May 12, 2025 Special Town Meeting
Article 10
Amend General By-Laws – Revolving Funds
Frequently Asked Questions

1. What does this article accomplish?
This article proposes the establishment of an Energy Efficiency and Clean Energy Capital Program Revolving Fund. The objective of the proposed revolving fund is to allow the Town to use funds received from state, federal, and utility programs for completing qualifying energy efficiency and clean energy capital projects to help pay for future energy efficiency and clean energy capital projects.

The Town of Needham's Climate Action Roadmap established a goal for the Town to achieve net zero emissions by 2050, which will require investments in infrastructure that will result in energy and emissions reductions. These projects are expected to qualify for payments from state, federal, and utility programs, and the Town may use these payments to reinvest in the completion of future energy efficiency and clean energy capital projects. This will help ensure capital is available to assist with funding future energy efficiency and clean energy projects. It will also enable the Town to continue to benefit from long-term cost savings from these projects.

2. Under what statutory authority is the Town able to establish this revolving fund?
In 2016, Governor Baker signed into law "An Act to Modernize Municipal Finance and Government", Chapter 218 of the Acts of 2016, which determined that municipal revolving funds must be established by bylaw or ordnance, and expenditure limits for these funds must be established annually and prior to July 1 for these funds. Pursuant to Massachusetts General Law Chapter 44 §53E ½,

> *"Notwithstanding Section 53, a city or town may authorize by by-law or ordinance the use of one or more revolving funds by one or more municipal agencies, boards, departments or offices, which shall be accounted for separately from all other monies in the city or town and to which shall be credited any fees, charges or other receipts from the departmental programs or activities supported by the revolving fund…"*

3. What types of projects might be funded with this revolving fund?
The Energy Efficiency and Clean Energy Capital Program Revolving Fund could fund energy efficiency, clean energy, and electrification capital projects. Projects may include but are not limited to:

- Solar photovoltaic (PV) installation
- Battery energy storage systems
- Air source heat pumps
- Ground source heat pumps

4. What types of state, federal, and utility programs might provide rebates, incentives, or tax credits for this revolving fund?

There are several state, federal, and utility programs which the Town of Needham is or may be eligible for in the future. The following is a sample of these programs and the potential funding available for eligible participants.

Source of Funding	Program	Eligible Activities	Potential Award
Federal	Inflation Reduction Act: Commercial Clean Vehicle Credit §45W *Credits available for 2022-2032 completed projects; changes with new administration possible*	Purchase of a Battery Electric Vehicle (BEV) or Plug-in Hybrid Electric Vehicle (PHEV)	Less than 14,000 pounds: maximum credit $7,500 ($7,000 maximum for PHEV) 14,000 pounds or more: maximum credit $40,000
Federal	Inflation Reduction Act: Investment Tax Credit §48 *Credits available for 2022-2032 completed projects; changes with new administration possible*	Solar; energy storage; ground source heat pumps	If maximum net output is less than 1 megawatt of electrical or thermal energy, tax credit is worth 30% of the taxpayer's basis in the energy property or qualified facility
Utility	Eversource Commercial New Construction or Major Renovation Path 1: Net Zero and Low EUI Building	Ground source heat pumps; air source heat pumps	Construction incentive: $2.00/ft^2 Ground source heat pump: $4,500/ton Air source heat pump: $800/ton Variable refrigerant flow: $1,200/ton Post occupancy incentive: $1.50/ft^2
State	Alternative Portfolio Standard	Ground source heat pumps; air source heat pumps	Alternative Energy Credits (AECs) vary based on market conditions, but estimate $15 per AEC
State	Solar Massachusetts Renewable Target (SMART) Program	Solar	Variable incentive value per kilowatt-hour (kWh) of solar energy generated, typically ranging between $0.22 and $0.26 per kWh

5. Have other municipalities established similar revolving funds?

There are several examples of Massachusetts municipalities that have authorized the establishment of these revolving funds to utilize rebates, incentives, and tax credits received through state, federal, and utility energy efficiency, electrification, and renewable energy related programs to support sustainability related initiatives. The following are a sample of communities that have adopted this approach and the core aspects of their programs.

Municipality	Fund	Expenses Payable	Receipts
Town of Acton	Energy Efficiency Fund	Energy efficiency, energy conservation, or renewable energy projects or activities of the town.	Gifts, grants and donations received from public or private sources, federal and state funding programs, revenues from energy efficiency incentive payments, power purchase agreements, renewable energy leases, and similar sources.
Town of Holliston	Recycling Fund	Costs, wages and expenses relating to both operation of the recycling center and sustainability projects.	Payments to the town under solar net metering agreements, energy aggregation, and receipts from Recycling Center.
Town of Natick	Energy Efficiency and Clean Energy Capital Program Revolving Fund	Capital projects related to energy efficiency, renewable energy, and electrification.	Monies received through state, federal and utility energy efficiency and electrification rebates, incentives and tax credits.
City of Newburyport	Green Initiatives Fund	To develop, promote, implement, and administer Green activities associated with waste reduction energy conservation, recycling, a clean environment, and alternative energy initiatives.	Government entities, private and public corporations, foundations, private individuals, and other funding sources that provide and offer grants, rebates, donations, gifts and other resources associated with green initiatives.
City of Salem	Utility Energy Credit Fund	Projects or programs that reduce utility costs, use, and/or emissions. This may include personnel costs associated with participation in the programs that generate the credits.	Credits or payments received for projects or programs that specifically result in a reduction in utility costs, use, or emissions.

In addition, the Towns of Arlington and Wayland will both be pursuing the adoption of a Sustainability Revolving Fund during their respective Spring 2025 Town Meetings.

6. How is the revolving fund budget established?

Creating this type of revolving fund is a two-step process. The first step is to pass a general bylaw to authorize the revolving fund. The bylaw must identify the type of receipts to be credited to the revolving fund and specify the purposes for which monies in the revolving fund may be spent. After a Town Meeting approves the bylaw, the bylaw must then be reviewed by the Office of the Attorney General for approval. If the bylaw is approved and posted, the second step is to establish an annual spending limit. The spending limit must be approved at the Annual Town Meeting before the start of the fiscal year. This revolving would first be effective July 1, 2026, for fiscal year 2027. The budget would be established at the May 2026 Annual Town Meeting.

7. How does the proposed revolving fund support the Town of Needham and the Commonwealth's net zero by 2050 goals?

The proposed revolving fund will help ensure capital is available to support future energy efficiency and clean energy projects in the Town, enabling the Town to continue to make strides towards achieving the goal of net zero emissions by 2050 as it pursues building electrification projects.

8. How could this proposed revolving fund affect upcoming construction projects?

On projects like the Fleet Maintenance addition to the Jack Cogswell Building, the revolving fund could help fund the installation of solar PV panels on the new roof as a later phase if the bids for the base building come in too high to be included within the original construction contract. For reference, the solar array at the Sunita Williams Elementary School was constructed under a separately bid contract once the Permanent Public Building Committee was comfortable with the amount of contingency left in the overall project. The Jack Cogswell Building addition has the potential of becoming the first net zero public project in Needham if solar PV is included.

9. Why is it important to have the revolving fund from a cash flow perspective?

The funds received from the state, federal, and utility programs typically do not come back to the Town until the project has been completed and all the energy related equipment is operating according to the design for a full year. These funds could be used to enhance the sustainability of existing and new buildings by reinvesting these rebates, incentives, and tax credits into future energy efficiency, electrification, and renewable energy projects, helping to secure a more sustainable future for the Town.