

# Community Efficiency Financing – FAQ

## Questions #1: What is the Community Efficiency Financing (CEF) Program?

**Answer:** \$300M has been earmarked for the delivery of the Community Efficiency Financing (CEF) program. The focus of the \$300M is to provide support for municipalities to create and implement innovative financing mechanisms geared towards accelerating investments in energy efficiency and renewable energy generation.

Funding is available for municipalities looking to both complete studies/plans and capitalize on existing/new programs. With the NEER Business Case complete, this funding opportunity can significantly accelerate the implementation of the NEER initiative and address several risks/assumptions identified in the NEER Business Case. Specifically, the CEF program provides municipalities with the opportunity to develop detailed business plans, secure start-up capital for program implementation, and finance homeowner retrofits in the community.

The CEF program will offer municipalities the following financial support:

Initiatives	Description	Funding Type & Maximum Amount
Program Capitalization (Loan)	Capital to support the launch or growth of local initiatives	A loan of up to \$10M, with an accompanying grant of up to 50% of the loan amount. The GMF contribution (i.e. combination of the loan grant) can cover up to 80% of total eligible costs
Studies (grant)	Support municipalities to develop or refine a concept up to the point that it may be ready to apply for capitalization	Up to 80% of the eligible costs to a maximum of \$175k
Credit Enhancement (Loan Guarantee)	A partial loan guarantees to be used to help leverage third party capital	A partial loan guarantee of up to \$2M

## Questions #2: Why are we applying for funding now?

**Answer:** FCM recently made available an early expression of interest for municipal leaders in the residential energy efficiency retrofitting sector looking to capitalize on new or recapitalize on existing energy efficiency financing programs. With Newmarket's Community Energy Plan and the recent completion of its Residential Energy Efficiency Retrofit (RN-NEER) Business Case, the Town is uniquely positioned to apply for funding now. If successful, Newmarket will have access to enough financial support to complete a detailed NEER Business Plan, enact an LIC By-law, set-up the NEER Program and deliver retrofits for at least 2 years.

Successful applicants during the first expression of interest will also benefit from the following capacity building support:

1. Participation in a peer learning network of early adopters of residential energy financing programs, including in-person and virtual meetings to exchange best practices and lessons learned with each other and with the Green Municipal Fund (GMF).
2. Access to technical advice to help ensure their program is successfully launched or scaled up and achieves the expected results.
3. National profile and recognition for their funded programs and invitations to present their work at conferences and other learning events.

**Question #3: What costs can the loan/grant amount cover?**

**Answer:** In addition to capitalizing the financing mechanism of the NEER Program, Newmarket will have the flexibility to use the grant/loan amount for other program expenditures including administration costs, advertising costs, financial auditing costs, program capital, equipment rental, meeting & public gatherings, consulting services, staff remuneration, supplies & materials, transportation/shipping & courier charges, travel & accommodation, taxes, training and loan loss provision.

**Question #4: What requirements does the Town need to fulfill before applying?**

**Answer:** To apply for current funding, Newmarket must have the following prerequisites:

1. A community energy plan that identifies energy efficiency in the residential sector as a priority area for action
2. A feasibility study or business case similar for the launching program
3. Proof you have legal authority to pursue the proposed initiative (e.g., a letter from your Province/Territory or Legal Counsel)
4. A resolution which authorizes the use of the specified financing mechanism in accordance with relevant provincial/territorial legislation
5. A municipal council resolution committing to capitalize or recapitalize the program

Newmarket currently satisfies the top 3 prerequisites. With the approval of the Recommendations attached to the Report, all 5 of these prerequisites will be satisfied.

**Question #5: How will funding be disbursed?**

**Answer:** Grant disbursements are intended to cover a portion of operating costs. At the discretion of FCM, up to 50% in an initial disbursement at the time of contract to support costs related to pre-launch and start-up costs. The remaining balance will be disbursed annually for operating expenses over the implementation term of the program. Loans to municipalities will disburse on a semi-annual (i.e. twice a year), or on a less frequent basis. The loan guarantee is reserved on GMF's balance sheet, and the funds may be periodically released to be accessed in the event of an individual loan defaults. Funds will be disbursed on an agreed upon schedule with the applicant.

**Question #6: How long are the loan terms?**

**Answer:** Upon signing an agreement with FCM, the Town has 4 years to distribute the loan and grant amount. Loan terms will be between 10 and 30 years. Successful applicant will indicate their preferred term length and FCM will either accept this proposal or negotiate an alternative arrangement.

**Question #7: What is the Town's 20% share of the total estimated project costs and how is it determined? When will it be required? How can it be provided (e.g., in-kind/in-house costs)?**

**Answer:** The most immediate next step would be to create a detailed Business Plan. The Business Plan would conduct additional market study, identify additional risks and validate assumptions made in the NEER Business Case. At a minimum, the Town can expect to finance 20% of the Business Plan. Once the NEER Business Plan is complete, Council would then decide whether or not to proceed to the creation of the NEER Program.

If Council is comfortable with the Business Plan and Newmarket is awarded the full grant/loan amount, then the Town would proceed to launch the NEER Program. The Town would then be responsible for 20% of total project costs spent over 4 years. Staff concluded the maximum financial commitment that the Town would require to provide is \$3.75M; assuming that the NEER Program disburses the full \$15M.

Note that Newmarket's 20% commitment does not have to be upfront capital and can be creatively accumulated over 4 years. The financing approach that staff are proposing to take will be to seek an internal loan from the Town's reserves. This internal loan will then be repaid in full to the Town's reserves through NEER's revenues. It will be the responsibility of the NEER Entity to pay back Newmarket's contribution as quick a payback period as possible.

**Question #8: Are there any risks to the Town for proceeding with the application for financing arrangements through FCM if the Business Plan determines an alternate approach? What would be the impact on the Town/FCM?**

**Answer:** As long as Newmarket remains under the agreed upon arrangements with FCM then there would be no risk to the Town if the Business Plan determines an alternate approach. Newmarket staff will work closely with FCM to negotiate the scope of work.

If the alternate approach is beyond the scope of work and a renegotiation of the agreement cannot be satisfied, then this may result in the termination of the contract.

**Question #9: What is the proposed approach to develop the Business Plan should CEF funding become available? Or if the application is denied?**

**Answer:** If CEF funding is secure and an agreement can be made between Newmarket and FCM, then municipal staff will use a portion of the grant funds to submit an RFP and seek hire expert consultants to help develop the detailed Business Plan. If Newmarket's application is denied, then municipal staff will submit a separate CEF application through there other funding streams where we can apply for a grant of up to \$175K to complete studies.

**Question #10: Does this impact Newmarket taxpayers?**

**Answer:** The funding approach mentioned above will offset any impacts to Newmarket's ratepayers and taxpayers as the principal plus interest will be repaid to the Town's reserves. The internal loan from reserves will be repaid from the NEER entity employing as quick a payback period as possible.

**Questions #11: When can Newmarket expect a decision by?**

**Answer:** Independent peer reviewers will assess Newmarket's application and then the Green Municipal Fund Council will review the results and make funding recommendations to FCM's Board of Directors based on the strength of the proposals received and the available funding.

Newmarket can expect to receive a funding decision within five months of the application deadline (June 30<sup>th</sup>, 2020).

**Questions #12: What will happen to the NEER Program after CEF funding has been distributed?**

**Answer:** The NEER Program will be closely monitored and adapted to meet the needs of the community. After CEF funding has been distributed, the NEER Entity should have the necessary resources and credibility to seek additional private/public investor funding that would ensure the continuation of the program.