

Options for Financing Energy Conservation Projects

With the current emphasis on cost savings in school district budgets and the ongoing interest in energy conservation, it is an appropriate time to remind districts of two potential methods for funding energy and operating systems improvements.

This year, the General Assembly approved a new subsection (11) to 16 VSA § 562 that gives district voters the ability to grant authority to school boards (for five year periods) to enter into debt agreements to finance the cost of school-building energy improvements that meet certain payback requirements. Under this provision, the district electorate may consider a specifically warned article to authorize a five-year window during which the school board may incur debt when the annual debt service is less than the energy savings attributable to the improvements. The energy savings must be certified by Efficiency Vermont or an independent licensed engineer or architect. The total debt per school building must not exceed \$350,000 and the financing term cannot exceed ten years.

Districts may also wish to investigate the prospects for using financing options created under 24 VSA § 1789, Alternative Financing of Assets. This provision allows for the alternative financing (leasing) of assets in the categories of personal property, fixtures, technology, and intellectual property and does not require a vote of the electorate. It does require an annual appropriation and inclusion of the appropriation within the context of current operating expense.

Districts considering using the financing authority created under 24 VSA § 1789 would be well-advised to consult with legal counsel to assure that all requirements for eligible asset categories and annual appropriations obligations will be met.

Additionally, please keep in mind the bidding requirements outlined in 16 VSA § 559 if you move forward with projects, irrespective of the financing method.