



Memorandum

Date: June 21, 2023
To: Mayor Vinis, Eugene City Council and City Manager
From: Eugene Sustainability Commission
Subject: Revenue Committee Input

Dear Mayor Vinis, Eugene City Council and City Manager,

The Sustainability Commission is aware that the Mayor and City Manager will be appointing a special committee to consider ways to increase revenue to enable the City of Eugene to address budget shortfalls and pursue desired projects, such as those working toward sustainability and climate change goals.

A few years ago, the Commission submitted a variety of revenue ideas related to establishing a Climate Action Fund. We attach that earlier memo for use by the new committee.

We also believe including a member from the Sustainability Commission on the new revenue committee would be useful, representing climate and related goals in the discussion.

Sincerely,

Eugene Sustainability Commission

Attachments: **Possible Funding Mechanisms for the Eugene Climate Action Fund**

Possible Funding Mechanisms for the Eugene Climate Action Fund

By the Sustainability Commission's CAP Funding Committee (FY21)

Introduction

Eugene recently enacted a new Climate Action Plan CAP2.0 that sets goals to reduce greenhouse gas emissions and the city's carbon footprint. However, many actions in the plan are either not funded at all or underfunded. This document highlights existing challenges with the implementation plan of the CAP and offers potential solutions around funding options.

Funding challenges with the CAP 2.0

Overall there are widespread funding shortfalls for the CAP implementation, including many energy efficiency actions (B2-B4), all community Equity Panel recommendations, and many EV actions. Additional shortfalls include:

- **Lack of staff resources for CAP implementation.** The City has just 2.0 FTE for Sustainability serving a City of 175,000 and tasked with implementing an ambitious climate plan. One of these positions is currently listed as a temporary position.
- **Lack of funding to incentivize community actions.** Incentives would make these actions feasible for a broader spectrum of people and funding could prioritize lower income residents. Incentives could include: energy efficiency upgrades, electrification, solar installation, EV.
- **Lack of funding for bike and pedestrian projects from the TSP.** The transportation sector represents 78% of emission reductions in the CAP Gap Analysis but is lacking funding for actions to close this gap or to fully implement the TSP.

Recommendation

To address these financial challenges the Sustainability Commission recommends the establishment of a dedicated fund to support actions and incentives addressing climate change as part of the CAP2.0 implementation.

Therefore, the Eugene Sustainability Commission urges the Eugene City Council to establish the **Eugene Climate Action Fund** to implement the actions detailed in the CAP2.0. The Fund would be supported by one or more funding mechanisms related to carbon use, as well as grant funds as available, with income earmarked for use solely by the Fund.

Funding opportunities and their preliminary evaluations are described in the accompanying attachment.

Possible Funding Mechanisms for the Eugene Climate Action Fund

Below is a list of various funding mechanisms with examples of how they are being used in other places.

1. Carbon Pricing

[Carbon pricing](#) is a market-based mechanism that creates financial incentives to reduce greenhouse gas (GHG) emissions. Carbon pricing programs can be implemented through legislative or regulatory action at the local, state or national level. Eleven states that are home to over a quarter of the U.S. population and account for a third of U.S. GDP have [active carbon-pricing programs](#) and are successfully reducing emissions. There are a [variety of carbon pricing proposals](#) at the federal level. The state of Oregon's attempt at carbon pricing was not successful in 2019.

There are a handful of examples of local areas utilizing carbon pricing to fund climate work. ([Reference here](#))

- In 2008, the Bay Area Air Quality Management District, which spans nine counties, passed a 4.4 cent per carbon ton fee that applies to 500 businesses. This established a much lower price on carbon pollution than is needed to truly incentivize a transition to clean energy, but was nevertheless the time a locale in the US approved carbon pricing. The tax was approved by air pollution regulators 15-1. It generates \$1.1 million per year in revenue.
- BOULDER, COLORADO The Climate Action Plan (CAP) tax became America's first voter-approved climate mitigation tax in 2006. Under CAP, the city's only electric utility, Xcel Energy, charges residents and businesses a fee via their monthly utility bills. The CAP tax is not a traditional carbon tax because it is imposed based off electric usage (in kWh), not carbon content. But because there is only one electric provider, and because CAP exempts renewable energy consumers, it has the same effect of a carbon tax. It effectively imposes a \$8.62 per carbon ton fee for residents and a \$1.52 per ton fee for businesses. Tax revenue is used to fund weatherization efforts, sustainability projects, and solar rebates. The program was renewed in 2012.
- ASPEN AND PIKE COUNTY, COLORADO The Renewable Energy Mitigation Program (REMP) requires new homes to meet a strict energy budget or pay additional fees. Homeowners who go over their established budget, and consume extra energy, must either install a renewable energy system or pay an emissions tax. Revenue from this tax, established in 2000, is subsequently invested in energy efficiency measures. While this is not a straight carbon tax, it effectively incentivizes renewable energy usage. The REMP model has been applied to a number of other locales in Colorado, including Snowmass Village, Carbondale, and Eagle County. It has also been implemented in Martha's Vineyard, Massachusetts.

2. Airport Fee

Airline travel is a source of carbon emissions. This again is a natural place to focus climate action fundraising. The recent Airport Master Plan Update shows that, pre-pandemic, over 500,000 commercial tickets are serviced per year and that number is expected to rise. Charging a \$2.00 fee per ticket would thus raise a bit over \$1 million per year, in effect being a locally-directed, carbon offset potential for airline travel.

3. Carbon Tax

This would be a tax on the consumption of natural gas and gasoline. The purpose of a carbon tax is to reflect the social and environmental cost of burning carbon. Carbon taxes ensure that companies and consumers help reduce and mitigate the impacts of burning carbon.

From CAP2.0, we see that Eugene emits about 856,000 metric tons of CO2 year from transportation and buildings. If we were to collect \$1.00 per metric ton, we could generate \$856,000 per year. There are two main sources of this CO2, vehicle gasoline and natural gas for buildings.

Burning one gallon of gasoline generates about 20 pounds of CO2. This is 1/100th of a ton (0.01) of a ton, so if we charge \$0.01 per gallon (one cent), we would collect \$1.00 per ton of CO2 emitted by burning gasoline.

The other major source of CO2 emissions is the burning of natural gas for heating and other uses. Burning one thousand cubic feet of natural gas emits about 120 pounds of CO2, That is 0.06 of a ton, so if we charge \$0.06 per thousand cubic feet (6 cents), we would collect \$1.00 per ton of CO2.

4. Healthy Climate Fee

Potential funds raised: \$1,600,000

The City of Portland is pursuing enacting a "[Healthy Climate Fee](#)" of \$25/ton on entities emitting over 2,500 tons per year. This is a form of carbon pricing solely targeting the largest individual emitters. A similar fee in Eugene would affect 12 entities (see appendix).

5. Property Tax (Ballot measure)

Buildings and other developments are significant factors in emissions. A ballot measure could add a property tax to create a sustained funding source for CAP efforts. This tax would not be based upon carbon use directly, but would be a broad-based means for raising needed funds. Examples are the recently passed operating levy and bond measure for parks maintenance and development.

Another example is the 2020 [measure 20-312](#) which secured funding for the Upper Willamette Soil and Water Conservation District with a \$0.07 tax per \$1000 of assessed property value (no more than \$14 per year for a home valued at \$200,000). The advantages of this funding mechanism is it would create a secure, long term source of money, though it requires a lot of effort and resources to get a measure on the ballot.

A tax of \$0.06 per thousand assessed value would yield around \$1 million per annum, as Eugene's total assessed property value is about \$17 billion. That is \$30 annually for a home valued at \$500,000.

6. Green/Climate Bonds

[Green bonds](#) are essentially infrastructure bonds tailored specifically to finance climate solutions. The scope of projects that can be financed is determined by the issuer and can be broad or specific. According to the Climate Trust, "Climate bonds can be structured exactly the same as traditional Treasury-style bonds (marketable, fixed-interest U.S. government debt security with a maturity of more than 10 years) and are thus easily included into institutional investment portfolios." These bonds can attract private sector investment to help bridge the climate finance gap.

In 2016, [The City of Portland](#) was the first place to sell a Green Bond in the state of Oregon. Proceeds of the bonds will provide \$18.5 million to the Bureau of Transportation to convert the City's existing street lights from high pressure sodium bulbs to energy-efficient LEDs. This conversion is expected to result in an energy savings of almost 30 million kilowatt hours per year, or the amount of energy needed to power 3,000 homes.

7. Property Assessed Clean Energy (PACE) Loans

PACE loans are a financing mechanism implemented by local governments that allows residential or commercial property owners to finance energy efficiency and renewable energy improvements. The repayment of qualified energy improvements is done via a voluntary property tax assessment collected by local governments, just as other public infrastructure investments are financed. PACE project financing may be provided by municipal bonds or third-party capital secured by the property assessment payments. Homeowners repay the loans via a line item on their property tax bill and repayment responsibility transfers to the next owner if the home is sold.

California passed legislation to enable PACE financing in 2007, and since has financed billions of dollars in both residential and commercial clean energy projects around the state.

Oregon passed PACE-enabling legislation in 2014 for renewable and energy efficiency improvements. Currently, only Multnomah County has a program.

- Multnomah County currently has a [commercial PACE program](#)
- [View this site](#) for more information on PACE programs

8. Revolving Loan Fund

According to the [US Department of Energy](#), A Green Revolving Fund (GRF) is “an internal capital pool that is dedicated to funding energy efficiency, renewable energy, and/or sustainability projects that generate cost savings. A portion of those savings are then used to replenish the fund (i.e. revolved) allowing for reinvestment in future projects of similar value. This establishes an ongoing funding vehicle that helps drive energy efficiency and sustainability over time, while generating cost savings and ensuring capital is available for important projects.”

[Harvard University uses a GRF](#) to implement sustainability projects. Since 2002 the fund has supported nearly 200 projects that have yielded over \$4 million in energy savings annually.

9. Natural Gas Franchise Fee or Excise Tax.

Potential funds raised: \$1,400,000

Franchise fee or excise tax can be set by a city [ordinance as Gresham](#) did so that NW Natural pays for clean air, energy efficiency, and climate protection programs. The current franchise fee of 5% raises approximately \$1.4 million per year.

10. Grants

There are several public and private foundations supporting work by cities on climate change action. A subset are:

- [USDN Innovation Fund](#) (Urban Sustainability Directors Network)
- [Kresge Foundation Environment Program](#)
- The Funders Network- [Partners in Places](#)
- Surdna Foundation [Social and Environmental Justice](#)

11. Funding through Utility Fees

One example of a local utility raising funding for clean power is Los Angeles Department of Water and Power (LADWP). [Their board voted](#) to raise the rates to fund clean power because city regulations required carbon reductions. The board estimated that around 80% of power revenue would go to clean energy and climate change goals. The City of Eugene could work with EWEB to expand local programs.

12. Clean Air Fee

Potential funds raised: \$900,000

The Clean Air Protection Fee would establish a tiered fee (\$15,000/\$25,000/\$40,000) on facilities that generate substantial hazardous air pollution locally and are therefore required to hold Simple Air Contaminant Discharge Permits, Standard Air Contaminant Discharge Permits, or Title V Permits from the Oregon DEQ. A similar program here would affect 41 facilities (see appendix).

Currently, the City of Portland is going through rulemaking for this program. Following Portland's model, this fund could be used to support the City in administering community-wide pollution reduction programs and environmental justice protection.

The program priorities would be developed collaboratively with community partners, such as:

1. Analyze how levels of air pollution vary within the city and how that exposure impacts Eugene residents, especially BIPOC communities, to inform and prioritize action plans that protect the most marginalized and health impaired in the community, including helping to resource communities. This includes improved access to data and information for communities, City staff, and regional partners.
2. Develop and manage programs that reduce exposure to air pollution from motor vehicles, construction equipment, residential wood combustion, wildfire events, and heat, with a priority focus on the most marginalized and impacted communities. The City will work with frontline community organizations and other jurisdictional leaders, like Lane County, LRAPA, and DEQ, to develop priority actions.
3. Develop and implement a community plan to protect Eugene residents from poor air quality and protect the most vulnerable from bad air quality days (for example, expanding access to air filtration systems and cooling community centers for heat and wildfire events). This work will be done in coordination with Lane County, LTD, City agencies, health care and community partners.

13. Transportation Funding Options

The 20 year bike and pedestrian projects from the TSP is not on pace to be completed with current funding levels and requires a dedicated plan to fully fund its implementation. These funding mechanisms could support city staff to work with the Active transportation Committee to create a plan to fully fund the project list from the [Transportation System Plan](#) within the 20-year timeframe of the plan (set to end in 2037) through a combination of state and federal funds, road bonds, gas taxes, vehicle registration fees, other road fund, and grants.

14. Road Bonds

Potential funds raised: \$1,000,000

Most [recent bond in 2017 approved \\$5 million](#) in spending for biking and walking safety projects out of \$51.2 million in total Bond revenue. This was an increase in the percentage of bond funds dedicated to bike and pedestrian safety projects from the previous bond. Another bond will likely be recommended by

the Active Transportation Committee for approval by voters in 2022 and this may be an opportunity to increase funds for these types of projects.

15. Gas Taxes

Potential funds raised: \$600,000-\$6,000,000

[Eugene currently has a \\$.05 local gas tax](#) raising approximately \$3 million per year distributed to the City annually. An increase in this rate could be dedicated to bike and pedestrian safety projects.

16. Registration Fees

Potential funds raised: \$750,000-\$4,000,000

[Clackamas County](#) has enacted such a fee (\$30 per annum) to fund needed road safety projects. Perhaps we could do this for transportation-related emissions reduction projects such as bike path improvements or bike and car charging stations. [Oregon State DMV statistics show in 2019](#) 336,000 passenger cars and 3300 trucks registered in Lane County. Assuming one-half of cars and one-third of trucks are registered in Eugene, an annual \$10 registration fee on these vehicles would collect more than \$1 million.

An increase in registration fees could be tailored to equalize fees paid by different types of vehicles, where more fuel-efficient vehicles currently pay more (e.g., raising registration fees for all internal combustion engine vehicles to \$152 or \$162 for a two-year period)

[Current 2-year registration fee rates](#) for passenger vehicles:

- 0-19 mpg vehicles - \$122
- 20-39 mpg vehicles - \$132
- 40+ mpg vehicles - \$152
- EV's - \$306

17. Clean Energy Fund

The Portland Clean Energy Community Benefits Fund (PCEF) provides dedicated funding for [climate action](#) that advances racial and social justice and was created by a local ballot measure. The Fund is anticipated to bring \$44 - \$61 million in new annual revenue for green jobs, healthy homes, and a climate-friendly Portland. The State of Oregon's 2019 Corporate Activity Tax explicitly prohibits other cities from enacting a similar legislation so this is not a replicable funding option for Eugene.