the initial allocation. This strategy must include goals for increasing energy efficiency and conservation and a plan for using funds to achieve those goals.

Other federal guidelines and restrictions on EECBG funding are:

- no more than 10% can be used for administrative costs
- no more than 20% can be used for revolving loan funds
- no more than 20% can be subgranted to nongovernmental organizations for the purpose of assisting in the implementation of the energy efficiency and conservation strategy
- funds must be obligated within 18 months of the award, and spent within 36 months

**Strategies and Goals of the City of Minneapolis’s Economic Recovery Activities:**

The Economic Recovery Action Team established by Mayor R.T. Rybak and Council President Barbara Johnson have developed the following strategic goals for use of ARRA funds, as well as broad criteria to guide the establishment of new ARRA program dollars for the City of Minneapolis:

Minneapolis Strategic Priorities for ARRA funds:

- Protect Public Safety Gains
- Retain and Create Jobs and Prepare Workers for the 21st Century Economy
- Modernize Infrastructure
- Leverage Minneapolis’ Wireless and Technology Infrastructure
- Support People and Communities Most Impacted by the Economic Downturn
- Expand our Green Economy and Build a Greener Minneapolis
- Promote Regional Competitiveness and Efficiencies

The Department of Energy encourages grantees to prioritize programs and projects that:

- Leverage other public and private resources
- Enhance workforce development
- Persist beyond the funding period

- Promotes energy market transformation such as revolving loans, low-cost loans, energy savings performance contracting, advanced building codes, building and home retrofit incentives and policies, and transportation programs and policies.

EECBG grantees will be required to report regularly on five metrics:

- Jobs created and/or retained
- Energy savings on a per dollar invested basis
- Renewable energy capacity installed
- Greenhouse gas emissions reduced
- Funds leveraged

Additionally, the Energy Efficiency Conservation Block Grant Work Group considered how to best use this formula EECBG funding in order to position the City for competitive EECBG funding (expected \$400 million nationally) and grants from the State.

**Recommendation for Uses of Energy Efficiency Conservation Block Grant funds:**

The Energy Efficiency Conservation Block Grant Work Group, with representation and participation from the Mayor's Office, City Coordinator's Office/Sustainability, Public Works, and Community Planning and Economic Development propose the following use of the City of Minneapolis's \$3.9 million in EECBG funds - most of which will be leveraged with resources from State, utilities and others:

**1. Revolving Loan Fund for Non-Residential Energy Efficiency and Conservation**

Allocate the maximum permissible amount to help small and large businesses audit their buildings and finance energy efficiency projects. Staff is exploring avenues to partner with the utilities, other governmental units, and energy nonprofits to leverage existing incentives and business loan programs with this EECBG funding. Staff has conducted site visits of large energy consumers and is conducting focus groups with small businesses to help design a compelling loan program. The goals are to: (a) encourage building owners to take steps to conserve energy, (b) make Minneapolis businesses more competitive by lowering their operating costs, (c) create a successful delivery model that will attract additional funding, and (d) drive energy efficiency demand, to build the market and create jobs in this field. Staff expects to incorporate appropriate portions of the new, combined offerings into the Great Streets Program, as well as into the Business Finance offerings to all City businesses.

**Recommendation: \$780,000 (20%)**

**2. Non-profit Partnerships for Residents Action**

**a. Residential Energy Efficiency and Conservation Program: Through an RFP process, select an external provider** to support energy efficiency improvements to residences in Minneapolis. The successful applicant will be an entity with a proven track record of success with the City of Minneapolis in designing and delivering programs of benefit to City residents. Applications will be evaluated based on the EECBG and DOE criteria outlined above, with an emphasis on the ability to leverage other programs and avoid program duplication. (\$705,000)

**b. Climate Change Grants:** Continue the program to partner with non-profits on programs and projects that encourage citizens to take actions to reduce their energy use and take the Minnesota Energy Challenge (\$75,000)

**Recommendation: \$780,000 (20%)**

**3. Energy Efficiency and Conservation at Local Government Facilities**

Program to fund energy efficiency and renewable energy projects for local government units that serve the City of Minneapolis residents and businesses. Many of the projects that have been identified and have been submitted for consideration to date require energy audits and/or engineering studies or further design to validate the environmental benefits and the

financial return on investment being proposed by the host agency. Staff is recommending a two phase approach. The first phase funding would be allocated as matching funds to complete the audits, studies or design required to validate the expected gains against the Energy Efficiency Community Block Grant criteria. At the completion of that phase, City staff will rank projects and forward for consideration the projects that have the highest ratings. The second phase would provide funding to implement the highest ranked priority projects.

The projects to be studied further include:

- Filter press dewatering Plant improvements at the Minneapolis Water Works
- Efficiency upgrades for City of MPLS Facilities
- Renewables Energy for City of MPLS Facilities
- Efficiency upgrades to the Convention Center
- Energy recommissioning at the Central Library
- Energy upgrades for Park Board Facilities
- Energy Recovery Strategies for City Hall/Courthouse Facility

***Recommendation: \$1,950,000 (50%)***

#### **4. Program Administration**

Ten percent of the award may be used for program administration, including costs associated with developing the Energy Efficiency and Conservation Strategy, the strategy plan required by the DOE to access the funds. Recommendation is to use up to 10%, with any funds below 10% going towards local government facilities projects.

***Recommendation: up to \$390,000 (up to 10%)***

***Total Recommendation for EECBG funding: \$3,900,000***