



*Governor's*  
**Energy Office**

# Qualified Energy Conservation Bonds (QECCB's) Presentation

*A discussion of QECCBs, and the GEO's process to  
distribute and allocate QECCB's*

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## Colorado's 2009 Allocation of QECB's:

Total State Allocation:	\$51,244,000
Re-Allocation to Large Local Municipalities*:	\$42,297,088
State Volume Cap (for GEO allocation):	\$ 8,946,912

\* Of the \$51 million allocation, the State was required to allocate \$42 million proportionately to larger counties and towns with a population of greater than 100,000.



## HB09-1346: Enabling GEO to redistribute QECBs

- Bill discusses all ARRA-related bonds
- States that after November 10, 2009, unused Larger Local Allocations would revert to GEO
- Authorizes GEO to reallocate unused QECBs to State and other qualified projects
- *This allowed for the GEO to effectively reallocate these funds for shovel-ready projects.*



## GEO's Allocation and Redistribution:

*Not all local municipalities used their automatic allocation. As the GEO prepared to distribute its statewide allocation through an application process, it estimated the total amount of QECB's for redistribution:*

Large municipalities to use original QECB allocation*:	\$18,455,333
Large municipalities NOT using their allocation:	\$23,841,755
Original state volume cap:	\$ 8,946,912
Total amount for GEO Allocation and Redistribution:	\$32,788,667

\*Municipalities who *are* using their allocation: Adams, Boulder, Jefferson, Larimer, and Mesa Counties, and Fort Collins.



## GEO's Application for QECB Allocation:

After a successful campaign to promote QECB's, the GEO was surprised to receive over \$120 million of QECB requests:

State Agencies	\$ 46,054,135
Higher Education	\$ 18,556,646
Local Applicants	\$ 45,808,193
K-12	\$ 5,689,049
Other	<u>\$ 5,952,387</u>
<b>Total Requested</b>	<b>\$122,060,410</b>



## GEO's Evaluation Process:

Projects will be evaluated by three major components:

- Project Development: Is the project concept well developed? Since it requires financing, is it shovel ready? Is the technology proven?
- Economy and Environment: Is there a strong impact in job creation? Are partners and other leveraged funds ready to be deployed? Are other funding sources realistic?
- Geographical Diversity: Providing a diverse array of locations throughout the state.
- Financial Viability: QECCB's are a municipal bond transaction. This means that the project must be well developed, and the borrower must have strong enough credit strength to actually sell these bonds.

## Evaluation Schedule:

- Initial Scoring and Spreadsheet : Due **January 7**
- Preliminary discussion about scores and project prioritization: **January 8**
- Final QECCB allocation awards to be distributed by: **January 15**



## QECB Pricing Successes:

*So far, nine transactions have been priced in Colorado:*

Applicant	QECB Amount	Closing Date	Net Int Cost	Project Description
Boulder County	\$5,838,052	2/2/2010	3.450%*	Municipal Facilities Capital Improvements
Fort Collins	\$6,411,395	7/15/2010	1.020%	Smart Grid Financing
City of Boulder	\$1,500,000	9/27/2010	1.460%	Municipal Facilities Capital Improvements
Foothills Parks & Recreation	\$1,000,000	8/13/2010	2.173%	Recreational Facilities Capital Improvements
Western State College	\$1,635,388	8/19/2010	2.190%	Higher Ed Capital Improvements
Boulder Housing	\$1,500,000	8/25/2010	2.790%	Multi-Family Capital Improvements
City of Englewood	\$1,286,439	9/15/2010	2.036%	Municipal Facilities Capital Improvements
Mesa County School Dt #51	\$2,000,000	10/29/2010	1.630%	School District Facilities Capital Improvements
Boulder County PACE Series A (5 year)	\$115,000	11/5/2010	1.090%	Commercial PACE Loans - 5 Year Term
Boulder County PACE Series B (10 year)	\$1,400,000	11/5/2010	2.900%	Commercial PACE Loans - 10 Year Term
<b>Total and Average Interest Costs</b>	<b>\$22,686,275</b>		<b>1.900%</b>	

\*Average cost does not include Boulder County, which was priced at a tax credit rate.



## Property Assessed Clean Energy (PACE) Finance:

- *PACE finance is a mechanism in which a municipality can fund commercial and residential individual improvements, repaid through an annual property assessment instead of a traditional principal and interest loan structure. 25 states currently have some sort of PACE structure approved.*
- *PACE is viewed as an applicable application of QECCBs, as it is considered a “green community program.”*
- *Federal challenges currently have barred residential improvements from being funded through PACE, but commercial remains a possibility.*
- *GEO designated \$6 million of its statewide QECCB allocation for PACE finance.*
- *Boulder County was awarded \$3 million for commercial PACE finance. It is in the origination process for its first commercial PACE program, totaling about \$1.5 million.*





## Secrets to Success:

*The biggest barrier to full QECB allocation is EDUCATION!*

- *Municipalities, Cities, States:* Many eligible borrowers are already planning on capital improvements that would qualify for QECBs. Reaching out to these communities and educating on the benefits of QECBs are half the battle.
- *Bankers:* Bankers, underwriters, and financial advisors may not be aware that QECBs are available for already planned financing transactions.
- *ESCOs:* One of the biggest successes of our QECB competitive solicitation was a strong network with ESCOS in the state. QECBs can benefit both the ESCO and the municipal borrower.



## A Little More About ESCOs:

*The Governor's Energy Office has worked toward promoting ESCOs throughout the state:*

- *Energy Service Companies are businesses perform energy saving capital improvement services, traditionally financed and paid through annual guaranteed energy savings.*
- *Pre-Approved Energy Service Companies: GEO has created a network of pre-approved ESCOs to help promote energy saving capital improvements to public buildings.*
- *Current ESCOs include Ameresco, Burns & McDonnell, Chevron, ConEdison, EMC, Energy Systems Group, Ennovate, Honeywell, Johnson Controls, LONG, McKinstry, NORESKO, Siemens and Trane/Ingersoll.*
- *This pool of ESCOs provided a powerful statewide network to promote QECBs.*

More information can be found at:

[http://rechargecolorado.com/index.php/commercial\\_and\\_public/public\\_buildings/performance\\_contracting/pre-approved\\_escos/](http://rechargecolorado.com/index.php/commercial_and_public/public_buildings/performance_contracting/pre-approved_escos/)



## Other Considerations – After the QECB Awards:

Awarding QECBs are half of the battle. In order to ensure that they will be used, several deadlines were given to guide the process:

- *Internal Approval:* A municipality must think through all of the necessary planning for a QECB transaction, such as ordinances, and other procedural requirements. Deadlines which specify dates for ordinance approval and requiring continuous updates will help this process be successful.
- QECBs are not money, they require a finance mechanism that is allowed by City, County, and State laws! Make sure that local communities understand the finance component and specify a strong finance plan for the transaction.
- *Pricing Deadlines:* Along with the internal procedures, finance transactions take time. Make sure that deadlines help awardees plan accordingly.



## What's Next: Private QECB Application

- As Colorado continues to be a leader in QECB issuances, we are moving forward with a solicitation for privately used QECB applications.
- Up to 30% of each state's QECB allocation may be allocated to private projects.
- There is also the ability to issue more than 30% if the private QECB transaction is considered a "green community program"
- Examples of possible private QECB applications:*
  - A municipality entering into a solar PPA, privately financed with QECBs by the PPA provider*
  - Special District financing for a sustainable development*
  - Industrial Revenue Bond-applied use of QECBs*



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**Thank You**

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