



## Legislation Text

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**Meeting Date:** May 17, 2023

**To:** Members of the Environmental Quality Commission

**From:** Risi Karim, Assistant to the City Administrator

Annual Report of Carbon Reduction Fund (2021-2022).

**Action Requested:**

Commission receives the Annual Report of the Carbon Reduction Fund (2021-2022).

**Summary Report:**

The Carbon Reduction Fund was started in 2021 to assist with implementation of items outlined in the Climate Action Plan related to carbon based fuel sources. The Carbon Reduction Fund allocates a certain percentage of the City Franchise Fee Program, a program in which Xcel Energy collects monthly payments from utility subscribers and provides those payments to the City, which is used to fund Capital Improvement Projects.

The City of Northfield collects quarterly payments from Xcel Energy and deposits those dollars into the Carbon Reduction Fund. The amounts of these quarterly payments are dependent on the franchise fees but are generally between \$24,000 and \$25,000. The total amount collected in one calendar year is not to exceed \$100,000.

Budget balance and expenditures for 2021-2022 are listed below:

2021 Beginning Budget Balance - \$0 (fund established 9/2021)

2021 End Balance - \$59,096\*

\*No expenditures in 2021, balance reflects revenue collected

2022 Beginning Budget Balance-\$59,096

2022 Revenue-\$100,000

2022 Expenditures

\$14,485	Nokomis Energy- Clean Energy Transition Study
\$ 6,000	Americorp Vista Program - Sustainability Associate
\$ 5,000	HCI - Energy Squad Visits
\$ 2,850	HRA rebate reimbursement - Residential Energy Efficiency
<b>\$28,335</b>	<b>Total Expense</b>

2022 End Balance-\$130,761

In order to fund some of the strategies in the Climate Action Plan, especially those focused on carbon sequestration, the Carbon Reduction Fund allows for an alternative source of revenue for projects without

additional burden on the general operating fund. In 2022, the City commissioned a Clean Energy Transition study provided by Nokomis Energy. The plan highlighted project options that would best align with the city's goal to reach 100% carbon-free electricity by 2030 and creating a 100% carbon-free community by 2040. The plan was presented to both City Council and the Environmental Quality Commission in October 2022, City Council approved the plan in November of 2022.

The Carbon Reduction Fund has allowed for the City to acquire a Sustainability Associate through the Americorp VISTA program. Participation in the program requires a \$6,000 contribution and in return the City is provided with a full time Sustainability Associate to assist with climate and transportation-based projects. The City's Sustainability Associate collaborates with community partners to engage community members using a variety of methods to assess needs, barriers and solutions around transportation in Northfield.

Other Related Expenses to come from the CRF:

- Funds are reserved annually to process rebate applications through the Energy Efficiency Program (HRA) and the Climate Champions Program (EDA). These funds are paid by the HRA and EDA budgets and reimbursed by the Carbon Reduction Fund.
- Tree planting/maintenance expenses. Funds may be used to provide some match or enhance the amount of work that can be done with current tree planting grant or to support work around Emerald Ash Borer management.
- Modeling and planning for clean energy transition options with Nokomis Energy.
- Sustainable Building Policy technical service provider through Center for Energy and Environment (CEE). CEE provides assistance to guide developers, builders and City staff.
- Education and marketing of the Carbon Reduction Fund and Energy Efficiency Rebates
- Reserve fund set aside for electric charging stations and electric vehicle fleet transition.
- Sponsorship of Northfields Earth Day event & activities

#### Look Ahead (not required in this report)

As of January 1<sup>st</sup> 2023, the Carbon Reduction Fund has an operating budget of \$130,761 with an expected total revenue of \$100,000 from the City's Franchise Fee Program in 2023.

As of April 30<sup>th</sup>, 2023, the City has spent \$8,558.99, or approximately 6.5% of the current budget (\$130,761). The breakdown of expenditures is as follows:

##### *Supplies*

\$198.00      mailings/ ads for Energy Efficiency Rebate program, SB Policy

##### *Professional Services*

\$4,628.75      Center for Energy and Environment - Sustainable Building Policy

##### *Programs and Public Services*

\$500.00      Earth Day Event sponsorship

\$1,866.24      Residential Energy Efficiency Rebates (HRA)

\$1,366.00      No Mow May

Thus far, expenditures for the Carbon Reduction Fund have been minimal, leaving room for staff to take into consideration flexibility for emerging larger and costlier projects that may have significant benefits to advance the City's Climate Action Plan.

Projects such as a district energy system is being evaluated by City staff. A district energy system is a centralized heating and/or cooling network that provides thermal energy to multiple buildings or facilities within a geographic area, such as a neighborhood, campus, or downtown district. The system is designed to distribute hot water, steam, or chilled water to individual buildings through a network of underground pipes, eliminating the need for each building to have its own separate heating and cooling equipment.

As planning for the downtown riverfront redevelopment continue, staff sees this as a momentous opportunity to explore integrating a district energy system alongside the redevelopment. A study to explore the feasibility of a district energy system within downtown Northfield is costly with proposals nearing \$50,000, which the Carbon Reduction Fund can accommodate.

**Alternative Options:**

N/A

**Financial Impacts:**

N/A

**Tentative Timelines:**

N/A