

May 28, 2010

To: Executive Committee

From: Budget Committee

Subject: Budget Adjustment: Home Energy Assistance Toronto

**Recommendations:**

**The Budget Committee recommends to the Executive Committee that:**

- 1. City Council authorize an acceleration of funding for the Toronto Environment Office's Home Energy Assistance Toronto (HEAT) Program by increasing the program's 2010 Operating Budget by an additional \$2.25 million gross and revenue, funded from the Home Energy Assistance Toronto (HEAT) Reserve Fund, from \$2 million to \$4.25 million, and with reductions to planned funding in 2011 from \$3 million to \$2.5 million and in 2012 from \$3.5 million to \$1.88 million, maintaining the approved \$9 million total for the HEAT Program.**
- 2. The Director, Toronto Environment Office report back to City Council before March 31, 2011, with recommendations for revisions to the home energy efficiency programs in 2011 and 2012, including any new opportunities to partner with federal, provincial or local utility programs for the remaining approved funds.**

**Background:**

The Budget Committee on May 28, 2010, considered a report (May 14, 2010) from the Director, Toronto Environment Office, entitled "Budget Adjustment: Home Energy Assistance Toronto".

for City Clerk

Merle MacDonald/tk

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## STAFF REPORT ACTION REQUIRED

### Budget Adjustment: Home Energy Assistance Toronto

<b>Date:</b>	May 14, 2010
<b>To:</b>	Budget Committee
<b>From:</b>	Lawson Oates, Director, Toronto Environment Office
<b>Wards:</b>	All
<b>Reference Number:</b>	P:\2010\Cluster B\TEO\BC10006

#### SUMMARY

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This report recommends a budget adjustment for the Home Energy Assistance Toronto (HEAT) Program to meet anticipated demand for the remainder of 2010 and the first quarter of 2011. The amendment would accelerate the availability of funds originally scheduled to be drawn in 2011 and 2012 from the Home Energy Assistance Toronto Reserve Fund (part of the Strategic Infrastructure Reserve). The program's total budget of \$9.0 million which was approved by Council in August 2009 will remain unchanged.

The adjustment is required because participation in HEAT has been greater than forecast when the program was originally designed. Funding for the program is available in the Home Energy Assistance Toronto Reserve Fund which was established with funds from the Strategic Infrastructure Reserve in August 2009.

The Toronto Environment Office (TEO) will report back to City Council in early 2011 with recommendations for a revised home energy efficiency program in 2011 and 2012, including any new opportunities to partner with federal, provincial or local utility programs for the remaining approved funds.

## RECOMMENDATIONS

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### **The Director, Toronto Environment Office, recommends that:**

1. City Council authorize an acceleration of funding for the Toronto Environment Office's Home Energy Assistance Toronto (HEAT) Program by increasing the program's 2010 Operating Budget by an additional \$2.25 million gross and revenue, funded from the Home Energy Assistance Toronto (HEAT) Reserve Fund, from \$2 million to \$4.25 million, and with reductions to planned funding in 2011 from \$3 million to \$2.5 million and in 2012 from \$3.5 million to \$1.88 million, maintaining the approved \$9 million total for the HEAT Program.
2. The Director, Toronto Environment Office report back to City Council before March 31, 2011 with recommendations for revisions to the home energy efficiency programs in 2011 and 2012, including any new opportunities to partner with federal, provincial or local utility programs for the remaining approved funds.

### **Financial Impact**

In August 2009, a total of \$9.00 million was approved by City Council for a home energy efficiency incentive program to be delivered by the Toronto Environment Office between 2009 and 2012. Funding for the program was drawn from the Strategic Infrastructure Partnership Reserve to create the Home Energy Assistance Toronto (HEAT) Reserve Fund. The Toronto Environment Office was scheduled to draw down the funds in the amount of \$0.50 million in 2009, \$2.00 million in 2010, \$3.00 million in 2011 and \$3.50 million in 2012 to deliver the program.

When the \$9.00 million program was approved, \$2.00 million was specifically allocated for a low-income component of the program. The framework for this program was approved by City Council on May 11, 2010 with \$0.70 million committed as part of the Toronto Environment Office's 2010 approved operating budget and \$1.30 million to be included in the TEO's 2011 Operating Budget submission.

Adoption of the recommendations in this report will accelerate the Toronto Environment Office's Home Energy Assistance Toronto (HEAT) Program by increasing the TEO 2010 Operating Budget by \$2.25 million gross and revenue, funded from the Home Energy Assistance Toronto (HEAT) Reserve Fund to bring the funds for the HEAT program to \$4.25 million in 2010. The amended disbursement schedule recommended by this report would adjust subsequent years providing \$2.50 million in 2011 and \$1.88 million in 2012 (which includes \$0.13 million in unspent funds from 2009) for delivery of the home energy efficiency incentive programs. The program's total budget of \$9.0 million which was approved by Council in August 2009 will remain unchanged, as shown in the chart below:

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>Total</b>
Original Budget	\$0.50 M	\$2.00 M	\$3.00 M	\$3.50 M	\$9.00 M

Revised Budget	\$0.37 M	\$4.25 M	\$2.50 M	\$1.88 M	\$9.00 M
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The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

## DECISION HISTORY

At its meeting on August 5-6<sup>th</sup>, 2009, City Council approved the creation of the Home Energy Assistance Toronto Program, allocating \$9.00 million from the Strategic Infrastructure Reserve. (EX33.34: [www.toronto.ca/legdocs/mmis/2009/cc/decisions/2009-08-05-cc38-dd.htm](http://www.toronto.ca/legdocs/mmis/2009/cc/decisions/2009-08-05-cc38-dd.htm))

At its meeting on May 11<sup>th</sup>, 2010, City Council approved the creation of a low-income component to the home energy program, allocating \$2.0 million of the \$9.0 million approved for the Home Energy Assistance Toronto (HEAT) program. (EX43.9: [www.toronto.ca/legdocs/mmis/2010/cc/decisions/2010-05-12-cc49-dd.htm](http://www.toronto.ca/legdocs/mmis/2010/cc/decisions/2010-05-12-cc49-dd.htm))

## ISSUE BACKGROUND

Toronto's Climate Change and Sustainable Energy Strategies set ambitious targets for greenhouse gas reduction and energy conservation. The retrofit of the city's existing building stock will play a critical role in the meeting our goal to reduce greenhouse gas emissions by 80% by 2050.

The federal government launched the ecoENERGY Retrofit for Homes Program in April 2007 to encourage energy efficiency improvements to existing low rise homes. The program provides up to \$5,000 in grants to homeowners who undertake various energy retrofit measures such as insulation upgrades and heating equipment replacement. To participate, homeowners must hire an accredited energy advisor to conduct a pre-retrofit energy assessment and then a post-retrofit assessment to verify the energy efficiency improvements.

The program was originally scheduled to terminate in March 2011 but the federal government announced on March 31, 2010 that it would no longer be accepting new applicants to the program as of April 1, 2010. Homeowners who had already entered the program by having a pre-retrofit evaluation completed prior to April 1, 2010, continue to be eligible for grants until March 2011. The federal government did commit to maintaining administrative support for the various partnership programs that have been developed by provinces, utilities and municipalities around the ecoENERGY program.

Building on the federal initiative, the Province of Ontario created the Ontario Home Energy Savings program in 2008, matching the grants available from the ecoEnergy program. Despite the federal cancellation of new grants, the Province has committed to deliver its program through to March 2011 and continues to accept new applicants.

In August 2009, the City of Toronto launched the Home Energy Assistance Toronto (HEAT) program to provide up to \$1000 in additional grants for Toronto homeowners who upgrade their insulation. The program was designed with the intention of leveraging provincial and federal

investments in Toronto's buildings stock through their respective programs which are available for a limited time only. Further, the HEAT program focuses on insulation to encourage deeper energy retrofits and greenhouse gas emission reductions. Historically, many ecoENERGY participants have only upgraded their furnace which missed the opportunity to achieve more substantial energy efficiency improvements.

Taken together, these incentive programs support the growth of the energy advisor and building retrofit industries, helping to drive green collar job development in the region and create wider spread consumer awareness of energy conservation opportunities.

## **COMMENTS**

### **Program Benefits**

The HEAT program helps to leverage federal and provincial investments in Toronto's low-rise building stock by encouraging more people to participate in the ecoENERGY and Ontario Home Energy Savings Programs. For example, since the ecoENERGY program was launched in April, 2007, the Federal Government has invested \$34.1 million in Toronto's building stock through direct grants to homeowners.

The federal and provincial programs are available for a limited time only, terminating officially on March 31, 2011. Although the federal government is no longer accepting new applications for grant funding as of April 1, 2011, it has committed to fund those who had already completed their initial energy assessment prior to that date. Continuing the HEAT program provides an additional incentive to encourage those homeowners to complete their retrofit work and access the remaining federal grants. The Province continues to accept new grant application and additional HEAT incentives are helping to encourage residents to apply. Staff have received more than 100 inquiries from residents about the HEAT program since the beginning of April 2010, many of whom sought clarification on whether the Ontario and Toronto programs were continuing in light of the federal program cancellation.

The current popularity of the home energy government incentive programs provides an opportunity to achieve deep emission reductions, advancing the goals of Toronto's Climate Change, Clean Air and Sustainable Energy Action Plan. The acceleration of the program funds would allow the City to take advantage of this momentum, whereas the interruption or cancellation of the HEAT program would be a lost opportunity to maximize these potential savings. Stopping and then restarting the program would be more costly in the long-term if the city is not able to achieve the same administrative efficiencies in partnering with other governments.

Since August 2009 when the HEAT program launched, participants in the ecoENERGY program have reduced their greenhouse gas emissions by an estimated 53,000 tonnes and have reduced their emissions by 77,000 tonnes since ecoENERGY launched in April 2007. The average homeowner has reduced their emissions by approximately 2.6 tonnes, representing 20% of their home's energy use for space and water heating.

Further, the HEAT program helps to support the energy advisor industry, contractors and green collar jobs in the greater Toronto region. The number of accredited energy advisor firms has grown rapidly since the ecoENERGY and partner programs were launched with approximately 160 energy advisors now working in Toronto. With the premature cancellation of the federal program, the HEAT program plays an even more important role in stimulating demand and supporting the home energy retrofit industry.

## **Projected Program Demand**

Between August 6<sup>th</sup>, 2009 and April 30<sup>th</sup>, 2010, approximately 20,000 ecoENERGY post-retrofit audits were processed under the HEAT program, with approximately 6,300 of those qualifying for a City incentive for upgrading their insulation. The average incentive amount was \$193 with program expenses totalling \$1.243 million to date, including \$1.214 million in grants and \$0.029 million for program advertising.

As part of the original program design, staff estimated that the HEAT program would support between 8,500 – 12,000 grant applicants with an average incentive between \$600 - \$800, based on a consultant's review of the historical participation rates in the ecoENERGY program and its predecessor program. This review projected that of the 20,375 pre-retrofit ecoENERGY audits completed between April 1, 2007 and March 31, 2009, approximately 60% would follow up with a post-retrofit audit to qualify for the grant program, averaging about 500 per month. Since the HEAT program launched in August 2009, the actual participation rates have increased dramatically with approximately 2,250 post-retrofit audits completed per month.

Based on available data, demand is expected to remain strong until the federal and provincial programs terminate on March 31, 2011. Approximately 20,000 applicants had already initiated their ecoENERGY grant application prior to the federal announcement they would not be accepting new grant applications as of April 1, 2010. Assuming that 75% of these applicants will complete their follow-up assessment (the current conversion rate in Toronto according to Natural Resources Canada) and with a third of those applicants qualifying for the HEAT program, this could translate into potentially 5,000 outstanding HEAT grants.

In addition to these outstanding ecoENERGY participants, there is now strong public awareness of the remaining Provincial and City incentive programs. The home energy audit industry is actively promoting the Provincial and City of Toronto programs to the general public and contractors and City staff receive frequent inquiries from interested residents. It is expected that demand for the City's program will remain strong until March 31, 2011 with potentially 10,000 or more additional applicants qualifying for a HEAT grant.

Taken together, an estimated 15,000 residents are projected to qualify for a HEAT grant between May 1, 2010 and March 31, 2011. Assuming these assumptions hold and an average of \$193 per grant, the total outstanding commitment would be approximately \$2.895 million. In the 2010 budget, only \$0.427 remains for this program with \$1.700 million currently planned for 2011 and \$3.500 million planned for 2012.

## **Proposed Budget Adjustment**

The program funds are drawn from the Home Energy Assistance Toronto Reserve Fund which was established with funds from the Strategic Infrastructure Reserve in August 2009. The program's total budget of \$9.0 million will remain unchanged.

Between August 6<sup>th</sup>, 2009 and April 30<sup>th</sup> 2010, approximately \$1.243 million was spent on the HEAT program with \$0.370 million spent on grants in 2009, \$0.844 in 2010 and \$0.029 million spent on communications. In light of the program's popularity, no further advertising and communication expenses are planned in 2010.

To continue in 2010, the HEAT program will require a minimum budget of approximately \$3.031 million, which includes \$0.873 million already spent plus an additional \$2.158 to meet projected demand. Staff also request an additional buffer of \$0.519 million in 2010 as a measure of security should the program uptake exceed current expectations. Any unspent funds would remain in the reserve and be carried forward to future years. For 2011, \$1.200 million is requested to meet the potential demand for the HEAT program which includes \$0.737 for projected demand plus \$0.463 million as a buffer which would be carried forward to future years if unspent.

In addition to the HEAT grant program, City Council approved a \$0.700 million budget in 2010 and \$1.300 million in 2011 for a low-income home energy program which would also be drawn from the Home Energy Assistance Toronto Reserve Fund. Therefore, to accommodate both the HEAT and the Low-Income home energy grant programs, a budget adjustment is requested from the currently approved schedule of \$2.000 million in 2010, \$3.000 million in 2011 and \$3.500 million in 2012 for these programs to \$4.250 million in 2010, \$2.500 million in 2011 and \$1.880 million in 2012 (which includes \$0.130 million unspent from 2009).

Any remaining funds from 2010 would be carried over to 2011 and reported on as part of the Toronto Environment Office's Operating Budget submission and a follow up report with recommendations for a revised home energy efficiency program in 2011 and 2012 utilizing the remaining reserve funds, including any new opportunities to partner with federal, provincial or local utility programs.

## **CONTACT**

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