



Legislation Text

File #: 11-0086, **Version:** 1

Resolution to Establish Loan Loss Reserve Fund and to Appropriate Funds (\$432,800.00) for Community Energy Projects **(8 Votes Required)**

This resolution establishes a loan loss reserve fund in the amount of \$432,800.00 to be used in conjunction with the City's planned Property Assessed Clean Energy (PACE) program. Funds for the loan loss reserve fund were previously budgeted and appropriated to fund 00MG from the City's Energy Efficiency and Conservation Block Grant (EECBG) from the U.S. Department of Energy (DOE) for this purpose by Resolution R-09-501, which was approved by City Council on December 21, 2009. This resolution also clarifies that the City will follow DOE rules and guidance on the use of EECBG funds for loan loss reserves for the life of the reserve fund.

The PACE program (currently under development) will allow the City to finance voluntary energy improvements to private properties through voluntary single lot or special assessments. The loan loss reserve will allow the City to leverage a much larger pool of private funding (approximately ten times more) for PACE projects and reduce interest rates for participating property owners by covering a portion of delinquent or defaulted payments.

Establishing this loan loss reserve fund is an important step in creating a strong community energy program to meet City Council's Energy Challenge goal of a 20% reduction of community-wide greenhouse gas emissions (from 2000 levels) by 2015.

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Reviewed By: Sue F. McCormick, Public Services Administrator

Approved By: Roger W. Fraser, City Administrator

Whereas, The City of Ann Arbor set ambitious renewable energy and climate protection goals at the May 1, 2006 City Council meeting in Resolution R-172-5-06, including a 20% reduction in community-wide greenhouse gas emission from 2000 levels by 2015;

Whereas, The U.S. Department of Energy (DOE) awarded the City an Energy Efficiency Conservation Block Grant (EECBG) of \$1,243,400.00 to support energy saving projects in both municipal operations and the Ann Arbor community;

Whereas, The City of Ann Arbor has worked to enable Property Assessed Clean Energy (PACE) programs in Michigan;

Whereas, Public Act No. 270 of 2010, approved by the governor on December 14, 2010, provides enabling legislation to facilitate the implementation of a local PACE program in the state;

Whereas, City staff is currently developing a PACE program for Ann Arbor;

Whereas, A loan loss reserve is an eligible EECBG activity and greatly increases the effectiveness of a PACE program;

Whereas, Funds for a loan loss reserve in the amount of \$432,800.00 were included in the amount appropriated to fund 00MG by Resolution R-09-501 on December 21, 2009; and,

Whereas, DOE has issued guidance that "EECBG funds may be used for a loan loss reserve to support loans made with private and public funds and to support a sale of loans made by a grantee or third-party lenders into a secondary market, subject to the following conditions: [. . .]

- a) [the City] shall have the right to review and monitor loans provided by third party lenders to ensure that loans are being made to support eligible activities listed in 42 USC 17154(3)-(13);
- b) [the City] has no legal or financial obligation beyond the funds committed to the reserve and is not subject to further recourse in the event losses exceed the amount of the reserve;
- c) any EECBG funds used to establish a loan loss reserve not used in connection with loan losses paid to third party lenders or secondary market investors must be used by or at the direction of the grantee and for an eligible use under the EECBG Program, including capitalization of a RLF [revolving loan fund]; and
- d) under no circumstances shall EECBG funds be released to a third party lender or secondary market investor for any purpose not pertaining to loan losses."

RESOLVED, That the City Finance Director be authorized and directed to establish a loan loss reserve fund;

RESOLVED, That \$432,800.00 be appropriated from the EECBG funds in the existing 00MG grant account into the new loan loss reserve fund and be available for the life of the project without regard to fiscal year;

RESOLVED, That the City follow DOE rules and guidance regarding the use of EECBG funds for loan loss reserves; and

RESOLVED, That the City Administrator be authorized and directed to take the necessary administrative actions to implement this resolution.