



# OFFICE OF THE STATE AUDITOR



DIANNE E. RAY, CPA  
STATE AUDITOR

April 16, 2020

## COLORADO NEW ENERGY IMPROVEMENT DISTRICT PERFORMANCE AUDIT – STATUS REPORT

Members of the Legislative Audit Committee:

Attached is the status report from the Colorado New Energy Improvement District (District) on the implementation of recommendations contained in the Office of the State Auditor's (OSA) May 2019 *Colorado New Energy Improvement District Performance Audit*.

### OSA REVIEW OF DOCUMENTATION

As part of the status report process, we requested and received supporting documentation for each recommendation that the District reported as having been implemented. Specifically, we reviewed the following documentation:

- An amendment to the contract between the District and its C-PACE Program Administrator.
- A Memorandum of Understanding between the District and the Colorado Energy Office.
- Resolutions adopted by the District's Board of Directors.

Based on our review, the supporting documentation substantiates the District's reported implementation status.

OFFICE OF THE STATE AUDITOR  
1525 SHERMAN STREET  
7TH FLOOR  
DENVER, COLORADO  
80203

303.869.2800



*SENT VIA EMAIL to: [greg.fugate@state.co.us](mailto:greg.fugate@state.co.us)*

April 10, 2020

Dianne E. Ray, CPA  
State Auditor  
Colorado Office of the State Auditor  
1525 Sherman St., 7<sup>th</sup> Floor  
Denver, CO 80203

Dear Auditor Ray:

In response to a written request from Deputy State Auditor Monica Bowers dated March 4, 2020, we have prepared the attached status report on the implementation status of audit recommendations contained in the May 2019 Performance Audit of the Colorado New Energy Improvement District (the "District"). The report provides a brief explanation of the actions taken by the District's Board of Directors to implement each recommendation.

If you have any questions about this status report, please contact me directly at 303.866.2206 or [andrew.sand@state.co.us](mailto:andrew.sand@state.co.us).

Sincerely,

A handwritten signature in black ink that reads "Andrew Sand".

Andrew Sand  
Chair of the Board of Directors  
Colorado New Energy Improvement District  
<https://www.colorado.gov/neid>

Enclosed: status report dated April 10, 2020

cc: Jeffrey King, Recording Secretary  
Marcus McAskin, District counsel

## AUDIT RECOMMENDATION STATUS REPORT

AUDIT NAME	Performance Audit of the Colorado New Energy Improvement District (May 2019)
AUDIT NUMBER	1871P
AGENCY	Colorado New Energy Improvement District
DATE OF STATUS REPORT	April 10, 2020

### SECTION I: SUMMARY

REC. NUMBER	AGENCY'S RESPONSE	ORIGINAL IMPLEMENTATION DATE	CURRENT IMPLEMENTATION STATUS	CURRENT IMPLEMENTATION DATE
1a	Agree	December 2019 and Ongoing	Implemented	December 2019 and Ongoing
1b	Agree	December 2019 and Ongoing	Implemented	December 2019 and Ongoing
2	Agree	December 2021	Partially Implemented	December 2021
3	Agree	December 2019	Implemented	December 2019 and Ongoing

### SECTION II: NARRATIVE DETAIL

#### RECOMMENDATION 1A

The Board of Directors for the Colorado New Energy Improvement District (District) should ensure the long-term financial sustainability of the District and the Commercial Property Assessed Clean Energy Program (C-PACE Program or Program) by continuing to:

- a. Adjust the program administration fee, as needed, to encourage new projects while generating sufficient annual revenues to support the District's operations, including the servicing of existing assessment liens and payments to the Program Administrator.

CURRENT IMPLEMENTATION STATUS	Implemented	CURRENT IMPLEMENTATION DATE	December 2019 and Ongoing
-------------------------------	-------------	-----------------------------	---------------------------

#### AGENCY UPDATE

The District entered into Amendment No. 3 and One-Year Extension to the Professional Services Agreement with the Program Administrator, Sustainable Real Estate Solutions, Inc. (the "Amendment") to set the program administration fee ("PA Fee") at 2.25 percent of project amount financed (down from 2.5 percent in prior years), while maintaining the PA Fee cap at \$50,000.00. The Amendment also memorializes a minimum PA Fee of \$5,000.00 for smaller projects, with the District retaining 50% of the PA Fee for said projects. For larger projects (exceeding \$653,595 in amount financed) the District retains 17% of the PA Fee. These adjustments will assist the District with continuing to support the District's core Program functions.

**RECOMMENDATION 1B**

The Board of Directors for the Colorado New Energy Improvement District (District) should ensure the long-term financial sustainability of the District and the Commercial Property Assessed Clean Energy Program (C-PACE Program or Program) by continuing to:

b. Evaluate and pursue alternative revenue sources, as needed, until the program administration fee-based funding model is fully self-sustaining.

CURRENT IMPLEMENTATION STATUS	Implemented	CURRENT IMPLEMENTATION DATE	December 2019 and Ongoing
-------------------------------	-------------	-----------------------------	---------------------------

**AGENCY UPDATE**

By Resolution No. 2019-R-14 dated December 18, 2019, the Board of Directors of the District (the “Board”) imposed a \$100 annual administrative collection fee on properties that have assessment liens placed on them on and after February 1, 2020 (“Collection Fee”). The purpose of the Collection Fee is to offset the annual administrative costs incurred by the District in relation to the annual special assessment certification and collection process. The Board anticipates that the Collection Fee may be reduced in future years as project volume increases.

**RECOMMENDATION 2**

The Board of Directors for the Colorado New Energy Improvement District (District) should ensure the sustainability of the District and its activities and programs by formally establishing the District’s management structure, including clearly defining the scope, authority, and responsibilities of a chief executive/administrator position that is separate from and accountable to the Board.

CURRENT IMPLEMENTATION STATUS	Partially Implemented	CURRENT IMPLEMENTATION DATE	December 2021
-------------------------------	-----------------------	-----------------------------	---------------

**AGENCY UPDATE**

The Board continues to agree that creating a separate chief executive/administrator position is in the District’s long-term interest, and is continuing to work toward implementing Recommendation 2 by the target implementation date of December 2021. In the interim, the CEO’s Senior Finance Programs Manager is performing certain District management functions as specifically outlined in paragraph 5. of the Memorandum of Understanding between the Colorado Energy Office (“CEO”) and the District Regarding Administrative Support Services Provided by CEO to the district (the “MOU”). The MOU was approved by both the District and CEO in December of 2019.

### RECOMMENDATION 3

The Board of Directors for the Colorado New Energy Improvement District (District) should ensure clarity of administrative separation between the District and the State by executing a formal intergovernmental agreement or memorandum of understanding with the Colorado Energy Office (CEO) that outlines the scope of services, responsibilities, and related compensation for any activities within the scope of the District’s statutory authority that are performed, provided, or supported by CEO employees or resources.

CURRENT IMPLEMENTATION STATUS	Implemented	CURRENT IMPLEMENTATION DATE	December 2019 and Ongoing
-------------------------------	-------------	-----------------------------	---------------------------

### AGENCY UPDATE

By Resolution No. 2019-R-15 dated December 18, 2019, the Board approved the MOU (referenced in the response to Recommendation 2 above). The MOU may be modified at any time by the mutual written agreement of the District and CEO.