



# Financing as the “Enabler” of your Performance Contract

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# Agenda

- Financing Options for Performance Contracting
- Lease Purchase Financing
- State Programs
- Your ESCO's Role in Financing
- Established Market



# Financing Options

- Internal Financing
  - Limited by available resources
- Notes/Bonds (GO, Revenue or COP)
  - Used for larger projects, requires full faith and credit, limits flexibility in payment structure and longer issuance time
- Lease Purchase Financing (Tax-Exempt Lease)
  - Widely accepted with a large percentage of Performance Contracts financed via Lease Purchase



# Lease Purchase Financing Benefits

- Flexibility – payments structured consistent with energy savings
  - Stepped payments to meet escalating savings
- Timing – may be structured in less than 30 days
- Ease of documentation
- Written in accordance with applicable state law
- Subject to annual appropriation of funds – no voter referendum



# Additional Benefits

- Terms up to 20 years consistent with State Energy Legislation
- Terms match economic useful life of project
- Fixed rate for term of lease – rates currently close to bonds
- No issuance costs
- Escrow structure to provide for progress payments to ESCO
  - All interest earnings of escrow accrue to Customer



# Your ESCO's Role in Financing

- ESCO's are familiar with Qualified Financial Institutions
- ESCO obtains up to three or more finance proposals on your behalf
- State Finance document may be used
- ESCO provides project scope and savings
- Qualified Financial Institution tailors structure to better maximize savings dollars
- ESCO tabulates responses



# Selection Process

- Reserve the right to award to the “best value” provider
- Request experience of Institution in providing similar financing structures
- Compare all costs
- Lowest rate does not necessarily provide best value



# Established Market

- First lease purchase of performance contracting completed over 20 years ago
- Qualified Financial Institutions throughout the United States
  - Banks, Investment Banks, Brokers, and Insurance Companies
- Lenders Comfortable with the Asset, and Bank Asset Management Groups have verified the useful life to match finance terms
- Historically low default rate due to energy savings



# Financing Solutions

There are energy service companies and an established financial marketplace ready to meet your energy project and financing needs