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

Status

- 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

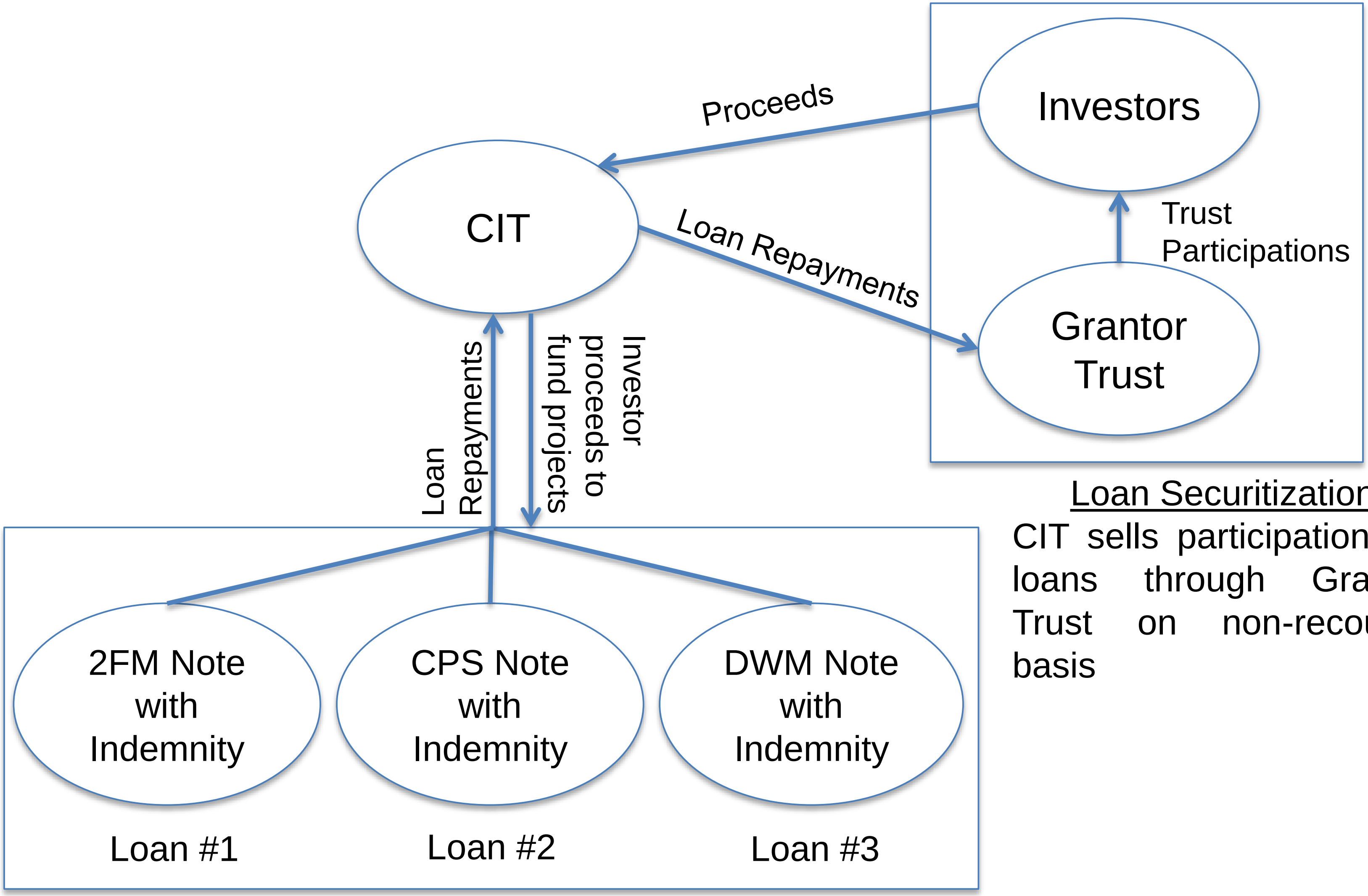
Higher ← Balance Sheet and Credit Impact → Less

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

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



Limited Recourse Infrastructure Loans

<u>Loan Securitization</u>

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

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