

Authorization to Establish an Obligatory Reserve Fund for the Home Energy Loan Program with Funding from the Federation of Canadian Municipalities (FCM)

Date: May 11, 2022

To: Infrastructure and Environment Committee

From: Chief Financial Officer & Treasurer and Executive Director, Environment & Energy

Wards: All

SUMMARY

The Federation of Canadian Municipalities (FCM) Community Efficiency Financing (CEF) program has approved the City of Toronto, through the Home Energy Loan Program (HELP), for up to \$9,712,000 in financing and \$4,856,000 in grants to support energy-efficient retrofits and pathways to net zero for single-family homes in Toronto. Through the Home Energy Loan Program (HELP), the City offers low-interest loans to help homeowners make their homes more energy efficient and reduce greenhouse gas emissions, in support of the City's TransformTO climate action strategy and net-zero emissions target.

On October 1, 2021, City Council authorized the Deputy City Manager, Corporate Services, the Chief Financial Officer and Treasurer, and the Mayor to enter into a grant and loan agreement with the Federation of Canadian Municipalities to accept a loan in accordance with Chapter 30 of the City of Toronto Municipal Code under the Federation of Canadian Municipalities Green Municipal Fund Program, upon terms satisfactory to them and in a form acceptable to the City Solicitor.

The City intends to execute a final agreement with FCM shortly. Upon executing a final agreement City staff will establish an obligatory reserve fund for the purpose of managing loan and grant funds, including disbursement of funds to program participants. The purpose of this report is to authorize the establishment of the obligatory reserve fund required to effectively manage funding associated with the Program.

RECOMMENDATIONS

The Chief Financial Officer & Treasurer and the Executive Director, Environment & Energy recommends that:

1. City Council approve the establishment of an obligatory reserve fund called the FCM Funded Energy Works Reserve Fund in Appendix C, Schedule 15 – Third Party Agreements Obligatory Reserve Funds, for the purpose of managing funds received from the Federation of Canadian Municipalities (FCM) to support the Home Energy Loan Program (HELP), with criteria set out in Appendix A.

FINANCIAL IMPACT

An initial contribution of \$500,000 from FCM will be provided to the FCM Funded Energy Works Reserve Fund. Funds in the form of recoverable loans of up to \$9,712,000 and a grant of up to \$4,856,000, from FCM, may be contributed for costs associated with the FCM Funded Home Energy Loan Program; and repayments from participating property owners. This amount is consistent with what has been reported to City Council previously.

While there are currently no additional financial commitments required from the City to support HELP, the total amount of the FCM loan will be applied against the City's overall debt authority limit in the year the agreement is signed

DECISION HISTORY

On December 15, 2021 City Council authorized the extension of the Home Energy Loan Program component of the Residential Retrofit Program from its current expiration date of December 31, 2021 to make the Program permanent, using existing resources in the Local Improvement Charge Energy Works Reserve Fund, Local Improvement Charge repayments as well as funding provided by the Federation of Canadian Municipalities to support project and programming needs.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.IE26.17>

On December 15, 2021, City Council adopted TransformTO - Critical Steps for Net Zero by 2040, endorsing accelerated community-wide greenhouse gas reduction targets including net zero greenhouse gas emissions by 2040 and mechanisms to further encourage deep retrofits of existing buildings and reduce the use of natural gas in buildings.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.IE26.16>

At its October 1, 2021 meeting City Council authorized the Deputy City Manager, Corporate Services, the Chief Financial Officer and Treasurer and the Mayor to accept a loan in accordance with Chapter 30 (Debenture and Other Borrowing) of the City of

Toronto Municipal Code of up to \$9,712,000 and a grant of up to \$4,856,000 under the Federation of Canadian Municipalities Green Municipal Fund Program, upon terms satisfactory to them and in a form acceptable to the City Solicitor.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.IE24.9>

At its July 14, 15 and 16, 2021 meeting, City Council adopted the Net Zero Existing Buildings Strategy which introduces voluntary programs and policy in the near term, followed by a transition to mandatory requirements in the medium to long-term to support existing buildings, including single family homes, achieving net zero emissions by 2050.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.IE23.1>

EQUITY IMPACT

The Home Energy Loan Program (HELP) supports efforts to improve the quality of housing, including affordable housing.

Energy poverty has been identified as an issue facing many Torontonians, including both renters and owners of single-family housing. As the necessity to decarbonize buildings grows, it will be vitally important to ensure programs and policies to increase decarbonisation and energy efficiency retrofitting do not negatively impact populations made already vulnerable by historic inequities. Staff are working to improve access to City-run programs as well as promoting programs such as the Federal Government's Greener Homes Grant.

COMMENTS

The Home Energy Loan Program (HELP) is administered by the Environment and Energy Division and provides funding to help homeowners make their homes more energy efficient and reduce greenhouse gas emissions. Through HELP, Toronto homeowners can access low-interest loans to cover the costs of a wide range of energy efficiency improvements including air-source heat pumps, window/door replacements, rooftop solar photovoltaics, and electric vehicle chargers.

At its October 1, 2021 meeting, City Council authorized the City to enter into an agreement with the Federation of Canadian Municipalities (FCM) Community Efficiency Financing (CEF) program through the Home Energy Loan Program (HELP), for up to \$9,712,000 in financing and \$4,856,000 in grants to support energy-efficient retrofits and pathways to net zero for single-family homes in Toronto. The favourable interest rates provided by FCM will be passed along to support Toronto homeowners in retrofitting their homes. The FCM funding will support up to 300 home retrofit projects with an anticipated energy consumption reduction of approximately 9400 GJ per year and an anticipated GHG emissions reduction of 314 tCO₂e per year.

At its December 15, 2021 meeting, City Council authorized the City to extend the Program to enable the continuation of HELP including planned Federation of Canadian Municipality (FCM) funded changes.

This report seeks authority to approve the establishment of an obligatory reserve fund called the FCM Funded Energy Works Reserve Fund as outlined in Appendix A, in accordance with Schedule 15 –Third Party Agreements Obligatory Reserve Funds, for the purposes of managing funds, including disbursing loan and incentives to program participants in the Home Energy Loan Program (HELP) and repayment of loan funds to the Federation of Canadian Municipalities.

The establishment of this reserve fund will also support tracking of loan and grants funds to support financial reporting associated with the program, both internally and externally.

CONTACT

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SIGNATURE

Heather Taylor
Chief Financial Officer and Treasurer

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Executive Director, Environment & Energy

ATTACHMENTS

Appendix A – FCM Funded Energy Works Reserve Fund Criteria

APPENDIX A

FCM FUNDED ENERGY WORKS RESERVE FUND

1) Location within the Consolidated Reserves/ Reserve Funds Schedule:

Schedule No. 15 –Third Party Agreements Obligatory Reserve Funds

2) Statement of Purpose:

For the purpose of managing funds received from the Federation of Canadian Municipalities (FCM) to support the Home Energy Loan Program (HELP).

3) Service Area or Beneficiary Program:

Environment & Energy Division

4) Initial Contribution:

FCM will provide a start-up grant of \$500,000

5) Contribution Policy:

Funds in the form of recoverable loans of up to \$9,712,000 and a grant of up to \$4,856,000, from FCM, may be contributed for: (1) All costs associated with the FCM Funded Home Energy Loan Program; (2) repayments from participating property owners.

6) Withdrawal Policy:

Funds will be withdrawn as part of the annual Operating and Capital Budget process for: (1) funding individual projects on participating properties that have entered into a Property Owner Agreement (POA) with the City under the FCM funded Home Energy Loan Program; (2) funding qualifying incentives on participating properties that have entered into a Property Owner Agreement (POA); (3) supporting the operating expenses associated with the management of the program; (4) repayment of loans to FCM.

7) Review Cycle:

Every four (4) Years.