



# OFFICE OF THE STATE AUDITOR



## FOR IMMEDIATE RELEASE

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### COLORADO NEW ENERGY IMPROVEMENT DISTRICT STILL NOT SELF-SUSTAINING

DENVER—The Colorado Office of the State Auditor (OSA) has released a performance audit of the Colorado New Energy Improvement District (District) and has found that its fees do not cover its operating costs. The audit was conducted by Sjoberg Evashenk under contract with the OSA.

The District oversees and administers the Commercial Property Assessed Clean Energy (C-PACE) Program, which allows commercial property owners to obtain financing for eligible energy efficiency or renewable energy improvements through private third-party lenders. The loans are secured and paid for through a special assessment and corresponding lien that the District places on the property. Between 2016 and 2018, 34 projects totaling approximately \$32.5 million were closed through the C-PACE Program.

The District's goal is to be self-sustaining through program administration fee revenues paid by property owners; however, auditors found that in 2018, although it collected about \$500,000 in program administration fees, its operating expenditures were nearly \$630,000. For 2019, the District is projected to receive about \$1.125 million in revenues from program administration fees but is expected to have about \$1.273 million in

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operating expenses. Self-sufficiency is not expected until 2020, or 2021. In the meantime, the District depends on grants from the Colorado Energy Office (CEO) to make up shortfalls.

Separately, the District has not established a formal management structure that defines the roles and responsibilities of its management, and it continues to rely on CEO staff and resources to help fulfill or support its operations. This blurs the lines between the District and the State. The General Assembly created the District as a separate legal entity that is not an agency of state government and is not subject to administrative direction by the State.

The audit makes 3 recommendations.

The full report is available @ [www.colorado.gov/auditor](http://www.colorado.gov/auditor).

Under the direction of the state auditor, the OSA is the state's nonpartisan, independent external auditor with broad authority to audit state agencies, departments, institutions of higher education, and the Judicial and Legislative Branches. The OSA's professional staff serve the people of Colorado by addressing relevant public issues through high-quality, objective audits and reviews that promote accountability and positive change in government. Performance audits address whether programs operate in compliance with laws and regulations and in a manner that accomplishes intended program goals. Financial audits include annual audits of the state's basic financial statements and federal grants on a statewide level. IT audits review procedures and technology to ensure the confidentiality, integrity and availability of the state's critical computer systems and taxpayer data. The OSA also tracks about 4,000 Colorado local governments for compliance with the Local Government Audit Law.