

# Report Highlights

## Colorado New Energy Improvement District

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### Key Concern

The Colorado New Energy Improvement District (District) does not appear to be a financially sustainable organization independent of state government, as required by statute. The District has been unable to maintain a positive cash flow through program fees since it approved its first project in 2016 and continues to rely on state grants and staffing support from the Colorado Energy Office (CEO) to continue operations. In addition, the District's Commercial Property Assessed Clean Energy (C-PACE) Program has experienced stagnating or declining performance over the last few years.

### Key Findings

- The District is intended to operate independently of the State and to generate revenue through fees and/or bond financing. It has not issued bonds, but its revenues have not been sufficient to support its operations.
- Without state grants, the District would have had a negative cash flow every year since 2016, when it approved its first project. Despite receiving more than \$2 million in grant funds, the District has operated with a negative cash balance in 4 of the last 8 years.
- The District's primary source of self-generated revenue is its program administration fee, but it has not set fees to ensure sustainability. The District has not determined the true cost of funding its operations, set fees consistent with these costs, or passed on all relevant costs to property owners. In addition, the District has not fully analyzed its fee structure to determine what, if any, adjustments could be made to improve its financial sustainability.
- Over the last 8 years, the District has split its program administration fee with the program administrator, which ranged from 10-90 percent to 17-83 percent splits, with the program administrator receiving the bulk of the revenue. This commission-based compensation model created the inherent risks that the program administrator could be compensated in a manner that exceeds its true cost of operations, and/or that it may not receive enough funding to cover basic operating needs. With the District operating with a negative cash flow, neither outcome is desirable.
- Key performance indicators show that the C-PACE program has become less effective in recent years, with the number of projects declining every year since 2019, and corresponding declines in the economic and environmental benefits C-PACE projects produce. For example, in 2023 the District closed 10 projects, the lowest number of projects closed since 2017. These declines translate to less efficient program operations, such as increased costs per closed project.

### Background

- The District is responsible for the success of the C-PACE Program, which allows commercial property owners to obtain financing for energy efficiency or renewable energy projects with loans that are secured and paid for through a special assessment and corresponding lien that the District places on the property.
- Between 2016 and 2023, the District closed a total of 126 projects totaling approximately \$256 million through the C-PACE Program.
- As of December 31, 2023, 39 of Colorado's 64 counties authorized participation in the C-PACE Program, although C-PACE projects have only been approved or completed in 24 of those counties.
- The District is governed by a seven-member Board of Directors that includes the Director of the CEO, or his or her designee, and six other members appointed by the Governor.

### Recommendations Made

9

### Responses

Agree: 9

Partially Agree: 0

Disagree: 0