



# Southeast Michigan Regional Energy Office

## Business Plan

Amended March 26, 2009

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# Energy Office Business Plan

## Executive Summary

The Southeast Michigan Regional Energy Office is an innovative, progressive concept to assist local governments in Michigan with addressing energy conservation and sustainability in a collaborative and expertise-driven way. The key founders and participants of the Energy Office acknowledge the tremendous need in southeast Michigan to change the perception of this region from a rust belt community to an energy efficient and green technology conscious area. All partners of the Energy Office view the establishment of this coalition as a key economic development tool for southeast Michigan to attract and retain Michigan's bright, young talent; to create a progressive, new age industry within the Michigan economy; and to develop employment opportunities within the region and across the state. The Energy Office will be a pioneer within the region, state and nation as an information resource on energy best practices. It will serve as a critical link for local governments to come together and share their energy and bring together experts in the field to educate and train local government officials on the essentials of energy efficiency and conservation. Most importantly, the Energy Office will assist local governments in evaluating their energy use, auditing their facilities and taking action on recommended projects.

The Energy Office is a partnership among the Michigan Municipal League, Michigan Suburbs Alliance, Southeast Michigan Council of Governments (SEMCOG) and WARM Training Center to establish a collaborative coalition focused on educating, enabling and promoting energy efficiency and conservation among local governments in the region. The footprint of the Energy Office's service area is the same geographic footprint as the SEMCOG's service area. The primary services offered by the Energy Office will include the following:

- Benchmarking
- Auditing
- Sustainability Planning
- Evaluating & Reporting
- Advocacy
- Education & Training
- Marketing
- Grant Researching & Writing
- Technical Assistance
- Joint Purchasing
- Loans for Energy Projects

These services will be supported by a number of Energy Office staff who will execute the operational plan, including all of the services listed above. They will do this in coordination with technical experts and through leveraging the Energy Office's founders and partners for information and service delivery.

A substantial requirement for the ongoing success of the Energy Office is the federal funding and appropriation of the Energy Efficiency and Conservation Block Grant Program. A majority of the funding for the Energy Office is predicated on receipt of these grant dollars on behalf of communities in the region. The operations of the Energy Office will be funded by an administrative fee associated with oversight and programming related to the grant dollars. We have also assumed the creation of a revolving loan fund for Energy Office participating communities as a vehicle to pool the financial resources of many communities and provide a means to fund specific energy conservation and renewable energy projects. This aggregation of local government resources provides a way for all member communities to implement significant energy efficiency programs.

The significant value proposition offered to local governments by the formation of the Energy Office is to provide a technical resource to all member communities, one that has significant expertise in energy efficiency and renewable energy, such that each community does not have to learn all about these issues to successfully make use of the Energy Efficiency and Conservation Block Grant dollars. This will create a high-impact and successful energy efficiency and conservation implementation on a regional basis in southeast Michigan. The Energy Office will also offer aggregated

purchasing opportunities for communities in the region to purchase renewable energy and related items in bulk, providing a tremendous opportunity for cost savings. The Energy Office will remove the administrative burden of handling energy-related projects for each community, which should resonate with all communities in these difficult economic times. This is especially true in the area of benchmarking and tracking of energy costs for local governments. The Energy Office has strategic partnerships with the majority of energy providers in southeast Michigan to provide streamlined and electronic data on community energy use, such that this is projected to be a highly valuable service to all communities receiving the federal grant funds. The Energy Office is also proposing to provide state-of-the-art technology and reporting capability of all required information back to the federal government on behalf of each member community, thus ensuring compliance with all federal regulations and providing accountability for appropriate use of the grant funds.

Currently non-entitlement communities, which are designated as communities with less than 35,000 in population and counties with less than 200,000 in population according to the federal legislation, are not be entitled to receive funding directly from the federal government, but rather would have to compete for grants from the state to fund their energy efficiency and renewable energy efforts. Through their membership in the Energy Office, they are projected to be more competitive for funding designated in the federal law, both through the state energy office and through competitive grants at the US Department of Energy. Without participation in the Energy Office, these communities are unlikely to enjoy the benefits of funding at the same level. Entitlement communities will be able to enjoy the benefits of the Energy Office at a level they desire, including base membership which signifies support of the regional collaboration, data membership which supplements the base membership with data tracking for communities, and full membership which gains them access to the full array of services of the Energy Office and a voting seat on the Board of Directors.

Through the formation of the Energy Office, we will have greater impact on furthering energy efficiency and sustainability in southeast Michigan, create a stronger camaraderie among communities in the region and provide superior capacity for local government to be a leader in creating a more prosperous region, greater environment stewards and brighter economy in the state of Michigan at a very critical time in our history.

## Organizational Mission and Vision

### Mission and Vision

The mission of the Energy Office is to convene and manage a federation of local governments and civic partners in support of efficient and sustainable energy related policies and practices in southeast Michigan. The Energy Office will improve the market for energy efficient technologies and renewable sources as part of a dynamic educational initiative targeting elected officials and staff who would like to implement energy-programming within their community. An innovative means to encourage the development of cooperative energy programming, the Energy Office will transform metro Detroit's "rust-belt" image by elevating energy efficiency and green technology as economic development tools. By helping municipal leaders understand the importance of energy conservation to today's creative class workers, we can build their capacity to create more livable communities that will attract talent and help revive Michigan's economy.

### Regional Significance, Benefits and Drivers

Enthusiasm and momentum for energy efficiency and environmental conservation is growing throughout Michigan. Our municipalities are beginning to adopt best practices to improve the efficient use of energy resources, promote energy conservation and strengthen their economies through accrued cost savings. While some cities, such as Ann Arbor and Taylor, have had enormous success transforming their energy practices, overall Michigan is behind the nation in the implementation of energy efficient policies and technologies that have proven successful in other regions. Moreover, communication about our successes in Michigan is piecemeal, hindering information dissemination and the potential for collaboration. There is an urgent need to unify our collective efforts and increase our profile as a greener Michigan. As Governor Granholm's Centers for Regional Excellence program has highlighted, intergovernmental collaboration leads to the more effective and creative use of scarce government dollars. The Energy Office will offer the promise of significant cost savings for local governments as well as the elevation of energy efficiency and renewable energy in municipal programs.

In recent years, rising energy costs have strained already tight municipal budgets. Energy to operate government buildings, infrastructure and vehicles is a necessity, but its cost can be mitigated by increased efficiency. Case studies suggest that municipal energy savings can reach into the millions of dollars. While cost reduction is important, energy means much more to Michigan communities. Reducing energy use and converting to renewable sources means less reliance on imports and more money for residents to spend locally. It will also lead to a cleaner environment with reduced air pollution and greenhouse gas emissions, improving public health and slowing global warming. By taking aggressive yet achievable steps to reform energy use in cooperation with universities, community organizations and private corporations, Michigan's local governments can create an environment of growth and innovation and break away from lingering rust belt stereotypes.

Municipal leaders in the region know what can and should be done, but, especially in the smaller municipalities, they lack the staff and expertise to identify and implement initiatives. Many energy efficiency or renewable energy programs also require significant start-up investments, which smaller municipalities cannot afford alone. A few cities have had enormous success transforming their energy practices by employing a full-time energy coordinator with staff support. However, such an investment is not generally feasible for local governments with less than 100,000 residents.

At the recent Tri-County Summit (September 2008), the City of Detroit and the Counties of Macomb, Oakland and Wayne committed to a regional partnership for sustainability, citing energy efficiency as their initial focus. To demonstrate interest and support, all four regional partners passed a resolution to move forward with this partnership and utilize the Energy Office as a key vehicle to accomplish this goal.

### Industry Focus - Local Units of Government

Public sector leadership around energy and environmental issues is a strong value statement that will resonate throughout the region and beyond. Innovative use and promotion of energy savings and projects will inspire additional action by citizens and corporations. Cleaning the environment, providing reliable, efficient services and promoting private sector innovation will improve the quality of life in southeast Michigan. Our communities will then be able to more effectively market themselves as a great place for families, young people, tourists and businesses to further regional economic development efforts.

## Purpose and Goals

Our long-range goal is a region-wide coalition that provides strategic, educational and technical services to members seeking to enhance their use of efficiency tools or renewable sources of energy.

Coordinated and complementary efforts will ensure that our strategy is both educational and practically impactful. The Energy Office is an innovative new tool that local governments will use to cooperatively develop and implement energy programming for their communities and the citizens they serve, resulting in direct, measureable impacts on energy efficiency, municipal budgets (and hence the local and regional economy) and environmental protection.

## Environmental Conservation

Like most of the state, virtually all municipal energy needs are met through fossil fuel sources: electricity from coal and heat from natural gas. Small municipalities like Melvindale, the Pointes or Lathrup Village independently don't use enough of either to warrant the kind of investment necessary to make renewable energy a cost-effective alternative. Due to Michigan's insufficient municipal finance system, the struggling economy and population loss due to urban sprawl, revenue sources such as bond ratings and tax revenues are often not sufficient to capitalize renewable energy projects in these communities. Through the Energy Office, we will first work to aggregate the buying power of the region's local governments to drive down the surcharge costs of fuels from renewable sources.

Furthermore, we will work with policy makers and the experts on our steering committee to develop financial tools and models that will allow struggling local governments to fund projects that take advantage of alternative energy sources.

## Economic Prosperity

At nearly every community development event, some city official asks, "What do young people want?" As Michigan acknowledges the "brain drain" that has slowly leached talented young workers from the state, local governments are reaching almost desperately for transformational initiatives that will showcase them as hip, attractive and vibrant. One clear value that Millennials and Generation X'ers carry with them is an abiding respect for the environment and sustainability. However, one community adopting great energy practices will have a minimal impact on an overall economic development effort. In southeast Michigan, a single city can't change the reputation of the region – if we're going to overcome our rust-belt image, a majority of the region's communities need to take action, and that action needs to be publicized. The Energy Office provides the right venue for collaboration and marketing of our transformation to enhance overall economic development efforts for the region.

## Energy Efficiency

The mature communities of southeast Michigan house some of the oldest building stock in the state. Much of it suffers from outdated systems for heating, cooling and lighting; the waste is extraordinary. Through the Energy Office, local governments will learn about new products – from light bulbs to HVAC systems – that can save them dollars by reducing their consumption. For each city that joins, the Office will benchmark their energy usage, monitor trends and report on the impact of efficiency programs. Several communities have found performance contracting to be an effective tool enabling infrastructure upgrades, but the capitalization of those contracts is sometimes beyond the reach of smaller communities. We will be working with our partner communities to craft multi-city contracts to leverage their purchasing power and put energy projects big and small into play throughout the region.

## Coalition Development

Public-private partnerships are the hallmark of Michigan Suburbs Alliance programs. We eagerly engage diverse interests using a negotiating process known as "interest-based bargaining," which seeks to meet the goals of multiple stakeholders through ongoing trust-building, data based assessments and outcome-oriented projects.

For the purposes of this project, the Energy Office will target three primary constituencies to involve in the management and promotion of our energy efficiency projects:

*Local Government Officials* – Through this project we hope to develop well-informed local leaders who will serve as community spokespersons and policy champions within local government. In addition, we recognize that what we seek to accomplish is not a new or revolutionary effort – that some counties and communities already have similar efforts

underway – and we will seek to partner with existing programs to ensure that resources are maximized and the potential for inefficient overlap of services is minimized.

*Energy Industry Leadership* – Our partners at DTE Energy have been supportive of energy efficiency programs in our communities for many years, and they will provide crucial technical expertise to advance both efficiency and renewables programs. As Michigan dips into new energy sector industries (such as wind power) as a means to revive the state economy, we anticipate engaging NextEnergy leadership and other private-sector leaders to ensure that the full complement of energy opportunities is available to participating local governments.

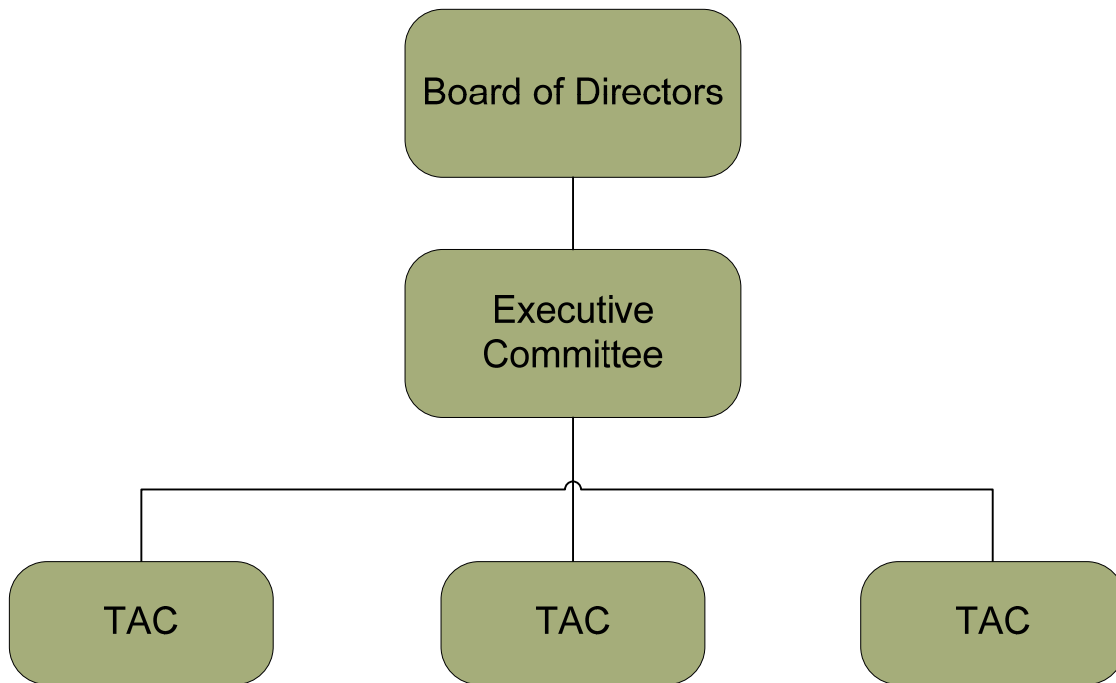
*NGO/Consumer Advocacy Interests* –We will seek to partner with leading community interest groups to build a citizen constituency to support efficiency and renewables programs. We have already engaged the Michigan Environmental Council and the Sierra Club, whose Cool Cities program is currently working in several Suburbs Alliance communities. In addition, several cities have adopted the U.S. Conference of Mayors' Climate Agreement, giving us the opportunity to partner with a national nonprofit to bring additional resources to our communities.

## Governance Framework

### Authority

The Energy Office will be constituted as a nonprofit corporation, a subsidiary operating under the auspices of the 501(c)(3) status of the Michigan Suburbs Alliance. Its authority will be derived from an interlocal agreement under the Urban Cooperation Act of 1967 (MCL 124.501 - 124.512). The Energy Office will be governed by a Board of Directors consisting of representatives of governmental units, and Executive Committee comprising governmental and nonprofit representatives, and Technical Advisory Committees made up of professionals and experts from the energy industry.

Following is a visual depiction of the Energy Office governance structure:



## Membership

Local governments and counties in the SEMGOG region are eligible for membership in the Energy Office. Our initial target service area includes the City of Detroit and approximately fifty of its first-tier suburbs and surrounding communities. The population of the seven-county SEMCOG region is more than 4.8 million residents, and the area represents well over sixty percent of the state's GDP. Staff and leadership from eleven of the region's cities (Detroit, Grosse Pointe, Grosse Pointe Shores, Eastpointe, Wayne, Roseville, Dearborn, Ypsilanti, Ferndale, Lincoln Park and Southgate) currently provide essential insight into the practical realities other communities will face during the implementation phase, and their ongoing support will enable us to maximize the impact of the program.

Membership in the Energy Office is divided into four general categories:

- Founding Partners
- Entitlement Communities
- Non-Entitlement Communities
- Community Partners

### Founding Partners

*Michigan Suburbs Alliance* –The Michigan Suburbs Alliance is a 501(c)(3) nonprofit organization representing a coalition of 32 cities surrounding Detroit. Based in Ferndale, the Suburbs Alliance unites and strengthens metropolitan Detroit's mature suburbs by elevating regional cooperation, reforming public policies and innovating redevelopment strategies. Its Board of Directors includes thirteen leaders from both the public and private sectors from Wayne, Macomb, Oakland and Washtenaw counties.

*Michigan Municipal League* –The Michigan Municipal League is a nonprofit membership organization for Michigan's municipalities. The League aids them in creating desirable and unique places through legislative and judicial advocacy, providing educational opportunities for elected and appointed officials and assisting municipal leaders in administering community services.

*Warm Training Center* –WARM Training Center, founded in 1981, promotes sustainable, affordable communities. It is a nonprofit energy and green building demonstration center for southeast Michigan. WARM serves residents through classes and consulting on energy efficiency, green building and basic home repair. WARM provides training and technical assistance to organizations and builders on creating greener buildings, better energy performance and community development. This technical assistance has included providing energy and sustainability audits for commercial buildings, residential developments and single houses. WARM also provides consulting to local governments on creating and enacting sustainability and energy improvement measures. They believe that green is for everyone.

*Southeast Michigan Council of Governments* –SEMCOG, the Southeast Michigan Council of Governments, is a membership organization of local governments. It works with local elected leaders to help solve regional issues that extend beyond individual governmental boundaries. The SEMCOG region includes Livingston, Macomb, Monroe, Oakland, St. Clair, Washtenaw and Wayne Counties. It supports local government planning on regional issues in the areas of transportation, environment, community and economic development and education. SEMCOG is also a premier resource for data about southeast Michigan.

### Entitlement Communities

Communities that join the Energy Office are delineated by their status as federal entitlement communities. These communities include cities and townships with populations of at least 35,000 and counties with populations of at least 200,000 (after excluding their entitlement city/township populations).

There are three levels of membership for entitlement communities:

*Base* –Local units of government, businesses and nonprofits alike may indicate support for the work and mission of the Energy Office by becoming a base member. This requires a contribution of 1.00% of a community's block grant allocation. Base members receive no services and participate on the board as nonvoting *ex officio* members.

*Data*—Municipalities may pay 20% of their block grant allocation to achieve data membership, which provides energy usage benchmarking, monitoring and reporting as well as data analysis and recommendations. Like base members, data members participate on the board as nonvoting *ex officio* members.

*Full*—By paying the lesser of 40% of its block grant allocation or \$500,000 to the Energy Office, local governments gain access to all services, as well as voting rights on the Board of Directors and the Executive Committee. One half of this membership fee will be dedicated to a regional energy revolving loan fund accessible only to full member communities and non-entitlement communities (see below).

## Non-Entitlement Communities

Non-entitlement communities are local units of government (counties, cities, villages, or townships) that do not qualify for direct block grant funding from the federal government. Non-entitlement communities joining the Energy Office delegate to the Energy Office the fiduciary responsibility for any direct or indirect allocation from the Energy Efficiency Block Grant program, whether through the state energy office or the federal department of energy. Membership will allow them access to the full range of services offered by the Energy Office as well as voting rights on the Board.

## Community Partners

The Energy Office welcomes the participation and insight of community partners from the private and nonprofit sectors. There is no membership fee for community partners. In recognition of their essential role in charting a new course for energy production and use in southeast Michigan, the US Green Building Council, DTE Energy and the Michigan Environmental Council participate as nonvoting *ex officio* members of the Board and the Executive Committee.

## Executive Committee

### Role

The Executive Committee meets bimonthly and is the chief executive and financial control body for the Energy Office.

### Responsibilities

The Executive Committee creates the annual budget and work plan, creates and evaluates the Technical Advisory Committees, reviews financial reports, monitors the operation of the Energy Office and serves as a whistle blower committee, if necessary. It implements the annual work plan and recommends the supporting policy and program agenda. It oversees staff implementation of the work plan and reports to the Board of Directors.

### Composition

The complete composition of the Executive Committee includes a representative from each of the following:

- Founding partners,
- Each of the participating full membership entitlement communities,
- One non-entitlement community for every entitlement community (chosen by the Board of Directors), and
- The US Green Building Council, DTE Energy and the Michigan Environmental Council who participate as nonvoting *ex officio* members.

Each voting member has one vote as well as veto power. The Board of Directors may override an Executive Committee veto with a 2/3 majority vote of its members.

## Board of Directors

**Role**

The Board of Directors convenes at least twice a year or on the request of five of its members. It is the main administrative and policy committee of the Energy Office. The Board oversees the Executive Committee and may override its decisions with a 2/3 vote.

**Responsibilities**

The Board of Directors approves the annual budget and work plan. It works closely with the Technical Advisory Committees to review and discuss national and regional policies, programs and best practices. It also determines the membership fee schedules, adopts and amends bylaws and gives final approval to any significant revisions to policy and program efforts.

**Composition**

The Board of Directors will comprise all full municipal entitlement community members of the Energy Office and any non-entitlement community members. Each non-entitlement local government member of the Board of Directors has a single vote; entitlement communities shall have one vote per \$100,000 or portion thereof allocated to the Energy Office, which they may subdivide on any issue.

## Technical Advisory Committees

**Role**

The Technical Advisory Committees (TACs) provide focused expertise and research for member communities on specific issues. Initially, there will be four standing committees focusing on educational programming, energy conservation and renewable energy, policy as well as sustainability. The Executive Committee may create additional standing committees as needed. The Board of Directors or the Executive Committee may also create ad hoc committees when issues arise around urgent, focused topics with finite timeframes.

**Responsibilities**

The Technical Advisory Committees provide technical and programmatic advice and collaborate with staff on topic areas. The committees also recommend benchmarking indicators and metrics as well as ensure the technical and scientific rigor of the Energy Office. These committees meet as needed and report to the Board of Directors.

**Composition**

The Technical Advisory Committees include expert members of the Board of Directors as well as civic partners. These non-municipal members engage experts on topics as diverse as VMT reduction, municipal finance and performance contracting. The Executive Committee is responsible for reviewing recommendations and recruiting members for the committees from a wide variety of governmental, business and civic entities focusing on energy efficiency and environmental initiatives in southeast Michigan and beyond.

## Operational Plan

The Energy Office will operate as a subsidiary 501(c)(3) nonprofit corporation of the Michigan Suburbs Alliance, addressing energy issues for local governments in the SEMCOG's geographic area. Core to formation of the Energy Office is presenting the operational plan to support the organization and region's local governments. Establishment of the Energy Office will provide regional leadership on the issues of energy efficiency and renewable energy and will offer a unique type of organization with a well defined mission and vision in the southeast Michigan area. The operational plan presented in this section outlines the critical success factors, key strategies, core service offerings and organizational staffing plan for the Southeast Michigan Regional Energy Office in its first five years of existence. We have also included an assessment of the Office's strengths, weaknesses, opportunities and threats for stakeholders to keep in the forefront of their minds while moving forward with this initiative. Following are the details of the Southeast Michigan Regional Energy Office Operational Plan.

### Critical Success Factors

1. A 5-10% reduction in per capita energy use by 2015 compared to 2008 baselines
2. Reduction in vehicle miles traveled
3. Meet the State of Michigan's renewable portfolio standard of 10% by 2015
4. Realizing and quantifying cost savings through efficiency and aggregation
5. Membership of 35% of region's population by year 5

### Key Strategies

1. Expanded intergovernmental cooperation
2. Energy conservation project implementation
3. Marketing and communications
4. Education and training
5. Technical assistance

### Service Offerings

To catalyze energy efficiency and green energy programming for our region, we propose three primary activities:

- Coordinating regional marketing, technical assistance and training about "Green Cities"
- Cataloguing and monitoring energy trends in participant communities;
- Developing volunteer Technical Advisory Committees to help new practitioners meet with early success;

Via our steering committee we will coordinate the activities of agencies and entities pursuing green energy and energy efficiency initiatives. Together we will identify synergies and organizational efficiencies that could be realized via collaboration.

### Strategic Services

#### Benchmarking

Each municipality that becomes either a data or a full member of the Energy Office will be assigned a Data Analyst to assist with the collection, compilation and analysis of the community's energy use. The collection of this information creates a benchmark against which improvements can be measured.

## Auditing

Data and Full members of the energy office will be entitled to a municipal energy audit. As part of the energy review process, an auditor performs a walk-through of the targeted municipal buildings. Candidate buildings will include any structures owned and operated by the member community. In addition, other methods of energy, including fleet consumption, will be considered where appropriate. Once the audits are complete, the sustainability strategy will identify which specific buildings and areas will be targeted for improvement.

The results of the audit will allow communities to determine specific retrofit objectives, based on a case-by-case basis, and tailored to individual community needs and opportunities. Some examples that may include:

- Increased utilization of renewable or natural sources (e.g. wind power or increased natural lighting),
- Increased comfort, health, and safety for occupants,
- Extension of an asset's useful life,
- Reduced maintenance costs,
- More efficient utilization of non-renewable resources

From there, when a community makes an energy efficiency or sustainability improvement, we will monitor, evaluate and report on its impact. In the months following the implementation of an energy efficiency or green energy project in a community, we will monitor and report changes in energy use against the benchmarks.

## Sustainability Planning

The energy audit provides a high-level assessment of current energy use and the municipality's basic physical structure and equipment, such as the condition of building walls and doors. It uses past energy bills to determine the amount of energy used per square foot each year and provides suggestions for general improvements. The next step, the creation of an energy efficiency and conservation strategy, takes the audit one step further by providing a comprehensive look at energy efficiency opportunities—analyzing the cost, expected savings and resulting payback for implementing energy improvements. Depending on the goals and objectives of the community, an implementation plan can also address other sustainability areas such as climate change (greenhouse gas emissions), waste reduction and recycling, toxics reduction, green building, and peak oil usage. Sustainability planning services are available to full members of the Energy Office.

## Evaluating and Reporting

Communities receiving state or federal funding for energy programs are required to submit status reports to the governing agencies, which can include its implementation progress as well as any realized efficiency gains. The Energy Office will prepare the evaluation of sustainability strategies and appropriate use of funds on behalf of full members, suitable for reporting to governing agencies. Such reports also serve as interim evaluation points to allow community strategies to be adjusted against new benchmarks.

## Advocacy and Policy Development

Though the Energy Office will certainly be a critical institution in the energy efficiency and renewable energy effort, the fiscal goals of the organization are only one piece of financing the overall energy efficiency and renewable energy needs of participating communities. Therefore, the Energy Office will advocate for public policies that enhance local governments' ability to meet their energy goals, for example the creation of state revolving loan funds to pay for energy upgrades in member communities. Energy Office staff and partners will also communicate best practices and develop model ordinances for use at the local level.

## Marketing

Financing requires identifying and leveraging revenue sources, and the ultimate revenue source of all financing efforts is the citizens, taxpayers, ratepayers and consumers in the community. We must be sure that constituents clearly understand what is at stake and how their money will be used to create a more economically and environmentally sustainable region.

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## Educational Services

The Energy office, along with the community partners, will provide opportunities for educational programming and technical training for community staff, leaders, and citizens. Classes will cover best practice opportunities and energy efficiency issues, based on interest, and in alignment with the Technical Advisory Committees. Training will focus on opportunities for member communities to learn from industry experts and peers. Participants can share success stories and lessons learned and get ideas for new programs and projects. General trainings will be available for members of the Energy Office at any level. Full members may have trainings tailored to meet their community needs.

## Technical Services

### Grant Researching & Writing

To assist communities in enhancing their local programming the Energy Office will provide direct support to full members seeking state or federal grants. Full members will receive regular reports and analyses of grant opportunities. Depending on the complexity of the project, the extent of services will vary but may include research, grant writing, grant administration and reporting. General services include grant request monitoring, access to technical expertise and research in support of proposals.

### Technical Assistance

The Energy Office offers technical assistance to full members to connect them with the resources and expertise necessary to carry out their projects. Staff has intimate knowledge of energy efficiency and sustainability efforts and offers advice and technical information for all phases of project implementation ranging from financial incentives and rebates to professional service providers.

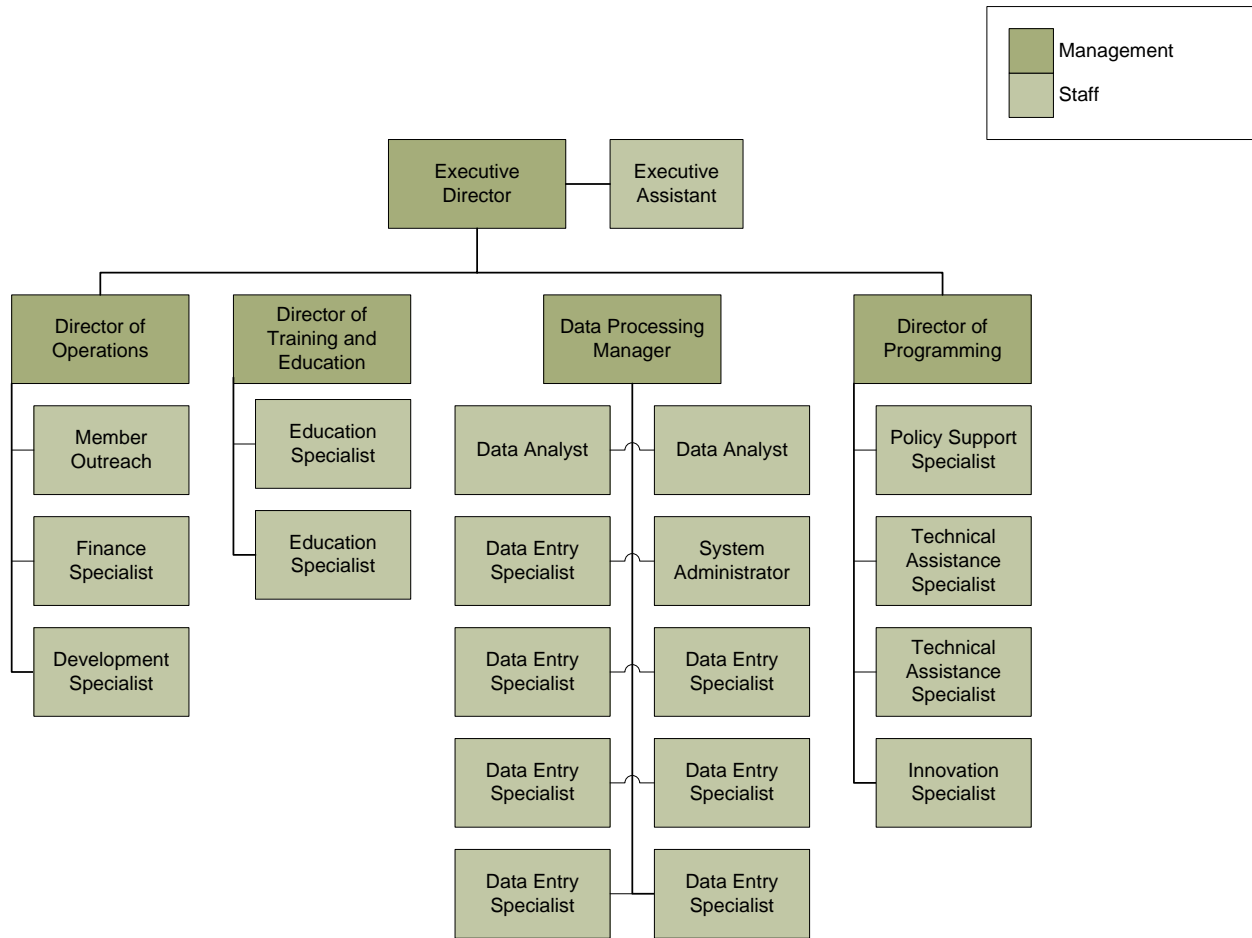
### Joint Purchasing

The Energy Office offers participating communities the opportunity to save administrative time and realize cost savings when purchasing supplies, equipment and services in support of their energy efficiency and renewable energy efforts. Instead of individually managing the competitive-bid process, participating communities can take advantage of the Energy Office's procurement staff to determine specifications, evaluate bidders, check references, select the highest-quality bid and aggressively negotiate price discounts using the Energy Office's aggregated purchasing power.

### Revolving Loan Fund

Between 20 and 45 percent of the Energy Office revenues will be dedicated to a revolving loan fund that will be accessible by full members of the Energy Office to capitalize implementation strategies or to assist community-based initiatives. Depending on the extent of memberships and fund raising, the fund will make loans totaling between \$1.4 and \$3M averaged on an annual basis. Full members can expect to tap into the loan fund for amounts significantly in excess of their individual contributions over a five-year period.

# Organizational Structure



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## Management Team

### **Executive Director**

The organization's executive director will serve as liaison to the Executive Committee, Board, members and community partners. The executive director is responsible for the overall operation of the organization, including: strategic planning, development of policies and procedures, effective functioning of management, budget development and management, and general leadership.

### **Director of Operations**

The director of operations Oversees multi-departmental functions, including human resources, finance, office systems, member outreach, fundraising, and grants.

### **Director of Education and Training**

The director of education and training will work with the member communities to identify education and training needs. This position coordinates with the partner organizations that will be providing the training.

### **Director of Data Management**

The director of data management will oversee the collection, entry, and analysis of all member data.

### **Director of Programming**

The director of programming will oversee development and implementation of programs. This includes the formation of technical assistance committees, public policy efforts, and Innovation.

## Staffing

Approximately 13 full-time equivalent staff will be dedicated to the Energy Office as well as seven part-time positions estimated at 3.5 FTE's.

## Full-Time Equivalentents

### **Executive Assistant**

The executive assistant will provide a variety of administrative support services. Responsibilities include providing staff liaison to the various departmental divisions and programs, outside agencies, and the media. In addition, this position will work under the general supervision of the executive director and provide administrative and secretarial support to that position, and the office as a whole.

### **Member Outreach**

This position is responsible for recruiting new members, maintaining relationships with and knowing the needs of current members, and educating local government on the opportunities available through the Energy Office.

### **Finance Specialist**

This position is responsible a variety of advanced accounting functions. Responsibilities include; maintaining accurate and timely general and/or subsidiary ledgers, compiling monthly statements, and accounts payable and receivable functions.

### **Development Specialist**

This position will be responsible for administering the fundraising programs for the organization. In addition, all activities relating to grant writing, for both the organization and the member communities, will be coordinated by this position.

### **Education Specialist**

This position assists with the logistical details of the educational and training programs. Responsibilities include working with the communities and training organizations to identify needs, develop content, and schedule classes.

### **Data Analyst**

This position is responsible for the analysis of all the data collected and maintained to identify trends, needs, and the results from efficiency efforts.

**System Administrator**

The primary function of this position is to support the data collection application. Additional responsibilities include: supporting computer users within the organization, assisting in identifying technological needs for the organization, installing hardware and software, and overseeing the maintenance of computer systems.

**Policy Support Specialist**

This position will be responsible for the coordination of public policy efforts by the partner organizations. Responsibilities will include ensuring that the interests of the Energy Office are being addressed and tracked.

**Technical Assistance Specialist**

This position will be responsible for the coordination of technical assistance committees. Responsibilities will include coordinating the members, and focusing efforts on the needs of the member communities.

**Innovation Specialist**

This position is responsible for keeping abreast of trends and opportunities, maintaining the pulse on industry developments and research, reviewing and recommending changes to services and ensuring the Energy Office is always on the cutting edge.

**Data Entry Specialist**

This part-time position maintains the databases of client data. Duties of this position include data entry, generating reports, and updating information.

## S.W.O.T. Analysis

<b>Strengths</b>	<ul style="list-style-type: none"> <li>• Money through grants (and organizations like MML)</li> <li>• 4 organizations collaborating together successfully</li> <li>• Ability to generate regional funding</li> <li>• The topic has high visibility (energy)</li> <li>• Good timing</li> <li>• Access to a lot of expertise; outcomes are measurable</li> <li>• Direct connection to local governments</li> <li>• Credibility of founding organizations</li> <li>• Cooperation with other regional entities like MML &amp; SEMCOG</li> <li>• Partnerships</li> </ul>
<b>Weaknesses</b>	<ul style="list-style-type: none"> <li>• Lack of participation</li> <li>• Fragmentation (difficult to compete for funding)</li> <li>• Lack of visibility for the Energy Office</li> <li>• Lack of standing (we don't qualify for some funding)</li> <li>• Not seen as experts</li> <li>• Organizational capacity – since collaborative, no track record</li> <li>• Current image of Southeast Michigan as the “rust-belt”</li> <li>• Current track record as a region in regard to cooperation</li> </ul>
<b>Opportunities</b>	<ul style="list-style-type: none"> <li>• Communication</li> <li>• Spread the word about the Energy Office</li> <li>• Address progressive issues</li> <li>• Establishment of regional partnerships</li> <li>• Address energy &amp; other issues for the region</li> <li>• Financial Savings</li> <li>• Change the image/outlook of the rust belt image</li> </ul>
<b>Threats</b>	<ul style="list-style-type: none"> <li>• Possible tension between large and small communities (large being able to support themselves, and small not being able to);</li> <li>• Lack of involvement from large communities</li> <li>• Incentives for large communities to join/participate</li> </ul>

## Marketing Plan

Overall Michigan is behind the nation in the implementation of energy efficient policies and technologies that have proven successful in other regions. Moreover, communication about our successes in Michigan is piecemeal, hindering information dissemination and the potential for collaboration. There is an urgent need to unify our collective efforts and increase our profile as a greener Michigan.

## Marketing Strategy

The Marketing Strategy is multifold and is under the purview of the Director of Operations. The primary aim is to create a consistent message for the region, one that values cutting-edge technology, clean energy and sustainability.

The Energy Office will communicate through its website and regular press releases. The website documents the work of the Energy Office, offers an up-to-date overview of its services and upcoming events and provides best practices. The Director of Operations will send press releases to all regional media providers such as [The Detroit News](#), [Detroit Free Press](#) and [Crain's Detroit Business](#) as well as stakeholders and partners such as the State of Michigan Energy Office, SEMCOG, MML and media outlets servicing participating communities.

Simultaneously, Issue Media Group (publisher of the E-zines, *Model D* and *metromode*), facilitated by the Michigan Municipal League, will promote the project to city leaders and the public. This component of the marketing strategy seeks to educate municipal leaders, city residents and those outside southeast Michigan about opportunities, trends and successes in the region's energy conservation effort.

The Energy Office will also assist in arranging site visits for officials and media to showcase successful initiatives while also integrating its efforts into existing community promotion entities such as the Tourism Destination Districts of the Tourism and Economic Development Council.

## Financial Plan

### Sustainable Funding Model

This business plan focuses on those opportunities that lend themselves to sustainable, consistent revenue streams. In an effort to diversify and sustain the Energy Office's funding, we look to expand our revenue streams to include fee-based memberships, private foundation grants, state and federal contracts, and contributions from private sector supporters. Although assessing a charge based on population could provide all necessary monies for the Energy Office, these opportunities require an aggressive recruitment strategy and time to implement successfully. Governmental and private foundation grants present fewer barriers yet are a less reliable source of sustained income. We seek to strengthen our financing portfolio by balancing these risks and benefits.

### Financial Projections

We believe the value of regionalizing the energy efforts for Southeast Michigan will prove beneficial to many local communities, and result in substantial interest and financial commitment to the organization. A large premise of the availability of funding relies on the passage of the Federal Energy Efficiency and Conservation Block Grant Program. Detailed revenue assumptions for the Office are presented below.

### Revenue Assumptions

- The Energy Efficiency and Conservation Block Grant Federal Program is appropriated by the Obama Administration at a rate of \$3.2 billion in 2009. Entitlement communities would receive funding directly and share a portion of the funding with the Energy Office, as desired, whereas non-entitlement communities would receive their funding through the State utilizing the Energy Office as administrator of the funds. The total allocation to entitlement communities in the SEMCOG region will be approximately \$40,340,300.
- We assume the following number of memberships being achieved in the first five years. We have calculated the projected revenues based on certain communities joining each year and multiplying their qualifying population by the following per capita allocations: \$9.13 for entitlement cities; \$7.44 for entitlement townships; \$6.35 for entitlement counties; and \$1.98 for non-entitlement communities. We have based our population assumptions on the Energy Office serving the full seven-county SEMCOG region, which is estimated to include 4,872,273 persons at the end of 2008.

	Year 1	Year 2	Year 3	Year 4	Year 5
Base Membership	4	2	2	6	9
Data Membership	4	7	7	6	6
Full Membership	24	29	31	37	38
<b>Total Number of Communities Added in Year</b>	<b>32</b>	<b>38</b>	<b>40</b>	<b>49</b>	<b>53</b>
<b>Cumulative Number of Communities Served</b>	<b>32</b>	<b>70</b>	<b>110</b>	<b>159</b>	<b>212</b>

- Grant dollars, both governmental and foundation, are projected to be received by the Energy Office over its five-year inception period. Grants have already been received by the Office for 2008 and are projected to be enhanced due to increasing energy costs and focus on cost savings measures and a “green” economy on both a

State and National level. With its grant-writing capacity and prior grant-writing success, we project the Energy Office to achieve \$75,000 in governmental grants per year and \$125,000 in foundation grants per year over the five-year time horizon.

- Additional supplemental revenue sources for the Energy Office are assumed in the categories of sponsorships/advertising, events and referral fees. These revenue sources are considered secondary and are derived based upon modest contribution to overall organization revenues based upon non-profits of similar size.
- We assume the creation and development of a revolving loan fund, which serves as a best practice in the field of energy efficiency, based upon a contribution by all member communities of 20% of their annual allocated Energy Efficiency and Conservation Block Grant funding.

### Expense Assumptions

Expense categories and assumptions have been derived based upon the organizational staffing plan presented in the Operational Plan section of this document. We assume the Energy Office will expand staffing based upon incremental needs over the five-year inception period. Detailed expense assumptions for the Office are presented below the revenue assumptions.

- Staff will be added to the Energy Office over time, reaching full staffing by Year 5. We assume the majority of staff will be hired in Year 1, with supplemental staff being added in subsequent years for specific activities. Following is our projected hiring schedule:

<b>Position</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
<b>Executive Director</b>	1.0				
<b>Director of Operations</b>	1.0				
<b>Director of Data Management</b>	1.0				
<b>Director of Education and Training</b>	1.0				
<b>Director of Programming</b>	1.0				
<b>Executive Assistant</b>	1.0				
<b>Education Specialist</b>	1.0				
<b>Finance Specialist</b>	1.0				
<b>Data Analyst</b>	1.0	1.0			
<b>System Administrator</b>	1.0				
<b>Development Specialist</b>	1.0				
<b>Technical Assistance Specialist</b>	1.0			1.0	
<b>Member Outreach</b>	1.0				
<b>Position</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
<b>Policy Support Specialist</b>	1.0				
<b>Innovation Specialist</b>	1.0				

<b>Data Entry Specialist</b>	1.0	0.5	0.5	0.5	1.0
<b>Total</b>	<b>16.0</b>	<b>1.5</b>	<b>0.5</b>	<b>1.5</b>	<b>1.0</b>
<b>Cumulative Total</b>	<b>16.0</b>	<b>17.5</b>	<b>18.0</b>	<b>19.5</b>	<b>20.5</b>

- Salary estimates are based upon comparable positions in the 2008 Michigan Nonprofit Compensation and Benefit Survey published by the Michigan Nonprofit Association.
- Benefit costs for personnel are estimated as 35% of salaries, based upon nonprofit industry averages.
- Costs for other key expense line items are based upon comparable nonprofit agency averages, as follows:
  - Supplies – 2% of total revenues
  - Facilities – 5% of total revenues
  - Equipment rental and maintenance – 1% of total revenues
  - Equipment purchases – 2% of total revenues
  - Travel – 2% of total revenues
  - Dues and subscriptions – 1% of total revenues
  - Other – 5% of total revenues for expenses such as insurance, capital outlay, etc.
- Costs for Energy Office expense line items are based upon comparable nonprofit agency averages with adjustments, as follows:
  - Communications – 5% of total revenues, increased from 2% due to the high visibility nature of Office activities
  - Contracted/professional services – 13% of total revenues, decreased from 20% due to the Office serving as a facilitator of energy implementations within various communities versus being an implementer of specific programs itself. The need for professional services is assumed to be slightly less than average in the Energy Office itself.
  - Training and conferences – 5% of total revenues, increased from 1% due to the Office serving in a leadership role for the region on energy issues. Assume significant training and conferences to maintain sufficient expertise for emerging trends and issues.

## Allowable Expenses Overview

In the SEMCOG region, six of the seven counties, 18 cities and eleven townships qualify for entitlement funding under the Energy Efficiency and Conservation Block Grant program. Population calculations by the federal government balance day-time and night-time populations. Counties must evidence populations greater than 200,000 excluding the populations of their entitlement cities and townships. Other communities must evidence populations greater than 35,000. Non-entitlement communities must compete for funding through the state energy office.

Each community's block grant allocation is subject to three major restrictions on its distributions: the lesser of 10 percent or \$75,000 may be spent on administration; the lesser of 20 percent or \$250,000 may be spent on grants to outside agencies; and the lesser of 20 percent or \$250,000 may be spent on a revolving loan fund.

The table below describes each entitlement community's allocation and limitations.

	Total Allocation	Administration	Revolving Loans	Subgrants
Ann Arbor	\$1,243,400	\$ 75,000	\$ 248,680	\$ 248,680
Dearborn	\$970,800	\$ 75,000	\$ 194,160	\$ 194,160
Dearborn Heights	\$477,700	\$ 47,770	\$ 95,540	\$ 95,540
Detroit	\$8,862,400	\$ 75,000	\$ 250,000	\$ 250,000
Farmington Hills	\$791,300	\$ 75,000	\$ 158,260	\$ 158,260
Lincoln Park	\$145,500	\$ 14,550	\$ 29,100	\$ 29,100
Livonia	\$971,100	\$ 75,000	\$ 194,220	\$ 194,220
Novi	\$533,100	\$ 53,310	\$ 106,620	\$ 106,620
Pontiac	\$683,800	\$ 68,380	\$ 136,760	\$ 136,760
Rochester Hills	\$642,700	\$ 64,270	\$ 128,540	\$ 128,540
Roseville	\$198,600	\$ 19,860	\$ 39,720	\$ 39,720
Royal Oak	\$543,400	\$ 54,340	\$ 108,680	\$ 108,680
Southfield	\$875,700	\$ 75,000	\$ 175,140	\$ 175,140
St. Clair Shores	\$544,000	\$ 54,400	\$ 108,800	\$ 108,800
Sterling Heights	\$1,203,800	\$ 75,000	\$ 240,760	\$ 240,760
Taylor	\$596,000	\$ 59,600	\$ 119,200	\$ 119,200
Troy	\$921,100	\$ 75,000	\$ 184,220	\$ 184,220
Warren	\$1,358,600	\$ 75,000	\$ 250,000	\$ 250,000
Westland City	\$731,100	\$ 73,110	\$ 146,220	\$ 146,220
Bloomfield Twp	\$169,500	\$ 16,950	\$ 33,900	\$ 33,900
Canton Twp	\$754,100	\$ 75,000	\$ 150,820	\$ 150,820
Chesterfield Twp	\$181,100	\$ 18,110	\$ 36,220	\$ 36,220
Clinton Twp	\$894,600	\$ 75,000	\$ 178,920	\$ 178,920
Commerce Twp	\$151,000	\$ 15,100	\$ 30,200	\$ 30,200
Macomb Twp	\$610,200	\$ 61,020	\$ 122,040	\$ 122,040
Redford Twp	\$188,000	\$ 18,800	\$ 37,600	\$ 37,600

Shelby Twp	\$651,200	\$ 65,120	\$ 130,240	\$ 130,240
Waterford Twp	\$641,400	\$ 64,140	\$ 128,280	\$ 128,280
West Bloomfield Twp	\$571,800	\$ 57,180	\$ 114,360	\$ 114,360
Ypsilanti Twp	\$484,400	\$ 48,440	\$ 96,880	\$ 96,880
Livingston County	\$740,400	\$ 74,040	\$ 148,080	\$ 148,080
Macomb County	\$746,400	\$ 74,640	\$ 149,280	\$ 149,280
Oakland County	\$4,879,700	\$ 75,000	\$ 250,000	\$ 250,000
St. Clair County	\$701,300	\$ 70,130	\$ 140,260	\$ 140,260
Washtenaw County	\$766,900	\$ 75,000	\$ 153,380	\$ 153,380
Wayne County	\$4,914,200	\$ 75,000	\$ 250,000	\$ 250,000
<b>TOTALS</b>	<b>\$ 40,340,300</b>	<b>\$ 2,143,260</b>	<b>\$ 5,065,080</b>	<b>\$ 5,065,080</b>

## Financial Projections

Revenues	Year				
	1	2	3	4	5
<b>Operating</b>					
Membership Fees	\$ 1,090,364	\$ 1,410,902	\$ 1,495,444	\$ 1,804,819	\$ 1,879,695
Governmental Grants	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000
Foundation Grants	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000	\$ 125,000
Sponsorships/Advertising	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000
Events	\$ 13,000	\$ 32,500	\$ 50,000	\$ 50,000	\$ 50,000
Referral Fees	\$ 10,000	\$ 25,000	\$ 35,000	\$ 50,000	\$ 50,000
<b>SUB-TOTAL OPERATING</b>	<b>\$ 1,328,364</b>	<b>\$ 1,683,402</b>	<b>\$ 1,795,444</b>	<b>\$ 2,119,819</b>	<b>\$ 2,194,695</b>
<b>Revolving Loan Fund</b>	<b>\$ 1,441,922</b>	<b>\$ 1,696,570</b>	<b>\$ 1,712,026</b>	<b>\$ 2,529,143</b>	<b>\$ 3,047,193</b>
<b>TOTAL</b>	<b>\$ 2,770,286</b>	<b>\$ 3,379,972</b>	<b>\$ 3,507,470</b>	<b>\$ 4,648,962</b>	<b>\$ 5,241,887</b>
<b>Operating Expenses</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Salaries	\$ 588,735	\$ 686,833	\$ 755,303	\$ 825,403	\$ 874,328
Fringes	\$ 206,057	\$ 240,392	\$ 264,356	\$ 288,891	\$ 306,015
Supplies	\$ 26,567	\$ 34,678	\$ 36,986	\$ 43,668	\$ 45,211
Facilities	\$ 66,418	\$ 86,695	\$ 92,465	\$ 109,171	\$ 113,027
Equipment rental and maintenance	\$ 13,284	\$ 17,339	\$ 18,493	\$ 21,834	\$ 22,605
Equipment purchases	\$ 26,567	\$ 34,678	\$ 36,986	\$ 43,668	\$ 45,211
Communications	\$ 66,418	\$ 86,695	\$ 92,465	\$ 109,171	\$ 113,027
Contracted/professional services	\$ 172,687	\$ 225,408	\$ 240,410	\$ 283,844	\$ 293,870
Training and Conferences	\$ 66,418	\$ 86,695	\$ 92,465	\$ 109,171	\$ 113,027
Travel	\$ 26,567	\$ 34,678	\$ 36,986	\$ 43,668	\$ 45,211
Dues and Subscriptions	\$ 13,284	\$ 17,339	\$ 18,493	\$ 21,834	\$ 22,605
Other	\$ 66,418	\$ 86,695	\$ 92,465	\$ 109,171	\$ 113,027
<b>TOTAL</b>	<b>\$ 1,339,421</b>	<b>\$ 1,638,125</b>	<b>\$ 1,777,875</b>	<b>\$ 2,009,493</b>	<b>\$ 2,107,162</b>
<b>Excess of Operating Revenue Over (Under) Expenditures</b>	<b>\$ (11,058)</b>	<b>\$ 45,277</b>	<b>\$ 17,569</b>	<b>\$ 110,326</b>	<b>\$ 87,532</b>
<b>Cumulative Revolving Loan Fund</b>	<b>\$ 1,441,922</b>	<b>\$ 3,138,492</b>	<b>\$ 4,850,518</b>	<b>\$ 7,379,661</b>	<b>\$ 10,426,854</b>

