

2011-12 Proposed Budget

Issue Paper – *Sustainability Revolving Fund (SRF)*

Issue

Consistent with the Council priority to address sustainability both internally and throughout the Hillsboro community, to address numerous actions in the Hillsboro 2020 Vision and Action Plan, and to achieve Goal 8 of the City-wide Strategic Plan, which calls for environmental sustainability action, City staff have identified within the City's first [Sustainability Plan](#) long term sustainability goals, a guiding vision and numerous projects to achieve those goals. Funding for the sustainability projects may come from existing departmental budgets, but the need for a dedicated funding source as well as a means to capture project savings has been addressed with the creating of a Sustainability Revolving Fund (SRF).

Budget Impact

Total Amount Budgeted:	\$51,000*
Net Budget Increase (decrease) Compared to FY 2010-11:	\$51,000*
Net FTE Increase (decrease) Compared to FY2010-11:	0

This item is budgeted as a new fund and will be managed by the Sustainability Project Manager in close coordination with the Finance Department.

*This program is initially funded ("seeded") by savings from 2009 facility energy efficiency projects (\$28,000 saved in CY2010) with additional Facilities Management Funds included to provide the \$51,000 seed funds. Savings from future projects will be added to the fund based on a formula so that the fund grows over time.

Summary

Revolving funds have been used through the years in many areas, such as economic development, resource conservation, and energy efficiency. A revolving fund is established for a specific purpose, and is replenished by requiring a return on the grant, such as through a defined percentage of the grant, or a portion of funds saved through use of the funds for specific projects. This maintains the fund over time after the initial "seed" investment.

The City Council has made sustainability a priority, and staff have identified numerous projects that will move the organization toward the goals identified in the City [Sustainability Plan](#). It is anticipated that some projects will be implemented within existing departmental budgets, while others may require a funding resource.

The purpose of the Sustainability Revolving Fund (SRF) is to capture and track savings from sustainability projects and to utilize some of those savings for subsequent projects. The SRF is a key tool that will enable implementation of sustainability projects of varying size and scope. It will provide a vehicle for sustainability project leads and other employees to access funds for

internal sustainability projects, and it will provide a structure for use, replenishment and management of those funds.

Who Can Apply for Use of SRF Funds

The SRF will be structured in levels, whereby any employee can access funds for sustainability efforts. Smaller grant requests (\$1,000-\$5,000) can be made by anyone, and larger requests (up to \$25,000) must be coordinated with Sustainability Working Group leads and the Sustainability Project Manager.

SRF Fund Uses

Funds may be used for:

- Projects that demonstrate an economic, environmental and/or social return on investment
- Projects that directly address one or more of the City's sustainability goals
- Funds should primarily cover equipment, materials and other 'hard' costs that have a high impact; non-personnel costs (internal staff) may be covered but should be the exception and justified in the proposal

Project Selection

Funds are available for projects in the Sustainability Plan, as well as for projects outside of those in the Plan as long as they address one or more of the sustainability goals.

The process below will be used for selection and prioritization of use of SRF funds.

1. Applications will be submitted to the Sustainability Project Manager with application deadlines of every other month on the following timeline (applications due by the end of the following months): **November, January, March, May, July, and September.**
2. Applications will be reviewed by five staff including two Sustainability Working Group team leads, Finance Director or delegate, Sustainability Steering Committee representative and the Sustainability Project Manager. Members who propose a project for funding must remove themselves from the process.
3. Applications will be reviewed and scored against established criteria and will be allocated based on availability.

Applications will be accepted throughout the year based on the schedule above. City management may provide the SRF with additional funds at any time.

ATTACHMENT A – City Sustainability Goals

1. 100% of City development investments meet a standard set for sustainable development, and City promotes and encourages sustainable development by others. To be developed in conjunction with affected stakeholders
2. 100% of applicable City policies incorporate the principles of sustainability
3. City's rate of material consumption meets internal standards for sustainability
4. 100% of all inputs purchased by the City are sourced from sustainable sources or meet internally established criteria (e.g., zero waste, zero toxins) where technologically and financially feasible
5. Energy Goals:
 - 60% reduced City facility energy consumption per square foot (2007 baseline)
 - 100% of electricity and natural gas sourced from renewable sources for City facilities and exterior lighting infrastructure
 - 80% production of energy for City facilities from renewable energy sources
 - 100% fossil fuel-free staff vehicles[^] and 40% reduction for other exempt vehicles[^] (non-passenger emergency response, etc.) (2007 baseline)

[^]Based on available technologies and cost effectiveness
6. 25% reduction in water consumption by City facilities against established baseline (including re-use and other measures) (2007 baseline)
7. Emissions Reduction Goals:
 - 80% reduction in greenhouse gas emissions (2007 baseline)
 - 100% of remaining emissions offset
 - Zero toxic emissions
8. Waste Reduction Goals:
 - 100% recycling of waste from City operations
 - Zero construction and maintenance waste (no waste from construction and maintenance activities is sent to landfill). May be accomplished via public/private partnerships
9. Sustainable Design and Construction Goals:
 - All city facilities constructed or renovated shall meet current Leadership in Energy and Environmental Design (LEED) standards or better, unless cost prohibitive based on Return on Investment (ROI) or cost/benefit analysis
 - All City facilities zero net energy consumption, if feasible based on Return on Investment (ROI) or cost/benefit analysis
10. Achieve a rate of construction material consumption that meets internal standards for sustainability (see standard as investigated and set by Policy working group)

ATTACHMENT B – Fund Management

Payback Period and Program Review

- Project savings/avoided costs will be calculated or estimated periodically, but no sooner than a reasonable amount of time after changes have been implemented
- Savings/avoided costs will be placed in the SRF according to the following schedule, which may be amended at any time based on program/fund review:
 - 50% of savings/avoided costs from established baseline after the first full year;
 - 25% of savings/avoided costs from established baseline after the second full year;
 - 25% of savings/avoided costs from established baseline after the third full year.
- The Fund balance will be managed closely and reviewed quarterly, at a minimum
- Estimating of project savings/avoided costs should be based on the reasonable, actual data, but may be estimated if necessary

Fund Seeding and Transfers

- 50% of the savings from energy retrofits at Shute Park Library and Parks Maintenance facilities will provide seed funding, with additional funds to total \$50,000 initial seed funding
- Funds from other project savings will be placed into the SRF on a City Fiscal Year, with a July review

Fund Cap

The SRF will be capped at no more than \$250,000 and will be monitored to ensure that the Fund balance does not exceed this amount.