Retrofit Chicago I

Board of Directors Update
19 July 2013
Projects

• CPS Lighting
  – ~$20M Funding, Exclusive of Grants
  – $2.2M Expected Annual Energy Savings
  – Sufficient Cash Flow to Fund Improvements Based Upon 10 Year Term
Projects

• Department of Water Management
  – $73M Project
  – ~$40M Funding
  – $4.6M Annual Labor, Maintenance & Energy Savings
  – Sufficient Cash Flow to Fund Improvements Based Upon 15-20 Year Term
Projects

• Department of Fleet & Facility Management
  – ~$26M Funding
  – $2M Annual Energy Savings
  – Sufficient Cash Flow to Fund Improvements Based Upon 20 Year Term
• Released RFQ
• Circulated Model Term Sheet
• Respondents:
  – Amalgamated Bank
  – Citigroup
  – Energy Infrastructure Partners
  – Green Campus Partners
  – Hapoalim Securities
  – Harvestons Securities
  – J.P. Morgan
  – Johnson Controls
  – Metrus Energy
  – North South Capital
  – PNC
  – US Bank
## Potential Retrofit Delivery Models

<table>
<thead>
<tr>
<th>Publically Financed</th>
<th>Alternative Structure</th>
<th>Privately Financed</th>
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</thead>
<tbody>
<tr>
<td><strong>Potential benefits:</strong></td>
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<tr>
<td>- Lower cost of capital</td>
<td>- Partial risk transfer to private party</td>
<td>- Greater risk transfer to private party</td>
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<tr>
<td>- Known financing process</td>
<td>- Potential to finance off balance sheet</td>
<td>- Potential to finance off balance sheet and off credit</td>
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<tr>
<td>- Full control and ownership of retrofit projects</td>
<td>- Some precedent in alternative financing structures</td>
<td>- Potential transfer operations and maintenance costs</td>
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<tr>
<td>- No security interest requirements</td>
<td>- Potential to bundle assets and agency</td>
<td>- Stronger incentives for performance</td>
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<tr>
<td>- Ability to bundle assets and agencies</td>
<td>- <strong>Considerations:</strong></td>
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<tr>
<td><strong>Considerations:</strong></td>
<td>- Design and construction risks retained by the city</td>
<td>- Potential higher cost of capital</td>
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<td>- Retains schedule and project cost risk</td>
<td>- Commitment to appropriate will impact ultimate cost</td>
<td>- Innovative and complex process still in development/time to reach close</td>
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<tr>
<td>- Ongoing operating and maintenance requirements</td>
<td>- Requires ESCO or guarantees throughout term of transaction</td>
<td>- City retains limited control and ownership of projects</td>
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<tr>
<td>- Internal capability to execute projects</td>
<td>- Requires some type of security interest in retrofit assets to be transferred to private party</td>
<td>- Requires savings or ESCO guarantees for term</td>
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<tr>
<td>- Requires commitment to appropriate</td>
<td>- <strong>ESC O involvement and guarantee at city’s discretion</strong></td>
<td>- Requires ownership or other security interest in assets</td>
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<tr>
<td>- ESCO involvement and guarantee at city’s discretion</td>
<td>- <strong>On balance sheet</strong></td>
<td>- Appropriation guarantee and other enhancements lower risk</td>
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<tr>
<td>- On balance sheet</td>
<td></td>
<td>- Labor savings difficult to monetize</td>
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</table>
Model: Create A Grantor Trust

- **Grantor Trust Created by CIT**
  - Marketing Securities to Accredited Institutional Investors
  - Facilitates a Private Placement Payable on a Tax Exempt, Limited Recourse Basis from Project O&M and Energy Savings
  - Lends and Disburses Funds to City Departments and Agencies for Key Infrastructure Projects
  - Aggregates Investing
  - Tax Exempt Borrowing

- **CIT enters into three loan and disbursement agreements**
  - City/2FM
  - CPS
  - City/DWM

- **Grantor Trust secured by pledged revenues (energy and operational savings) plus an equity indemnity reserve facility (EIRF)**
  - EIRF is funded on Second Lien Basis by Other Investors

- **City (2FM), City (DWM) and CPS transfer savings to CIT & Grantor Trust**

- **CIT sells Trust Participations to Investors**

- **City Avoids Using City & CPS GO Bond Capacity & Protects Taxpayers**
  - Limited Recourse
Flow of Funds

CIT sells participations in loans through Grantor Trust on non-recourse basis.

Loan Repayments

Investors

Trust Participations

Grantor Trust

Investor proceeds to fund projects

Proceeds

CPS Note with Indemnity

DWM Note with Indemnity

2FM Note with Indemnity

Loan #1

Loan #2

Loan #3

Limited Recourse Infrastructure Loans
Timeline

- CIT – July: RFP, Finalize Process & Timeline
- CIT – August: Board Approves OM
- CIT – September: Board Approves Transaction
- City – September: City Council Introduction
- City – October: City Council Authorization
- CPS – October: Board Authorization